

# CITY OF DANA POINT

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015



Carlos N. Olvera, Mayor  
John Tomlinson, Mayor Pro Tem  
Joseph Muller, Council Member  
Scott Schoeffel, Council Member  
Richard Viczorek, 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, 2015**

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December 5, 2015

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, 2015, is submitted herewith. The Department of Administrative Services prepared this report. The responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. This document reflects the City's commitment to the highest levels of financial reporting by using a reporting format which meets the standards adopted by the Governmental Accounting Standards Board (GASB), which is recognized as the authoritative body for the promulgation of standards of financial accounting and reporting for activities and transactions of state and local governments. We believe that the data provided in this report is accurate in all material respects and is presented in a manner designed to fairly reflect the financial position and results of operations of the City. In addition, we believe all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

It is the policy of the City to have an audit performed annually by an independent certified public accountant. The independent audit of the June 30, 2015, financial statements was performed by Vavrinek, Trine, Day & Co., LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of material misstatement. Vavrinek, Trine, Day & Co concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Dana Point's financial statements for the year ended June 30, 2015, are fairly presented in conformity with Generally Accepted Accounting Principles (“GAAP”). The independent auditor's report is presented as the first component of the financial section of this report.

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

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## PROFILE OF THE CITY

Dana Point is a city of approximately 6.7 square miles. Located on the southern coast of Orange County, California, the City has a population of approximately 34,037. The City draws its name from author Richard Henry Dana (1815-1882), who documented his experiences in an 1830's sea voyage from Boston to California in the novel *Two Years Before the Mast*. A replica of the sailing vessel he traveled on, the tallship *Pilgrim*, is moored in the Dana Point Harbor.

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

The City incorporated under the general laws of the State of California on January 1, 1989, and operates under a Council-Manager form of government. The City Council consists of five members, elected at large on a non-partisan basis to four-year terms. The mayor and mayor pro tem are honorary positions filled by Council members for one-year terms.

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

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

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

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

## **LOCAL ECONOMY**

The City serves a significant number of visitors each year, many of whom are drawn by the small boat harbor, beaches, parks, golf courses, resorts and special events in the city. Dana Point is home to two five-star resorts, one four-star resort, nine hotels and motels, and a 29-unit bed and breakfast inn, for a total of almost 1,900 rooms. The City's coastal resources continue to draw visitors that support its visitor-oriented commercial and retail establishments.

The City is highly reliant upon the tourism industry which is its principal revenue source. At approximately 35% of general fund revenues, transient occupancy taxes were the City's single largest revenue source in fiscal year 2015. This 10% tax is imposed upon visitors staying in lodging establishments located in the City. The luxury resorts that many visitors stay in are also the City's largest individual property tax payers, some of its largest employers, and its biggest sales tax generators. Moreover, their guests dine in area restaurants, shop in retail establishments and enjoy recreational opportunities within the city. In total, it is estimated that the tourism industry (directly or indirectly) contributes approximately half of the City's General Fund revenues.

Due to high property values and the limited availability of space, there is limited commercial and industrial development within the city. Most existing businesses are oriented toward serving visitors or local residents. The City does not have a mall, new-car dealerships or major franchise retailers. The City is nearly built-out, with limited opportunities for new residential or commercial construction.

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

Transient occupancy tax (TOT) revenue continued to rebound in fiscal year 2015 increasing another 9.7%, or \$1.1 million, to an all-time high of \$12.1 million. Based on information from the large hoteliers, a portion of the enhanced growth in fiscal 2015 was due to the frigid winter on the East Coast that drove some leisure and business travelers to warmer climates. Because the same weather driven crowds cannot be guaranteed again and it is known that a major renovation at one of our large hotels will temporarily close some guest rooms in fiscal year 2016, TOT revenues are not expected to grow at the same rate as it has in the past few years.

Sales tax received in fiscal year 2015, at \$4.1 million, increased by \$316,000 or 8.3% above fiscal year 2014. Sales tax has been increasing since 2011, with a healthy increase of 5.7% in fiscal 2011, 16.1% in fiscal 2012, 1.8% in 2013, and 11% in 2014. Since many of the largest sales tax generating businesses are reliant on tourism and business meetings, this revenue tends to move along a similar trend line with transient occupancy tax.

Until 2007, California’s economic growth and unemployment rates largely mirrored that of the United States. However, from 2008 through 2012, California’s economy was weaker than the nation as a whole; this is widely attributed to the collapse and slow recovery in the housing market. The local unemployment rate, which stood at 2.8% in calendar year 2007, surged to 7.0% by 2010. The final rate for calendar year 2011 dropped to 6.7%, for calendar year 2012 to 5.5%, for calendar year 2013 to 4.9%, and for calendar year 2014 it dropped to 3.7%. With a generally well educated populace, Dana Point remains relatively better off than California as a whole, which in June of 2015 had an unemployment rate of 5.2%. After two years of declines in median household income, 2013 saw a 3.5% increase, 2014 another 5.7% increase, and 2015 had a 0.5% increase in Dana Point. Recent economic forecasts point to income growth occurring over the next five years.

According to Trulia, the median home sales price in Dana Point rose in fiscal year 2015 to \$760,000, from \$637,000 reported for fiscal year 2014. It is believed that the worst of the housing slump is over and home prices will be leveling out.

As shown in the table below, over the last five years citywide assessed real property valuation as reported by the County of Orange Auditor/Controller’s Office increased \$1.1 billion, or 12.6%.

Dana Point Assessed Property Values Last Five Fiscal Years (in thousands)				
2011	2012	2013	2014	2015
\$8,688,000	\$8,735,000	\$8,844,000	\$9,127,000	\$9,787,000

After the recession lows of 2009-2011, Dana Point property values have shown a steady increase. Assessed property values rose to \$9.8 billion in 2015, a 12.6% increase over the lowest recent level of 2011. Housing prices are firming, and the market is expected to stabilize steadily. Nielsen forecasts that price appreciation will average 2.1% over the next two to four years. With Dana Point’s desirable location, property appreciation is projected to exceed the 2.1% national forecast.

The City’s property tax revenues increased \$665,000 in fiscal 2015. This is the fifth year in a row with an increase in assessed values for the City.

## **LONG-TERM FINANCIAL PLANNING**

A Master Financial Plan (MFP) was prepared as part of the development of the two-year budget, covering fiscal years 2016 and 2017, and focuses on major General Fund revenues and expenditures, plus an additional three years of projections, out through fiscal year 2020. This five year forecast is sensitive to changes in assumptions for future revenue and expenditure growth. It is important to keep in mind when reviewing the forecast that the assumptions used for this forecast tend to be conservative, meaning the revenues are projected modestly, while expenditure growth is projected more aggressively

### Revenues

The five-year revenue forecast included in the MFP indicates that revenues are finally back to the fiscal year 2008 pre-recession levels, and are projected to continue on a positive path for the coming years. Revenue reached \$33.4 million in fiscal 2008, the highest amount in the City's history. The City lost over 21% of its revenues during the recession, and it has taken several years of a slowly recovering economy to finally regain pre-recession levels.

Dana Point's Transient Occupancy Tax ("TOT"), Property Tax, Sales Tax and In-Lieu Property Tax combined represent over 81% of General Fund revenue. The City has seen a combined increase of nearly 20% in tax receipts for the past three years beginning fiscal year 2012, following a rapid decline during fiscal year 2009 through fiscal year 2011. The steady increase in these tax receipts is obviously a good sign of economic improvement and growth. In addition, most economic models project modest revenue growth going forward, especially for property tax and sales tax. TOT revenue has demonstrated the strongest increases in the past three years compared to other revenues, due obviously to the improved economy, but likely augmented by efforts of the individual hotels, their brands, along with efforts of the Dana Point Tourism Business Improvement District and the City in promoting Dana Point as a destination for family, group and business travelers. The outlook suggests that TOT revenue will continue increasing on a positive path.

### Expenditures

The City's expenditures are projected each year of the MFP to stay within available resources. In reviewing historic City expenditure data, the fiscal year 2009, fiscal year 2010 and fiscal year 2011 budgets utilized some discretionary fund balance each year; including designated reserves deemed no longer necessary (e.g. library expansion and high school pool refurbishment). The use of fund balance was for specific one-time expenditures and transfers from the General Fund to other funds for capital projects, and is not an indication of an issue where ongoing operating expenditures exceed ongoing revenues. Even during the recent recession, the City managed to maintain services with the unprecedented decline in revenues.

As a part of the MFP, an expenditure projection was also developed that goes beyond the two-year proposed budget and that provides an important tool to help prioritize budget decisions out through fiscal 2020. Again, a conservative approach was utilized for this forecast, resulting in an overall 2.0% average annual growth in expenditures.

The MFP is presented in the City's adopted budget.



## MAJOR INITIATIVES

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

The Dana Point Harbor was created in 1968 from a natural cove along Dana Point's coastline. The County of Orange and U.S. Army Corps of Engineers constructed the Harbor's basic infrastructure, and public facilities that first opened in 1971. Over the past four decades, Dana Point Harbor has established itself as one of the best small boat harbors on the West Coast, offering recreational and commercial amenities, and attracting boaters, tourists, local residents and business patrons. However, with the exception of a few buildings, routine maintenance and some other minor improvements, the Harbor has not been remodeled with any new facilities since that time.

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

The City is working to implement its' Lantern District Specific Plan (formerly Town Center). The Plan includes a series of policies, development standards and design guidelines which are intended to guide the transformation of the Lantern District into a pedestrian-oriented, mixed-use district which serves the community more effectively and creates a more meaningful place that adds to the identity of Dana Point. The first phase of the TCSP, completed in 2009, was the PCH Congestion Relief project. The second phase, PCH/Del Prado Street Improvements, began in late summer 2013 with construction of infrastructure improvements including water, sewer and storm drain work, and was completed in late 2013. Following the infrastructure improvement, construction began in early 2014 on curb, gutter, sidewalk and landscaping improvements along PCH and was completed in summer 2014. The Del Prado phase of construction commenced in January 2015 with street, curb, gutter, sidewalk, median and landscape improvements along Del Prado, and was completed in Fall 2015.

Doheny Village is the original downtown of then Capistrano Beach, one of the three communities that form Dana Point. The City awarded a contract to develop the Doheny Village Specific Plan to serve as a guide to revitalize the area, improve its appearance and encourage a more vibrant business climate. The Doheny Village area requires special attention to reach its economic development potential as well as to improve its physical appearance as a gateway to the city. The purpose of the planning project is to establish a clear direction for future revitalization of the area, both as an attractive, unique and vibrant neighborhood, and also as a vital link to the City's other communities, visitor-serving facilities, businesses and amenities. Several stakeholder meetings have been held to gain public input, and the planning process will continue over the coming few years.

The City, at the request of its four largest resorts, assisted in forming a Tourism Business Improvement District (“TBID”) which went into effect January 1, 2010. The four TBID hotels collect a \$3 fee per rented room night, with the proceeds accumulated to collectively promote and market Dana Point as an overnight destination. A contract was awarded to a marketing consultant to formulate a plan to market Dana Point, and to assist in the development and launch of the plan. As of June 30, 2015 the TBID had on-hand \$1.3 million. The TBID has in place a group meetings marketing incentive program and has sponsored several annual events to promote its brand. Such brand development actions are increasingly important in order for the City’s hotels to maintain (or increase) market share as new competing properties open along the Southern California coast. A vibrant hotel community is critical to create a thriving environment for the other tourism-related businesses in the City.

Work was undertaken on several infrastructure improvements during fiscal year 2015. The City spent a total of \$6.9 million on arterial and residential roadway resurfacing and improvements which includes the PCH/Del Prado street improvements.

A number of other initiatives were undertaken in fiscal year 2015:

- The City of Dana Point Homeless Task Force continued its efforts to examine ways to help the homeless population in Dana Point and provide with outreach and needed resources. In 2015 Dana Point Police Services implemented a Homeless Liaison Officer program. Working closely with homeless advocacy groups and with the District Attorney’s Office, the program attempts to connect the homeless population with much needed resources and at the same time works with the District Attorney’s Office in prosecution of repeat offenders.
- In an effort to keep up with the increased demand at the Planning and Building Division counter, a streamlined permit process was implemented, which includes over the counter permit hours; a combination building fee, allowing for faster building fee calculations; directional signage at permit counters; and a revised Building Permit Application.
- The City kicked off a Retail Recruitment Program. With the current development taking place and development interest in the city, the Economic Development Division kicked off the program with their attendance at the 2015 International Council of Shopping Centers (ICSC) RECON event. The global event provides networking and educational opportunities for professionals from around the world with over 34,000 attendees and over 1,000 exhibitors. The efforts allowed staff to facilitate dialogue with various retailers and discuss the opportunities in Dana Point.

## **AWARDS AND ACKNOWLEDGEMENTS**

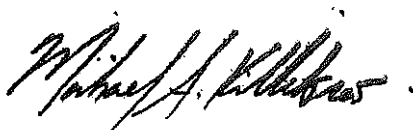
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dana Point for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City of Dana Point has received a Certificate of Achievement for the last twenty six consecutive years (fiscal years 1989 through 2014). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation and development of this report would not have been possible without the special efforts of the entire Administrative Services Department. We would like to take this opportunity to compliment and express our gratitude to all those staff members of both the City and our independent auditors who were associated with the preparation of this report. We would like to thank the City Manager, Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael A. Killebrew". The signature is written in a cursive style with a small flourish at the end.

