

CITY OF DANA POINT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



Steven H. Weinberg, Mayor
Lisa Bartlett, Mayor Pro Tem
William P. Brough, Council Member
Carlos Olvera, Council Member
Scott Scheoffel, Council Member

Douglas C. Chotkevys, City Manager

Prepared by:
Department of Administrative Services

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December 5, 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, 2013, 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, 2013, financial statements was performed by Vavrinek, Trine, Day & Co., 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, 2013, are free of material misstatement. Vavrinek, Trine, Day & Co concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Dana Point's financial statements for the year ended June 30, 2013, 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.

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PROFILE OF THE CITY

Dana Point is a city of approximately 6.7 square miles. Located on the southern coast of Orange County, California, the City has a population of approximately 33,400. 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, resorts and special events in the city. Dana Point is home to two five-star resorts, one four-star resort, eleven hotels and motels, and a 29-unit bed and breakfast inn, for a total of over 1,900 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 approximately 33% of general fund revenues, transient occupancy taxes were the City's single largest revenue source in fiscal year 2013. 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 economic downturn slowed sales and development precipitously. We are pleased to report that in 2012 and 2013, the developer has seen a dramatic increase in sales interest and activity.

The City also receives significant revenue through the State of California. These revenues include gasoline taxes apportioned by the State based upon population, and sales tax which is apportioned based upon local sales tax collections.

Transient occupancy tax (TOT) revenue continued to rebound in fiscal 2013, increasing another \$0.7 million (7.5%) to \$10.1 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 2013 almost every month's TOT revenues were higher than the prior year's monthly amount. We have now seen three consecutive years of TOT revenue increases, a sign that the local economy is recovering.

Factoring out a one-time prior period collection of sales tax received in fiscal year 2012, sales tax increased in fiscal year 2013 by \$60,000, or 1.8%. 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 and 16.1% in fiscal 2012. 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 tax.

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 year 2007, surged to 7.0% by fiscal year 2010. The final rate for calendar year 2011 dropped to 6.7%, and for calendar year 2012 it dropped to 5.5%. With a generally well educated populace, Dana Point remains relatively better off than California as a whole, which in June of 2013 had an unemployment rate of 4.4%. After two years of declines in median household income, 2013 reflects a 3.5% increase in median household income in Dana Point. Recent economic forecasts point to income growth occurring over the next five years.

According to The Nielsen Company, the median home sales price fell slightly in fiscal year 2013 to \$600,000, from \$623,000 reported for fiscal year 2012. While there was a slight decline in the median home price in fiscal 2013, it is believed that the worst of the housing slump is over and a slow recovery has begun.

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 decreased \$36 million, or 0.41%.

Dana Point Assessed Property Values Last Five Fiscal Years (in thousands)				
2009	2010	2011	2012	2013
\$8,880,000	\$8,763,000	\$8,688,000	\$8,735,000	\$8,844,000

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 increased \$163,000 in fiscal 2013, which was preceded by a \$78,000 drop in fiscal 2012, and \$174,000 in fiscal year 2011. The good news, however, is that based on numbers already released by the County of Orange Auditor/Controller's Office for fiscal 2014, the assessed value for property in Dana Point will increase by \$283 million, or 3.1%. This is the third 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 2014.

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. The City received the repayment with interest in June 2013. 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. The State can "borrow" property tax twice within a ten-year period, but must repay any borrowing with interest, within three years. The State cannot borrow the second time without having repaid the first one.

LONG-TERM FINANCIAL PLANNING

As of June 30, 2013, the City had \$21.9 million of spendable fund balance in the General Fund. Of this amount, a total of \$3.2 million is categorized as being assigned for 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 unassigned balances. Unassigned balances consist of: (1) cash flows of \$2.9 million; (2) state budget impacts of \$1.5 million; and (3) emergencies of \$5.9 million.

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 new developments to pay for 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 had the effect of reducing the City's required annual pension contributions, while some other pool members with outstanding liabilities will continue to pay higher rates. Last year the State of California enacted the California Public Employees Pension Reform Act of 2013(PEPRA), which took effect January 1, 2013. A provision of PEPRA establishes that beginning January 1, 2018, equal sharing of normal pension costs between a city and its employees shall be standard. In recognition of the forthcoming standard of sharing of normal costs, during fiscal year 2014 the City of Dana Point has transferred the responsibility for 4% of employee retirement costs for non-represented employees back to the employees. The City is currently in negotiations with its represented employees, with PEPRA considerations being part of those discussions.

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 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 challenges, 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.

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. The next phase, PCH/Del Prado Street Improvements, began in late summer 2013 with construction of infrastructure improvements including water, sewer and storm drain work. Construction will continue in early 2014 with certain curb, gutter, sidewalk and landscaping improvements along PCH. The City is working to identify funding necessary for the next phase which will provide planned curb, gutter, sidewalk, median and landscape improvements along Del Prado.

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 Specific 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 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 2014.

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 launched the new brand marketing along with creation of enhanced and new events in Dana Point. As of June 30, 2013 the TBID had on-hand \$1.9 million. The TBID has sponsored several annual events to both promote its brand and to enhance the stature of the events. The TBID also funded the first Elephant Parade to be held in the United States. Planning for the event began in fiscal year 2013. This public art display opened in August, 2013 and concludes mid-November with an auction for which the proceeds benefit the preservation of the Asian elephant. 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 year 2013. The City spent a total of \$2.5 million on arterial and residential roadway resurfacing and improvements. There were also a number of smaller projects undertaken in fiscal year 2013 to install, upgrade or repair various street, sidewalk, storm drain and park facilities, in addition to constructing a new Town Center South Gateway.

A number of other initiatives were undertaken in fiscal 2013:

- In August 2012, the City conducted its fifth 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 year 2013, the City Council passed an ordinance to regulate short term vacation rentals. The process will serve as a compromise position to a ban on short term rentals to safeguard the peace, safety and general welfare of the residents of Dana Point and their visitors by requiring minimum conditions of approval and operation. It will benefit property owners who desire to rent their homes for less than 30 days to do so legally, and will also serve as a minimum standard of protection to surrounding property owners and neighborhoods.
- The City working collaboratively with the railroads, residents and its insurer was able to declare its one-at-grade railroad crossing as a “Quiet Zone”, whereby sufficient safety improvements have been made at the crossing to allow for trains to not be required to use their horns.

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, 2012. 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 two consecutive years (fiscal years 1989 through 2012). 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,



Michael Killebrew
Assistant City Manager



Government Finance Officers Association

**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, 2012

Executive Director/CEO

OFFICIALS OF THE CITY OF DANA POINT*

Members of the City Council

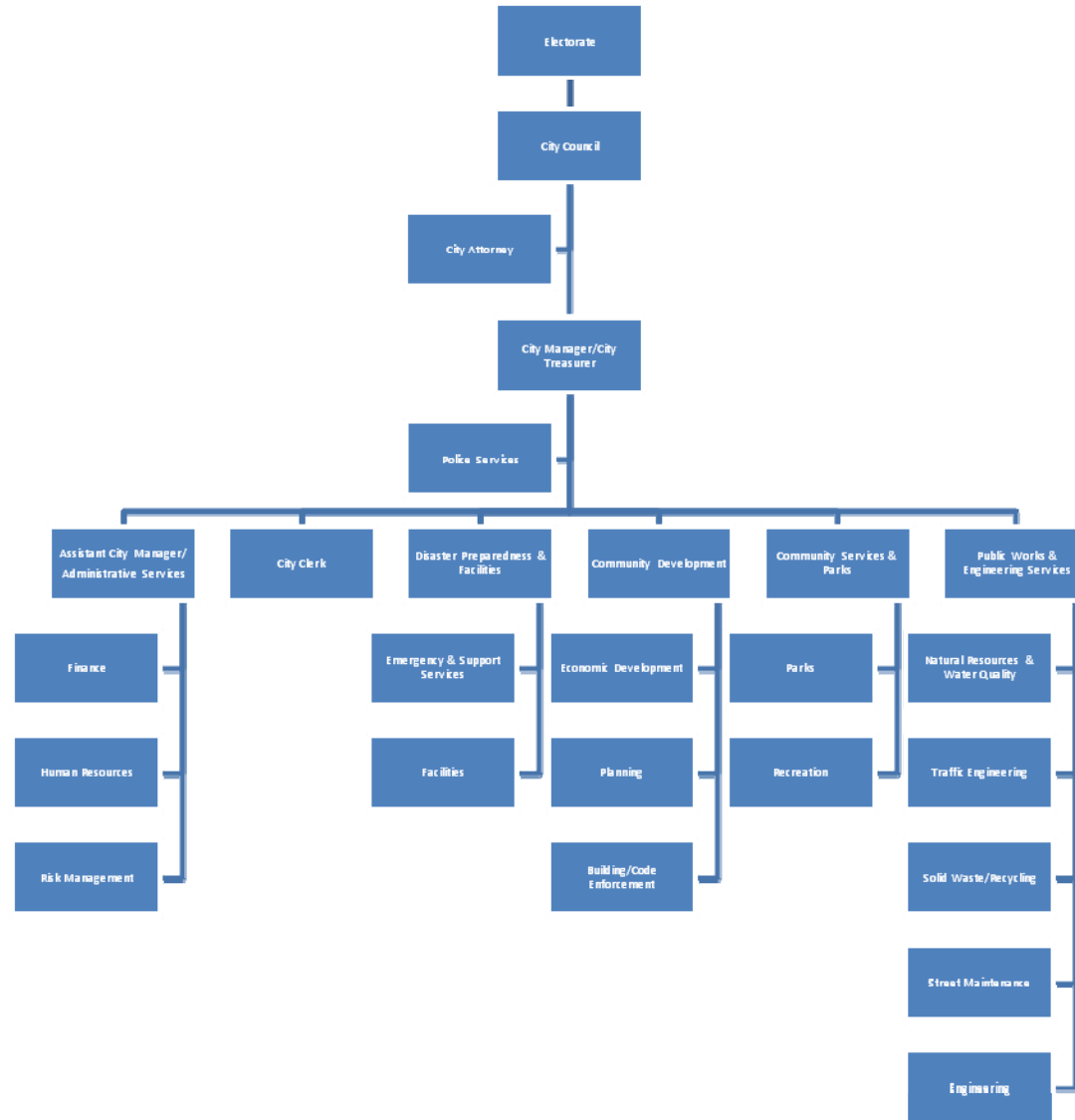
Steven H. Weinberg, Mayor
Lisa Bartlett, Mayor Pro Tem
William P. Brough, Council Member
Carlos Olvera, Council Member
J. Scott Schoeffel, Council Member

Administrative Staff

Douglas Chotkevys.....City Manager
Kathy Ward..... City Clerk
Michael Killebrew Assistant City Manager
Ursula Reynosa Luna..... 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
Beverly Brion.....Accounting Supervisor

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

CITY OF DANA POINT ORGANIZATIONAL CHART





INDEPENDENT AUDITORS' REPORT

To the City Council
City of Dana Point
City of Dana Point, California

Report on the Financial Statements

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 (City), California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted Statement of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

As described in Note 17, the City has posted a prior period adjustment to recognize the Tourism Business Improvement District as a Special Revenue Fund of the City. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vaurio, Trine, Day, Co., LLP

Laguna Hills, California
November 27, 2013

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, 2013. 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 2013 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 position 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 position utilizing this measurement focus provides one measure of the City's overall long-term financial condition.

- The City's total net position was \$200.5 million at June 30, 2013, which was a decrease of \$3.0 million from the restated prior year. Of this amount, \$167.2 million is invested in capital assets, \$2.9 million is restricted for various purposes and \$30.4 million is unrestricted.
- City-wide governmental revenues include program revenues of \$14.8 million, of which \$9 million was received through the Headlands Community Facilities District (CFD) bond re-funding, and general revenues of \$27 million, for a total of \$41.9 million.
- Total City-wide governmental expenses were \$44.9 million, of which \$9 million was paid to the Headlands CFD developer with bond proceeds.

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 year 2013, the City's Governmental Funds reported combined ending fund balances of \$33.7 million, a decrease of \$.2 million from fiscal year 2012. Of this amount, \$3.1 million is restricted, \$1.9 million is committed, \$20.3 million is assigned and \$8.3 million is unassigned (see Note 9 for an explanation of these fund balance categories).
- General Fund revenues totaled \$30.1 million, an increase of \$2.7 million from fiscal year 2012 restated. Approximately \$0.7 million of this increase was the result of higher transient occupancy taxes received during the year and \$0.4 million was due to an increase from in-lieu property taxes collected for the year.

