CITY OF DANA POINT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014



Lisa Bartlett, Mayor Steven H. Weinberg, 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

CITY OF DANA POINT COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

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CITY OF DANA POINT



December 16, 2014

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, 2014, 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, 2014, 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, 2014, 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, 2014, 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.

33282 Golden Lantern, Dana Point, CA 92629 • (949) 248-3500 • FAX (949) 248-9920 Internet: www.danapoint.org

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 Lantern District (Town Center) and Lantern Village communities. The Lantern District (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, nine 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 35% of general fund revenues, transient occupancy taxes were the City's single largest revenue source in fiscal year 2014. 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. 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 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 2014 increasing another 9% to \$11 million, from \$10.1 million in fiscal 2013. 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, with most of the drop attributed 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 2014 every month's TOT revenues were higher than the prior year's monthly amount. We have now seen four consecutive years of TOT revenue increases.

Sales tax received in fiscal year 2014, at \$3.8 million, increased by \$369,000 or 11% above fiscal year 2013. Sales tax revenue had declined by 18.3% in fiscal 2009, and declined a further 3.1% in fiscal 2010. Sales tax has been increasing since 2011 with a healthy increase of 5.7% in fiscal 2011, 16.1% in fiscal 2012, and 1.8% in 2013. 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%, for calendar year 2012 it dropped to 5.5%, and for calendar year 2013 it dropped to 4.9%. With a generally well educated populace, Dana Point remains relatively better off than California as a whole, which in June of 2014 had an unemployment rate of 3.7%. After two years of declines in median household income, 2013 reflected a 3.5% increase and 2014 reflected a 5.7% 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 in Dana Point rose slightly in fiscal year 2014 to \$637,000, from \$600,000 reported for fiscal year 2013. It is believed that the worst of the housing slump is over and a gradual recovery will continue.

As shown in the table below, over the last five years citywide assessed real property valuation as reported by the County of Orange Auditor/Controller's Office increased \$364 million, or 4.1%.

Dana Point Assessed Property Values							
	Last Five Fiscal Years						
		(in thousands)					
2010 2011 2012 2013 2014							
\$8,763,000	\$8,688,000	\$8,735,000	\$8,844,000	\$9,127,000			

After the recession lows of 2009-2011, Dana Point property values have shown a steady increase. Assessed property values rose to \$9.1 billion in 2014, a 5% increase over the lowest recent level of 2011. Housing prices are firming, and the market is expected to stabilize steadily. Nielsen forecasts that price appreciation will average 2.1% over the next two to four years. With Dana Point's desirable location, property appreciation is projected to exceed the 2.1% national forecast.

The City's property tax revenues increased \$266,000 in fiscal 2014. This is the fourth year in a row with an increase in assessed values for the City and should lead to an increase in property tax revenues in fiscal 2015.

LONG-TERM FINANCIAL PLANNING

As of June 30, 2014, the City had \$21.5 million of spendable fund balance in the General Fund. 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, which consist of: (1) cash flows of \$2.9 million; (2) state budget impacts of \$1.475 million; (3) emergencies of \$5.7 million; and (4) undesignated fund balance of \$8.8 million.

At its June 2014 meeting, the City Council approved using the \$1.475 million State Budget Impacts Reserve, along with the \$2.5 million future Capital Projects Reserve and Undesignated Fund Balance to fund the \$7.7 million Del Prado phase of the Lantern District (Town Center) Project in fiscal year 2015.

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 much of the 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. Two years ago 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 transferred the responsibility for 4% of employee retirement costs for non-represented employees back to the employees. Effective October 1, 2014 that same 4% responsibility was transferred to represented employees, and non-represented staff picked up an additional 3% of retirement costs, for a total of 7%.

As described more fully in the Note #7 to the Financial Statements, the City contracts with the California Public Employees Retirement System (CALPERS) for its employee pension plan. The City participates in a CalPERS risk pool for small employers with the same benefit formula. The City does not have an individual unfunded pension liability, but does have a proportionate share of the risk pool's unfunded liability. New accounting standards will require the City to report this liability on the statement of net position for the year ended June 30, 2015. CalPERS provides information to the City regarding its share of the risk pool's unfunded liability. At June 30, 2013, the City's estimated share of entry age normal accrued liability, less the market value of plan assets was \$2.9 million. The City's estimated share of present value projected benefits, less the market value of plan assets was \$9.0 million at June 30, 2013. Additional information about the City's employee pension plan, including the annual contribution, is included in Note #7 to the Financial Statements.

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. 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 cost to the City associated with the PEMHCA program will not be material in nature; accordingly, the City has not recognized any expense nor recorded and liability in its financial statements.

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 <u>Dana Point Harbor Revitalization Plan and District Regulations</u> which replace the previous Local Coastal Plan for the Dana Point Harbor area, and 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 four 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 second phase, PCH/Del Prado Street Improvements, began in late summer 2013 with construction of infrastructure improvements including water, sewer and storm drain work, and was completed in late 2013. Following the infrastructure improvement, construction began in early 2014 on curb, gutter, sidewalk and landscaping improvements along PCH and was completed in summer 2014. The City has identified the funding necessary for the next phase and construction will commence in winter 2014-2015 on 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 have been held to gain public input, and the planning process will continue over the coming few years.

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, 2014 the TBID had on-hand \$1.6 million. The TBID has sponsored several annual events to both promote its brand and to enhance the stature of the events. Building on the success of the first United States Elephant Parade public art exhibit held in Dana Point in Fall 2013, for 2014 the TBID has funded a holiday lights display program. Titled Dana Point IlluminOcean, the program will take place within Dana Point Harbor and will include over 18 light displays, 100 yards of light tunnels, a 50 foot tall holiday tree, and more. The program will run from November 26, 2014 – January 4, 2015. The TBID has budgeted \$1 million for the initial year, to include a major capital component, and may expand the program in future years to include more of Dana Point, making Dana Point the place to go for holiday lights. 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 tourismrelated businesses in the City.

Work was undertaken on several infrastructure improvements during fiscal year 2014. The City spent a total of \$6.3 million on arterial and residential roadway resurfacing and improvements which includes the PCH/Del Prado street improvements.

A number of other initiatives were undertaken in fiscal 2014:

- The City Council formed the City of Dana Point Homeless Task Force. The task force is made
 up of residents, community leaders, elected officials, and City staff, and was formed to examine
 ways to help the homeless population in Dana Point and provide with outreach and needed
 resources.
- In April 2014 the City Council established the Lantern District Development Impact Fee and Mitigation Program for the Town Center Plan Area. The City Council approved setting the fee at \$821 per linear foot for Pacific Coast Highway and \$1,113 per linear foot for Del Prado. In an effort to mitigate the impact to developers, the City Council eliminated the General Government Impact Fee and Transportation Facilities Development Impact Fee.

- To help developers with the newly established Lantern District Development Impact Fee the City Council adopted a resolution in March 2014 authorizing the City to join the Statewide Community Infrastructure Program. The program allows the California Statewide Community Development Authority to accept applications from property owners to finance development impact fees.
- In fiscal year 2014 the City Council approved construction and bid solicitation for the Lantern District PCH/Del Prado Phase II. Working closely with South Coast Water District (SCWD), SCWD will start water and sewer improvements for phase II in late summer/early fall 2014. The City will follow with street, sidewalk and landscape improvements.

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, 2013. 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 five consecutive years (fiscal years 1989 through 2013). 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,

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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, 2013

Executive Director/CEO

OFFICIALS OF THE CITY OF DANA POINT*

Members of the City Council

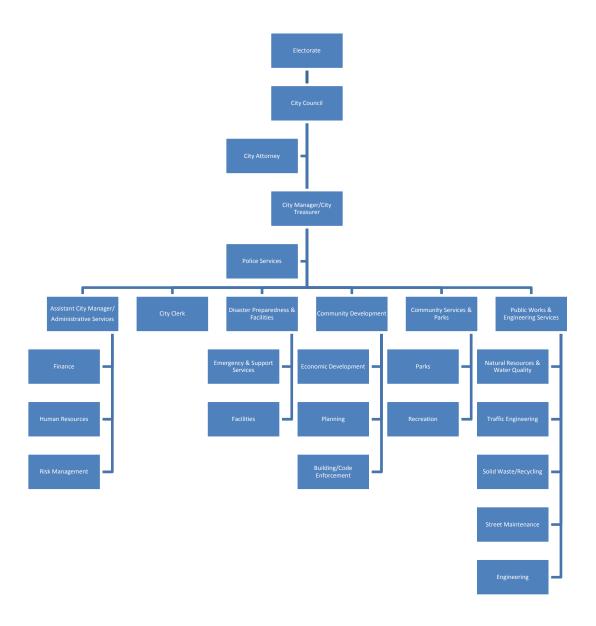
Lisa Bartlett, Mayor Steven H. Weinberg, Mayor Pro Tem William P. Brough, Council Member Carlos Olvera, Council Member J. Scott Schoeffel, Council Member

Administrative Staff

Douglas Chotkevys	City Manager
Kathy Ward	City Clerk
Michael Killebrew	Assistant City Manager
Ursula Luna Reynosa	Director of Community Development
Brad Fowler	Director of Public Works & Engineering Services
Kevin Evans	Director of Community Services & Parks
Lt. Russ Chilton	
Mike Rose	Director of Emergency Services & Facilities
Patrick Munoz	City Attorney
Beverly Brion	Accounting Supervisor

^{*} Reflects office holders and positions as of the end of the fiscal year.

CITY OF DANA POINT ORGANIZATIONAL CHART





Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council of the City of Dana Point 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Headlands CFD 2006-1 Maintenance Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 December 16, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Laguna Hills, California December 16, 2014

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, 2014. 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 2014 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, 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 \$201 million at June 30, 2014, which was an increase of \$0.6 million from the prior year. Of this amount, \$166.2 million is invested in capital assets, \$4.7 million is restricted for various purposes and \$30.1 million is unrestricted.
- City-wide governmental revenues include program revenues of \$30 million, of which \$24 million was received through a contribution resulting from the Headlands Community Facilities District (CFD) bond issuance, and general revenues of \$29.7 million, for a total of \$59.7 million.
- Total City-wide governmental expenses were \$59 million, of which \$24 million was paid to the Headlands CFD developer from bond proceeds as reimbursement for public assets built by the developer.

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 2014, the City's Governmental Funds reported combined ending fund balances of \$35.4 million, an increase of \$1.7 million from fiscal 2013. Of this amount, \$0.2 million is unspendable, \$4.7 million is restricted, \$11.5 million is assigned, and \$18.9 million is unassigned.

- General Fund revenues totaled \$31.2 million, an increase of \$1.1 million from fiscal year 2013. Approximately \$1 million of this increase was the result of higher transient occupancy taxes received during the year.
- General Fund expenditures totaled \$28.1 million, an increase of \$0.2 million from fiscal 2013. The increase is due to a combination of cost increases and timing, purchase of new accounting software, and police services costs
- Capital Improvements Fund revenues decreased by \$153 thousand, to \$324 thousand. This decrease is attributable to a decrease in available grant funding.
- Capital Improvements Fund expenditures increased by \$2.1 million from fiscal 2013 to \$6.6 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 2014, the bulk of major capital outlays went towards the Lantern District PCH/ Del Prado Phase I project.
- Headlands CFD Maintenance Fund was added as a major fund in fiscal year 2014. This fund was reported as part of the non-major governmental funds in fiscal year 2013. The fund collected \$116 thousand in CFD maintenance taxes and \$30 thousand was transferred in from the General Fund. Disbursements exceeded fiscal year 2013 by \$151 thousand due to maintenance and utility cost increases for Headlands CFD.
- The Headlands CFD Acquisition Fund received \$24 million in contributions from property owners related to the CFD bond issue, and in turn disbursed \$24 million to the Headlands developer for final payment on public assets constructed and transferred to the City in a previous year.
- All Other Governmental Funds revenues increased by \$0.5 million to \$3 million. This increase is attributable to a \$300 thousand increase in gasoline tax revenue, a \$150 thousand increase in Measure M revenues, and a \$50 thousand increase in Tourism Business Improvement District revenues.
- All Other Governmental Funds expenditures combined increased by \$0.5 million, to \$1.7 million in fiscal year 2014. The increase is mainly due to an increase in Tourism Business Improvement District expenditures.

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) <u>Statement of Net Position</u> 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) <u>Statement of Activities</u> 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.

- 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) <u>Proprietary funds</u> 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) <u>Fiduciary funds</u> 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 (83%) reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure and construction in progress). There was a net decrease of \$1 million in capital assets in fiscal year 2014 resulting from depreciation of \$6.8 million for the year and offset by \$8.3 million of expenditures on new projects that were capitalized this year and the sale of land recorded at \$2.5 million. 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 generally not available for future spending.