Michael Killebrew  
Assistant City Manager



Government Finance Officers Association

**Certificate of  
Achievement for  
Excellence in  
Financial  
Reporting**

Presented to

**City of Dana Point California**

For its Comprehensive Annual Financial  
Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# OFFICIALS OF THE CITY OF DANA POINT\*

## Members of the City Council

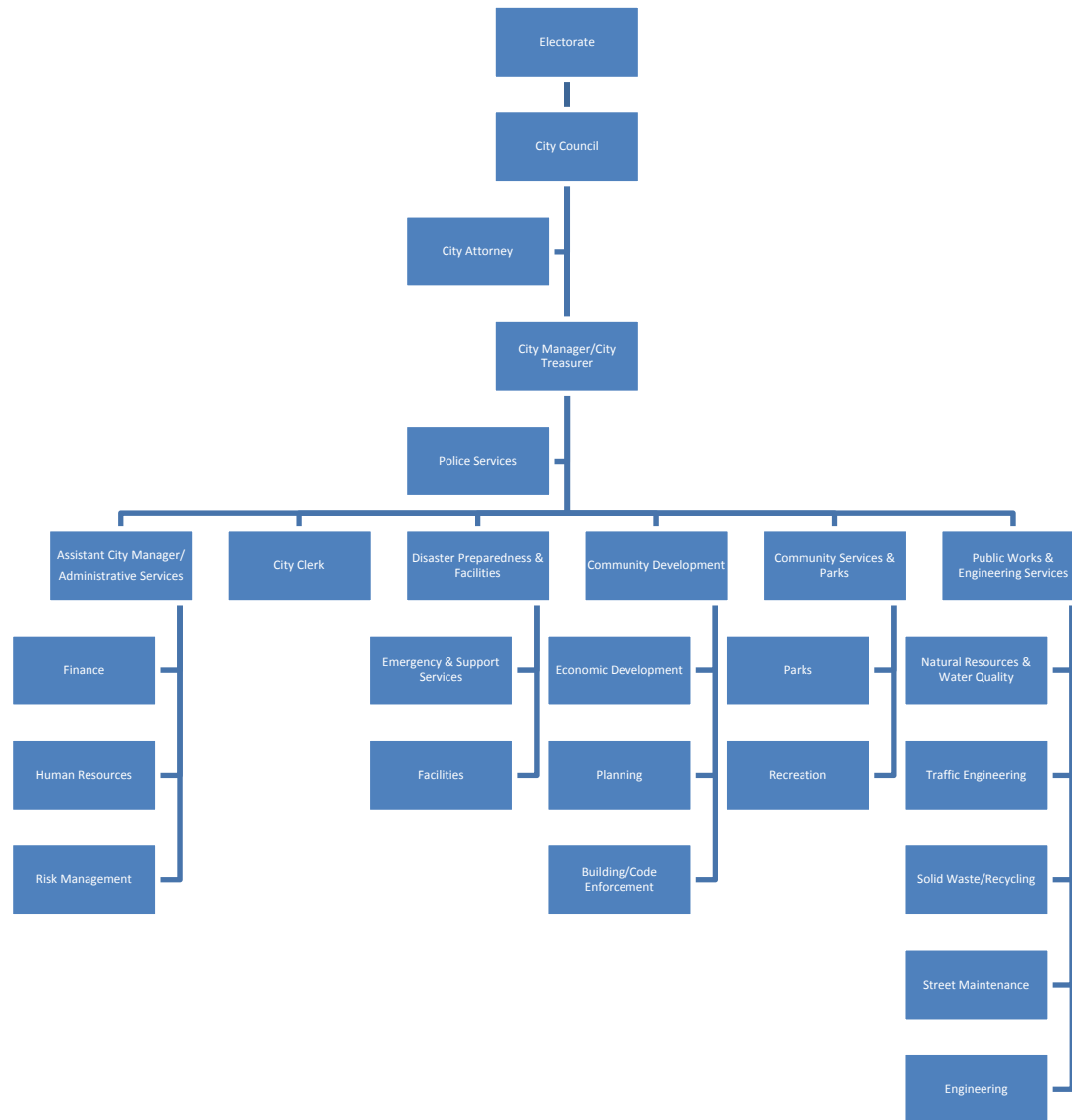
Carlos N. Olvera, Mayor  
John Tomlinson, Mayor Pro Tem  
Joseph Muller, Council Member  
J. Scott Schoeffel, Council Member  
Richard A. Viczorek, Council Member

## Administrative Staff

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

\* Reflects office holders and positions as of the end of the fiscal year.

# CITY OF DANA POINT ORGANIZATIONAL CHART





## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Dana Point (City), California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Headlands CFD 2006-1 Maintenance Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date— an amendment of GASB Statement No. 68*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of the City's proportionate share of the net pension liability and schedule of contributions for the cost sharing retirement plan (required supplementary information) on pages 4 through 16 and 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Laguna Hills, California  
November 10, 2015

## 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, 2015. 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 2015 FINANCIAL HIGHLIGHTS

**Long-term Economic Resource (Government-wide) Focus** – Economic resources are differentiated from financial resources in that the economic measurement focus measures changes in net position as soon as the event occurs regardless of the timing of related cash flows.

Therefore, this measurement focus includes current spendable resources, fixed non-spendable assets plus deferred outflows of resources, and long-term claims against these assets plus deferred inflows of resources. The resulting net position utilizing this measurement focus provides one measure of the City's overall long-term financial condition.

- The City's total net position was \$197.6 million at June 30, 2015, which was an increase of approximately \$91,000 from the prior year's restated amount. Of this amount, \$168.2 million is invested in capital assets, \$4.6 million is restricted for various purposes and \$24.8 million is unrestricted.
- City-wide governmental revenues for fiscal year 2015 include program revenues of \$7.2 million, and general revenues of \$31.0 million, for a total of \$38.2 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.

- As of the close of fiscal year 2015, the City's Governmental Funds reported combined ending fund balances of \$33.2 million, a decrease of \$2.1 million from fiscal 2014. Of this amount, \$0.01 million is non-spendable, \$4.6 million is restricted, \$11.8 million is assigned, and \$16.7 million is unassigned.
- General Fund revenues totaled \$34.8 million, an increase of \$3.6 million from fiscal year 2014. Approximately \$1 million of this increase was the result of higher transient occupancy taxes.
- General Fund expenditures totaled \$30.7 million, an increase of \$2.6 million from fiscal year 2014. The increase is due to a combination of police service cost increases, personnel cost increases, and some one-time park maintenance costs.
- Capital Improvements Fund revenues decreased by \$324,000 in fiscal year 2015. This decrease is attributable to a decrease in available grant funding.

- Capital Improvements Fund expenditures increased by \$0.9 million from fiscal year 2014 to \$7.5 million. Major capital outlays vary widely from year to year depending upon the nature of the projects, length of time to construct and availability of internal and external resources. During fiscal year 2015, the bulk of major capital outlays went towards the Lantern District project.
- Headlands CFD Maintenance Fund expenditures increased \$0.5 million in fiscal year 2015. The majority of costs in fiscal year 2015 are due to the purchase of a new funicular car. The fund collected \$0.5 million in CFD maintenance taxes and \$330,000 was transferred in from the General Fund..
- All Other Governmental Funds revenues decreased by \$0.1 million to \$2.9 million.
- All Other Governmental Funds expenditures combined decreased by \$0.2 million, to \$1.5 million in fiscal year 2015.

## 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 five components to these financial statements, namely:

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

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

- (2) **Fund financial statements.** These statements show how City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants and other money. There are three kinds of funds, namely:
- a) *Governmental funds* These funds focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information provides a short-term view of the City's general government operations and shows whether there are more or less financial resources that can be spent in the near future to finance the City's programs. These funds are reported using the *modified accrual method* of accounting, which measures cash and all other financial assets that can readily be converted to cash. The relationship between governmental activities and the governmental funds are reported in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position and in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.
  - b) *Proprietary funds* When a city charges for the services it provides, the services are generally reported in proprietary funds. The City does not have any financial transactions required to be accounted for using proprietary funds.
  - c) *Fiduciary funds* These funds are used to account for resources held for the benefit of private parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's programs.
- (3) **Notes to the financial statements.** The notes provide additional information essential to a full understanding of the government-wide and fund financial statements.
- (4) **Required Supplementary Information.** Beginning with the fiscal year 2015, financial statement information is provided regarding the City's pension program in accordance with GASB 68.
- (5) **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 required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The largest portion of the City's net position (85%) reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure and construction in progress). There was a net increase of \$2.0 million in capital assets in fiscal year 2015 resulting from depreciation of \$6.3 million and offset by \$8.4 million of expenditures on new projects that were capitalized less \$0.1 million of asset dispositions. There is no outstanding debt associated with the City's capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are generally not available for future spending.

The remaining net position of the City is concentrated primarily in cash and investments, including \$24.8 million of unrestricted cash and investments, and \$4.6 million of cash and investments which are restricted due to other legal restrictions on the manner in which they may be spent. The City also carries various receivables which arise in the normal course of the City's operations.

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

	Fiscal Year		% Change
	2014	2015	
<b>Assets:</b>			
Current and other assets	\$ 37,406	\$ 35,439	(5.3%)
Capital assets	166,202	168,209	1.2%
Total assets	<b>203,608</b>	<b>203,648</b>	<b>0.0%</b>
<b>Deferred Outflows of Resources</b>		<b>700</b>	
<b>Liabilities:</b>			
Long-term liabilities	503	3,492	594.2%
Other liabilities	2,048	2,204	7.6%
Total liabilities	<b>2,551</b>	<b>5,696</b>	<b>123.3%</b>
<b>Deferred Inflows of Resources</b>		<b>1,032</b>	
<b>Net Position:</b>			
Invested in capital assets	166,202	168,209	1.2%
Restricted	1,811	4,632	155.8%
Unrestricted	33,044	24,779	(25.0%)
Total net position	<b>\$201,057</b>	<b>\$197,620</b>	<b>(1.7%)</b>

Table 1 shows the net position of the City decreased by \$3.4 million, or 1.7%, to \$197.6 million. \$3.5 million of the decrease is due to GASB 68 implementation during fiscal year 2015. Had GASB 68 been in effect during fiscal 2014, the net position above would reflect a small decrease.

Depreciation for fiscal year 2015 totaled \$6.3 million and new capital outlays net of dispositions totaled \$8.3 million, resulting in a net increase of \$2.0 million in capital assets. The majority of the capital outlays in fiscal year 2015 were for the Lantern District improvements, and for roadway and median improvements.

As of June 30, 2015, the City had a combined remaining restricted and unrestricted position totaling \$29.4 million. Of this amount, \$24.8 million is unrestricted and may be used to meet the City's ongoing obligations, or may be committed or assigned for other specific purposes that may be identified by the City Council. The remaining \$4.6 million of net position is restricted by various legal restrictions or other constraints on the manner in which it may be expended.

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

	<b>Fiscal Year</b>		<b>% Change</b>
	<b>2014</b>	<b>2015</b>	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 3,393	\$ 4,989	47.0%
Operating grants and capital contributions	2,162	2,037	(5.8%)
Capital grants and contributions	24,425	173	(99.3%)
General revenues:			
Taxes:			
Property taxes	6,286	6,731	7.1%
Franchise taxes	1,315	1,405	6.8%
Sales taxes	3,794	4,111	8.4%
In-lieu property taxes	4,271	4,622	8.2%
Property transfer taxes	570	439	(23.0%)
Transient occupancy	11,122	12,467	12.1%
Other	1,159	1,119	(3.5%)
Unrestricted investment earnings	86	83	(3.5%)
Gain (Loss) on Asset Sale	1,083	(8)	
Total revenues	<b>59,666</b>	<b>38,168</b>	<b>(36.0%)</b>
<b>Expenses:</b>			
General government	5,110	5,382	5.3%
Public safety	10,100	10,905	8.0%
Community development	4,324	4,651	7.6%
Recreation and parks	6,460	6,817	5.5%
Public works	33,075	10,322	(68.8%)
Total expenses	<b>59,069</b>	<b>38,077</b>	<b>(35.5%)</b>
Change in net position	597	91	(84.8%)
Net position, beginning of year, as restated 7-1-15	200,461	197,529 *	(1.5%)
Net position, end of year	<b>\$ 201,058</b>	<b>\$ 197,620</b>	<b>(1.7%)</b>

\* restated due to GASB 68

**Governmental Activities** – The cost of all governmental activities in fiscal 2015 was \$38.1 million. As shown in Table 2, the City recovered \$7.2 million of these costs through program revenues such as user fees, grants and contributions from other governmental organizations, developers and property owners.