- General Fund expenditures totaled \$27.9 million, an increase of \$0.6 million from fiscal 2012. The increase is primarily due to increased police services costs, increased and improved community events, a new city-wide telephone system, computer network upgrades, and a bi-annual solid waste audit.
- Capital Improvements Fund revenues decreased by \$594,000 to \$477,000. This decrease is mostly attributable to a \$571,000 drop in Coastal Area Road Improvement and Traffic Signal (CARITS) funding. In fiscal year 2012, the City received a one-time \$571,000 distribution of unallocated traffic signal funds from the CARITS program.
- Capital Improvements Fund expenditures increased by \$0.4 million from fiscal 2012 to \$4.5 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 year 2013 several capital improvement (CIP) projects were completed including the Pacific Coast Highway Medians Phase III project, the fiscal year 2012 Annual Residential Roadway Resurfacing project, the Town Center South Gateway project, and the Pacific Coast Highway Rehabilitation project.
- Headlands CFD Acquisition Fund was added as a major fund in fiscal year 2013. This fund was reflected as part of the non-major government funds in fiscal year 2012. The fund received \$9.4 million from the CFD bond re-funding and in turn disbursed \$9.4 million to the Headlands developer for partial payment on public assets transferred to the City in a previous year.
- All Other Governmental Funds revenues increased by \$0.7 million to \$2.5 million. This increase is attributable to a \$300,000 decrease in gasoline tax revenue and a reclassification to a special revenue fund in fiscal 2013 of \$1 million for the Tourism Business Improvement District.
- All Other Governmental Funds expenditures combined increased by \$0.9 million to \$1.2 million in fiscal year 2013. The increase is mainly due to the Tourism Business Improvement District (TBID) expenditures that are presented differently in fiscal year 2013 than they were in fiscal year 2012. In fiscal year 2012 the TBID receipts and disbursements were reflected in the agency funds. In fiscal year 2013 they are reported as a special revenue fund.

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 Position - This report presents information on all the assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and 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 Position 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 private 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 position (84%) reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure and construction in progress). There was a small decrease of \$2.1 million in capital assets in fiscal year 2013 resulting from depreciation of \$6.8 million for the year and offset by \$4.7 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 position of the City are concentrated primarily in cash and investments, including \$32.8 million of unrestricted cash and investments and \$138,000 of cash and investments which are restricted due to 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 Position
(in thousands)

	Governmental Activities		
	2012	2013	% Change
Assets:			
Current and other assets	\$ 34,054	\$ 35,496	4.2%
Capital assets	169,246	167,182	(1.2%)
Total assets	203,300	202,678	(0.3%)
Liabilities:			
Long-term liabilities	527	398	(24.5%)
Other liabilities	1,072	1,819	69.7%
Total liabilities	1,599	2,217	38.6%
Net Position:			
Net investment in capital assets	169,246	167,182	(1.2%)
Restricted	4,527	2,879	(36.4%)
Unrestricted	29,690	30,400	2.4%
Total net position (restated)	\$ 203,463	\$ 200,461	(1.5%)

As shown in Table 1, net position of the City decreased by \$3.0 million, or 1.5%, to \$200.5 million, of which \$167.2 million is invested in capital assets such as land, buildings, equipment and infrastructure. Current and other assets increased by 4.2% due to a \$2.4 million increase in cash and investment balances, and a \$1.0 million decrease in accounts receivable.

New capital outlays in fiscal year 2013 totaled \$4.7 million and depreciation for the year totaled \$6.8 million, resulting in a net decrease of \$2.1 million in capital assets. The majority of the capital outlays in fiscal year 2013 were for roadway and median improvements.

As of June 30, 2013, the City had remaining restricted and unrestricted net position totaling \$33.3 million. Of this amount, \$30.4 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors, or may be committed or assigned for other specific purposes that may be identified by the City Council. The remaining \$2.9 million of net position is restricted by various legal restrictions or other constraints on the manner in which it may be expended.

Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		
	2012	2013	% Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,486	\$ 2,456	(1.2%)
Operating grants and capital contributions	2,172	11,610	434.5%
Capital grants and contributions	1,143	705	(38.3%)
General revenues:			
Taxes:			
Property taxes	5,857	6,020	2.8%
Franchise taxes	1,198	1,329	10.9%
Sales taxes	3,570	3,425	(4.1%)
In-lieu property taxes	3,947	4,319	9.4%
Property transfer taxes	230	459	99.6%
Transient occupancy taxes	9,382	10,086	7.5%
Motor vehicle in-lieu taxes - unrestricted	18	-	(100.0%)
Other	68	1,233	1,713.2%
Unrestricted investment earnings	77	124	61.0%
Special Item		180	
Total revenues	30,148	41,946	39.1%
Expenses:			
General government	5,006	4,794	(4.2%)
Public safety	9,977	10,069	0.9%
Community development	2,768	3,689	33.3%
Recreation and parks	4,481	4,917	9.7%
Public works	11,327	21,265	87.7%
Unallocated depreciation	214	214	0.0%
Total expenses	33,773	44,948	33.1%
Change in net position	(3,625)	(3,002)	(17.2%)
Net position, beginning of year	205,326	203,463	*
Net position, end of year	\$ 201,701	\$ 200,461	(0.6%)

* restated - see footnote 16

Governmental Activities – The cost of all governmental activities in fiscal year 2013 was \$44.9 million. As shown in Table 2, the City recovered \$14.8 million of these costs through program revenues such as user fees, grants and contributions from other governmental organizations, developers and property owners. Also, \$9 million of the recovered costs in fiscal year 2013 were through the Headlands CFD bond issuance. There were \$42 million, including \$9 million paid to Headlands with the bond proceeds, of net expenses subsidized through general City revenues.

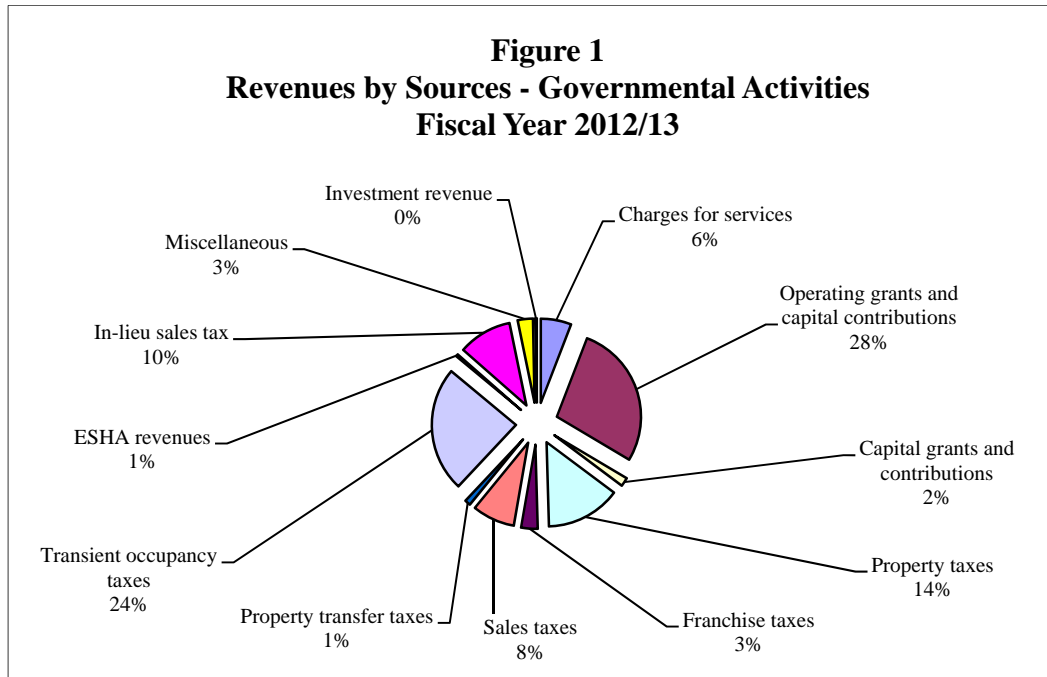


Figure 1, Revenues by Sources – Governmental Activities, depicts the distribution of fiscal year 2013 revenues. The City remains highly dependent on tourism in general and transient occupancy taxes in particular to fund its operations. This revenue represented 24% of recurring governmental revenues in fiscal year 2013 and increased by \$0.7 million, or 7.5%. Sales tax revenues decreased in fiscal year 2013 by \$144,000, or 4%. The City’s investment interest earnings increased by \$47,000, or 60.7% mostly due to a \$55,000 interest payment received with the State Prop 1A repayment in June, 2013. The City experienced an increase in property taxes received during the fiscal year of \$163,000, or 2.8%. Capital grant revenue decreased \$0.4 million or 38% due to the elimination of the CARITS traffic signal program through which the city was receiving County funds. Operating grants and contributions revenue increased by \$9.4 million in fiscal year 2013 due to the \$9 million of Headlands CFD bond proceeds considered contributions, and \$0.4 million in Federal Emergency Management Agency (FEMA) storm reimbursements received. Property transfer tax revenue increased \$228,000 or 99.2% due to a substantial rise in real estate sales. Motor Vehicle In-Lieu (MVIL) revenue dropped \$228,000, or 100% in fiscal year 2013 due to State Bill 89 which terminated the MVIL allocations to cities. Not including the \$9 million Headlands bonds, the City experienced an increase of \$3.4 million, or 11.4%, in governmental revenues in fiscal 2013.

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

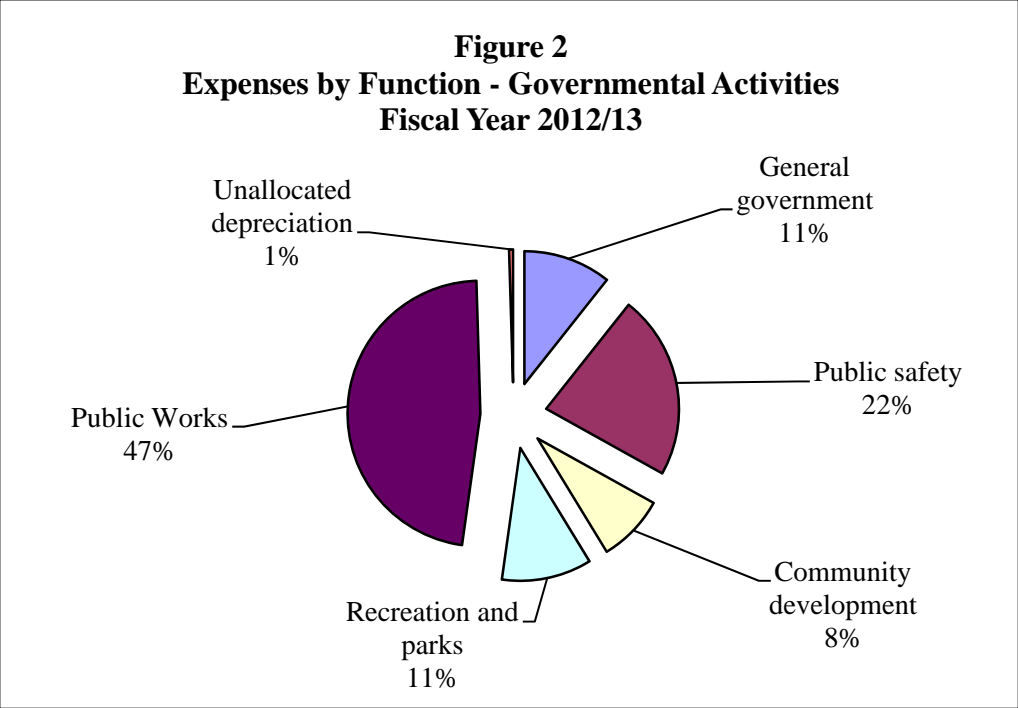
General Government is comprised of nine departments (City Council, City Manager, City Clerk, Public Information Services, City Attorney, Administrative Services, Risk Management, Facilities, and Non-Departmental), which provide the general governance services, executive management, legal, records management,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

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

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

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

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



As shown in Figure 2, Public Works and Public Safety continue to represent the two largest cost centers of the City, together comprising 69% of total expenses.

Public Works outlays, not including the \$9 million paid to Headlands from the bonds, increased \$0.9 million in fiscal year 2013, or 7.9%. The scope of work increased slightly with the Town Center South Gateway project, the PCH medians project, and the PCH/Del Prado improvement project.

Public Safety expenses increased slightly by \$92,000 or 0.9%. This is mostly the result of an increase in OC Sheriff rates and previous year vacant positions that were filled.

General Government outlays decreased by \$212,000 or 4.2% in fiscal year 2013 when compared to the prior year. The majority of the decrease is due to a \$176,000 drop in litigation costs.

Community Development expenses increased by \$920,000, or 33.2%. Included in the figure are the TBID expenditures of \$0.9 million, which were reported differently in fiscal year 2012. Without the TBID figure, overall Community Development expenses were relatively unchanged from fiscal year 2012.

Recreation and Parks expenses increased \$435,000, or 9.7%. This increase is the result of higher utility costs and higher community activity costs due to new or expanded events; more concerts, more fireworks, larger events, etc.