The remaining net position of the City is concentrated primarily in cash and investments, including \$34.1 million of unrestricted cash and investments, and \$224 thousand 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 which arise in the normal course of the City's operations.

City of Dana Point Net Position Table 1 (in thousands)

		Fiscal				
		2013		2014	% Change	
Assets:						
Current and other assets	\$	35,496	\$	37,406	5.4%	
Capital assets		167,182		166,203	(0.6%)	
Total assets		202,678		203,609	0.5%	
Liabilities:						
Long-term liabilities		398		503	26.4%	
Other liabilities		1,819		2,048	12.6%	
Total liabilities	2,217		2,551		15.1%	
Net Position:						
Investment in capital assets		167,182		166,203	(0.6%)	
Restricted		2,879		4,747	64.9%	
Unrestricted		30,400		30,108	(1.0%)	
Total net position		\$200,461		\$201,058	0.3%	

As shown in Table 1, net position of the City increased by \$600 thousand, or 0.3%, to \$201 million, of which \$166.2 million is invested in capital assets such as land, buildings, equipment and infrastructure, net of depreciation. Current and other assets increased by 5.4% due to a \$1.9 million increase in cash and investment balances, and a \$400 thousand increase in accounts receivable.

Depreciation for fiscal year 2014 totaled \$6.8 million and new capital outlays totaled \$8.3 million and land recorded at \$2.5 million was sold, resulting in a net decrease of \$1 million in capital assets. The majority of the capital outlays in fiscal year 2014 were for the PCH/Del Prado Streetscape, and for roadway and median improvements.

As of June 30, 2014, the City had a combined remaining restricted and unrestricted position totaling \$34.9 million. Of this amount, \$30.1 million is unrestricted and may be used to meet the City's ongoing obligations, or may be committed or assigned for other specific purposes that may be identified by the City Council. The remaining \$4.7 million of net position is restricted by various legal restrictions or other constraints on the manner in which it may be expended.

City of Dana Point Changes in Net Position Table 2 (in thousands)

Fiscal	l Year
--------	--------

	2013 2014				% Change		
Revenues:							
Program revenues:							
Charges for services	\$ 2	,456	\$	3,393	38.2%		
Operating grants and capital					(81.4%)		
contributions	11	,610		2,162	(01.470)		
Capital grants and		5 0.5		24.42.7	3,364.5%		
contributions		705		24,425	7		
General revenues:							
Taxes:							
Property taxes	6	,020		6,286	4.4%		
Franchise taxes	1	,329		1,315	(1.1%)		
Sales taxes	3	,425		3,794	10.8%		
In-lieu property taxes	4	,319		4,271	(1.1%)		
Property transfer taxes		459		570	24.2%		
Transient occupancy taxes	10	,086		11,122	10.3%		
Other	1	,233		1,159	(6.0%)		
Unrestricted investment					(30.6%)		
earnings		124		86	(30.0%)		
Gain on Sale of Land		-		1,083	100%		
Special Item		180	_	-	(100%)		
Total							
revenues	41	,946		59,666	42.2%		
Expenses:							
General government	4	,794		5,110	6.6%		
Public safety	10	,069		10,100	0.3%		
Community development	3	,689		4,324	17.2%		
Recreation and parks	4	,917		6,460	31.4%		
Public works	21	,265		33,075	55.5%		
Unallocated depreciation		214		-	(100.0%)		
Total			-				
expenses	44	,948		59,069	31.4%		
Change in net position	(3,	,002)		597	(119.9%)		
Net position, beginning of year	203	,463		200,461	(1.5%)		
Net position, end of year	\$ 200	,461	\$	201,058	0.3%		

Governmental Activities – The cost of all governmental activities in fiscal year 2014 was \$59.1 million. As shown in Table 2, the City recovered \$30 million of these costs through program revenues such as user fees, grants and contributions from other governmental organizations, developers and property owners. Also, \$24 million of the recovered costs in fiscal year 2014 were through the Headlands CFD bond issuance. There were \$29.1 million, including \$24 million paid to the Headlands developer with the bond proceeds, of net expenses subsidized through general City revenues.

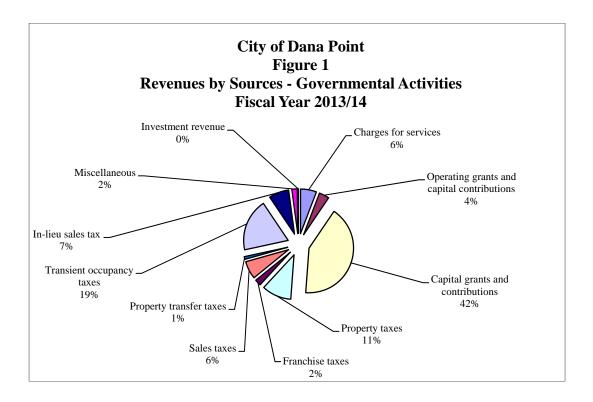


Figure 1, Revenues by Sources – Governmental Activities, depicts the distribution of fiscal 2014 revenues. The City remains highly dependent on tourism in general, and transient occupancy taxes in particular, to fund its operations. This revenue represented 19% of recurring governmental revenues in fiscal year 2014 and increased by \$1 million, or 10.3% compared to fiscal 2013. Sales tax revenues increased in fiscal year 2014 by \$369 thousand, or 10.8%. The City's investment interest earnings decreased by \$38 thousand, or 30.6% mostly due to a onetime prior year \$55 thousand 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 \$266 thousand, or 4.4%. Capital grants and contributions revenue increased \$23.7 million and operating grant revenue decreased by \$9.4 million in fiscal year 2014, primarily due to the reclassification of Headlands bond proceeds in fiscal year 2014 from operating grant revenue to capital grant revenue. Property transfer tax revenue increased \$112 thousand or 24.3% due to an increase in the value of real estate sales. In-Lieu Property Tax revenue dropped \$48 thousand, or 1.1% in fiscal year 2014. Not including the \$24 million Headlands bonds, the City experienced an increase of \$2 million, or 6.1%, in governmental revenues in fiscal 2014.

Dana Point is a hybrid "contract" city, wherein municipal services are provided by City staff and certain other 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:

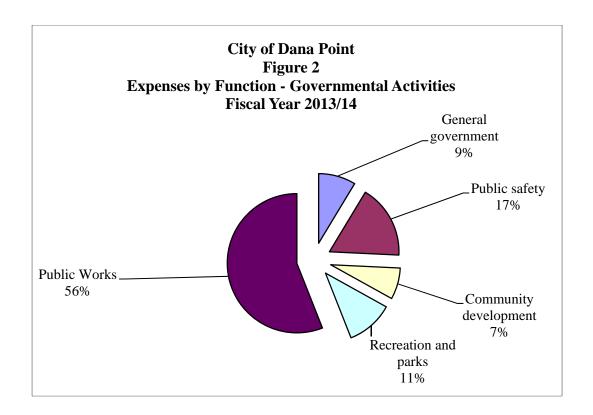
General Government is comprised of nine departments (City Council, City Manager, City Clerk, Public Information Services, City Attorney, Administrative Services, Risk Management, Facilities, and Non-Departmental), which provide the general governance services, executive management, legal, records management,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

<u>Public Safety</u> 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.

<u>Community Development</u> 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.

<u>Recreation and Parks</u> 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.

<u>Public Works</u> 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 73% of total expenses.

Public Works outlays, not including the \$24 million reimbursed to the Headlands developer from the bonds, decreased \$3.3 million in fiscal year 2014, or 26%. The decrease is primarily the result of a \$1.3 million decrease in depreciation expense, combined with a \$2.0 million decrease in net capital asset activity.

Public Safety expenses increased slightly by \$30 thousand, or 0.3%.

General Government outlays increased by \$316 thousand, or 6.6% in fiscal year 2014 when compared to the prior year. The majority of the increase is due to a \$100 thousand increase in both wages and compensated absence liability.

Community Development expenses increased by \$600 thousand, or 17.2%. The increases are primarily due to a \$400 thousand increase in TBID expenditures and a \$174 thousand increase in professional service expenses for project consultants.

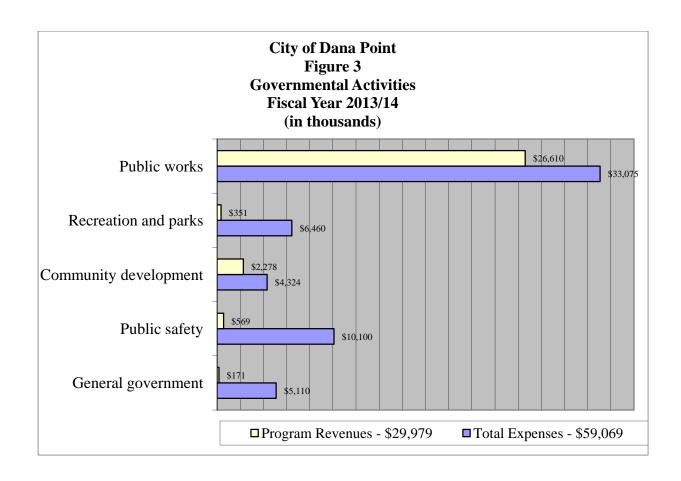
Recreation and Parks expenses increased \$1.5 million, or 31.4%. This increase is the result of higher utility and landscape maintenance costs, combined with higher allocated capital asset depreciation costs resulting from reclassifications during the new accounting system software implementation.

Overall, total fiscal year 2014 expenses for governmental activities, not including the non-recurring \$24 million reimbursed to the Headlands developer from the bonds, decreased by \$0.9 million, or 0.2%, to \$35.1 million in fiscal year 2014.

City of Dana Point Table 3 Net Cost of Governmental Activities (in thousands)

	Total Cost of Services			Net Cost of Services						
		2013		2014	% Change		2013		2014	% Change
General government	\$	4,794	\$	5,110	6.6%	\$	4,631	\$	4,939	6.7%
Public safety		10,069		10,100	0.3%		9,087		9,530	4.9%
Community development		3,689		4,324	17.2%		2,082		2,046	(1.7%)
Recreation and parks		4,916		6,460	31.4%		4,399		6,109	38.9%
Public works		21,265		33,075	55.5%		9,765		6,464	(33.8%)
Unallocated depreciation		214			(100.0%)		214			(100.0%)
	\$	44,947	\$	59,069	31.4%	\$	30,178	\$	29,088	(3.6%)

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



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

Fund balance – As of the end of fiscal year 2014, the City's governmental funds reported combined fund balances of \$35.4 million, an increase of \$1.7 million from the prior year. Of that total, the General Fund represented \$21.7 million or 62.1%, of the combined balances, the Capital Improvements Fund represented \$8.9 million, or 24.9%, and the remainder of \$4.8 million, or 13.0%, was in all other funds combined.

At June 30, 2014, the City had \$155 thousand 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 \$4.7 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 \$11.5 million at the end of fiscal year 2014. The remainder of the fund balance is \$18.9 million and is categorized as unassigned, meaning it is available for appropriation for any purpose, although \$8.9 million of it is bound by City Council resolutions 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 \$3.1 million more than expenditures in fiscal year 2014. When combined with Interfund Transfers Out of \$30 thousand to the Headlands CFD Maintenance Fund, Interfund Transfers out of \$7.7 million to the Capital Improvement Fund, and transfers in from the Gasoline Tax fund of \$703 thousand, and transfers in from the Measure M Fund of \$66 thousand, the result for fiscal year 2014 is a net decrease of \$267 thousand in the General Fund balance.

The City has experienced four 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. In fiscal year 2014 transient occupancy tax revenue increased 10.3% to \$11.1 million. Investment interest earnings in fiscal year 2014 decreased 31% to \$86 thousand. The decrease is primarily due to a \$55 thousand interest payment included with the State's Prop 1A repayment received in the prior fiscal year 2013, combined with a gradual reduction in Treasury Note investments during fiscal 2014 to fund the Town Center/Lantern District project.

During the recession, California had been impacted by the housing market decline to a larger degree than most states. Although the immediate impact on local property tax revenues had 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 had 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, 2013, and 2014, assessed property values in Dana Point recovered with increases of \$48 million, \$109 million, and \$203 million, respectively.

Overall, revenues are reflecting a 42.2% increase, as shown in Table 2. Included in the 42.2% increase is the non-recurring \$24 million contributions from property owners in fiscal 2014. Not including this contributor in fiscal 2014 or 2013, revenues increased 9.1% over fiscal year 2013.