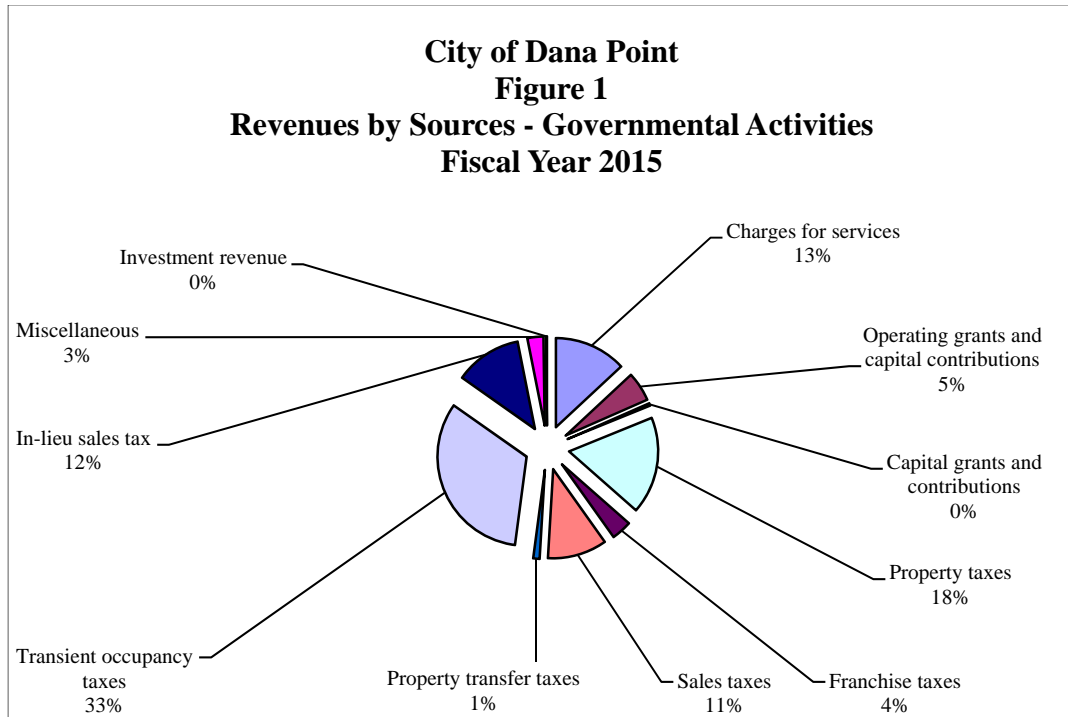


Figure 1, Revenues by Sources – Governmental Activities, depicts the distribution of fiscal year 2015 revenues. The City remains highly dependent on tourism in general, and transient occupancy taxes in particular, to fund its operations. This revenue represented 33% of recurring governmental revenues in fiscal year 2015 and increased by \$1.3 million, or 12.1% compared to fiscal 2014. Sales tax revenues increased in fiscal year 2015 by \$316,000, or 8.3%. The City’s investment interest earnings decreased by \$3,000, or 4.2%. The City experienced an increase in property taxes during the fiscal year of \$445,000, or 7.1%. Capital grants and contributions revenue decreased \$24.2 million primarily due to a prior year CFD bond issuance. Operating grant revenue decreased by \$125,000 in fiscal year 2015. Property transfer tax revenue decreased \$131,000 due to a drop in assessed value real estate sales, mostly due to the sale of a hotel in the prior year. In-Lieu Property Tax revenue increased \$352,000, or 8.2% in fiscal year 2015. Not including the previous year \$24 million CFD bonds, the City experienced an increase of \$2.5 million, or 7.0%, in governmental revenues in fiscal year 2015.

Dana Point is a hybrid “contract” city, wherein municipal services are provided by City staff and 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 Services, 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, while fire services are provided directly by the Orange County Fire Authority.

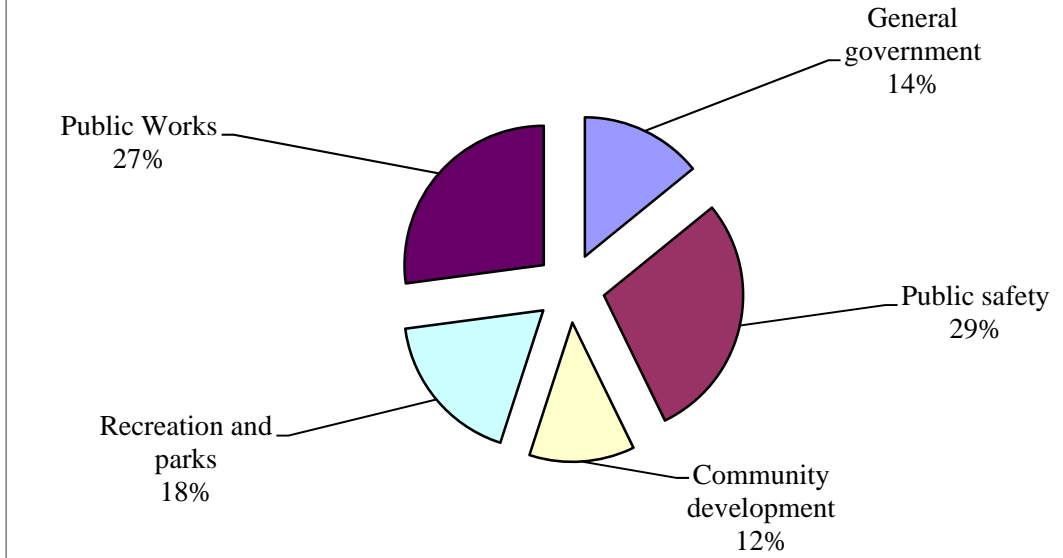
Community Development is comprised of four departments (Planning, Building, Code Enforcement and Economic Development), which provide development review and permitting services, building inspection, plan review and enforcement of municipal code services.

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 firms. Water, sewer, gas, electric, telephone and cable television services are provided by other governmental agencies or private enterprises.



**City of Dana Point**  
**Figure 2**  
**Expenses by Function - Governmental Activities**  
**Fiscal Year 2015**



As shown in Figure 2, Public Works and Public Safety continue to represent the two largest cost centers of the City, together comprising 56% of total expenses.

Public Works outlays compared to the prior year, not including the prior year \$24 million reimbursed to the Headlands developer from the CFD bonds, increased \$1.2 million in fiscal year 2015, or 13.2%. The increase is primarily the result of the Lantern District project.

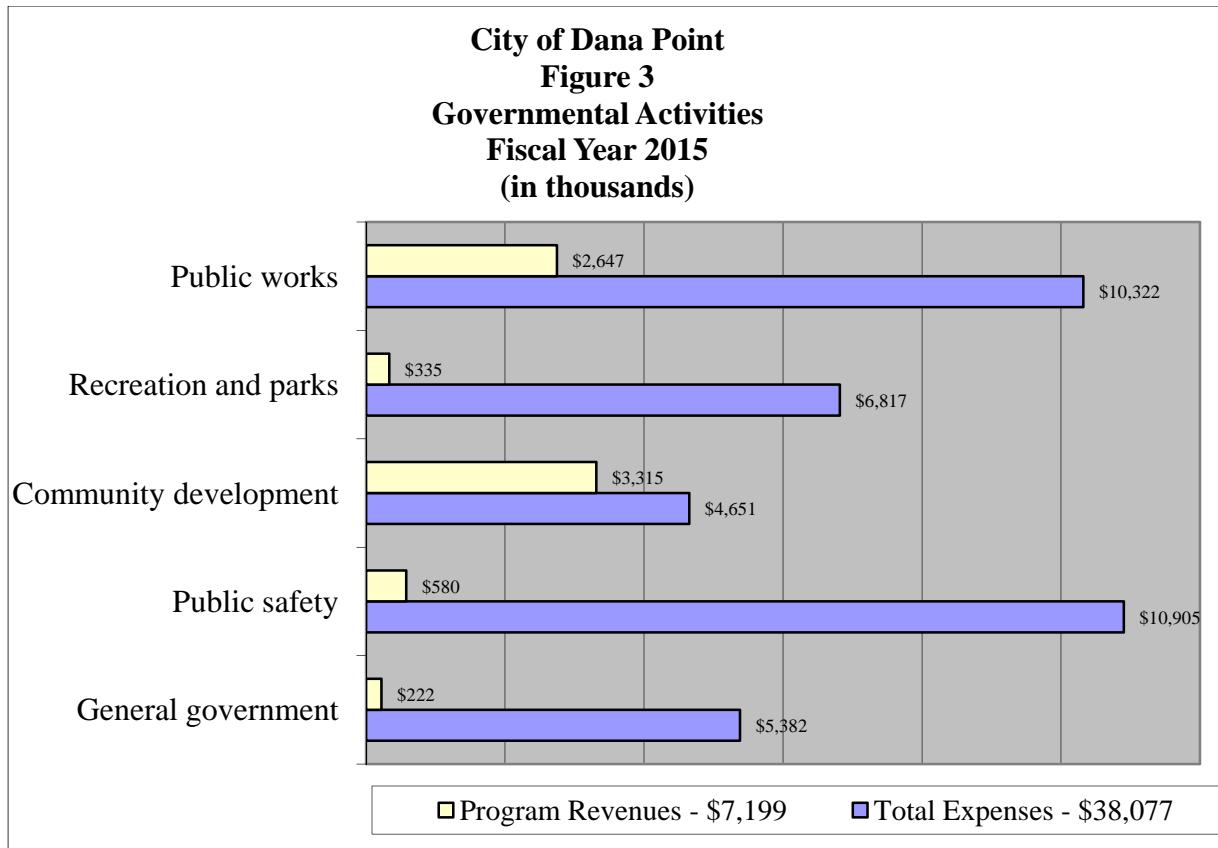
Public Safety expenses increased by \$800,000 or 8.0%. The increase is primarily the result of increases in sworn personnel retirement costs, increases in county liability insurance, and increases to shared costs for regional sheriff resources.

General Government outlays increased \$272,000, or 5.3% in fiscal year 2015. The majority of the increase is due to the net of a \$400,000 increase in personnel costs, offset by a \$180,000 decrease in capital outlay.

Community Development expenses increased by \$327,000, or 7.6%. The increases are primarily due to increases in professional service expenses for project consultants and extra contract staff to assist with increased development activity.

Recreation and Parks expenses increased \$357,000 or 5.5%. This increase is mainly the result of one-time park costs to refurbish park play grounds, purchase irrigation equipment, and to complete landscaping projects.

Overall, total fiscal year 2015 expenses for governmental activities, not including the prior year non-recurring \$24 million reimbursed to the Headlands developer from the bonds, increased by \$3.0 million, or 8.6%, to \$38.1 million in fiscal year 2015, with the bulk of the increase attributed to the one-time Lantern District project.



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

**Fund balance** – As of the end of fiscal year 2015, the City's governmental funds reported combined fund balances of \$33.2 million, a decrease of \$2.2 million from the prior year. Of that total, the General Fund represented \$18.2 million or 54.8%, of the combined balances; the Capital Improvements Fund represented \$10.4 million, or 31.3%; and the remainder of \$4.6 million, or 13.9%, was in all other funds combined.

At June 30, 2015, the City had \$98,000 of prepaid expenditures that are classified in the non-spendable portion of the fund balance. This amount has already been spent so it is not available for additional appropriation. There is \$4.6 million of fund balance that is restricted in its use by the Federal government, the State of California or other grantors. The assigned classification of fund balance is for items where it is the City's intent to spend the funds on a specific purpose such as capital improvement projects. The assigned classification has a balance of \$11.8 million at the end of fiscal year 2015. The remainder of the fund balance is \$16.7 million and is categorized as unassigned, meaning it is available for appropriation for any purpose, although \$9.1 million of it is designated by City Council policy for cash flows and emergencies.

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

### GENERAL FUND

Net General Fund revenues were \$4.1 million more than expenditures in fiscal year 2015. When combined with Interfund Transfers Out of \$330,000 to the Headlands CFD Maintenance Fund, Interfund Transfers out of \$7.9 million to the Capital Improvement Fund, and transfers in from the Gasoline Tax fund of \$664 thousand, the result for fiscal year 2015 is a net fund balance decrease of \$3.5 million in the General Fund.

The City has experienced five years of transient occupancy tax revenue increases. In fiscal years 2011, 2012, 2013, 2014 and 2015, the transient occupancy tax revenue increased 14.7%, 13.3%, 7.5%, 10.3% and 9.7%, respectively.

Assessed real estate values in Dana Point have been climbing for four consecutive years. 2012, 2013, 2014 and 2015 reported increases in assessed property values of 0.5%, 1.2%, 3.2%, and 7.2%, respectively. The 2015 assessed values stand at an all-time high of \$9.8 billion. Some of the 2015 increase can be attributed to record sales in the exclusive and expensive Strands development at the Headlands and the sale of a major hotel.

Fiscal 2015 revenues increased 10.9% over fiscal 2014.

### CAPITAL IMPROVEMENTS FUND

The Capital Improvements Fund incurred \$7.5 million in capital expenditures and received no revenues. Funding was received from transfers in from the Measure M Fund in the amount of \$550,000, the Gasoline Tax Fund in the amount of \$395,000, and the General Fund of \$7.9 million. As a result of these transactions, the Capital Improvements Fund concluded fiscal year 2015 with a net \$1.5 million increase in fund balance.

Capital Improvements Fund grants received in fiscal year 2015 were lower than the prior year by \$318,000, transfers in from the Gas Tax Fund were \$106,000 lower, and transfers in from the Measure M Fund and Park Development Fund were \$29,000 and \$100,000 higher, respectively.

### HEADLANDS CFD MAINTENANCE FUND

The Headlands CFD Maintenance Fund generated \$494,000 in revenue for fiscal 2015, which is \$376,000 more than fiscal 2014. The increase is attributable to \$209,000 in deferred revenue that was recognized in the current year plus additional maintenance tax revenue as assessments began being levied on parcels still owned by the developer were added to the tax roll.

