

# CITY OF DANA POINT

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012



Lara Anderson, Mayor  
Steven H. Weinberg, Mayor Pro Tem  
Lisa Bartlett, Council Member  
William P. Brough, Council Member  
Scott Scheffel, 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, 2012

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January 8, 2013

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, 2012, 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, 2012, 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, 2012, 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, 2012, 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 the MD&A and should be read in conjunction with it.

## 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 33,100. 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.

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 2012. This 10% tax is imposed upon visitors staying in lodging establishments located in the City. The luxury resorts that many visitors stay in are also the City's largest individual property tax payers, some of its largest employers, and its biggest sales tax generators. Moreover, their guests dine in area restaurants, shop in retail establishments and enjoy recreational opportunities within the city that provide other streams of revenue to Dana Point's merchants. In total, it is estimated that the tourism industry (directly or indirectly) contributes approximately half of the City's General Fund revenues.

Due to high property values and the limited availability of space, 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 remaining 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 2006, site grading was complete in 2008, and the first of the new custom homes was completed during 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 visitor lodging and visitor-serving retail establishments. The Headlands area was originally expected to be built-out over the next few years; however, the timetable has understandably been extended due to the slowdown in the real estate market and the slow recovery in the local economy. After an initial spurt of sales in 2007 and 2008, parcel sales had slowed precipitously, with sales only recently picking up again.

The City also receives significant revenue through the State of California. These revenues include gasoline taxes, 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) revenue continued to rebound in fiscal 2012, increasing another \$1.1 million (13.3%) to \$9.4 million. After reaching its peak of \$11.3 million in fiscal 2008, TOT revenues declined by \$2.7 million in fiscal 2009, and 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 was attributable to economic factors. These economic factors continue to show signs of improvement. The City's two largest hotels, the Ritz Carlton and the St. Regis Monarch Beach, appeal primarily to high-end domestic and international visitors, in addition to hosting corporate events and meetings. In fiscal 2012 every month's TOT revenues were higher than the prior year's monthly amount. These increases reversed a trend from the first ten months of fiscal 2010 in which declines were experienced in TOT received when compared to periods in fiscal 2009.

Sales tax revenue also continued to rebound in fiscal 2012, with an increase of 16.1%, or \$0.5 million over last year, to a total of \$3.6 million. Sales tax revenue had declined by 18.3% in fiscal 2009, and declined a further 3.1% in fiscal 2010, followed by a healthy increase of 5.7% in fiscal 2011. Since many of the largest sales tax generating businesses are reliant on tourism and business meetings, 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 revenue in calendar 2012, and the City anticipates this will continue through-out the remainder of calendar 2012 into calendar 2013 as the economy continues to slowly improve.

Until 2007, California's economic growth and unemployment rates largely mirrored that of the United States. However, from 2008 through 2012, California's economy was weaker than the nation as a whole; this is widely attributed to the collapse and slow recovery in the housing market. Many believe that California's recovery will be slower and occur over a longer period of time. The local unemployment rate, which stood at 2.8% in calendar 2007, surged to 7.0% by fiscal 2010. The final rate for calendar 2011 dropped to 6.7%, and the rate for fiscal 2012 is not yet available, but is expected to drop slightly. With a relatively more-educated populace, Dana Point remains relatively better off than California as a whole, which in June of 2012 had an unemployment rate of 10.7%. Locally, Dana Point has experienced minor growth in median household income (up 1.5% since 2003) and per capita income (up 1.2% since 2003). However, since fiscal 2010, both median household income and per capita income have declined, falling by \$13,400 (15.4%) and \$3,300 (6.8 %), respectively. Recent economic forecasts point to income growth occurring over the next five years.

According to The Nielsen Company, the median home price fell slightly in fiscal 2012 to \$623,000, from \$643,000 reported for fiscal 2011. While there was a slight decline in the median home price in fiscal 2012, it is believed that the worst of the housing slump is over and a slow recovery has begun. According to Dataquick, median single-family residential housing prices peaked at \$915,000 in calendar 2007, dropped to \$578,000 by 2009, and dropped again in 2010 to \$571,000.

As shown in the table below, over the last five years citywide assessed real property valuation as reported by the County of Orange Auditor/Controller's Office increased \$202 million, or 2.4%. However, and even though we had seen market values drop as much as 40% in some cases, from fiscal year 2009's assessed valuation peak of \$8.9 billion, assessed values in Dana Point have only declined \$145 million, or 1.6%.

| Dana Point Assessed Property Values<br>Last Five Fiscal Years<br>(in thousands) |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| 2008  | 2009        | 2010        | 2011        | 2012        |
| \$8,533,000   | \$8,880,000 | \$8,763,000 | \$8,688,000 | \$8,735,000 |

Several factors explain the decline, including a timing issue due to the fact that the property valuation date for assessments occurs in April that precedes the fiscal year in which the tax revenue is received by the City; therefore, assessments do not fully reflect more recent changes in resale values. Also, and more important, underlying *market* values typically fluctuate up or down much more than the assessed value. This is because, under California's Proposition 13, growth in assessed valuation is limited to 2% per year, except in cases where the property is sold, at which time it is reassessed to its current market value. As a result, in a period when housing prices increase dramatically (as they did in California through the mid-2000's) assessed values could only grow by 2% per year for a property where ownership does not transfer. Subsequently, when the price of houses being sold quickly decline, the market value of many properties remain above their previous assessed value.

As a result, after factoring out the State borrowing of cities property taxes noted below, the City's property tax revenues only fell \$78,000 in fiscal 2012, which was preceded by a \$174,000 drop in fiscal 2011, and \$67,000 in fiscal year 2010. The good news, however, is that based on numbers already released by the County of Orange Auditor/Controller's Office for fiscal 2013, the assessed value for property in Dana Point will increase by \$102 million, or 1%. This is the second year in row with an increase in assessed values for the City and it is anticipated that this will lead to an increase in property tax revenues in fiscal 2013.

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 to balance its budget for fiscal 2013 the State again used a variety of budget gimmicks that include revenue from a ballot measure that needed to be approved by the voters in November, 2012, five months after the budget year began. In addition, according to the State's Legislative Analyst (LAO), the State finished fiscal 2012 with a deficit of \$3.6 billion. This is the fourth year in a row the state has finished the year with a deficit. The State's fiscal 2011 deficit was caused mostly by actual revenues received being less than the projected amounts in the budget.



In fiscal 2010 the State borrowed 8% of California cities property tax revenue, with a requirement to repay it by June 2013, plus interest. 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 that result from the State's chronic inability to resolve its fiscal problems. In response to the local impacts caused by the State's fiscal problems, in November 2010, an overwhelming majority of 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, 2012, the City had \$19.3 million of spendable fund balance in the General Fund. Of this amount, a total of \$12.3 million is categorized as being committed or assigned, leaving \$7.0 million available for appropriation. The commitments and assignments consist of: (1) a cash flow commitment of \$2.7 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 \$5.5 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 reserves equal to 30% of General Fund revenue. 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 developments to pay for any new infrastructure requirements necessitated by the projects. This includes not only traffic mitigation, streets and sidewalks, but also the addition of open space, park facilities, public art, and low income housing requirements.

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 an unfunded liability and, as a result, pension contribution rates for pool members 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 has the effect of reducing the City's future required annual pension contributions, while some other pool members with outstanding liabilities will continue to pay higher rates.

## MAJOR INITIATIVES

For the Dana Point Harbor, required approvals were finally received for a land use plan component (LUP) and an implementation plan component (IP). Together, the LUP and IP components constitute the complete Dana Point Harbor Revitalization Plan and District Regulations which replace the previous Local Coastal Plan for the Dana Point Harbor area, and that sets new development regulations for future development within the Harbor.

The Dana Point Harbor was created in 1968 from a natural cove along Dana Point's coastline. The County of Orange and U.S. Army Corps of Engineers constructed the Harbor's basic infrastructure, and public facilities that first opened in 1971. Over the past three decades, Dana Point Harbor has established itself as one of the best small boat harbors on the west coast, offering recreational and commercial amenities, and attracting boaters, tourists, local residents and business patrons. However, with the exception of a few buildings, routine maintenance and some other minor improvements, the Harbor has not been remodeled nor improved with any new facilities since that time.

Beginning in the late 1990's, planning for the Harbor's revitalization began. After many years of community meetings and legal wrangling, the Dana Point Harbor Revitalization Plan has been adopted. It establishes a new Visitor Serving Commercial area that will replace and/or remodel all of the existing retail and restaurant buildings. The Commercial Core revitalization also includes the reconfiguration of existing surface parking and addition of a parking structure to provide additional parking, new boater loading and drop-off areas, a new dry-stack boat storage facility and improvements to several boater services. It is expected that the County will begin to bring individual component projects forward in the next year or so, and full build out will take place over the next several years as funding permits.

As funding permits, the City is working to implement its Town Center Specific Plan ("TCSP"). 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. Design work for the next phase, PCH/Del Prado Street Improvements, is complete, and the City recently completed and certified the required 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. In the meantime, some components of the overall TCSP will be implemented. The City is moving forward with construction of the Town Center South Gateway improvements.

Doheny Village is the original downtown of then Capistrano Beach, one of the three communities that form Dana Point. 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. Several stakeholder meetings were held to gain public input, and the plan should be completed in fiscal 2013.

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. 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. The TBID has amassed funds necessary to launch the new brand marketing along with creation of enhanced and new events in Dana Point. As of June 30, 2012 the TBID has on-hand \$1.7 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 2012. The City spent a total of \$3.0 million on arterial and residential roadway resurfacing and improvements. There were also a number of smaller projects undertaken in fiscal 2012 to install, upgrade or repair various street, sidewalk, storm drain and park facilities, in addition to constructing a new fountain in La Plaza Park.

A number of other initiatives were undertaken in fiscal 2012:

- The new City Council appointed Arts and Culture Commission had a busy first year of its existence. They established a Vision Statement: “**Advising the City Council on local artistic, aesthetic and cultural matters,**” they approved designs for the Doris Walker memorial, and initiated an Arts in the City Council Chambers program.
- In August 2011, the City conducted its fourth 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 2012, the City continued to upgrade its information technology systems to enhance functionality, user access and transparency. One project involved providing public access via the internet to public portions of the City’s Geographical Information System (GIS). This “Community View” provides detailed information about our community from a geographic perspective. Examples of available information include aerial mapping, zoning and land use, location of trails and parks, rentable wedding sites, Coastal Zone information and topographic contours.

## **AWARDS AND ACKNOWLEDGEMENTS**

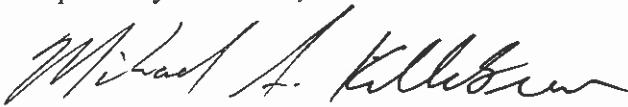
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dana Point for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The Certificate of Achievement 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 one consecutive years (fiscal years 1989 through 2011). 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. We would 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, reading "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, 2011

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.



*Christopher P. Morille*

President

*Jeffrey R. Egan*

Executive Director

# OFFICIALS OF THE CITY OF DANA POINT\*

## Members of the City Council

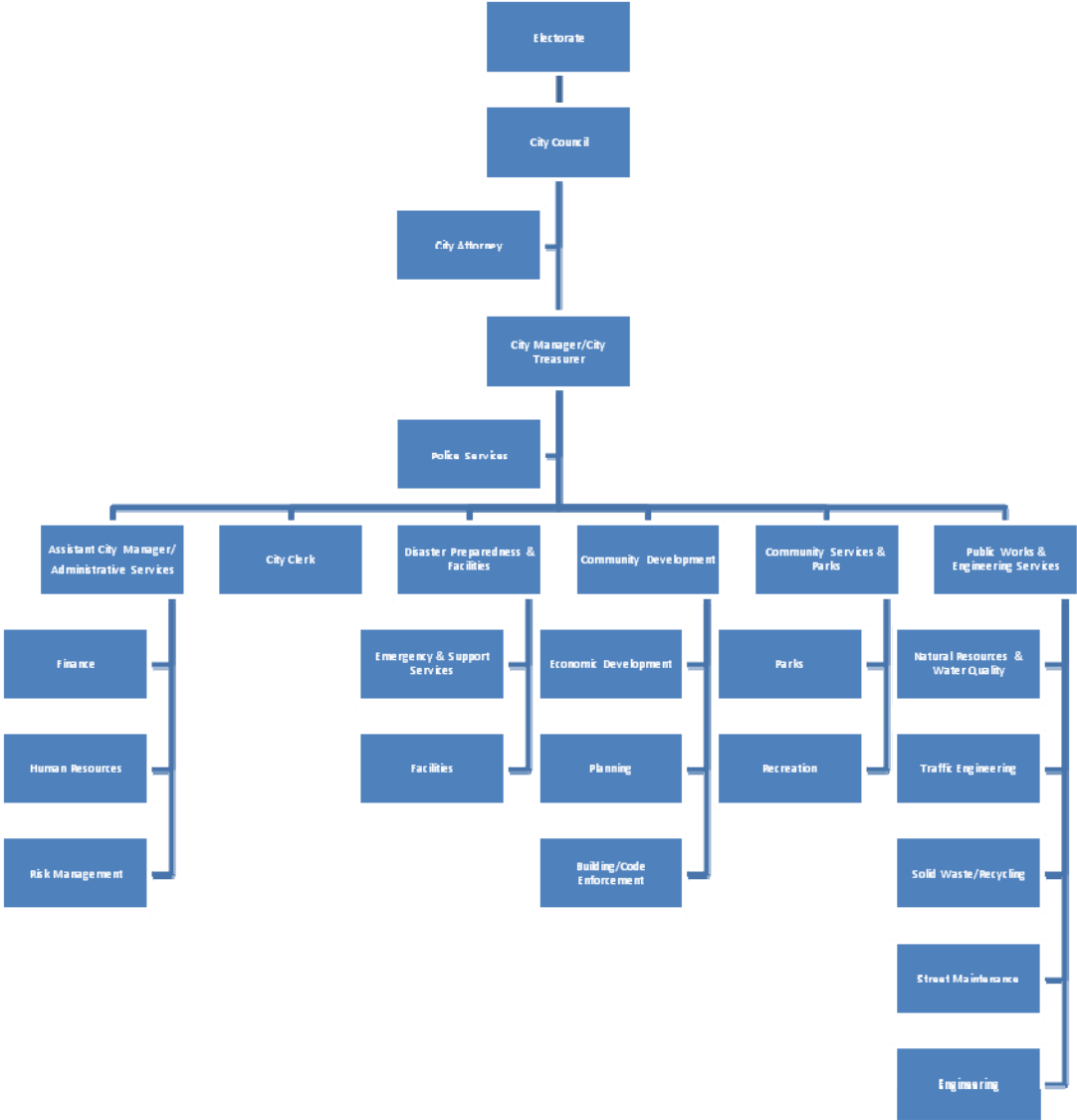
Lara Anderson, Mayor  
Steven H. Weinberg, Mayor Pro Tem  
Lisa Bartlett, Council Member  
William P. Brough, Council Member  
J. Scott Schoeffel, Council Member

## 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. Lynn Koehmstedt..... 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



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

735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramscca.net

The Honorable City Council  
City of Dana Point, California

## Independent Auditor's Report

### PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Matthew B. Wilson, CPA, MSA  
Scott W. Manno, CPA  
Leena Shanbhag, CPA, MST  
Jay H. Zercher, CPA (Retired)  
Phillip H. Waller, CPA (Retired)

### MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA  
Bradferd A. Welebir, CPA, MBA  
Jenny Liu, CPA, MST  
Katie L. Millsom, CPA  
Papa Matar Thiaw, CPA, MBA  
Maya S. Ivanova, CPA, MBA  
Danielle E. Odgers, CPA  
William C. Clayton, CPA  
Peter E. Murray, CPA  
Genivive Schwarzkopf, CPA  
Megan Hackney, CPA  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Dana Point, California (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provision 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.

### MEMBERS

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Certified Public Accountants

The Honorable City Council  
City of Dana Point, California

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, supplementary information, and statistical section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Rogers, Anderson, Malady & Lentz, LLP*

November 15, 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, 2012. 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 2012 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 \$201.7 million at June 30, 2012, which was a decrease of \$3.6 million from the prior year. Of this amount, \$169.2 million is invested in capital assets, \$2.8 million is restricted for various purposes and \$29.7 million is unrestricted.
- City-wide governmental revenues include program revenues of \$5.8 million and general revenues of \$24.3 million, for a total of \$30.1 million.
- Total City-wide governmental expenses were \$33.8 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 2012, the City's Governmental Funds reported combined ending fund balances of \$32.2 million, a decrease of \$1.5 million from fiscal 2011. Of this amount, \$2.7 million is restricted, \$9.0 million is committed, \$13.5 million is assigned and \$7.0 million is unassigned (see Note 9 for an explanation of these fund balance categories).
- General Fund revenues totaled \$27.2 million, an increase of \$1.3 million from fiscal 2011. Approximately \$1.1 million of this increase was the result of higher transient occupancy taxes received during the year and the remaining \$0.2 million was mainly due to an increase in sales tax collected for the year.
- General Fund expenditures totaled \$27.3 million, a decrease of \$0.6 million from fiscal 2011. The reduction is primarily due to the fact that fiscal year 2012 did not incur expenses in response to major storms as was the case in fiscal 2011.