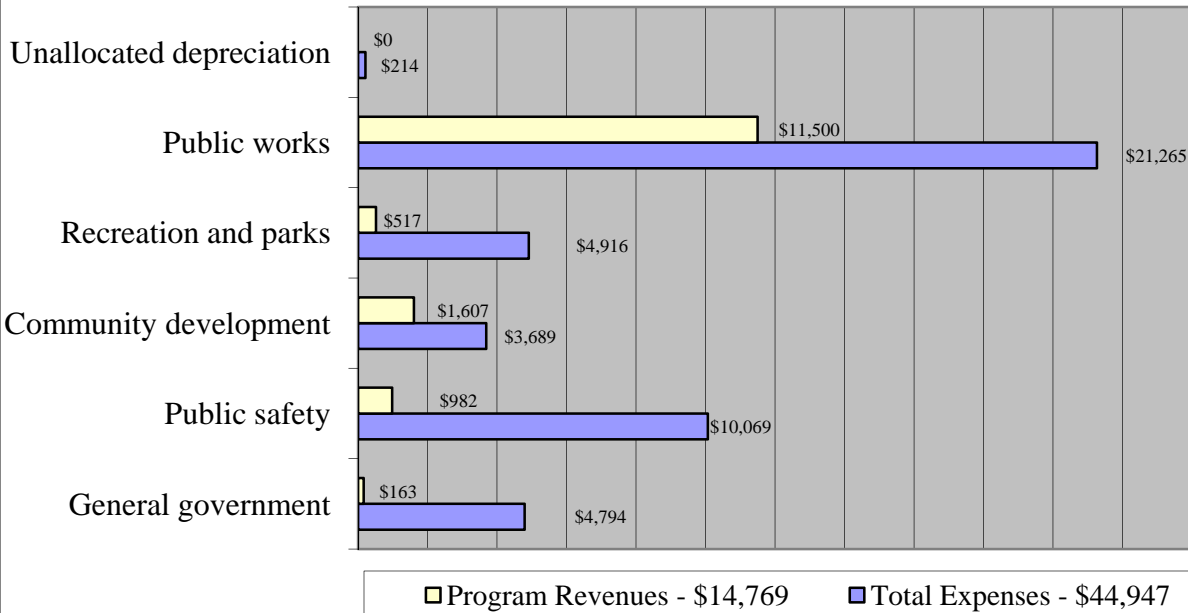
Overall, total fiscal year 2013 expenses for governmental activities, not including the non-recurring \$9 million paid to Headlands from the bonds, increased by \$2.1 million, or 6.4%, to \$35.9 million in fiscal year 2013.

Table 3
Net Cost of Governmental Activities
(in thousands)

	Total Cost of Services			Net Cost (Revenue) from Services		
	2012	2013	% Change	2012	2013	% Change
General government	\$ 5,006	\$ 4,794	(4.2%)	\$ 4,381	\$ 4,631	5.7%
Public safety	9,977	10,069	0.9%	9,174	9,087	(0.9%)
Community development	2,768	3,689	33.3%	1,698	2,082	22.6%
Recreation and parks	4,481	4,916	9.7%	4,060	4,399	8.3%
Public works	11,327	21,265	87.7%	8,446	9,765	15.6%
Unallocated depreciation	214	214	0.0%	214	214	0.0%
	\$ 33,773	\$ 44,947	33.1%	\$ 27,973	\$ 30,178	7.9%

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

**Figure 3
Governmental Activities
Fiscal Year 2012/13
(in thousands)**



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 year 2013, the City's governmental funds reported combined fund balances of \$33.7 million, a decrease of \$0.2 million from the prior year restated. Of that total, the General Fund represented \$22 million or 65.2%, of the combined balances, the Capital Improvements Fund represented \$6.4 million, or 19.2%, and the remainder of \$5.5 million, or 15.6%, was in all other funds combined.

At June 30, 2013, the City had \$76,402 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 \$5.0 million of fund balance that is restricted in its use by the Federal government, the State of California or other grantors. 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 \$10 million at the end of fiscal year 2013. The remainder of the fund balance is \$18.6 million and is categorized as unassigned, meaning it is available for appropriation for any purpose, although \$10.3 million of it is bound by stabilization resolutions by city council for cash flows, state budget impacts, and emergencies.

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

GENERAL FUND

Net General Fund revenues were \$2.3 million more than expenditures in fiscal year 2013. When combined with Interfund Transfers Out of \$30,000 to the Headlands CFD Maintenance Fund, and transfers in from the Gasoline Tax fund of \$442,000 for street maintenance activities, the result for fiscal year 2013 is a net increase of \$2.7 million in the General Fund balance.

The City has experienced three years of transient occupancy tax revenue increases. In fiscal year 2011 transient occupancy tax revenues increased 14.7% to \$8.3 million. In fiscal year 2012 transient occupancy tax revenues increased an additional 13.3% to \$9.4 million. In fiscal year 2013 transient occupancy tax revenue increased 7.5% to \$10.1 million. Investment interest earnings in fiscal year 2013 increased 61% to \$124,000. The increase is due to a \$55,000 interest payment included with the State's Prop 1A repayment received in fiscal year 2013.

California has been impacted by the housing market decline to a larger degree than most states. Although the immediate impact on local property tax revenues has been mitigated to some extent by Proposition 13, which placed a 2% annual limit on the growth of assessed value (even though market values had sky-rocketed), home values in the City have fallen significantly from their peaks. In some cases the value dropped below the Proposition 13 floor, and as a result the City experienced a net decline in assessed values of \$116 million (1.3%) in fiscal year 2010, with a further decline of \$76 million in fiscal year 2011 (0.9%) for a total decline in assessed values of \$192 million (2.2%) from the peak reached in fiscal year 2009. In fiscal years 2012 and 2013, assessed property values in Dana Point showed signs of recovery with increases of \$48 and \$109 million, respectively.

In fiscal year 2010 the State of California took unilateral action to borrow \$882,000 of City property taxes, which was repaid to the City in fiscal year 2013 (see Note 11 in the Notes to Financial Statements for further explanation). Overall, revenues are reflecting a 39.1% increase, as shown in Table 2. Included in the 39.1% increase is the change in reporting method for the TBID that makes other revenue appear un-proportionately large, the non-recurring \$9 million of bond proceeds and the one-time interest payment received on the Prop1A repayment, combined making program revenues and interest earnings appear large compared to fiscal year 2012. Not including the change in TBID reporting, the non-recurring interest income, and the bond proceeds, revenues increased 5.8% over fiscal year 2012.

CAPITAL IMPROVEMENTS FUND

The Capital Improvements Fund generated a \$4.0 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, and from the Gasoline Tax Fund in the amount of \$406,000. As a result of these transactions the Capital Improvements Fund concluded fiscal year 2013 with a net \$3.2 million decrease in fund balance.

Overall revenues in the Capital Improvements Fund were lower in fiscal 2013. Grants received in fiscal year 2013 were lower than the prior year by \$0.5 million and transfers in from the Park Development Fund were \$85,000 less.

HEADLANDS CFD ACQUISITION FUND

The Headlands CFD Acquisition Fund generated \$9.4 million in revenues and \$9.4 million in expenditures in fiscal year 2013. The revenue was generated from the CFD bond re-funding and the expenditures were payments made to the Headlands developer for partial payment on public assets transferred to the City in a previous year.

BUDGETARY HIGHLIGHTS

The City adopts two-year operating and capital budgets, with fiscal year 2013 being the second 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 year 2013, the overall General Fund revenue budget was increased by \$135,000.

Transient occupancy taxes – due to the slowly recovering economy, the City still did not expect hotel occupancy at levels projected in the original fiscal year 2013 budget. Accordingly, the budget was decreased by \$600,000 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 \$297,000.

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. Assessed property values increased slightly in fiscal years 2012 and 2013. Therefore, this revenue budget was increased by \$225,000.

Sales taxes – the gradual recovery in tourism has resulted in more visitors shopping and dining in the City. Accordingly, the sales tax revenue budget was increased by \$385,000 to reflect this upward trend.

Property Transfer Tax – real estate sales activity saw an increase during fiscal year 2013. The revenue budget was increased by \$118,000 to reflect the upward trend.

Licenses, Fees and Permits – the project planning and engineering activity in the city during the first half of fiscal year 2013 was slow. The revenue budget was decreased by \$158,000 to reflect the downward trend.

Fines and Forfeitures –A decrease in traffic and other fines revenue lead to a \$77,000 budget decrease.

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 \$654,000 to reflect actual revenues received.

Charges for Services Revenue - the reimbursed expense revenue are not easily forecasted. The budget was increased during fiscal year 2013 by \$90,000 to reflect actual reimbursements received.

Recreation Class Revenue –revenue rose due to an increase in class participation in both adult and youth classes offered. Accordingly, the revenue budget was increased by \$100,000.

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 \$255,000 for fiscal year 2013.

Motor Vehicle In-Lieu Revenue – due to SB89, vehicle license revenue was eliminated. The fiscal year 2013 budget was decreased \$125,000 to reflect the change.

Actual General Fund revenues for fiscal year 2013 were \$584,000 or 2% above the final budget amount. The major contributor to the variance in revenue was a combination of a shortfall in sales tax and an increase over expected property tax and transient tax revenues.

During fiscal year 2013 the General Fund expenditure budget had a net increase of \$1 million. The major components were 1) a \$436,000 carryover of encumbrances from fiscal year 2012, 2) a \$100,000 carryover from fiscal year 2012 to fiscal year 2013 for the new city telephone system, and 3) a \$100,000 carryover from fiscal year 2012 to fiscal year 2013 for the Nature Interpretive Center exhibits. The remaining budget increases were all significantly smaller in amount and were principally related to various professional services contracts.

Actual General Fund expenditures for fiscal year 2013 were \$2.1 million, or 6.9%, under the final budgeted amount. Of these unexpended funds, \$103,000 was obligated at June 30, 2013, through encumbrances and was re-appropriated in fiscal year 2014.

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 year 2013 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 4:

Table 4
Capital Assets
(in thousands)

	Governmental Activities		
	2012	2013	% Change
Land	\$ 56,929	\$ 56,929	0.0%
Construction in progress	3,705	5,355	44.5%
Buildings and improvements	9,695	9,695	0.0%
Equipment	2,010	2,306	14.7%
Infrastructure	178,952	181,735	1.6%
Less: Accumulated depreciation	(82,045)	(88,838)	8.3%
Governmental activity capital assets, net	\$ 169,246	\$ 167,182	(1.2%)

Major capital asset transactions during the year included \$2.5 million for arterial and residential roadway improvements, \$408,000 for PCH/Del Prado improvements, \$1 million for the Town Center South Gateway improvement, and \$400,000 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 year 2013, the City had total outstanding long-term debt of \$398,000, consisting entirely of compensated time-off obligations due to employees.

As of June 30, 2013, the City's long-term debt was as shown in Table 5.

Table 5
Long-term Debt
(in thousands)

	Governmental Activities		
	2012	2013	% Change
Other debt:			
Compensated absences	\$ 527	\$ 398	-24.5%
Total long-term debt	\$ 527	\$ 398	-24.5%

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF DANA POINT
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and investments	\$ 32,803,788
Receivables:	
Taxes	1,295,438
Accounts	409,691
Interest	37,652
Assessments	483
Intergovernmental	675,956
Prepays	76,402
Cash and investments - restricted	196,114
Capital assets, not depreciated	62,284,259
Capital assets, depreciated, net	104,898,072
Total Assets	202,677,855
Liabilities	
Accounts payable	1,568,735
Accrued liabilities	33,610
Unearned revenue	216,103
Noncurrent liabilities:	
Due within one year	269,041
Due in more than one year	129,245
Total Liabilities	2,216,734
Net Position	
Net investment in capital assets	167,182,331
Restricted for:	
Public safety	49,735
Community development	3,504,624
Recreation and parks	676,550
Public works	428,793
Development of art in public places	138,454
Unrestricted	28,480,634
Total Net Position	\$ 200,461,121

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

CITY OF DANA POINT
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 4,794,521	\$ 112,222	\$ 51,647	\$ -	\$ (4,630,652)
Public safety	10,069,469	198,768	784,126	-	(9,086,575)
Community development	3,689,115	1,602,835	4,333	-	(2,081,947)
Recreation and parks	4,916,746	424,293	-	93,600	(4,398,853)
Public works	21,264,674	118,202	10,769,944	611,541	(9,764,987)
Unallocated depreciation	213,639	-	-	-	(213,639)
Total Governmental Activities	\$ 44,948,164	\$ 2,456,320	\$ 11,610,050	\$ 705,141	(30,176,653)
General Revenues:					
Taxes:					
					6,019,743
					1,328,760
					3,425,323
					4,318,786
					458,752
					10,086,366
					124,124
					1,232,847
					<u>26,994,701</u>
					<u>180,000</u>
					(3,001,952)
					<u>203,463,073</u>
					<u>\$ 200,461,121</u>