## **Budgetary Highlights**

The City adopts two-year operating and capital budgets, with fiscal year 2015 being the second year of a two-year budget cycle. Due to the uncertainty and estimates involved in projecting certain revenues and expenditures, the City Council routinely amends the budget during the fiscal year. During fiscal year 2015, the overall General Fund revenue budget was increased by \$3.6 million. The revenue accounts reflecting the largest increases included property taxes, transient occupancy taxes, building permits, and plan checks.

Transient occupancy taxes (TOT) – increases in this revenue were anticipated, particularly given predicted economic recovery and recent implementation of some Dana Point Tourism Business Improvement District programs. During fiscal year 2015, the TOT revenue budget was increased by \$650,000 to account for increased revenue beyond original projections.

Property taxes – assessed property values have been increasing steadily for the last three years. As a result, the City has experienced an increase in both secured and unsecured property tax revenues. The budget for this revenue was increased by \$450,000 during the fiscal year.

In-lieu property taxes – these taxes arose from the past swap by the State of California of a portion of local sales taxes and motor vehicle in-lieu taxes for property taxes. This revenue is largely based on changes in assessed property value. With the recent increases in the housing market the budget for this revenue was increased by \$316,000 during fiscal year 2015.

Sales taxes – Original projections for sales tax revenue were based on the gradual recovery in tourism, with more visitors anticipated to be shopping and dining in the city. With the increased economic activity this revenue budget was increased by \$33,000 during fiscal year 2015.

Property Transfer Tax – real estate sales activity was better than projected during fiscal year 2015, and the revenue budget was increased by \$106,000.

Licenses, Fees and Permits – there was a significant increase in planning, engineering and building activity during the year. The revenue budget was increased by \$847,000 to reflect the upward trend.

Intergovernmental Reimbursement Revenue – these revenues are not readily predictable as they rely on other agencies review and interpretation of claims submitted by the City, and thus are not typically expected until actual payments are received. The budget was increased by \$105,000 to reflect actual revenues received.

Charges for Services Revenue - The budget was increased during fiscal year 2015 by \$732,000 to reflect revenue and reimbursements received.

Actual General Fund revenues for fiscal year 2015 are \$1.7 million, or 5.1% above the final fiscal year 2015 budget. The major contributor to the variance in revenue was a combination of increases in transient tax revenues, franchise taxes, property taxes, permits & fees and reimbursed expenses.

During fiscal year 2015 the General Fund expenditure budget had a net increase of \$10.3 million. The major components include a \$7.9 million increase of Transfers Out to the Capital Improvement Fund for the Lantern District project, a \$300,000 increase of Transfers Out to the CFD Maintenance Fund to help fund the funicular replacement, and a \$800,000 increase to the Public Works and Community Development professional service expenditures, which were reimbursed by developers to the City. The remaining budget increases were all significantly smaller in amount and were principally related to various professional services contracts.

Actual General Fund expenditures for fiscal year 2015 were \$1.2 million, or 3.1% under the final budget. Of these unexpended funds, \$398,000 was obligated at June 30, 2015 through encumbrances or contracts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

In accordance with Government Accounting Standards Board Statement No. 34, the City records and reports the value of its capital assets, including infrastructure. Infrastructure includes roads, bridges, parks, traffic signals, curbs, sidewalks, gutters, storm drains and similar public assets. At the end of fiscal year 2015 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 4:

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

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2015</b>	<b>% Change</b>
Land	\$ 54,386	\$ 54,386	0.0%
Construction in progress	8,322	15,655	88.1%
Buildings and improvements	9,695	9,702	0.1%
Equipment	2,836	3,019	6.5%
Infrastructure	186,596	187,280	0.4%
Less: Accumulated depreciation	(95,633)	(101,833)	6.5%
Governmental activity capital assets, net	<b>\$ 166,202</b>	<b>\$ 168,209</b>	<b>1.2%</b>

### Long-term Liabilities

At the end of fiscal year 2015, the City had total outstanding long-term liabilities of \$3.5 million, consisting of \$0.5 million in compensated time-off obligations due to employees, and with the implementation of GASB 68 in fiscal year 2015, a \$3.0 million net pension liability is now being reported on the City's government-wide Statement of Net Position.

As of June 30, 2015, the City's long-term liabilities were as shown in Table 5 below:

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

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2015</b>	<b>% Change</b>
Other debt:			
Compensated absences	\$ 503	\$ 520	3.4%
Net Pension Liability	\$ -	\$ 2,971	100.0%
<b>Total long-term liabilities</b>	<b>\$ 503</b>	<b>\$ 3,491</b>	<b>594.0%</b>

If the table above were adjusted to reflect the 2014 restated net pension liability per GASB 68, the long term liabilities would show a decrease from \$4.6 million to \$3.5 million, which is a \$1.1 million or 23.5% decrease from 2014 to 2015. See Note 15.

For more detailed information regarding the City’s long-term liabilities, refer to Notes 7 and 8 in the Notes to the Financial Statements.

### **Contacting the City’s Financial Management**

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

# **BASIC FINANCIAL STATEMENTS**

**CITY OF DANA POINT**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 32,313,016
Cash and investments - restricted	180,000
Receivables:	
Taxes	1,377,057
Accounts	618,889
Interest	28,086
Assessments	4,232
Intergovernmental	819,694
Prepays	98,059
Capital assets not being depreciated	70,040,987
Capital assets net of accumulated depreciation	98,167,703
Total Assets	203,647,723
<b>Deferred Outflows of Resources</b>	
Deferred amount related to pensions	700,479
Total Deferred Outflows of Resources	700,479
<b>Liabilities</b>	
Accounts payable	2,198,976
Accrued liabilities	5,708
Noncurrent liabilities:	
Due within one year:	
Compensated absences	251,998
Due in more than one year:	
Compensated absences	268,191
Net pension liability	2,971,518
Total Liabilities	5,696,391
<b>Deferred Inflows of Resources</b>	
Deferred amount related to pensions	1,031,635
Total Deferred Inflows of Resources	1,031,635
<b>Net Position</b>	
Net investment in capital assets	168,208,690
Restricted for:	
Public works	532,912
Community development	1,631,236
Public safety	95,492
Parks and recreation	583,500
ESHA maintenance	209,125
Art in public places	117,954
Tourism business improvement	1,461,422
Unrestricted	24,779,845
Total Net Position	\$ 197,620,176

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



**CITY OF DANA POINT**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General government	\$ 5,382,154	\$ 168,870	\$ 860
Public safety	10,905,473	194,750	385,030
Community development	4,650,828	3,310,700	4,100
Parks and recreation	6,817,339	334,860	-
Public works	10,321,516	979,880	1,647,310
Total Governmental Activities	<u>\$ 38,077,310</u>	<u>\$ 4,989,060</u>	<u>\$ 2,037,300</u>

General Revenues:

  Taxes:

    Property taxes

    Franchise taxes

    Sales taxes

    In-lieu property taxes

    Property transfer taxes

    Transient occupancy taxes

  Unrestricted investment earnings

  Loss on Disposal of Capital Assets

  Other

    Total General Revenues

    Change in Net Position

Net Position, Beginning of Year, As Restated

Net Position, End of Year

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

<u>Program Revenues</u> Capital Grants and Contributions	<u>Net (Expense)</u> Revenue and Changes in Net Position
\$ 53,140	\$ (5,159,284)
-	(10,325,693)
-	(1,336,028)
-	(6,482,479)
<u>120,250</u>	<u>(7,574,076)</u>
<u>\$ 173,390</u>	<u>(30,877,560)</u>

6,731,080
1,404,940
4,110,640
4,622,340
439,380
12,466,570
82,670
(8,487)
<u>1,119,004</u>
<u>30,968,137</u>
90,577
<u>197,529,599</u>
<u>\$ 197,620,176</u>

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

**CITY OF DANA POINT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2015**

	General	Special Revenue Fund	Capital Projects Funds
		Headlands CFD 2006-1 Maintenance	Capital Improvements
<b>Assets</b>			
Cash and investments	\$ 16,328,761	\$ 806,601	\$ 11,164,746
Cash and investments - restricted	-	-	-
Receivables:			
Taxes	1,195,635	-	-
Accounts	618,889	-	-
Interest	28,086	-	-
Assessments	-	4,232	-
Intergovernmental	808,613	-	-
Prepaid expenditures	98,059	-	-
Due from other funds	300,553	-	-
Total Assets	<u>\$ 19,378,596</u>	<u>\$ 810,833</u>	<u>\$ 11,164,746</u>
<b>Liabilities</b>			
Liabilities:			
Accounts payable	\$ 1,182,675	\$ 164,266	\$ 807,223
Accrued liabilities	5,708	-	-
Due to other funds	-	300,553	-
Total Liabilities	<u>1,188,383</u>	<u>464,819</u>	<u>807,223</u>
<b>Fund Balances</b>			
Nonspendable	98,059	-	-
Restricted	117,954	346,014	-
Assigned	1,250,000	-	10,357,523
Unassigned	16,724,200	-	-
Total Fund Balances	<u>18,190,213</u>	<u>346,014</u>	<u>10,357,523</u>
Total Liabilities and Fund Balances	<u>\$ 19,378,596</u>	<u>\$ 810,833</u>	<u>\$ 11,164,746</u>

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

Total Non-major Governmental Funds	Total Governmental Funds
\$ 4,012,908	\$ 32,313,016
180,000	180,000
181,422	1,377,057
-	618,889
-	28,086
-	4,232
11,081	819,694
-	98,059
-	300,553
<u>\$ 4,385,411</u>	<u>\$ 35,739,586</u>
\$ 44,812	\$ 2,198,976
-	5,708
-	300,553
<u>44,812</u>	<u>2,505,237</u>
-	98,059
4,167,673	4,631,641
172,926	11,780,449
-	16,724,200
<u>4,340,599</u>	<u>33,234,349</u>
<u>\$ 4,385,411</u>	<u>\$ 35,739,586</u>

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

**CITY OF DANA POINT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2015**

<b>Fund Balances of Governmental Funds</b>	<b>\$ 33,234,349</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	270,042,010
Accumulated depreciation	(101,833,320)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(520,189)
Net pension liability	(2,971,518)
Deferred outflows of resources related to pensions	700,479
Deferred inflows of resources related to pensions	(1,031,635)
<b>Net Position of Governmental Activities</b>	<b>\$ 197,620,176</b>

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

**CITY OF DANA POINT**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	General Fund	<u>Special Revenue Fund</u>	<u>Capital Projects Funds</u>
			Headlands CFD 2006-1 Maintenance
<b>Revenues:</b>			
Taxes	\$ 29,774,942	\$ -	\$ -
Licenses, fees and permits	1,799,335	-	-
Fines, forfeitures and penalties	287,499	-	-
Intergovernmental	401,988	-	-
Charges for services	2,293,960	492,296	-
Investment earnings	237,121	1,940	-
Other	31,499	-	-
Total Revenues	<u>34,826,344</u>	<u>494,236</u>	<u>-</u>
<b>Expenditures:</b>			
Current:			
General government	5,314,219	-	-
Public safety	10,774,167	-	-
Community development	3,284,076	-	-
Parks and recreation	5,277,469	-	-
Public works	6,024,982	96,176	-
Capital outlay	73,094	518,530	7,466,951
Total Expenditures	<u>30,748,007</u>	<u>614,706</u>	<u>7,466,951</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,078,337</u>	<u>(120,470)</u>	<u>(7,466,951)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	664,198	330,000	8,970,463
Transfers out	(8,255,166)	-	-
Total Other Financing Sources (Uses)	<u>(7,590,968)</u>	<u>330,000</u>	<u>8,970,463</u>
Net Changes in Fund Balances	(3,512,631)	209,530	1,503,512
Fund Balances, Beginning of Year	<u>21,702,844</u>	<u>136,484</u>	<u>8,854,011</u>
Fund Balances, End of Year	<u>\$ 18,190,213</u>	<u>\$ 346,014</u>	<u>\$ 10,357,523</u>

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

Total Non-major Governmental Funds	Total Governmental Funds
\$ 2,661,814	\$ 32,436,756
-	1,799,335
-	287,499
156,185	558,173
-	2,786,256
40,929	279,990
-	31,499
2,858,928	38,179,508
-	5,314,219
72,270	10,846,437
1,342,452	4,626,528
59,506	5,336,975
-	6,121,158
-	8,058,575
1,474,228	40,303,892
1,384,700	(2,124,384)
-	9,964,661
(1,709,495)	(9,964,661)
(1,709,495)	-
(324,795)	(2,124,384)
4,665,394	35,358,733
\$ 4,340,599	\$ 33,234,349

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

**CITY OF DANA POINT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,124,384)

Amounts reported for the governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives as depreciation expense.