CAPITAL IMPROVEMENTS FUND

The Capital Improvements Fund generated a \$6.3 million net deficit of expenditures over revenues. The Capital Improvements Fund incurred \$6.6 million in capital expenditures and received \$324 thousand in revenues. This deficit was offset by transfers in to fund street improvement activities from the Measure M Fund in the amount of \$522 thousand, the Gasoline Tax Fund in the amount of \$503 thousand, and the General Fund of \$7.7 million. As a result of these transactions the Capital Improvements Fund concluded fiscal year 2014 with a net \$2.5 million increase in fund balance.

Disregarding the \$7.7 million transfer in from the General Fund, revenues in the Capital Improvements Fund were slightly higher in fiscal 2014. Grants received in fiscal year 2014 were lower than the prior year by \$139 thousand, development impact fees were \$14 thousand less, and transfers in from the Gas Tax Fund and Measure M Fund were \$97 thousand and \$122 thousand higher, respectively.

HEADLANDS CFD ACQUISITION FUND

The Headlands CFD Acquisition Fund generated \$24 million in revenues and \$24 million in expenditures in fiscal year 2014. The revenue was generated from the contributors from property owners related to the CFD bond issuance and the expenditures were reimbursements made to the Headlands developer for final payment on public assets constructed and transferred to the City in a previous year.

Budgetary Highlights

The City adopts two-year operating and capital budgets, with fiscal year 2014 being the first year of the current two-year budget cycle. Due to the uncertainty and estimates involved in projecting certain revenues and expenditures, the City Council routinely amends the budget during the fiscal year. During fiscal year 2014, the overall General Fund revenue budget was increased by \$4.7 million. This amount includes one-time revenue of \$3.6 million received from the sale of surplus property.

Transient occupancy taxes (TOT) – increases in this revenue were anticipated, particularly given predicted economic recovery and recent implementation of some Dana Point Tourism Business Improvement District programs. During fiscal year 2014, the TOT revenue budget was increased by \$175 thousand to account for increased revenue beyond projections used in developing the budget.

Property taxes – assessed property values have been increasing steadily for the last three years. As a result, the City has experienced an increase in both secured and unsecured property tax revenues. The budget for this revenue was increased by \$125 thousand during the fiscal year.

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

largely based on changes in assessed property value. No adjustment had been made to this revenue budget during the year.

Sales taxes – Original projections for sales tax revenue was based on the gradual recovery in tourism which resulted in more visitors shopping and dining in the City. Still, this increase in economic activity was not enough to bring the revenue to the projected level. A rapid increase in 2012 was followed by a decline of 4% in 2013. Therefore, this revenue budget was decreased by \$200 thousand to reflect this decline.

Property Transfer Tax – real estate sales activity saw an increase during fiscal year 2014, with the budget being increased by \$30 thousand to reflect the upward trend.

Licenses, Fees and Permits – there was a significant increase in the project planning and engineering activity in the city during the year. The revenue budget was increased by \$100 thousand to reflect the upward trend.

Fines and Forfeitures –A decrease in traffic and other fines revenue lead to a \$45 thousand 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 by \$187 thousand to reflect actual revenues received.

Charges for Services Revenue - The budget was increased during fiscal year 2014 by \$680 thousand to reflect actual reimbursements received.

Sales of Capital Assets – the City received a one-time income of \$3.6 million for the sale of surplus property.

Actual General Fund revenues for fiscal year 2014 were \$1.4 million, or 4.76% above the final budget. The major contributor to the variance in revenue was a combination of increases in transient tax revenues, property taxes, permits & fees and reimbursed expense, as well as one-time revenue received from the sale of surplus property.

During fiscal year 2014, the General Fund expenditure budget had a net increase of \$1 million. The major components include a \$103 thousand carryover of encumbrances from fiscal year 2013, a \$244 thousand expenditure increase for several items including facilities work truck replacement, a new Parks & Recreation vehicle, PCH pedestrian bridge repair, and a \$98 thousand carryover from fiscal year 2013 for 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 2014 were \$2.3 million, or 6.01%, under the final budget. Of these unexpended funds, \$276 thousand was obligated at June 30, 2014, through encumbrances.

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 2014 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 4:

City of Dana Point Capital Assets Table 4 (in thousands)

	Governmental Activities							
		2013		% Change				
Land	\$	56,929	\$	54,386	(4.5%)			
Construction in progress		5,355		8,322	55.4%			
Buildings and improvements		9,695		9,695	0.0%			
Equipment		2,306		2,836	23.0%			
Infrastructure		181,735		186,596	2.7%			
Less: Accumulated depreciation		(88,838)		(95,633)	7.6%			
Governmental activity capital assets, net	\$	167,182	\$	166,202	(0.6%)			

Major capital asset transactions during the year included \$1.4 million for arterial and residential roadway improvements, \$157 thousand for PCH/Del Prado improvements, \$201 thousand for the San Juan Creek Bike Trail, and \$4.7 million for the PCH/Del Prado Streetscape project.

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 2014, the City had total outstanding long-term debt of \$503 thousand, consisting entirely of compensated time-off obligations due to employees.

As of June 30, 2014, the City's long-term debt was as shown in Table 5 below:

City of Dana Point Long-term Debt Table 5 (in thousands)

	 Governmental Activities						
	 2013	2014		% Change			
Other debt: Compensated absences	\$ 398	\$	503	26.4%			
Total long-term debt	\$ 398	\$	503	26.4%			

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.



CITY OF DANA POINT Statement of Net Position June 30, 2014

	Governmental Activities
Assets	
Cash and investments	\$ 34,163,194
Cash and investments - restricted	223,915
Receivables:	
Taxes	1,509,821
Accounts	426,975
Interest	36,925
Assessments	1,847
Intergovernmental	889,016
Prepaids	154,796
Capital assets not being depreciated	62,708,394
Capital assets net of accumulated depreciation	103,494,350
Total Assets	203,609,233
Liabilities	
Accounts payable	1,834,233
Accrued liabilities	4,808
Unearned revenue	208,715
Noncurrent liabilities:	
Due within one year	221,444
Due in more than one year	281,756
Total Liabilities	2,550,956
Net Position	
Investment in capital assets	166,202,744
Restricted for:	
Public works	322,473
Community development	1,604,888
Public safety	64,469
Parks and recreation	683,350
ESHA maintenance	206,244
Art in public places	117,954
Tourism business improvement	1,747,528
Unrestricted	30,108,627
Total Net Position	\$ 201,058,277

CITY OF DANA POINT Statement of Activities For the Year Ended June 30, 2014

			Program Revenues				
					(Operating	
				Charges for	Grants and		
Functions/Programs	ons/Programs Expenses			Services	Contributions		
Governmental Activities:	· '						
General government	\$	5,110,349	\$	139,612	\$	646	
Public safety		10,099,910		198,521		371,049	
Community development		4,324,298		2,274,723		3,498	
Parks and recreation		6,459,923		344,008		-	
Public works		33,075,025		436,550		1,786,776	
Total Governmental Activities	\$	59,069,505	\$	3,393,414	\$	2,161,969	

General Revenues:

Taxes:

Property taxes

Franchise taxes

Sales taxes

In-lieu property taxes

Property transfer taxes

Transient occupancy taxes

Unrestricted investment earnings

Gain on sale of capital asset

Other

Total General Revenues

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

 cram Revenues Capital Grants and ontributions	Net (Expense) Revenue and Changes in Net Position					
\$ 31,017 - 6,800 24,387,395	\$ (4,939,074) (9,530,340) (2,046,077) (6,109,115) (6,464,304)					
\$ 24,425,212	(29,088,910)					
	6,286,230 1,314,648 3,794,435 4,270,627 570,407 11,122,381 86,289 1,082,577 1,158,472 29,686,066 597,156					
	200,461,121					

201,058,277

CITY OF DANA POINT Governmental Funds Balance Sheet June 30, 2014

		Special Revenue Fund		Capital Projects Funds				
	General	Headlands CFD 2006-1 Maintenance		Im	Capital aprovements	Headlands CFD 2006-1 Acquisition		
Assets	 General				provenients		quisition	
Cash and investments	\$ 20,627,907	\$	359,496	\$	8,879,434	\$	_	
Cash and investments - restricted Receivables:	-		-		-		43,915	
Taxes	1,315,986		-		-		-	
Accounts	426,975		-		-		-	
Interest	36,925		-		-		-	
Assessments	-		1,847		-		-	
Intergovernmental	707,342		-		181,674		-	
Prepaid expenditures	154,796							
Total Assets	\$ 23,269,931	\$	361,343	\$	9,061,108	\$	43,915	
Liabilities								
Liabilities:								
Accounts payable	\$ 1,562,279	\$	16,144	\$	207,097	\$	43,915	
Accrued liabilities	4,808		-		-		-	
Unearned revenue	 		208,715					
Total Liabilities	1,567,087		224,859		207,097		43,915	
Fund Balances								
Nonspendable	154,796		-		_		-	
Restricted	117,954		136,484		-		-	
Assigned	2,500,000		-		8,854,011		-	
Unassigned	18,930,094							
Total Fund Balances	21,702,844		136,484		8,854,011			
Total Liabilities and								
Fund Balances	\$ 23,269,931	\$	361,343	\$	9,061,108	\$	43,915	

Total Non-major overnmental Funds	Total Governmental Funds			
\$ 4,296,357 180,000	\$	34,163,194 223,915		
193,835		1,509,821 426,975 36,925 1,847 889,016		
\$ 4,670,192	\$	154,796 37,406,489		
\$ 4,798 - -	\$	1,834,233 4,808 208,715		
 4,798		2,047,756		
4,492,468 172,926		154,796 4,746,906 11,526,937 18,930,094		
4,665,394		35,358,733		
\$ 4,670,192	\$	37,406,489		

Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position June 30, 2014

Fund Balances of Governmental Funds

\$ 35,358,733

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 261,835,790 Accumulated depreciation (95,633,046)

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

Compensated absences (503,200)

Net Position of Governmental Activities \$ 201,058,277

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2014

			Special Revenue Fund		Capital Projects Funds			
		G 1		Headlands		G : 1		Headlands
		General Fund		CFD 2006-1 Maintenance	In	Capital nprovements		CFD 2006-1 Acquisition
Revenues:		Tuna		Wantenanee		provements		requisition
Taxes	\$	27,358,728	\$	-	\$	-	\$	-
Licenses, fees and permits		1,112,116		-		-		-
Fines, forfeitures and penalties		262,425		-		-		-
Intergovernmental		402,206		-		317,906		-
Charges for services		1,743,311		115,967		-		-
Investment earnings		239,727		906		-		-
Contributions from property owners		-		-		-		23,935,028
Other		81,112		-		6,157		
Total Revenues		31,199,625		116,873		324,063		23,935,028
Expenditures:								
Current:								
General government		4,744,758		-		-		-
Public safety		9,941,164		-		-		-
Community development		3,038,144		-		-		-
Parks and recreation		4,988,891		-		-		-
Public works		5,090,863		151,425		-		256,160
Capital outlay		308,865				6,600,515		23,736,528
Total Expenditures		28,112,685		151,425		6,600,515		23,992,688
Excess (deficiency) of revenues								
over (under) expenditures		3,086,940		(34,552)		(6,276,452)		(57,660)
Other Financing Sources (Uses):								
Transfers in		769,370		30,000		8,744,010		_
Transfers out		(7,748,859)		-		-		_
Sale of capital assets		3,625,000						
Total Other Financing Sources (Uses)		(3,354,489)		30,000		8,744,010		-
N. G. J. F. J. D. J.		(0.65.5.10)		/4 ~~~		2.467.552		(55.660)
Net Changes in Fund Balances		(267,549)		(4,552)		2,467,558		(57,660)
Fund Balances, Beginning of Year		21,970,393		141,036		6,386,453		57,660
Fund Balances, End of Year	\$	21,702,844	\$	136,484	\$	8,854,011	\$	_

Total Non-major overnmental Funds	Total Governmental Funds					
\$ 2,767,078	\$ 30,125,806					
6,800	1,118,916					
-	262,425					
134,175	854,287					
40.441	1,859,278 281,074					
40,441	23,935,028					
60,000	147,269					
 3,008,494	58,584,083					
 3,000,474	30,304,003					
_	4.744.758					
88,570	10,029,734					
1,254,369	4,292,513					
4,314	4,993,205					
-	5,498,448					
 322,860	30,968,768					
1,670,113	60,527,426					
 _						
1,338,381	(1,943,343)					
-	9,543,380					
(1,794,521)	(9,543,380)					
 	3,625,000					
(1,794,521)	3,625,000					
(456.140)	1 (01 (77					
(456,140)	1,681,657					
 5,121,534	33,677,076					
\$ 4,665,394	\$ 35,358,733					

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds

\$ 1,681,657

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 these assets are allocated over their estimated useful lives as depreciation expense.