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

CITY OF DANA POINT
Governmental Funds
Balance Sheet
June 30, 2013

	<u>Capital Projects Funds</u>			Total Non-major Governmental Funds	Total Governmental Funds
	General	Capital Improvements	Headlands CFD 2006-1 Acquisition		
Assets					
Cash and investments	\$ 20,548,023	\$ 6,950,987	\$ -	\$ 5,304,778	\$ 32,803,788
Receivables:					
Taxes	1,125,820	-	-	169,618	1,295,438
Accounts	409,691	-	-	-	409,691
Interest	37,652	-	-	-	37,652
Assessments	-	-	-	483	483
Intergovernmental	665,322	-	-	10,634	675,956
Prepaid expenditures	76,402	-	-	-	76,402
Due from other funds	2,346	-	-	-	2,346
Restricted Assets					
Cash & Investments	138,454	-	57,660	-	196,114
Total Assets	<u>\$ 23,003,710</u>	<u>\$ 6,950,987</u>	<u>\$ 57,660</u>	<u>\$ 5,485,513</u>	<u>\$ 35,497,870</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 999,707	\$ 564,534	\$ -	\$ 4,494	\$ 1,568,735
Accrued liabilities	33,610	-	-	-	33,610
Due to other funds	-	-	-	2,346	2,346
Deferred revenue	-	-	-	216,103	216,103
Total Liabilities	<u>1,033,317</u>	<u>564,534</u>	<u>-</u>	<u>222,943</u>	<u>1,820,794</u>
Fund Balances:					
Nonspendable	76,402	-	-	-	76,402
Restricted	138,454	-	57,660	4,782,042	4,978,156
Assigned	3,169,000	6,386,453	-	480,528	10,035,981
Unassigned	18,586,537	-	-	-	18,586,537
Total Fund Balances	<u>21,970,393</u>	<u>6,386,453</u>	<u>57,660</u>	<u>5,262,570</u>	<u>33,677,076</u>
Total Liabilities and Fund Balances	<u>\$ 23,003,710</u>	<u>\$ 6,950,987</u>	<u>\$ 57,660</u>	<u>\$ 5,485,513</u>	<u>\$ 35,497,870</u>

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 Position
June 30, 2013

Fund Balances of Governmental Funds	\$ 33,677,076
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	256,020,607
Accumulated depreciation	(88,838,276)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(398,286)
Net Position of Governmental Activities	\$ 200,461,121

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, 2013

	<u>Capital Projects Funds</u>			Total Non-major Governmental Funds	Total Governmental Funds
	General Fund	Capital Improvements	Headlands CFD 2006-1 Acquisition		
Revenues:					
Taxes	\$ 25,327,486	\$ -	\$ -	\$ 2,185,464	\$ 27,512,950
Licenses, fees and permits	2,028,185	-	-	93,600	2,121,785
Fines, forfeitures and penalties	235,763	-	-	-	235,763
Intergovernmental	834,735	457,002	-	150,965	1,442,702
Charges for services	1,346,216	-	-	90,722	1,436,938
Investment earnings	279,198	-	-	6,886	286,084
Contributions from property owners	-	-	9,446,950	-	9,446,950
Other	91,256	19,842	-	-	111,098
Total Revenues	<u>30,142,839</u>	<u>476,844</u>	<u>9,446,950</u>	<u>2,527,637</u>	<u>42,594,270</u>
Expenditures:					
Current:					
General government	4,880,299	-	-	-	4,880,299
Public safety	9,859,053	-	-	126,332	9,985,385
Community development	2,869,532	-	-	797,508	3,667,040
Parks and recreation	4,798,625	-	-	-	4,798,625
Public works	5,303,244	-	152,837	81,698	5,537,779
Capital outlay	145,627	4,481,139	9,299,499	218,527	14,144,792
Total Expenditures	<u>27,856,380</u>	<u>4,481,139</u>	<u>9,452,336</u>	<u>1,224,065</u>	<u>43,013,920</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,286,459</u>	<u>(4,004,295)</u>	<u>(5,386)</u>	<u>1,303,572</u>	<u>(419,650)</u>
Other Financing Sources (Uses):					
Transfers in	441,571	805,898	-	30,000	1,277,469
Transfers out	(30,000)	-	-	(1,247,469)	(1,277,469)
Total Other Financing Sources (Uses)	<u>411,571</u>	<u>805,898</u>	<u>-</u>	<u>(1,217,469)</u>	<u>-</u>
Special Item					
Payment to establish a term endowment	-	-	-	180,000	180,000
Net Changes in Fund Balances	2,698,030	(3,198,397)	(5,386)	266,103	(239,650)
Fund Balances, Beginning of Year (restated)	19,272,363	9,584,850	63,046	4,996,467	33,916,726
Fund Balances, End of Year	<u>\$ 21,970,393</u>	<u>\$ 6,386,453</u>	<u>\$ 57,660</u>	<u>\$ 5,262,570</u>	<u>\$ 33,677,076</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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (239,650)
Amounts reported for the governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Cost of assets capitalized, less the net book value of disposals	14,029,271
Payments to developers for capital assets constructed within assessment district (note 14)	(9,299,499)
Depreciation expense	(6,793,261)
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	129,245
Change in deferred revenues	<u>(828,058)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (3,001,952)</u></u>

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

CITY OF DANA POINT
Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 25,174,000	\$ 25,005,000	\$ 25,327,486	\$ 322,486
Licenses, fees and permits	2,017,500	1,927,500	2,028,185	100,685
Fines, forfeitures and penalties	293,000	216,000	235,763	19,763
Intergovernmental	300,000	829,538	834,735	5,197
Charges for services	1,077,550	1,249,261	1,346,216	96,955
Investment earnings	478,000	223,000	279,198	56,198
Other	83,000	108,000	91,256	(16,744)
Total Revenues	<u>29,423,050</u>	<u>29,558,299</u>	<u>30,142,839</u>	<u>584,540</u>
Expenditures				
Current:				
General government	5,148,607	5,234,007	4,880,299	353,708
Public safety	10,154,259	10,155,059	9,859,053	296,006
Community development	2,942,590	3,360,145	2,869,532	490,613
Parks and recreation	4,722,452	4,927,450	4,798,625	128,825
Public works	5,841,341	6,075,477	5,303,244	772,233
Capital outlay	30,000	183,439	145,627	37,812
Total Expenditures	<u>28,839,249</u>	<u>29,935,577</u>	<u>27,856,380</u>	<u>2,079,197</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>583,801</u>	<u>(377,278)</u>	<u>2,286,459</u>	<u>2,663,737</u>
Other financing sources (uses)				
Transfers in	593,000	609,116	441,571	(167,545)
Transfers out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	<u>563,000</u>	<u>579,116</u>	<u>411,571</u>	<u>(167,545)</u>
Net Change in Fund Balance	1,146,801	201,838	2,698,030	2,496,192
Fund Balance, Beginning of Year	<u>19,272,363</u>	<u>19,272,363</u>	<u>19,272,363</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 20,419,164</u>	<u>\$ 19,474,201</u>	<u>\$ 21,970,393</u>	<u>\$ 2,496,192</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, 2013

Assets

Cash and investments	\$ 2,028,149
Cash with fiscal agents	9,676,653
Accounts receivables	<u>3,459</u>
Total Assets	<u><u>\$ 11,708,261</u></u>

Liabilities

Deposits	\$ 1,861,685
Due to bondholders	9,680,112
Due to other agencies	<u>166,464</u>
Total Liabilities	<u><u>\$ 11,708,261</u></u>

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

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 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.

Generally accepted accounting principles required that these financial statements represent 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 Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. All City activities are governmental; no business-type activities are reported in the statements.

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. Internally dedicated resources, 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. The Environmentally Sensitive Habitat Areas (ESHA) Maintenance Fund and Tourism Business Improvement District Fund do not have budgets adopted.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 60 days 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, 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.

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.

The *Headlands CFD 2006-1 Acquisition Fund* is 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.

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.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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

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.

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 biennially 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.

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 2012-13 fiscal year, the City Council made several budgetary amendments to the General Fund, including a \$85,400 increase in the General Government budget, a \$800 increase in the Public Safety budget, a \$417,555 increase in the Community Development budget, a \$204,998 increase in the Recreation and Parks budget, a \$234,136 increase in the Public Works budget, and a \$153,439 increase in the Capital Outlays budget. The City did not adopt a budget for the Environmentally Sensitive Habitat Areas (ESHA) Maintenance Fund and Tourism Business Improvement District 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.

D) 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.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

F) Interfund Payables/Receivables

Activity between funds that are outstanding at the end of the fiscal year are referred to as “due to/from other funds.”

G) 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.

H) 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 classified as restricted on the Statement of Net Position and the Governmental Funds Balance Sheet.

I) 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

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

J) 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.

K) New GASB Pronouncements

Adopted in the Current Year

GASB Statement No. 63 – In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The City implemented this pronouncement, effective July 1, 2012.

Effective in Future Years

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012, or the 2013-2014 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 66 – In March 2012, GASB issued Statement No. 66 *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement is effective for periods beginning after December 15, 2012, or the 2013-2014 fiscal year. The City has not determined the effect of the statement.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

K) New GASB Pronouncements (Continued)

Effective in Future Years (Continued)

GASB Statement No. 67 – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are not administered through trust covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pension. The Statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish reporting standards related to government combinations and disposals of government operations. The Statement is effective for periods beginning after December 15, 2013, or the 2014-2015 fiscal year. The City has not determined the effect of the statement.

GASB Statement No. 70 – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The Statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. The City has not determined the effect of the statement.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 32,803,788
Cash and investments - restricted	196,114
Fiduciary Funds	
Cash and investments	2,028,149
Cash and investments with fiscal agets	9,676,653
Total Cash and Investments	<u>\$ 44,704,704</u>

Cash and investments as of June 30, 2013, consist of the following:

Cash on hand (petty cash)	\$ 4,200
Deposits with financial institutions	1,168,497
Investments	43,532,007
Total Cash and Investments	<u>\$ 44,704,704</u>

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. The trustee holds money market mutual funds in accordance with the provision of the debt agreements of the City, rather than the general provisions of California Government Code or the City’s Investment Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	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%	\$40,000,000

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 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, 2013, the City had the following investments. Except for the investment in money market funds, all investments are in the City’s internal investment pool:

Investment Type	Totals	Remaining Maturity (In Months)	
		12 Months Or Less	13 to 24 Months
Local Agency Investment Fund	\$ 16,505,794	\$ 16,505,794	\$ -
U.S. Treasury Notes	17,291,900	8,422,092	8,869,808
Held by bond trustee:			
Money market funds	9,734,313	9,734,313	-
Total	<u>\$ 43,532,007</u>	<u>\$ 34,662,199</u>	<u>\$ 8,869,808</u>

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:

Investment Type	Totals	Minimum Legal Rating	Rating as of Year End		
			Exempt from Disclosure	AAA	Not Rated
Local Agency Investment Fund	\$ 16,505,794	N/A	\$ -	\$ -	\$ 16,505,794
U.S. Treasury Notes	17,291,900	N/A	17,291,900	-	-
Held by bond trustee:					
U.S. Bank Money Market	9,734,313	AAA	-	9,734,313	-
Total	<u>\$ 43,532,007</u>		<u>\$ 17,291,900</u>	<u>\$ 9,734,313</u>	<u>\$ 16,505,794</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, 2013, the City did not have any concentrations of credit risk requiring disclosure under GASB Statement No. 40.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 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 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.

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. GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The City had \$918,497 in excess of federal depository insurance limits. This amount is collateralized pursuant to California Government Code.

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.

