

# CITY OF DANA POINT

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



Steven Weinberg, Mayor  
Scott Schoeffel, Mayor Pro Tem  
Lara Anderson, Council Member  
Joel Bishop, Council Member  
Lisa Bartlett, 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, 2010

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# **INTRODUCTORY SECTION**



November 24, 2010

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, 2010, 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 the 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, 2010, financial statements was performed by Rogers, Anderson, Malody and Scott, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2010, are free of material misstatement. Rogers, Anderson, Malody and Scott concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Dana Point's financial statements for the year ended June 30, 2010, are fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditor's report is presented as the first component of the financial section of this report.

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

## **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 36,000. 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 permanently 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 area which consists mainly of residential housing and limited commercial and retail development. Adjacent to Capistrano Beach is the Doheny Village area which consists of a mix of commercial and retail businesses, multi-family residential housing and a mobile home park. The Dana Point Harbor, although located within City boundaries, is administered by the County of Orange. Located within the harbor are small-craft moorings, a small commercial fishing fleet, two hotels, shopping and many restaurants. Northeast of the Dana Point Harbor are the Town Center and Lantern Village communities. The Town Center area consists principally of resident and visitor-serving commercial and retail businesses, and extends along Pacific Coast Highway ("PCH") and Del Prado Street. In the northern part of the City is the Monarch Beach community, which is home to the City's two largest hotels (the Ritz Carlton and St. Regis), a golf course and large, upscale residential developments.

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

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 levels of service within the City of Dana Point. These entities are legally separate from the City.

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

## **LOCAL ECONOMY**

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

The City is highly reliant upon the tourism industry which is the City's principal revenue source. At 27% of governmental revenues, transient occupancy taxes were the City's single largest revenue source in fiscal 2010. This tax is imposed at the rate of 10% upon visitors staying in lodgings located in the City. The luxury hotels that many visitors stay in are also the City's largest individual property-tax payers, the largest employers and the largest sales-tax generators. Moreover, their guests dine in the restaurants, shop in retail establishments and partake of recreational opportunities within the City that provide other streams of revenue to the City's merchants as well as its government. In total, it is estimated that the tourism industry (directly or indirectly) typically contributes 45-50% of General Fund revenues.

Due to high property values and the limited availability of suitable sites, there is limited commercial and industrial development within the City. Most businesses are oriented toward serving visitors or local residents. The City does not have any malls, new car dealerships or major franchise retailers. The City is nearly built-out, with limited future opportunities for new residential or commercial construction. The largest contiguous undeveloped parcels are located

in the Headlands area of the City, which is adjacent to the Dana Point Harbor. The Headlands project received final development approval from the City and the California Coastal Commission in fiscal 2006 and final grading operations were completed in fiscal 2008. The first new custom homes were completed during fiscal 2010. The Headlands development will ultimately include 118 luxury homes together with public park facilities, open space, lodging and visitor-serving retail establishments. The Headlands area was originally expected to be built-out over the next five years, however this timetable is likely to be significantly extended due to the poor economic environment, particularly in relation to the California real estate market.

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

After falling by \$2.7 million in fiscal 2009, transient occupancy tax revenues further weakened in fiscal 2010, dropping an additional \$1.4 million to \$7.2 million. This represents a cumulative decline of 36% from their peak in fiscal 2008. While a small portion of this decrease was attributable to reduced room availability at one of the larger hotels (due to a major renovation project that was completed in April 2010), most of the drop is attributable to economic factors. The City's two largest hotels, the Ritz Carlton and St. Regis Resort & Spa, appeal primarily to high-end domestic and international visitors, in addition to corporate events, and have been impacted by the recession to a larger degree than the smaller lodgings which tend to draw mostly domestic visitors. In fiscal 2010 the City experienced ten consecutive months of declining transient occupancy taxes (when compared to the prior year). However, this trend reversed in May 2010 and since that time transient occupancy taxes have made a steady recovery. Sales tax revenues, which were off by 18.3% in fiscal 2009, drifted further downward by an additional 3.1% in fiscal 2010 to \$2.9 million. Since many of the largest sales tax generating businesses are reliant on tourism, this revenue tends to move along the same trend line with transient occupancy. The summer season, when the largest proportion of transient occupancy and sales tax revenues are generated, saw significant improvement in both transient occupancy tax and sales tax in fiscal 2011, and the City anticipates this will continue through fiscal 2011 as the economy slowly improves.

Until 2007, California's economic growth and unemployment rates largely mirrored that of the rest of the United States. However, beginning in 2008 and continuing throughout 2010 the California economy, due largely to the collapse of the housing market, weakened to a greater extent than the nation as a whole. Most experts believe that California's recovery will, similarly, occur later and more slowly than the rest of the country. The local unemployment rate, which stood at 2.8% in calendar year 2007, surged to 6.5% by fiscal 2009. The final rate for 2010 is not yet available, but the expectation is that it has not changed significantly from the 2009 rate. With a relatively higher-educated populace, Dana Point is somewhat better off than California as a whole, which experienced an unemployment rate of over 12% in 2009. Locally, Dana Point has experienced significant long-term growth in median household income (up 24.8% since 2001) and per capita income (up 14.3% since 2001). However, over the last two years, both median household income and per capita income have declined, falling by \$1,329 (1.5%) and \$2,996 (5.9%), respectively. Recent economic forecasts point to income growth resuming over the next



five years. Home prices remain very weak, with median prices having fallen from their peak of \$715,000 in fiscal 2008 to \$563,000 in fiscal 2010, a drop of 21.2%. Prices are widely expected to remain flat or drop further over the next several years.

Despite the large decline in median home prices, citywide assessed real property valuation decreased by a much smaller percentage, falling by only \$117 million, or 1.3%, in fiscal 2010. There are a couple of factors behind this. First, the valuation date for the 2010 assessments is actually the April preceding the start of the fiscal year (i.e. April 2009), so the assessment does not fully reflect the continuing decline in resale values. Secondly, and more importantly, the actual underlying *market* values typically increase or decrease much more than the assessed valuations. This is because, under California's Proposition 13, growth in *assessed* valuation is limited to 2% per year, except in cases where property is sold, at which time it is reassessed to market value. As a result, in a period when housing prices grew astronomically, as they did in California through the mid-2000's, assessed values could grow by only 2% per year. Subsequently, when the housing market declined, the market value of many properties still remained above the assessed value. As a result, after factoring out the State borrowing of property taxes noted below, gross property tax revenues only fell by \$66,807, or 1.1%, in fiscal 2010.

An ongoing threat to the City's economic future remains in the State of California's budget problems. The State continues to face structural budget deficits and in fiscal 2010 (again) used a variety of spending cuts, tax increases and accounting gimmickry in an attempt to address the issue. Lawmakers did not enact the State fiscal 2011 budget until October 8 (the 100<sup>th</sup> day of the fiscal year), which was the longest budget delay in State history. However, due to rising unemployment and increasing economic weakness, the tax increases are producing less revenue than expected, and the expenditure cuts are not producing the savings anticipated, and as a result the State is facing a budget shortfall of about \$6 billion in fiscal 2011, and projects shortfalls of over \$19 billion in fiscal 2012 (and beyond). During fiscal 2009 the State borrowed (and subsequently repaid) a portion of the City's gasoline tax revenues, and did so again in fiscal 2010. In addition, in fiscal 2010 the State borrowed 8% of local jurisdiction's property tax revenue, to be repaid by June 2013. This amounted to \$882,000 for Dana Point's share. These actions by the State are representative of the direct fiscal impacts upon local governments as a result of the State's chronic inability to resolve its fiscal problems. In response to the local impacts caused by State fiscal problems, in November 2011, by an overwhelming majority, California voters passed Proposition 22, which bars the State from future taking of locally imposed taxes, including transient occupancy taxes and sales taxes, as well as prohibits the taking of local transportation funds, including gasoline taxes.

## **LONG-TERM FINANCIAL PLANNING**

As of June 30, 2010, the City had \$19.9 million of designations of fund balance in the General Fund. These designations included \$5.6 million for emergencies, \$2.8 million for cash flow needs, and \$3.2 million for the future replacement of City infrastructure assets. The remainder of \$8.3 million is designated to provide for economic uncertainties in future City revenues and expenditures. In fiscal 2007 the City Council formally adopted a policy to set aside each fiscal year permanent minimum reserves equal to 30% of General Fund revenues. This policy is reflected in the reserve balances.

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

The City has aggressively pursued opportunities to work with the 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. In fiscal 2010, the City was successful in obtaining \$941,000 of outside funding for a variety of capital improvement projects.

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

## **MAJOR INITIATIVES**

In fiscal 2005 the City initiated the development of the Town Center Specific Plan ("TCSP"). The Town Center is the City's symbolic "downtown." The City's goal, as set forth in the General Plan, is to create the conditions for a thriving diversity of retail, office and residential uses that will promote positive pedestrian activity. After numerous public hearings, newsletters and other outreach efforts, the City Council adopted the TCSP in 2006. 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 major construction step towards implementation of the TCSP was undertaken in fiscal 2008 with the PCH Congestion Relief project. This \$6 million project, which was completed in 2009, relieved traffic congestion at the juncture of PCH and the entrance to the harbor through creation of an overhead pedestrian bridge, lane widening, sidewalk enhancements, bus turnouts and street reconfiguration. Design work for the next phase, PCH/Del Prado Street Improvements, is expected to be completed by the end of calendar 2010. As the economy improves over the next few years, the City will begin to explore various strategies to finance the estimated \$20 million of public improvements included in the TCSP project.

Doheny Village is the original downtown of then Capistrano Beach, one of the three communities that form Dana Point. In June 2010 the City awarded a contract to develop a Doheny Village Plan to serve as a guide to revitalize the area, improve its appearance and encourage a more vibrant business climate. The Doheny Village area requires special attention to reach its economic development potential as well as to improve its physical appearance as a gateway to the City. The area has experienced a decline over the years and has fallen short of its vast potential. The purpose of the planning project is to establish a clear direction for future revitalization of the area, both as an attractive, unique and vibrant neighborhood, and also as a vital link to the City's other communities, visitor-serving facilities, businesses and amenities.

The City continued its active participation to obtain approval from the California Coastal Commission ("CCC") for a major revitalization of the Dana Point harbor. Although the harbor is actually operated and administered by the County of Orange, it serves as a major tourism draw and its operations directly impact the finances and operations of the City. In June, 2010, the CCC finalized approval of the land use portion of the harbor revitalization plan which is aimed at the commercial core of the harbor, including a complete renovation of public facilities, structures and parking. Although this \$120 - \$150 million project will span several years or longer, it is expected that construction activity could commence in as soon as a year or two.

During fiscal 2009 the City worked with local hoteliers to form a Tourism Business Improvement District ("TBID"), ultimately gaining City Council approval with an effective formation date of May 1, 2009. The TBID membership consists of all hotels in the City with more than 190 rooms (there are four such hotels in the City), with the general managers of each hotel serving as advisory members. On January 1, 2010, TBID member hotels began collecting a fee of \$3 per rented room night, the proceeds of which are being used to collectively promote and market Dana Point as an overnight destination. It is estimated that the TBID fee will raise between \$750,000 and \$1 million per year. In March 2010, a contract was awarded to a marketing consultant to assist in the development and launch of a "Dana Point" marketing plan. Such brand development actions are increasingly important in order for the City's hotels to maintain (or increase) market share as new competing properties open along the Southern California coast. A vibrant hotel community is critical to create a thriving environment for the other tourism-related businesses in the City.

In January 2011 the developer of the Headlands community donated a substantial number of public improvements to the City. These assets, valued at over \$45 million, consisted of 38 acres of developed parkland, streets, sidewalks, stairs, natural open space and connecting greenbelts,

as well as a beach restroom, funicular and a nature interpretive center building. In all, this represented a 45% increase in public park acreage in the City and is the newest jewel in the City's highly regarded park system. Upon donation of the nature interpretive center building, the City was successful in obtaining a federal energy grant to install a solar electric system on the facility, and also used this grant to install a solar power system on the City's Community Center.

Work was undertaken on several infrastructure improvements during fiscal 2010. The City spent \$4.1 million on a residential roadway resurfacing program, \$520,000 on arterial roadway resurfacing and slurry seal activities, \$567,000 on final completion of the PCH/Del Prado congestion relief project (including the PCH pedestrian bridge) and \$94,000 for street tree planting. There were also a number of smaller projects undertaken in fiscal 2010 to install, upgrade or repair various street, sidewalk, storm drain and park facilities.

A number of other initiatives were undertaken in fiscal 2010:

- In connection with the donation of a funicular (i.e. inclined elevator) from the Headlands developer, the City took action to provide funding for free rides to the public.
- In September 2009, the City hired an independent firm to conduct a survey of 400 randomly selected residents regarding satisfaction with the quality of services provided to the community. The report showed that 88% of residents are "quite satisfied", and 96% rated the quality of life in Dana Point as either excellent (66%) or good (30%). The full report is available on the City's web site.
- In the fall of 2009 the City utilized federal grant funds to partner with a marketing firm to create a community outreach program to reduce the incidence of thefts from vehicles. This ongoing program, entitled "Hide It, Lock It, or Lose It", is utilizing web-based technology, community presentations, print, direct mail, and television-based public service announcements to raise public awareness of the importance of not leaving personal items in plain sight and securing their vehicles at all times when left unattended.
- In August 2009, the city conducted its second annual Emergency Expo at Dana Hills High School, to educate and inform the public regarding emergency preparedness and response. The Expo included displays and participation from various agencies that provide services in the City, as well as the U.S. Coast Guard.
- In May 2010 the City went out to bid for an electronic records management system to improve public access to data, enhance disaster recovery capabilities, improve efficiency and provide cost savings. The new system is expected to be fully implemented in fiscal 2011.
- In December 2009, as part of its ongoing efforts to reduce the volume of material deposited in landfills, the City partnered with several neighboring cities to launch a voluntary pilot program to assist participating food establishments in collecting and transporting food waste to a composting facility. This has the combined benefit of reducing the load on landfills and providing a financial incentive (cost savings) to area businesses.