Cost of assets capitalized 8,357,606
Book value of land sold (2,542,423)
Depreciation expense (6,794,770)

(979,587)

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

Change in Net Position of Governmental Activities

(104,914)

\$ 597,156

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund

For the Year Ended June 30, 2014

							riance with all Budget -
		Budgeted	Am	ounts	Actual		Positive
	Ori	ginal		Final	Amounts	(.	Negative)
Revenues							
Taxes	\$ 26,	107,625	\$	26,237,625	\$ 27,358,728	\$	1,121,103
Licenses, fees and permits	,	789,000		889,000	1,112,116		223,116
Fines, forfeitures and penalties		300,000		255,000	262,425		7,425
Intergovernmental		229,000		416,488	402,206		(14,282)
Charges for services		031,400		1,711,851	1,743,311		31,460
Investment earnings		216,000		216,000	239,727		23,727
Other		7,000		55,000	 81,112		26,112
Total Revenues	28,	680,025		29,780,964	 31,199,625		1,418,661
Expenditures							
Current:							
General government		302,889		5,273,851	4,744,758		529,093
Public safety		359,876		10,364,161	9,941,164		422,997
Community development		879,833		3,532,983	3,038,144		494,839
Parks and recreation		658,113		5,055,158	4,988,891		66,267
Public works		534,546		5,819,613	5,090,863		728,750
Capital outlay		345,000		388,433	308,865		79,568
Total Expenditures	29,	080,257		30,434,199	 28,112,685		2,321,514
Excess (Deficiency) of Revenues Over							
(Under) Expenditures	(4	400,232)		(653,235)	3,086,940		3,740,175
Other financing sources (uses)							
Transfers in	,	711,170		725,170	769,370		44,200
Transfers out	(7,	748,859)		(7,748,859)	(7,748,859)		-
Sale of capital assets				3,625,000	 3,625,000		
Total Other Financing Sources (Uses)	(7,	037,689)		(3,398,689)	(3,354,489)		44,200
Net Change in Fund Balance	(7,	437,921)		(4,051,924)	(267,549)		3,784,375
Fund Balance, Beginning of Year	21,	970,393		21,970,393	 21,970,393		
Fund Balance, End of Year	\$ 14,	532,472	\$	17,918,469	\$ 21,702,844	\$	3,784,375

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Headlands CFD 2006-1 Maintenance Fund For the Year Ended June 30, 2014

	Budgeted Amounts			Actual		Variance with Final Budget - Positive		
	C	Priginal		Final	A	Amounts	(N	egative)
Revenues Charges for services Investment earnings	\$	90,000 1,400	\$	90,000 1,400	\$	115,967 906	\$	25,967 (494)
Total Revenues		91,400		91,400		116,873		25,473
Expenditures Current: Public works		150,300		150,300		151,425		(1,125)
Excess (Deficiency) of Revenues Over (Under) Expenditures		(58,900)		(58,900)		(34,552)		24,348
Other financing sources (uses) Transfers in		30,000		30,000		30,000		
Net Change in Fund Balance		(28,900)		(28,900)		(4,552)		24,348
Fund Balance, Beginning of Year		141,036		141,036		141,036		
Fund Balance, End of Year	\$	112,136	\$	112,136	\$	136,484	\$	24,348

CITY OF DANA POINT Statement of Fiduciary Assets and Liabilities Agency Funds June 30, 2014

Assets Cash and investments Cash with fiscal agents Accounts receivable	\$ 2,770,011 4,035,539 62,460
Total Assets	\$ 6,868,010
Liabilities Deposits Due to bondholders Due to other agencies	\$ 2,456,968 4,097,999 313,043
Total Liabilities	\$ 6,868,010

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of the Reporting Entity

The City of Dana Point (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 (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.

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.

<u>Fund Financial Statements</u>: 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.

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 *Headlands CFD 2006-1 Maintenance Fund* is used to account for special tax revenues assessed on properties located within the Community Facilities District 2006-1 of the City of Dana Point which are restricted for the maintenance of certain public facilities within the District boundaries.

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 the 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.

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.

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.

F) Property Taxes

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

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

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

G) 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.

H) Prepaid Items

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

I) Restricted Assets

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

J) Capital Assets

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

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

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

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

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

K) Use of Estimates

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

L) Compensated Absences

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

M) New GASB Pronouncements

Adopted in the Current Year

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 City implemented this pronouncement, effective July 1, 2013.

Effective in Future Years

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. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. 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.

NOTE 2 – CASH AND INVESTMENTS

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

Statement of Net Position	
Cash and investments	\$ 34,163,194
Cash and investments - restricted	223,915
Fiduciary Funds	
Cash and investments	2,770,011
Cash and investments with fiscal agents	 4,035,539
Total Cash and Investments	\$ 41,192,659
Cash and investments as of June 30, 2014, consist of the following:	
Cash on hand (petty cash)	\$ 4,400
Deposits with financial institutions	940,194
Investments	40,248,065

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

Total Cash and Investments

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 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.

41,192,659

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	20%	None
Time Deposits	1 year	15%	\$100,000
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	50%	\$50,000,000

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, 2014, the City had the following investments. Except for the investment in money market funds, all investments are in the City's internal investment pool:

			Remaining Maturity (In Months)			
			12 Months			13 to 24
Investment Type	Totals		Or Less			Months
Local Agency Investment Fund	\$	21,746,521	\$	21,746,521	\$	-
U.S. Treasury Notes		14,422,090		8,822,596		5,599,494
Held by bond trustee:						
Money market funds		4,079,454		4,079,454		-
Total	\$	40,248,065	\$	34,648,571	\$	5,599,494

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 Standard and Poor's 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:

		Minimum	Ra	End		
		Legal	Exempt from		Not	
Investment Type	Totals	Rating	Disclosure	AAA	Rated	
Local Agency Investment Fund	\$ 21,746,521	N/A	\$ -	\$ -	\$ 21,746,521	
U.S. Treasury Notes	14,422,090	N/A	14,422,090	-	-	
Held by bond trustee:						
U.S. Bank Money Market	4,079,454	AAA		4,079,454		
Total	\$ 40,248,065		\$ 14,422,090	\$ 4,079,454	\$ 21,746,521	

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. Of the City's deposits with financial institutions, \$2,760,916 was 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. LAIF is not registered with the Securities and Exchange Commission and is not rated.

Investment Policy Compliance

At June 30, 2014, the City held investments in LAIF of \$21,746,521 representing 53% of total cash and investments. Per the investment policy, at the discretion of the City Treasurer, the 50% maximum investment ceiling in LAIF may be exceeded under extraordinary circumstances, but not for more than one-hundred twenty (120) days. The City has reduced the 2-year treasury note investments as they mature in order provide cash flow for the Town Center project. Management expects the LAIF investment to shift back to the 50% or less ceiling within the guidelines outlined by the policy during fiscal year 2014-2015.

NOTE 3 – INTERFUND ACTIVITY

Interfund balances for the year ended June 30, 2014, are as follows:

		General		Capital		llands CFD	
	Fund		Im	provements	2006-1	Maintenance	 Totals
Transfers out	,	_		_		_	 _
General fund	\$	-	\$	7,718,859	\$	30,000	\$ 7,748,859
Nonmajor governmental funds		769,370		1,025,151			 1,794,521
Total	\$	769,370	\$	8,744,010	\$	30,000	\$ 9,543,380

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, 2014, the City made the following interfund transfers:

- 1. A transfer of \$7,718,859 from the General Fund to the Capital Improvement Projects Fund to provide resources for the Town Center Streetscape construction project.
- 2. A transfer of \$30,000 from the General Fund to the Headlands CFD Maintenance Fund representing the City's share of funicular operating expenses.
- 3. A transfer of \$503,314 from the Gasoline Tax Fund to the Capital Improvement Projects Fund. These funds are restricted and may be used only to fund street improvement projects. Such improvement project expenditures are accounted for in the Capital Improvement Projects Fund.
- 4. A transfer of \$703,170 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.
- 5. A transfer of \$521,837 from the Measure M Fund to the Capital Improvement Projects Fund, representing the City's share of proceeds from Orange County's Measure M ½% sales tax, which are restricted for use in transportation improvement projects. Such improvement project expenditures are accounted for in the Capital Improvement Projects Fund.
- 6. A transfer of \$66,200 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.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning		Deletions /	Ending		
Governmental Activities:	Balance	Additions	Placed into Service	Balance		
Capital assets not being depreciated:						
Land	\$ 56,928,865	\$ -	\$ (2,542,423)	\$ 54,386,442		
Construction in progress	5,355,394	7,827,687	(4,861,129)	8,321,952		
Total capital assets not being depreciated	62,284,259	7,827,687	(7,403,552)	62,708,394		
Capital assets being depreciated:						
Buildings	9,695,054	-	-	9,695,054		
Equipment	2,306,551	529,919	-	2,836,470		
Infrastructure	181,734,743	4,861,129	-	186,595,872		
Total capital assets being depreciated	193,736,348	5,391,048	-	199,127,396		
Less accumulated depreciation for:						
Buildings	(3,426,162)	(310,120)	-	(3,736,282)		
Equipment	(1,488,139)	(207,209)		(1,695,348)		
Infrastructure	(83,923,975)	(6,277,441)	-	(90,201,416)		
Total accumulated depreciation	(88,838,276)	(6,794,770)	-	(95,633,046)		
Total capital assets being depreciated, net	104,898,072	(1,403,722)	_	103,494,350		
		(=,:00,:22)				
Total capital assets net of accumulated depreciation	\$167,182,331	\$ 6,423,965	\$ (7,403,552)	\$ 166,202,744		

During the fiscal year, the City sold land carried at a cost of \$2,542,423, for \$3,625,000 resulting in a gain of \$1,082,577 in the government-wide statements.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 260,676
Public safety	70,176
Community development	31,785
Recreation and parks	1,466,718
Public works	4,965,415
Total Depreciation Expense - Governmental Activities	\$ 6,794,770

Construction Commitments

The City has active construction projects as of June 30, 2014. 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 \$3,529,974.

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 to be operating leases for accounting purposes. Lease revenues for the year ended June 30, 2014, amounted to \$76,003. Future minimum lease revenues based on the terms of the existing leases are as follows:

Year Ending			
June 30,	Amount		
2015	\$	76,003	

NOTE 6 – LONG-TERM DEBT

The following is a summary of the long-term liability activity for the year ended June 30, 2014:

	Beginning Balance		A	Additions	Deletion	Ending Balance	Due within one year	
Compensated absences	\$	398,286	\$	547,803	\$ (442,889)	\$ 503,200	\$	221,444

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 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.

Pursuant to City Council action to reduce pension benefits for future employees and the California Public Employees' Pension Reform Act of 2012, the City now has 2 tiers of defined pension benefits. For employees hired prior to January 1, 2013 the City participates in a 2% at 55 Risk Pool (Miscellaneous Plan). For new PERS employees hired after December 31, 2012, the City participates in a Miscellaneous 2% at 62 Risk Pool (PEPRA Miscellaneous Plan).

NOTE 7 – PENSION PLAN (Continued)

Funding Policy

The contribution requirements of plan members are established by State statute and the employer contribution rate is established and amended by CalPERS.

Employees are required to contribute 7 percent of their annual covered salary. Prior to October 1, 2013, the City paid both the employee and employer contributions for all employees. Effective October 1, 2013, all exempt employees are required to pay 4 percent of the employee contribution. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. During the fiscal year ended June 30, 2014, the City's contribution rate was 10.781 percent of annual covered payroll for the Miscellaneous Plan and 6.25 percent for the PEPRA Miscellaneous Plan.

The City's contributions to CalPERS for the most recent three years follow:

Three year trend information for CalPERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2012	\$ 490,615	100%
6/30/2013 6/30/2014	482,438 530,308	100% 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 (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.

NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 (Fire Authority). The purpose of the Fire 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 Fire Authority's governing board consists of one representative from each City and two from the County. The operations of the Fire 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 Santa Ana, Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach. The County pays all structural fire fees it collects to the Fire Authority. The Cities of Santa Ana, Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach are considered "cash contract Cities" and make cash contributions based on the Fire Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2014. Upon dissolution of the Fire Authority, all surplus money and property of the Fire Authority will be conveyed or distributed to each member in proportion to all funds provided to the Fire Authority by that member or by the County on behalf of that member during its membership.

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

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 Countywide Coordinated Communication System Authority (CCCS Authority). The purpose of the CCCS Authority is to provide an 800 megahertz coordinated law enforcement/public works/fire radio communication system (the 800 MHz CCCS). The CCCS 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 CCCS 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 0.34%. Upon dissolution, all surplus money and property of the CCCS Authority will be conveyed or distributed to each member in proportion to all funds provided to the CCCS Authority by the member during its membership.

NOTE 9 – FUND BALANCES

Pursuant to GASB Statement No. 54, the City 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 prepaid expenditures) 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 the 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 Council has not delegated authority to assign fund balance and therefore, the City Council can assign fund balance.