NOTE 3 – INTERFUND ACTIVITY

Interfund balances for the year ended June 30, 2013, are as follows:

Due from	Due to General Fund	Totals
Non-major Governmental Funds		
Measure M	\$ 2,346	\$ 2,346
Total	\$ 2,346	\$ 2,346

The interfund balance reflected above represents a short-term borrowing of cash pending receipt of grant reimbursement.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 3 – INTERFUND ACTIVITY (Continued)

	Transfers in			Totals
	General Fund	Capital Improvements	Nonmajor Funds	
Transfers out				
General fund	\$ -	\$ -	\$ 30,000	\$ 30,000
Nonmajor governmental funds	441,571	805,898	-	1,247,469
Total	<u>\$ 441,571</u>	<u>\$ 805,898</u>	<u>\$ 30,000</u>	<u>\$ 1,277,469</u>

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, 2013, 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 \$405,898 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.
3. A transfer of \$369,145 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.
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 \$72,426 from the Measure M Fund to the General Fund representing Measure M apportionments received from the County of Orange that are restricted for street maintenance activities. Such maintenance expenditures are accounted for in the General Fund.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions / Placed into Service</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 56,928,865	\$ -	\$ -	\$ 56,928,865
Construction in progress	3,705,157	4,481,140	(2,830,903)	5,355,394
Total Capital Assets Not Being Depreciated	<u>60,634,022</u>	<u>4,481,140</u>	<u>(2,830,903)</u>	<u>62,284,259</u>
Capital Assets, Being Depreciated:				
Buildings	9,695,054	-	-	9,695,054
Equipment	2,010,100	296,451	-	2,306,551
Infrastructure	178,951,657	2,783,086	-	181,734,743
Total Capital Assets Being Depreciated	<u>190,656,811</u>	<u>3,079,537</u>	<u>-</u>	<u>193,736,348</u>
Less Accumulated Depreciation for:				
Buildings	(3,113,525)	(312,637)	-	(3,426,162)
Equipment	(1,286,317)	(201,822)	-	(1,488,139)
Infrastructure	(77,645,171)	(6,278,804)	-	(83,923,975)
Total Accumulated Depreciation	<u>(82,045,013)</u>	<u>(6,793,263)</u>	<u>-</u>	<u>(88,838,276)</u>
 Total Capital Assets, Being Depreciated, Net	 <u>108,611,798</u>	 <u>(3,713,726)</u>	 <u>-</u>	 <u>104,898,072</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 169,245,820</u>	 <u>\$ 767,414</u>	 <u>\$ (2,830,903)</u>	 <u>\$ 167,182,331</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 43,467
Public safety	84,084
Community development	22,075
Recreation and parks	118,123
Public works	6,311,875
Unallocated depreciation	213,639
Total Depreciation Expense - Governmental Activities	<u>\$ 6,793,263</u>

Construction Commitments

The City has active construction projects as of June 30, 2013. 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 which totaled \$1,407,436.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 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, 2013, amounted to \$75,227. Future minimum lease revenues based on the terms of the existing leases are as follows:

Year Ending June 30,	Amount
2014	\$ 75,408

NOTE 6 – LONG-TERM DEBT

The following is a summary of the long-term liability activity for the year ended June 30, 2013:

	Beginning Balance	Additions	Deletion	Ending Balance	Due within one year
Compensated absences	\$ 527,531	\$ 413,489	\$ (542,734)	\$ 398,286	\$ 269,041

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 for employees subject to the Memorandum of Understanding by and between the City and the Dana Point City Employees Association. All other employees do not have a maximum amount they can accrue. 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.

NOTE 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, California 95814.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 7 – PENSION PLAN (Continued)

Funding Policy

Employees are required to contribute 7% of their annual covered salary. The City pays 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, 2013 was 10.238% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Three year trend information for CalPERS		
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2011	\$ 445,247	100%
6/30/2012	490,615	100%
6/30/2013	482,438	100%

NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS

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, California 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, 2013. 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.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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 0.46%. 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 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, 2013.

NOTE 9 – FUND BALANCES

The City follows GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance 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 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. The City has not designated any level of authority for assigning fund balance; therefore, the City Council can assign fund balance.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 9 – FUND BALANCES (Continued)

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

	General Fund	Capital Improvement Fund	Headlands CFD 2006-1 Acquisition Fund	Nonmajor Funds	Totals
Nonspendable:					
Prepaid expenditures	\$ 76,402	\$ -	\$ -	\$ -	\$ 76,402
Restricted:					
Public works	-	-	57,660	371,133	428,793
Community development	-	-	-	1,584,984	1,584,984
Public safety	-	-	-	49,735	49,735
Recreation and parks	-	-	-	676,550	676,550
ESHA Maintenance	-	-	-	180,000	180,000
Art in public places	138,454	-	-	-	138,454
Tourism Business Improvement	-	-	-	1,919,640	1,919,640
Assigned:					
Capital projects	3,169,000	6,386,453	-	480,528	10,035,981
Unassigned	18,586,437	-	-	-	18,586,437
Total Fund Balance	<u>\$ 21,970,293</u>	<u>\$ 6,386,453</u>	<u>\$ 57,660</u>	<u>\$ 5,262,570</u>	<u>\$ 33,676,976</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.

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.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 9 – FUND BALANCES (Continued)

Minimum Fund Balance Policy:

The City maintains the following fund balance reserves that were formally established for the General Fund by the City Council in August 2006 and June 2010:

- Cash Flow Reserve – This reserve 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. This designation is set at an amount equal to 10% of General Fund Revenues. The current year amount is \$2,943,000
- Emergency Reserve – This reserve 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 reserve requires a vote of four-fifths of the City Council member. The reserve is set an amount equal to 20% of General Fund Revenues. The current year amount is \$5,885,000.
- State Budget Impacts Reserve – This reserve 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. This amount is fixed at \$1,475,000.
- Capital Projects Sinking Fund Reserve – This reserve was established to accumulate funds for the future repair and/or replacement of existing capital infrastructure. The policy adopted in August 2006 provided that the amount not be less than \$2,500,000. This amount was increased to \$3,169,000 in April 2013.

The cash flow reserve, emergency reserve, and state budget impacts reserve amounts were classified as unassigned fund balance and the capital projects sinking fund reserve was classified as assigned fund balance in accordance with GASB Statement No. 54.

NOTE 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 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.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 10 – RISK MANAGEMENT PROGRAM (Continued)

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 retrospective deposit computation is in the final year of being phased out. Effective for the fiscal years beginning after July 1, 2013, the CJPIA will base annual contributions on a prospective basis.

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. The coverage for general and automobile liability extends to \$50,000,000 combined single limit per occurrence. The coverage for workers' compensation extends to a limit of \$10,000,000.

The City also purchases additionally coverages available through CJPIA. The coverage for pollution legal liability extends to \$10,000,000, with a \$50,000 deductible. Coverages for property include a \$5,000 deductible, for earthquake and flood include a 5% deductible and \$5,000 deductible for Boiler and Machinery. Crime coverages include a \$25,000 deductible.

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 2012 and 2013 were \$459,585 and \$475,338, 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.

As of June 30, 2013, 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).

NOTE 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 was 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 \$828,058.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 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 assigned fund balance for emergencies (\$5,885,000) as of June 30, 2013 and/or other unassigned fund balances. Immaterial uninsured claims would be paid from routine operating revenues. There were no uninsured claims paid by the City in fiscal years 2012 or 2013.

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, 2013.

The City is currently a defendant in a lawsuit alleging non-compliance with the American's With Disabilities Act at Strand Beach. The City has tendered this matter to its insurer, CJPIA. Discovery is complete and the matter has been continued by the United States District Court until early 2014. The City is at risk for statutory damages, attorney's fees and some sort of physical change to accommodate handicapped persons at the site in the event of an adverse judgment. An estimate cannot be made at this time.

NOTE 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 the 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. The contribution rate is adjusted annually by the State of California based on the medical care component of the Consumer Price Index.

During fiscal year 2013, there was one City retiree receiving the PEMHCA benefit. Since incorporation, three qualified retirees have elected to continue participation in the CalPERS health program after retirement. 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.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 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 were defeased in June, 2013, through the sale of 2013 Special Tax Bonds totaling \$17,885,000 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, 2013 was \$17,885,000. An amount of \$9,676,653 of cash with fiscal agent and \$3,459 of accrued interest is being held by the City and is reflected as due to bondholders at June 30, 2013 in the Statement of Fiduciary Assets and Liabilities.

After issuance of the bonds, the City reimbursed the developer in the amount of \$9,299,499 for capital improvements made within the community facilities district. The City took title to the assets in May 2010, assuming all risks and maintenance activities. The City capitalized these assets as donated during the 2009-2010 fiscal year using the developer’s costs as the basis for the fair market value.

NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures for the year ended June 30, 2013, exceeded appropriations in the following funds:

	Final Budget	Actual	Excess Over Appropriations
Headlands CFD 2006-1 Acquisition Fund	\$ 70,000	\$ 9,452,336	\$ (9,382,336)

Expenditures are in excess of appropriations due to the payment to developers for infrastructure improvements made in community facilities district from bond proceeds as approved by City Council action. The expenditures were offset by contributions from property owners.

NOTE 16 – SPECIAL ITEM

In April, 2013, the City reached a settlement agreement with the Headlands Reserve LLC, the developer for Headlands 2006-1 Community Facilities District whereby the developer paid the City \$180,000 in a contribution to set up the Headlands Maintenance Fund. This amount is required to remain intact for 50 years. This was under the control of management and unusual in nature.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2013

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

During the current year, it was determined that the activities of the Tourism Business Improvement District were accounted for in the Pass-Through Deposits Fund within the Agency Funds. The City now recognizes them in the Tourism Business Improvement District Special Revenue Fund. To correct for this accounting treatment, the beginning net position for governmental activities of \$201,700,753, as originally reported, has been increased to \$203,463,073 as follows:

	Tourism Business Improvement District	Government- Wide Governmental Activities
Beginning of year, as previously reported		
Fund Balance	\$ -	
Net Position		\$ 201,700,753
Effect of recognition of TBID as a Special Revenue Fund	1,762,320	1,762,320
Beginning of year, as restated		
Fund Balance	\$ 1,762,320	
Net Position		\$ 203,463,073

SUPPLEMENTARY INFORMATION

CITY OF DANA POINT
Major Capital Projects Fund
June 30, 2013

The City of Dana Point has established the following major capital projects funds 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.

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.

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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ -	\$ 457,002	\$ 457,002
Other revenue	-	19,842	19,842
Total Revenues	-	476,844	476,844
Expenditures			
Capital outlay	9,178,709	4,481,139	4,697,570
Total Expenditures	9,178,709	4,481,139	4,697,570
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,178,709)	(4,004,295)	5,174,414
Other financing sources (uses)			
Transfers in	805,898	805,898	-
Total Other Financing Sources (Uses)	805,898	805,898	-
Net Change in Fund Balance	(8,372,811)	(3,198,397)	5,174,414
Fund Balance, Beginning of Year	9,584,850	9,584,850	-
Fund Balance, End of Year	\$ 1,212,039	\$ 6,386,453	\$ 5,174,414

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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Investment income	\$ 20,000	\$ -	\$ (20,000)
Contributions from property owners	50,000	9,446,950	9,396,950
Total Revenues	<u>70,000</u>	<u>9,446,950</u>	<u>9,376,950</u>
Expenditures			
Current:			
Public works	50,000	152,837	(102,837)
Capital outlay	20,000	9,299,499	(9,279,499)
Total Expenditures	<u>70,000</u>	<u>9,452,336</u>	<u>(9,382,336)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(5,386)</u>	<u>(5,386)</u>
Net Change in Fund Balance	<u>-</u>	<u>(5,386)</u>	<u>(5,386)</u>
Fund Balance, Beginning of Year	63,046	63,046	-
Fund Balance, End of Year	<u>\$ 63,046</u>	<u>\$ 57,660</u>	<u>\$ (5,386)</u>

CITY OF DANA POINT
Nonmajor Governmental Funds
June 30, 2013

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, 2013

Environmentally Sensitive Habitat Areas
(ESHA) Maintenance Fund

Used to account for revenues received pursuant to a developer agreement establishing a funding mechanism for maintenance of the Headlands Area. The developer paid \$180,000 in fiscal year 2013 to establish this fund and has provided an annuity contract that will begin providing an additional \$30,000 per year for 50 years, to satisfy the non-wasting endowment requirement provided in the Development Agreement. There was no budget adopted for this fund.

Tourism Business Improvement District Fund

Used to account for the levy of \$3.00 per occupied room night subject to transient occupancy tax to be used for marketing activities to promote the City of Dana Point as an overnight tourism destination. There was no budget adopted for this fund.

The City 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.