- Capital Improvements Fund revenues increased by \$298,000 to \$1,071,000. This increase is attributable to a \$500,000 rise in Transportation Enhancement Activities (TEA) grant funding and a one-time \$571,000 distribution of unallocated traffic signal funds from the Coastal Area Road Improvement and Traffic Signal (CARITS) program, offset by decreases of \$396,000 in Intergovernmental Cost Reimbursements, \$219,000 in Developer Deposit Revenue, \$7,000 in Development Impact Fees, and \$151,000 in measure M fees.
- Capital Improvements Fund expenditures increased by \$1.3 million from fiscal 2011 to \$4.1 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. During fiscal 2012 several CIP projects were completed including the Pacific Coast Highway Medians Phase II project, and the Annual Residential Roadway Resurfacing Phases II and III projects. The Annual Residential Roadway project included the new landscaped medians on La Cresta Street
- All Other Governmental Funds revenues increased by \$0.2 million to \$1.8 million. This increase is attributable to a \$120,000 increase in Measure M revenue and an \$80,000 increase in gasoline tax revenue.
- All Other Governmental Funds expenditures combined, remained stable, decreasing by only \$7,000 in fiscal 2012.

## 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 (84%) 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 \$2.1 million in capital assets in fiscal 2012 resulting from depreciation of \$6.4 million for the year, offset by \$4.3 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 \$30.4 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)**

|                            | <b>Governmental Activities</b> |                   |                     |
|----------------------------|--------------------------------|-------------------|---------------------|
|                            | <b>2011</b>                    | <b>2012</b>       | <b>%<br/>Change</b> |
| <b>Assets:</b>             |                                |                   |                     |
| Current and other assets   | \$ 36,530                      | \$ 34,054         | (6.8%)              |
| Capital assets             | 171,342                        | 169,246           | (1.2%)              |
| Total assets               | <b>207,872</b>                 | <b>203,300</b>    | <b>(2.2%)</b>       |
| <b>Liabilities:</b>        |                                |                   |                     |
| Long-term liabilities      | 538                            | 527               | (2.0%)              |
| Other liabilities          | 2,008                          | 1,072             | (46.6%)             |
| Total liabilities          | <b>2,546</b>                   | <b>1,599</b>      | <b>(37.2%)</b>      |
| <b>Net Assets:</b>         |                                |                   |                     |
| Invested in capital assets | 171,342                        | 169,246           | (1.2%)              |
| Restricted                 | 2,665                          | 2,765             | 3.8%                |
| Unrestricted               | 31,319                         | 29,690            | (5.2%)              |
| Total net assets           | <b>\$ 205,326</b>              | <b>\$ 201,701</b> | <b>(1.8%)</b>       |

As shown in Table 1, net assets of the City decreased by \$3.6 million, or 1.8%, to \$201.7 million, of which \$169.2 million is invested in capital assets such as land, buildings, equipment and infrastructure. Current and other assets fell by 6.8% due to a \$2.6 million decrease in cash and investment balances, and a \$0.1 million decrease in accounts receivable.

New capital outlays in fiscal 2012 totaled \$4.3 million and depreciation for the year totaled \$6.4 million, resulting in a net decrease of \$2.1 million in capital assets. The majority of the capital outlays in fiscal 2012 were for roadway improvements.

As of June 30, 2012, the City had remaining restricted and unrestricted net assets totaling \$32.5 million. Of this amount, \$29.7 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 \$2.8 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 |                   |               |
|--|-------------------------|-------------------|---------------|
|  | 2011                    | 2012              | % Change      |
| <b>Revenues:</b>                           |                         |                   |               |
| Program revenues:                          |                         |                   |               |
| Charges for services                       | \$ 2,438                | \$ 2,486          | 2.0%          |
| Operating grants and capital contributions | 1,900                   | 2,172             | 14.3%         |
| Capital grants and contributions           | 826                     | 1,143             | 38.4%         |
| General revenues:                          |                         |                   |               |
| Taxes:                                     |                         |                   |               |
| Property taxes                             | 5,935                   | 5,857             | (1.3%)        |
| Franchise taxes                            | 1,247                   | 1,198             | (3.9%)        |
| Sales taxes                                | 3,075                   | 3,570             | 16.1%         |
| In-lieu property taxes                     | 3,944                   | 3,947             | 0.1%          |
| Property transfer taxes                    | 200                     | 230               | 15.0%         |
| Transient occupancy taxes                  | 8,284                   | 9,382             | 13.3%         |
| Motor vehicle in-lieu taxes - unrestricted | 170                     | 18                | (89.4%)       |
| Other                                      | 60                      | 68                | 13.3%         |
| Unrestricted investment earnings           | 193                     | 77                | (60.1%)       |
| Total revenues                             | <u>28,272</u>           | <u>30,148</u>     | <b>6.6%</b>   |
| <b>Expenses:</b>                           |                         |                   |               |
| General government                         | 5,636                   | 5,006             | (11.2%)       |
| Public safety                              | 10,156                  | 9,977             | (1.8%)        |
| Community development                      | 2,604                   | 2,768             | 6.3%          |
| Recreation and parks                       | 4,632                   | 4,481             | (3.3%)        |
| Public works                               | 11,374                  | 11,327            | (0.4%)        |
| Unallocated depreciation                   | 221                     | 214               | (3.2%)        |
| Total expenses                             | <u>34,623</u>           | <u>33,773</u>     | <b>(2.5%)</b> |
| Change in net assets                       | (6,351)                 | (3,625)           | (42.9%)       |
| Net assets, beginning of year              | 211,677                 | 205,326           | (3.0%)        |
| Net assets, end of year                    | <u>\$ 205,326</u>       | <u>\$ 201,701</u> | <b>(1.8%)</b> |



**Governmental Activities** – The cost of all governmental activities in fiscal 2012 was \$33.8 million. As shown in Table 2, the City recovered \$5.8 million of these costs through program revenues such as user fees, grants and contributions from other governmental organizations, developers and property owners. There were \$28 million of net expenses subsidized through general City revenues.

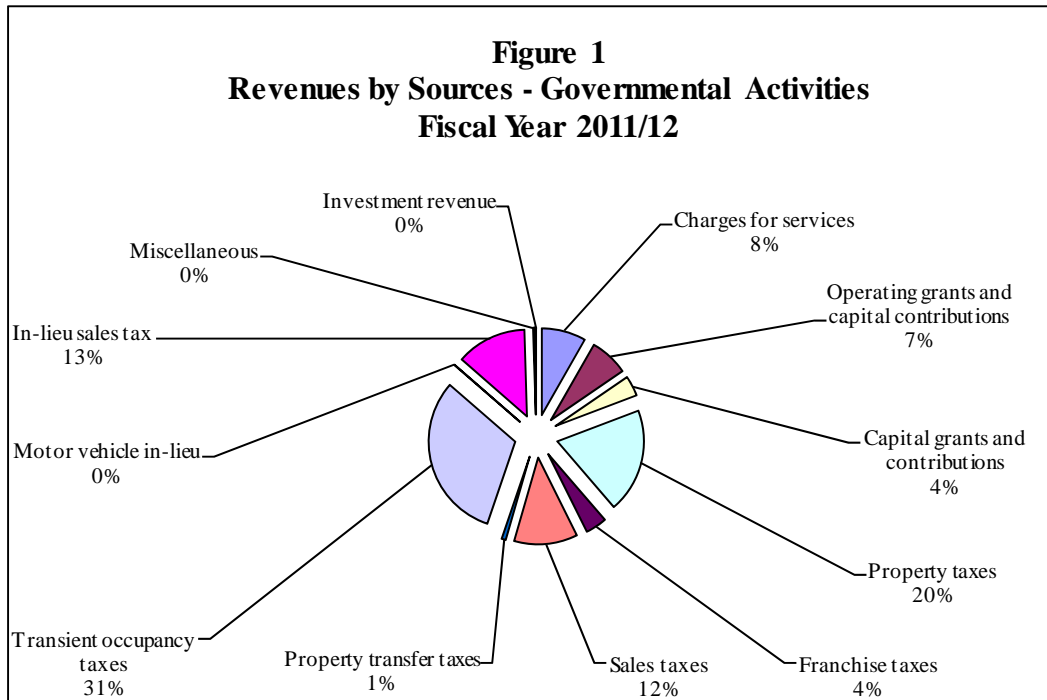


Figure 1, Revenues by Sources – Governmental Activities, depicts the distribution of fiscal 2012 revenues. The City remains highly dependent on tourism in general and transient occupancy taxes in particular to fund its operations. This revenue which represented 31% of recurring governmental revenues in fiscal 2012, increased by \$1.1 million, or 13.3%. Sales tax revenues also increased in fiscal 2012, by \$495,000, or 16.1%. The City’s investment interest earnings decreased by \$116,000, or 60.1% 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 \$78,000, or 1.3%, due to the continuing declines in assessed property values as of the assessed valuation date of April 2011. Capital grant revenue increased \$0.3 million or 38% due to project completions and reimbursements. Operating grants and contributions revenue increased by \$0.3 million in fiscal year 2012 due to the FEMA storm reimbursement received. Property transfer tax revenue increased \$30,000 due to a rise in real estate sales. Motor Vehicle In-Lieu (MVIL) revenue dropped \$152,000, or 89.4% in fiscal year 2012 due to SB89 which terminated the Motor Vehicle In-Lien allocations to cities. Overall, the City experienced an increase of \$1.9 million, or 6.6%, in governmental revenues in fiscal 2012.

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:

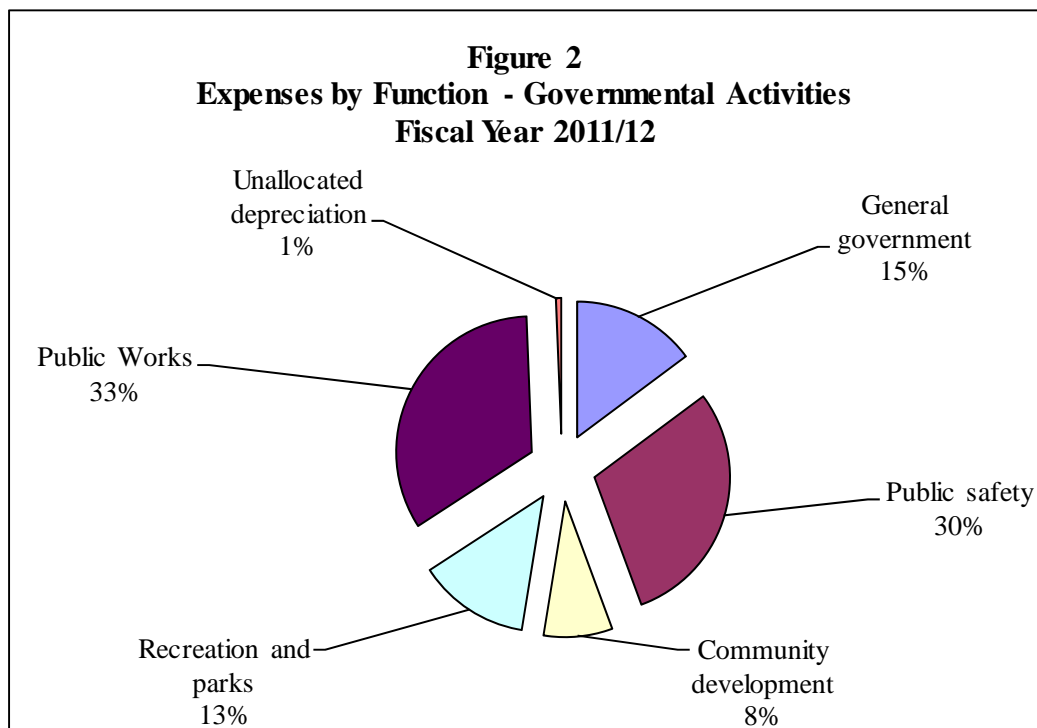
General Government is comprised of the City Council, City Manager, City Clerk, Public Information Services, City Attorney, Administrative Services, Risk Management, Facilities, and Non-Departmental, which provide the general governance services, executive management, legal, records management, insurance, 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 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 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 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 its 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 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 63% of total expenses.

Public Works outlays remained fairly level in fiscal year 2012 decreasing by \$47,000, or .04%. The scope of work was consistent with the prior year.

Public Safety expenses decreased slightly by \$179,000, or 1.8%, mostly the result of a credit from the OC Sheriff department. The credit was issued for a retirement rebate and vacant positions, filled mostly with less expensive overtime.

General Government outlays decreased by \$630,000, or 11.2%, in fiscal 2012 when compared to the prior year. The majority of the decrease is due to a \$533,000 drop in litigation costs resulting from a decline in legal costs related to medical marijuana dispensaries.

Community Development expenses increased by \$164,000, or 6.3%, due to several new developer projects that required outside, reimbursed professional services.

Recreation and Parks expenses decreased \$151,000, or 3.3%. This decrease is the result of 1) the higher amounts spent on hardscape improvements in the prior year, 2) a cost savings in a contract with a new landscape provider, and 3) fewer emergency calls for street tree issues. These decreases were partially offset by a \$100,000 increase in utilities. Utility cost increases resulted from a decrease in rainfall in fiscal year 2012, the addition of Lantern Bay Park and other sites on PCH and La Cresta to the City's park utility accounts, and utility rate increases.

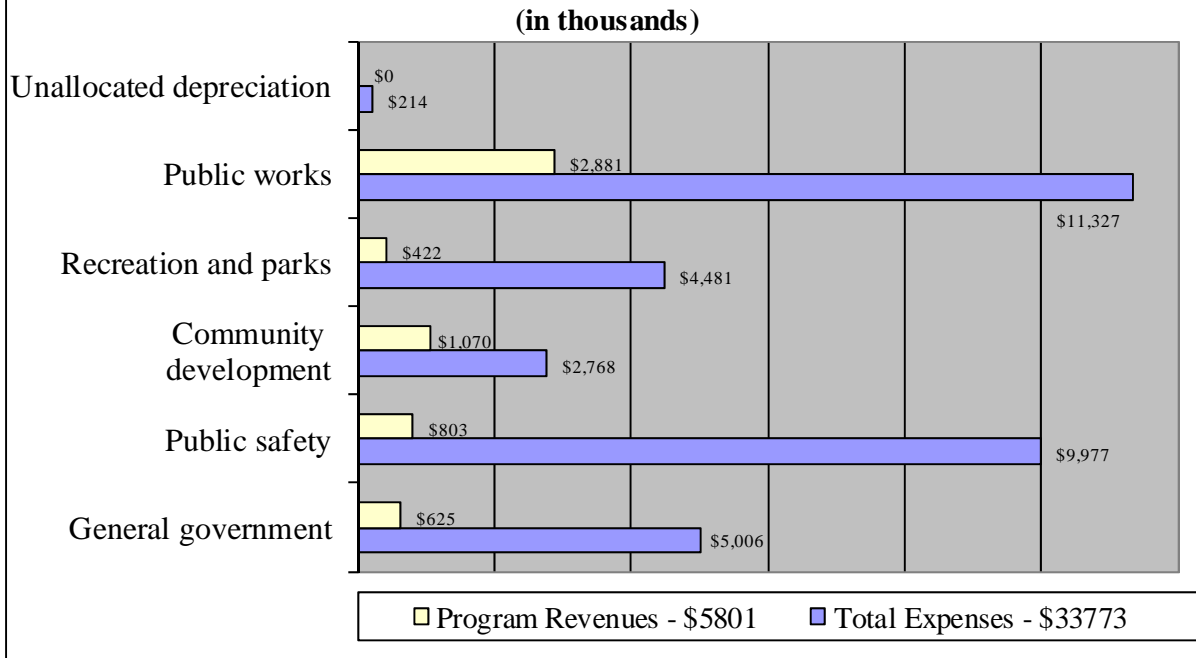
Overall, total fiscal 2012 expenses for governmental activities decreased by \$0.8 million, or 2.5%, to \$33.8 million in fiscal 2012.

**Table 3**  
**Net Cost of Governmental Activities**  
**(in thousands)**

|                          | Total Cost of Services |                  |               | Net Cost (Revenue) from Services |                  |               |
|--------------------------|------------------------|------------------|---------------|----------------------------------|------------------|---------------|
|                          | 2011                   | 2012             | %<br>Change   | 2011                             | 2012             | %<br>Change   |
| General government       | \$ 5,636               | \$ 5,006         | (11.2%)       | \$ 5,140                         | \$ 4,381         | (14.8%)       |
| Public safety            | 10,156                 | 9,977            | (1.8%)        | 9,485                            | 9,174            | (3.3%)        |
| Community development    | 2,604                  | 2,768            | 6.3%          | 1,423                            | 1,698            | 19.3%         |
| Recreation and parks     | 4,632                  | 4,481            | (3.3%)        | 4,273                            | 4,060            | (5.0%)        |
| Public works             | 11,374                 | 11,327           | (0.4%)        | 8,917                            | 8,446            | (5.3%)        |
| Unallocated depreciation | 221                    | 214              | (3.2%)        | 221                              | 214              | (3.2%)        |
|                          | <b>\$ 34,623</b>       | <b>\$ 33,773</b> | <b>(2.5%)</b> | <b>\$ 29,459</b>                 | <b>\$ 27,973</b> | <b>(5.0%)</b> |

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.