## **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, 2009. 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 nineteen consecutive years (fiscal years 1989 through 2009). 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 also like to thank the City Manager, Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Andrew Glass  
Accounting & Data Processing Manager

Michael Killebrew  
Assistant City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dana Point  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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



A handwritten signature in black ink, appearing to be "J. R. Emer".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director

# OFFICIALS OF THE CITY OF DANA POINT\*

## Members of the City Council

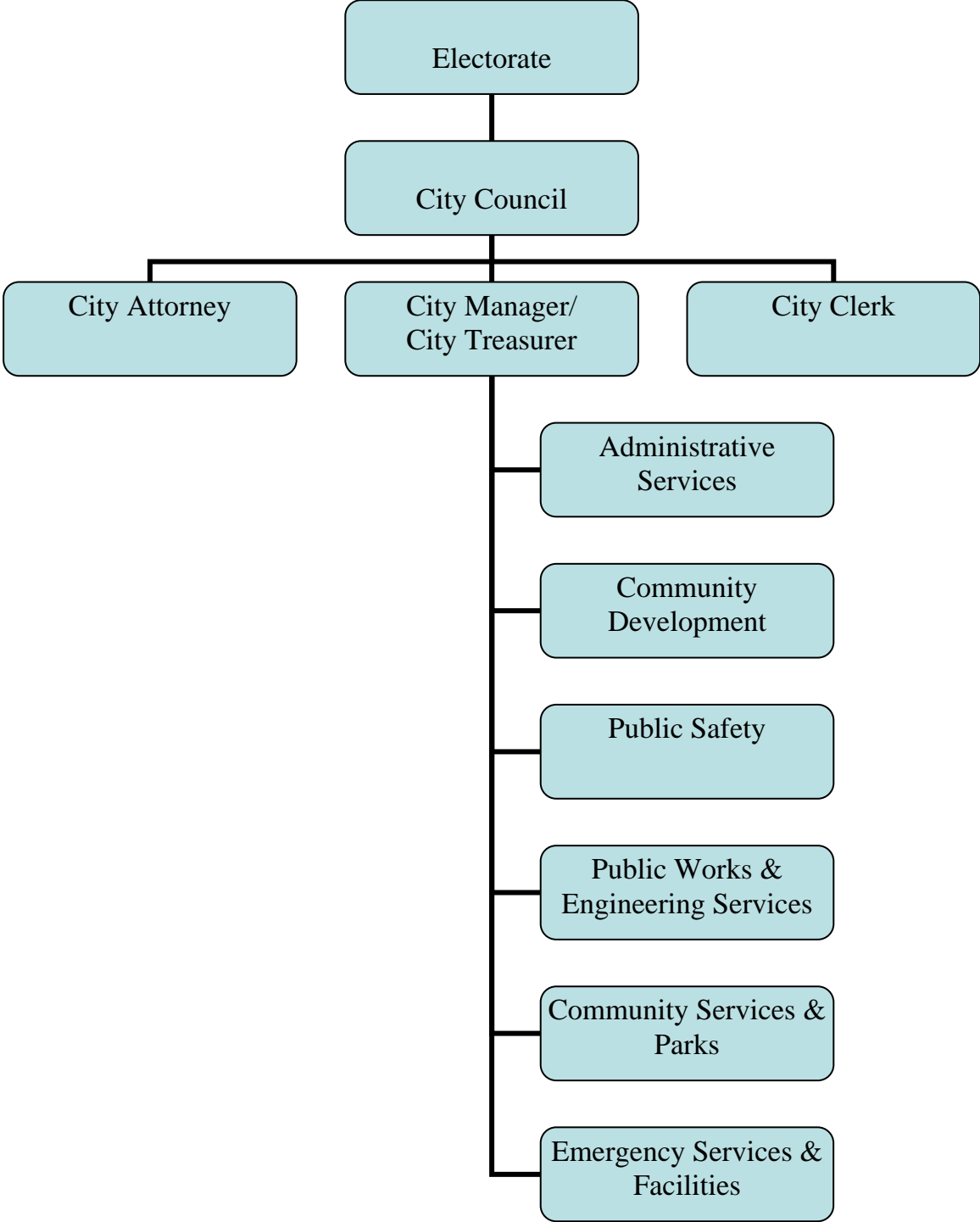
Steven Weinberg, Mayor  
Scott Schoeffel, Mayor Pro Tem  
Lara Anderson, Council Member  
Joel Bishop, Council Member  
Lisa Bartlett, Council Member

## Administrative Staff

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

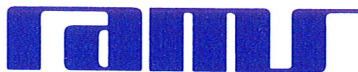
\* Reflects office holders and positions as of the issue date of this report.

CITY OF DANA POINT  
ORGANIZATIONAL CHART





## **FINANCIAL SECTION**



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT B. MEMORY, C.P.A. (1945-2009)

OF COUNSEL  
JAY H. ZERCHER, C.P.A.

PHILLIP H. WALLER, C.P.A.  
BRENDA L. ODLE, C.P.A.  
TERRY P. SHEA, C.P.A.  
KIRK A. FRANKS, C.P.A.  
MATTHEW B. WILSON, C.P.A.  
SCOTT W. MANNO, C.P.A.  
LEENA SHANBHAG, C.P.A.

NANCY O'RAFFERTY, C.P.A.  
BRADFERD A. WELEBIR, C.P.A.  
JENNY LIU, C.P.A.  
KATIE L. MILLSOM, C.P.A.  
JONATHAN R. KUHN, C.P.A.  
PAPA MATAR THIAW, C.P.A.  
KATHERINE J. MUIR, C.P.A.  
MAYA S. IVANOVA, C.P.A.  
CHRISTOPHER MONTOYA, C.P.A.  
DANIELLE E. ODGERS, C.P.A.

The Honorable City Council  
City of Dana Point, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dana Point, California (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MEMBERS

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

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

*Rogers, Anderson, Malody & Scott, LLP*

November 2, 2010

## 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, 2010. 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 2010 FINANCIAL HIGHLIGHTS

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

- The City's total net assets were \$211.7 million at June 30, 2010, which was an increase of \$40.5 million from the prior year. Of this amount, \$174.9 million is invested in capital assets, \$2.9 million is restricted for various purposes and \$33.9 million is unrestricted.
- City-wide governmental revenues include program revenues of \$51.8 million and general revenues of \$21.9 million, for a total of \$73.7 million.
- Total City-wide governmental expenses were \$33.2 million.

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

- At the close of fiscal 2010, the City's Governmental Funds reported combined ending fund balances of \$36.3 million, a decrease of \$7.0 million from fiscal 2009. Of this amount, \$1.2 million is reserved, and \$35.1 million is unreserved.
- General Fund revenues totaled \$24.1 million, a decrease of \$3.4 million from fiscal 2009. Approximately \$1.4 million of this decrease represented reduced transient occupancy taxes, \$949,000 was from a decrease in property tax receipts (due to State borrowing), \$893,000 was from a drop in earnings on the City's investment portfolio, and \$90,000 was from a decrease in sales taxes.

- Capital Improvement Projects Fund revenues increased by \$165,000 to \$941,000. This increase is attributable to receipt of \$549,000 from the State of California's Proposition 1B program, as partially offset by a \$384,000 reduction in co-funding from various County of Orange and federal government road programs.
- All Other Governmental Funds revenues decreased by \$7.6 million to \$2.1 million. This decrease is almost entirely attributable to the CFD 2006-1 Facilities Acquisition Fund, which received proceeds from a Headlands debt issuance in fiscal 2009, which was non-recurrent in fiscal 2010.
- General Fund expenditures totaled \$27.4 million, an increase of \$127,000 from fiscal 2009. There were a number of largely offsetting items contributing to this small net increase. Among the expenditure increases were \$585,000 for retirement benefit contributions, which included the early payoff of a portion of the City's future retirement contribution obligation; this early payoff will reduce future years retirement costs. There was a \$430,000 increase in the cost of police services (police services are provided through a contract with the County of Orange). Outlays for legal expenses increased by \$581,000 as a result of a combination of litigation and non-litigation matters. Park maintenance expenditures, including utilities, increased by \$247,000 due to the combination of a substantial number of new park facilities being added to the City's infrastructure (from the Headland's development) plus a substantial increase in water utility rates.

The aforementioned areas of expenditure increases were almost totally offset by decreases in other areas. Storm drain maintenance outlays fell by \$737,000, due to non-recurrent costs from fiscal 2009 for an epidemiological study, storm drain filter installations and grease-trap interceptor rebates for local restaurants. Equipment outlays fell by \$605,000 due to non-recurrent costs for the installation (in fiscal 2009) of a citywide wireless camera system and the rehabilitation of a portion of the City Hall facility. In addition, the City's annual technology upgrades were rescheduled from fiscal 2010 to fiscal 2011. The City eliminated substantially all reviews of engineering plans by outside vendors by substituting in-house Staff for this process, which reduced fiscal 2010 professional services expenditures by \$138,000. Lastly, the City modified its tree trimming scheduling in fiscal 2010, reducing outlays by \$102,000.

- Capital Improvements Fund expenditures decreased by \$7.6 million from fiscal 2009 to \$5.9 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. Fiscal 2009 expenditures were a record high for the City at \$13.9 million. This was well above the \$5.7 million annual average over the past twenty years. The largest single project, representing 70% of fiscal 2010 capital outlays, was the annual residential roadway resurfacing

project, at \$4.1 million. The City also completed street and sidewalk improvement work on Pacific Coast Highway at Del Prado Street at a cost of \$567,000. Lastly, the City began construction on an arterial roadway resurfacing project late in fiscal 2010 (to be completed in early 2011), with outlays totaling \$391,000.

- All Other Governmental Funds expenditures (combined) decreased by \$8.1 million in fiscal 2010. As noted above, this decrease is entirely attributable to non-recurring outlays associated with the formation and debt issuance of the Headlands Community Facilities District. After excluding this item, the net increase for all Other Governmental Fund expenditures was \$36,000.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- (1) **Government-wide financial statements.** These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The following reports comprise the government-wide financial statements:
  - a) *Statement of Net Assets* This report presents information on all the assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening, though it is important to consider other non-financial factors in accurately assessing the overall health of the City; and,
  - b) *Statement of Activities* The information presented in this report shows how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenditures are reported in this statement for some items that will impact cash flows in future fiscal periods.

Both of these government-wide financial statements detail functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as *governmental activities*). The *governmental activities* of the City of Dana Point include general government, public safety, community development, recreation and parks, and public works.

Certain of these activities are funded through user fees and operating grants, while others are funded through general revenues such as sales and use taxes, transient occupancy taxes, property taxes and franchise taxes. The statement of activities assists users in understanding the extent to which programs are self-supporting and which are subsidized through general revenues.

- (2) **Fund financial statements.** These statements show how City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants and other money. There are three kinds of funds, namely:
- a) Governmental funds These statements 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 fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using the *modified accrual method* of accounting, which measures cash and all other financial assets that can readily be converted to cash. The relationship between governmental activities and the governmental funds are reported in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets and in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.
  - b) Proprietary funds When a city charges for the services it provides, the services are generally reported in proprietary funds. The City does not have any financial transactions required to be accounted for using proprietary funds.
  - c) Fiduciary funds These funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

The largest portion of the City's net assets (83%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress). There was a substantial increase in capital assets in fiscal 2010 resulting from the donation of a number of public improvements (streets, parks, funicular, stairs, greenbelt linkages, a restroom and natural open space) by the developer of the Headlands project. These donated assets were valued at \$45.6 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 not available for future spending.

The remaining net assets of the City are concentrated primarily in cash and investments, including \$34.8 million of unrestricted cash and investments and \$167,000 of cash and investments which are restricted due to debt covenants or other legal restrictions on the manner in which they may be expended. The City also carries various receivables from other governmental agencies and the private sector which arise in the normal course of the City's operations.



**Table 1**  
**Net Assets**  
**(in thousands)**

	<b>Governmental Activities</b>		
	<b>2009</b>	<b>2010</b>	<b>% Change</b>
<b>Assets:</b>			
Current and other assets	\$46,197	\$38,803	(16.0%)
Capital assets	128,285	174,898	36.3%
Total assets	<b>174,482</b>	<b>213,701</b>	<b>22.5%</b>
<b>Liabilities:</b>			
Long-term liabilities	428	454	6.1%
Other liabilities	2,858	1,570	(45.1%)
Total liabilities	<b>3,286</b>	<b>2,024</b>	<b>(38.4%)</b>
<b>Net Assets:</b>			
Invested in capital assets	128,285	174,898	36.3%
Restricted	3,257	2,847	(12.6%)
Unrestricted	39,654	33,932	(14.4%)
Total net assets	<b>\$171,196</b>	<b>\$211,677</b>	<b>23.6%</b>

As shown in Table 1, net assets of the City increased by \$40.5 million, or 23.6%, to \$211.7 million, of which \$174.9 million is invested in capital assets such as land, buildings, equipment and infrastructure. Current assets fell by \$7.4 million due to an \$8.0 million decrease in cash and investment balances, and a \$978,000 decrease in prepaid expenditures. These two decreases were partially offset by a \$1.6 million increase in taxes receivable.

New capital outlays in fiscal 2010 totaled \$6.2 million, as there were \$45.6 million of capital assets donated to the City and depreciation for the year totaled \$5.1 million, resulting in a net increase of \$46.7 million in capital assets. The donated capital assets consisted of approximately 38 acres of land in the Headlands area valued at \$15.1 million, improvements to the land (to provide access and create active and passive parks) valued at \$7.4 million, public streets valued at \$4.1 million, storm drain improvements valued at \$6.9 million, a seawall revetment valued at \$2.9 million and various other associated construction valued at \$10.3 million.

As of June 30, 2010, the City had remaining restricted and unrestricted net assets totaling \$36.7 million. Of this amount, \$33.9 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors, or may be designated for other specific purposes that may be identified by the City Council. The remaining \$2.8 million of net assets are restricted by various debt covenants, legal restrictions or other constraints on the manner in which they may be expended.

**Table 2**  
**Changes in Net Assets**  
**(in thousands)**

	<b>Governmental Activities</b>		
	<b>2009</b>	<b>2010</b>	<b>% Change</b>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$2,332	\$2,732	17.2%
Operating grants and capital contributions	9,999	2,424	(75.8%)
Capital grants and contributions	852	46,617	5,371.5%
General Revenues:			
Taxes:			
Property taxes	6,176	6,109	(1.1%)
Franchise taxes	1,294	1,255	(3.0%)
Sales taxes	2,998	2,909	(3.0%)
In-lieu property taxes	4,154	3,719	(10.5%)
Property transfer taxes	224	229	2.2%
Transient occupancy taxes	8,630	7,221	(16.3%)
Motor vehicle in-lieu	126	109	(13.5%)
Miscellaneous	68	53	(22.1%)
Unrestricted investment earnings	1,227	335	(72.7%)
Total revenues	<b>38,080</b>	<b>73,712</b>	<b>93.6%</b>
<b>Expenditures:</b>			
General government	5,093	5,285	3.8%
Public safety	9,193	9,701	5.5%
Community development	2,625	2,831	7.8%
Recreation and parks	4,270	4,528	6.0%
Public works	19,447	10,667	(45.1%)
Unallocated depreciation	192	219	14.1%
Total expenses	<b>40,820</b>	<b>33,231</b>	<b>(18.6%)</b>
Change in net assets	(2,740)	40,481	(1577.4%)
Net assets at beginning of year	173,936	171,196	(1.6%)
Net assets at end of year	<b>\$171,196</b>	<b>\$211,677</b>	<b>23.6%</b>

**Governmental Activities** – The cost of all governmental activities in fiscal 2010 was \$33.2 million. As shown in Table 2, the City recovered \$6.2 million of these costs through program revenues such as user fees, grants and contributions from other governmental organizations, developers and property owners. There was also \$45.6 million of donated assets, which is included with capital grants and contributions. There were \$27.0 million of net expenditures subsidized through general City revenues.

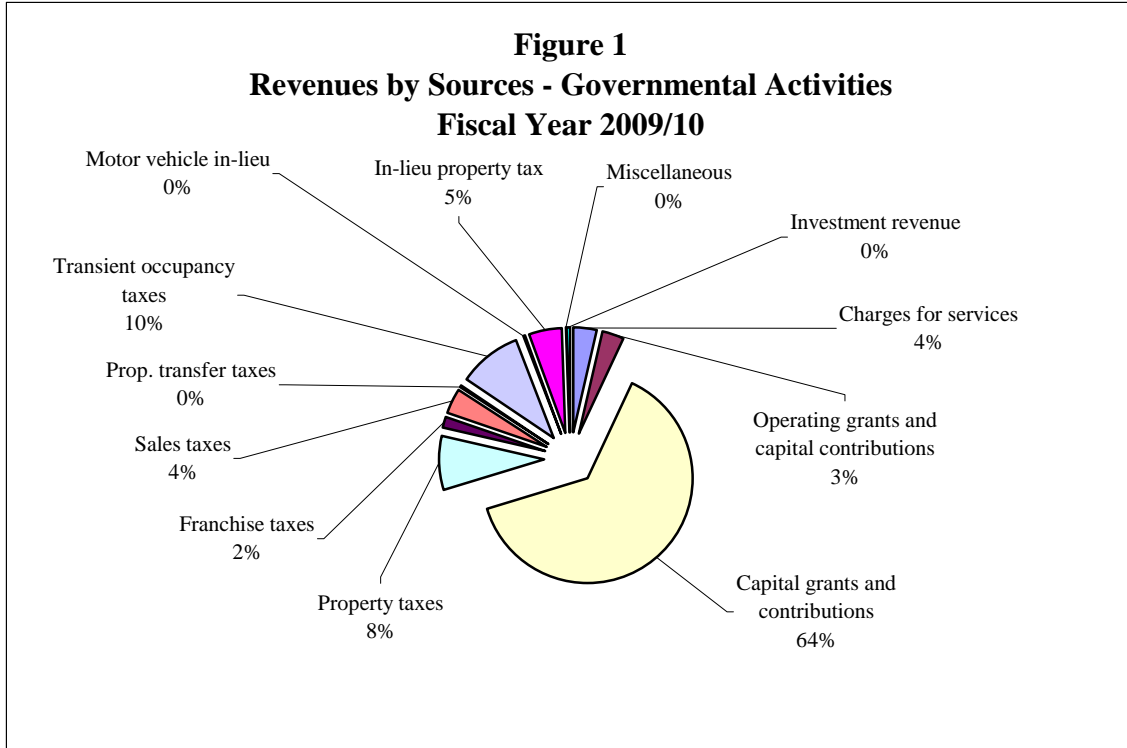


Figure 1, Revenues by Sources – Governmental Activities, depicts the distribution of fiscal 2010 revenues. The fiscal 2010 revenue picture is much different than the prior year because of the \$45.6 million capital contribution of land and improvements from the Headlands project, which was discussed earlier. Accordingly, this analysis discusses revenue changes excluding that one-time event. The City remains highly dependent on tourism in general, and transient occupancy taxes in particular, to fund its operations. This revenue, which represented 30% of recurring governmental revenues in fiscal 2010, fell by \$1.4 million, or 16.3%, and follows a \$2.7 million drop in fiscal 2009. Sales tax revenues also fell in fiscal 2010, dropping by \$89,000, or 3.0%. The City’s investment interest earnings decreased by \$892,000, or 72.7% due to substantially lower investment yields combined with the planned draw down of the investment portfolio to fund capital outlays. For the first time since 1995, the City experienced a drop in assessed property values, resulting in a \$67,000, or 1.1%, decrease in property tax revenues. In-lieu property taxes, which are closely tied to changes in assessed property values, fell by \$435,000, or 10.5%. Operating grants and contributions revenue decreased by \$7.6 million in fiscal 2010 due to the previously noted non-recurring fiscal 2009 revenue associated with the bond issuance by the Headlands Community Facilities District (“CFD”). Charges for services grew by \$400,000, or 17.2% as permits and fees associated with new construction in the Headlands residential development began to come online. When excluding the Headlands project’s \$45.6 million contribution, all other capital grants and contributions were unchanged from fiscal 2009. Overall, the City experienced an increase of \$35.6 million, or 93.6%, in governmental revenues in fiscal 2010. However, after factoring out the non-recurring revenues in fiscal year’s 2009 and 2010 that were associated with the Headlands project capital facilities donation and debt issuances, recurring City revenues decreased by \$3.9 million, or 12.2%, in fiscal 2010.