Cost of assets capitalized	8,283,409	
Revenue reported on governmental funds for sale of equipment, not reported on government wide statement of activities	(3,176)	
Loss on sale of equipment	(8,487)	
Depreciation expense	<u>(6,265,800)</u>	
		2,005,946

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

Change in compensated absences	(16,989)
Pension expense reported on government wide statement of activities	(372,526)

Governmental funds expenditures for retirement contributions reported as part of deferred outflows of resources on statement of net position	<u>598,530</u>
--	----------------

**Change in Net Position of Governmental Activities** \$ 90,577

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



**CITY OF DANA POINT**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 26,869,511	\$ 28,784,511	\$ 29,774,942	\$ 990,431
Licenses, fees and permits	812,000	1,659,450	1,799,335	139,885
Fines, forfeitures and penalties	300,000	300,000	287,499	(12,501)
Intergovernmental	229,000	334,250	401,988	67,738
Charges for services	1,100,400	1,833,352	2,293,960	460,608
Investment earnings	229,000	206,000	237,121	31,121
Other	7,000	7,000	31,499	24,499
Total Revenues	<u>29,546,911</u>	<u>33,124,563</u>	<u>34,826,344</u>	<u>1,701,781</u>
<b>Expenditures</b>				
Current:				
General government	5,121,262	5,496,125	5,314,219	181,906
Public safety	10,781,132	10,826,665	10,774,167	52,498
Community development	2,884,105	3,480,559	3,284,076	196,483
Parks and recreation	5,141,556	5,387,056	5,277,469	109,587
Public works	5,678,012	6,543,595	6,024,982	518,613
Capital outlay	367,000	250,380	73,094	177,286
Total Expenditures	<u>29,973,067</u>	<u>31,984,380</u>	<u>30,748,007</u>	<u>1,236,373</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(426,156)</u>	<u>1,140,183</u>	<u>4,078,337</u>	<u>2,938,154</u>
<b>Other financing sources (uses)</b>				
Transfers in	560,370	549,370	664,198	114,828
Transfers out	(30,000)	(8,255,166)	(8,255,166)	-
Total Other Financing Sources (Uses)	<u>530,370</u>	<u>(7,705,796)</u>	<u>(7,590,968)</u>	<u>114,828</u>
Net Change in Fund Balance	104,214	(6,565,613)	(3,512,631)	3,052,982
Fund Balance, Beginning of Year	<u>21,702,844</u>	<u>21,702,844</u>	<u>21,702,844</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 21,807,058</u>	<u>\$ 15,137,231</u>	<u>\$ 18,190,213</u>	<u>\$ 3,052,982</u>

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

**CITY OF DANA POINT**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Budget and Actual**  
**Headlands CFD 2006-1 Maintenance Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 90,000	\$ 324,000	\$ 492,296	\$ 168,296
Investment earnings	1,400	1,400	1,940	540
Total Revenues	<u>91,400</u>	<u>325,400</u>	<u>494,236</u>	<u>168,836</u>
<b>Expenditures</b>				
Current:				
Public works	166,300	186,300	96,176	90,124
Capital Outlay	-	742,000	518,530	223,470
Total Expenditures	<u>166,300</u>	<u>928,300</u>	<u>614,706</u>	<u>313,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(74,900)</u>	<u>(602,900)</u>	<u>(120,470)</u>	<u>482,430</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>30,000</u>	<u>330,000</u>	<u>330,000</u>	<u>-</u>
Net Change in Fund Balance	(44,900)	(272,900)	209,530	482,430
Fund Balance, Beginning of Year	<u>136,484</u>	<u>136,484</u>	<u>136,484</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 91,584</u></u>	<u><u>\$ (136,416)</u></u>	<u><u>\$ 346,014</u></u>	<u><u>\$ 482,430</u></u>

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

**CITY OF DANA POINT**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2015**

**Assets**

Cash and investments	\$ 3,519,719
Cash with fiscal agents	4,749,128
Accounts receivable	<u>43,690</u>
Total Assets	<u><u>\$ 8,312,537</u></u>

**Liabilities**

Deposits	\$ 3,331,543
Due to bondholders	4,792,818
Due to other agencies	<u>188,176</u>
Total Liabilities	<u><u>\$ 8,312,537</u></u>

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

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**A) Description of the Reporting Entity**

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

Generally accepted accounting principles required that these financial statements represent the City and its component units, entities for which the City is considered to be financially accountable, if any. Blended component units, although legally separate entities, are, in substance, part of the government's operations and therefore data from these units are combined with the data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government.

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

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

**B) Basis of Presentation**

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

Government-Wide Statements: The Government-Wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. All City activities are governmental.

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

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.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, transient occupancy taxes, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The City reports the following major governmental funds:

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

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

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

Additionally, the City reports the following fund types:

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

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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

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

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

**D) Budgetary Policy and Control**

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

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. For management purposes, the City monitors activity at the function and activity level, within each individual fund. Formal budgetary integration is employed as a management control device during the year for the governmental-type funds. Budgets for the governmental-type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council.

**E) Cash and Investments**

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

**F) Property Taxes**

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

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

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**G) Interfund Payables/Receivables**

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

**H) Prepaid Items**

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

**I) Restricted Assets**

The City imposes impact fees upon certain new development in order to fund the creation, improvement and installation of public art in locations throughout the City. These impact fees are restricted in use for the specific improvements for which the fees were collected. Accordingly, they are classified as restricted on the Statement of Net Position and the Governmental Funds' Balance Sheet.

**J) Capital Assets**

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

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

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

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

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**K) Use of Estimates**

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

**L) Compensated Absences**

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

**M) Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**N) New GASB Pronouncements**

Adopted in the Current Year

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City implemented this pronouncement, effective July 1, 2014.

**GASB Statement No. 71** – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The City implemented this pronouncement, effective July 1, 2014.



**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**N) New GASB Pronouncements (Continued)**

Effective in Future Years

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-16 fiscal year. The City has not determined the effect of the statement.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The City has not determined the effect of the statement.

**GASB Statement No. 74** – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The City has not determined the effect of the statement.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the 2017-2018 fiscal year. The City has not determined the effect of the statement.

**GASB Statement No. 76** – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The Statement is effective for the periods beginning after June 15, 2015, or the 2015-2016 fiscal year. The City has not determined the effect of the statement.

**GASB Statement No. 77** – In August 2015, GASB issued Statement No 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the 2016-2017 fiscal year. The City has not determined the effect of that statement.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 32,313,016
Cash and investments - restricted	180,000
Fiduciary Funds	
Cash and investments	3,519,719
Cash and investments with fiscal agents	4,749,128
Total Cash and Investments	<u><u>\$ 40,761,863</u></u>

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand (petty cash)	\$ 5,200
Deposits with financial institutions	205,279
Investments	40,551,384
Total Cash and Investments	<u><u>\$ 40,761,863</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 and concentration of credit risk. The trustee holds money market mutual funds in accordance with the provision of the debt agreements of the City, rather than the general provisions of California Government Code or the City's Investment Policy.

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

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2015, the City had the following investments. Except for the investment in money market funds, all investments are in the City’s internal investment pool:

Investment Type	Totals	Remaining Maturity (In Months)	
		12 Months Or Less	13 to 24 Months
Local Agency Investment Fund	\$ 23,797,987	\$ 23,797,987	\$ -
U.S. Treasury Notes	12,004,270	5,602,776	6,401,494
Held by bond trustee:			
Money market funds	4,749,127	4,749,127	-
Total	<u>\$ 40,551,384</u>	<u>\$ 34,149,890</u>	<u>\$ 6,401,494</u>

Disclosures Relating to Credit Risk

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

Investment Type	Totals	Minimum Legal Rating	Rating as of Year End		
			Exempt from Disclosure	AAA	Not Rated
Local Agency Investment Fund	\$ 23,797,987	N/A	\$ -	\$ -	\$ 23,797,987
U.S. Treasury Notes	12,004,270	N/A	12,004,270	-	-
Held by bond trustee:					
Money market funds	4,749,127	AAA	-	4,749,127	-
Total	<u>\$ 40,551,384</u>		<u>\$ 12,004,270</u>	<u>\$ 4,749,127</u>	<u>\$ 23,797,987</u>

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 2 – CASH AND INVESTMENTS (Continued)***

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's Investment Policy contains a requirement that would limit the exposure to custodial risk for investments by the following provision: All securities owned by the City, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department, acting as agent for the City under terms of a custody agreement executed by the bank and by the City. All security transactions entered into by the City shall be conducted on a delivery-versus-payment basis, i.e., the City's safekeeping agent will only release payment for a security after the security has been properly delivered.

The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent 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 percent of the secured public deposits. Of the City's deposits with financial institutions, \$1,502,560 was in excess of federal depository insurance limits. This amount is collateralized pursuant to California Government Code.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based upon the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated.

Investment Policy Compliance

At June 30, 2015, the City held investments in LAIF of \$23,797,987 representing 58 percent of total cash and investments. Per the investment policy, at the discretion of the City Treasurer, the 50 percent maximum investment ceiling in LAIF may be exceeded under extraordinary circumstances, but not for more than one-hundred twenty (120) days. The City has reduced the 2-year treasury note investments as they mature in order provide cash flow for the Town Center project. Management expects the LAIF investment to shift back to the 50 percent or less ceiling within the guidelines outlined by the policy during fiscal year 2015-2016.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 3 – DUE FROM AND DUE TO OTHER FUNDS**

Current interfund receivables and payables balances at June 30, 2015 are as follows:

	Amounts due from
Amounts due to	Headlands CFD
General fund	2006-1 Maintenance
	\$ 300,553

The receivable of \$300,553 due from the Headlands CFD 2006-1 Maintenance fund to the General Fund is for the replacement of the Strands funicular vehicle within the Headlands Community Facilities District.

**NOTE 4 – INTERFUND ACTIVITY**

Interfund balances for the year ended June 30, 2015, are as follows:

	Transfers in			Totals
	General Fund	Capital Improvements	Headlands CFD 2006-1 Maintenance	
Transfers out				
General fund	-	\$ 7,925,166	\$ 330,000	\$ 8,255,166
Nonmajor governmental funds	\$ 664,198	1,045,297	-	1,709,495
Total	\$ 664,198	\$ 8,970,463	\$ 330,000	\$ 9,964,661

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, 2015, the City made the following interfund transfers:

1. A transfer of \$7,925,166 from the General Fund to the Capital Improvements Fund to provide resources for the Lantern District Improvement project.
2. A transfer of \$30,000 from the General Fund to the Headlands CFD Maintenance Fund representing the City's share of funicular operating expenses and a \$300,000 transfer to finance the purchase of a new funicular carriage.
3. A transfer of \$394,950 from the Gasoline Tax Fund (nonmajor governmental fund) to the Capital Improvements Fund. These funds are restricted and may be used only to fund street improvement projects. Such improvement project expenditures are accounted for in the Capital Improvement Projects Fund.
4. A transfer of \$664,198 from the Gasoline Tax Fund (nonmajor governmental 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.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 4 – INTERFUND ACTIVITY (Continued)**

5. A transfer of \$550,497 from the Measure M Fund (nonmajor governmental fund) to the Capital Improvements Fund, representing the City’s share of proceeds from Orange County’s Measure M ½ percent sales tax, which are restricted for use in transportation improvement projects. Such improvement project expenditures are accounted for in the Capital Improvements Fund.
6. A transfer of \$99,850 from the Park Development Fund (nonmajor governmental fund) to the Capital Improvements fund to provide resources for the bocce ball court at Lantern Bay Park.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions / Placed into Service</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 54,386,442	\$ -	\$ -	\$ 54,386,442
Construction in progress	8,321,952	7,474,145	(141,552)	15,654,545
Total capital assets not being depreciated	<u>62,708,394</u>	<u>7,474,145</u>	<u>(141,552)</u>	<u>70,040,987</u>
Capital assets being depreciated:				
Buildings	9,695,054	6,895	-	9,701,949
Equipment	2,836,470	259,837	(77,189)	3,019,118
Infrastructure	186,595,872	684,084	-	187,279,956
Total capital assets being depreciated	<u>199,127,396</u>	<u>950,816</u>	<u>(77,189)</u>	<u>200,001,023</u>
Less accumulated depreciation for:				
Buildings	(3,736,282)	(310,751)	-	(4,047,033)
Equipment	(1,695,348)	(215,676)	65,526	(1,845,498)
Infrastructure	(90,201,416)	(5,739,373)	-	(95,940,789)
Total accumulated depreciation	<u>(95,633,046)</u>	<u>(6,265,800)</u>	<u>65,526</u>	<u>(101,833,320)</u>
Total capital assets being depreciated, net	<u>103,494,350</u>	<u>(5,314,984)</u>	<u>(11,663)</u>	<u>98,167,703</u>
Total capital assets net of accumulated depreciation	<u>\$ 166,202,744</u>	<u>\$ 2,159,161</u>	<u>\$ (153,215)</u>	<u>\$ 168,208,690</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 276,908
Public safety	59,036
Community development	24,300
Recreation and parks	1,480,364
Public works	4,425,192
Total Depreciation Expense - Governmental Activities	<u>\$ 6,265,800</u>

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 5 – CAPITAL ASSETS (Continued)**

The City reported a loss on disposal of equipment on the government wide statement of activities totaling \$8,487.

Construction Commitments

The City has active construction projects as of June 30, 2015. The projects include street construction, street resurfacing, landscaping, storm drain construction and curb, sidewalk, median, gutter construction, building rehabilitation, and park improvements. At year end, the City had outstanding commitments which totaled \$4,640,588.

**NOTE 6 – OPERATING LEASE REVENUE**

The City is the lessor under several leases for office space in its City Hall facility, which was purchased by the City on June 11, 1996. These leases are considered to be operating leases for accounting purposes. Lease revenues for the year ended June 30, 2015, amounted to \$76,117. Future minimum lease revenues based on the original terms of the leases were \$78,560. As of October 31, 2015, the City terminated all but three tenant leases. The future minimum lease revenues based on the existing leases are \$34,815.