**Figure 3  
Governmental Activities  
Fiscal Year 2012**



## 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 2012, the City's governmental funds reported combined fund balances of \$32.2 million, a decrease of \$1.5 million from the prior year. Of that total, the General Fund represented \$19.3 million, or 59.9%, of the combined balances, the Capital Improvements Fund represented \$9.6 million, or 29.8%, and the remainder of \$3.3 million, or 10.3%, was in all other funds combined.

At June 30, 2012, the City had \$73,405 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 \$2.6 million of fund balance that is restricted in its use by the Federal government, the State of California or other grantors. There is a total of \$9.0 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 \$2.7 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 \$5.5 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 \$13.5 million at the end of fiscal year 2012. The remainder of the fund balance is \$6.7 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

Net General Fund revenues were only \$80,000 less than expenditures; when combined with Interfund Transfers Out of \$30,000 to the Headlands CFD Maintenance Fund, and transfers in from the Gasoline Tax fund of \$593,000 for street maintenance activities, the result for fiscal 2012 is a net increase of \$0.5 million in the General Fund fund balance.

Following two years of transient occupancy tax revenue declines in fiscal 2009 and 2010, the City has experienced two years of transient occupancy tax revenue increases. In fiscal 2011 transient occupancy tax revenues increased 14.7% to \$8.3 million. In fiscal 2012 transient occupancy tax revenues increased an additional 13.3% to \$9.4 million. Investment interest earnings in fiscal 2012 fell 60% to \$77,251. The decrease is a direct result of the weak economy and Federal Reserve actions that have sent the City's treasury note portfolio interest rates to almost half of the prior year.

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, home values in the city have fallen significantly from their peaks. In some cases the value dropped below the Proposition 13 established amount, 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. In fiscal year 2012, assessed property values in Dana Point stabilized and showed a slight increase of \$48 million. In fiscal year 2010 the State of California took unilateral action to borrow \$882,000 of City property tax revenue, which will not be repaid until fiscal 2013 (see Note 11 in the Notes to Financial Statements for further explanation). Aside from the transient occupancy tax revenue increase, the property tax revenue increase, and investment interest revenue decline, most other revenues were comparable to fiscal 2011.

In response to the reduced 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 four years, has been reticent to fill vacated staff positions, and has been utilizing staff to perform some functions that had previously been contracted out. Overall expenditures were reduced \$570,000 in fiscal year 2012. Litigation costs dropped \$533,000 and the remaining savings were spread out amongst all city departments.

### CAPITAL IMPROVEMENTS FUND

The Capital Improvements Fund generated a \$3.0 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 \$400,000, from the Gasoline Tax Fund in the amount of \$413,000 and from the Park Development Fund in the amount of \$85,000. As a result of these transactions, the Capital Improvements Fund concluded fiscal 2012 with a net \$2.1 million decrease in fund balance.

Overall revenues in the Capital Improvements Fund were higher in fiscal 2012 by \$298,000. Grants received in fiscal year 2012 exceeded the prior year by \$1 million, while intergovernmental reimbursements and other revenue sources were down by \$702,000.

### **Budgetary Highlights**

The City adopts two-year operating and capital budgets, with fiscal 2012 being the first year of the current two-year budget cycle. Due to the uncertainty and estimates involved in projecting certain revenues and expenditures, the City Council routinely amends the budget during the fiscal year. During fiscal 2012, the overall General Fund revenue budget was increased by \$52,000.

Transient occupancy taxes – due to the slowly recovering economy, the City is still not experiencing hotel occupancy at expected levels. Accordingly, the budget was decreased by \$425,000 during the year.

Property taxes – the City is still being impacted by prior year decreases in assessed property values. Accordingly, the budget was reduced by \$250,000.

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 had only a slight increase in fiscal 2012. Therefore this revenue budget was reduced by \$35,000.

Sales taxes – the gradual recovery in tourism has resulted in more visitors shopping and dining in the City. Accordingly, the sale tax revenue budget was increased by \$200,000 to reflect this upward trend.

Licenses, Fees and Permits – the gradual upturn in building activity in the city combined with the increase in project planning activity has led to a growth in license, fees and permits revenue. The revenue budget was increased by \$129,000 to reflect the upward trend.

Fines and Forfeitures –a one-time capture from old developer deposits on hand to the fines and forfeitures revenue account resulted in a \$137,000 budget increase.

Intergovernmental Reimbursement Revenue – these revenues are not readily predictable as they rely on other agencies review and interpretation of claims submitted by the City, and thus are not typically expected until actual payments are received. The budget was increased \$164,000 to reflect actual revenues received.

Charges for Services Revenue - the reimbursed expense revenue is not easily forecast. The budget was increased during fiscal year 2012 by \$172,000 to reflect actual reimbursements received.

Recreation Class Revenue – revenue rose due to a combination of an increase in classes offered to the public and an increase in class registrations. Accordingly, the revenue budget was increased by \$50,000.

Investment earnings – due to the continued federal reserve policy of keeping short-term interest rates low, the budget for investment earnings was reduced by a total of \$90,000 for fiscal 2012.

Actual General Fund revenues for fiscal 2012 were \$187,000 or 0.7% short of the final budget amount. The major contributors to the variance in revenue was a combination of a shortfall in licenses, fees, and permits, and an increase in expected tax revenue.

During fiscal 2012 the General Fund expenditure budget had a net increase of \$600,000. The major component was the carryover of encumbrances from fiscal 2011 – the City had \$436,000 of outstanding commitments at the end of fiscal 2011 in the form of purchase orders for which funding was re-appropriated in fiscal 2012. The largest purchase order carried over to fiscal 2012 was in the amount of \$225,000 for Dana Point Tourism Business Improvement District (TBID) marketing. 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 2012 were \$1.1 million, or 3.9%, under the final budgeted amount. Of these unexpended funds, \$808,000 was obligated at June 30, 2012, through encumbrances and was re-appropriated in fiscal 2013.



## 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 2012 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)**

|  | <b>Governmental Activities</b> |                       |                   |
|--|--------------------------------|-----------------------|-------------------|
|  | <b>2011</b>                    | <b>2012</b>           | <b>% Change</b>   |
| Land   | \$ 56,929                      | \$ 56,929             | 0.0%              |
| Construction in progress                         | 3,893                          | 3,705                 | (4.8%)            |
| Buildings and improvements                       | 9,575                          | 9,695                 | 1.3%              |
| Equipment  | 1,794                          | 2,010                 | 12.0%             |
| Infrastructure                                   | 174,799                        | 178,952               | 2.4%              |
| Less: Accumulated depreciation                   | (75,648)                       | (82,045)              | 8.5%              |
| <br>Governmental activity capital assets,<br>net | <br><b>\$ 171,342</b>          | <br><b>\$ 169,246</b> | <br><b>(1.2%)</b> |

Major capital asset transactions during the year included \$3 million for arterial and residential roadway improvements and \$637,000 for PCH median improvements.

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 2012, the City had total outstanding long-term debt of \$527,000, consisting entirely of compensated time-off obligations due to employees.

As of June 30, 2012, the City’s long-term debt was as shown in Table 5:

|                      | <u>Governmental Activities</u> |               |                     |
|----------------------|--------------------------------|---------------|---------------------|
|                      | <u>2011</u>                    | <u>2012</u>   | <u>%<br/>Change</u> |
| Other debt:          |                                |               |                     |
| Compensated absences | \$ 538                         | \$ 527        | -2.0%               |
| Total long-term debt | <u>\$ 538</u>                  | <u>\$ 527</u> | <b>-2.0%</b>        |

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, 2012**

|                                     | <u>Governmental<br/>activities</u> |
|-------------------------------------|------------------------------------|
| <b>Assets</b>                       |                                    |
| Cash and investments                | \$ 30,377,707                      |
| Receivables:                        |                                    |
| Taxes                               | 2,025,634                          |
| Accounts, net                       | 253,793                            |
| Interest                            | 36,985                             |
| Assessments                         | 2,821                              |
| Intergovernmental                   | 1,117,083                          |
| Prepays                             | 73,405                             |
| Cash and investments - restricted   | 167,048                            |
| Capital assets, not depreciated     | 60,634,022                         |
| Capital assets, depreciated, net    | <u>108,611,798</u>                 |
| <br>Total assets                    | <br><u>203,300,296</u>             |
| <b>Liabilities</b>                  |                                    |
| Accounts payable                    | 871,060                            |
| Accrued liabilities                 | 4,808                              |
| Unearned revenue                    | 196,144                            |
| Noncurrent liabilities:             |                                    |
| Due within one year                 | 174,085                            |
| Due in more than one year           | <u>353,446</u>                     |
| <br>Total liabilities               | <br><u>1,599,543</u>               |
| <b>Net assets</b>                   |                                    |
| Invested in capital assets          | 169,245,820                        |
| Restricted:                         |                                    |
| Public safety                       | 75,833                             |
| Community development               | 1,529,004                          |
| Recreation and parks                | 582,950                            |
| Public works                        | 410,351                            |
| Development of Art in Public Places | 167,048                            |
| Unrestricted                        | <u>29,689,747</u>                  |
| <br>Total net assets                | <br><u><u>\$ 201,700,753</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, 2012**

|                               | Expenses             | Charges for<br>services | Operating<br>grants and<br>contributions | Capital<br>grants and<br>contributions | Net (expense)<br>revenue |
|-------------------------------|----------------------|-------------------------|--|--|--------------------------|
| Governmental activities:      |                      |                         |  |  |                          |
| General government            | \$ 5,006,303         | \$ 583,919              | \$ 41,305                                | \$ -                                   | \$ (4,381,079)           |
| Public safety                 | 9,977,394            | 304,326                 | 499,121                                  | -                                      | (9,173,947)              |
| Community development         | 2,768,602            | 1,063,858               | 6,381                                    | -                                      | (1,698,363)              |
| Recreation and parks          | 4,481,296            | 349,064                 | -  | 72,400                                 | (4,059,832)              |
| Public works                  | 11,327,455           | 184,953                 | 1,625,045                                | 1,070,853                              | (8,446,604)              |
| Unallocated depreciation      | 213,638              | -                       | -  | -                                      | (213,638)                |
| Total governmental activities | <u>\$ 33,774,688</u> | <u>\$ 2,486,120</u>     | <u>\$ 2,171,852</u>                      | <u>\$ 1,143,253</u>                    | <u>(27,973,463)</u>      |

General revenues:

Taxes:

|  |                       |
|--|-----------------------|
| Property taxes                           | 5,857,119             |
| Franchise taxes                          | 1,198,173             |
| Sales taxes                              | 3,569,507             |
| In-lieu property taxes                   | 3,946,743             |
| Property transfer taxes                  | 230,255               |
| Transient occupancy taxes                | 9,382,333             |
| Motor vehicle in lieu tax - unrestricted | 18,466                |
| Unrestricted investment earnings         | 77,251                |
| Other                                    | <u>67,901</u>         |
| Total general revenues and transfers     | <u>24,347,748</u>     |
| Change in net assets                     | (3,625,715)           |
| Net assets, beginning of year            | <u>205,326,468</u>    |
| Net assets, end of year                  | <u>\$ 201,700,753</u> |

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

**CITY OF DANA POINT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2012**

|  | General           | Capital<br>Improvements | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------------|--|--------------------------------|
| <b>Assets</b>                            |                   |                         |  |                                |
| Cash and investments                     | \$ 18,034,300     | \$ 9,085,299            | \$ 3,258,108                               | \$ 30,377,707                  |
| Receivables:                             |                   |                         |  |                                |
| Taxes                                    | 1,842,372         | -                       | 183,262                                    | 2,025,634                      |
| Accounts, net                            | 253,793           | -                       | -  | 253,793                        |
| Interest                                 | 36,985            | -                       | -  | 36,985                         |
| Assessments                              | -                 | -                       | 2,821                                      | 2,821                          |
| Intergovernmental                        | 617,083           | 500,000                 | -  | 1,117,083                      |
| Prepaid expenditures                     | 73,405            | -                       | -  | 73,405                         |
| Restricted assets:                       |                   |                         |  |                                |
| Cash and investments                     | 167,048           | -                       | -  | 167,048                        |
| <br>Total assets                         | <br>\$ 21,024,986 | <br>\$ 9,585,299        | <br>\$ 3,444,191                           | <br>\$ 34,054,476              |
| <br><b>Liabilities and fund balances</b> |                   |                         |  |                                |
| Liabilities:                             |                   |                         |  |                                |
| Accounts payable                         | \$ 864,092        | \$ 449                  | \$ 6,519                                   | \$ 871,060                     |
| Accrued liabilities                      | 4,808             | -                       | -  | 4,808                          |
| Deferred revenue                         | 883,723           | -                       | 140,479                                    | 1,024,202                      |
| <br>Total liabilities                    | <br>1,752,623     | <br>449                 | <br>146,998                                | <br>1,900,070                  |
| <br>Fund balances:                       |                   |                         |  |                                |
| Nonspendable                             | 73,405            | -                       | -  | 73,405                         |
| Restricted                               | -                 | -                       | 2,598,138                                  | 2,598,138                      |
| Committed                                | 9,026,904         | -                       | -  | 9,026,904                      |
| Assigned                                 | 3,169,000         | 9,584,850               | 699,055                                    | 13,452,905                     |
| Unassigned                               | 7,003,054         | -                       | -  | 7,003,054                      |
| <br>Total fund balances                  | <br>19,272,363    | <br>9,584,850           | <br>3,297,193                              | <br>32,154,406                 |
| <br>Total liabilities and fund balances  | <br>\$ 21,024,986 | <br>\$ 9,585,299        | <br>\$ 3,444,191                           | <br>\$ 34,054,476              |

*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, 2012**

**Fund balances of governmental funds** \$ 32,154,406

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           | 251,290,833  |
| Accumulated depreciation | (82,045,013) |

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

|                      |           |
|----------------------|-----------|
| Compensated absences | (527,531) |
|----------------------|-----------|

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.