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:

			He	eadlands			He	adlands				
			CF	FD 2006-1 Capital CFD			D 2006-1					
	G	General N		intenance	Im	Improvements		Acquisition		Nonmajor		
		Fund		Fund		Fund		Fund		Funds	Totals	
Nonspendable:												
Prepaid expenditures	\$	154,796	\$	-	\$	-	\$	-	\$		\$	154,796
Restricted:												
Public works		-		136,484		-		-		185,989		322,473
Community development		-		-		-		-		1,604,889		1,604,889
Public safety		-		-		-		-		64,469		64,469
Parks and recreation		-		-		-		-		683,350		683,350
ESHA maintenance		-		-		-		-		206,243		206,243
Art in public places		117,954		-		-		-		-		117,954
Tourism business improvement		-		-		-		-		1,747,528		1,747,528
Subtotal		117,954		136,484		-		-		4,492,468		4,746,906
Assigned:												
Capital projects	2	2,500,000		_		8,854,011		-		172,926		11,526,937
Unassigned	18	3,930,094		-		-		-		-		18,930,094
Total Fund Balance	\$ 21	,702,844	\$	136,484	\$	8,854,011	\$	-	\$	4,665,394	\$	35,358,733

NOTE 9 – FUND BALANCES (Continued)

Restricted Fund Balances:

- Public Works balances may be used to fund maintenance of the CFD and street repairs and maintenance.
- Community Development balances may be used to fund transit projects and programs to reduce mobile sources of air pollution.
- Public Safety balances may be used to supplement law enforcement services.
- Parks and Recreation balances may be used to acquire, construct or improve city parks.
- ESHA maintenance balances may be used to fund maintenance of the environmentally sensitive habitat area in the Headlands development.
- Art in Public Places balances may be used to fund new public art displays.
- Tourism Business Improvement balances may be used to fund marketing activities to promote the City of Dana Point as an overnight destination.

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 \$2,973,000.
- 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 \$5,946,000
- 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.

The cash flow reserve and emergency reserve amounts are included in the unassigned classification and the capital projects sinking fund reserve is included in the assigned classification.

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 122 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.

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 additional 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 percent deductible, and a \$5,000 deductible for Boiler and Machinery. Crime coverages include a \$2,500 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 2013 and 2014 were \$475,338 and \$522,163, respectively. Since claims are paid by the CJPIA and, in effect, charged back to the City via future insurance deposits, no long-term liability for claims has been recorded.

As of June 30, 2014, 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.

NOTE 11 – 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 unassigned fund balance for emergencies (\$5,946,000) as of June 30, 2014 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 2013 or 2014.

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, 2014.

NOTE 12 – 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 \$45 million of debt, which is to be repaid from revenues generated by special taxes levied on the taxable property within the CFD.

On May 29, 2013, the CFD sold 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 payments 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, 2014 was \$17,885,000.

In February 2014, the CFD sold 2014 Special Tax Bonds totaling \$26,245,000 of aggregate principal. The bonds mature in increments over a 20-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, 2014 was \$26,245,000.

An amount of \$4,035,539 of cash with fiscal agent and is being held by the City and is reflected as due to bondholders at June 30, 2014 in the Statement of Fiduciary Assets and Liabilities.

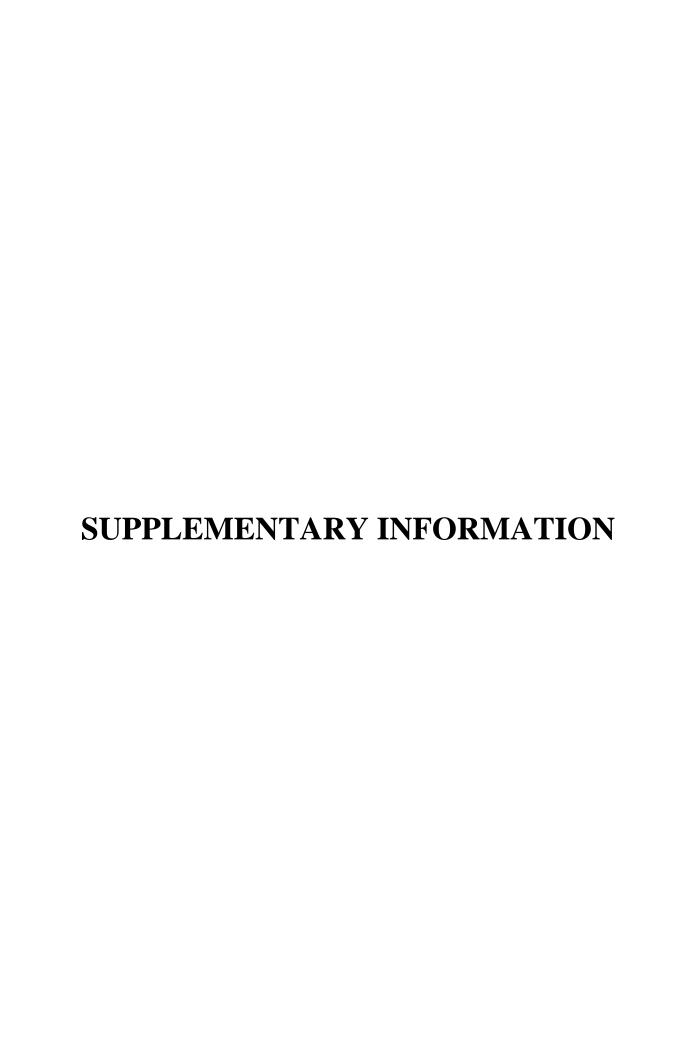
Upon issuance of the bonds, the City received contributions of \$23,935,028 from property owners within the CFD. The City reimbursed the developer in the amount of \$23,736,528 for previous capital improvements made within the CFD. The City took title to the completed capital improvements in 2010, assuming all risks and maintenance activities of the assets. The developer's costs were used as the estimated value of the contribution.

NOTE 13 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures for the year ended June 30, 2014, exceeded appropriations in the following funds:

	F	Final		Excess Over
	Bı	udget	Actual	Appropriations
Headlands CFD 2006-1 Acquisition Fund	\$	-	\$ 23,992,688	\$ (23,992,688)
Headlands CFD 2006-1 Maintenance Fund		150,300	151,425	(1,125)

Expenditures are in excess of appropriations for the Headlands Acquisition fund due to the payment to developers for infrastructure improvements made in the CFD as approved by City Council action. The expenditures were offset by contributions from property owners resulting from the issuance of the CFD bonds. The Headlands Maintenance fund expenditures are in excess of appropriations due to an unanticipated rise in utility costs.



CITY OF DANA POINT Major Capital Projects Fund June 30, 2014

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

improvement of capital facilities financed by grants and operating transfers from the General Fund.

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.

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Improvements Projects Fund For the Year Ended June 30, 2014

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 274,908	\$ 317,906	\$ 42,998
Other revenue		6,157	6,157
Total Revenues	274,908	324,063	49,155
Expenditures Capital outlay	13,274,390	6,600,515	6,673,875
Capital outlay	13,274,390	0,000,313	0,073,873
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,999,482)	(6,276,452)	6,723,030
Other financing sources (uses)			
Transfers in	8,744,010	8,744,010	
Net Change in Fund Balance	(4,255,472)	2,467,558	6,723,030
Fund Balance, Beginning of Year	6,386,453	6,386,453	-
Fund Balance, End of Year	\$ 2,130,981	\$ 8,854,011	\$ 6,723,030

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Headlands CFD 2006-1 Acquisition Fund For the Year Ended June 30, 2014

	Budgeted nounts	Act Amo		Variance with Final Budget - Positive (Negative)		
Revenues						
Investment income	\$ -	\$	- 25.020	\$	- 025 020	
Contributions from property owners	 	23,9	35,028	23,	,935,028	
Total Revenues	 _	23,9	35,028	23,	,935,028	
Expenditures						
Current:						
Public works	-	2	56,160	((256,160)	
Capital outlay	 _	23,7	36,528	(23,	,736,528)	
Total Expenditures	 _	23,9	92,688	(23,	,992,688)	
Excess (Deficiency) of Revenues Over						
(Under) Expenditures	 _	(57,660)		(57,660)	
Net Change in Fund Balance	 _	(57,660)		(57,660)	
Fund Balance, Beginning of Year	 57,660		57,660			
Fund Balance, End of Year	\$ 57,660	\$	_	\$	(57,660)	

CITY OF DANA POINT Nonmajor Governmental Funds June 30, 2014

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 and Capital Improvements Fund. Accordingly, gasoline tax revenues are transferred from the Gasoline Tax Fund to the General Fund and Capital

Improvements 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 restricted for use in

supplementing law enforcement services.

Coastal Transit Fund Used to account for revenues collected from the California

Coastal Commission restricted 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 that are restricted for use in developing programs to reduce mobile sources of

air pollution.

CITY OF DANA POINT Nonmajor Governmental Funds June 30, 2014

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 an annuity contract that provides an additional \$30,000 per year for 50 years, to satisfy the non-wasting endowment requirement provided in the Development Agreement.

Tourism Business Improvement District Fund

Used to account for the levy of \$3 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.

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 developer contributions.

CITY OF DANA POINT Combining Balance Sheet Nonmajor Funds June 30, 2014

	Special Revenue Funds								
Assets	Gas Supplemental Law Enforcement Tax Measure M Services				Coastal Transit				
Cash and investments	\$	77,180	\$	12,546	\$	64,469	\$	1,345,126	
Receivables: Taxes Cash and investments - restricted		- -		96,263 -		- -		- -	
Total Assets	\$	77,180	\$	108,809	\$	64,469	\$	1,345,126	
Liabilities and fund balances									
Liabilities Liabilities: Accounts payable	\$		\$		\$		\$		
Total Liabilities		_		_		-			
Fund balances Restricted Assigned		77,180 -		108,809		64,469 -		1,345,126	
Total Fund Balances		77,180		108,809		64,469		1,345,126	
Total Liabilities and Fund Balances	\$	77,180	\$	108,809	\$	64,469	\$	1,345,126	

Special Revenue Funds							Capital	ects				
	AB 2766		ESHA aintenance Fund	Tourism Business ce Improvement District		Facilities Park Improvement Developmen				Total Nonmajor Governmental Funds		
\$	259,762		27,222		1,653,776	\$	172,926	\$	683,350	\$	4,296,357	
	<u>-</u>		180,000		97,572 -		- -		- -		193,835 180,000	
\$	259,762	\$	207,222	\$	1,751,348	\$	172,926	\$	683,350	\$	4,670,192	
\$	-		978		3,820	\$	-	\$	-	\$	4,798	
			978		3,820		_				4,798	
	259,762		206,244		1,747,528		172,926		683,350		4,492,468 172,926	
	259,762		206,244		1,747,528		172,926		683,350		4,665,394	
\$	259,762	\$	207,222	\$	1,751,348	\$	172,926	\$	683,350	\$	4,670,192	

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances Nonmajor Funds For the Year Ended June 30, 2014

		Special F	Revenue Funds	
	Gas Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit
Revenues				
Taxes	\$ 1,132,864	\$ 616,854	\$ -	\$ -
Licenses, fees and permits Intergovernmental	-	-	103,157	-
Charges for services	-	-	105,157	-
Investment earnings	-	695	147	3,498
Other	-	-	-	-
Total Revenues	1,132,864	617,549	103,304	3,498
Expenditures				
Current:				
Public safety	-	-	88,570	-
Community development Parks and recreation	-	-	-	-
Capital outlay	-	-	_	-
Total Expenditures			88,570	
-			30,010	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	1,132,864	617,549	14,734	3,498
•				
Other financing sources (uses)	(1.205.104)	(7 00 0 25)		
Transfers out	(1,206,484)	(588,037)		
Total Other Financing Sources (Uses)	(1,206,484)	(588,037)		
Net Change in Fund Balances	(73,620)	29,512	14,734	3,498
Fund Balances at Beginning of Year	150,800	79,297	49,735	1,341,628
Fund Balances at End of Year	\$ 77,180	\$ 108,809	\$ 64,469	\$ 1,345,126

							Proje	ects				
	AB 2766		ESHA intenance Fund	Tourism Business Improvement District		Facilities provement	De	Park velopment		Total Nonmajor overnmental Funds		
\$	31,018 - 646	\$	30,558	1,017,360 - - - - 4,897	\$	- - - -	\$	6,800	\$	2,767,078 6,800 134,175 - 40,441		
	31,664		30,558	1,082,257		-		6,800		60,000 3,008,494		
	15,258		4,314	1,254,369		307,602		- - -		88,570 1,254,369 4,314 322,860		
	15,258	4,31		· · · · · · · · · · · · · · · · · · ·		1,254,369		307,602				1,670,113
	16,406		26,244	(172,112)		(307,602)		6,800		1,338,381		
	-									(1,794,521)		
	-									(1,794,521)		
	16,406		26,244	(172,112)		(307,602)		6,800		(456,140)		
	243,356		180,000	1,919,640		480,528		676,550		5,121,534		
\$	259,762	\$	206,244	\$ 1,747,528	\$	172,926	\$	683,350	\$	4,665,394		