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, 2013

	Special Revenue Funds				
	Gas Tax	Measure M	Supplemental Law Enforcement Services	Headlands CFD 2006-1 Maintenance	Coastal Transit
Assets					
Cash and investments	\$ 150,800	\$ -	\$ 50,463	\$ 358,248	\$ 1,341,628
Receivables:					
Taxes	-	81,643	-	-	-
Assessments	-	-	-	483	-
Intergovernmental	-	-	-	-	-
Total Assets	\$ 150,800	\$ 81,643	\$ 50,463	\$ 358,731	\$ 1,341,628
Liabilities and fund balances					
Liabilities					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 728	\$ 1,592	\$ -
Due from other funds	-	2,346	-	-	-
Deferred revenue	-	-	-	216,103	-
Total Liabilities	-	2,346	728	217,695	-
Fund balances					
Restricted	150,800	79,297	49,735	141,036	1,341,628
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total Fund Balances	150,800	79,297	49,735	141,036	1,341,628
Total Liabilities and Fund Balances	\$ 150,800	\$ 81,643	\$ 50,463	\$ 358,731	\$ 1,341,628

Special Revenue Funds			Capital Projects		Total Nonmajor Governmental Funds
AB 2766	ESHA Maintenance Fund	Tourism Business Improvement District	Facilities Improvement	Park Development	
\$ 232,722	\$ 180,000	\$ 1,831,665	\$ 482,702	\$ 676,550	\$ 5,304,778
-	-	87,975	-	-	169,618
-	-	-	-	-	483
10,634	-	-	-	-	10,634
<u>\$ 243,356</u>	<u>\$ 180,000</u>	<u>\$ 1,919,640</u>	<u>\$ 482,702</u>	<u>\$ 676,550</u>	<u>\$ 5,485,513</u>
\$ -	\$ -	\$ -	\$ 2,174	\$ -	\$ 4,494
-	-	-	-	-	2,346
-	-	-	-	-	216,103
-	-	-	2,174	-	222,943
243,356	180,000	1,919,640	-	676,550	4,782,042
-	-	-	-	-	-
-	-	-	480,528	-	480,528
<u>243,356</u>	<u>180,000</u>	<u>1,919,640</u>	<u>480,528</u>	<u>676,550</u>	<u>5,262,570</u>
<u>\$ 243,356</u>	<u>\$ 180,000</u>	<u>\$ 1,919,640</u>	<u>\$ 482,702</u>	<u>\$ 676,550</u>	<u>\$ 5,485,513</u>

CITY OF DANA POINT
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Funds
For the Year Ended June 30, 2013

	Special Revenue Funds				
	Gas Tax	Measure M	Supplemental Law Enforcement Services	Headlands CFD 2006-1 Maintenance	Coastal Transit
Revenues					
Taxes	\$ 775,043	\$ 455,593	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	-	-	-
Intergovernmental	-	-	100,000	-	-
Charges for services	-	-	-	90,722	-
Investment earnings	-	759	234	878	4,333
Contributions from property owners	-	-	-	-	-
Total Revenues	<u>775,043</u>	<u>456,352</u>	<u>100,234</u>	<u>91,600</u>	<u>4,333</u>
Expenditures					
Current:					
Public safety	-	-	126,332	-	-
Community development	-	-	-	-	-
Public works	-	-	-	81,698	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>126,332</u>	<u>81,698</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>775,043</u>	<u>456,352</u>	<u>(26,098)</u>	<u>9,902</u>	<u>4,333</u>
Other financing sources (uses)					
Transfers in	-	-	-	30,000	-
Transfers out	<u>(775,043)</u>	<u>(472,426)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(775,043)</u>	<u>(472,426)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Special items					
Payment to establish a term endowment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(16,074)	(26,098)	39,902	4,333
Fund Balances at Beginning of Year (restated)	150,800	95,371	75,833	101,134	1,337,295
Fund Balances at End of Year	<u>\$ 150,800</u>	<u>\$ 79,297</u>	<u>\$ 49,735</u>	<u>\$ 141,036</u>	<u>\$ 1,341,628</u>

Special Revenue Funds			Capital Projects		Total Nonmajor Governmental Funds
AB 2766	ESHA Maintenance Fund	Tourism Business Improvement District	Facilities Improvement	Park Development	
\$ -	\$ -	\$ 954,828	\$ -	\$ -	\$ 2,185,464
-	-	-	-	93,600	93,600
50,965	-	-	-	-	150,965
-	-	-	-	-	90,722
682	-	-	-	-	6,886
-	-	-	-	-	-
51,647	-	954,828	-	93,600	2,527,637
-	-	-	-	-	126,332
-	-	797,508	-	-	797,508
-	-	-	-	-	81,698
-	-	-	218,527	-	218,527
-	-	797,508	218,527	-	1,224,065
51,647	-	157,320	(218,527)	93,600	1,303,572
-	-	-	-	-	30,000
-	-	-	-	-	(1,247,469)
-	-	-	-	-	(1,217,469)
-	180,000	-	-	-	180,000
51,647	180,000	157,320	(218,527)	93,600	266,103
191,709	-	1,762,320	699,055	582,950	4,996,467
\$ 243,356	\$ 180,000	\$ 1,919,640	\$ 480,528	\$ 676,550	\$ 5,262,570

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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 942,588	\$ 775,043	\$ (167,545)
Total Revenues	<u>942,588</u>	<u>775,043</u>	<u>(167,545)</u>
Other financing sources (uses)			
Transfers out	(942,588)	(775,043)	167,545
Total Other Financing Sources (Uses)	<u>(942,588)</u>	<u>(775,043)</u>	<u>167,545</u>
Net Change in Fund Balance	-	-	-
Fund Balance (Deficit), Beginning of Year	<u>150,800</u>	<u>150,800</u>	-
Fund Balance (Deficit), End of Year	<u>\$ 150,800</u>	<u>\$ 150,800</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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 472,426	\$ 455,593	\$ (16,833)
Investment earnings	-	759	759
Total Revenues	<u>472,426</u>	<u>456,352</u>	<u>(16,074)</u>
Other financing sources (uses)			
Transfers out	(472,426)	(472,426)	-
Total Other Financing Sources (Uses)	<u>(472,426)</u>	<u>(472,426)</u>	<u>-</u>
Net Change in Fund Balance	-	(16,074)	(16,074)
Fund Balance, Beginning of Year	95,371	95,371	-
Fund Balance, End of Year	<u>\$ 95,371</u>	<u>\$ 79,297</u>	<u>\$ (16,074)</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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 99,999	\$ 100,000	\$ 1
Investment earnings	500	234	(266)
Total Revenues	<u>100,499</u>	<u>100,234</u>	<u>(265)</u>
Expenditures			
Current:			
Public safety	<u>178,352</u>	<u>126,332</u>	<u>52,020</u>
Total Expenditures	<u>178,352</u>	<u>126,332</u>	<u>52,020</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,853)</u>	<u>(26,098)</u>	<u>51,755</u>
Net Change in Fund Balance	(77,853)	(26,098)	51,755
Fund Balance, Beginning of Year	<u>75,833</u>	<u>75,833</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (2,020)</u></u>	<u><u>\$ 49,735</u></u>	<u><u>\$ 51,755</u></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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Charges for service	\$ 90,000	\$ 90,722	\$ 722
Investment earnings	1,000	878	(122)
Total Revenues	<u>91,000</u>	<u>91,600</u>	<u>600</u>
Expenditures			
Current:			
Public works	153,300	81,698	71,602
Total Expenditures	<u>153,300</u>	<u>81,698</u>	<u>71,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(62,300)</u>	<u>9,902</u>	<u>72,202</u>
Other financing sources (uses)			
Transfers in	30,000	30,000	-
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	(32,300)	39,902	72,202
Fund Balance, Beginning of Year	101,134	101,134	-
Fund Balance, End of Year	<u>\$ 68,834</u>	<u>\$ 141,036</u>	<u>\$ 72,202</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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 500	\$ -	\$ (500)
Investment earnings	20,000	4,333	(15,667)
Total Revenues	<u>20,500</u>	<u>4,333</u>	<u>(16,167)</u>
Net Change in Fund Balance	<u>20,500</u>	<u>4,333</u>	<u>(16,167)</u>
Fund Balance, Beginning of Year	<u>1,337,295</u>	<u>1,337,295</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,357,795</u></u>	<u><u>\$ 1,341,628</u></u>	<u><u>\$ (16,167)</u></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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 45,000	\$ 50,965	\$ 5,965
Investment earnings	500	682	182
Total Revenues	<u>45,500</u>	<u>51,647</u>	<u>6,147</u>
Net Change in Fund Balance	45,500	51,647	6,147
Fund Balance, Beginning of Year	<u>191,709</u>	<u>191,709</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 237,209</u></u>	<u><u>\$ 243,356</u></u>	<u><u>\$ 6,147</u></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, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Investment income	\$ -	\$ -	\$ -
Contributions from property owners	-	-	-
Total Revenues	-	-	-
Expenditures			
Capital outlay	598,600	218,527	380,073
Total Expenditures	598,600	218,527	380,073
Excess (Deficiency) of Revenues Over (Under) Expenditures	(598,600)	(218,527)	380,073
Net Change in Fund Balance	(598,600)	(218,527)	380,073
Fund Balance, Beginning of Year	699,055	699,055	-
Fund Balance, End of Year	\$ 100,455	\$ 480,528	\$ 380,073

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Park Development
For the Year Ended June 30, 2013

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Licenses and permits	\$ 100,000	\$ 93,600	\$ (6,400)
Investment income	5,000	-	(5,000)
Total Revenues	<u>105,000</u>	<u>93,600</u>	<u>(11,400)</u>
Other financing sources (uses)			
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	105,000	93,600	(11,400)
Fund Balance, Beginning of Year	<u>582,950</u>	<u>582,950</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 687,950</u></u>	<u><u>\$ 676,550</u></u>	<u><u>\$ (11,400)</u></u>

CITY OF DANA POINT

Agency Funds

June 30, 2013

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, 2013

	Developer Deposits	Due to Bondholders	Pass-through Deposits	Totals
Assets				
Cash and investments	\$ 1,861,685	\$ -	\$ 166,464	\$ 2,028,149
Cash with fiscal agents	-	9,676,653	-	9,676,653
Accounts receivables	-	3,459	-	3,459
	<u>-\$ 1,861,685</u>	<u>-\$ 9,680,112</u>	<u>-\$ 166,464</u>	<u>-\$ 11,708,261</u>
Total Assets	<u>\$ 1,861,685</u>	<u>\$ 9,680,112</u>	<u>\$ 166,464</u>	<u>\$ 11,708,261</u>
Liabilities				
Deposits	\$ 1,861,685	\$ -	\$ -	\$ 1,861,685
Due to bondholders	-	9,680,112	-	9,680,112
Due to other agencies	-	-	166,464	166,464
	<u>-\$ 1,861,685</u>	<u>-\$ 9,680,112</u>	<u>-\$ 166,464</u>	<u>-\$ 11,708,261</u>
Total Liabilities	<u>\$ 1,861,685</u>	<u>\$ 9,680,112</u>	<u>\$ 166,464</u>	<u>\$ 11,708,261</u>

CITY OF DANA POINT
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

Developer Deposits	Beginning Balance	Additions	Deletions	Ending Balance
Assets:				
Cash and investments	\$ 1,222,401	\$ 1,226,550	\$ 587,266	\$ 1,861,685
	<u>\$ 1,222,401</u>	<u>\$ 1,226,550</u>	<u>\$ 587,266</u>	<u>\$ 1,861,685</u>
Liabilities:				
Deposits	\$ 1,222,401	\$ 1,226,550	\$ 587,266	\$ 1,861,685
	<u>\$ 1,222,401</u>	<u>\$ 1,226,550</u>	<u>\$ 587,266</u>	<u>\$ 1,861,685</u>
Due to Bondholders				
Assets:				
Cash and investments	\$ 231	\$ 14,755,129	\$ 14,755,360	\$ -
Cash with fiscal agents	1,258,688	11,933,279	3,515,314	9,676,653
Accounts receivables	24,168	3,459	24,168	3,459
	<u>\$ 1,283,087</u>	<u>\$ 26,691,867</u>	<u>\$ 18,294,842</u>	<u>\$ 9,680,112</u>
Liabilities:				
Due to bondholders	\$ 1,283,087	\$ 11,832,810	\$ 3,435,785	\$ 9,680,112
	<u>\$ 1,283,087</u>	<u>\$ 11,832,810</u>	<u>\$ 3,435,785</u>	<u>\$ 9,680,112</u>
Pass-through Deposits				
Assets:				
Cash and investments	\$ 167,661	\$ 184,207	\$ 185,404	\$ 166,464
	<u>\$ 167,661</u>	<u>\$ 184,207</u>	<u>\$ 185,404</u>	<u>\$ 166,464</u>
Liabilities:				
Due to other agencies	\$ 167,661	\$ 184,207	\$ 185,404	\$ 166,464
	<u>\$ 167,661</u>	<u>\$ 184,207</u>	<u>\$ 185,404</u>	<u>\$ 166,464</u>
Total - All Agency Funds				
Assets:				
Cash and investments	\$ 1,390,293	\$ 16,165,886	\$ 15,528,030	\$ 2,028,149
Cash with fiscal agents	1,258,688	11,933,279	3,515,314	9,676,653
Accounts receivables	24,168	3,459	24,168	3,459
	<u>\$ 2,673,149</u>	<u>\$ 28,102,624</u>	<u>\$ 19,067,512</u>	<u>\$ 11,708,261</u>
Liabilities:				
Deposits	\$ 1,222,401	\$ 1,226,550	\$ 587,266	\$ 1,861,685
Due to bondholders	1,283,087	11,832,810	3,435,785	9,680,112
Due to other agencies	167,661	184,207	185,404	166,464
	<u>\$ 2,673,149</u>	<u>\$ 13,243,567</u>	<u>\$ 4,208,455</u>	<u>\$ 11,708,261</u>