828,058

**Net assets of governmental activities** \$201,700,753

*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, 2012**

|  | General              | Capital<br>Improvements | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------------|--|--------------------------------|
| <b>Revenues</b>  |                      |                         |  |                                |
| Taxes  | \$ 22,985,957        | \$ -                    | \$ 1,539,479                               | \$ 24,525,436                  |
| Licenses, fees and permits                                   | 1,864,888            | -                       | 72,400                                     | 1,937,288                      |
| Fines, forfeitures and penalties                             | 455,024              | -                       | -  | 455,024                        |
| Intergovernmental  | 399,036              | 1,070,853               | 100,000                                    | 1,569,889                      |
| Charges for services   | 1,214,149            | -                       | 92,886                                     | 1,307,035                      |
| Investment earnings  | 227,483              | -                       | 13,100                                     | 240,583                        |
| Contributions from property owners                           | -                    | -                       | 27,864                                     | 27,864                         |
| Other  | 85,854               | -                       | -  | 85,854                         |
| <b>Total revenues</b>  | <b>27,232,391</b>    | <b>1,070,853</b>        | <b>1,845,729</b>                           | <b>30,148,973</b>              |
| <b>Expenditures</b>  |                      |                         |  |                                |
| Current:   |                      |                         |  |                                |
| General government   | 5,025,789            | -                       | -  | 5,025,789                      |
| Public safety  | 9,696,627            | -                       | 159,655                                    | 9,856,282                      |
| Community development  | 2,764,180            | -                       | -  | 2,764,180                      |
| Parks and recreation   | 4,477,077            | -                       | -  | 4,477,077                      |
| Public works   | 5,262,740            | -                       | 125,386                                    | 5,388,126                      |
| Capital outlay   | 85,975               | 4,091,083               | -  | 4,177,058                      |
| <b>Total expenditures</b>                                    | <b>27,312,388</b>    | <b>4,091,083</b>        | <b>285,041</b>                             | <b>31,688,512</b>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | (79,997)             | (3,020,230)             | 1,560,688                                  | (1,539,539)                    |
| <b>Other financing sources (uses)</b>                        |                      |                         |  |                                |
| Transfers in   | 593,000              | 898,000                 | 30,000                                     | 1,521,000                      |
| Transfers out  | (30,000)             | -                       | (1,491,000)                                | (1,521,000)                    |
| <b>Total other financing sources (uses)</b>                  | <b>563,000</b>       | <b>898,000</b>          | <b>(1,461,000)</b>                         | <b>-</b>                       |
| Net change in fund balances                                  | 483,003              | (2,122,230)             | 99,688                                     | (1,539,539)                    |
| Fund balances, beginning of year                             | 18,789,360           | 11,707,080              | 3,197,505                                  | 33,693,945                     |
| Fund balances, ending of year                                | <u>\$ 19,272,363</u> | <u>\$ 9,584,850</u>     | <u>\$ 3,297,193</u>                        | <u>\$ 32,154,406</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, 2012**

**Net change in fund balances - total governmental funds** \$ (1,539,539)

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 | 4,307,274   |
| Depreciation expense   | (6,396,828) |
| Loss on disposal of assets                                       | (6,708)     |

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 | 10,086 |
|--------------------------------|--------|

**Change in net assets of governmental activities** \$ (3,625,715)

*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, 2012**

|  | Budgeted amounts     |                      | Actual<br>amounts    | Variance with<br>final budget |
|--|----------------------|----------------------|----------------------|-------------------------------|
|  | Original             | Final                |                      |                               |
| <b>Revenues</b>  |                      |                      |                      |                               |
| Taxes  | \$ 23,310,000        | \$ 22,800,000        | \$ 22,985,957        | \$ 185,957                    |
| Licenses, fees and permits                                   | 1,957,000            | 2,082,000            | 1,864,888            | (217,112)                     |
| Fines, forfeitures and penalties                             | 293,000              | 430,000              | 455,024              | 25,024                        |
| Intergovernmental  | 304,000              | 468,162              | 399,036              | (69,126)                      |
| Charges for services   | 1,012,550            | 1,228,808            | 1,214,149            | (14,659)                      |
| Investment earnings  | 408,000              | 318,000              | 227,483              | (90,517)                      |
| Other  | 83,000               | 92,312               | 85,854               | (6,458)                       |
| <b>Total revenues</b>  | <b>27,367,550</b>    | <b>27,419,282</b>    | <b>27,232,391</b>    | <b>(186,891)</b>              |
| <b>Expenditures</b>  |                      |                      |                      |                               |
| Current:   |                      |                      |                      |                               |
| General government   | 4,889,005            | 5,209,733            | 5,025,789            | 183,944                       |
| Public safety  | 9,853,068            | 9,739,738            | 9,696,627            | 43,111                        |
| Community development  | 2,806,172            | 3,064,866            | 2,764,180            | 300,686                       |
| Parks and recreation   | 4,557,762            | 4,557,991            | 4,477,077            | 80,914                        |
| Public works   | 5,675,393            | 5,648,868            | 5,262,740            | 386,128                       |
| Capital outlay   | 54,000               | 199,975              | 85,975               | 114,000                       |
| <b>Total expenditures</b>                                    | <b>27,835,400</b>    | <b>28,421,171</b>    | <b>27,312,388</b>    | <b>1,108,783</b>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | (467,850)            | (1,001,889)          | (79,997)             | 921,892                       |
| <b>Other financing sources (uses)</b>                        |                      |                      |                      |                               |
| Transfers in   | 593,000              | 593,000              | 593,000              | -                             |
| Transfers out  | (30,000)             | (30,000)             | (30,000)             | -                             |
| <b>Total other financing sources<br/>(uses)</b>              | <b>563,000</b>       | <b>563,000</b>       | <b>563,000</b>       | <b>-</b>                      |
| Net change in fund balance                                   | 95,150               | (438,889)            | 483,003              | 921,892                       |
| Fund balance, beginning                                      | 18,789,360           | 18,789,360           | 18,789,360           | -                             |
| Fund balance, ending   | <u>\$ 18,884,510</u> | <u>\$ 18,350,471</u> | <u>\$ 19,272,363</u> | <u>\$ 921,892</u>             |

*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, 2012**

**Assets**

|                         |                                |
|-------------------------|--------------------------------|
| Cash and investments    | \$ 3,067,695                   |
| Cash with fiscal agents | 1,258,688                      |
| Accounts receivables    | <u>109,086</u>                 |
| <br>Total assets        | <br><u><u>\$ 4,435,469</u></u> |

**Liabilities**

|                       |                                |
|-----------------------|--------------------------------|
| Deposits              | \$ 1,222,401                   |
| Due to bondholders    | 1,283,087                      |
| Due to other agencies | <u>1,929,981</u>               |
| <br>Total liabilities | <br><u><u>\$ 4,435,469</u></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 therefore 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 2011-12 fiscal year, the City Council made several budgetary amendments, including a \$320,728 increase in the General Government budget, a \$113,330 decrease in the Public Safety budget, a \$258,694 increase in the Community Development budget, a \$229 increase in the Recreation and Parks budget, a \$26,525 decrease in the Public Works budget, and a \$8,079,786 increase in the Capital Outlays budget in the Capital Improvements Fund.

#### 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, 2012, are classified in the accompanying financial statements as follows:

|   |               |
|---|---------------|
| Statement of net assets:                |               |
| Cash and investments                    | \$ 30,377,707 |
| Cash and investments - restricted       | 167,048       |
|   |               |
| Fiduciary funds:                        |               |
| Cash and investments                    | 3,067,695     |
| Cash and investments with fiscal agents | 1,258,688     |
| Total cash and investments              | \$ 34,871,138 |

Cash and investments as of June 30, 2012, consist of the following:

|                                      |               |
|--------------------------------------|---------------|
| Cash on hand (petty cash)            | \$ 4,200      |
| Deposits with financial institutions | 307,670       |
| Investments                          | 34,559,268    |
| Total cash and investments           | \$ 34,871,138 |

#### 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, 2012, 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>        | <u>25 to 60</u> |
| Local Agency Investment Fund | \$ 15,474,322            | \$15,474,322                          | \$ -                   | \$ -            |
| US Treasury notes            | 17,766,161               | 9,339,477                             | 8,426,684              | -               |
| Held by bond trustee:        |                          |                                       |                        |                 |
| US Bank money market         | <u>1,318,785</u>         | <u>1,318,785</u>                      | <u>-</u>               | <u>-</u>        |
| <br>Total investments        | <br><u>\$ 34,559,268</u> | <br><u>\$26,132,584</u>               | <br><u>\$8,426,684</u> | <br><u>\$ -</u> |

#### Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2012, 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<br/>legal rating</u> | <u>Ratings at fiscal year end</u> |                     |
|--|---------------------|---------------------------------|-----------------------------------|---------------------|
|  |                     |                                 | <u>Exempt from<br/>disclosure</u> | <u>Not rated</u>    |
| Local Agency Investment Fund                 | \$15,474,322        | N/A                             | \$ -                              | \$15,474,322        |
| U.S. Treasury notes<br>Held by bond trustee: | 17,766,161          | N/A                             | 17,766,161                        | -                   |
| U.S. Bank money market                       | <u>1,318,785</u>    | N/A                             | <u>-</u>                          | <u>1,249,002</u>    |
| Total investments                            | <u>\$34,559,268</u> |                                 | <u>\$17,766,161</u>               | <u>\$16,723,324</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, 2012, 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, 2012, are as follows:

|           |                | TRANSFERS IN    |                         |                   |              |
|-----------|----------------|-----------------|-------------------------|-------------------|--------------|
|           |                | General<br>Fund | Capital<br>Improvements | Nonmajor<br>Funds | Total        |
| TRANSFERS | General Fund   | \$ -            | \$ -                    | \$ 30,000         | \$ 30,000    |
| OUT       | Nonmajor funds | 593,000         | 898,000                 | -                 | 1,491,000    |
| Totals    |                | \$ 593,000      | \$ 898,000              | \$ 30,000         | \$ 1,521,000 |

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, 2012, 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 \$85,000 from the Park Development Fund to the Capital Improvement Projects Fund used to partially fund a parking lot project. Such improvement project expenditures are accounted for in the Capital Improvement Project Fund.
3. A transfer of \$413,000 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.
4. A transfer of \$400,000 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.
5. A transfer of \$593,000 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, 2012, was as follows:

|   | Beginning<br>Balance | Additions           | Deletions             | Ending<br>Balance    |
|---|----------------------|---------------------|-----------------------|----------------------|
| <b>Governmental activities:</b>                     |                      |                     |                       |                      |
| Capital assets, not being depreciated:              |                      |                     |                       |                      |
| Land  | \$ 56,928,865        | \$ -                | \$ -                  | \$ 56,928,865        |
| Construction in progress                            | 3,893,301            | 4,091,082           | (4,279,226)           | 3,705,157            |
| <b>Total capital assets, not being depreciated</b>  | <b>60,822,166</b>    | <b>4,091,082</b>    | <b>(4,279,226)</b>    | <b>60,634,022</b>    |
| Capital assets, being depreciated:                  |                      |                     |                       |                      |
| Buildings   | 9,575,284            | 119,770             | -                     | 9,695,054            |
| Equipment   | 1,793,908            | 216,192             | -                     | 2,010,100            |
| Infrastructure                                      | 174,798,909          | 4,152,748           | -                     | 178,951,657          |
| <b>Total capital assets, being depreciated</b>      | <b>186,168,101</b>   | <b>4,488,710</b>    | <b>-</b>              | <b>190,656,811</b>   |
| Less accumulated depreciation for:                  |                      |                     |                       |                      |
| Buildings   | (2,805,679)          | (307,846)           | -                     | (3,113,525)          |
| Equipment   | (1,108,384)          | (177,933)           | -                     | (1,286,317)          |
| Infrastructure                                      | (71,734,122)         | (5,911,049)         | -                     | (77,645,171)         |
| <b>Total accumulated depreciation</b>               | <b>(75,648,185)</b>  | <b>(6,396,828)</b>  | <b>-</b>              | <b>(82,045,013)</b>  |
| <b>Total capital assets, being depreciated, net</b> | <b>110,519,916</b>   | <b>(1,908,118)</b>  | <b>-</b>              | <b>108,611,798</b>   |
| <b>Governmental activities capital assets, net</b>  | <b>\$171,342,082</b> | <b>\$ 2,182,964</b> | <b>\$ (4,279,226)</b> | <b>\$169,245,820</b> |

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

|                                   |                     |
|-----------------------------------|---------------------|
| General government                | \$ 33,775           |
| Public safety                     | 78,624              |
| Community development             | 16,630              |
| Recreation and parks              | 114,832             |
| Public works                      | 5,939,329           |
| Unallocated depreciation          | 213,638             |
| <b>Total depreciation expense</b> | <b>\$ 6,396,828</b> |

## Notes to Financial Statements

### 4. CAPITAL ASSETS (continued)

#### Construction commitments

The City has active construction projects as of June 30, 2012. 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 \$1,375,505.

### 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, 2012, amounted to \$86,890. Future minimum lease revenues based on the terms of the existing leases are as follows:

| <u>Fiscal Year</u> | <u>Amount</u>           |
|--------------------|-------------------------|
| 2013               | <u>\$ 40,500</u>        |
| Total              | <u><u>\$ 40,500</u></u> |

### 6. LONG-TERM DEBT

The following is a summary of the long-term liability activity for the year ended June 30, 2012:

|                      | <u>Beginning<br/>balance</u> | <u>Additions</u>  | <u>Deletions</u>    | <u>Ending<br/>balance</u> | <u>Due within<br/>one year</u> |
|----------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Compensated absences | <u>\$ 537,617</u>            | <u>\$ 446,554</u> | <u>\$ (456,640)</u> | <u>\$ 527,531</u>         | <u>\$ 174,085</u>              |

#### 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% at 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, 2012 was 10.059% 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, 2010, 2011, and 2012 were \$1,165,811, \$445,247, and \$490,615, 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**

| <u>Fiscal year</u> | <u>Annual pension cost (APC)</u> | <u>Percentage of APC contributed</u> | <u>Net pension obligation</u> |
|--------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/2010          | \$ 1,165,811                     | 100%                                 | \$ -                          |
| 6/30/2011          | 445,247                          | 100%                                 | -                             |
| 6/30/2012          | 490,615                          | 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, 2012. 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, 2012, were not available at the time of this report.

### 9. FUND BALANCES

The City follows 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<br>Fund      | Capital<br>Improvements Fund | Nonmajor<br>Funds   | Totals               |
|-----------------------|----------------------|------------------------------|---------------------|----------------------|
| Nonspendable:         |                      |                              |                     |                      |
| Prepaid expenditures  | \$ 73,405            | \$ -                         | \$ -                | \$ 73,405            |
| Restricted:           |                      |                              |                     |                      |
| Public works          | -                    | -                            | 410,351             | 410,351              |
| Community development | -                    | -                            | 1,529,004           | 1,529,004            |
| Public safety         | -                    | -                            | 75,833              | 75,833               |
| Recreation and parks  | -                    | -                            | 582,950             | 582,950              |
| Committed:            |                      |                              |                     |                      |
| Cash flows            | 2,737,000            | -                            | -                   | 2,737,000            |
| State budget impact   | 648,856              | -                            | -                   | 648,856              |
| Art in public places  | 167,048              | -                            | -                   | 167,048              |
| Emergencies           | 5,474,000            | -                            | -                   | 5,474,000            |
| Assigned:             |                      |                              |                     |                      |
| Capital projects      | 3,169,000            | 9,584,850                    | 699,055             | 13,452,905           |
| Unassigned            | 7,003,054            | -                            | -                   | 7,003,054            |
| <br>                  |                      |                              |                     |                      |
| Totals                | <u>\$ 19,272,363</u> | <u>\$ 9,584,850</u>          | <u>\$ 3,297,193</u> | <u>\$ 32,154,406</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 123 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.

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

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

## Notes to Financial Statements

### 10. RISK MANAGEMENT PROGRAM (continued)

#### *Self-Insurance Programs of the CJPIA*

General Liability In the liability program, 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 2011-12 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 \$5 million is purchased as part of a reinsurance policy, and the Employer's Liability losses from \$5 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 \$30,243,937. 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, 2011, through July 1, 2014. 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 \$10,240,388. 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 2011 and 2012, the City incurred one unemployment benefit claim totaling \$1,470.

#### *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 2011 and 2012 were \$474,629 and \$459,585, 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, 2012, 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 (\$5,474,000) as of June 30, 2012 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 2011 or 2012.

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, 2012.



## 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 2012, the City's mandated contribution rate was set at \$112/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 2012, there was one City retiree receiving the PEMHCA benefit. The total cost to the City was \$1,320. 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, 2012 was \$8,185,000. An amount of \$1,283,087 is being held by the City and is reflected as due to bondholders at June 30, 2012 in the Statement of Fiduciary Assets and Liabilities.

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## **SUPPLEMENTARY INFORMATION**

**CITY OF DANA POINT  
Major Capital Projects Fund  
June 30, 2012**

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.