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

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

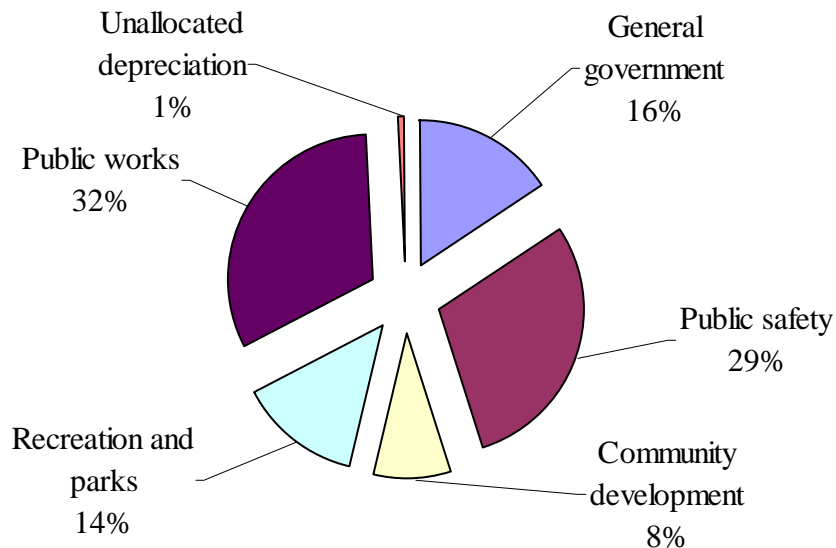
Public Safety is comprised of three departments (Police Services, Volunteers in Police Support, and Emergency and Support Services), which provide law enforcement, disaster and emergency planning services. The City contracts with the Orange County Sheriff’s Department to provide police services in the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

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

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

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

**Figure 2**  
**Expenditures by Function - Governmental Activities**  
**Fiscal Year 2009/10**



As shown in Figure 2, Public Works and Public Safety continue to represent the two largest cost centers of the City, together comprising 61% of total expenditures.

Public Works outlays fell by \$8.8 million, or 45.1%. Of this, \$8.2 million relates to the previously noted non-recurrent fiscal 2009 debt issuance and acquisition costs from the Headlands CFD. Additional fiscal 2010 reductions included \$737,000 in storm drain maintenance (due to non-recurrent costs for an epidemiological study) together with a \$138,000 reduction in consultant service fees for plan reviews. These savings were partially offset by a \$170,000 increase in retirement contributions. As noted earlier, in fiscal 2010 the City elected to retire a portion of its future pension obligation, and thus reduce future benefit costs, by making a one-time lump sum payment into the CalPERS retirement system.

Public Safety expenditures rose by \$508,000, or 5.5%, driven primarily by a \$430,000 increase in the cost of contracted police services and a \$33,000 increase in vehicle acquisition outlays. Increased retirement costs associated with the retirement contribution early payoff increased personnel costs by \$25,000 for in-house public safety category employees.

General Government outlays grew by \$192,000, or 3.8%. The early payoff of a portion of the City's future retirement obligation, noted earlier, increased personnel costs for this

one fiscal year by \$380,000. Legal fees increased by \$581,000. These major increases were partially offset by a non-current fiscal 2009 expenditure of \$270,000 for a citywide camera installation, a \$55,000 decrease in liability insurance premiums, a \$50,000 decrease in vehicle acquisition outlays, a \$43,000 decrease in election costs (there was no election in fiscal 2010), an \$80,000 decrease in data technology outlays, a \$100,000 decrease in facility maintenance outlays and a \$62,000 decrease in outside consultant services.

Community Development expenditures grew by \$206,000, or 7.8%, due to the one-time retirement payoff noted earlier. There were no other significant changes.

Recreation and Parks expenditures grew by \$258,000, or 6.0%. Of this, \$247,000 was attributable to increased outlays for park maintenance and utility costs associated with the new Headlands park facilities added in fiscal 2010. There was also a \$61,000 increase for the retirement payoff, as noted earlier. These increases were partially offset by a \$102,000 decrease in tree trimming outlays.

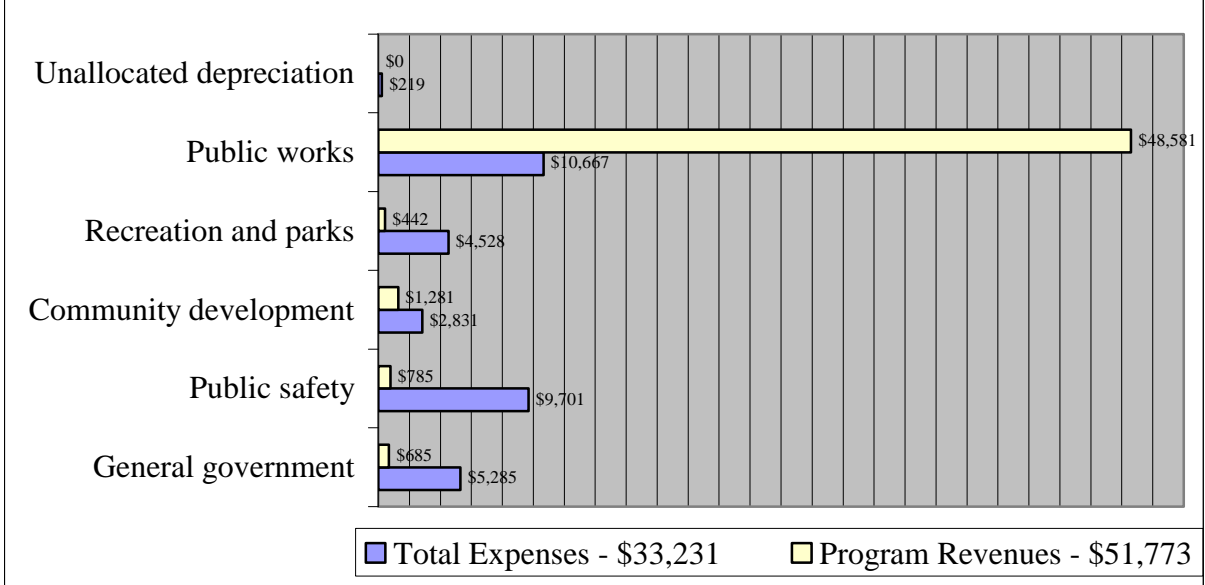
Overall, total fiscal 2010 expenses for governmental activities decreased by \$7.6 million, or 18.6%, to \$33.2 million in fiscal 2010. However, after factoring out the non-recurring fiscal 2009 bond issuance and facility acquisition expenditures associated with the Headlands CFD, and the one-time fiscal 2010 costs associated with the early payoff of future retirement obligations, recurring expenditures actually decreased by \$500,000, or 1.5%.

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

	<u>Total Cost of Services</u>			<u>Net Cost (Revenue) from Services</u>		
	<u>2009</u>	<u>2010</u>	<u>% Change</u>	<u>2009</u>	<u>2010</u>	<u>% Change</u>
General government	\$5,093	\$5,285	3.8%	\$4,798	\$4,600	(4.1%)
Public safety	9,193	9,701	5.5%	8,456	8,916	5.4%
Community development	2,625	2,831	7.8%	1,536	1,550	0.9%
Recreation and parks	4,270	4,528	6.0%	3,814	4,085	7.1%
Public Works	19,447	10,667	(45.1%)	8,841	(37,913)	(528.8%)
Unallocated depreciation	192	219	14.1%	192	219	14.1%
	<u>\$40,820</u>	<u>\$33,231</u>	<u>(18.6%)</u>	<u>\$27,637</u>	<u>(\$18,543)</u>	<u>(167.1%)</u>

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

**Figure 3  
Governmental Activities  
Fiscal Year 2009/10  
(in thousands)**



**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

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

Governmental funds utilize the financial resources measurement focus; the City’s governmental funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the City’s fiscal requirements. In particular, unreserved 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 2010, the City’s governmental funds reported combined fund balances of \$36.3 million, a decrease of \$7 million from the prior year. The General Fund represented \$20.3 million, or 55.9%, of the combined balances, the Capital Improvements Fund represented \$12.6 million, or 34.7%, and the remainder of \$3.4 million, or 9.4%, was in all other funds combined.

**Reserved fund balance** – The City has \$1.2 million of fund balance that is reserved to indicate it is not available to finance new activities because it has already been committed: (1) to fulfill contractual obligations and purchase orders (\$1.2 million); and, (2) as a reserve for various fiscal 2011 expenses that were prepaid in fiscal 2010 (\$62,000).

**Unreserved fund balance** – The remaining \$35.1 million is classified as unreserved fund balance, and is available for spending at the City’s discretion. The City Council has taken actions to designate portions of the unreserved fund balance to be used for specific purposes; however, these restrictions do not legally obligate the City to utilize the funds in the manner designated, and the designations may be modified at any time by a majority vote of the City Council. Note 9 in the Notes to the Financial Statements provides further information concerning designations of fund balance.

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

#### GENERAL FUND

The General Fund generated a \$3.2 million net deficit of expenditures over revenues. Interfund transfers out of the General Fund of \$145,900 and \$25,000 were made to the Facilities Improvement Fund and CFD 2006-1 Maintenance Fund, respectively. The General Fund received transfers in from: (1) the Gasoline Tax fund, totaling \$601,000, which was used to fund street maintenance activities; (2) the Capital Improvement Projects Fund, totaling \$2.0 million, which represented the return of surplus funding from prior years; and (3) the Facilities Improvement Fund, totaling \$250,000, representing unused funds from prior year City Hall renovation projects. As a result of these transactions, the City concluded fiscal 2010 with a net decrease of \$525,000 in General Fund balance.

Following a peak in transient occupancy tax revenues in fiscal 2008 at \$11.3 million, the City experienced a \$2.7 million (23.6%) decline in fiscal 2009, and a further drop of \$1.4 million (16.3%) in fiscal 2010, with fiscal 2010 revenues totaling \$7.2 million. There was a period of 25 consecutive months (through April 2010) wherein transient occupancy taxes decreased when compared to the same month in the prior year. With transient occupancy taxes representing the City’s largest single revenue source, the declines had a major adverse impact on total revenues. Investment interest earnings, which as recently as fiscal 2008 amounted to \$2.2 million have declined significantly as well due to the weak economy and Federal Reserve actions. By fiscal 2010, investment interest earnings had fallen to \$334,000. California has been impacted by the housing market decline to a larger degree than most states. Although the immediate impact on local property tax revenues has been mitigated to some extent by Proposition 13, which placed a 2% annual limit on the growth of assessed value (even though market values had skyrocketed), home values in the City have fallen significantly from their peaks. In



some cases the value dropped below the Proposition 13 floor, and as a result the City experienced a net decline of \$116 million, or 1.3%, in assessed property value in fiscal 2010. This led to a \$67,000 drop in property tax revenues, which was further compounded by the State of California's unilateral action to borrow \$882,000 of City property taxes, which will not be repaid until fiscal 2013 (see Note 11 in the Notes to Financial Statements for further explanation). Aside from the impact of the transient occupancy tax and investment interest revenue declines, most other revenues were stable when compared to fiscal 2009, with small increases in some areas, such as permits and fees for services, offsetting declines in other areas, such as sales taxes and motor vehicle in-lieu taxes.

In response to the declining revenues, efforts were made to reduce General Fund expenditures. Although one action noted previously, the early retirement of future pension fund contribution obligations, resulted in a one-time increase in expenditures in fiscal 2010 of \$585,000, this action will significantly reduce the required annual contributions in future years. In addition, outlays for police services increased by \$430,000. The City contracts with the County of Orange for police services, and as a result service costs are impacted by factors largely beyond the City's control. Public safety remains the City's highest priority, and despite substantial revenue decreases, police services staffing was sustained in fiscal 2010 at the same level as in the prior year. To offset these increases, expenditure reductions were made in almost all other cost centers such that, when factoring out the two increases noted above, all other General Fund expenditures combined were decreased by \$888,000 in fiscal 2010.

#### CAPITAL IMPROVEMENT PROJECTS FUND

The Capital Improvement Projects Fund generated a \$5.0 million net deficit of expenditures over revenues. An interfund transfer out of \$2 million was made to the General Fund. The Capital Improvement Projects Fund received transfers in to fund street improvement activities from: (1) the Gasoline Tax Fund, totaling \$317,000; and (2) the Measure M Fund, totaling \$937,000. As a result of these transactions, the City concluded fiscal 2010 with a net \$5.8 million decrease in the Capital Improvement Projects Fund balance.

Overall revenues in the Capital Improvement Projects Fund were little changed from fiscal 2009, increasing by \$165,000 to \$941,000. A decrease in State funding received for projects in prior years was more than offset by new State funding under Proposition 1B, plus other State, County and local sources.

Following outlays of \$13.5 million in fiscal 2009, construction activity was reduced by \$7.6 million in fiscal 2010, to \$5.9 million. The reduction was largely driven by the completion of two major projects in the prior year together with the need to reassess fiscal 2010 capital expenditure levels in the light of the current economy. As a result, the primary effort for fiscal 2010 was on maintenance of existing infrastructure assets, particularly those that offered the potential for

cooperative funding from other agencies. The major project undertaken in fiscal 2010, residential roadway resurfacing, cost \$4.1 million, and design work for the next phase, to be constructed in fiscal 2011, consumed an additional \$391,000. These two projects represented 75% of fiscal 2010 capital outlays. The remainder was spent on a variety of smaller projects including drainage, park improvement, tree planting, medians, sidewalks and general landscaping. Combined expenditures on these smaller projects totaled \$1.4 million. In total, over the most recent five fiscal years, the City has spent \$45 million on capital improvement projects throughout the City and as of the end of fiscal 2010 had allocated an additional \$12.6 million for ongoing and future projects.