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Gasoline Tax Fund For the Year Ended June 30, 2014

					Fina	iance with al Budget -
	Final Budgeted Amounts			Actual Amounts	Positive (Negative)	
Revenues	Timounts			7 mounts		(egative)
Taxes	\$	1,055,684	\$	1,132,864	\$	77,180
Total Revenues		1,055,684		1,132,864		77,180
Other financing sources (uses) Transfers out	(1,206,484)		(1,206,484)		
Net Change in Fund Balance		(150,800)		(73,620)		77,180
Fund Balance, Beginning of Year		150,800		150,800		
Fund Balance, End of Year	\$		\$	77,180	\$	77,180

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Measure M Fund For the Year Ended June 30, 2014

	Budgeted mounts	 Actual Amounts	Variance with Final Budget - Positive (Negative)		
Revenues					
Taxes	\$ 565,092	\$ 616,854	\$	51,762	
Investment earnings	900	 695		(205)	
Total Revenues	 565,992	 617,549		51,557	
Other financing sources (uses)					
Transfers out	(588,037)	(588,037)			
Net Change in Fund Balance	(22,045)	29,512		51,557	
Fund Balance, Beginning of Year	 79,297	 79,297			
Fund Balance, End of Year	\$ 57,252	\$ 108,809	\$	51,557	

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Supplemental Law Enforcement Services Fund For the Year Ended June 30, 2014

	Budgeted	Actual Amounts	Variance with Final Budget - Positive (Negative)		
Revenues					
Intergovernmental	\$ 103,155	\$ 103,157	\$	2	
Investment earnings	600	147		(453)	
Total Revenues	103,755	103,304		(451)	
Expenditures					
Current:					
Public safety	153,437	88,570		64,867	
Net Change in Fund Balance	(49,682)	14,734		64,416	
Fund Balance, Beginning of Year	49,735	49,735			
Fund Balance, End of Year	\$ 53	\$ 64,469	\$	64,416	

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Coastal Transit Fund For the Year Ended June 30, 2014

	al Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)		
Revenues	_	 	,	_	
Investment earnings	\$ 6,300	\$ 3,498	\$	(2,802)	
Expenditures					
Current:					
General government	 120,000			120,000	
Net Change in Fund Balance	(113,700)	3,498		117,198	
Fund Balance, Beginning of Year	1,341,628	1,341,628			
Fund Balance, End of Year	\$ 1,227,928	\$ 1,345,126	\$	117,198	

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual AB 2766 Fund

For the Year Ended June 30, 2014

	Final Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)		
Revenues							
Intergovernmental	\$	40,000	\$	31,018	\$	(8,982)	
Investment earnings		800		646		(154)	
Total Revenues		40,800		31,664		(9,136)	
Expenditures							
Capital outlay		16,000		15,258		742	
Net Change in Fund Balance		24,800		16,406		(8,394)	
Fund Balance, Beginning of Year		243,356		243,356			
Fund Balance, End of Year	\$	268,156	\$	259,762	\$	(8,394)	

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual ESHA Maintenance Fund For the Year Ended June 30, 2014

	Final Budgeted Amounts			Actual .mounts	Variance with Final Budget - Positive (Negative)		
Revenues			_				
Investment earnings	\$	30,450	\$	30,558	\$	108	
Total Revenues		30,450		30,558		108	
Expenditures							
Parks and recreation		30,000		4,314		25,686	
Net Change in Fund Balance		450		26,244		25,794	
Fund Balance, Beginning of Year		180,000		180,000			
Fund Balance, End of Year	\$	180,450	\$	206,244	\$	25,794	

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Tourism Business Improvement District Fund For the Year Ended June 30, 2014

		al Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)		
Revenues Taxes	\$	1,000,000	\$	1,017,360	\$	17,360	
Investment earnings Other	D	60,000	—	4,897 60,000	Φ	4,897	
Total Revenues	1,060,000 1,082,257				22,257		
Expenditures Community development		1,700,000		1,254,369		445,631	
Net Change in Fund Balance		(640,000)		(172,112)		467,888	
Fund Balance, Beginning of Year		1,919,640		1,919,640			
Fund Balance, End of Year	\$	1,279,640	\$	1,747,528	\$	467,888	

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Facilities Improvement Fund For the Year Ended June 30, 2014

					Fina	iance with al Budget -
	Final Budgeted Amounts			Actual Amounts	Positive (Negative)	
Expenditures Capital outlay	\$	456,074	\$	307,602	\$	148,472
Net Change in Fund Balance		(456,074)		(307,602)		148,472
Fund Balance, Beginning of Year		480,528	1	480,528		
Fund Balance, End of Year	\$	24,454	\$	172,926	\$	148,472

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Park Development For the Year Ended June 30, 2014

	Budgeted mounts	Actual Amounts	Variance with Final Budget - Positive (Negative)		
Revenues					
Licenses and permits	\$ 6,000	\$ 6,800	\$	800	
Other financing sources (uses) Transfers out					
Net Change in Fund Balance	6,000	6,800		800	
Fund Balance, Beginning of Year	676,550	676,550			
Fund Balance, End of Year	\$ 682,550	\$ 683,350	\$	800	

Agency Funds June 30, 2014

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, 2014

]	Developer Deposits		Due to Bondholders		Pass-through Deposits		Totals	
Assets Cash and investments Cash with fiscal agents Accounts receivables	\$	2,456,968	\$	4,035,539 62,460	\$	313,043	\$	2,770,011 4,035,539 62,460	
Total Assets	\$	2,456,968	\$	4,097,999	\$	313,043	\$	6,868,010	
Liabilities Deposits Due to bondholders Due to other agencies	\$	2,456,968	\$	- 4,097,999 -	\$	- - 313,043	\$	2,456,968 4,097,999 313,043	
Total Liabilities	\$	2,456,968	\$	4,097,999	\$	313,043	\$	6,868,010	

Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deletions	Ending Balance
Developer Deposits	_			
Assets: Cash and investments	\$ 1,861,685	\$ 2,377,928	\$ 1,782,645	\$ 2,456,968
	\$ 1,861,685	\$ 2,377,928	\$ 1,782,645	\$ 2,456,968
Liabilities: Deposits	\$ 1,861,685	\$ 2,377,928	\$ 1,782,645	\$ 2,456,968
	\$ 1,861,685	\$ 2,377,928	\$ 1,782,645	\$ 2,456,968
Due to Bondholders	_			
Assets: Cash with fiscal agents Accounts receivables	\$ 9,676,653	\$ 5,294,096	\$ 10,935,210	\$ 4,035,539
	3,459	62,460	3,459	62,460
	\$ 9,680,112	\$ 5,356,556	\$ 10,938,669	\$ 4,097,999
Liabilities: Due to bondholders	\$ 9,680,112	\$ 5,356,556	\$ 10,938,669	\$ 4,097,999
	\$ 9,680,112	\$ 5,356,556	\$ 10,938,669	\$ 4,097,999
Pass-through Deposits	_			
Assets: Cash and investments	\$ 166,464	\$ 1,555,557	\$ 1,408,978	\$ 313,043
	\$ 166,464	\$ 1,555,557	\$ 1,408,978	\$ 313,043
Liabilities: Due to other agencies	\$ 166,464	\$ 1,555,557	\$ 1,408,978	\$ 313,043
	\$ 166,464	\$ 1,555,557	\$ 1,408,978	\$ 313,043
Total - All Agency Funds	_			
Assets: Cash and investments Cash with fiscal agents Accounts receivables	\$ 2,028,149	\$ 3,933,485	\$ 3,191,623	\$ 2,770,011
	9,676,653	5,294,096	10,935,210	4,035,539
	3,459	62,460	3,459	62,460
	\$ 11,708,261	\$ 9,290,041	\$ 14,130,292	\$ 6,868,010
Liabilities: Deposits Due to bondholders Due to other agencies	\$ 1,861,685	\$ 2,377,928	\$ 1,782,645	\$ 2,456,968
	9,680,112	5,356,556	10,938,669	4,097,999
	166,464	1,555,557	1,408,978	313,043
	\$ 11,708,261	\$ 9,290,041	\$ 14,130,292	\$ 6,868,010

STATISTICAL SECTION

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

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Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. Net Position by Component Changes in Net Position Fund Balances of Governmental Funds Changes in Fund Balances of Governmental Program Revenues by Function/Program Tax Revenues by Source, Governmental	73 74 75 76 77 78
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Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
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Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader	
understand the environment within which the City's financial activities take place.	
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STATISTICAL SECTION, continued

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Operating	g Information	
	These schedules contain service and activity level data to help the reader	
	understand how the information in the City's financial report relates to the	
	services the City provides and the activities it performs.	
	Full-time Equivalent City Government Employees Authorized, by Function	89
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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.	

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	\$84,296	\$102,009	\$120,561	\$119,292	\$128,285	\$174,898	\$171,342	\$169,246	\$167,182	\$166,203
Restricted	5,412	8,069	5,515	2,645	3,257	2,847	2,665	2,765	2,879	\$4,747
Unrestricted	42,388	37,504	41,797	51,789	39,654	33,932	31,319	29,690	30,400	\$30,108
Total governmental activities net position	\$132,096	\$147,582	\$167,873	\$173,726	\$171,196	\$211,677	\$205,326	\$201,701	\$200,461	\$201,058

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2005			2006	2007		2008		2009		2010		2011			2012		2013		2014
Expenses	_																_			
Governmental activities:																				
General Government	\$	4,588	\$	4,977	\$	4,569	\$	4,896	\$	5,093	\$	5,285	\$	5,636	\$	5.006	\$	4,794	\$	5,110
Public Safety	Ψ	7,014	Ψ	7,558	Ψ	8,068	Ψ	8,807	Ψ	9,193	Ψ	9.700		10,156	Ψ	9,977	Ψ	10,069	Ψ	10,100
Community Development		2,149		2,582		2,330		2,811		2,625		2,831		2,604		2,769		3,689		4,325
Recreation and Parks		2,085		3,303		3,708		4,037		4,270		4,528		4,632		4,481		4,917		6,460
Public Works		8.777		8,294		9,687		10,520		19,447		10,667		11,374		11,327		21,265		33,075
Interest on Long-term Debt		207		187		3,007		-		-		-		-		-		-		33,073
Unallocated Depreciation		85		122		131		187		192		220		221		214		214		-
Total governmental activities expenses		24,905		27,023		28,508		31,258		40,820		33,231		34,623	_	33,774		44,948		59,070
Program Revenues																				
Governmental activities:																				
Charges for services:																				
General Government		843		155		321		493		263		631		464		584		112		140
Public Safety		488		461		454		539		332		305		253		304		199		199
Community Development		1,344		2,266		1,359		1,396		1,054		1,265		1,171		1,064		1,603		2,275
Recreation and Parks		221		224		224		262		261		271		306		349		424		344
Public Works		288		131		469		561		422		260		244		185		118		436
Operating grants and contributions		1,585		1,449		1,694		1,612		9,999		2,424		1,900		2,172		11,610		2,162
Capital grants and contributions		5,176		13,459		16,321		3,159		852		46,617		826		1,143		705		24,425
Total governmental activities program revenues		9,945		18,145		20,842		8,022		13,183	_	51,773		5,164		5,801		14,771		29,981
Total government net revenue (expense)	\$	(14,960)	\$	(8,878)	\$	(7,666)	\$	(23,236)	\$	(27,637)	\$	18,542	\$ (29,459)	\$	(27,973)	\$	(30,177)	\$	(29,089)
General Revenues and Other Changes																				
in Net Assets																				
Governmental activities:																				
Taxes:																				
Property taxes	\$	4,524	\$	5,009	\$	5,373	\$	6,001	\$	6,176	\$	6,109	\$	5,936	\$	5,857	\$	6,020	\$	6,286
Franchise taxes		1,034		1,076		1,201		1,239		1,294		1,255		1,247		1,198		1,329		1,315
Sales taxes		3,117		3,447		3,761		3,671		2,998		2,909		3,075		3,570		3,425		3,794
In-lieu property taxes		2,665		3,119		3,867		4,276		4,154		3,719		3,944		3,947		4,319		4,271
Property transfer taxes		525		441		395		374		224		229		200		230		459		570
Transient occupancy taxes		7,763		9,533		10,888		11,298		8,630		7,221		8,284		9,382		10,086		12,140
Motor vehicle in-lieu (unrestricted)		852		255		199		164		126		109		170		18		-		-
Other		152		52		234		66		68		53		60		68		1,233		141
Unrestricted investment earnings Special Item		819		1,433		2,038		2,210		1,227		334		193		77		124 180		86 1,083
•	_	04.45.		04.005	_	07.050		00.000	_	04.00=	_	04.000		00.400	_	04.047	_		_	
Total governmental activities	\$	21,451	\$	24,365	\$	27,956	<u> </u>	29,299	\$	24,897	\$	21,938	<u> </u>	23,109	\$	24,347	\$	27,175	\$	29,686
Change in Net Position	\$	6,491	\$	15.487	\$	20,290	\$	6,063	\$	(2,740)	\$	40.480	\$	(6.350)	\$	(3.626)	\$	(3.002)	\$	597