**NOTE 7 – COMPENSATED ABSENCES**

The following is a summary of the compensated absences activity for the year ended June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Compensated absences	\$ 503,200	\$ 520,984	\$ (503,995)	\$ 520,189	\$ 251,998

All full-time and certain part-time employees are eligible to receive comprehensive annual leave (CAL). The number of days each employee accrues is determined based upon length of employment and hours worked. An employee may accrue a maximum of two times their annual accrual rate for employees subject to the Memorandum of Understanding by and between the City and the Dana Point City Employees Association. All other employees do not have a maximum amount they can accrue. CAL vests immediately upon being earned.

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

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – COST-SHARING EMPLOYER PENSION PLAN**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous Employee Pension Plan (Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The CalPERS Plan consists of a miscellaneous pool and a safety pool (referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees’ Retirement Fund C (PERF C). Benefit provisions under the Plan are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Classic	New Member
	Prior to January	On or after
Hire Date	1, 2013	January 1, 2013
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of annual salary	2.00%	2.00%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	11.522%	6.25%

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. Contributions to the pension plan were \$598,530 for the year ended June 30, 2015.



**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – COST-SHARING EMPLOYER PENSION PLAN (Continued)**

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2015, the City reported a net pension liability for its proportionate share of the collective net pension liability as follows:

	Proportionate Share of Net Pension Liability
Total net pension liability	\$ 2,971,518

The City's net pension liability for the Plan was measured as the proportionate share of the net pension liability of the collective cost-sharing plan. The City's net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014 using standard actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportion of the collective net pension liability as of June 30, 2013 and 2014 was as follows:

Proportion - June 30, 2013	0.05037%
Proportion - June 30, 2014	0.04775%
Change - Increase (Decrease)	0.00261%

For the year ended June 30, 2015, the City recognized pension expense of \$372,526. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	\$ 598,530	\$ -
Differences between City contributions and proportionate share of contributions	101,949	-
Net difference between projected and actual earnings on pension plan investments	-	33,071
Changes in proportion	-	998,564
	\$ 700,479	\$ 1,031,635

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – COST-SHARING EMPLOYER PENSION PLAN (Continued)**

The amount of \$598,530 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2016	\$ (225,042)
2017	(225,042)
2018	(229,961)
2019	(249,641)
	\$ (929,686)

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions.

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS' Membership Data for all Fund

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 – COST-SHARING EMPLOYER PENSION PLAN (Continued)**

In determining the long-term expected 7.50% rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees’ Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for the Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return Years 1-10	Long-Term Expected Real Rate of Return Years 11+
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36
Private Equity	12%	6.83	6.95
Real Estate	11%	4.50	5.13
Infrastructure and Forestland	3%	4.50	5.09
Liquidity	2%	(0.55)	(1.05)
Total	<u>100%</u>		

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 5,294,321	\$ 2,971,518	\$ 1,043,807

**Pension Plan Fiduciary Net Position** – Detailed information about the plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS***

*South Orange County Animal Services Authority*

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

Funding of the Authority's budgeted amounts comes from contributions received from non-profit organizations, with the member agencies paying any portion of unfunded costs allocated to the members in the budget. Separate financial statements of the Authority can be obtained at: San Clemente Animal Shelter, 221 Avenida Fabricante, San Clemente, California 92672.

*Orange County Fire Authority*

In January 1995, the City of Dana Point entered into a joint powers agreement with several other Orange County cities and the County of Orange to create the Orange County Fire Authority (Fire Authority). The purpose of the Fire Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Fire Authority's governing board consists of one representative from each City and two from the County. The operations of the Fire Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Santa Ana, Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach. The County pays all structural fire fees it collects to the Fire Authority. The Cities of Santa Ana, Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach are considered "cash contract cities" and make cash contributions based on the Fire Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2015. Upon dissolution of the Fire Authority, all surplus money and property of the Fire Authority will be conveyed or distributed to each member in proportion to all funds provided to the Fire Authority by that member or by the County on behalf of that member during its membership.

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

*Orange County 800 Megahertz Communications System*

In May 1995, the City of Dana Point entered into a joint powers agreement with thirty other Cities and the County of Orange to create the Orange County 800 MHz Countywide Coordinated Communication System Authority (CCCS Authority). The purpose of the CCCS Authority is to provide an 800 megahertz coordinated law enforcement/public works/fire radio communication system (the 800 MHz CCCS). The CCCS Authority's governing board consists of one representative from each City, two from the County, the elected Sheriff, and one other representative selected by the County Board of Supervisors. Each member is responsible for its percentage interest contribution of the CCCS Authority's annual budget. The percentage interest contribution is calculated based upon each member's equipment purchase divided by the total equipment purchases. The City of Dana Point's percentage contribution is 0.34 percent. Upon dissolution, all surplus money and property of the CCCS Authority will be conveyed or distributed to each member in proportion to all funds provided to the CCCS Authority by the member during its membership.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 10 – FUND BALANCES**

Pursuant to GASB Statement No. 54, the City provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. The City Council has not delegated authority to assign fund balance and therefore, the City Council can assign fund balance.

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

	General Fund	Headlands CFD 2006-1 Maintenance Fund	Capital Improvements Fund	Nonmajor Funds	Totals
Nonspendable:					
Prepaid expenditures	\$ 98,059	\$ -	\$ -	\$ -	\$ 98,059
Restricted:					
Public works	-	346,014	-	186,898	532,912
Community development	-	-	-	1,631,236	1,631,236
Public safety	-	-	-	95,492	95,492
Parks and recreation	-	-	-	583,500	583,500
ESHA maintenance	-	-	-	209,125	209,125
Art in public places	117,954	-	-	-	117,954
Tourism business improvement	-	-	-	1,461,422	1,461,422
Subtotal	117,954	346,014	-	4,167,673	4,631,641
Assigned:					
Capital projects	1,250,000	-	10,357,523	172,926	11,780,449
Unassigned	16,724,200	-	-	-	16,724,200
Total Fund Balance	<u>\$ 18,190,213</u>	<u>\$ 346,014</u>	<u>\$ 10,357,523</u>	<u>\$ 4,340,599</u>	<u>\$ 33,234,349</u>

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 10 – FUND BALANCES (Continued)***

*Restricted Fund Balances:*

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

*Assigned Fund Balances:*

- The Capital Projects balance may be used for future repair and/or replacement of existing capital infrastructure. During the fiscal year 2015, the City Council directed that the Capital Projects Sinking Fund Reserve be utilized to help fund the Del Prado phase of the Lantern District Project. As of June 30, 2015, the balance in the reserve stood at \$1,250,000. In adopting the fiscal year 2016 budget, the City Council approved plans to return the reserve to its \$2,500,000 policy level.

*Minimum Fund Balance Policy:*

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

- Cash Flow Reserve – This reserve was established to ensure that the City would have adequate cash resources on hand at all times to compensate for normal fluctuations in monthly cash receipts and disbursements. This designation is set at an amount equal to 10 percent of General Fund Revenues. The current year amount is \$3,030,000.
- Emergency Reserve – This reserve was established to ensure adequate funds are available to respond to unanticipated emergencies that might result from natural disasters or major economic calamities. Expenditure of funds from this fund balance reserve requires a vote of four-fifths of the City Council member. The reserve is set an amount equal to 20 percent of General Fund Revenues. The current year amount is \$6,060,000.
- Capital Projects Sinking Fund Reserve – This reserve was established to accumulate funds for the future repair and/or replacement of existing capital infrastructure. The policy adopted in August 2006 provided that the amount not be less than \$2,500,000.

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

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 11 – 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 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other lines of coverage. The CJPIA’s pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee. The City’s share of the CJPIA’s assets, liabilities, and equities is not available. Separate financial statements of CJPIA may be obtained at: 8081 Moody St., La Palma, California 90623.

*Self-Insurance Programs of the CJPIA*

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

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

Liability

In the liability program, claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the CJPIA’s pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The CJPIA’s reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million excess \$2 million layer, (b) 50% quota share of the \$3 million excess \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million excess \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 11 – RISK MANAGEMENT PROGRAM (Continued)***

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the CJPIA's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

*Purchased Insurance*

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program 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 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the CJPIA has a \$10 million sub-limit during the 3-year term of the policy.

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. City property currently has all-risk property insurance protection in the amount of \$33,066,592. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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



**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 11 – RISK MANAGEMENT PROGRAM (Continued)***

*Adequacy of Protection*

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

CJPIA premiums for fiscal year 2015 were \$525,590. Since claims are paid by the CJPIA and, in effect, charged back to the City via future insurance deposits, no long-term liability for claims has been recorded.

***NOTE 12 – CONTINGENCIES***

As a CJPIA member (see Note 11), the City is insured for claims and judgments resulting from the normal operations of the City. Material losses not covered by the CJPIA program would be paid from the unassigned fund balance for emergencies (\$5,909,000) as of June 30, 2015 and/or other unassigned fund balances. Immaterial uninsured claims would be paid from routine operating revenues. There were no uninsured claims paid by the City in fiscal years 2014 or 2015.

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

The City receives financial assistance from federal, state and local governmental agencies in the form of grants and allocations. The disbursement of funds received under these programs requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of the City's management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at June 30, 2015.

***NOTE 13 – COMMUNITY FACILITIES DISTRICT BONDS***

Included within the City is Community Facilities District No. 2006-1 of the City of Dana Point (CFD), which was formed pursuant to the Mello-Roos Community Facilities Act of 1982 for the purpose of financing the acquisition and/or construction of certain public improvements in the area of the City known as The Headlands. The CFD is authorized to issue up to \$45 million of debt, which is to be repaid from revenues generated by special taxes levied on the taxable property within the CFD.

On May 29, 2013, the CFD sold 2013 Special Tax Bonds totaling \$17,885,000 of aggregate principal. The bonds mature in increments over a 30-year period. The bonds are not general obligations of the City, and neither the faith nor the taxing power of the City is pledged to the payments of these bonds. Therefore, the bonds are not recorded as liabilities of the City. The City has no obligation beyond the balances in the agency fund for any delinquent CFD bond payments. The bonds are limited obligations of the CFD payable solely from the special tax or funds held pursuant to the bond indenture agreement. The principal amount of bonds outstanding as of June 30, 2015 was \$ 17,660,000.

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 13 – COMMUNITY FACILITIES DISTRICT BONDS (Continued)**

In February 2014, the CFD sold 2014 Special Tax Bonds totaling \$26,245,000 of aggregate principal. The bonds mature in increments over a 20-year period. The bonds are not general obligations of the City, and neither the faith nor the taxing power of the City is pledged to the payment of these bonds. Therefore, the bonds are not recorded as liabilities of the City. The City has no obligation beyond the balances in the agency fund for any delinquent CFD bond payments. The bonds are limited obligations of the CFD payable solely from the special tax or funds held pursuant to the bond indenture agreement. The principal amount of bonds outstanding as of June 30, 2015 was \$ 26,245,000.

An amount of \$ 4,749,128 of cash with fiscal agent is being held by the City and is reflected as due to bondholders at June 30, 2015 in the Statement of Fiduciary Assets and Liabilities.

**NOTE 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures for the year ended June 30, 2015, exceeded appropriations in the following funds:

	Final Budget	Actual	Excess Over Appropriations
Measure M Fund (nonmajor governmental fund)	\$ (529,505)	\$ (550,497)	\$ (20,992)
ESHA Maintenance Fund (nonmajor governmental fund)	22,700	27,752	(5,052)

Expenditures are in excess of appropriations for the Measure M Fund due to additional transfers out related to transportation improvement projects funded through Measure M. Expenditures are in excess of appropriations for the ESHA Maintenance Fund due to a carryover of maintenance expenses expected to have been incurred in the previous fiscal year.

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

As discussed under Note 1, the City implemented GASB 68 effective July 1, 2014. Refer to Note 8 for further disclosures related to the plan and related balances. As a result of the implementation, the City restated beginning net position for fiscal year 2015 governmental activities as noted below:

	Government- Wide Governmental Activities
Beginning of year, as previously reported Net Position	\$ 201,058,277
Contributions after the measurement date - deferred outflows of resources	531,480
Net Pension Liability as of the measurement date of June 30, 2013	(4,060,158)
Beginning of year, as restated Net Position	\$ 197,529,599

**CITY OF DANA POINT**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 15 – PRIOR PERIOD ADJUSTMENTS (Continued)***

Following is the pro forma effect of the retroactive application:

	June 30, 2014 Previously Presented	Restatement	June 30, 2014 Restated
Deferred outflows of resources	\$ -	\$ 531,480	\$ 531,480
Net pension liability	-	4,060,158	4,060,158

In accordance with GASB 68, the restatement of all deferred outflows and inflows was not practical and therefore not included in the restatement of beginning balances.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DANA POINT**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**Last Ten Years\***  
**As of the Fiscal Year Ending June 30, 2015**

	<b>2015</b>
Proportion of the net pension liability	0.04775%
Proportionate share of the net pension liability	2,971,518
Covered - employee payroll	5,071,415
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	58.59%
Plan fiduciary net position as a percentage of the total pension liability	79.82%

\* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**CITY OF DANA POINT**  
**Schedule of Contributions**  
**Last Ten Years\***  
**As of the Fiscal Year Ending June 30, 2015**

	<b>2015</b>
Actuarially determined contributions - Miscellaneous	\$ 598,530
Contributions in relation to the actuarially determined contribution	598,530
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 5,418,425
Contributions as a percentage of covered-employee payroll	11.05%

\* - Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

# **SUPPLEMENTARY INFORMATION**

**CITY OF DANA POINT**  
**Major Capital Projects Fund**  
**June 30, 2015**

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

Capital Improvements 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 Fund**  
**For the Year Ended June 30, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Expenditures</b>			
Capital outlay	\$ 17,168,697	\$ 7,466,951	\$ 9,701,746
<b>Other financing sources (uses)</b>			
Transfers in	9,147,907	8,970,463	(177,444)
Net Change in Fund Balance	(8,020,790)	1,503,512	9,524,302
Fund Balance, Beginning of Year	8,854,011	8,854,011	-
Fund Balance, End of Year	\$ 833,221	\$ 10,357,523	\$ 9,524,302

**CITY OF DANA POINT**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

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

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

**CITY OF DANA POINT**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

Environmentally Sensitive Habitat Areas (ESHA) Maintenance Fund	Used to account for revenues received pursuant to a developer agreement establishing a funding mechanism for maintenance of the Headlands Area. The developer paid \$180,000 in fiscal year 2013 to establish this fund and has an annuity contract that provides an additional \$30,000 per year for 50 years, to satisfy the non-wasting endowment requirement provided in the Development Agreement.
Tourism Business Improvement District Fund	Used to account for the levy of \$3 per occupied room night subject to transient occupancy tax to be used for marketing activities to promote the City of Dana Point as an overnight tourism destination.