**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, 2012**

|   | <u>Final budgeted<br/>amounts</u> | <u>Actual<br/>amounts</u>  | <u>Variance with<br/>final budget</u> |
|---|-----------------------------------|----------------------------|---------------------------------------|
| <b>Revenues</b>                                 |                                   |                            |                                       |
| Intergovernmental                               | <u>\$ 820,853</u>                 | <u>\$ 1,070,853</u>        | <u>\$ 250,000</u>                     |
| Total revenues                                  | <u>820,853</u>                    | <u>1,070,853</u>           | <u>250,000</u>                        |
| <b>Expenditures</b>                             |                                   |                            |                                       |
| Capital outlay                                  | <u>8,861,933</u>                  | <u>4,091,083</u>           | <u>4,770,850</u>                      |
| Total expenditures                              | <u>8,861,933</u>                  | <u>4,091,083</u>           | <u>4,770,850</u>                      |
| Excess of revenues over<br>(under) expenditures | <u>(8,041,080)</u>                | <u>(3,020,230)</u>         | <u>5,020,850</u>                      |
| <b>Other financing sources</b>                  |                                   |                            |                                       |
| Transfers in                                    | <u>898,000</u>                    | <u>898,000</u>             | <u>-</u>                              |
| Total other financing sources                   | <u>898,000</u>                    | <u>898,000</u>             | <u>-</u>                              |
| Net change in fund balance                      | (7,143,080)                       | (2,122,230)                | 5,020,850                             |
| Fund balance, beginning of year                 | <u>11,707,080</u>                 | <u>11,707,080</u>          | <u>-</u>                              |
| Fund balance, end of year                       | <u><u>\$ 4,564,000</u></u>        | <u><u>\$ 9,584,850</u></u> | <u><u>\$ 5,020,850</u></u>            |

**CITY OF DANA POINT**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

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, 2012**

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.  |

**CITY OF DANA POINT**  
**Combining Balance Sheet**  
**Nonmajor Funds**  
**June 30, 2012**

|  | Special Revenue   |                  |   |  |
|--|-------------------|------------------|---|--|
|  | Gas Tax           | Measure M        | Supplemental<br>Law Enforcement<br>Services | Headlands<br>CFD 2006-1<br>Maintenance |
| <b>Assets</b>                              |                   |                  |   |  |
| Cash and investments                       | \$ 43,958         | \$ 18,951        | \$ 78,353                                   | \$ 242,791                             |
| Receivables:                               |                   |                  |   |  |
| Taxes                                      | 106,842           | 76,420           | -   | -                                      |
| Assessments                                | -                 | -                | -   | 2,821                                  |
| <b>Total assets</b>                        | <b>\$ 150,800</b> | <b>\$ 95,371</b> | <b>\$ 78,353</b>                            | <b>\$ 245,612</b>                      |
| <b>Liabilities and fund balances</b>       |                   |                  |   |  |
| Liabilities:                               |                   |                  |   |  |
| Accounts payable                           | \$ -              | \$ -             | \$ 2,520                                    | \$ 3,999                               |
| Deferred revenue                           | -                 | -                | -   | 140,479                                |
| <b>Total liabilities</b>                   | <b>-</b>          | <b>-</b>         | <b>2,520</b>                                | <b>144,478</b>                         |
| Fund balances:                             |                   |                  |   |  |
| Restricted                                 | 150,800           | 95,371           | 75,833                                      | 101,134                                |
| Assigned                                   | -                 | -                | -   | -                                      |
| <b>Total fund balances</b>                 | <b>150,800</b>    | <b>95,371</b>    | <b>75,833</b>                               | <b>101,134</b>                         |
| <b>Total liabilities and fund balances</b> | <b>\$ 150,800</b> | <b>\$ 95,371</b> | <b>\$ 78,353</b>                            | <b>\$ 245,612</b>                      |



| Special Revenue     |                   | Capital Projects       |                                  |                   | Total Nonmajor Governmental Funds |
|---------------------|-------------------|------------------------|----------------------------------|-------------------|-----------------------------------|
| Coastal Transit     | AB 2766           | Facilities Improvement | Headlands CFD 2006-1 Acquisition | Park Development  |                                   |
| \$ 1,337,295        | \$ 191,709        | \$ 699,055             | \$ 63,046                        | \$ 582,950        | \$ 3,258,108                      |
| -                   | -                 | -                      | -                                | -                 | 183,262                           |
| -                   | -                 | -                      | -                                | -                 | 2,821                             |
| <u>\$ 1,337,295</u> | <u>\$ 191,709</u> | <u>\$ 699,055</u>      | <u>\$ 63,046</u>                 | <u>\$ 582,950</u> | <u>\$ 3,444,191</u>               |
| \$ -                | \$ -              | \$ -                   | \$ -                             | \$ -              | \$ 6,519                          |
| -                   | -                 | -                      | -                                | -                 | 140,479                           |
| -                   | -                 | -                      | -                                | -                 | 146,998                           |
| 1,337,295           | 191,709           | -                      | 63,046                           | 582,950           | 2,598,138                         |
| -                   | -                 | 699,055                | -                                | -                 | 699,055                           |
| <u>1,337,295</u>    | <u>191,709</u>    | <u>699,055</u>         | <u>63,046</u>                    | <u>582,950</u>    | <u>3,297,193</u>                  |
| <u>\$ 1,337,295</u> | <u>\$ 191,709</u> | <u>\$ 699,055</u>      | <u>\$ 63,046</u>                 | <u>\$ 582,950</u> | <u>\$ 3,444,191</u>               |

**CITY OF DANA POINT**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Funds**  
**For the year ended June 30, 2012**

|  | Special Revenue    |                  |   |  |
|--|--------------------|------------------|---|--|
|  | Gas Tax            | Measure M        | Supplemental<br>Law Enforcement<br>Services | Headlands<br>CFD 2006-1<br>Maintenance |
| <b>Revenues</b>  |                    |                  |   |  |
| Taxes  | \$ 1,044,022       | \$ 454,960       | \$ -  | \$ -                                   |
| Licenses, fees and permits                                   | -                  | -                | -   | -                                      |
| Intergovernmental  | -                  | -                | 100,000                                     | -                                      |
| Charges for services   | -                  | -                | -   | 92,886                                 |
| Investment earnings  | -                  | 930              | 598   | 1,432                                  |
| Contributions from property owners                           | -                  | -                | -   | -                                      |
| <b>Total revenues</b>  | <u>1,044,022</u>   | <u>455,890</u>   | <u>100,598</u>                              | <u>94,318</u>                          |
| <b>Expenditures</b>  |                    |                  |   |  |
| Current:   |                    |                  |   |  |
| Public safety  | -                  | -                | 159,655                                     | -                                      |
| Public works   | -                  | -                | -   | 110,492                                |
| <b>Total expenditures</b>                                    | <u>-</u>           | <u>-</u>         | <u>159,655</u>                              | <u>110,492</u>                         |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>1,044,022</u>   | <u>455,890</u>   | <u>(59,057)</u>                             | <u>(16,174)</u>                        |
| <b>Other financing sources (uses)</b>                        |                    |                  |   |  |
| Transfers in   | -                  | -                | -   | 30,000                                 |
| Transfers out  | <u>(1,006,000)</u> | <u>(400,000)</u> | <u>-</u>                                    | <u>-</u>                               |
| <b>Total other financing sources (uses)</b>                  | <u>(1,006,000)</u> | <u>(400,000)</u> | <u>-</u>                                    | <u>30,000</u>                          |
| Net change in fund balances                                  | 38,022             | 55,890           | (59,057)                                    | 13,826                                 |
| Fund balances, beginning of year                             | <u>112,778</u>     | <u>39,481</u>    | <u>134,890</u>                              | <u>87,308</u>                          |
| Fund balances, ending of year                                | <u>\$ 150,800</u>  | <u>\$ 95,371</u> | <u>\$ 75,833</u>                            | <u>\$ 101,134</u>                      |

| Special Revenue     |                   | Capital Projects          |  |                     | Total                             |
|---------------------|-------------------|---------------------------|--|---------------------|-----------------------------------|
| Coastal<br>Transit  | AB 2766           | Facilities<br>Improvement | Headlands<br>CFD 2006-1<br>Acquisition | Park<br>Development | Nonmajor<br>Governmental<br>Funds |
| \$ -                | \$ 40,497         | \$ -                      | \$ -                                   | \$ -                | \$ 1,539,479                      |
| -                   | -                 | -                         | -                                      | 72,400              | 72,400                            |
| -                   | -                 | -                         | -                                      | -                   | 100,000                           |
| -                   | -                 | -                         | -                                      | -                   | 92,886                            |
| 6,381               | 808               | -                         | 2,951                                  | -                   | 13,100                            |
| -                   | -                 | -                         | 27,864                                 | -                   | 27,864                            |
| <u>6,381</u>        | <u>41,305</u>     | <u>-</u>                  | <u>30,815</u>                          | <u>72,400</u>       | <u>1,845,729</u>                  |
| -                   | -                 | -                         | -                                      | -                   | 159,655                           |
| -                   | -                 | -                         | 14,894                                 | -                   | 125,386                           |
| -                   | -                 | -                         | 14,894                                 | -                   | 285,041                           |
| <u>6,381</u>        | <u>41,305</u>     | <u>-</u>                  | <u>15,921</u>                          | <u>72,400</u>       | <u>1,560,688</u>                  |
| -                   | -                 | -                         | -                                      | -                   | 30,000                            |
| -                   | -                 | -                         | -                                      | (85,000)            | (1,491,000)                       |
| -                   | -                 | -                         | -                                      | (85,000)            | (1,461,000)                       |
| 6,381               | 41,305            | -                         | 15,921                                 | (12,600)            | 99,688                            |
| <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>\$ 1,337,295</u> | <u>\$ 191,709</u> | <u>\$ 699,055</u>         | <u>\$ 63,046</u>                       | <u>\$ 582,950</u>   | <u>\$ 3,297,193</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, 2012**

|                                       | Final budgeted<br>amounts | Actual<br>amounts        | Variance with<br>final budget |
|---------------------------------------|---------------------------|--------------------------|-------------------------------|
| <b>Revenues</b>                       |                           |                          |                               |
| Taxes                                 | \$ 1,006,000              | \$ 1,044,022             | \$ 38,022                     |
| Total revenues                        | <u>1,006,000</u>          | <u>1,044,022</u>         | <u>38,022</u>                 |
| <b>Other financing sources (uses)</b> |                           |                          |                               |
| Transfers out                         | <u>(1,006,000)</u>        | <u>(1,006,000)</u>       | <u>-</u>                      |
| Total other financing sources (uses)  | <u>(1,006,000)</u>        | <u>(1,006,000)</u>       | <u>-</u>                      |
| Net change in fund balance            | -                         | 38,022                   | 38,022                        |
| Fund balance, beginning of year       | <u>112,778</u>            | <u>112,778</u>           | -                             |
| Fund balance, ending of year          | <u><u>\$ 112,778</u></u>  | <u><u>\$ 150,800</u></u> | <u><u>\$ 38,022</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, 2012**

|                                       | Final budgeted<br>amounts | Actual<br>amounts       | Variance with<br>final budget |
|---------------------------------------|---------------------------|-------------------------|-------------------------------|
| <b>Revenues</b>                       |                           |                         |                               |
| Taxes                                 | \$ 400,000                | \$ 454,960              | \$ 54,960                     |
| Investment earnings                   | -                         | 930                     | 930                           |
| Total revenues                        | <u>400,000</u>            | <u>455,890</u>          | <u>55,890</u>                 |
| <b>Other financing sources (uses)</b> |                           |                         |                               |
| Transfers out                         | <u>(400,000)</u>          | <u>(400,000)</u>        | -                             |
| Total other financing sources (uses)  | <u>(400,000)</u>          | <u>(400,000)</u>        | -                             |
| Net change in fund balance            | -                         | 55,890                  | 55,890                        |
| Fund balance, beginning of year       | <u>39,481</u>             | <u>39,481</u>           | -                             |
| Fund balance, ending of year          | <u><u>\$ 39,481</u></u>   | <u><u>\$ 95,371</u></u> | <u><u>\$ 55,890</u></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, 2012**

|                                 | Final budgeted<br>amounts | Actual<br>amounts | Variance with<br>final budget |
|---------------------------------|---------------------------|-------------------|-------------------------------|
| <b>Revenues</b>                 |                           |                   |                               |
| Intergovernmental               | \$ 100,000                | \$ 100,000        | \$ -                          |
| Investment earnings             | 500                       | 598               | 98                            |
| Total revenues                  | <u>100,500</u>            | <u>100,598</u>    | <u>98</u>                     |
| <b>Expenditures</b>             |                           |                   |                               |
| Current:                        |                           |                   |                               |
| Public safety                   | <u>232,387</u>            | <u>159,655</u>    | <u>72,732</u>                 |
| Total expenditures              | <u>232,387</u>            | <u>159,655</u>    | <u>72,732</u>                 |
| Net change in fund balance      | (131,887)                 | (59,057)          | 72,830                        |
| Fund balance, beginning of year | <u>134,890</u>            | <u>134,890</u>    | <u>-</u>                      |
| Fund balance, ending of year    | <u>\$ 3,003</u>           | <u>\$ 75,833</u>  | <u>\$ 72,830</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, 2012**

|  | Final budgeted<br>amounts | Actual<br>amounts        | Variance with<br>final budget |
|--|---------------------------|--------------------------|-------------------------------|
| <b>Revenues</b>  |                           |                          |                               |
| Charges for services   | \$ 80,000                 | \$ 92,886                | \$ 12,886                     |
| Investment earnings  | 1,000                     | 1,432                    | 432                           |
| Total revenues   | <u>81,000</u>             | <u>94,318</u>            | <u>13,318</u>                 |
| <b>Expenditures</b>  |                           |                          |                               |
| Current:   |                           |                          |                               |
| Public works   | <u>127,200</u>            | <u>110,492</u>           | <u>16,708</u>                 |
| Total expenditures   | <u>127,200</u>            | <u>110,492</u>           | <u>16,708</u>                 |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(46,200)</u>           | <u>(16,174)</u>          | <u>30,026</u>                 |
| <b>Other financing sources</b>                               |                           |                          |                               |
| Transfers in   | <u>30,000</u>             | <u>30,000</u>            | <u>-</u>                      |
| Total other financing sources                                | <u>30,000</u>             | <u>30,000</u>            | <u>-</u>                      |
| Net change in fund balance                                   | (16,200)                  | 13,826                   | 30,026                        |
| Fund balance, beginning of year                              | <u>87,308</u>             | <u>87,308</u>            | <u>-</u>                      |
| Fund balance, ending of year                                 | <u><u>\$ 71,108</u></u>   | <u><u>\$ 101,134</u></u> | <u><u>\$ 30,026</u></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, 2012**

|                                 | Final budgeted<br>amounts | Actual<br>amounts   | Variance with<br>final budget |
|---------------------------------|---------------------------|---------------------|-------------------------------|
| <b>Revenues</b>                 |                           |                     |                               |
| Intergovernmental               | \$ 500                    | \$ -                | \$ (500)                      |
| Investment earnings             | 20,000                    | 6,381               | (13,619)                      |
|                                 | <u>20,500</u>             | <u>6,381</u>        | <u>(14,119)</u>               |
| Total revenues                  |                           |                     |                               |
|                                 | <u>-</u>                  | <u>-</u>            | <u>-</u>                      |
| <b>Expenditures</b>             |                           |                     |                               |
| Net change in fund balance      | 20,500                    | 6,381               | (14,119)                      |
| Fund balance, beginning of year | 1,330,914                 | 1,330,914           | -                             |
| Fund balance, ending of year    | <u>\$ 1,351,414</u>       | <u>\$ 1,337,295</u> | <u>\$ (14,119)</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, 2012**

|                                 | <u>Final budgeted<br/>amounts</u> | <u>Actual<br/>amounts</u> | <u>Variance with<br/>final budget</u> |
|---------------------------------|-----------------------------------|---------------------------|---------------------------------------|
| <b>Revenues</b>                 |                                   |                           |                                       |
| Taxes                           | \$ 45,000                         | \$ 40,497                 | \$ (4,503)                            |
| Investment earnings             | 500                               | 808                       | 308                                   |
|                                 | <u>45,500</u>                     | <u>41,305</u>             | <u>(4,195)</u>                        |
| <b>Expenditures</b>             | <u>-</u>                          | <u>-</u>                  | <u>-</u>                              |
| Net change in fund balance      | 45,500                            | 41,305                    | (4,195)                               |
| Fund balance, beginning of year | <u>150,404</u>                    | <u>150,404</u>            | <u>-</u>                              |
| Fund balance, ending of year    | <u>\$ 195,904</u>                 | <u>\$ 191,709</u>         | <u>\$ (4,195)</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, 2012**

|                                 | Final budgeted<br>amounts | Actual<br>amounts | Variance with<br>final budget |
|---------------------------------|---------------------------|-------------------|-------------------------------|
| <b>Revenues</b>                 | \$ -                      | \$ -              | \$ -                          |
| <b>Expenditures</b>             | -                         | -                 | -                             |
| Net change in fund balance      | -                         | -                 | -                             |
| Fund balance, beginning of year | 699,055                   | 699,055           | -                             |
| Fund balance, ending of year    | <u>\$ 699,055</u>         | <u>\$ 699,055</u> | <u>\$ -</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, 2012**

|                                     | Final budgeted<br>amounts | Actual<br>amounts    | Variance with<br>final budget |
|-------------------------------------|---------------------------|----------------------|-------------------------------|
| <b>Revenues</b>                     |                           |                      |                               |
| Investment earnings                 | \$ 20,000                 | \$ 2,951             | \$ (17,049)                   |
| Contributions from property owners  | 50,000                    | 27,864               | (22,136)                      |
| <br>Total revenues                  | <br>70,000                | <br>30,815           | <br>(39,185)                  |
| <b>Expenditures</b>                 |                           |                      |                               |
| Current:                            |                           |                      |                               |
| Public works                        | 50,000                    | 14,894               | 35,106                        |
| Capital outlay                      | 20,000                    | -                    | 20,000                        |
| <br>Total expenditures              | <br>70,000                | <br>14,894           | <br>55,106                    |
| <br>Net change in fund balance      | <br>-                     | <br>15,921           | <br>15,921                    |
| <br>Fund balance, beginning of year | <br>47,125                | <br>47,125           | <br>-                         |
| <br>Fund balance, ending of year    | <br><u>\$ 47,125</u>      | <br><u>\$ 63,046</u> | <br><u>\$ 15,921</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, 2012**

|  | Final budgeted<br>amounts | Actual<br>amounts | Variance with<br>final budget |
|--|---------------------------|-------------------|-------------------------------|
| <b>Revenues</b>  |                           |                   |                               |
| Licenses, fees and permits                                   | \$ 100,000                | \$ 72,400         | \$ (27,600)                   |
| Investment earnings  | 2,000                     | -                 | (2,000)                       |
|  | <u>102,000</u>            | <u>72,400</u>     | <u>(29,600)</u>               |
| <b>Expenditures</b>  | <u>-</u>                  | <u>-</u>          | <u>-</u>                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>102,000</u>            | <u>72,400</u>     | <u>(29,600)</u>               |
| <b>Other financing sources (uses)</b>                        |                           |                   |                               |
| Transfers out  | <u>(85,000)</u>           | <u>(85,000)</u>   | <u>-</u>                      |
| Total other financing sources (uses)                         | <u>(85,000)</u>           | <u>(85,000)</u>   | <u>-</u>                      |
| Net change in fund balance                                   | 17,000                    | (12,600)          | (29,600)                      |
| Fund balance, beginning of year                              | <u>595,550</u>            | <u>595,550</u>    | <u>-</u>                      |
| Fund balance, ending of year                                 | <u>\$ 612,550</u>         | <u>\$ 582,950</u> | <u>\$ (29,600)</u>            |