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014
General Fund										
Nonspendable							\$64	\$73	\$76	\$155
Restricted							-	-	139	118
Committed							9,462	9,027	-	-
Assigned							3,169	3,169	13,472	2,500
Unassigned							6,094	7,003	8,284	18,930
Reserved	\$1,318	\$3,715	\$561	\$1,466	\$1,378	\$406	-	-	- -	-
Unreserved	12,808	12,605	17,836	20,684	19,478	19,925	-	-	-	-
Total General Fund	\$14,126	\$16,320	\$18,397	\$22,150	\$20,856	\$20,331	\$18,789	\$19,272	\$21,971	\$21,703
All other governmental funds										
Restricted							\$2,498	\$2,598	\$2,920	\$4,629
Committed							-	-	1,919	-
Assigned							12,406	10,284	6,867	9,027
Reserved	\$3,741	\$5,225	\$414	\$8,747	\$4,136	\$827	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,499	1,424	1,555	2,263	2,553	2,062	-	-	-	-
Capital project funds	27,429	22,986	27,225	21,851	15,794	13,130	-	-	-	-
Total all other governmental funds	\$32,669	\$29,635	\$29,194	\$32,861	\$22,483	\$16,019	\$14,904	\$12,882	\$11,706	\$13,656

⁽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.

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(accrual basis of accounting)
(amounts expressed in thousands)

	2005 2006		2007 2008		2009	2010	2011	2012	2013	2014	
Revenues				-		-					
Taxes	\$ 19,666	\$ 22,626	\$ 25,391	\$ 26,715	\$ 23,117	\$ 20,271	\$ 22,821	\$ 24,525	\$ 27,513	\$ 28,811	
Licences, fees and permits	1,936	1,926	2,048	2,186	1,997	1,983	1,975	1,937	2,122	2,434	
Fines and forfeitures	492	469	470	636	433	335	286	455	236	263	
Intergovernmental	3,805	7,181	6,011	3,464	1,536	1,856	1,118	1,570	1,442	854	
Charges for services	1,894	1,906	1,475	1,672	1,150	1,651	1,392	1,307	1,437	1,859	
Use of money and property	1,016	1,740	2,423	2,590	1,468	520	399	241	286	281	
Contributions from property owners	-	-	-	-	8,199	486	41	28	9,447	23,935	
Other	1,271	337	246	93	180	106	295	86	111	147	
Total revenues	30,080	36,185	38,064	37,356	38,080	27,208	28,327	30,149	42,594	58,584	
Expenditures											
General government	4,450	4,846	4,526	4,809	4,971	5,223	5,524	5,026	4,880	4,745	
Public safety	7,008	7,544	8,035	8,767	9,123	9,617	10,077	9,856	9,985	10,030	
Community development	2,132	2,565	2,312	2,772	2,594	2,804	2,578	2,764	3,667	4,292	
Recreation and parks	2,029	3,237	3,627	3,953	4,186	4,443	4,526	4,477	4,799	4,993	
Public works	5,405	5,133	5,243	5,803	6,673	5,398	5,409	5,388	5,538	5,498	
Capital outlay	7,639	13,180	9,667	3,832	22,205	6,712	2,869	4,177	14,145	30,969	
Debt service:											
Principal	305	325	2,925	-	-	-	-	-	-	-	
Interest	215	196	93	-	-	-	-	-	-	-	
Total expenditures	29,183	37,026	36,428	29,936	49,752	34,197	30,983	31,688	43,014	60,527	
Excess of revenues											
over (under) expenditures	897	(841)	1,636	7,420	(11,672)	(6,989)	(2,656)	(1,539)	(420)	(1,943)	
Other financing sources (uses)											
Transfers in	764	4,237	3,922	6,658	3,357	4,313	1,772	1,521	1,277	9,543	
Transfers out	(7,964)	(4,238)	(3,922)	(6,658)	(3,357)	(4,313)	(1,772)	(1,521)	(1,277)	(9,543)	
Other Financing Sources (uses)										3,625	
Total other financing sources (uses)	(7,200)	(1)	_			-			-	3,625	
Cumulative effect of a change in											
accounting principle	-	-	-	-	-	-	-	-	-	-	
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	
Special Item	_								180		
Net change in fund balances	\$ (6,303)	\$ (842)	\$ 1,636	\$ 7,420	\$ (11,672)	\$ (6,989)	\$ (2,656)	\$ (1,539)	\$ (240)	\$ 1,682	
Debt service as a percentage of				-, <u>-</u>							
noncapital expenditures	1.8%	1.4%	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

Program Revenues by Function/Program

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

20		2005	2005 2006		2007		2008		2009		2010		2011		2012		2013		2014
Function/Program Governmental activities:																			
	_		•		•		_		_			•		•		_		•	
General government	\$	878	\$	203	\$	377	\$	538	\$	295	\$ 685	\$	497	\$	625	\$	164	\$	171
Public safety		943		746		930		946		737	785		670		803		983		570
Community development		1,368		2,306		1,415		1,450		1,089	1,280		1,181		1,070		1,607		2,278
Recreation and parks		824		470		11,211		914		456	442		359		422		517		351
Public works		5,931		14,419		6,909		4,174		10,606	 48,581		2,457		2,881		11,500		26,611
Total governmental activities	\$	9,944	\$	18,144	\$	20,842	\$	8,022	\$	13,183	\$ 51,773	\$	5,164	\$	5,801	\$	14,771	\$	29,981

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

							In-lieu	Prope	ty	Transient	
Fiscal	Property	Franchise	Sales	Gasoline	Measure M	TBID	Property	Transf	er	Occupancy	
Year	Tax (1)	Tax	Tax (2)	Tax (3)	Tax	Tax (5)	Tax (2)	Tax		Tax (4)	Total
2004	\$ 4,209	\$ 936	\$ 4,015	\$ 674	\$ 373	-	-	\$ 4	198	\$ 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	4	141	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	•	94	8,630	24,381
2010	5,227	1,255	2,909	660	337	-	3,719	2	229	7,221	21,557
2011	5,935	1,247	3,075	961	336	-	3,944	2	200	8,284	23,982
2012	5,857	1,198	3,570	1,044	456	-	3,947	2	230	9,382	25,684
2013	6,020	1,329	3,425	775	456	955	4,319	4	159	10,086	27,824
2014	6,286	1,315	3,794	1,133	617	1,017	4,271	;	70	11,122	30,125

- (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, the City's portion of sales tax was 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.

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts expressed in thousands)

	2005	2006		2007		2008		2009		2010		2011		2012		2013	2014
Total property tax levy	\$ 4,602	\$	5,129	\$	5,556	\$	6,174	\$	6,256	\$	6,064	\$	6,031	\$	6,093	\$ 6,303	\$ 7,836
Current year collections	\$ 4,501	\$	4,973	\$	5,338	\$	5,908	\$	5,985	\$	5,910	\$	5,848	\$	5,827	\$ 5,865	\$ 7,499
Current year collections as % of levy	97.8%		97.0%		96.1%		95.7%		95.7%		97.5%		97.0%		95.6%	93.1%	95.7%
Current year delinquencies	\$ 101	\$	156	\$	218	\$	266	\$	271	\$	154	\$	183	\$	266	\$ 438	\$ 337
Current year delinquencies as % of levy	2.2%		3.0%		3.9%		4.3%		4.3%		2.5%		3.0%		4.4%	6.9%	4.3%
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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed value	\$ 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	\$ 9,126,750
Estimated actual value (see note)	\$ 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	\$ 9,126,750
Annual increase in assessed value	\$ 309,197	\$ 747,726	\$ 694,624	\$ 839,697	\$ 347,200	\$ (116,507)	\$ (75,654)	\$ 47,604	\$ 109,012	\$ 282,386
Annual % increase in assessed value	5.2%	12.0%	9.9%	10.9%	4.1%	-1.3%	-0.9%	0.5%	1.2%	3.2%

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

⁽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.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Distribution of Basic 1% Levy (per \$100 of assessed value)										
Capistrano Unified School District	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3898	\$0.3898
Educational Revenue Augmentation Fund	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1656	0.1656
Orange County Fire Authority	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1217	0.1217
South Orange County Comm. College District	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0959	0.0959
Orange County General Fund	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0526	0.0526
City of Dana Point	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.07618	0.07618
Orange County Flood Control District	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0214	0.0214
Orange County Library District	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.01806	0.01806
Orange County Department of Education	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.01767	0.01767
Orange County Harbors, Beaches & Parks	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.01655	0.01655
Capistrano Beach County Water District	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.01060	0.01060
Tri Cities Municipal Water District	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.00913	0.00913
Orange County Transportation Authority	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.00304	0.00304
Orange County Vector Control	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.00121	0.00121
Orange County Cemetary District	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.00054	0.00054
Total Basic 1% Levy (1)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Tax Rate Area 28-019:										
Metro Water District MWDOC Annex #4	0.0052	0.0052	0.0047	0.0043	0.0043	0.0037	0.0037	0.0037	0.00350	0.00350
Capistrano Unified ID#1 1999 Bond Fund - Series A	0.0031	0.0031	0.0027	0.0028	0.0031	0.0032	0.0032	0.0032	0.00335	0.00335
Capistrano Unified ID#1 1999 Bond Fund - Series B	0.0049	0.0049	0.0043	0.0045	0.0043	0.0051	0.0051	0.0051	0.00538	0.00538
Capistrano Unified ID#1 1999 Bond Fund - Series C	0.0027	0.0027	0.0024	0.0025	0.0028	0.0028	0.0028	0.0028	0.00298	0.00298
Combined Total Property Tax Rate (2)	\$1.0160	\$1.0160	\$1.0142	\$1.0140	\$1.0144	\$1.0148	\$1.0148	\$1.0148	\$1.0152	\$1.0152

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

Fiscal Year 2014 Fiscal Year 2005 % of Taxable Taxable % of **Total Taxes Total Taxes** Assessed Taxes Assessed Taxes Paid Taxpayer Paid Paid Value Value Paid Rank Rank MMB Management LLC (1) \$ 239,739,026 80,831 1 2.76% SHC Laguna Niguel 1 LLC 219,220,288 2 55,091 2 68,422 2.34% 176,510,988 2.77% Monroe MBR (1) 217,905,930 3 67,592 2.31% Regency Laguna LP (1) 181,938,053 56,453 4 1.93% Monarch Coast I LLC 5 86,520,569 26,755 0.91% Headlands Reserve, LLC 40,604,045 6 67,208,410 5 1.25% 13,953 0.48% 24,809 0.34% 27,789,995 8,674 7 0.44% **Bear Brand Partners** 32,223,640 7 10,057 **ST Apartments** 27,039,760 8,308 8 0.28% 26,893,986 Harbor Pointe Partners LLC 9 8,576 0.29% Cagney Enterprises LLC 25,667,352 8,057 10 0.28% CPH Monarch Hotel LLC (1) 2.91% 186,623,978 57,866 1 54,980 Lloyd's Bank California (1) 163,066,979 3 2.76% Monarch Bay Two 79,339,959 24,527 4 1.23% Connecticut General Life Ins. Co. (1) 6 0.66% 42.074.189 13,097 7,715 8 0.39% **CPH Resorts I LLC** 24,621,574 **Dana Point Partners** 23,351,696 7,446 9 0.37% Capital Pacific Holdings 23,277,873 7,274 10 0.37% Totals \$1,097,752,649 \$ 349,003 11.92% \$813,865,641 \$261,480 13.15%

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Lodging Facilities, listed alphabetically:								- '-		
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	\$7,763	\$9,533	\$10,888	\$11,298	\$8,630	\$7,221	\$8,284	\$9,382	\$10,086	\$11,007
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

Retail Sales Tax Generation

Last Ten Fiscal Years

(amounts expressed in thousands)