## **Budgetary Highlights**

The City adopts two-year operating and capital budgets, with fiscal 2010 being the first year of the current two-year budget cycle. Due to the uncertainty and estimations involved in projecting certain revenues and expenditures, the City Council routinely amends the budget during the fiscal year. During fiscal 2010, the General Fund revenue budget was decreased by \$3.4 million. The major components of this decrease were:

Transient occupancy taxes – due to the weak economy, the City experienced a significant decrease in tourism, which drives transient occupancy taxes. Accordingly, the budget was decreased by \$1.9 million during the year.

Property taxes – the City was impacted by both a decrease in assessed property values and a borrowing by the State of California (equal to 8% of fiscal 2009 property taxes). Accordingly, the budget was reduced by \$966,000.

In-lieu property taxes – these taxes arose from the past swap by the State of California of a portion of local sales taxes and motor vehicle in-lieu taxes for property taxes. This revenue is now largely based on changes in assessed property value. As noted earlier, assessed property values fell in fiscal 2010, and therefore this revenue budget was reduced by \$245,000.

Sales taxes – the drop in tourism which resulted in declining transient occupancy tax revenue also impacted local sales tax generation as fewer visitors shopped and dined in the City. Accordingly, the sale tax revenue budget was reduced by \$230,000 to reflect this decline.

Actual General Fund revenues for fiscal 2010 were \$366,000, or 1.5%, short of the final budget amount. The major contributors to this unfavorable variance were transient occupancy taxes at \$613,000, property taxes at \$44,000 and franchise fees at \$40,000. These unfavorable variances were partially offset by favorable budget variances in permit fees at \$107,000, charges for services at \$187,000 and property transfer taxes at \$29,000.

During fiscal 2010 the General Fund expenditure budget had a net increase of \$200,000. The major components of this increase were:

Carryover of encumbrances from fiscal 2009 – the City had \$339,000 of outstanding commitments at the end of fiscal 2009 in the form of purchase orders for which funding was re-appropriated in fiscal 2010. This included \$92,000 for vehicle purchases and \$130,000 for various park maintenance activities, with the remainder principally related to various professional services contracts.

Emerging issues and opportunities – in June 2010 the City Council took action to fund \$250,000 for the development of a Doheny Village Specific Plan to serve as a guide to revitalize the area, improve its appearance and encourage a more vibrant business climate. Also, due to an increase in a variety of legal matters, the City Attorney budget was increased by \$175,000. In October 2009, the City Council appropriated \$80,000 to rehabilitate the Harry Otsubo Community Gardens.

Environmental impact report – during fiscal 2010 an application was brought forth to expand a local house of worship. The Planning Department’s professional services budget was increased by \$234,000 to fund this project, which is being fully reimbursed by the applicant.

Mid-year revisions – as the fiscal year progressed and it became evident that revenues were falling well short of expectations, a detailed reassessment of the operating budget was performed, which resulted in the City Council taking action at mid-year to implement a number of budget reductions. Among these reductions was the freezing of vacant positions and eliminating merit increases (\$216,000), reducing street maintenance (\$207,000), deferring implementation of an information technology master plan (\$150,000), reducing park maintenance activities (\$100,000) and taking advantage of low rainfall to reduce the cost of diversion treatment (\$88,000), among other actions. The impact of the mid-year revision was a net General Fund expenditure budget decrease of \$1.0 million.

Actual General Fund expenditures for fiscal 2010 were \$1.5 million, or 5.2%, under the final budgeted amount. Of these unexpended funds, \$344,000 was obligated at June 30, 2010, through encumbrances and was re-appropriated in fiscal 2011. The Doheny Village Specific Plan budget addition of \$250,000 noted earlier occurred late in fiscal 2010 and none was spent. As it became evident that there was significant deterioration in the City’s revenue stream, additional steps were taken to reduce and/or defer expenditures across the board. Through these actions, professional services budget savings amounted to \$800,000, office and operating supplies savings were \$140,000, computer replacement savings were \$50,000, and storm drain maintenance savings were \$240,000. Additional budget savings were achieved in training, operating supplies, equipment maintenance, and virtually every other expenditure line item in the budget. These savings were partially offset by a higher than budgeted \$394,000 in legal expenses.

## 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 2010 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 4:

**Table 4**  
**Capital Assets**  
**(in thousands)**

	<b>Governmental Activities</b>		
	<b>2009</b>	<b>2010</b>	<b>% Change</b>
Land	\$41,809	\$56,929	36.2%
Construction in progress	17,511	17,784	1.6%
Buildings and improvements	8,353	9,514	13.9%
Equipment	1,737	1,794	3.3%
Infrastructure	123,353	158,391	28.4%
Less: Accumulated depreciation	(64,478)	(69,515)	7.8%
Governmental activity capital assets, net	<b>\$128,285</b>	<b>\$174,897</b>	<b>36.3%</b>

Major capital asset transactions during the year included the following:

- Land increased by \$15.1 million, which consisted of approximately 38 acres of parks, open space and beltway linkages associated with the Headlands development.
- Construction in progress increased by a net of \$273,000, which consisted of \$5.9 million of new project expenditures, net of \$5.6 million of projects completed during the year and transferred into infrastructure.
- Infrastructure construction projects completed during fiscal 2010 consisted of \$4 million for park and open space improvements, \$1.5 million for street and traffic safety improvements, \$94,000 for street tree replacement and \$57,000 for a pump station replacement.
- Additions to buildings totaled \$1.2 million and consisted of \$1 million of donated structures from the Headlands project (funicular station, nature interpretive center and South Strand Beach restroom) together with \$200,000 of City improvements to the nature interpretive center building, including the installation of a solar power system.

- New equipment additions totaled \$114,000, and dispositions of surplus and obsolete equipment totaled \$57,000.

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 2010, the City had total outstanding long-term debt of \$454,000, consisting entirely of compensated time-off obligations due to employees.

As of June 30, 2010, the City’s long-term debt was as shown in Table 5:

**Table 5**  
**Long-term Debt**  
**(in thousands)**

	<b>Governmental Activities</b>		
	<b>2009</b>	<b>2010</b>	<b>% Change</b>
Other debt:			
Compensated absences	\$428	\$454	6.1%
<b>Total long-term debt</b>	<b>\$428</b>	<b>\$454</b>	<b>6.1%</b>

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

**Contacting the City’s Financial Management**

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

# BASIC FINANCIAL STATEMENTS

CITY OF DANA POINT  
Statement of Net Assets  
June 30, 2010

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$34,778,049
Taxes receivable	1,791,172
Accounts receivable	749,728
Interest receivable	84,259
Intergovernmental receivables	1,170,821
Prepays	61,930
Restricted cash and investments	167,048
Capital assets, not depreciated	74,713,168
Capital assets, net of depreciation	100,184,537
Total assets	213,700,712
<b>LIABILITIES</b>	
Accounts payable	1,563,818
Accrued liabilities	6,425
Noncurrent liabilities:	
Due within one year	152,186
Due in more than one year	301,627
Total liabilities	2,024,056
<b>NET ASSETS</b>	
Invested in capital assets	174,897,705
Restricted for:	
Public safety	113,999
Community development	1,439,090
Recreation and parks	542,650
Public works	584,280
Development of Art in Public Places	167,048
Unrestricted	33,931,884
Total net assets	\$211,676,656

The notes to the financial statements are an integral part of this statement.

CITY OF DANA POINT  
Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue	
Primary Government:					
Governmental activities:					
General government	\$5,284,770	\$630,723	\$54,449	(\$4,599,598)	
Public safety	9,700,454	304,697	479,873	(8,915,884)	
Community development	2,831,086	1,265,424	15,100	(1,550,562)	
Recreation and parks	4,527,513	271,210	\$171,026	(4,085,277)	
Public works	10,667,405	259,656	1,874,940	37,913,477	
Unallocated depreciation	219,466			(219,466)	
Total governmental activities	\$33,230,694	\$2,731,710	\$2,424,362	\$46,617,312	18,542,690
General revenues:					
Taxes:					
Property taxes				6,108,859	
Franchise taxes				1,254,944	
Sales taxes				2,908,858	
In-lieu property taxes				3,718,803	
Property transfer taxes				229,244	
Transient occupancy taxes				7,221,119	
Motor vehicle in-lieu (unrestricted)				108,942	
Miscellaneous				52,542	
Unrestricted investment earnings				334,480	
Total general revenues				21,937,791	
Change in net assets				40,480,481	
Total net assets, beginning				171,196,175	
Total net assets, ending				\$211,676,656	

The notes to the financial statements are an integral part of this statement.



CITY OF DANA POINT  
Governmental Funds  
Balance Sheet  
June 30, 2010

	General	Capital Improvements	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>				
Cash and investments	\$19,464,541	\$12,084,326	\$3,229,182	\$34,778,049
Receivables:				
Taxes	1,609,120		182,052	1,791,172
Accounts	749,728			749,728
Interest	84,259			84,259
Intergovernmental	490,242	635,566	45,013	1,170,821
Prepaid expenditures	61,930			61,930
Restricted assets:				
Cash and investments	167,048			167,048
Total assets	<u>\$22,626,868</u>	<u>\$12,719,892</u>	<u>\$3,456,247</u>	<u>\$38,803,007</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$1,407,246	\$115,218	\$41,354	\$1,563,818
Accrued liabilities	6,425			6,425
Deferred revenue	882,458			882,458
Total liabilities	<u>2,296,129</u>	<u>115,218</u>	<u>41,354</u>	<u>2,452,701</u>
Fund Balances:				
Reserved for:				
Encumbrances	344,279	736,257	91,022	1,171,558
Prepaid expenditures	61,930			61,930
Unreserved, reported in:				
General Fund	19,924,530			19,924,530
Special Revenue Funds			2,062,466	2,062,466
Capital Projects Funds		11,868,417	1,261,405	13,129,822
Total fund balances	<u>20,330,739</u>	<u>12,604,674</u>	<u>3,414,893</u>	<u>36,350,306</u>
Total liabilities and fund balances	<u>\$22,626,868</u>	<u>\$12,719,892</u>	<u>\$3,456,247</u>	<u>\$38,803,007</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DANA POINT  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2010

Fund balances of governmental funds	\$36,350,306
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	174,897,705
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	(453,813)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period.	882,458
Net assets of governmental activities	<u>\$211,676,656</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DANA POINT  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2010

	General	Capital Improvements	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>				
Taxes	\$19,304,425		\$966,653	\$20,271,078
Licenses, fees and permits	1,933,941		49,600	1,983,541
Fines and forfeitures	334,598			334,598
Intergovernmental	449,181	\$892,850	513,750	1,855,781
Charges for services	1,582,222	8,822	59,975	1,651,019
Use of money and property	470,373		49,693	520,066
Contributions from property owners			485,772	485,772
Other	66,622	39,606		106,228
Total revenues	<u>24,141,362</u>	<u>941,278</u>	<u>2,125,443</u>	<u>27,208,083</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,221,401		1,156	5,222,557
Public safety	9,472,679		144,725	9,617,404
Community development	2,804,337			2,804,337
Recreation and parks	4,442,720			4,442,720
Public works	5,328,545	12,498	56,637	5,397,680
Capital outlays	113,659	5,932,912	665,497	6,712,068
Total expenditures	<u>27,383,341</u>	<u>5,945,410</u>	<u>868,015</u>	<u>34,196,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,241,979)</u>	<u>(5,004,132)</u>	<u>1,257,428</u>	<u>(6,988,683)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,887,499	1,254,440	170,900	4,312,839
Transfers out	(170,900)	(2,036,555)	(2,105,384)	(4,312,839)
Total other financing sources (uses)	<u>2,716,599</u>	<u>(782,115)</u>	<u>(1,934,484)</u>	<u>-</u>
Net change in fund balances	(525,380)	(5,786,247)	(677,056)	(6,988,683)
Fund balances, beginning	20,856,119	18,390,921	4,091,949	43,338,989
Fund balances, ending	<u>\$20,330,739</u>	<u>\$12,604,674</u>	<u>\$3,414,893</u>	<u>\$36,350,306</u>

The notes to the financial statements are an integral part of this statement.

CITY OF DANA POINT  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds	(\$6,988,683)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,108,997
Losses on the disposal of capital assets do not require the use of current financial resources and are not reported in the governmental funds.	(116,735)
Governmental funds do not report donated capital assets as revenues. However, in the Statement of Activities donated assets are reported as program revenues and are classified as Capital Grants and Contributions.	45,620,634
The net change in compensated absences must be reported as an expense in the Statement of Activities.	(26,190)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period.	882,458
Change in net assets of governmental activities	\$40,480,481

The notes to the financial statements are an integral part of this statement.

CITY OF DANA POINT  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$23,338,000	\$19,941,856	\$19,304,425	(\$637,431)
Licenses, fees and permits	1,845,100	1,856,595	1,933,941	77,346
Fines and forfeitures	473,000	335,000	334,598	(402)
Intergovernmental	260,000	448,808	449,181	373
Charges for services	1,097,500	1,395,270	1,582,222	186,952
Use of money and property	841,000	446,000	470,373	24,373
Other	94,000	84,000	66,622	(17,378)
<b>Total revenues</b>	<u>27,948,600</u>	<u>24,507,529</u>	<u>24,141,362</u>	<u>(366,167)</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,549,937	5,478,786	5,221,401	257,385
Public safety	9,580,250	9,482,682	9,472,679	10,003
Community development	2,996,738	3,405,860	2,804,337	601,523
Recreation and parks	4,504,061	4,601,104	4,442,720	158,384
Public works	6,048,220	5,777,559	5,328,545	449,014
Capital outlays		138,878	113,659	25,219
<b>Total expenditures</b>	<u>28,679,206</u>	<u>28,884,869</u>	<u>27,383,341</u>	<u>1,501,528</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(730,606)</u>	<u>(4,377,340)</u>	<u>(3,241,979)</u>	<u>1,135,361</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	659,000	2,999,555	2,887,499	(112,056)
Transfers out		(170,900)	(170,900)	-
<b>Total other financing sources (uses)</b>	<u>659,000</u>	<u>2,828,655</u>	<u>2,716,599</u>	<u>(112,056)</u>
Net change in fund balance	(71,606)	(1,548,685)	(525,380)	1,023,305
Fund balance, beginning	20,856,119	20,856,119	20,856,119	-
<b>Fund balance, ending</b>	<u><u>\$20,784,513</u></u>	<u><u>\$19,307,434</u></u>	<u><u>\$20,330,739</u></u>	<u><u>\$1,023,305</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF DANA POINT  
Agency Funds  
Statement of Fiduciary Assets and Liabilities  
June 30, 2010

ASSETS

Cash and investments	<u>\$2,899,847</u>
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Total assets	<u><u>\$2,899,847</u></u>
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LIABILITIES

Deposits	\$1,290,711
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Due to bondholders	1,226,124
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Due to other agencies	<u>383,012</u>
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Total liabilities	<u><u>\$2,899,847</u></u>
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The notes to the financial statements are an integral part of this statement.

## **1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

### **A) Description of the Reporting Entity**

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

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

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

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

### **B) Basis of Presentation**

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

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

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

The City reports the following major governmental funds:

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

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



Additionally, the City reports the following fund types:

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as they are needed.

**D) Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,108,997 difference are as follows:

Capital Outlays	\$ 6,202,938
Depreciation Expense	<u>(5,093,941)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ 1,108,997</u>

**E) Budgetary Policy and Control**

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

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. For management purposes, the City monitors activity at the function and activity level, within each individual fund. Formal budgetary integration is employed as a management control device during the year for the Governmental Type Funds. Budgets for the Governmental Type Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council. During the 2009-10 fiscal year, the City Council made several budgetary amendments, including a \$71,151 decrease in the General Government budget, a \$19,840 increase in the Public Safety budget, a \$409,122 increase in the Community Development budget, a \$97,043 increase in the Recreation and Parks budget, a \$245,661 decrease in the Public Works budget, and an \$11,079,353 increase in the Capital Outlays budget.