**CITY OF DANA POINT**  
**Agency Funds**  
**June 30, 2012**

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, 2012**

|                         | Developer<br>Deposits | Due to<br>Bondholders | Pass-through<br>Deposits | Totals              |
|-------------------------|-----------------------|-----------------------|--------------------------|---------------------|
| <b>Assets</b>           |                       |                       |                          |                     |
| Cash and investments    | \$ 1,222,401          | \$ 231                | \$ 1,845,063             | \$ 3,067,695        |
| Cash with fiscal agents | -                     | 1,258,688             | -                        | 1,258,688           |
| Accounts receivable     | -                     | 24,168                | 84,918                   | 109,086             |
|                         | <u>\$ 1,222,401</u>   | <u>\$ 1,283,087</u>   | <u>\$ 1,929,981</u>      | <u>\$ 4,435,469</u> |
| <b>Liabilities</b>      |                       |                       |                          |                     |
| Deposits                | \$ 1,222,401          | \$ -                  | \$ -                     | \$ 1,222,401        |
| Due to bondholders      | -                     | 1,283,087             | -                        | 1,283,087           |
| Due to other agencies   | -                     | -                     | 1,929,981                | 1,929,981           |
|                         | <u>\$ 1,222,401</u>   | <u>\$ 1,283,087</u>   | <u>\$ 1,929,981</u>      | <u>\$ 4,435,469</u> |

**CITY OF DANA POINT**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2012**

|                          | Beginning<br>balance | Additions         | Deletions         | Ending<br>balance   |
|--------------------------|----------------------|-------------------|-------------------|---------------------|
| <hr/>                    |                      |                   |                   |                     |
| Developer Deposits       |                      |                   |                   |                     |
| <hr/>                    |                      |                   |                   |                     |
| <b>Assets:</b>           |                      |                   |                   |                     |
| Cash and investments     | \$ 1,336,140         | \$ -              | \$ 113,739        | \$ 1,222,401        |
|                          | <u>\$ 1,336,140</u>  | <u>\$ -</u>       | <u>\$ 113,739</u> | <u>\$ 1,222,401</u> |
| <b>Liabilities:</b>      |                      |                   |                   |                     |
| Deposits                 | \$ 1,336,140         | \$ -              | \$ 113,739        | \$ 1,222,401        |
|                          | <u>\$ 1,336,140</u>  | <u>\$ -</u>       | <u>\$ 113,739</u> | <u>\$ 1,222,401</u> |
| <hr/>                    |                      |                   |                   |                     |
| Due to Bondholders       |                      |                   |                   |                     |
| <hr/>                    |                      |                   |                   |                     |
| <b>Assets:</b>           |                      |                   |                   |                     |
| Cash and investments     | \$ -                 | \$ 231            | \$ -              | \$ 231              |
| Cash with fiscal agents  | 1,194,115            | 64,573            | -                 | 1,258,688           |
| Accounts receivable      | -                    | 24,168            | -                 | 24,168              |
|                          | <u>\$ 1,194,115</u>  | <u>\$ 88,972</u>  | <u>\$ -</u>       | <u>\$ 1,283,087</u> |
| <b>Liabilities:</b>      |                      |                   |                   |                     |
| Due to bondholders       | \$ 1,194,115         | \$ 88,972         | \$ -              | \$ 1,283,087        |
|                          | <u>\$ 1,194,115</u>  | <u>\$ 88,972</u>  | <u>\$ -</u>       | <u>\$ 1,283,087</u> |
| <hr/>                    |                      |                   |                   |                     |
| Pass-through Deposits    |                      |                   |                   |                     |
| <hr/>                    |                      |                   |                   |                     |
| <b>Assets:</b>           |                      |                   |                   |                     |
| Cash and investments     | \$ 1,056,872         | \$ 788,191        | \$ -              | \$ 1,845,063        |
| Accounts receivable      | -                    | 84,918            | -                 | 84,918              |
|                          | <u>\$ 1,056,872</u>  | <u>\$ 873,109</u> | <u>\$ -</u>       | <u>\$ 1,929,981</u> |
| <b>Liabilities:</b>      |                      |                   |                   |                     |
| Due to other agencies    | \$ 1,056,872         | \$ 873,109        | \$ -              | \$ 1,929,981        |
|                          | <u>\$ 1,056,872</u>  | <u>\$ 873,109</u> | <u>\$ -</u>       | <u>\$ 1,929,981</u> |
| <hr/>                    |                      |                   |                   |                     |
| Total - All Agency Funds |                      |                   |                   |                     |
| <hr/>                    |                      |                   |                   |                     |
| <b>Assets</b>            |                      |                   |                   |                     |
| Cash and investments     | \$ 2,393,012         | \$ 788,422        | \$ 113,739        | \$ 3,067,695        |
| Cash with fiscal agents  | 1,194,115            | 64,573            | -                 | 1,258,688           |
| Accounts receivable      | -                    | 109,086           | -                 | 109,086             |
|                          | <u>\$ 3,587,127</u>  | <u>\$ 962,081</u> | <u>\$ 113,739</u> | <u>\$ 4,435,469</u> |
| Total assets             | <u>\$ 3,587,127</u>  | <u>\$ 962,081</u> | <u>\$ 113,739</u> | <u>\$ 4,435,469</u> |
| <b>Liabilities</b>       |                      |                   |                   |                     |
| Deposits                 | \$ 1,336,140         | \$ -              | \$ 113,739        | \$ 1,222,401        |
| Due to bondholders       | 1,194,115            | 88,972            | -                 | 1,283,087           |
| Due to other agencies    | 1,056,872            | 873,109           | -                 | 1,929,981           |
|                          | <u>\$ 3,587,127</u>  | <u>\$ 962,081</u> | <u>\$ 113,739</u> | <u>\$ 4,435,469</u> |
| Total liabilities        | <u>\$ 3,587,127</u>  | <u>\$ 962,081</u> | <u>\$ 113,739</u> | <u>\$ 4,435,469</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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# 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.

|  |    |
|--|----|
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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 Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

|   | Fiscal Year      |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2003             | 2004             | 2005             | 2006             | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             |
| 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        | \$169,246        |
| Restricted                                      | 3,706            | 5,152            | 5,412            | 8,069            | 5,515            | 2,645            | 3,257            | 2,847            | 2,665            | 2,765            |
| Unrestricted                                    | 46,909           | 40,503           | 42,388           | 37,504           | 41,797           | 51,789           | 39,654           | 33,932           | 31,319           | 29,690           |
| Total governmental activities net assets        | <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> | <u>\$201,701</u> |

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

|   | Fiscal Year        |                    |                    |                   |                   |                    |                    |                  |                    |                    |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|------------------|--------------------|--------------------|
|   | 2003               | 2004               | 2005               | 2006              | 2007              | 2008               | 2009               | 2010             | 2011               | 2012               |
| <b>Expenses</b>   |                    |                    |                    |                   |                   |                    |                    |                  |                    |                    |
| Governmental activities:                                |                    |                    |                    |                   |                   |                    |                    |                  |                    |                    |
| General Government                                      | \$ 3,782           | \$ 3,715           | \$ 4,588           | \$ 4,977          | \$ 4,569          | \$ 4,896           | \$ 5,093           | \$ 5,285         | \$ 5,636           | \$ 5,006           |
| Public Safety   | 6,217              | 6,845              | 7,014              | 7,558             | 8,068             | 8,807              | 9,193              | 9,700            | 10,156             | 9,977              |
| Community Development                                   | 1,779              | 1,875              | 2,149              | 2,582             | 2,330             | 2,811              | 2,625              | 2,831            | 2,604              | 2,769              |
| Recreation and Parks                                    | 1,486              | 1,678              | 2,085              | 3,303             | 3,708             | 4,037              | 4,270              | 4,528            | 4,632              | 4,481              |
| Public Works  | 6,476              | 6,646              | 8,777              | 8,294             | 9,687             | 10,520             | 19,447             | 10,667           | 11,374             | 11,327             |
| Interest on Long-term Debt                              | 249                | 225                | 207                | 187               | 15                | -                  | -                  | -                | -                  | -                  |
| Unallocated Depreciation                                | 74                 | 76                 | 85                 | 122               | 131               | 187                | 192                | 220              | 221                | 214                |
| Total governmental activities expenses                  | <u>\$ 20,063</u>   | <u>\$ 21,060</u>   | <u>\$ 24,905</u>   | <u>\$ 27,023</u>  | <u>\$ 28,508</u>  | <u>\$ 31,258</u>   | <u>\$ 40,820</u>   | <u>\$ 33,231</u> | <u>\$ 34,623</u>   | <u>\$ 33,774</u>   |
| <b>Program Revenues</b>                                 |                    |                    |                    |                   |                   |                    |                    |                  |                    |                    |
| Governmental activities:                                |                    |                    |                    |                   |                   |                    |                    |                  |                    |                    |
| Charges for services:                                   |                    |                    |                    |                   |                   |                    |                    |                  |                    |                    |
| General Government                                      | \$ 265             | \$ 138             | \$ 843             | \$ 155            | \$ 321            | \$ 493             | \$ 263             | \$ 631           | \$ 464             | \$ 584             |
| Public Safety   | 339                | 418                | 488                | 461               | 454               | 539                | 332                | 305              | 253                | 304                |
| Community Development                                   | 1,331              | 1,161              | 1,344              | 2,266             | 1,359             | 1,396              | 1,054              | 1,265            | 1,171              | 1,064              |
| Recreation and Parks                                    | 254                | 219                | 221                | 224               | 224               | 262                | 261                | 271              | 306                | 349                |
| Public Works  | 265                | 155                | 288                | 131               | 469               | 561                | 422                | 260              | 244                | 185                |
| Operating grants and contributions                      | 2,665              | 1,475              | 1,585              | 1,449             | 1,694             | 1,612              | 9,999              | 2,424            | 1,900              | 2,172              |
| Capital grants and contributions                        | 2,612              | 1,836              | 5,176              | 13,459            | 16,321            | 3,159              | 852                | 46,617           | 826                | 1,143              |
| Total governmental activities program revenues          | <u>7,731</u>       | <u>5,402</u>       | <u>9,945</u>       | <u>18,145</u>     | <u>20,842</u>     | <u>8,022</u>       | <u>13,183</u>      | <u>51,773</u>    | <u>5,164</u>       | <u>5,801</u>       |
| Total government net revenue (expense)                  | <u>\$ (12,332)</u> | <u>\$ (15,658)</u> | <u>\$ (14,960)</u> | <u>\$ (8,878)</u> | <u>\$ (7,666)</u> | <u>\$ (23,236)</u> | <u>\$ (27,637)</u> | <u>\$ 18,542</u> | <u>\$ (29,459)</u> | <u>\$ (27,973)</u> |
| <b>General Revenues and Other Changes in Net Assets</b> |                    |                    |                    |                   |                   |                    |                    |                  |                    |                    |
| Governmental activities:                                |                    |                    |                    |                   |                   |                    |                    |                  |                    |                    |
| Taxes:  |                    |                    |                    |                   |                   |                    |                    |                  |                    |                    |
| Property taxes  | \$ 3,912           | \$ 4,209           | \$ 4,524           | \$ 5,009          | \$ 5,373          | \$ 6,001           | \$ 6,176           | \$ 6,109         | \$ 5,936           | \$ 5,857           |
| Franchise taxes   | 942                | 936                | 1,034              | 1,076             | 1,201             | 1,239              | 1,294              | 1,255            | 1,247              | 1,198              |
| Sales taxes   | 3,795              | 4,015              | 3,117              | 3,447             | 3,761             | 3,671              | 2,998              | 2,909            | 3,075              | 3,570              |
| In-lieu property taxes                                  | -                  | -                  | 2,665              | 3,119             | 3,867             | 4,276              | 4,154              | 3,719            | 3,944              | 3,947              |
| Property transfer taxes                                 | 319                | 498                | 525                | 441               | 395               | 374                | 224                | 229              | 200                | 230                |
| Transient occupancy taxes                               | 8,146              | 8,478              | 7,763              | 9,533             | 10,888            | 11,298             | 8,630              | 7,221            | 8,284              | 9,382              |
| Motor vehicle in-lieu (unrestricted)                    | 2,095              | 1,678              | 852                | 255               | 199               | 164                | 126                | 109              | 170                | 18                 |
| Other   | 113                | 61                 | 152                | 52                | 234               | 66                 | 68                 | 53               | 60                 | 68                 |
| Unrestricted investment earnings                        | 1,275              | 351                | 819                | 1,433             | 2,038             | 2,210              | 1,227              | 334              | 193                | 77                 |
| Total governmental activities                           | <u>\$ 20,597</u>   | <u>\$ 20,226</u>   | <u>\$ 21,451</u>   | <u>\$ 24,365</u>  | <u>\$ 27,956</u>  | <u>\$ 29,299</u>   | <u>\$ 24,897</u>   | <u>\$ 21,938</u> | <u>\$ 23,109</u>   | <u>\$ 24,347</u>   |
| <b>Change in Net Assets</b>                             | <u>\$ 8,265</u>    | <u>\$ 4,568</u>    | <u>\$ 6,491</u>    | <u>\$ 15,487</u>  | <u>\$ 20,290</u>  | <u>\$ 6,063</u>    | <u>\$ (2,740)</u>  | <u>\$ 40,480</u> | <u>\$ (6,350)</u>  | <u>\$ (3,626)</u>  |