				Eating and						
Calendar	Apparel	General	Food	Drinking	Building	Auto Dealers	Service	Other	All Other	
Year	Stores	Merchandise	Stores	Places	Materials	and Supplies	Stations	Retail Stores	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
2013	4,245	N/A (2)	30,266	104,509	20,483	5,405	71,430	76,470	180,494	493,302

Top 25 Sales Tax Producers Fiscal Year 2014

Business Name (1)	Business Type
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
Dana Point Shell	Service stations
Ganahl Lumber	Lumber/building materials
Gelson's Market	Grocery stores
Jacks Surfboards	Sporting Goods/Bike Stores
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 = 58.28%

⁽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

	Governmental			
	Activities	Total	Percentage	
Fiscal	Capital	Primary	of Personal	Per
Year	Leases	Government	Income	Capita
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	-	-	-	-
2014	-	-	-	-

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

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

Source: City of Dana Point, Administrative Services Department

CITY OF DANA POINT Direct and Overlapping Governmental Activities Debt As of June 30, 2014

OVERLAPPING DEBT:		Gross Debt Balance	% Applicable to City	City Share 6/30/14	
Metropolitan Water District	\$	26,774,063	2.296%	\$	614,725
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2002C		22,965,000	20.037%		4,601,548
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2001B		12,124,930	20.037%		2,429,499
South Coast Water District 2011A REFUNDING GOBS		1,920,000	55.925%		1,073,768
Santa Margarita Water District I.D. #3 1978 Bond		17,385,000	0.178%		30,866
Moulton Niguel Water I.D. #7 Bond		8,115,000	12.475%		1,012,340
Total Overlapping Debt				\$	9,762,746

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

Legal Debt Margin Information Last Ten Fiscal Years

(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Valuation	\$ 6,250,662	\$ 6,998,388	\$ 7,693,012	\$ 8,530,360	\$ 8,879,909	\$ 8,761,158	\$ 8,687,748	\$ 8,735,352	\$ 8,844,363	\$ 9,126,749
Legal Debt Limit = 3.75% of Total Assessed Valuation (1) Amount of Debt Applicable to Limit: Certificates of Participation/	234,400	262,440	288,488	319,889	332,997	328,543	325,791	327,576	331,664	342,253
Capital Lease	3,250	2,925	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 237,650	\$ 265,365	\$ 288,488	\$ 319,889	\$ 332,997	\$ 328,543	\$ 325,791	\$ 327,576	\$ 331,664	\$ 342,253

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

	2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (2)	2012 (2)	2013 (2)	2014 (2) (5)
Population	37,283	36,854	36,884	36,441	35,822	35,561	35,109	33,054	33,398	33,625
Age Distribution:										
0 - 4	1,996	1,950	1,953	1,903	1,915	1,905	1,753	1,675	1,544	1,541
5 - 14	4,079	4,026	4,049	3,757	3,734	3,657	3,794	3,593	3,146	3,191
15 - 19	1,987	1,911	1,960	1,933	1,764	1,716	2,160	2,151	2,046	2,034
20 - 24	2,216	2,181	2,097	2,029	1,852	1,805	1,419	1,340	1,481	1,452
25 - 34	4,503	4,503	4,431	4,560	4,707	4,772	4,421	4,302	4,045	4,102
35 - 44	5,812	5,587	5,568	5,179	5,034	4,849	4,606	4,390	3,958	3,934
45 - 64	11,209	11,335	11,519	11,480	11,235	11,169	11,202	10,341	10,917	10,823
65 - 74	2,861	2,777	2,753	2,939	2,992	3,078	3,105	2,732	3,492	3,691
75 - 84	2,045	1,994	1,939	1,958	1,886	1,864	1,936	1,836	1,913	1,958
85 and over	575	590	615	703	703	746	713	694	856	899
Total	37,283	36,854	36,884	36,441	35,822	35,561	35,109	33,054	33,398	33,625
Median Age	42	42	42	43	43	43	44	43	46	46
Per capita income	\$ 46,381	\$ 45,461	\$ 47,055	\$ 50,978	\$ 46,922	\$ 47,982	\$ 42,245	\$ 44,704	not avail	\$ 49,928
Personal income (,000,000) (5)	\$ 1,729	\$ 1,675	\$ 1,736	\$ 1,858	\$ 1,681	\$ 1,706	\$ 1,816	\$ 1,663	\$ 1,723	\$ 1,699
Median household income	\$ 78,392	\$ 78,160	\$ 80,508	\$ 88,429	\$ 86,537	\$ 87,100	\$ 73,700	\$ 73,696	\$ 76,268	\$ 80,603
Average household income	\$ 111,051	\$110,715	\$ 114,824	\$124,494	\$ 113,457	\$ 115,966	\$ 101,855	\$ 101,662	\$ 111,397	\$ 113,298
Civilian unemployment rate (3)(4)	2.7%	2.4%	2.8%	3.8%	6.4%	6.9%	6.3%	n/a	5.9%	5.5%
Number of families	9,753	9,435	9,467	9,320	9,248	9,181	9,143	9,097	8,826	8,892
Number of households	15,342	14,909	14,889	14,697	14,585	14,491	14,459	14,328	14,405	14,515
Average household size	2.42	2.46	2.47	2.47	2.44	2.44	2.42	2.29	2.31	2.30
Households, by income:										
Less than \$15,000	839	794	791	630	646	611	864	866	954	945
\$15,000 - \$24,999	840	829	694	604	602	702	905	899	1,064	1,075
\$25,000 - \$34,999	928	890	805	727	744	582	928	920	991	1,014
\$35,000 - \$49,999	1,698	1,551	1,502	1,147	1,168	1,384	1,735	1,716	1,742	1,544
\$50,000 - \$74,999	2,951	3,024	3,010	2,944	2,812	2,675	2,951	2,915	2,355	2,212
\$75,000 - \$99,999	2,346	2,224	2,308	2,136	2,452	2,309	2,022	2,009	1,902	2,086
\$100,000 - \$149,999	2,913	2,729	2,759	3,191	3,176	3,206	2,612	2,600	2,535	2,419
Over \$150,000	2,827	2,868	3,020	3,318	2,985	3,022	2,442	2,403	2,862	3,220
Total	15,342	14,909	14,889	14,697	14,585	14,491	14,459	14,328	14,405	14,515

⁽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

		2014		2009*					
Employer	Percentage of Total City Employees Rank Employment			Employees	Employees Rank				
			_						
Ritz-Carlton-Laguna Niguel	970	1	5.49%	970	1	8.08%			
St Regis Monarch Beach	800	2	4.53%	800	2	6.67%			
Marriott-Laguna Cliffs Resort	250	3	1.41%	250	4	2.08%			
Dana Hills High School	200	4	1.13%	N/A	-	-			
Dana Corp	175	5	0.99%	N/A	-	-			
Harpoon Henry's Seafood Rstrnt	150	6	0.85%	150	7	1.25%			
Wind & Sea Restaurant Inc	125	7	0.71%	125	9	1.04%			
Ocean Institute/Chambers Gallery	116	8	0.66%	120	10	1.00%			
O C Lifeguards	101	9	0.57%	N/A	-	-			
Albertsons - Del Obispo St	100	10	0.57%	N/A	-	-			
Gelson's Markets	100	10	0.57%	N/A	-	-			
Monarch Beach & Tennis Club	100	10	0.57%	N/A	-	-			
Salt Creek Grille	100	10	0.57%	N/A	-	-			
Jimmy's Famous American Tavern	90	11	0.51%	N/A	-	-			
Chart House Restaurant	90	11	0.51%	N/A	-	-			
Ralphs - Golden Lantern	83	12	0.47%	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	3,550		20.08%	3,335		27.80%			

2014 Source: Telephone Survey, Orange County Workforce Investment Board, Infogroup

2009 Source: Info Data

^{*} Information for 2005 is not available to include history ten years prior.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General Government										
City Manager's Office	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	3.75	3.75	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Administrative Services	5.75	6.75	6.75	7.00	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	1.50
Public Safety										
Police Services	-	-	-	-	-	-	-	-	-	-
Emergency Services	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Community Development										
Planning	6.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Building	2.50	3.50	2.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Code Enforcement	2.50	2.50	2.50	3.50	3.50	3.50	3.50	3.50	3.50	4.50
Economic Development	-	-	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Recreation and Parks										
Parks	1.67	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Community Services	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00
Public Works										
Administration	4.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
Street/Drainage Maintenance	1.16	1.33	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	1.00
Solid Waste	0.33	0.34	0.33	0.33	0.33	0.33	0.34	0.34	0.33	0.33
Engineering	2.00	5.00	5.00	10.00	12.00	12.00	12.00	12.00	12.00	12.00
Water Quality & Natural Resources	1.50	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00
Total	39.50	46.50	47.75	61.00	63.00	64.00	64.00	64.00	64.00	66.00

Source: City of Dana Point Budget Document

CITY OF DANA POINT Operating Indicators by Function/Program Fiscal Years 2006 through 2014*

Fiscal Year											
	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Police (1)											
Arrests	2,153	418	404	1,009	882	1,006	881	923	544		
Calls for service	17,091	20,028	16,479	16,501	15,505	15,899	14,916	15,778	16391		
Parking citations issued	9,765	9,652	10,895	7,955	7,042	7,544	6,739	5,188	444		
Traffic citations issued	6,666	6,320	5,816	6,528	1,908	1,996	1,876	1,788	830		
Fire (2)											
Incidents	2,326	2,449	2,700	2,654	2,790	3,155	2,778	2,958	2,925		
Unit responses	4,619	4,771	4,946	4,684	5,145	5,631	5,009	5,387	5,242		
Fires	55	66	66	63	51	41	36	46	39		
Inspections conducted	720	848	1,059	452	774	549	229	230	678		
Refuse Collection (3)											
Refuse collected (tons/day)	83	86	42	53	55	55	54	55	63		
Recyclables collected (tons/day)	82	78	44	55	60	64	61	64	50		
Community Development											
Building permits issued	1,663	1,648	1,456	1,500	1,552	1,560	1,496	1,726	1,958		
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	\$ 59,240,249		
Inspections conducted	7,960	8,341	7,497	7,571	7,994	8,300	7,333	8,739	7,222		
New code enforcement cases opened	699	614	867	1,241	1,368	1,325	916	1,266	1,268		
Code enforcement cases closed	687	484	956	1,187	1,369	1,330	914	1,164	1,351		
Public Works											
Miles of street resurfaced	8	8	2	1	5	2	2	1.5	1.8		
Potholes repaired	103	25	150	312	220	156	81	154	56		
Inspections completed	300	478	575	653	274	1,071	2,864	3,368	3777		
Parks and recreation											
Number of classes offered	421	475	471	680	701	720	715	689	579		
Number of activities/trips conducted	10	6	4	4	4	16	31	30	23		
Number of participants:											
Youth classes	1,168	1,436	1,492	1,069	1,032	1,259	1,915	1,409	1,449		
Adult classes	1,050	1,279	1,286	1,125	1,101	805	1,180	1,071	1,142		
Sports leagues	600	402	401	446	404	720	750	750	720		
Excursions	259	173	101	176	170	170	65	65	120		
Total participants	3,077	3,290	3,280	2,816	2,707	2,954	3,910	3,295	3,431		

^{*} Data unavailable prior to fiscal year 2006.

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

⁽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

CITY OF DANA POINT **Capital Asset Statistics by Function/Program** Fiscal Years 2006 through 2014*

		Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	
Patrol units (cars)	12	12	12	12	12	13	13	13	14	
Patrol units (motorcycles)	3	3	3	3	2	2	1	2	1	
Fire Stations (2)	2	2	2	2	2	2	2	2	2	
Refuse Collection (3)										
Collection trucks	16	13	18	15	13	13	14	14	14	
Public Works										
Miles of arterial streets maintained	15	12	19	19	19	19	19	19	19	
Miles of non-arterial streets maintained	56	63	56	56	56	56	56	56	56	
Miles of storm drains maintained	47	18	18	18	20	20	20	20	20	
Number of traffic signals	36	36	36	37	37	37	37	37	40	
Number of street lights (4) (5)	1,466	1,467	1,467	1,470	1,470	1,470	1,470	1,470	7	
Parks and Recreation										
Number of parks	21	23	23	23	27	27	27	27	27	
Total park acreage	65.7	85.4	85.4	85.4	135.0	135.0	135.0	135.0	135.0	
Number of baseball/softball diamonds	7	7	7	7	7	7	7	7	7	
Number of community centers	1	1	1	1	1	1	1	1	1	
Number of tennis courts	8	8	8	8	8	8	8	8	8	
Number of basketball courts	5	6	5	7	7	7	7	6	6	

(5) In 2014 includes City owned street lights only
Sources: Various City departments, Orange County Fire Authority, Orange County Sheriff, CR&R

^{*} 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