For the year ended June 30, 2010, actual expenditures exceeded appropriations in the Supplemental Law Enforcement Services Fund by \$27,317. These expenditures related to police equipment originally anticipated to be acquired in fiscal 2009, but were delayed due to circumstances beyond the City's control. The fiscal 2010 expenditure was funded from available fund balances accumulated in prior fiscal years. Expenditures exceeded appropriations by \$545,661 in the Headlands CFD 2006-1 Acquisition Fund. This was a result of unanticipated prepayments of special facilities taxes by two property owners. Under the terms of the associated debt agreement, the City was required to distribute these prepaid taxes to the developer of the Headlands project. As such, there were offsetting revenues in fiscal 2010 for this unanticipated expenditure.

**F) Cash and Investments**

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

The City has implemented Governmental Accounting Standards Board ("GASB") Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As

a governmental entity other than an external investment pool in accordance with GASB Statement No. 31, the City's investments are stated at fair value.

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

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
  - a) Items required to be reported at amortized cost,
  - b) Items subject to involuntary participation in an external pool, and
  - c) Items associated with a fund other than the fund to which the income is assigned;
- 3) Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balance exceeds the cumulative value of those investments subject to GASB Statement No. 31; and,
- 4) The gain/loss resulting from valuation will be reported within the revenue account "Unrestricted investment earnings" on the Statement of Activities.

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

#### **G) 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.

#### **H) Interfund Payables/Receivables**

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

**I) 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.

**J) Restricted Assets**

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

**K) 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

**L) 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.

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$34,778,049
Restricted cash and investments	167,048
Fiduciary funds:	
Cash and investments	2,899,847
Total cash and investments	<u><u>\$37,844,944</u></u>

Cash and investments as of June 30, 2010, consist of the following:

Cash on hand (petty cash)	\$4,200
Deposits with financial institutions	76,901
Investments	37,763,843
Total cash and investments	<u><u>\$37,844,944</u></u>

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

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

Notes to Financial Statements

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

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, 2010, the City had the following investments. Except for the investment in money market funds, all investments are in the City's internal investment pool:

<u>Investment Type</u>	<u>Total Investment</u>	<u>Remaining Maturity (in months)</u>		
		<u>Less Than 6 Months</u>	<u>6 to 12 Months</u>	<u>13 to 24 Months</u>
U.S. Treasury Notes	\$22,138,000	\$3,516,000	\$8,534,000	\$10,088,000
State pool (LAIF)	14,403,780	14,403,780		
U.S. Treasury Money Market Fund	1,222,063	1,222,063		
<b>Total</b>	<b>\$37,763,843</b>	<b>\$19,141,843</b>	<b>\$8,534,000</b>	<b>\$10,088,000</b>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2010, the City did not have any investments considered to be highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's Investment Policy, or debt agreements, and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Unrated
U.S. Treasury notes	\$22,138,000	N/A	\$22,138,000	
State pool (LAIF)	14,403,780	N/A		\$14,403,780
U.S. Treasury Money Market Fund	1,222,063	N/A		1,222,063
Total	\$37,763,843		\$22,138,000	\$15,625,843

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of June 30, 2010, the City did not have any concentrations of credit risk requiring disclosure under GASB Statement No. 40.

Custodial Credit Risk

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

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

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

Investment in State Investment Pool

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

**3. INTERFUND ACTIVITY**

Interfund transfers for the year ended June 30, 2010, are as follows:

		TRANSFERS IN				Total
		General Fund	Capital Imprvmnt	Headlands CFD Maint	Facilities Imprvmnt	
TRANSFERS  OUT	General Fund			\$25,000	\$145,900	\$170,900
	Cap Impv Fund	\$2,036,555				2,036,555
	Non-major Funds	850,944	\$1,254,440			2,105,384
	Total	<u>\$2,887,499</u>	<u>\$1,254,440</u>	<u>\$25,000</u>	<u>\$145,900</u>	<u>\$4,312,839</u>



The City has established certain funds to account for revenues which are subject to statutory requirements requiring that the revenues not be commingled with other revenue sources. In cases where the associated expenditure of these revenues occurs in other funds, the City utilizes interfund transfers to move the monies from the fund in which the revenues are received into the fund in which the associated expenditures occur. Interfund transfers are also used to move unrestricted monies from the General Fund into other funds, as needed, to provide matching funds or supplemental funds for operating and/or capital expenditures. In the year ended June 30, 2010, the City made the following interfund transfers:

1. A transfer of \$25,000 from the General Fund to the Headlands CFD Maintenance Fund representing the City's share of funicular operating expenses.
2. A transfer of \$145,900 from the General Fund to the Facilities Improvement Fund representing the proceeds of a federal energy efficiency grant utilized for the installation of solar panels at the Nature Interpretive Center located at the Headlands.
3. A transfer of \$2,036,555 from the Capital Improvement Projects Fund to the General Fund, representing surplus funds from projects completed in the current and prior fiscal years, together with funds representing the elimination of the Capital Improvement Projects Fund reserve for open space acquisition.
4. A transfer of \$600,944 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 \$250,000 from the Facilities Improvement Fund to the General Fund, representing a return of excess funds associated with the improvements to the City Hall facility.
6. A transfer of \$317,199 from the Gasoline Tax Fund to the Capital Improvement Projects Fund representing Proposition 42 revenues, which are restricted for use in street improvement projects. Such improvement project expenditures are accounted for in the Capital Improvement Projects Fund.
7. A transfer of \$937,241 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.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance, 6/30/2009	Increases	Decreases	Balance, 6/30/2010
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$41,808,865	\$15,120,000		\$56,928,865
Construction in Progress	17,511,142	5,945,410	\$5,672,249	17,784,303
Total Capital Assets, not being depreciated	<u>59,320,007</u>	<u>21,065,410</u>	<u>5,672,249</u>	<u>74,713,168</u>
Capital Assets, being depreciated:				
Buildings	8,352,661	1,161,632		9,514,293
Equipment	1,737,232	113,659	56,983	1,793,908
Infrastructure	123,352,836	35,038,385		158,391,221
Total Capital Assets, being depreciated	<u>133,442,729</u>	<u>36,313,676</u>	<u>56,983</u>	<u>169,699,422</u>
Less accumulated depreciation:				
Buildings	2,206,586	286,427		2,493,013
Equipment	799,118	191,305	56,983	933,440
Infrastructure	61,472,223	4,616,209		66,088,432
Total accumulated depreciation	<u>64,477,927</u>	<u>5,093,941</u>	<u>56,983</u>	<u>69,514,885</u>
Total Capital Assets, being depreciated, net	<u>68,964,802</u>	<u>31,219,735</u>	<u>0</u>	<u>100,184,537</u>
Governmental Activities Capital Assets, net	<u>\$128,284,809</u>	<u>\$52,285,145</u>	<u>\$5,672,249</u>	<u>\$174,897,705</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 36,023
Public safety	83,050
Community development	26,749
Recreation and parks	84,793
Public works	4,643,860
Unallocated depreciation	<u>219,466</u>
Total depreciation expense - governmental activities	<u>\$ 5,093,941</u>

Construction commitments

The City has active construction projects as of June 30, 2010. The projects include street construction, street resurfacing, landscaping, storm drain construction and curb, sidewalk, median, gutter construction,

building rehabilitation and park improvements. At year end, the City had outstanding commitments to firms performing the construction work which totaled \$776,991.

**5. OPERATING LEASE REVENUE**

The City is the lessor under several leases for office space in its City Hall facility, which was purchased by the City on June 11, 1996. These leases are considered for accounting purposes to be operating leases. Lease revenues for the year ended June 30, 2010, amounted to \$78,416. Future minimum lease revenues based on the terms of the existing leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$45,080
2012	22,162
Total	<u><u>\$67,242</u></u>

**6. LONG-TERM DEBT**

The following is a summary of the long-term liability activity for the year ended June 30, 2010:

	<u>Balance, 6/30/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, 6/30/2010</u>	<u>Due Within One Year</u>
Compensated Absences	\$427,623	\$178,376	(\$152,186)	\$453,813	\$152,186
Total	<u><u>\$427,623</u></u>	<u><u>\$178,376</u></u>	<u><u>(\$152,186)</u></u>	<u><u>\$453,813</u></u>	<u><u>\$152,186</u></u>

Compensated Absences

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

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

## 7. PENSION PLAN

### Plan Description

The City of Dana Point contracts with the California Public Employee's Retirement System ("CalPERS"), a cost-sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from the executive office located at 400 P Street, Sacramento, CA 95814.

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code, allowed CalPERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the City was required to participate in a risk pool of other agencies with less than 100 employees. The valuation report as of June 30, 2006, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate, and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2006. The City participates in the 2% @ 55 pool.

### Funding Policy

Employees are required to contribute 7% of their annual covered salary. Beginning September 1, 1999, the City has paid both the employee and employer contributions for all employees. The City is required to contribute at an actuarially determined rate; the current rate is 9.073% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City's contributions to CalPERS for the years ended June 30, 2008, 2009 and 2010, were \$537,036, \$585,321 and \$1,165,811, respectively, equal to the required contributions for each year. Included in the 2010 amount is \$860,298 which represents the early payoff of a portion of the City's future retirement contribution obligation. This action had the effect of reducing the City's 2010 required contribution rate by 2.663%, to 9.073%.

### **THREE YEAR TREND INFORMATION FOR CalPERS**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$537,036	100%	\$0
6/30/2009	\$585,321	100%	\$0
6/30/2010	\$1,165,811	100%	\$0

## 8. JOINT VENTURES

### South Orange County Animal Services Authority

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

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

### Orange County Fire Authority

In January 1995 the City of Dana Point entered into a joint powers agreement with several other Orange County cities and the County of Orange to create the Orange County Fire Authority. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered "cash contract Cities" and make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2010. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

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

### Orange County 800 Megahertz Communications System

In May 1995, the City of Dana Point entered into a joint powers agreement with thirty other Cities and the County of Orange to create the Orange County 800 MHz CCCS Authority. The purpose of the Authority is to provide an 800 megahertz coordinated law enforcement/public works/fire radio communication system (the 800 MHz CCCS). The Authority's governing board consists of one representative from each City, two from the County, the elected Sheriff and one other representative selected by the County Board of Supervisors. Each member is responsible for its percentage interest

contribution of the Authority's annual budget. The percentage interest contribution is calculated based upon each member's equipment purchase divided by the total equipment purchases. The City of Dana Point's percentage contribution is 0.835%. Upon dissolution, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by the member during its membership. The City of Dana Point's precise share of the Authority's assets, liabilities, equities and changes therein as well as summarized audited information of the Authority for the period ended June 30, 2010, were not available at the time of this report.

## 9. FUND BALANCES

Reservations and designations of fund balances on financial statements are created to: (1) satisfy legal covenants that require that a portion of the fund balance be segregated; (2) identify the portion of the fund balance that is not appropriable for future expenditures; or (3) indicate the governmental body has voluntarily designated a portion of the fund balance to be used for a specific purpose. The balance sheet itemizes the portions of the fund balances which are reserved for encumbrances, prepaid expenditures, investment market value adjustment and real property held for resale. The City Council has also created designations of the unreserved fund balances, which consist of the following items:

	Fund		
	General	Capital Improvements	Nonmajor Governmental Funds
Unreserved fund balances:			
Designated for cash flow	\$2,795,000		
Designated for emergencies	5,590,000		
Designated for infrastructure replacement	3,169,000		
Designated for roadway improvements		\$2,953,136	
Designated for priority one projects		295,000	
Designated for art in public places	167,048		
Designated for investment market value adjustments	162,000		
Designated for potential State budget impacts	648,856		
Designated for future year's expenditures	7,392,626	8,620,281	\$3,323,871
 Total Unreserved, designated	 \$19,924,530	 \$11,868,417	 \$3,323,871

Definitions of reserved fund balances and unreserved/designated fund balances:

*Reserve for encumbrances* This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the City but not completed as of the close of the fiscal year.

*Reserve for prepaid expenditures* This reserve was created to represent payments made by the City in advance of the receipt of the underlying goods or services.

*Unreserved/Designated for cash flow* This designation 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.

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

*Unreserved/Designated for infrastructure replacement* This designation was created to accumulate funds for the future replacement of major capital facilities.

*Unreserved/Designated for roadway improvements* This designation was established to accumulate funds for various improvements of the segment of Pacific Coast Highway located within Dana Point.

*Unreserved/Designated for priority one projects* This designation was established to accumulate funds for potential cost overruns and/or scope changes to capital improvement projects.

*Unreserved/Designated for art in public places* This designation was established to accumulate funds for the creation, improvement and installation of art in locations throughout the City that are available to the general public for viewing.

*Unreserved/Designated for investment market value adjustments* This designation was established to reflect the portion of reported cash and investment balances which represent unrealized gains. This is the difference between the cost basis and fair market value of investments at the reporting date. GASB Statement No. 31 requires that investments be stated at fair market value. The City considers unrealized gains to be unavailable for appropriation.

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

*Unreserved/Designated for future year's expenditures* This is a general designation to accumulate funds to provide for economic uncertainties in future City revenues and expenditures.

## 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 coverages. The CJPIA’s pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee. The City's precise share of the CJPIA's assets, liabilities and equities is not available. Separate financial statements of CJPIA may be obtained at: 8081 Moody St., La Palma, California 90623.

### Self-Insurance Programs of the CJPIA

General Liability Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member’s primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member’s share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Workers’ Compensation The City also participates in the workers’ compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit



computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

**Purchased Insurance:**

Property Insurance The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. Total all-risk property insurance coverage is \$27,685,294. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Environmental Insurance The City participates in the pollution legal liability and remediation legal liability insurance which is available through the CJPIA. The policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The CJPIA has a limit of \$50,000,000 for the 3-year period from July 1, 2008, through July 1, 2011. Each member of the CJPIA has a \$10,000,000 sub-limit during the 3-year term of the policy.

Earthquake and Flood Insurance The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA. City property currently has earthquake protection in the amount of \$10,345,798. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

Special Event Tenant User Liability Insurance The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain

activities on City property. The insurance premium is paid by the tenant user to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the CJPIA.

The City does not participate in the California State Unemployment Insurance program. The City funds all claims for unemployment benefits from current resources on an as-incurred basis. In fiscal years 2009 and 2010 the City did not incur any unemployment benefit claims.

#### Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgements 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 2009 and 2010 were \$461,318 and \$404,631, respectively. Since claims are paid by the CJPIA and, in effect, charged back to the City via future insurance deposits, no long-term debt has been recorded.

As of June 30, 2010, the City's management was not aware of any material claims that were incurred but not reported, which would exceed the amounts insured by CJPIA. Accordingly, no provision has been made in the financial statements for such items (see Note 12).

### **11. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA**

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

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

## 12. CONTINGENCIES

As a CJPIA member (see Note 10), the City is insured for claims and judgments resulting from the normal operations of the City. Material losses not covered by the CJPIA program would be paid from the unreserved fund balance designated for emergencies (\$5,590,000 as of June 30, 2010) and/or other undesignated fund balances. Immaterial uninsured claims would be paid from routine operating revenues. There were no uninsured claims paid by the City in fiscal years 2009 or 2010.

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 terms and conditions specified in the grant agreements and is 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, 2010.

## 13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

The City does not provide postemployment benefits to retirees except to the extent they are legally mandated under California's Public Employee Medical and Hospital Care Act ("PEMHCA"). Under PEMHCA, participants in the CalPERS health medical program (the City is a participant) are required to make a contribution to retiree's medical care, subject to certain eligibility criteria. In order for a retiree to be eligible for a City contribution, they must (1) be a CalPERS member; (2) be a participant in the CalPERS health program at the time of retirement; and (3) elect to continue participation in the CalPERS health program (at their own expense) at the time of retirement. If the retiree meets all three criteria, then the City is required to make a monthly payment which is credited against the retiree's cost of continued health insurance through the CalPERS health system. For calendar 2010, the City's mandated contribution rate was set at \$105/month per eligible retiree. The contribution rate is adjusted annually by the State of California based on the medical care component of the Consumer Price Index.

During fiscal 2010, there was one City retiree receiving the PEMHCA benefit. The total cost to the City was \$1,236. Since incorporation, two qualified retirees have elected to continue participation in the CalPERS health program after retirement, and one retiree currently remains active in the program. Due to the strict eligibility criteria and high cost to retirees, the City has determined that future retiree participation in the CalPERS health program is likely to remain minimal, and that any costs to the City associated with the PEMHCA program will not be material in nature; accordingly, the City has not recognized any expense nor recorded any liability in its financial statements.