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

|                                    | Fiscal Year     |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 2003            | 2004            | 2005            | 2006            | 2007            | 2008            | 2009            | 2010            | 2011 (1)        | 2012            |
| General fund                       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Nonspendable                       | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$64            | \$73            |
| Committed                          | -               | -               | -               | -               | -               | -               | -               | -               | 9,462           | 9,027           |
| Assigned                           | -               | -               | -               | -               | -               | -               | -               | -               | 3,169           | 3,169           |
| Unassigned                         | -               | -               | -               | -               | -               | -               | -               | -               | 6,094           | 7,003           |
| Reserved                           | 1,555           | 2,105           | 1,318           | 3,715           | 561             | 1,466           | 1,378           | 406             | -               | -               |
| Unreserved                         | 20,324          | 14,251          | 12,808          | 12,605          | 17,836          | 20,684          | 19,478          | 19,925          | -               | -               |
| Total general fund                 | <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> | <u>\$19,272</u> |
| All other governmental funds       |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Restricted                         | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$2,498         | \$2,598         |
| Assigned                           | -               | -               | -               | -               | -               | -               | -               | -               | 12,406          | 10,284          |
| Reserved                           | 4,301           | 6,699           | 3,741           | 5,225           | 414             | 8,747           | 4,136           | 827             | -               | -               |
| Unreserved, reported in:           |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Special revenue funds              | 1,330           | 1,475           | 1,499           | 1,424           | 1,555           | 2,263           | 2,553           | 2,062           | -               | -               |
| Capital project funds              | 23,293          | 21,368          | 27,429          | 22,986          | 27,225          | 21,851          | 15,794          | 13,130          | -               | -               |
| Total all other governmental funds | <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> | <u>\$12,882</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     |                   |                   |                 |                 |                 |                    |                   |                   |                   |
|--|-----------------|-------------------|-------------------|-----------------|-----------------|-----------------|--------------------|-------------------|-------------------|-------------------|
|  | 2003            | 2004              | 2005              | 2006            | 2007            | 2008            | 2009               | 2010              | 2011              | 2012              |
| <b>Revenues</b>  |                 |                   |                   |                 |                 |                 |                    |                   |                   |                   |
| Taxes  | \$ 17,278       | \$ 18,247         | \$ 19,666         | \$ 22,626       | \$ 25,391       | \$ 26,715       | \$ 23,117          | \$ 20,271         | \$ 22,821         | \$ 24,525         |
| Licences, fees and permits                                 | 2,451           | 1,960             | 1,936             | 1,926           | 2,048           | 2,186           | 1,997              | 1,983             | 1,975             | 1,937             |
| Fines and forfeitures                                      | 352             | 428               | 492               | 469             | 470             | 636             | 433                | 335               | 286               | 455               |
| Intergovernmental  | 4,711           | 3,189             | 3,805             | 7,181           | 6,011           | 3,464           | 1,536              | 1,856             | 1,118             | 1,570             |
| Charges for services                                       | 1,050           | 921               | 1,894             | 1,906           | 1,475           | 1,672           | 1,150              | 1,651             | 1,392             | 1,307             |
| Use of money and property                                  | 1,638           | 573               | 1,016             | 1,740           | 2,423           | 2,590           | 1,468              | 520               | 399               | 241               |
| Contributions from property owners                         | -               | -                 | -                 | -               | -               | -               | 8,199              | 486               | 41                | 28                |
| Other  | 815             | 352               | 1,271             | 337             | 246             | 93              | 180                | 106               | 295               | 86                |
| <b>Total revenues</b>                                      | <b>28,295</b>   | <b>25,670</b>     | <b>30,080</b>     | <b>36,185</b>   | <b>38,064</b>   | <b>37,356</b>   | <b>38,080</b>      | <b>27,208</b>     | <b>28,327</b>     | <b>30,149</b>     |
| <b>Expenditures</b>  |                 |                   |                   |                 |                 |                 |                    |                   |                   |                   |
| General government   | 3,687           | 3,586             | 4,450             | 4,846           | 4,526           | 4,809           | 4,971              | 5,223             | 5,524             | 5,026             |
| Public safety  | 6,217           | 6,843             | 7,008             | 7,544           | 8,035           | 8,767           | 9,123              | 9,617             | 10,077            | 9,856             |
| Community development                                      | 1,768           | 1,866             | 2,132             | 2,565           | 2,312           | 2,772           | 2,594              | 2,804             | 2,578             | 2,764             |
| Recreation and parks                                       | 1,235           | 1,622             | 2,029             | 3,237           | 3,627           | 3,953           | 4,186              | 4,443             | 4,526             | 4,477             |
| Public works   | 4,336           | 4,129             | 5,405             | 5,133           | 5,243           | 5,803           | 6,673              | 5,398             | 5,409             | 5,388             |
| Capital outlay   | 7,727           | 12,007            | 7,639             | 13,180          | 9,667           | 3,832           | 22,205             | 6,712             | 2,869             | 4,177             |
| Debt service:  |                 |                   |                   |                 |                 |                 |                    |                   |                   |                   |
| Principal  | 270             | 290               | 305               | 325             | 2,925           | -               | -                  | -                 | -                 | -                 |
| Interest   | 249             | 232               | 215               | 196             | 93              | -               | -                  | -                 | -                 | -                 |
| <b>Total expenditures</b>                                  | <b>25,489</b>   | <b>30,575</b>     | <b>29,183</b>     | <b>37,026</b>   | <b>36,428</b>   | <b>29,936</b>   | <b>49,752</b>      | <b>34,197</b>     | <b>30,983</b>     | <b>31,688</b>     |
| Excess of revenues<br>over (under) expenditures            | 2,806           | (4,905)           | 897               | (841)           | 1,636           | 7,420           | (11,672)           | (6,989)           | (2,656)           | (1,539)           |
| <b>Other financing sources (uses)</b>                      |                 |                   |                   |                 |                 |                 |                    |                   |                   |                   |
| Transfers in   | 16,631          | 11,642            | 764               | 4,237           | 3,922           | 6,658           | 3,357              | 4,313             | 1,772             | 1,521             |
| Transfers out  | (16,631)        | (11,642)          | (7,964)           | (4,238)         | (3,922)         | (6,658)         | (3,357)            | (4,313)           | (1,772)           | (1,521)           |
| <b>Total other financing sources (uses)</b>                | <b>-</b>        | <b>-</b>          | <b>(7,200)</b>    | <b>(1)</b>      | <b>-</b>        | <b>-</b>        | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>          |
| Cumulative effect of a change in<br>accounting principle   | -               | -                 | -                 | -               | -               | -               | -                  | -                 | -                 | -                 |
| Prior period adjustment                                    | 492             | -                 | -                 | -               | -               | -               | -                  | -                 | -                 | -                 |
| <b>Net change in fund balances</b>                         | <b>\$ 3,298</b> | <b>\$ (4,905)</b> | <b>\$ (6,303)</b> | <b>\$ (842)</b> | <b>\$ 1,636</b> | <b>\$ 7,420</b> | <b>\$ (11,672)</b> | <b>\$ (6,989)</b> | <b>\$ (2,656)</b> | <b>\$ (1,539)</b> |
| Debt service as a percentage of<br>noncapital expenditures | 2.0%            | 1.7%              | 1.8%              | 1.4%            | 8.3%            | 0.0%            | 0.0%               | 0.0%              | 0.0%              | 0.0%              |

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

|                                      | Fiscal Year            |                        |                        |                         |                         |                        |                         |                         |                        |                        |
|--------------------------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|------------------------|
|                                      | 2003                   | 2004                   | 2005                   | 2006                    | 2007                    | 2008                   | 2009                    | 2010                    | 2011                   | 2012                   |
| <b>Function/Program</b>              |                        |                        |                        |                         |                         |                        |                         |                         |                        |                        |
| Governmental activities:             |                        |                        |                        |                         |                         |                        |                         |                         |                        |                        |
| General government                   | \$ 310                 | \$ 182                 | \$ 878                 | \$ 203                  | \$ 377                  | \$ 538                 | \$ 295                  | \$ 685                  | \$ 497                 | \$ 625                 |
| Public safety                        | 713                    | 751                    | 943                    | 746                     | 930                     | 946                    | 737                     | 785                     | 670                    | 803                    |
| Community development                | 2,379                  | 1,212                  | 1,368                  | 2,306                   | 1,415                   | 1,450                  | 1,089                   | 1,280                   | 1,181                  | 1,070                  |
| Recreation and parks                 | 932                    | 800                    | 824                    | 470                     | 11,211                  | 914                    | 456                     | 442                     | 359                    | 422                    |
| Public works                         | 3,398                  | 2,457                  | 5,931                  | 14,419                  | 6,909                   | 4,174                  | 10,606                  | 48,581                  | 2,457                  | 2,881                  |
| <b>Total governmental activities</b> | <b><u>\$ 7,732</u></b> | <b><u>\$ 5,402</u></b> | <b><u>\$ 9,944</u></b> | <b><u>\$ 18,144</u></b> | <b><u>\$ 20,842</u></b> | <b><u>\$ 8,022</u></b> | <b><u>\$ 13,183</u></b> | <b><u>\$ 51,773</u></b> | <b><u>\$ 5,164</u></b> | <b><u>\$ 5,801</u></b> |

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     |
|-------------|------------------|---------------|---------------|------------------|---------------|--------------------------|-----------------------|-----------------------------|-----------|
| 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    |
| 2012        | 5,857            | 1,198         | 3,570         | 1,044            | 456           | 3,947                    | 230                   | 9,382                       | 25,684    |

- (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 |          |          |          |          |          |          |          |          |          |
|---|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|   | 2003        | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2010     | 2011     | 2012     |
| Total property tax levy                 | \$ 3,956    | \$ 4,285 | \$ 4,602 | \$ 5,129 | \$ 5,556 | \$ 6,174 | \$ 6,256 | \$ 6,064 | \$ 6,031 | \$ 6,093 |
| Current year collections                | \$ 3,876    | \$ 4,181 | \$ 4,501 | \$ 4,973 | \$ 5,338 | \$ 5,908 | \$ 5,985 | \$ 5,910 | \$ 5,848 | \$ 5,827 |
| Current year collections as % of levy   | 98.0%       | 97.6%    | 97.8%    | 97.0%    | 96.1%    | 95.7%    | 95.7%    | 97.5%    | 97.0%    | 95.6%    |
| Current year delinquencies              | \$ 80       | \$ 104   | \$ 101   | \$ 156   | \$ 218   | \$ 266   | \$ 271   | \$ 154   | \$ 183   | \$ 266   |
| Current year delinquencies as % of levy | 2.0%        | 2.4%     | 2.2%     | 3.0%     | 3.9%     | 4.3%     | 4.3%     | 2.5%     | 3.0%     | 4.4%     |
| 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  |              |              |              |              |              |              |              |              |              |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                     | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         |
| Assessed value                      | \$ 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 | \$ 8,735,352 |
| Estimated actual value (see note)   | \$ 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 | \$ 8,735,352 |
| Annual increase in assessed value   | \$ 404,917   | \$ 425,029   | \$ 309,197   | \$ 747,726   | \$ 694,624   | \$ 839,697   | \$ 347,200   | \$ (116,507) | \$ (75,654)  | \$ 47,604    |
| Annual % increase in assessed value | 7.9%         | 7.7%         | 5.2%         | 12.0%        | 9.9%         | 10.9%        | 4.1%         | -1.3%        | -0.9%        | 0.5%         |

(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     |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | 2003            | 2004            | 2005            | 2006            | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            |
| <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          |
| <b>City of Dana Point</b>  | <b>0.0760</b>   | <b>0.0760</b>   | <b>0.0760</b>   | <b>0.0760</b>   | <b>0.0760</b>   | <b>0.0760</b>   | <b>0.0760</b>   | <b>0.0760</b>   | <b>0.0760</b>   | <b>0.0760</b>   |
| 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          | 0.0058          | 0.0052          | 0.0052          | 0.0047          | 0.0043          | 0.0043          | 0.0037          | 0.0037          | 0.0037          |
| Capistrano Unified ID#1 1999 Bond Fund - Series A                  | 0.0053          | 0.0034          | 0.0031          | 0.0031          | 0.0027          | 0.0028          | 0.0031          | 0.0032          | 0.0032          | 0.0032          |
| Capistrano Unified ID#1 1999 Bond Fund - Series B                  | 0.0031          | 0.0054          | 0.0049          | 0.0049          | 0.0043          | 0.0045          | 0.0043          | 0.0051          | 0.0051          | 0.0051          |
| Capistrano Unified ID#1 1999 Bond Fund - Series C                  | 0.0000          | 0.0031          | 0.0027          | 0.0027          | 0.0024          | 0.0025          | 0.0028          | 0.0028          | 0.0028          | 0.0028          |
| Combined Total Property Tax Rate (2)                               | <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> | <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 2012        |                   |      |                       | Fiscal Year 2003       |                   |      |                       |
|-----------------------------------|-------------------------|-------------------|------|-----------------------|------------------------|-------------------|------|-----------------------|
|                                   | Taxable Assessed Value  | Taxes Paid        | Rank | % of Total Taxes Paid | Taxable Assessed Value | Taxes Paid        | Rank | % of Total Taxes Paid |
| MMB Management LLC                | \$ 295,279,121          | \$ 99,557         | 1    | 3.55%                 | \$ -                   | \$ -              | -    | -                     |
| SHC Laguna Niguel 1 LLC           | 211,355,736             | 65,967            | 2    | 2.35%                 | 193,646,762            | 60,440            | 2    | 3.44%                 |
| Regency Laguna LP                 | 176,443,291             | 64,110            | 3    | 2.29%                 | -                      | -                 | -    | -                     |
| WH MBR LLC                        | 206,765,046             | 54,750            | 4    | 1.95%                 | -                      | -                 | -    | -                     |
| Monarch Coast I LLC               | 88,684,191              | 27,417            | 5    | 0.98%                 | -                      | -                 | -    | -                     |
| Headlands Reserve, LLC            | 44,101,618              | 15,334            | 6    | 0.55%                 | 64,690,156             | 23,879            | 4    | 1.36%                 |
| Bear Brand Partners               | 30,922,073              | 9,651             | 7    | 0.34%                 | 26,743,177             | 8,347             | 9    | 0.48%                 |
| ST Apartments LLC                 | 25,989,690              | 8,246             | 8    | 0.29%                 | 21,892,807             | 6,727             | 10   | 0.38%                 |
| Harbor Pointe Partners, LLC       | 25,859,480              | 7,985             | 9    | 0.28%                 | -                      | -                 | -    | -                     |
| Theresa C. Morrison Trust         | 23,017,864              | 7,226             | 10   | 0.25%                 | -                      | -                 | -    | -                     |
| CPH Monarch Hotel LLC             | -                       | -                 | -    | -                     | 246,074,487            | 76,803            | 1    | 4.37%                 |
| Lloyd's Bank California           | -                       | -                 | -    | -                     | 143,774,698            | 48,475            | 3    | 2.76%                 |
| CPH Resorts I LLC                 | -                       | -                 | -    | -                     | 58,875,737             | 18,376            | 5    | 1.05%                 |
| Monarch Bay Two                   | -                       | -                 | -    | -                     | 47,435,866             | 14,692            | 6    | 0.84%                 |
| Connecticut General Life Ins. Co. | -                       | -                 | -    | -                     | 37,603,550             | 11,703            | 7    | 0.67%                 |
| CPH Resorts LLC                   | -                       | -                 | -    | -                     | 28,880,568             | 9,029             | 8    | 0.51%                 |
| <b>Totals</b>                     | <b>\$ 1,128,418,110</b> | <b>\$ 360,243</b> |      | <b>12.83%</b>         | <b>\$ 869,617,808</b>  | <b>\$ 278,471</b> |      | <b>15.86%</b>         |

Source: HDL, Coren & Cone

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

|   | Fiscal Year    |                |                |                |                 |                 |                |                |                |                |
|---|----------------|----------------|----------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
|   | 2003           | 2004           | 2005           | 2006           | 2007            | 2008            | 2009           | 2010           | 2011           | 2012           |
| <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>\$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> | <u>\$9,382</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      |
|---------------|----------------|---------------------|-------------|----------------------------|--------------------|---------------------------|------------------|---------------------|-------------------|------------|
| 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    |
| 2011          | 4,778          | 2,335               | 28,885      | 92,995                     | 18,015             | 5,613                     | 68,307           | 67,286              | 149,815           | 438,029    |

Top 25 Sales Tax Producers  
Fiscal Year 2012

| <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           |
| Circle K                            | Service stations           |
| 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          |
| Western Emulsions                   | Contractors                |
| Wind & Sea Restaurant               | Restaurants                |

**Percent of total paid by top 25 accounts = 59.57%**

(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<br>Year | Governmental<br>Activities<br>Capital<br>Leases | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Per<br>Capita |
|----------------|---|--------------------------------|-------------------------------------|---------------|
| 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           | -   | -                              | -                                   | -             |
| 2012           | -   | -                              | -                                   | -             |

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, 2012

| <u>OVERLAPPING DEBT:</u>   | <u>Gross Debt<br/>Balance</u> | <u>% Applicable<br/>to City</u> | <u>City Share<br/>6/30/12</u> |
|--|-------------------------------|---------------------------------|-------------------------------|
| Metropolitan Water District  | \$ 39,848,053                 | 2.317%                          | \$ 923,292                    |
| Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2002C | 14,990,000                    | 19.971%                         | 2,993,630                     |
| Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2001B | 16,429,930                    | 19.971%                         | 3,281,197                     |
| Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2000A | 14,090,000                    | 19.971%                         | 2,813,893                     |
| South Coast Water District 1998, 2010 A & B, & 2011                                | 39,510,520                    | 55.368%                         | 21,876,309                    |
| Santa Margarita Water District I.D. #3 1978 Bond                                   | 20,370,000                    | 0.175%                          | 35,651                        |
| Total Overlapping Debt   |                               |                                 | <u>\$ 31,923,972</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