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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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.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$79,950	\$84,296	\$102,009	\$120,561	\$119,292	\$128,285	\$174,898	\$171,342	\$169,246	\$167,182
Restricted	5,152	5,412	8,069	5,515	2,645	3,257	2,847	2,665	2,765	2,879
Unrestricted	40,503	42,388	37,504	41,797	51,789	39,654	33,932	31,319	29,690	30,400
Total governmental activities net position	<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>	<u>\$200,461</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General Government	\$ 3,715	\$ 4,588	\$ 4,977	\$ 4,569	\$ 4,896	\$ 5,093	\$ 5,285	\$ 5,636	\$ 5,006	\$ 4,794
Public Safety	6,845	7,014	7,558	8,068	8,807	9,193	9,700	10,156	9,977	10,069
Community Development	1,875	2,149	2,582	2,330	2,811	2,625	2,831	2,604	2,769	3,689
Recreation and Parks	1,678	2,085	3,303	3,708	4,037	4,270	4,528	4,632	4,481	4,917
Public Works	6,646	8,777	8,294	9,687	10,520	19,447	10,667	11,374	11,327	21,265
Interest on Long-term Debt	225	207	187	15	-	-	-	-	-	-
Unallocated Depreciation	76	85	122	131	187	192	220	221	214	214
Total governmental activities expenses	<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>	<u>\$ 44,948</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 138	\$ 843	\$ 155	\$ 321	\$ 493	\$ 263	\$ 631	\$ 464	\$ 584	\$ 112
Public Safety	418	488	461	454	539	332	305	253	304	199
Community Development	1,161	1,344	2,266	1,359	1,396	1,054	1,265	1,171	1,064	1,603
Recreation and Parks	219	221	224	224	262	261	271	306	349	424
Public Works	155	288	131	469	561	422	260	244	185	118
Operating grants and contributions	1,475	1,585	1,449	1,694	1,612	9,999	2,424	1,900	2,172	11,610
Capital grants and contributions	1,836	5,176	13,459	16,321	3,159	852	46,617	826	1,143	705
Total governmental activities program revenues	<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>	<u>14,771</u>
Total government net revenue (expense)	<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>	<u>\$ (30,177)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	\$ 4,209	\$ 4,524	\$ 5,009	\$ 5,373	\$ 6,001	\$ 6,176	\$ 6,109	\$ 5,936	\$ 5,857	\$ 6,020
Franchise taxes	936	1,034	1,076	1,201	1,239	1,294	1,255	1,247	1,198	1,329
Sales taxes	4,015	3,117	3,447	3,761	3,671	2,998	2,909	3,075	3,570	3,425
In-lieu property taxes	-	2,665	3,119	3,867	4,276	4,154	3,719	3,944	3,947	4,319
Property transfer taxes	498	525	441	395	374	224	229	200	230	459
Transient occupancy taxes	8,478	7,763	9,533	10,888	11,298	8,630	7,221	8,284	9,382	10,086
Motor vehicle in-lieu (unrestricted)	1,678	852	255	199	164	126	109	170	18	-
Other	61	152	52	234	66	68	53	60	68	1,233
Unrestricted investment earnings	351	819	1,433	2,038	2,210	1,227	334	193	77	124
Special Item										180
Total governmental activities	<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>	<u>\$ 27,175</u>
Change in Net Position	<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>	<u>\$ (3,002)</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013
General fund										
Nonspendable								\$64	\$73	\$76
Restricted										\$139
Committed								9,462	9,027	-
Assigned								3,169	3,169	\$13,472
Unassigned								6,094	7,003	\$8,284
Reserved	\$2,105	\$1,318	\$3,715	\$561	\$1,466	\$1,378	\$406	-	-	-
Unreserved	14,251	12,808	12,605	17,836	20,684	19,478	19,925	-	-	-
Total general fund	<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>	<u>\$21,971</u>
All other governmental funds										
Restricted								\$2,498	\$2,598	\$2,920
Committed										\$1,919
Assigned								12,406	10,284	\$6,867
Reserved	\$6,699	\$3,741	\$5,225	\$414	\$8,747	\$4,136	\$827	-	-	-
Unreserved, reported in:										
Special revenue funds	1,475	1,499	1,424	1,555	2,263	2,553	2,062	-	-	-
Capital project funds	21,368	27,429	22,986	27,225	21,851	15,794	13,130	-	-	-
Total all other governmental funds	<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>	<u>\$11,706</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
(accrual basis of accounting)
(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 18,247	\$ 19,666	\$ 22,626	\$ 25,391	\$ 26,715	\$ 23,117	\$ 20,271	\$ 22,821	\$ 24,525	\$ 27,513
Licences, fees and permits	1,960	1,936	1,926	2,048	2,186	1,997	1,983	1,975	1,937	2,122
Fines and forfeitures	428	492	469	470	636	433	335	286	455	236
Intergovernmental	3,189	3,805	7,181	6,011	3,464	1,536	1,856	1,118	1,570	1,442
Charges for services	921	1,894	1,906	1,475	1,672	1,150	1,651	1,392	1,307	1,437
Use of money and property	573	1,016	1,740	2,423	2,590	1,468	520	399	241	286
Contributions from property owners	-	-	-	-	-	8,199	486	41	28	9,447
Other	352	1,271	337	246	93	180	106	295	86	111
Total revenues	<u>25,670</u>	<u>30,080</u>	<u>36,185</u>	<u>38,064</u>	<u>37,356</u>	<u>38,080</u>	<u>27,208</u>	<u>28,327</u>	<u>30,149</u>	<u>42,594</u>
Expenditures										
General government	3,586	4,450	4,846	4,526	4,809	4,971	5,223	5,524	5,026	4,880
Public safety	6,843	7,008	7,544	8,035	8,767	9,123	9,617	10,077	9,856	9,985
Community development	1,866	2,132	2,565	2,312	2,772	2,594	2,804	2,578	2,764	3,667
Recreation and parks	1,622	2,029	3,237	3,627	3,953	4,186	4,443	4,526	4,477	4,799
Public works	4,129	5,405	5,133	5,243	5,803	6,673	5,398	5,409	5,388	5,538
Capital outlay	12,007	7,639	13,180	9,667	3,832	22,205	6,712	2,869	4,177	14,145
Debt service:										
Principal	290	305	325	2,925	-	-	-	-	-	-
Interest	232	215	196	93	-	-	-	-	-	-
Total expenditures	<u>30,575</u>	<u>29,183</u>	<u>37,026</u>	<u>36,428</u>	<u>29,936</u>	<u>49,752</u>	<u>34,197</u>	<u>30,983</u>	<u>31,688</u>	<u>43,014</u>
Excess of revenues over (under) expenditures	(4,905)	897	(841)	1,636	7,420	(11,672)	(6,989)	(2,656)	(1,539)	(420)
Other financing sources (uses)										
Transfers in	11,642	764	4,237	3,922	6,658	3,357	4,313	1,772	1,521	1,277
Transfers out	(11,642)	(7,964)	(4,238)	(3,922)	(6,658)	(3,357)	(4,313)	(1,772)	(1,521)	(1,277)
Total other financing sources (uses)	<u>-</u>	<u>(7,200)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cumulative effect of a change in accounting principle	-	-	-	-	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	-	-	-	180
Net change in fund balances	<u>\$ (4,905)</u>	<u>\$ (6,303)</u>	<u>\$ (842)</u>	<u>\$ 1,636</u>	<u>\$ 7,420</u>	<u>\$ (11,672)</u>	<u>\$ (6,989)</u>	<u>\$ (2,656)</u>	<u>\$ (1,539)</u>	<u>\$ (240)</u>
Debt service as a percentage of noncapital expenditures	<u>1.7%</u>	<u>1.8%</u>	<u>1.4%</u>	<u>8.3%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program										
Governmental activities:										
General government	\$ 182	\$ 878	\$ 203	\$ 377	\$ 538	\$ 295	\$ 685	\$ 497	\$ 625	\$ 164
Public safety	751	943	746	930	946	737	785	670	803	983
Community development	1,212	1,368	2,306	1,415	1,450	1,089	1,280	1,181	1,070	1,607
Recreation and parks	800	824	470	11,211	914	456	442	359	422	517
Public works	2,457	5,931	14,419	6,909	4,174	10,606	48,581	2,457	2,881	11,500
Total governmental activities	\$ 5,402	\$ 9,944	\$ 18,144	\$ 20,842	\$ 8,022	\$ 13,183	\$ 51,773	\$ 5,164	\$ 5,801	\$ 14,771

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	TBID Tax (5)	In-lieu Property Tax (2)	Property Transfer Tax	Transient Occupancy Tax (4)	Total
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
2013	6,020	1,329	3,425	775	456	955	4,319	459	10,086	27,824

- (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%.
- (5) Beginning in fiscal 2013 the method of accounting for the TBID tax collections was changed from an agency fund to a special revenue fund.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total property tax levy	\$ 4,285	\$ 4,602	\$ 5,129	\$ 5,556	\$ 6,174	\$ 6,256	\$ 6,064	\$ 6,031	\$ 6,093	\$ 6,303
Current year collections	\$ 4,181	\$ 4,501	\$ 4,973	\$ 5,338	\$ 5,908	\$ 5,985	\$ 5,910	\$ 5,848	\$ 5,827	\$ 5,865
Current year collections as % of levy	97.6%	97.8%	97.0%	96.1%	95.7%	95.7%	97.5%	97.0%	95.6%	93.1%
Current year delinquencies	\$ 104	\$ 101	\$ 156	\$ 218	\$ 266	\$ 271	\$ 154	\$ 183	\$ 266	\$ 438
Current year delinquencies as % of levy	2.4%	2.2%	3.0%	3.9%	4.3%	4.3%	2.5%	3.0%	4.4%	6.9%
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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed value	\$ 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	\$ 8,844,364
Estimated actual value (see note)	\$ 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	\$ 8,844,364
Annual increase in assessed value	\$ 425,029	\$ 309,197	\$ 747,726	\$ 694,624	\$ 839,697	\$ 347,200	\$ (116,507)	\$ (75,654)	\$ 47,604	\$ 109,012
Annual % increase in assessed value	7.7%	5.2%	12.0%	9.9%	10.9%	4.1%	-1.3%	-0.9%	0.5%	1.2%

(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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<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	\$0.3898
Educational Revenue Augmentation Fund	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1656
Orange County Fire Authority	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1217
South Orange County Comm. College District	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0959
Orange County General Fund	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0526
City of Dana Point	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.07618
Orange County Flood Control District	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0214
Orange County Library District	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.01806
Orange County Department of Education	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.01767
Orange County Harbors, Beaches & Parks	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.01655
Capistrano Beach County Water District	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.01060
Tri Cities Municipal Water District	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.00913
Orange County Transportation Authority	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.00304
Orange County Vector Control	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.00121
Orange County Cemetary District	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.00054
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	0.0058	0.0052	0.0052	0.0047	0.0043	0.0043	0.0037	0.0037	0.0037	0.00350
Capistrano Unified ID#1 1999 Bond Fund - Series A	0.0034	0.0031	0.0031	0.0027	0.0028	0.0031	0.0032	0.0032	0.0032	0.00335
Capistrano Unified ID#1 1999 Bond Fund - Series B	0.0054	0.0049	0.0049	0.0043	0.0045	0.0043	0.0051	0.0051	0.0051	0.00538
Capistrano Unified ID#1 1999 Bond Fund - Series C	0.0031	0.0027	0.0027	0.0024	0.0025	0.0028	0.0028	0.0028	0.0028	0.00298
Combined Total Property Tax Rate (2)	<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>	<u>\$1.0152</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 Ten Years Ago

Taxpayer	Fiscal Year 2013				Fiscal Year 2004			
	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid
MMB Management LLC (1)	\$ 233,522,846	\$ 78,735	1	2.77%	\$ -	\$ -	-	-
SHC Laguna Niguel 1 LLC	214,512,977	66,952	2	2.36%	197,662,841	61,693	2	3.26%
WH MBR LLC (1)	210,747,906	65,345	3	2.30%	-	-	-	-
Regency Laguna LP (1)	179,341,442	55,649	4	1.96%	-	-	-	-
Monarch Coast I LLC	84,322,543	26,074	5	0.92%	-	-	-	-
Headlands Reserve, LLC	39,299,514	13,612	6	0.48%	65,980,735	24,356	5	1.29%
Bear Brand Partners	31,524,220	9,839	7	0.35%	27,280,943	8,515	9	0.45%
ST Apartments LLC	26,509,302	8,145	8	0.29%	-	-	-	-
Harbor Pointe Partners, LLC	26,366,712	8,408	9	0.30%	-	-	-	-
Felcor JPM BOCA Raton Hotel LLC	25,681,107	8,402	10	0.30%	-	-	-	-
CPH Monarch Hotel LLC (1)	-	-	-	-	271,940,220	84,501	1	4.47%
Lloyd's Bank California (1)	-	-	-	-	154,317,838	52,030	3	2.75%
CPH Resorts I LLC	-	-	-	-	42,763,490	13,379	7	0.71%
Monarch Bay Two	-	-	-	-	77,895,636	24,080	4	1.27%
Connecticut General Life Ins. Co. (1)	-	-	-	-	38,355,620	11,937	8	0.63%
Makallon Monarch Villages	-	-	-	-	44,383,767	13,853	6	0.73%
CPH Dana Point LLC (1)	-	-	-	-	22,190,581	7,015	10	0.37%
Totals	\$ 1,071,828,569	\$ 341,161		12.03%	\$ 942,771,671	\$ 301,360		15.93%

Source: HDL, Coren & Cone
(1) Pending Appeals On Parcels

CITY OF DANA POINT
Transient Occupancy Taxes
Last Ten Fiscal Years
(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<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>\$8,478</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>	<u>\$10,086</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 Fiscal 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
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
2012	4,633	N/A (2)	29,419	98,436	18,334	4,570	71,893	68,194	157,389	452,868

Top 25 Sales Tax Producers
Fiscal Year 2013

<u>Business Name (1)</u>	<u>Business Type</u>
Albertsons	Grocery stores
AT&T Mobility	Electronics/Appliance Stores
Big Five Sporting Goods	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
Harbor Grill	Restaurants
Hennessey's Tavern	Restaurants
Marriott Laguna Cliffs Resort & Spa	Hotels
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 = 59.44%

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

(2) General Merchandise group was reclassified as confidential in 2012 by the State of California Board of Equalization. The group cannot be made public.