#### **14. COMMUNITY FACILITIES DISTRICT BONDS**

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

On July 2, 2008, the CFD sold 2008 Special Tax Bonds totaling \$8,710,000 of aggregate principal. The bonds mature in increments over a 30-year period. The bonds are not general obligations of the City, and neither the faith nor the taxing power of the City is pledged to the payment of these bonds. Therefore, the bonds are not recorded as liabilities of the City. The City has no obligation beyond the balances in the agency fund for any delinquent CFD bond payments. The bonds are limited obligations of the CFD payable solely from the special tax or funds held pursuant to the bond indenture agreement. The principal amount of bonds outstanding as of June 30, 2010 was \$8,565,000. An amount of \$1,226,124 is being held by the City and is reflected as due to bondholders at June 30, 2010 in the Statement of Fiduciary Assets and Liabilities.

## **SUPPLEMENTARY INFORMATION**

**CITY OF DANA POINT**  
**Major Capital Projects Fund**  
June 30, 2010

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

Capital Improvements Projects Fund

Used to account for the acquisition, construction and improvement of capital facilities financed by grants and operating transfers from the General Fund.

CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Capital Improvements Projects Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$444,000	\$1,201,284	\$892,850	(\$308,434)
Charges for services			8,822	8,822
Other		219,000	39,606	(179,394)
<b>Total revenues</b>	<u>444,000</u>	<u>1,420,284</u>	<u>941,278</u>	<u>(479,006)</u>
<b>EXPENDITURES</b>				
Current:				
Public works			12,498	(12,498)
Capital outlays	1,828,806	12,588,381	5,932,912	6,655,469
<b>Total expenditures</b>	<u>1,828,806</u>	<u>12,588,381</u>	<u>5,945,410</u>	<u>6,642,971</u>
Excess (deficiency) of revenues over expenditures	<u>(1,384,806)</u>	<u>(11,168,097)</u>	<u>(5,004,132)</u>	<u>6,163,965</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	734,806	1,746,774	1,254,440	(492,334)
Transfers out		(2,036,555)	(2,036,555)	-
<b>Total other financing sources</b>	<u>734,806</u>	<u>(289,781)</u>	<u>(782,115)</u>	<u>(492,334)</u>
Net change in fund balance	(650,000)	(11,457,878)	(5,786,247)	5,671,631
Fund balance, beginning	18,390,921	18,390,921	18,390,921	-
<b>Fund balance, ending</b>	<u>\$17,740,921</u>	<u>\$6,933,043</u>	<u>\$12,604,674</u>	<u>\$5,671,631</u>

**CITY OF DANA POINT**  
**Nonmajor Governmental Funds**  
June 30, 2010

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

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



**CITY OF DANA POINT**  
**Nonmajor Governmental Funds**  
June 30, 2010

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

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

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CITY OF DANA POINT  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2010

	Special Revenue Funds					Capital Projects Funds			Total Nonmajor Governmental Funds	
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Headlands CFD 2006-1 Maintenance	Coastal Transit	AB 2766	Facilities Improvement	Headlands CFD 2006-1 Acquisition		Park Development
<b>ASSETS</b>										
Cash and investments		\$286,432	\$114,412	\$91,541	\$1,321,614	\$106,200	\$734,874	\$31,459	\$542,650	\$3,229,182
Receivables:										
Taxes	\$121,946	60,106								182,052
Intergovernmental			33,737			11,276				45,013
Total assets	<u>\$121,946</u>	<u>\$346,538</u>	<u>\$148,149</u>	<u>\$91,541</u>	<u>\$1,321,614</u>	<u>\$117,476</u>	<u>\$734,874</u>	<u>\$31,459</u>	<u>\$542,650</u>	<u>\$3,456,247</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable			\$34,150					\$7,204		\$41,354
Total liabilities	<u>-</u>	<u>-</u>	<u>34,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,204</u>	<u>-</u>	<u>41,354</u>
Fund Balances:										
Reserved for encumbrances				\$50,648			\$40,374			91,022
Unreserved:										
Designated for future years' expenditures	\$121,946	\$346,538	113,999	40,893	\$1,321,614	\$117,476	694,500	24,255	\$542,650	3,323,871
Total fund equity	<u>121,946</u>	<u>346,538</u>	<u>113,999</u>	<u>91,541</u>	<u>1,321,614</u>	<u>117,476</u>	<u>734,874</u>	<u>24,255</u>	<u>542,650</u>	<u>3,414,893</u>
Total liabilities and fund equity	<u>\$121,946</u>	<u>\$346,538</u>	<u>\$148,149</u>	<u>\$91,541</u>	<u>\$1,321,614</u>	<u>\$117,476</u>	<u>\$734,874</u>	<u>\$31,459</u>	<u>\$542,650</u>	<u>\$3,456,247</u>

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CITY OF DANA POINT  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance - Nonmajor Governmental Funds  
For the Year Ended June 30, 2010

	Special Revenue Funds						Capital Projects Funds			Total Nonmajor Governmental Funds
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Headlands CFD 2006-1 Maintenance	Coastal Transit	AB 2766	Facilities Improvement	Headlands CFD 2006-1 Acquisition	Park Development	
<b>REVENUES</b>										
Taxes	\$629,415	\$337,238							\$966,653	
Licenses, fees and permits								\$49,600	49,600	
Intergovernmental	335,947		\$124,254			\$53,549			513,750	
Charges for services				\$59,975					59,975	
Investment interest earnings		9,300	1,300	600	\$15,100	900		\$16,693	49,693	
Contributions from property owners							485,772	5,800	485,772	
<b>Total revenues</b>	<u>965,362</u>	<u>346,538</u>	<u>125,554</u>	<u>60,575</u>	<u>15,100</u>	<u>54,449</u>	<u>-</u>	<u>502,465</u>	<u>55,400</u>	<u>2,125,443</u>
<b>EXPENDITURES</b>										
Current:										
General government							1,156		1,156	
Public safety			144,725						144,725	
Public works				\$32,604			24,033		56,637	
Capital outlays							143,869	521,628	665,497	
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>144,725</u>	<u>32,604</u>	<u>-</u>	<u>-</u>	<u>145,025</u>	<u>545,661</u>	<u>-</u>	<u>868,015</u>
Excess (deficiency) of revenues over expenditures	<u>965,362</u>	<u>346,538</u>	<u>(19,171)</u>	<u>27,971</u>	<u>15,100</u>	<u>54,449</u>	<u>(145,025)</u>	<u>(43,196)</u>	<u>55,400</u>	<u>1,257,428</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in				25,000			145,900		170,900	
Transfers out	(918,143)	(937,241)					(250,000)		(2,105,384)	
<b>Total other financing sources (uses)</b>	<u>(918,143)</u>	<u>(937,241)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>(104,100)</u>	<u>-</u>	<u>-</u>	<u>(1,934,484)</u>
<b>Net change in fund balances</b>	<u>47,219</u>	<u>(590,703)</u>	<u>(19,171)</u>	<u>52,971</u>	<u>15,100</u>	<u>54,449</u>	<u>(249,125)</u>	<u>(43,196)</u>	<u>55,400</u>	<u>(677,056)</u>
Fund balances, beginning	74,727	937,241	133,170	38,570	1,306,514	63,027	983,999	67,451	487,250	4,091,949
<b>Fund balances, ending</b>	<u>\$121,946</u>	<u>\$346,538</u>	<u>\$113,999</u>	<u>\$91,541</u>	<u>\$1,321,614</u>	<u>\$117,476</u>	<u>\$734,874</u>	<u>\$24,255</u>	<u>\$542,650</u>	<u>\$3,414,893</u>

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CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Gasoline Tax Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$659,000	\$713,000	\$629,415	(\$83,585)
Intergovernmental	349,806	349,806	335,947	(13,859)
Total revenues	<u>1,008,806</u>	<u>1,062,806</u>	<u>965,362</u>	<u>(97,444)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(1,008,806)</u>	<u>(1,062,806)</u>	<u>(918,143)</u>	<u>144,663</u>
Net change in fund balance	-	-	47,219	47,219
Fund balance, beginning	74,727	74,727	74,727	-
Fund balance, ending	<u><u>\$74,727</u></u>	<u><u>\$74,727</u></u>	<u><u>\$121,946</u></u>	<u><u>\$47,219</u></u>

CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Measure M Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$385,000	\$385,000	\$337,238	(\$47,762)
Investment interest earnings			9,300	9,300
Total revenues	<u>385,000</u>	<u>385,000</u>	<u>346,538</u>	<u>(38,462)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(385,000)</u>	<u>(1,322,241)</u>	<u>(937,241)</u>	<u>385,000</u>
Net change in fund balance	-	(937,241)	(590,703)	346,538
Fund balance, beginning	937,241	937,241	937,241	-
Fund balance, ending	<u>\$937,241</u>	<u>-</u>	<u>\$346,538</u>	<u>\$346,538</u>



CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Supplemental Law Enforcement Services Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental			\$124,254	\$124,254
Investment interest earnings	\$500	\$500	1,300	800
Total revenues	<u>500</u>	<u>500</u>	<u>125,554</u>	<u>125,054</u>
<b>EXPENDITURES</b>				
Public safety		117,408	144,725	(27,317)
Total expenditures	<u>-</u>	<u>117,408</u>	<u>144,725</u>	<u>(27,317)</u>
Net change in fund balance	500	(116,908)	(19,171)	97,737
Fund balance, beginning	133,170	133,170	133,170	-
Fund balance, ending	<u>\$133,670</u>	<u>\$16,262</u>	<u>\$113,999</u>	<u>\$97,737</u>

CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Headlands CFD 2006-1 Maintenance Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$110,000	\$110,000	\$59,975	(\$50,025)
Investment interest earnings			600	600
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>60,575</u>	<u>(49,425)</u>
<b>EXPENDITURES</b>				
Public works	89,040	114,040	32,604	81,436
Total expenditures	<u>89,040</u>	<u>114,040</u>	<u>32,604</u>	<u>81,436</u>
Excess (deficiency) of revenues over expenditures	<u>20,960</u>	<u>(4,040)</u>	<u>27,971</u>	<u>32,011</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in		<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	20,960	20,960	52,971	32,011
Fund balance, beginning	38,570	38,570	38,570	-
Fund balance, ending	<u>\$59,530</u>	<u>\$59,530</u>	<u>\$91,541</u>	<u>\$32,011</u>

CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Coastal Transit Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$500	\$500		(\$500)
Investment interest earnings	20,000	20,000	\$15,100	(4,900)
Total revenues	<u>20,500</u>	<u>20,500</u>	<u>15,100</u>	<u>(5,400)</u>
<b>EXPENDITURES</b>				
General government	120,000	120,000		120,000
Total expenditures	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net change in fund balance	(99,500)	(99,500)	15,100	114,600
Fund balance, beginning	1,306,514	1,306,514	1,306,514	-
Fund balance, ending	<u>\$1,207,014</u>	<u>\$1,207,014</u>	<u>\$1,321,614</u>	<u>\$114,600</u>

CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
AB 2766 Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$42,670	\$42,670	\$53,549	\$10,879
Investment interest earnings	500	500	900	400
Total revenues	<u>43,170</u>	<u>43,170</u>	<u>54,449</u>	<u>11,279</u>
Net change in fund balance	43,170	43,170	54,449	11,279
Fund balance, beginning	63,027	63,027	63,027	-
Fund balance, ending	<u>\$106,197</u>	<u>\$106,197</u>	<u>\$117,476</u>	<u>\$11,279</u>

CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Facilities Improvement Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
Current:				
General government			\$1,156	(\$1,156)
Capital outlays		\$180,900	143,869	37,031
Total expenditures	-	180,900	145,025	35,875
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		145,900	145,900	-
Transfers out		(250,000)	(250,000)	-
Total other financing sources (uses)	-	(104,100)	(104,100)	-
Net change in fund balance	-	(285,000)	(249,125)	35,875
Fund balance, beginning	\$983,999	983,999	983,999	-
Fund balance, ending	<u>\$983,999</u>	<u>\$698,999</u>	<u>\$734,874</u>	<u>\$35,875</u>

CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Headlands CFD 2006-1 Acquisition Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment interest earnings			\$16,693	\$16,693
Contributions from property owners			485,772	485,772
Total revenues	-	-	502,465	502,465
<b>EXPENDITURES</b>				
Current:				
Public works			24,033	(24,033)
Capital outlays			521,628	(521,628)
Total expenditures	-	-	545,661	(545,661)
Net change in fund balance	-	-	(43,196)	(43,196)
Fund balance, beginning	-	-	67,451	67,451
Fund balance, ending	-	-	\$24,255	\$24,255

CITY OF DANA POINT  
Schedule of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
Park Development Fund  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Licenses, fees and permits	\$100,000	\$100,000	\$49,600	(\$50,400)
Investment interest earnings	2,000	2,000	5,800	3,800
 Total revenues	<u>102,000</u>	<u>102,000</u>	<u>55,400</u>	<u>(46,600)</u>
 Net change in fund balance	102,000	102,000	55,400	(46,600)
 Fund balance, beginning	487,250	487,250	487,250	-
 Fund balance, ending	<u><u>\$589,250</u></u>	<u><u>\$589,250</u></u>	<u><u>\$542,650</u></u>	<u><u>(\$46,600)</u></u>

**CITY OF DANA POINT**

**Agency Funds**

June 30, 2010

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  
June 30, 2010

	Developer Deposits	Due to Bondholders	Pass-through Deposits	Totals
<b>ASSETS</b>				
Cash and investments	\$1,290,711	\$1,226,124	\$383,012	\$2,899,847
<b>LIABILITIES</b>				
Deposits	\$1,290,711			\$1,290,711
Due to bondholders		\$1,226,124		1,226,124
Due to other agencies			\$383,012	383,012
Total liabilities	\$1,290,711	\$1,226,124	\$383,012	\$2,899,847

CITY OF DANA POINT  
Statement of Changes in Fiduciary Assets & Liabilities  
Agency Funds  
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b><u>DEVELOPER DEPOSITS</u></b>				
ASSETS:				
Cash and investments	\$1,676,367	\$1,103,396	\$1,489,052	\$1,290,711
LIABILITIES:				
Deposits	\$1,676,367	\$1,103,396	\$1,489,052	\$1,290,711
<b><u>DUE TO BONDHOLDERS</u></b>				
ASSETS:				
Cash and investments	\$936,311	\$1,393,475	\$1,103,662	\$1,226,124
LIABILITIES:				
Due to bondholders	\$936,311	\$1,393,475	\$1,103,662	\$1,226,124
<b><u>PASS-THROUGH DEPOSITS</u></b>				
ASSETS:				
Cash and investments	\$15,785	\$499,988	\$132,761	\$383,012
LIABILITIES:				
Due to other agencies	\$15,785	\$499,988	\$132,761	\$383,012
<b><u>TOTAL - ALL AGENCY FUNDS</u></b>				
ASSETS:				
Cash and investments	\$2,628,463	\$2,996,859	\$2,725,475	\$2,899,847
LIABILITIES:				
Deposits	\$1,676,367	\$1,103,396	\$1,489,052	\$1,290,711
Due to bondholders	936,311	1,393,475	1,103,662	1,226,124
Due to other agencies	15,785	499,988	132,761	383,012
Total liabilities	\$2,628,463	\$2,996,859	\$2,725,475	\$2,899,847

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# STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
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Fund Balances of Governmental Funds	89
Changes in Fund Balances of Governmental Funds	90
Program Revenues by Function/Program	91
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<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant revenue sources.	
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Assessed and Estimated Actual Value of Taxable Property	94
Direct and Overlapping Property Tax Rates	95
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These schedules contain service and activity level data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities										
Invested in capital assets, net of related debt	-	-	\$70,422	\$79,950	\$84,296	\$102,009	\$120,561	\$119,292	\$128,285	\$174,898
Restricted	-	-	3,706	5,152	5,412	8,069	5,515	2,645	3,257	2,847
Unrestricted	-	-	46,909	40,503	42,388	37,504	41,797	51,789	39,654	33,932
Total governmental activities net assets	<u>N/A (1)</u>	<u>N/A (1)</u>	<u>\$121,037</u>	<u>\$125,605</u>	<u>\$132,096</u>	<u>\$147,582</u>	<u>\$167,873</u>	<u>\$173,726</u>	<u>\$171,196</u>	<u>\$211,677</u>

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

Note: The City of Dana Point engages in governmental activities only.