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

Facilities Improvement Fund	Used to account for major improvements or rehabilitation to the City Hall and Del Obispo Community Recreation Center facilities financed by operating transfers from other City funds.
Park Development Fund	Used to account for the acquisition, construction and improvement of park sites financed by developer contributions.

**CITY OF DANA POINT**  
**Combining Balance Sheet**  
**Nonmajor Funds**  
**June 30, 2015**

	Special Revenue Funds			
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit
<b>Assets</b>				
Cash and investments	\$ 77,180	\$ 13,808	\$ 104,068	\$ 1,331,769
Receivables:				
Taxes	-	95,910	-	-
Intergovernmental	-	-	-	-
Cash and investments - restricted	-	-	-	-
Total Assets	\$ 77,180	\$ 109,718	\$ 104,068	\$ 1,331,769
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 8,576	\$ 14,294
<b>Fund balances</b>				
Restricted	77,180	109,718	95,492	1,317,475
Assigned	-	-	-	-
Total Fund Balances	77,180	109,718	95,492	1,317,475
Total Liabilities and Fund Balances	\$ 77,180	\$ 109,718	\$ 104,068	\$ 1,331,769

Special Revenue Funds			Capital Projects		Total Nonmajor Governmental Funds
AB 2766	ESHA Maintenance Fund	Tourism Business Improvement District	Facilities Improvement	Park Development	
\$ 302,680	47,059	1,379,918	\$ 172,926	\$ 583,500	\$ 4,012,908
-	-	85,512	-	-	181,422
11,081	-	-	-	-	11,081
-	180,000	-	-	-	180,000
<u>\$ 313,761</u>	<u>\$ 227,059</u>	<u>\$ 1,465,430</u>	<u>\$ 172,926</u>	<u>\$ 583,500</u>	<u>\$ 4,385,411</u>
<u>\$ -</u>	<u>\$ 17,934</u>	<u>\$ 4,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,812</u>
313,761	209,125	1,461,422	-	583,500	4,167,673
-	-	-	172,926	-	172,926
<u>313,761</u>	<u>209,125</u>	<u>1,461,422</u>	<u>172,926</u>	<u>583,500</u>	<u>4,340,599</u>
<u>\$ 313,761</u>	<u>\$ 227,059</u>	<u>\$ 1,465,430</u>	<u>\$ 172,926</u>	<u>\$ 583,500</u>	<u>\$ 4,385,411</u>

**CITY OF DANA POINT**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Funds			
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit
<b>Revenues</b>				
Taxes	\$ 1,059,148	\$ 550,497	\$ -	\$ -
Intergovernmental	-	-	103,045	-
Investment earnings	-	909	248	4,103
Total Revenues	<u>1,059,148</u>	<u>551,406</u>	<u>103,293</u>	<u>4,103</u>
<b>Expenditures</b>				
Current:				
Public safety	-	-	72,270	-
Community development	-	-	-	-
Parks and recreation	-	-	-	31,754
Total Expenditures	<u>-</u>	<u>-</u>	<u>72,270</u>	<u>31,754</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,059,148</u>	<u>551,406</u>	<u>31,023</u>	<u>(27,651)</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(1,059,148)</u>	<u>(550,497)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,059,148)</u>	<u>(550,497)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	909	31,023	(27,651)
Fund Balances at Beginning of Year	<u>77,180</u>	<u>108,809</u>	<u>64,469</u>	<u>1,345,126</u>
Fund Balances at End of Year	<u>\$ 77,180</u>	<u>\$ 109,718</u>	<u>\$ 95,492</u>	<u>\$ 1,317,475</u>

Special Revenue Funds			Capital Projects		Total Nonmajor Governmental Funds
AB 2766	ESHA Maintenance Fund	Tourism Business Improvement District	Facilities Improvement	Park Development	
\$ -	\$ -	1,052,169	\$ -	\$ -	\$ 2,661,814
53,140	-	-	-	-	156,185
859	30,633	4,177	-	-	40,929
53,999	30,633	1,056,346	-	-	2,858,928
-	-	-	-	-	72,270
-	-	1,342,452	-	-	1,342,452
-	27,752	-	-	-	59,506
-	27,752	1,342,452	-	-	1,474,228
53,999	2,881	(286,106)	-	-	1,384,700
-	-	-	-	(99,850)	(1,709,495)
-	-	-	-	(99,850)	(1,709,495)
53,999	2,881	(286,106)	-	(99,850)	(324,795)
259,762	206,244	1,747,528	172,926	683,350	4,665,394
\$ 313,761	\$ 209,125	\$ 1,461,422	\$ 172,926	\$ 583,500	\$ 4,340,599

**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, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 1,065,577	\$ 1,059,148	\$ (6,429)
<b>Other financing sources (uses)</b>			
Transfers out	(1,142,756)	(1,059,148)	83,608
Net Change in Fund Balance	(77,179)	-	77,179
Fund Balance, Beginning of Year	77,180	77,180	-
Fund Balance, End of Year	\$ 1	\$ 77,180	\$ 77,179



**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, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 552,890	\$ 550,497	\$ (2,393)
Investment earnings	900	909	9
Total Revenues	<u>553,790</u>	<u>551,406</u>	<u>(2,384)</u>
<b>Other financing sources (uses)</b>			
Transfers out	<u>(529,505)</u>	<u>(550,497)</u>	<u>(20,992)</u>
Net Change in Fund Balance	24,285	909	(23,376)
Fund Balance, Beginning of Year	<u>108,809</u>	<u>108,809</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 133,094</u></u>	<u><u>\$ 109,718</u></u>	<u><u>\$ (23,376)</u></u>

**CITY OF DANA POINT**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance – Budget and Actual**  
**Supplemental Law Enforcement Services Fund**  
**For the Year Ended June 30, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 103,044	\$ 103,045	\$ 1
Investment earnings	600	248	(352)
Total Revenues	<u>103,644</u>	<u>103,293</u>	<u>(351)</u>
<b>Expenditures</b>			
Current:			
Public safety	<u>167,910</u>	<u>72,270</u>	<u>95,640</u>
Net Change in Fund Balance	(64,266)	31,023	95,289
Fund Balance, Beginning of Year	<u>64,469</u>	<u>64,469</u>	-
Fund Balance, End of Year	<u><u>\$ 203</u></u>	<u><u>\$ 95,492</u></u>	<u><u>\$ 95,289</u></u>

**CITY OF DANA POINT**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance – Budget and Actual**  
**Coastal Transit Fund**  
**For the Year Ended June 30, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 6,300	\$ 4,103	\$ (2,197)
<b>Expenditures</b>			
Current:			
Parks and Recreation	120,000	31,754	88,246
Net Change in Fund Balance	(113,700)	(27,651)	86,049
Fund Balance, Beginning of Year	1,345,126	1,345,126	-
Fund Balance, End of Year	\$ 1,231,426	\$ 1,317,475	\$ 86,049

**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, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 40,000	\$ 53,140	\$ 13,140
Investment earnings	800	859	59
Total Revenues	<u>40,800</u>	<u>53,999</u>	<u>13,199</u>
Net Change in Fund Balance	40,800	53,999	13,199
Fund Balance, Beginning of Year	<u>259,762</u>	<u>259,762</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 300,562</u></u>	<u><u>\$ 313,761</u></u>	<u><u>\$ 13,199</u></u>

**CITY OF DANA POINT**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance – Budget and Actual**  
**ESHA Maintenance Fund**  
**For the Year Ended June 30, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 30,450	\$ 30,633	\$ 183
Total Revenues	30,450	30,633	183
<b>Expenditures</b>			
Parks and recreation	22,700	27,752	(5,052)
Net Change in Fund Balance	7,750	2,881	(4,869)
Fund Balance, Beginning of Year	206,244	206,244	-
Fund Balance, End of Year	\$ 213,994	\$ 209,125	\$ (4,869)

**CITY OF DANA POINT**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance – Budget and Actual**  
**Tourism Business Improvement District Fund**  
**For the Year Ended June 30, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 950,000	\$ 1,052,169	\$ 102,169
Investment earnings	-	4,177	4,177
Total Revenues	<u>950,000</u>	<u>1,056,346</u>	<u>106,346</u>
<b>Expenditures</b>			
Community development	<u>1,950,269</u>	<u>1,342,452</u>	<u>607,817</u>
Net Change in Fund Balance	(1,000,269)	(286,106)	714,163
Fund Balance, Beginning of Year	<u>1,747,528</u>	<u>1,747,528</u>	-
Fund Balance, End of Year	<u><u>\$ 747,259</u></u>	<u><u>\$ 1,461,422</u></u>	<u><u>\$ 714,163</u></u>

**CITY OF DANA POINT**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance – Budget and Actual**  
**Facilities Improvement Fund**  
**For the Year Ended June 30, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -
<b>Expenditures</b>	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balance, Beginning of Year	172,926	172,926	-
Fund Balance, End of Year	\$ 172,926	\$ 172,926	\$ -

**CITY OF DANA POINT**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance – Budget and Actual**  
**Park Development**  
**For the Year Ended June 30, 2015**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Other financing sources (uses)</b>			
Transfers out	\$ (99,850)	\$ (99,850)	\$ -
Net Change in Fund Balance	(99,850)	(99,850)	-
Fund Balance, Beginning of Year	683,350	683,350	-
Fund Balance, End of Year	\$ 583,500	\$ 583,500	\$ -



**CITY OF DANA POINT**

**Agency Funds**

**June 30, 2015**

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

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

**CITY OF DANA POINT**  
**Combining Statement of Agency Funds, Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2015**

	Developer Deposits	Due to Bondholders	Pass-through Deposits	Totals
<b>Assets</b>				
Cash and investments	\$ 3,331,543	\$ -	\$ 188,176	\$ 3,519,719
Cash with fiscal agents	-	4,749,128	-	4,749,128
Accounts receivables	-	43,690	-	43,690
Total Assets	<u>\$ 3,331,543</u>	<u>\$ 4,792,818</u>	<u>\$ 188,176</u>	<u>\$ 8,312,537</u>
<b>Liabilities</b>				
Deposits	\$ 3,331,543	\$ -	\$ -	\$ 3,331,543
Due to bondholders	-	4,792,818	-	4,792,818
Due to other agencies	-	-	188,176	188,176
Total Liabilities	<u>\$ 3,331,543</u>	<u>\$ 4,792,818</u>	<u>\$ 188,176</u>	<u>\$ 8,312,537</u>

**CITY OF DANA POINT**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2015**

	Beginning Balance	Additions	Deletions	Ending Balance
<hr/> <b>Developer Deposits</b> <hr/>				
<b>Assets:</b>				
Cash and investments	\$ 2,456,968	\$ 2,120,383	\$ 1,245,808	\$ 3,331,543
	<u>\$ 2,456,968</u>	<u>\$ 2,120,383</u>	<u>\$ 1,245,808</u>	<u>\$ 3,331,543</u>
<b>Liabilities:</b>				
Deposits	\$ 2,456,968	\$ 2,120,383	\$ 1,245,808	\$ 3,331,543
	<u>\$ 2,456,968</u>	<u>\$ 2,120,383</u>	<u>\$ 1,245,808</u>	<u>\$ 3,331,543</u>
<hr/> <b>Due to Bondholders</b> <hr/>				
<b>Assets:</b>				
Cash with fiscal agents	\$ 4,035,539	\$ 5,121,577	\$ 4,407,988	\$ 4,749,128
Accounts receivables	62,460	43,690	62,460	43,690
	<u>\$ 4,097,999</u>	<u>\$ 5,165,267</u>	<u>\$ 4,470,448</u>	<u>\$ 4,792,818</u>
<b>Liabilities:</b>				
Due to bondholders	\$ 4,097,999	\$ 5,165,267	\$ 4,470,448	\$ 4,792,818
	<u>\$ 4,097,999</u>	<u>\$ 5,165,267</u>	<u>\$ 4,470,448</u>	<u>\$ 4,792,818</u>
<hr/> <b>Pass-through Deposits</b> <hr/>				
<b>Assets:</b>				
Cash and investments	\$ 313,043	\$ 652,807	\$ 777,674	\$ 188,176
	<u>\$ 313,043</u>	<u>\$ 652,807</u>	<u>\$ 777,674</u>	<u>\$ 188,176</u>
<b>Liabilities:</b>				
Due to other agencies	\$ 313,043	\$ 652,807	\$ 777,674	\$ 188,176
	<u>\$ 313,043</u>	<u>\$ 652,807</u>	<u>\$ 777,674</u>	<u>\$ 188,176</u>
<hr/> <b>Total - All Agency Funds</b> <hr/>				
<b>Assets:</b>				
Cash and investments	\$ 2,770,011	\$ 2,773,190	\$ 2,023,482	\$ 3,519,719
Cash with fiscal agents	4,035,539	5,121,577	4,407,988	4,749,128
Accounts receivables	62,460	43,690	62,460	43,690
	<u>\$ 6,868,010</u>	<u>\$ 7,938,457</u>	<u>\$ 6,493,930</u>	<u>\$ 8,312,537</u>
<b>Liabilities:</b>				
Deposits	\$ 2,456,968	\$ 2,120,383	\$ 1,245,808	\$ 3,331,543
Due to bondholders	4,097,999	5,165,267	4,470,448	4,792,818
Due to other agencies	313,043	652,807	777,674	188,176
	<u>\$ 6,868,010</u>	<u>\$ 7,938,457</u>	<u>\$ 6,493,930</u>	<u>\$ 8,312,537</u>