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

|  | Fiscal Year         |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2003                | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                |
| Assessed Valuation                                       | <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> | <u>\$ 8,735,352</u> |
| Legal Debt Limit = 3.75% of Total Assessed Valuation (1) | 206,866             | 222,805             | 234,400             | 262,440             | 288,488             | 319,889             | 332,997             | 328,543             | 325,791             | 327,576             |
| Amount of Debt Applicable to Limit:                      |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Certificates of Participation/ Capital Lease             | 3,845               | 3,555               | 3,250               | 2,925               | -                   | -                   | -                   | -                   | -                   | -                   |
| Legal Debt Margin  | <u>\$ 203,021</u>   | <u>\$ 219,250</u>   | <u>\$ 231,150</u>   | <u>\$ 259,515</u>   | <u>\$ 288,488</u>   | <u>\$ 319,889</u>   | <u>\$ 332,997</u>   | <u>\$ 328,543</u>   | <u>\$ 325,791</u>   | <u>\$ 327,576</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

|                                   | 2003 (1)   | 2004 (1)   | 2005 (1)   | 2006 (1)   | 2007 (1)   | 2008 (1)   | 2009 (1)   | 2010 (1)   | 2011 (2)   | 2012 (2)   |
|-----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Population                        | 36,312     | 35,416     | 37,283     | 36,854     | 36,884     | 36,441     | 35,822     | 35,561     | 35,109     | 33,054     |
| Age Distribution:                 |            |            |            |            |            |            |            |            |            |            |
| 0 - 4                             | 1,913      | 1,890      | 1,996      | 1,950      | 1,953      | 1,903      | 1,915      | 1,905      | 1,753      | 1,675      |
| 5 - 14                            | 4,020      | 3,837      | 4,079      | 4,026      | 4,049      | 3,757      | 3,734      | 3,657      | 3,794      | 3,593      |
| 15 - 19                           | 1,953      | 1,925      | 1,987      | 1,911      | 1,960      | 1,933      | 1,764      | 1,716      | 2,160      | 2,151      |
| 20 - 24                           | 1,980      | 2,106      | 2,216      | 2,181      | 2,097      | 2,029      | 1,852      | 1,805      | 1,419      | 1,340      |
| 25 - 34                           | 4,537      | 4,323      | 4,503      | 4,503      | 4,431      | 4,560      | 4,707      | 4,772      | 4,421      | 4,302      |
| 35 - 44                           | 5,935      | 5,639      | 5,812      | 5,587      | 5,568      | 5,179      | 5,034      | 4,849      | 4,606      | 4,390      |
| 45 - 64                           | 10,747     | 10,459     | 11,209     | 11,335     | 11,519     | 11,480     | 11,235     | 11,169     | 11,202     | 10,341     |
| 65 - 74                           | 2,848      | 2,816      | 2,861      | 2,777      | 2,753      | 2,939      | 2,992      | 3,078      | 3,105      | 2,732      |
| 75 - 84                           | 1,876      | 1,895      | 2,045      | 1,994      | 1,939      | 1,958      | 1,886      | 1,864      | 1,936      | 1,836      |
| 85 and over                       | 503        | 526        | 575        | 590        | 615        | 703        | 703        | 746        | 713        | 694        |
| Total                             | 36,312     | 35,416     | 37,283     | 36,854     | 36,884     | 36,441     | 35,822     | 35,561     | 35,109     | 33,054     |
| Median Age                        | 42         | 42         | 42         | 42         | 42         | 43         | 43         | 43         | 44         | 43         |
| Per capita income                 | \$ 44,179  | \$ 46,848  | \$ 46,381  | \$ 45,461  | \$ 47,055  | \$ 50,978  | \$ 46,922  | \$ 47,982  | \$ 42,245  | \$ 44,704  |
| Personal income (,000,000)        | \$ 1,604   | \$ 1,659   | \$ 1,729   | \$ 1,675   | \$ 1,736   | \$ 1,858   | \$ 1,681   | \$ 1,706   | \$ 1,816   | \$ 1,663   |
| Median household income           | \$ 72,590  | \$ 75,190  | \$ 78,392  | \$ 78,160  | \$ 80,508  | \$ 88,429  | \$ 86,537  | \$ 87,100  | \$ 73,700  | \$ 73,696  |
| Average household income          | \$ 106,384 | \$ 111,959 | \$ 111,051 | \$ 110,715 | \$ 114,824 | \$ 124,494 | \$ 113,457 | \$ 115,966 | \$ 101,855 | \$ 101,662 |
| Civilian unemployment rate (3)(4) | 3.4%       | 3.1%       | 2.7%       | 2.4%       | 2.8%       | 3.8%       | 6.4%       | 6.9%       | 6.3%       | n/a        |
| Number of families                | 9,278      | 9,219      | 9,753      | 9,435      | 9,467      | 9,320      | 9,248      | 9,181      | 9,143      | 9,097      |
| Number of households              | 14,850     | 14,596     | 15,342     | 14,909     | 14,889     | 14,697     | 14,585     | 14,491     | 14,459     | 14,328     |
| Average household size            | 2.43       | 2.42       | 2.42       | 2.46       | 2.47       | 2.47       | 2.44       | 2.44       | 2.42       | 2.29       |
| Households, by income:            |            |            |            |            |            |            |            |            |            |            |
| Less than \$15,000                | 858        | 829        | 839        | 794        | 791        | 630        | 646        | 611        | 864        | 866        |
| \$15,000 - \$24,999               | 984        | 912        | 840        | 829        | 694        | 604        | 602        | 702        | 905        | 899        |
| \$25,000 - \$34,999               | 910        | 900        | 928        | 890        | 805        | 727        | 744        | 582        | 928        | 920        |
| \$35,000 - \$49,999               | 2,084      | 1,705      | 1,698      | 1,551      | 1,502      | 1,147      | 1,168      | 1,384      | 1,735      | 1,716      |
| \$50,000 - \$74,999               | 2,803      | 2,931      | 2,951      | 3,024      | 3,010      | 2,944      | 2,812      | 2,675      | 2,951      | 2,915      |
| \$75,000 - \$99,999               | 2,077      | 2,038      | 2,346      | 2,224      | 2,308      | 2,136      | 2,452      | 2,309      | 2,022      | 2,009      |
| \$100,000 - \$149,999             | 2,608      | 2,657      | 2,913      | 2,729      | 2,759      | 3,191      | 3,176      | 3,206      | 2,612      | 2,600      |
| Over \$150,000                    | 2,526      | 2,624      | 2,827      | 2,868      | 3,020      | 3,318      | 2,985      | 3,022      | 2,442      | 2,403      |
| Total                             | 14,850     | 14,596     | 15,342     | 14,909     | 14,889     | 14,697     | 14,585     | 14,491     | 14,459     | 14,328     |

(1) Source: ESRI Business Information Solutions

(2) Source: The Nielsen Company

(3) Source: Bureau of Labor Statistics

(4) Reflects calendar year unemployment rate. Rate for 2012 is not available.

CITY OF DANA POINT  
Principal Employers  
Calendar Year 2012 and Three Years Ago

| Employer                           | 2012         |      |                                     | 2009*        |      |                                     |
|------------------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
|                                    | Employees    | Rank | Percentage of Total City Employment | Employees    | Rank | Percentage of Total City Employment |
| Ritz-Carlton-Laguna Niguel         | 970          | 1    | 7.69%                               | 970          | 1    | 8.08%                               |
| St Regis Monarch Beach             | 255          | 2    | 2.02%                               | 800          | 2    | 6.67%                               |
| Marriott-Laguna Cliffs Resort      | 250          | 3    | 1.98%                               | 250          | 4    | 2.08%                               |
| Dana Hills High School             | 200          | 4    | 1.59%                               | -            | -    | -                                   |
| Harpoon Henry's Seafood Rstrnt     | 150          | 5    | 1.19%                               | 150          | 7    | 1.25%                               |
| Wind & Sea Restaurant Inc          | 125          | 6    | 0.99%                               | 125          | 9    | 1.04%                               |
| Chambers Gallery                   | 120          | 7    | 0.95%                               | 120          | 10   | 1.00%                               |
| O C Lifeguards                     | 101          | 8    | 0.80%                               | -            | -    | -                                   |
| Gelson's Markets                   | 100          | 9    | 0.79%                               | 100          | 13   | 0.83%                               |
| Salt Creek Grille                  | 100          | 10   | 0.79%                               | 100          | 15   | 0.83%                               |
| Monarch Beach & Tennis Club        | 100          | 11   | 0.79%                               | -            | -    | -                                   |
| Albertsons                         | 100          | 12   | 0.79%                               | 100          | 12   | 0.83%                               |
| Ralphs - Del Obispo St.            | 95           | 13   | 0.75%                               | 165          | 6    | 1.38%                               |
| R H Dana Exceptional Needs         | 90           | 14   | 0.71%                               | -            | -    | -                                   |
| Chart House Restaurant             | 90           | 15   | 0.71%                               | -            | -    | -                                   |
| Dana Point Post Office             | 80           | 16   | 0.63%                               | -            | -    | -                                   |
| Cannons Seafood Grill              | 80           | 17   | 0.63%                               | 80           | 20   | 0.67%                               |
| Chart House                        | 80           | 18   | 0.63%                               | 90           | 18   | 0.75%                               |
| ERA Fine Homes                     | 70           | 19   | 0.55%                               | -            | -    | -                                   |
| US Post Office                     | 70           | 20   | 0.55%                               | -            | -    | -                                   |
| Ralphs - Del Prado St.             | 70           | 21   | 0.55%                               | -            | -    | -                                   |
| Western Union                      | 70           | 22   | 0.55%                               | -            | -    | -                                   |
| St Edward School                   | 65           | 23   | 0.52%                               | -            | -    | -                                   |
| Luxre Realty                       | 65           | 24   | 0.52%                               | -            | -    | -                                   |
| Capistrano Unified School District | -            | -    | -                                   | 410          | 3    | 3.42%                               |
| Expert Loan Solutions              | -            | -    | -                                   | 200          | 5    | 1.67%                               |
| Remax Real Estate                  | -            | -    | -                                   | 145          | 8    | 1.21%                               |
| U.S. Ocean Safety Lifeguards       | -            | -    | -                                   | 101          | 11   | 0.84%                               |
| Monarch Beach Tennis Club          | -            | -    | -                                   | 100          | 14   | 0.83%                               |
| Soto Company                       | -            | -    | -                                   | 100          | 16   | 0.83%                               |
| Capistrano Beach Care Center       | -            | -    | -                                   | 90           | 17   | 0.75%                               |
| Doubletree Dana Point              | -            | -    | -                                   | 90           | 19   | 0.75%                               |
| <b>Total</b>                       | <b>3,496</b> |      | <b>27.67%</b>                       | <b>4,286</b> |      | <b>35.71%</b>                       |

\* Data unavailable before calendar year 2009

Source: Reference USA/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, |              |              |              |              |              |              |              |              |              |
|-----------------------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                   | 2003  | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         |
| <u>General Government</u>         |   |              |              |              |              |              |              |              |              |              |
| 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                        | 2.75  | 3.75         | 3.75         | 3.75         | 4.00         | 4.00         | 4.00         | 4.00         | 4.00         | 4.00         |
| Administrative Services           | 5.75  | 5.75         | 5.75         | 6.75         | 6.75         | 7.00         | 7.00         | 7.00         | 7.00         | 7.00         |
| Facilities                        | -   | -            | 0.50         | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         |
| <u>Public Safety</u>              |   |              |              |              |              |              |              |              |              |              |
| Police Services                   | -   | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Emergency Services                | 1.00  | 1.00         | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         | 1.50         |
| <u>Community Development</u>      |   |              |              |              |              |              |              |              |              |              |
| Planning                          | 4.00  | 5.00         | 6.00         | 7.00         | 7.00         | 8.00         | 8.00         | 8.00         | 8.00         | 8.00         |
| Building                          | 1.50  | 1.50         | 2.50         | 3.50         | 2.50         | 7.50         | 7.50         | 7.50         | 7.50         | 7.50         |
| Code Enforcement                  | 2.50  | 2.50         | 2.50         | 2.50         | 2.50         | 3.50         | 3.50         | 3.50         | 3.50         | 3.50         |
| Economic Development              | -   | -            | -            | -            | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         |
| <u>Recreation and Parks</u>       |   |              |              |              |              |              |              |              |              |              |
| Parks                             | 0.67  | 1.67         | 1.67         | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         |
| Community Services                | 3.00  | 4.00         | 4.00         | 4.00         | 4.00         | 5.00         | 5.00         | 5.00         | 5.00         | 5.00         |
| <u>Public Works</u>               |   |              |              |              |              |              |              |              |              |              |
| Administration                    | 4.33  | 4.33         | 4.33         | 2.33         | 2.33         | 2.33         | 2.33         | 2.33         | 2.33         | 2.33         |
| Street/Drainage Maintenance       | 1.17  | 1.16         | 1.16         | 1.33         | 1.33         | 1.33         | 1.33         | 1.33         | 1.33         | 1.33         |
| Traffic Engineering               | 0.50  | -            | -            | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| Solid Waste                       | 0.33  | 0.34         | 0.34         | 0.34         | 0.34         | 0.34         | 0.34         | 0.34         | 0.34         | 0.34         |
| Engineering                       | 1.50  | 1.00         | 2.00         | 5.00         | 5.00         | 10.00        | 12.00        | 12.00        | 12.00        | 12.00        |
| Water Quality & Natural Resources | 0.50  | 1.50         | 1.50         | 1.00         | 1.00         | 1.00         | 1.00         | 2.00         | 2.00         | 2.00         |
| Total                             | <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> | <u>64.00</u> |

Source: City of Dana Point Budget Document

CITY OF DANA POINT  
Operating Indicators by Function/Program  
Fiscal Years 2006 through 2012\*

|                                      | Fiscal Year  |              |              |              |              |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                      | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         |
| <u>Police (1)</u>                    |              |              |              |              |              |              |              |
| Arrests                              | 2,153        | 418          | 404          | 1,009        | 882          | 1,006        | 881          |
| Calls for service                    | 17,091       | 20,028       | 16,479       | 16,501       | 15,505       | 15,899       | 14,916       |
| Parking citations issued             | 9,765        | 9,652        | 10,895       | 7,955        | 7,042        | 7,544        | 6,739        |
| Traffic citations issued             | 6,666        | 6,320        | 5,816        | 6,528        | 1,908        | 1,996        | 1,876        |
| <u>Fire (2)</u>                      |              |              |              |              |              |              |              |
| Incidents                            | 2,326        | 2,449        | 2,700        | 2,654        | 2,790        | 3,155        | 2,778        |
| Unit responses                       | 4,619        | 4,771        | 4,946        | 4,684        | 5,145        | 5,631        | 5,009        |
| Fires                                | 55           | 66           | 66           | 63           | 51           | 41           | 36           |
| Inspections conducted                | 720          | 848          | 1,059        | 452          | 774          | 549          | 229          |
| <u>Refuse Collection (3)</u>         |              |              |              |              |              |              |              |
| Refuse collected (tons/day)          | 83           | 86           | 42           | 53           | 55           | 55           | 54           |
| Recyclables collected (tons/day)     | 82           | 78           | 44           | 55           | 60           | 64           | 61           |
| <u>Community Development</u>         |              |              |              |              |              |              |              |
| Building permits issued              | 1,663        | 1,648        | 1,456        | 1,500        | 1,552        | 1,560        | 1,496        |
| Value of building permits issued     | \$49,420,168 | \$37,818,104 | \$56,799,416 | \$45,852,490 | \$31,413,957 | \$42,400,000 | \$31,665,561 |
| Inspections conducted                | 7,960        | 8,341        | 7,497        | 7,571        | 7,994        | 8,300        | 7,333        |
| New code enforcement cases opened    | 699          | 614          | 867          | 1,241        | 1,368        | 1,325        | 916          |
| Code enforcement cases closed        | 687          | 484          | 956          | 1,187        | 1,369        | 1,330        | 914          |
| <u>Public Works</u>                  |              |              |              |              |              |              |              |
| Miles of street resurfaced           | 8            | 8            | 2            | 1            | 5            | 2            | 2            |
| Potholes repaired                    | 103          | 25           | 150          | 312          | 220          | 156          | 81           |
| Inspections completed                | 300          | 478          | 575          | 653          | 274          | 1,071        | 2,864        |
| <u>Parks and recreation</u>          |              |              |              |              |              |              |              |
| Number of classes offered            | 421          | 475          | 471          | 680          | 701          | 720          | 715          |
| Number of activities/trips conducted | 10           | 6            | 4            | 4            | 4            | 16           | 31           |
| Number of participants:              |              |              |              |              |              |              |              |
| Youth classes                        | 1,168        | 1,436        | 1,492        | 1,069        | 1,032        | 1,259        | 1,915        |
| Adult classes                        | 1,050        | 1,279        | 1,286        | 1,125        | 1,101        | 805          | 1,180        |
| Sports leagues                       | 600          | 402          | 401          | 446          | 404          | 720          | 750          |
| Excursions                           | 259          | 173          | 101          | 176          | 170          | 170          | 65           |
| 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> | <u>3,910</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 2012\*

|  | Fiscal Year |       |       |       |       |       |       |
|--|-------------|-------|-------|-------|-------|-------|-------|
|  | 2006        | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  |
| <u>Police (1)</u>                        |             |       |       |       |       |       |       |
| Stations                                 | 1           | 1     | 1     | 1     | 1     | 1     | 1     |
| Patrol units (cars)                      | 12          | 12    | 12    | 12    | 12    | 13    | 13    |
| Patrol units (motorcycles)               | 3           | 3     | 3     | 3     | 2     | 2     | 1     |
| Fire Stations (2)                        | 2           | 2     | 2     | 2     | 2     | 2     | 2     |
| <u>Refuse Collection (3)</u>             |             |       |       |       |       |       |       |
| Collection trucks                        | 16          | 13    | 18    | 15    | 13    | 13    | 14    |
| <u>Public Works</u>                      |             |       |       |       |       |       |       |
| Miles of arterial streets maintained     | 15          | 12    | 19    | 19    | 19    | 19    | 19    |
| Miles of non-arterial streets maintained | 56          | 63    | 56    | 56    | 56    | 56    | 56    |
| Miles of storm drains maintained         | 47          | 18    | 18    | 18    | 20    | 20    | 20    |
| Number of traffic signals                | 36          | 36    | 36    | 37    | 37    | 37    | 37    |
| Number of street lights (4)              | 1,466       | 1,467 | 1,467 | 1,470 | 1,470 | 1,470 | 1,470 |
| <u>Parks and Recreation</u>              |             |       |       |       |       |       |       |
| Number of parks                          | 21          | 23    | 23    | 23    | 27    | 27    | 27    |
| Total park acreage                       | 65.7        | 85.4  | 85.4  | 85.4  | 135.0 | 135.0 | 135.0 |
| Number of baseball/softball diamonds     | 7           | 7     | 7     | 7     | 7     | 7     | 7     |
| Number of community centers              | 1           | 1     | 1     | 1     | 1     | 1     | 1     |
| Number of tennis courts                  | 8           | 8     | 8     | 8     | 8     | 8     | 8     |
| Number of basketball courts              | 5           | 6     | 5     | 7     | 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