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>										
Governmental activities:										
General Government			\$3,782	\$3,715	\$4,588	\$4,977	\$4,569	\$4,896	\$5,093	\$5,285
Public Safety			6,217	6,845	7,014	7,558	8,068	8,807	9,193	9,700
Community Development			1,779	1,875	2,149	2,582	2,330	2,811	2,625	2,831
Recreation and Parks			1,486	1,678	2,085	3,303	3,708	4,037	4,270	4,528
Public Works			6,476	6,646	8,777	8,294	9,687	10,520	19,447	10,667
Interest on Long-term Debt			249	225	207	187	15	0	0	0
Unallocated Depreciation			74	76	85	122	131	187	192	220
Total governmental activities expenses	-	-	\$20,063	\$21,060	\$24,905	\$27,023	\$28,508	\$31,258	\$40,820	\$33,231
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General Government			\$265	\$138	\$843	\$155	\$321	\$493	\$263	\$631
Public Safety			339	418	488	461	454	539	332	305
Community Development			1,331	1,161	1,344	2,266	1,359	1,396	1,054	1,265
Recreation and Parks			254	219	221	224	224	262	261	271
Public Works			265	155	288	131	469	561	422	260
Operating grants and contributions			2,665	1,475	1,585	1,449	1,694	1,612	9,999	2,424
Capital grants and contributions			2,612	1,836	5,176	13,459	16,321	3,159	852	46,617
Total governmental activities program revenues	-	-	\$7,731	\$5,402	\$9,945	\$18,145	\$20,842	\$8,022	\$13,183	\$51,773
Total government net expense	-	-	\$12,332	\$15,658	\$14,960	\$8,878	\$7,666	\$23,236	\$27,637	(\$18,542)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes			\$3,912	\$4,209	\$4,524	\$5,009	\$5,373	\$6,001	\$6,176	\$6,109
Franchise taxes			942	936	1,034	1,076	1,201	1,239	1,294	1,255
Sales taxes			3,795	4,015	3,117	3,447	3,761	3,671	2,998	2,909
In-lieu property taxes			0	0	2,665	3,119	3,867	4,276	4,154	3,719
Property transfer taxes			319	498	525	441	395	374	224	229
Transient occupancy taxes			8,146	8,478	7,763	9,533	10,888	11,298	8,630	7,221
Motor vehicle in-lieu (unrestricted)			2,095	1,678	852	255	199	164	126	109
Miscellaneous			113	61	152	52	234	66	68	53
Unrestricted Investment earnings			1,275	351	819	1,433	2,038	2,210	1,227	334
Total governmental activities	-	-	\$20,597	\$20,226	\$21,451	\$24,365	\$27,956	\$29,299	\$24,897	\$21,938
<b>Change in Net Assets</b>	N/A (1)	N/A (1)	\$8,265	\$4,568	\$6,491	\$15,487	\$20,290	\$6,063	(\$2,740)	\$40,480

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	\$1,249	\$1,447	\$1,555	\$2,105	\$1,318	\$3,715	\$561	\$1,466	\$1,378	\$406
Unreserved	28,139	28,593	20,324	14,251	12,808	12,605	17,836	20,684	19,478	19,925
Total general fund	<u>\$29,388</u>	<u>\$30,040</u>	<u>\$21,879</u>	<u>\$16,356</u>	<u>\$14,126</u>	<u>\$16,320</u>	<u>\$18,397</u>	<u>\$22,150</u>	<u>\$20,856</u>	<u>\$20,331</u>
All other governmental funds										
Reserved	\$2,119	\$2,950	\$4,301	\$6,699	\$3,741	\$5,225	\$414	\$8,747	\$4,136	\$827
Unreserved, reported in:										
Special revenue funds	506	386	1,330	1,475	1,499	1,424	1,555	2,263	2,553	2,062
Capital project funds	10,640	14,129	23,293	21,368	27,429	22,986	27,225	21,851	15,794	13,130
Total all other governmental funds	<u>\$13,265</u>	<u>\$17,465</u>	<u>\$28,924</u>	<u>\$29,542</u>	<u>\$32,669</u>	<u>\$29,635</u>	<u>\$29,194</u>	<u>\$32,861</u>	<u>\$22,483</u>	<u>\$16,019</u>

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$14,346	\$15,802	\$17,278	\$18,247	\$19,666	\$22,626	\$25,391	\$26,715	\$23,117	\$20,271
Licences, fees and permits	1,812	1,716	2,451	1,960	1,936	1,926	2,048	2,186	1,997	1,983
Fines and forfeitures	310	353	352	428	492	469	470	636	433	335
Intergovernmental	3,226	4,122	4,711	3,189	3,805	7,181	6,011	3,464	1,536	1,856
Charges for services	737	817	1,050	921	1,894	1,906	1,475	1,672	1,150	1,651
Use of money and property	3,108	2,242	1,638	573	1,016	1,740	2,423	2,590	1,468	520
Contributions from property owners	0	0	0	0	0	0	0	0	8,199	486
Other	183	198	815	352	1,271	337	246	93	180	106
<b>Total revenues</b>	<b>23,722</b>	<b>25,250</b>	<b>28,295</b>	<b>25,670</b>	<b>30,080</b>	<b>36,185</b>	<b>38,064</b>	<b>37,356</b>	<b>38,080</b>	<b>27,208</b>
<b>Expenditures</b>										
General government	3,135	3,489	3,687	3,586	4,450	4,846	4,526	4,809	4,971	5,223
Public safety	5,237	5,448	6,217	6,843	7,008	7,544	8,035	8,767	9,123	9,617
Community development	1,331	1,397	1,768	1,866	2,132	2,565	2,312	2,772	2,594	2,804
Recreation and parks	1,025	1,253	1,235	1,622	2,029	3,237	3,627	3,953	4,186	4,443
Public works	2,378	2,951	4,336	4,129	5,405	5,133	5,243	5,803	6,673	5,398
Capital outlay	3,243	5,336	7,727	12,007	7,639	13,180	9,667	3,832	22,205	6,712
Debt service:										
Principal	245	260	270	290	305	325	2,925	0	0	0
Interest	278	264	249	232	215	196	93	0	0	0
<b>Total expenditures</b>	<b>16,872</b>	<b>20,398</b>	<b>25,489</b>	<b>30,575</b>	<b>29,183</b>	<b>37,026</b>	<b>36,428</b>	<b>29,936</b>	<b>49,752</b>	<b>34,197</b>
Excess of revenues over (under) expenditures	6,850	4,852	2,806	(4,905)	897	(841)	1,636	7,420	(11,672)	(6,989)
<b>Other financing sources (uses)</b>										
Transfers in	4,641	8,263	16,631	11,642	764	4,237	3,922	6,658	3,357	4,313
Transfers out	(4,641)	(8,263)	(16,631)	(11,642)	(7,964)	(4,238)	(3,922)	(6,658)	(3,357)	(4,313)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cumulative effect of a change in accounting principle	278	-	-	-	-	-	-	-	-	-
Prior period adjustment	-	-	492	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>\$7,128</b>	<b>\$4,852</b>	<b>\$3,298</b>	<b>(\$4,905)</b>	<b>\$897</b>	<b>(\$841)</b>	<b>\$1,636</b>	<b>\$7,420</b>	<b>(\$11,672)</b>	<b>(\$6,989)</b>
Debt service as a percentage of noncapital expenditures	3.1%	2.6%	2.0%	1.7%	1.8%	1.4%	8.3%	0.0%	0.0%	0.0%



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

	Fiscal Year									
	2000	2001	2003	2004	2005	2006	2007	2008	2009	2010
<b>Function/Program</b>										
Governmental activities:										
General government	-	-	\$310	\$182	\$878	\$203	\$377	\$538	\$295	\$685
Public safety	-	-	713	751	943	746	930	946	737	785
Community development	-	-	2,379	1,212	1,368	2,306	1,415	1,450	1,089	1,280
Recreation and parks	-	-	932	800	824	470	11,211	914	456	442
Public works	-	-	3,398	2,457	5,931	14,419	6,909	4,174	10,606	48,581
Total governmental activities	N/A (1)	N/A (1)	\$7,732	\$5,402	\$9,944	\$18,144	\$20,842	\$8,022	\$13,183	\$51,773

(1) Program Revenues by Function/Program data prior to implementation of GASB Statement 34 is unavailable.

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

Fiscal Year	Property Tax (1)	Franchise Tax	Sales Tax (2)	Gasoline Tax	Measure M Tax	In-lieu Property Tax (2)	Property Transfer Tax	Transient Occupancy Tax (3)	Total
2001	\$3,291	\$894	\$3,417	\$692	\$381	-	\$287	\$6,278	\$15,240
2002	3,606	987	3,605	603	356	-	282	7,350	16,789
2003	3,912	941	3,795	737	368	-	319	8,147	18,219
2004	4,209	936	4,015	674	373	-	498	8,478	19,183
2005	4,524	1,034	3,117	680	392	\$2,665	525	7,763	20,700
2006	5,009	1,076	3,447	670	407	3,119	441	9,533	23,702
2007	5,373	1,201	3,762	670	436	3,867	395	10,888	26,592
2008	6,001	1,239	3,867	655	440	4,276	374	11,298	28,150
2009	6,176	1,294	2,998	545	390	4,154	194	8,630	24,381
2010	5,227	1,255	2,909	660	337	3,719	229	7,221	21,557

- (1) Property taxes are imposed by the County of Orange at a rate of 1% of assessed value, pursuant to Proposition 13. Refer to Direct and Overlapping Property Tax Rate schedule for distribution information.
- (2) Beginning in fiscal 2005 the State of California swapped 25% of the 1% basic sales tax levy allocated to municipalities for In-lieu sales taxes, which represent an equivalent amount of property taxes. Therefore sales tax revenues were reduced from 1.00% of gross sales to .75% of gross sales. The City does not impose a local sales tax.
- (3) Transient occupancy tax is imposed by the City at the rate of 10%.

CITY OF DANA POINT  
Principal Employers  
Calendar Year 2009

Employer	Calendar Year 2009		
	Employees	Rank	% of Total City Employment
Ritz Carlton Laguna Niguel	970	1	8.08%
St. Regis Resort & Spa	800	2	6.67%
Capistrano Unified School District	410	3	3.42%
Marriott Laguna Cliffs Resort	250	4	2.08%
Expert Loan Solutions	200	5	1.67%
Ralph's	165	6	1.38%
Harpoon Henry's Seafood Restaurant	150	7	1.25%
Remax Real Estate Services	145	8	1.21%
Wind and Sea Restaurant	125	9	1.04%
Chambers Gallery	120	10	1.00%
U.S. Ocean Safety Lifeguards	101	11	0.84%
Albertson's	100	12	0.83%
Gelson's Markets	100	13	0.83%
Monarch Beach Tennis Club	100	14	0.83%
Salt Creek Grille	100	15	0.83%
Soto Company	100	16	0.83%
Capistrano Beach Care Center	90	17	0.75%
Chart House Restaurant	90	18	0.75%
Doubletree Dana Point	90	19	0.75%
Cannon's Seafood Grill	80	20	0.67%
<b>Total of Top Employers</b>	<b>4,286</b>		<b>35.72%</b>

Source: InfoGroup

Note: Data prior to calendar year 2009 is unavailable

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total property tax levy	\$3,274	\$3,670	\$3,956	\$4,285	\$4,602	\$5,129	\$5,556	\$6,174	\$6,256	\$6,064
Current year collections	\$3,208	\$3,579	\$3,876	\$4,181	\$4,501	\$4,973	\$5,338	\$5,908	\$5,985	\$5,910
Current year collections as % of levy	98.0%	97.5%	98.0%	97.6%	97.8%	97.0%	96.1%	95.7%	95.7%	97.5%
Current year delinquencies	\$66	\$91	\$80	\$104	\$101	\$156	\$218	\$266	\$271	\$154
Current year delinquencies as % of levy	2.0%	2.5%	2.0%	2.4%	2.2%	3.0%	3.9%	4.3%	4.3%	2.5%
City direct rate applied to base (1)	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed value	\$4,594,761	\$5,111,519	\$5,516,436	\$5,941,465	\$6,250,662	\$6,998,388	\$7,693,012	\$8,532,709	\$8,879,909	\$8,763,402
Estimated actual value (see note)	\$4,594,761	\$5,111,519	\$5,516,436	\$5,941,465	\$6,250,662	\$6,998,388	\$7,693,012	\$8,532,709	\$8,879,909	\$8,763,402
Annual increase in assessed value	\$262,822	\$516,758	\$404,917	\$425,029	\$309,197	\$747,726	\$694,624	\$839,697	\$347,200	(\$116,507)
Annual % increase in assessed value	6.1%	11.2%	7.9%	7.7%	5.2%	12.0%	9.9%	10.9%	4.1%	-1.3%

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

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

Source: Orange County Assessor

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Distribution of Basic 1% Levy (per \$100 of assessed value)</u>										
Capistrano Unified School District	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890
Educational Revenue Augmentation Fund	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660
Orange County Fire Authority	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220
South Orange County Comm. College District	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960
Orange County General Fund	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530
<b>City of Dana Point</b>	<b>0.0760</b>	<b>0.0760</b>	<b>0.0760</b>	<b>0.0760</b>	<b>0.0760</b>	<b>0.0760</b>	<b>0.0760</b>	<b>0.0760</b>	<b>0.0760</b>	<b>0.0760</b>
Orange County Flood Control District	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210
Orange County Library District	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180
Orange County Department of Education	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180
Orange County Harbors, Beaches & Parks	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166
Capistrano Beach County Water District	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106
Tri Cities Municipal Water District	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091
Orange County Transportation Authority	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030
Orange County Vector Control	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012
Orange County Cemetary District	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005
Total Basic 1% Levy (1)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<u>Tax Rate Area 28-019:</u>										
Metro Water District MWDOC Annex #4	0.0088	0.0077	0.0077	0.0058	0.0052	0.0052	0.0047	0.0043	0.0043	0.0037
Capistrano Unified ID#1 1999 Bond Fund - Series A	0.0086	0.0053	0.0053	0.0034	0.0031	0.0031	0.0027	0.0028	0.0031	0.0032
Capistrano Unified ID#1 1999 Bond Fund - Series B	0.0000	0.0031	0.0031	0.0054	0.0049	0.0049	0.0043	0.0045	0.0043	0.0051
Capistrano Unified ID#1 1999 Bond Fund - Series C	0.0000	0.0000	0.0000	0.0031	0.0027	0.0027	0.0024	0.0025	0.0028	0.0028
Combined Total Property Tax Rate (2)	<u>\$1.0174</u>	<u>\$1.0161</u>	<u>\$1.0161</u>	<u>\$1.0177</u>	<u>\$1.0160</u>	<u>\$1.0160</u>	<u>\$1.0142</u>	<u>\$1.0140</u>	<u>\$1.0144</u>	<u>\$1.0148</u>

Notes:

Property tax rates are limited to 1% of assessed valuation, pursuant to Proposition 13. Local taxes may only be increased by a majority vote of the City's residents. The City does not impose any property taxes or special assessments.

- (1) Sub-total rate represents assessments common to all Dana Point properties, and was established by Proposition 13 at a rate of \$1 per \$100 of assessed valuation.
- (2) Tax Rate Area 28-019 (the largest in the City) was used in this schedule to demonstrate additional assessments (beyond the basic 1% levy), which vary by tax rate area. There are 145 tax rate areas located within the City of Dana Point.