Sources: The HdL Companies; California Board of Equalization

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

Fiscal Year	Governmental Activities Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
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	-	-	-	-
2013	-	-	-	-

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

CITY OF DANA POINT
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

<u>OVERLAPPING DEBT:</u>	<u>Gross Debt Balance</u>	<u>% Applicable to City</u>	<u>City Share 6/30/13</u>
Metropolitan Water District	\$ 33,573,625	2.067%	\$ 693,964
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2002C	27,455,000	19.994%	5,489,431
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2001B	12,124,930	19.994%	2,424,293
South Coast Water District 1998, 2010 A & B, & 2011	38,212,040	55.776%	21,313,191
Santa Margarita Water District I.D. #3 1978 Bond	19,020,000	0.179%	34,116
Santa Margarita Water District I.D. #7	96,210,000	0.179%	172,570
Moulton Niguel Water I.D. #7 Bond	9,155,000	12.423%	1,137,296
Total Overlapping Debt			<u><u>\$ 31,264,861</u></u>

DIRECT DEBT:

None

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

Sources: HdL, Coren & Cone

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed Valuation	<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>	<u>\$ 8,844,363</u>
Legal Debt Limit = 3.75% of Total Assessed Valuation (1)	222,805	234,400	262,440	288,488	319,889	332,997	328,543	325,791	327,576	331,664
Amount of Debt Applicable to Limit: Certificates of Participation/ Capital Lease	3,555	3,250	2,925	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 219,250</u>	<u>\$ 237,650</u>	<u>\$ 265,365</u>	<u>\$ 288,488</u>	<u>\$ 319,889</u>	<u>\$ 332,997</u>	<u>\$ 328,543</u>	<u>\$ 325,791</u>	<u>\$ 327,576</u>	<u>\$ 331,664</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

	2004 (1)	2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (2)	2012 (2)	2013 (2)
Population	35,416	37,283	36,854	36,884	36,441	35,822	35,561	35,109	33,054	33,398
Age Distribution:										
0 - 4	1,890	1,996	1,950	1,953	1,903	1,915	1,905	1,753	1,675	1,544
5 - 14	3,837	4,079	4,026	4,049	3,757	3,734	3,657	3,794	3,593	3,146
15 - 19	1,925	1,987	1,911	1,960	1,933	1,764	1,716	2,160	2,151	2,046
20 - 24	2,106	2,216	2,181	2,097	2,029	1,852	1,805	1,419	1,340	1,481
25 - 34	4,323	4,503	4,503	4,431	4,560	4,707	4,772	4,421	4,302	4,045
35 - 44	5,639	5,812	5,587	5,568	5,179	5,034	4,849	4,606	4,390	3,958
45 - 64	10,459	11,209	11,335	11,519	11,480	11,235	11,169	11,202	10,341	10,917
65 - 74	2,816	2,861	2,777	2,753	2,939	2,992	3,078	3,105	2,732	3,492
75 - 84	1,895	2,045	1,994	1,939	1,958	1,886	1,864	1,936	1,836	1,913
85 and over	526	575	590	615	703	703	746	713	694	856
Total	<u>35,416</u>	<u>37,283</u>	<u>36,854</u>	<u>36,884</u>	<u>36,441</u>	<u>35,822</u>	<u>35,561</u>	<u>35,109</u>	<u>33,054</u>	<u>33,398</u>
Median Age	42	42	42	42	43	43	43	44	43	46
Per capita income	\$ 46,848	\$ 46,381	\$ 45,461	\$ 47,055	\$ 50,978	\$ 46,922	\$ 47,982	\$ 42,245	\$ 44,704	not avail
Personal income (,000,000) (5)	\$ 1,659	\$ 1,729	\$ 1,675	\$ 1,736	\$ 1,858	\$ 1,681	\$ 1,706	\$ 1,816	\$ 1,663	\$ 1,723
Median household income	\$ 75,190	\$ 78,392	\$ 78,160	\$ 80,508	\$ 88,429	\$ 86,537	\$ 87,100	\$ 73,700	\$ 73,696	\$ 76,268
Average household income	\$ 111,959	\$ 111,051	\$ 110,715	\$ 114,824	\$ 124,494	\$ 113,457	\$ 115,966	\$ 101,855	\$ 101,662	\$ 111,397
Civilian unemployment rate (3)(4)	3.1%	2.7%	2.4%	2.8%	3.8%	6.4%	6.9%	6.3%	n/a	5.9%
Number of families	9,219	9,753	9,435	9,467	9,320	9,248	9,181	9,143	9,097	8,826
Number of households	14,596	15,342	14,909	14,889	14,697	14,585	14,491	14,459	14,328	14,405
Average household size	2.42	2.42	2.46	2.47	2.47	2.44	2.44	2.42	2.29	2.31
Households, by income:										
Less than \$15,000	829	839	794	791	630	646	611	864	866	954
\$15,000 - \$24,999	912	840	829	694	604	602	702	905	899	1,064
\$25,000 - \$34,999	900	928	890	805	727	744	582	928	920	991
\$35,000 - \$49,999	1,705	1,698	1,551	1,502	1,147	1,168	1,384	1,735	1,716	1,742
\$50,000 - \$74,999	2,931	2,951	3,024	3,010	2,944	2,812	2,675	2,951	2,915	2,355
\$75,000 - \$99,999	2,038	2,346	2,224	2,308	2,136	2,452	2,309	2,022	2,009	1,902
\$100,000 - \$149,999	2,657	2,913	2,729	2,759	3,191	3,176	3,206	2,612	2,600	2,535
Over \$150,000	2,624	2,827	2,868	3,020	3,318	2,985	3,022	2,442	2,403	2,862
Total	<u>14,596</u>	<u>15,342</u>	<u>14,909</u>	<u>14,889</u>	<u>14,697</u>	<u>14,585</u>	<u>14,491</u>	<u>14,459</u>	<u>14,328</u>	<u>14,405</u>

(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.

(5) Source: HdL

CITY OF DANA POINT
Principal Employers
Calendar Year 2013 and Four Years Ago

<u>Employer</u>	<u>2013</u>			<u>2009*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
St Regis Monarch Beach	800	1	4.56%	800	2	6.67%
Ritz-Carlton-Laguna Niguel	750	2	4.27%	970	1	8.08%
Marriott-Laguna Cliffs Resort	350	3	1.99%	250	4	2.08%
Dana Hills High School	250	4	1.42%	N/A	-	-
Wind & Sea Restaurant Inc	131	5	0.75%	125	9	1.04%
Ocean Institute/Chambers Gallery	115	6	0.66%	120	10	1.00%
Harpoon Henry's Seafood Rstrnt	103	7	0.59%	150	7	1.25%
O C Lifeguards	120	8	0.68%	N/A	-	-
Jimmy's Famous American Tavern	90	9	0.51%	N/A	-	-
Ralphs - Del Obispo St	88	10	0.50%	165	6	1.38%
Capo School District	N/A	-	-	410	3	3.42%
Expert Loan Solutions	N/A	-	-	200	5	1.67%
Remax Real Estate	N/A	-	-	145	8	1.21%
Total	<u>2,797</u>		<u>15.94%</u>	<u>3,335</u>		<u>27.80%</u>

* Information for 2002 is not available to include history ten years prior.

2013 Source: Telephone Survey

2009 Source: Info Data

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

Function	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<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	3.75	3.75	3.75	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Administrative Services	5.75	5.75	6.75	6.75	7.00	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	1.50
<u>Public Safety</u>										
Police Services	-	-	-	-	-	-	-	-	-	-
Emergency Services	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
<u>Community Development</u>										
Planning	5.00	6.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00
Building	1.50	2.50	3.50	2.50	7.50	7.50	7.50	7.50	7.50	7.50
Code Enforcement	2.50	2.50	2.50	2.50	3.50	3.50	3.50	3.50	3.50	3.50
Economic Development	-	-	-	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>Recreation and Parks</u>										
Parks	1.67	1.67	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Community Services	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00
<u>Public Works</u>										
Administration	4.33	4.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
Street/Drainage Maintenance	1.16	1.16	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33
Traffic Engineering	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Solid Waste	0.33	0.33	0.34	0.33	0.33	0.33	0.33	0.34	0.34	0.33
Engineering	1.00	2.00	5.00	5.00	10.00	12.00	12.00	12.00	12.00	12.00
Water Quality & Natural Resources	1.50	1.50	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Total	<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>	<u>63.99</u>

Source: City of Dana Point Budget Document

CITY OF DANA POINT
Operating Indicators by Function/Program
Fiscal Years 2006 through 2013*

	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
Police (1)								
Arrests	2,153	418	404	1,009	882	1,006	881	923
Calls for service	17,091	20,028	16,479	16,501	15,505	15,899	14,916	15,778
Parking citations issued	9,765	9,652	10,895	7,955	7,042	7,544	6,739	5,188
Traffic citations issued	6,666	6,320	5,816	6,528	1,908	1,996	1,876	1,788
Fire (2)								
Incidents	2,326	2,449	2,700	2,654	2,790	3,155	2,778	2,958
Unit responses	4,619	4,771	4,946	4,684	5,145	5,631	5,009	5,387
Fires	55	66	66	63	51	41	36	46
Inspections conducted	720	848	1,059	452	774	549	229	230
Refuse Collection (3)								
Refuse collected (tons/day)	83	86	42	53	55	55	54	55
Recyclables collected (tons/day)	82	78	44	55	60	64	61	64
Community Development								
Building permits issued	1,663	1,648	1,456	1,500	1,552	1,560	1,496	1,726
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	\$42,535,668
Inspections conducted	7,960	8,341	7,497	7,571	7,994	8,300	7,333	8,739
New code enforcement cases opened	699	614	867	1,241	1,368	1,325	916	1,266
Code enforcement cases closed	687	484	956	1,187	1,369	1,330	914	1,164
Public Works								
Miles of street resurfaced	8	8	2	1	5	2	2	1.5
Potholes repaired	103	25	150	312	220	156	81	154
Inspections completed	300	478	575	653	274	1,071	2,864	3,368
Parks and recreation								
Number of classes offered	421	475	471	680	701	720	715	689
Number of activities/trips conducted	10	6	4	4	4	16	31	30
Number of participants:								
Youth classes	1,168	1,436	1,492	1,069	1,032	1,259	1,915	1,409
Adult classes	1,050	1,279	1,286	1,125	1,101	805	1,180	1,071
Sports leagues	600	402	401	446	404	720	750	750
Excursions	259	173	101	176	170	170	65	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>	<u>3,295</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 2013*

	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
<u>Police (1)</u>								
Stations	1	1	1	1	1	1	1	1
Patrol units (cars)	12	12	12	12	12	13	13	13
Patrol units (motorcycles)	3	3	3	3	2	2	1	2
Fire Stations (2)	2	2	2	2	2	2	2	2
<u>Refuse Collection (3)</u>								
Collection trucks	16	13	18	15	13	13	14	14
<u>Public Works</u>								
Miles of arterial streets maintained	15	12	19	19	19	19	19	19
Miles of non-arterial streets maintained	56	63	56	56	56	56	56	56
Miles of storm drains maintained	47	18	18	18	20	20	20	20
Number of traffic signals	36	36	36	37	37	37	37	37
Number of street lights (4)	1,466	1,467	1,467	1,470	1,470	1,470	1,470	1470
<u>Parks and Recreation</u>								
Number of parks	21	23	23	23	27	27	27	27
Total park acreage	65.7	85.4	85.4	85.4	135.0	135.0	135.0	135.0
Number of baseball/softball diamonds	7	7	7	7	7	7	7	7
Number of community centers	1	1	1	1	1	1	1	1
Number of tennis courts	8	8	8	8	8	8	8	8
Number of basketball courts	5	6	5	7	7	7	7	6

* 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