SOURCE: Orange County Auditor-Controller

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

Taxpayer	Fiscal Year 2010				Fiscal Year 2001			
	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid
MMB Management LLC	\$290,807,527	\$227,993	1	3.73%	-	-	-	-
SHC Laguna Niguel 1 LLC	209,605,395	164,331	2	2.69%	\$196,897,708	\$154,368	1	4.69%
Regency Laguna LP	198,554,696	155,667	3	2.55%	-	-	-	-
WH MBR LLC	187,065,220	146,659	4	2.40%	-	-	-	-
Monarch Bay Two	48,657,696	38,148	5	0.62%	45,351,054	35,555	3	1.08%
Headlands Reserve, LLC	47,149,991	36,966	6	0.61%	22,350,287	17,523	6	0.53%
Monarch Coast LLC	45,963,451	36,035	7	0.59%	-	-	-	-
Bear Brand Partners	30,682,558	24,055	8	0.39%	25,707,241	20,154	5	0.61%
ST Apartments LLC	25,850,828	20,267	9	0.33%	21,051,487	16,504	7	0.50%
Dana Point Partners	25,681,840	20,135	10	0.33%	-	-	-	-
Sunrise IV Sea Bluffs SL LLP	23,994,400	18,812	11	0.31%	-	-	-	-
Theresa C. Morrison Trust	22,900,113	17,954	12	0.29%	11,831,843	9,276	11	0.28%
CPH Monarch Hotel	22,879,620	17,938	13	0.29%	-	-	-	-
Felcor Suites Limited	21,746,609	17,049	14	0.28%	17,634,735	13,826	8	0.42%
Dana Investors LLC	21,032,520	16,489	15	0.27%	-	-	-	-
CPH Resorts I LLC	-	-	-	-	118,856,992	97,855	2	2.97%
Connecticut General Life Ins. Co.	-	-	-	-	36,141,029	28,335	4	0.86%
CPH Monarch Beach	-	-	-	-	14,085,701	11,043	9	0.34%
Cox Communications of Orange Cty	-	-	-	-	12,503,494	9,803	10	0.30%
Benford Ford Jr. Trust	-	-	-	-	4,268,700	3,347	12	0.10%
Pamela M. Jannard	-	-	-	-	3,835,727	3,007	13	0.09%
Jerrold D. Cantor Trust	-	-	-	-	3,428,370	2,688	14	0.08%
Frances A. Bass Trust	-	-	-	-	3,351,627	2,628	15	0.08%
Totals	<u>\$1,222,572,464</u>	<u>\$958,497</u>		<u>15.69%</u>	<u>\$537,295,995</u>	<u>\$425,911</u>		<u>12.94%</u>

Source: HDL, Coren & Cone

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Lodging Facilities, listed alphabetically:</u>										
Best Western Inn by the Sea	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Blue Lantern Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Seaside Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Surfside Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Marina Motel	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Doubletree	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Harbor Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Marina Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Holiday Inn Express	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Marriott's Laguna Cliffs Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Ritz Carlton	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riviera Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riviera Beach Spa	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
St. Regis Monarch Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total revenues	<u>\$6,278</u>	<u>\$7,350</u>	<u>\$8,147</u>	<u>\$8,478</u>	<u>\$7,763</u>	<u>\$9,533</u>	<u>\$10,888</u>	<u>\$11,298</u>	<u>\$8,630</u>	<u>\$7,221</u>
Transient Occupancy Tax Rate	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

Notes:

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

SOURCE: City of Dana Point, Administrative Services Department

CITY OF DANA POINT  
Taxable Sales, by Major Business Category  
Last Ten Calendar Years  
(Amounts Expressed In Thousands)

Calendar Year	Apparel Stores	General Merchandise	Food Stores	Eating and Drinking Places	Building Materials	Auto Dealers and Supplies	Service Stations	Other Retail Stores	All Other Outlets	Total
2000	\$4,531	\$617	\$31,350	\$74,629	\$17,354	\$6,524	\$38,926	\$63,480	\$110,501	\$347,912
2001	4,284	846	35,299	77,085	18,226	7,547	36,230	59,154	114,066	352,737
2002	4,430	1,435	34,683	79,986	18,648	6,544	34,493	56,336	129,823	366,378
2003	4,489	1,589	36,429	83,276	19,104	7,827	50,932	58,778	135,007	397,431
2004	5,418	1,721	30,693	88,987	22,361	7,501	57,404	66,897	131,349	412,331
2005	7,621	1,758	31,332	93,342	23,564	7,070	63,804	74,913	138,872	442,276
2006	8,147	1,946	33,323	97,995	25,485	7,300	67,218	78,394	170,942	490,750
2007	7,717	1,472	33,511	100,895	24,365	5,510	69,749	79,480	176,122	498,821
2008	7,223	1,591	32,900	94,785	20,596	4,937	72,414	68,273	154,068	456,787
2009	5,837	911	32,440	89,992	16,951	5,186	56,686	60,160	117,373	385,536

Top 25 Sales Tax Producers  
Fiscal Year 2010

<b><u>Business Name (1)</u></b>	<b><u>Business Type</u></b>
Albertsons	Grocery stores
Big 5	Sporting goods/bike stores
Capo Beach 76	Service stations
Chart House	Restaurants
Chevron USA	Service stations
Chino Hills Oil	Service stations
Circle K	Grocery stores
Convenience Retail	Service stations
CVS Pharmacy (Golden Lantern)	Drug stores
CVS Pharmacy (PCH)	Drug stores
Dana Point Am/Pm	Service stations
Ganahl Lumber	Lumber/building materials
Gelsons Market	Grocery stores
Hennesseys Tavern	Restaurants
Mahe	Restaurants
Marriott Laguna Cliffs Resort & Spa	Hotels
Mobil Oil	Service stations
Monarch Bay Chevron	Service stations
Ralphs - Del Prado	Grocery stores
Ralphs - Golden Lantern	Grocery stores
Ritz Carlton	Hotels
Salt Creek Grille	Restaurants
Smart & Final	Grocery stores
St. Regis Monarch Beach Resort	Hotels
Wind & Sea Restaurant	Restaurants

**Percent of total paid by top 25 accounts = 52.56%**

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

Sources: The HdL Companies; California Board of Equalization



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

Fiscal Year	Governmental Activities Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2001	\$4,375,000	\$4,375,000	0.277%	\$116
2002	4,115,000	4,115,000	0.303%	116
2003	3,845,000	3,845,000	0.240%	106
2004	3,555,000	3,555,000	0.214%	100
2005	3,250,000	3,250,000	0.188%	87
2006	2,925,000	2,925,000	0.175%	79
2007	0	0	0.000%	0
2008	0	0	0.000%	0
2009	0	0	0.000%	0
2010	0	0	0.000%	0

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.

CITY OF DANA POINT  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2010

<u>OVERLAPPING DEBT:</u>	Gross Debt Balance	% Applicable to City	City Share @ 6/30/10
Metropolitan Water District	\$51,185,529	2.341%	\$1,198,164
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2002C	15,870,000	19.966%	3,168,529
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2001B	20,199,930	19.966%	4,033,022
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2000A	15,105,000	19.966%	3,015,793
South Coast Water District 1990 Bond Fund	4,060,000	56.540%	2,295,531
Moulton Niguel Water District, I.D. #7	11,870,000	12.157%	1,443,058
Santa Margarita Water District I.D. #3 1978 Bond	22,870,000	0.207%	47,201
Total Overlapping Debt			<u>\$15,201,298</u>
 <u>DIRECT DEBT:</u>			
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 this is borne by the residents and businesses of the City of Dana Point. This process recognize 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.

SOURCE: HdL, Coren & Cone, Orange County Assessor

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed Valuation	<u>\$4,594,761</u>	<u>\$5,111,519</u>	<u>\$5,516,436</u>	<u>\$5,941,465</u>	<u>\$6,250,662</u>	<u>\$6,998,388</u>	<u>\$7,693,012</u>	<u>\$8,530,360</u>	<u>\$8,879,909</u>	<u>\$8,761,158</u>
Legal Debt Limit = 3.75% of Total Assessed Valuation	172,304	191,682	206,866	222,805	234,400	262,440	288,488	319,889	332,997	328,543
Amount of Debt Applicable to Limit:										
Certificates of Participation/Capital Lease	4,375	4,115	3,845	3,555	3,250	2,925	0	0	0	0
Legal Debt Margin	<u>167,929</u>	<u>187,567</u>	<u>203,021</u>	<u>219,250</u>	<u>\$237,650</u>	<u>\$265,365</u>	<u>\$288,488</u>	<u>\$319,889</u>	<u>\$332,997</u>	<u>\$328,543</u>

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.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population	37,611	35,415	36,312	35,416	37,283	36,854	36,884	36,441	35,822	35,561
Age Distribution:										
0 - 4	2,089	1,917	1,913	1,890	1,996	1,950	1,953	1,903	1,915	1,905
5 - 14	4,168	3,897	4,020	3,837	4,079	4,026	4,049	3,757	3,734	3,657
15 - 19	2,058	1,955	1,953	1,925	1,987	1,911	1,960	1,933	1,764	1,716
20 - 24	2,252	1,763	1,980	2,106	2,216	2,181	2,097	2,029	1,852	1,805
25 - 34	5,753	4,874	4,537	4,323	4,503	4,503	4,431	4,560	4,707	4,772
35 - 44	7,617	5,929	5,935	5,639	5,812	5,587	5,568	5,179	5,034	4,849
45 - 64	9,022	10,185	10,747	10,459	11,209	11,335	11,519	11,480	11,235	11,169
65 - 74	2,742	2,709	2,848	2,816	2,861	2,777	2,753	2,939	2,992	3,078
75-84	1,458	1,735	1,876	1,895	2,045	1,994	1,939	1,958	1,886	1,864
85 and over	452	451	503	526	575	590	615	703	703	746
Total	<u>37,611</u>	<u>35,415</u>	<u>36,312</u>	<u>35,416</u>	<u>37,283</u>	<u>36,854</u>	<u>36,884</u>	<u>36,441</u>	<u>35,822</u>	<u>35,561</u>
Median Age	37.5	40.7	41.5	41.6	41.8	42.0	42.1	42.9	42.9	43.2
Per capita income	\$41,945	\$38,303	\$44,179	\$46,848	\$46,381	\$45,461	\$47,055	\$50,978	\$46,922	\$47,982
Personal income (,000,000)	\$1,578	\$1,357	\$1,604	\$1,659	\$1,729	\$1,675	\$1,736	\$1,858	\$1,681	\$1,706
Median household income	\$70,306	\$68,949	\$72,590	\$75,190	\$78,392	\$78,160	\$80,508	\$88,429	\$86,537	\$87,100
Average household income	\$102,799	\$90,945	\$106,384	\$111,959	\$111,051	\$110,715	\$114,824	\$124,494	\$113,457	\$115,966
Civilian unemployment rate (1)	2.8%	3.6%	3.4%	3.1%	2.7%	2.4%	2.8%	3.8%	6.5%	n/a
Number of families	9,431	9,235	9,278	9,219	9,753	9,435	9,467	9,320	9,248	9,181
Number of households	15,251	14,582	14,850	14,596	15,342	14,909	14,889	14,697	14,585	14,491
Average household size	2.45	2.42	2.43	2.42	2.42	2.46	2.47	2.47	2.44	2.44
Households, by income:										
Less than \$15,000	781	781	858	829	839	794	791	630	646	611
\$15,000 - \$24,999	871	933	984	912	840	829	694	604	602	702
\$25,000 - \$34,999	1,090	1,110	910	900	928	890	805	727	744	582
\$35,000 - \$49,999	1,961	1,913	2,084	1,705	1,698	1,551	1,502	1,147	1,168	1,384
\$50,000 - \$74,999	3,487	3,234	2,803	2,931	2,951	3,024	3,010	2,944	2,812	2,675
\$75,000 - \$99,999	2,481	2,051	2,077	2,038	2,346	2,224	2,308	2,136	2,452	2,309
\$100,000 - \$149,999	2,474	2,682	2,608	2,657	2,913	2,729	2,759	3,191	3,176	3,206
Over \$150,000	2,106	1,878	2,526	2,624	2,827	2,868	3,020	3,318	2,985	3,022
Total	<u>15,251</u>	<u>14,582</u>	<u>14,850</u>	<u>14,596</u>	<u>15,342</u>	<u>14,909</u>	<u>14,889</u>	<u>14,697</u>	<u>14,585</u>	<u>14,491</u>

(1) Reflects calendar year unemployment rate. Rate for 2010 is not available.

SOURCE: ESRI Business Information Solutions

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

Function	Full-time Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b><u>General government:</u></b>										
City Manager's Office	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	4.00	4.00	2.75	3.75	3.75	3.75	4.00	4.00	4.00	4.00
Administrative Services	4.50	4.50	5.75	5.75	5.75	6.75	6.75	7.00	7.00	7.00
Facilities	0.33	0.33	-	-	0.50	1.50	1.50	1.50	1.50	1.50
<b><u>Public Safety</u></b>										
Police Services	-	-	-	-	-	-	-	-	-	-
Emergency Services	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50
<b><u>Community Development</u></b>										
Planning	4.00	3.00	4.00	5.00	6.00	7.00	7.00	8.00	8.00	8.00
Building	1.50	1.50	1.50	1.50	2.50	3.50	2.50	7.50	7.50	7.50
Code Enforcement	2.50	2.50	2.50	2.50	2.50	2.50	2.50	3.50	3.50	3.50
Economic Development	-	-	-	-	-	-	2.00	2.00	2.00	2.00
<b><u>Recreation and Parks</u></b>										
Parks	1.00	1.00	0.67	1.67	1.67	3.00	3.00	3.00	3.00	3.00
Community Services	3.00	4.00	3.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00
<b><u>Public Works</u></b>										
Administration	3.33	3.33	4.33	4.33	4.33	2.33	2.33	2.33	2.33	2.33
Street/Drainage Maintenance	1.00	1.00	1.17	1.16	1.16	1.33	1.33	1.33	1.33	1.33
Traffic Engineering	0.50	0.50	0.50	-	-	1.00	1.00	1.00	1.00	1.00
Solid Waste	0.33	0.33	0.33	0.33	0.33	0.34	0.33	0.33	0.33	0.33
Engineering	1.00	1.00	1.50	1.00	2.00	5.00	5.00	10.00	13.00	13.00
Water Quality	0.50	0.50	0.50	1.50	1.50	1.00	1.00	1.00	1.00	1.00
Total	30.50	30.50	31.50	35.50	39.50	46.50	47.75	61.00	64.00	64.00

CITY OF DANA POINT  
Operating Indicators by Function/Program  
Fiscal Years 2006 through 2010

	Fiscal Year				
	2006	2007	2008	2009	2010
<u>Police (1)</u>					
Arrests	2,153	418	404	1,009	882
Calls for service	17,091	20,028	16,479	16,501	15,505
Parking citations issued	9,795	9,652	10,895	7,955	7,042
Traffic citations issued	6,666	6,320	5,816	6,528	1,908
<u>Fire (2)</u>					
Incidents	2,326	2,449	2,700	2,654	2,790
Unit responses	4,619	4,771	4,946	4,684	5,145
Fires	55	66	66	63	51
Inspections conducted	720	848	1,059	452	774
<u>Refuse Collection (3)</u>					
Refuse collected (tons/day)	83	86	42	53	55
Recyclables collected (tons/day)	82	78	44	55	60
<u>Community Development</u>					
Building permits issued	1,663	1,648	1,456	1,500	1,552
Value of building permits issued	\$49,420,168	\$37,818,104	\$56,799,416	\$45,852,490	\$31,413,957
Inspections conducted	7,960	8,341	7,497	7,571	7,994
New code enforcement cases opened	699	614	867	1,241	1,368
Code enforcement cases closed	687	484	956	1,187	1,369
<u>Public Works</u>					
Miles of street resurfaced	8	8	2	1	5
Potholes repaired	103	25	150	312	220
Inspections completed	300	478	575	653	274
<u>Parks and recreation</u>					
Number of classes offered	421	475	471	680	701
Number of activities/trips conducted	10	6	4	4	4
Number of participants:					
Youth classes	1,168	1,436	1,492	1,069	1,032
Adult classes	769	1,279	1,286	1,125	1,101
Sports leagues	600	402	401	446	404
Excursions	259	173	101	176	170
Total participants	<u>2,796</u>	<u>3,290</u>	<u>3,280</u>	<u>2,816</u>	<u>2,707</u>

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 2010

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

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 - 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

**STATISTICAL SECTION CONCLUDED**