# STATISTICAL SECTION

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

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<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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Program Revenues by Function/Program	81
Tax Revenues by Source, Governmental Funds	82
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant revenue sources.	
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
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Direct and Overlapping Governmental Activities Debt	89
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# STATISTICAL SECTION, continued

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**Operating Information**

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

Full-time Equivalent City Government Employees Authorized, by Function	93
Operating Indicators by Function/Program	94
Capital Asset Statistics by Function/Program	95

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$102,009	\$120,561	\$119,292	\$128,285	\$174,898	\$171,342	\$169,246	\$167,182	\$166,203	\$168,209
Restricted	8,069	5,515	2,645	3,257	2,847	2,665	2,765	2,879	\$4,747	\$4,631
Unrestricted	37,504	41,797	51,789	39,654	33,932	31,319	29,690	30,400	\$30,108	\$24,780
<b>Total governmental activities net position</b>	<b>\$147,582</b>	<b>\$167,873</b>	<b>\$173,726</b>	<b>\$171,196</b>	<b>\$211,677</b>	<b>\$205,326</b>	<b>\$201,701</b>	<b>\$200,461</b>	<b>\$201,058</b>	<b>\$197,620</b>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 4,977	\$ 4,569	\$ 4,896	\$ 5,093	\$ 5,285	\$ 5,636	\$ 5,006	\$ 4,794	\$ 5,110	\$ 5,382
Public Safety	7,558	8,068	8,807	9,193	9,700	10,156	9,977	10,069	10,100	10,906
Community Development	2,582	2,330	2,811	2,625	2,831	2,604	2,769	3,689	4,325	4,651
Recreation and Parks	3,303	3,708	4,037	4,270	4,528	4,632	4,481	4,917	6,460	6,817
Public Works	8,294	9,687	10,520	19,447	10,667	11,374	11,327	21,265	33,075	10,321
Interest on Long-term Debt	187	15	-	-	-	-	-	-	-	-
Unallocated Depreciation	122	131	187	192	220	221	214	214	-	-
Total governmental activities expenses	<u>27,023</u>	<u>28,508</u>	<u>31,258</u>	<u>40,820</u>	<u>33,231</u>	<u>34,623</u>	<u>33,774</u>	<u>44,948</u>	<u>59,070</u>	<u>38,077</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General Government	155	321	493	263	631	464	584	112	140	169
Public Safety	461	454	539	332	305	253	304	199	199	195
Community Development	2,266	1,359	1,396	1,054	1,265	1,171	1,064	1,603	2,275	3,311
Recreation and Parks	224	224	262	261	271	306	349	424	344	335
Public Works	131	469	561	422	260	244	185	118	436	980
Operating grants and contributions	1,449	1,694	1,612	9,999	2,424	1,900	2,172	11,610	2,162	2,037
Capital grants and contributions	13,459	16,321	3,159	852	46,617	826	1,143	705	24,425	173
Total governmental activities program revenues	<u>18,145</u>	<u>20,842</u>	<u>8,022</u>	<u>13,183</u>	<u>51,773</u>	<u>5,164</u>	<u>5,801</u>	<u>14,771</u>	<u>29,981</u>	<u>7,200</u>
Total government net revenue (expense)	<u>\$ (8,878)</u>	<u>\$ (7,666)</u>	<u>\$ (23,236)</u>	<u>\$ (27,637)</u>	<u>\$ 18,542</u>	<u>\$ (29,459)</u>	<u>\$ (27,973)</u>	<u>\$ (30,177)</u>	<u>\$ (29,089)</u>	<u>\$ (30,877)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 5,009	\$ 5,373	\$ 6,001	\$ 6,176	\$ 6,109	\$ 5,936	\$ 5,857	\$ 6,020	\$ 6,286	\$ 6,731
Franchise taxes	1,076	1,201	1,239	1,294	1,255	1,247	1,198	1,329	1,315	1,405
Sales taxes	3,447	3,761	3,671	2,998	2,909	3,075	3,570	3,425	3,794	4,111
In-lieu property taxes	3,119	3,867	4,276	4,154	3,719	3,944	3,947	4,319	4,271	4,622
Property transfer taxes	441	395	374	224	229	200	230	459	570	439
Transient occupancy taxes	9,533	10,888	11,298	8,630	7,221	8,284	9,382	10,086	12,140	12,467
Motor vehicle in-lieu (unrestricted)	255	199	164	126	109	170	18	-	-	-
Other	52	234	66	68	53	60	68	1,233	141	82
Unrestricted investment earnings	1,433	2,038	2,210	1,227	334	193	77	124	86	1,119
Special Item								180	1,083	(8)
Total governmental activities	<u>24,365</u>	<u>27,956</u>	<u>29,299</u>	<u>24,897</u>	<u>21,938</u>	<u>23,109</u>	<u>24,347</u>	<u>27,175</u>	<u>29,686</u>	<u>30,968</u>
<b>Change in Net Position</b>	<u>\$ 15,487</u>	<u>\$ 20,290</u>	<u>\$ 6,063</u>	<u>\$ (2,740)</u>	<u>\$ 40,480</u>	<u>\$ (6,350)</u>	<u>\$ (3,626)</u>	<u>\$ (3,002)</u>	<u>\$ 597</u>	<u>\$ 91</u>

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

	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015
<b>General Fund</b>										
Nonspendable	\$0	\$0	\$0	\$0	\$0	\$64	\$73	\$76	\$155	\$98
Restricted	-	-	-	-	-	-	-	139	118	118
Committed	-	-	-	-	-	9,462	9,027	-	-	-
Assigned	-	-	-	-	-	3,169	3,169	13,472	2,500	1,250
Unassigned	-	-	-	-	-	6,094	7,003	8,284	18,930	16,724
Reserved	\$3,715	\$561	\$1,466	\$1,378	\$406	-	-	-	-	-
Unreserved	12,605	17,836	20,684	19,478	19,925	-	-	-	-	-
<b>Total General Fund</b>	<b>\$16,320</b>	<b>\$18,397</b>	<b>\$22,150</b>	<b>\$20,856</b>	<b>\$20,331</b>	<b>\$18,789</b>	<b>\$19,272</b>	<b>\$21,971</b>	<b>\$21,703</b>	<b>\$18,190</b>
<b>All other governmental funds</b>										
Restricted	\$0	\$0	\$0	\$0	\$0	\$2,498	\$2,598	\$2,920	\$4,629	\$4,514
Committed	-	-	-	-	-	-	-	1,919	-	-
Assigned	-	-	-	-	-	12,406	10,284	6,867	9,027	10,530
Reserved	5,225	414	8,747	4,136	827	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	1,424	1,555	2,263	2,553	2,062	-	-	-	-	-
Capital project funds	22,986	27,225	21,851	15,794	13,130	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$29,635</b>	<b>\$29,194</b>	<b>\$32,861</b>	<b>\$22,483</b>	<b>\$16,019</b>	<b>\$14,904</b>	<b>\$12,882</b>	<b>\$11,706</b>	<b>\$13,656</b>	<b>\$15,044</b>

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



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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 22,626	\$ 25,391	\$ 26,715	\$ 23,117	\$ 20,271	\$ 22,821	\$ 24,525	\$ 27,513	\$ 28,811	\$ 32,437
Licences, fees and permits	1,926	2,048	2,186	1,997	1,983	1,975	1,937	2,122	2,434	1,799
Fines and forfeitures	469	470	636	433	335	286	455	236	263	288
Intergovernmental	7,181	6,011	3,464	1,536	1,856	1,118	1,570	1,442	854	558
Charges for services	1,906	1,475	1,672	1,150	1,651	1,392	1,307	1,437	1,859	2,786
Use of money and property	1,740	2,423	2,590	1,468	520	399	241	286	281	280
Contributions from property owners	-	-	-	8,199	486	41	28	9,447	23,935	-
Other	337	246	93	180	106	295	86	111	147	32
Total revenues	<u>36,185</u>	<u>38,064</u>	<u>37,356</u>	<u>38,080</u>	<u>27,208</u>	<u>28,327</u>	<u>30,149</u>	<u>42,594</u>	<u>58,584</u>	<u>38,180</u>
<b>Expenditures</b>										
General government	4,846	4,526	4,809	4,971	5,223	5,524	5,026	4,880	4,745	5,314
Public safety	7,544	8,035	8,767	9,123	9,617	10,077	9,856	9,985	10,030	10,846
Community development	2,565	2,312	2,772	2,594	2,804	2,578	2,764	3,667	4,292	4,627
Recreation and parks	3,237	3,627	3,953	4,186	4,443	4,526	4,477	4,799	4,993	5,337
Public works	5,133	5,243	5,803	6,673	5,398	5,409	5,388	5,538	5,498	6,121
Capital outlay	13,180	9,667	3,832	22,205	6,712	2,869	4,177	14,145	30,969	8,059
Debt service:										
Principal	325	2,925	-	-	-	-	-	-	-	-
Interest	196	93	-	-	-	-	-	-	-	-
Total expenditures	<u>37,026</u>	<u>36,428</u>	<u>29,936</u>	<u>49,752</u>	<u>34,197</u>	<u>30,983</u>	<u>31,688</u>	<u>43,014</u>	<u>60,527</u>	<u>40,304</u>
Excess of revenues over (under) expenditures	(841)	1,636	7,420	(11,672)	(6,989)	(2,656)	(1,539)	(420)	(1,943)	(2,124)
<b>Other financing sources (uses)</b>										
Transfers in	4,237	3,922	6,658	3,357	4,313	1,772	1,521	1,277	9,543	9,965
Transfers out	(4,238)	(3,922)	(6,658)	(3,357)	(4,313)	(1,772)	(1,521)	(1,277)	(9,543)	(9,965)
Other Financing Sources (uses)									3,625	-
Total other financing sources (uses)	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,625</u>	<u>-</u>
Special Item	-	-	-	-	-	-	-	180	-	-
Net change in fund balances	<u>\$ (842)</u>	<u>\$ 1,636</u>	<u>\$ 7,420</u>	<u>\$ (11,672)</u>	<u>\$ (6,989)</u>	<u>\$ (2,656)</u>	<u>\$ (1,539)</u>	<u>\$ (240)</u>	<u>\$ 1,682</u>	<u>\$ (2,124)</u>
Debt service as a percentage of noncapital expenditures	<u>1.4%</u>	<u>8.3%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Function/Program</b>										
Governmental activities:										
General government	\$ 203	\$ 377	\$ 538	\$ 295	\$ 685	\$ 497	\$ 625	\$ 164	\$ 171	\$ 223
Public safety	746	930	946	737	785	670	803	983	570	580
Community development	2,306	1,415	1,450	1,089	1,280	1,181	1,070	1,607	2,278	3,315
Recreation and parks	470	11,211	914	456	442	359	422	517	351	335
Public works	14,419	6,909	4,174	10,606	48,581	2,457	2,881	11,500	26,611	2,747
Total governmental activities	<u>\$ 18,144</u>	<u>\$ 20,842</u>	<u>\$ 8,022</u>	<u>\$ 13,183</u>	<u>\$ 51,773</u>	<u>\$ 5,164</u>	<u>\$ 5,801</u>	<u>\$ 14,771</u>	<u>\$ 29,981</u>	<u>\$ 7,200</u>

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

Fiscal Year	Property Tax (1)	Franchise Tax	Sales Tax (2)	Gasoline Tax (3)	Measure M Tax	TBID Tax (5)	In-lieu Property Tax (2)	Property Transfer Tax	Transient Occupancy Tax (4)	Total
2006	5,009	1,076	3,447	670	407	-	3,119	441	9,533	23,702
2007	5,373	1,201	3,762	670	436	-	3,867	395	10,888	26,592
2008	6,001	1,239	3,867	655	440	-	4,276	374	11,298	28,150
2009	6,176	1,294	2,998	545	390	-	4,154	194	8,630	24,381
2010	5,227	1,255	2,909	660	337	-	3,719	229	7,221	21,557
2011	5,935	1,247	3,075	961	336	-	3,944	200	8,284	23,982
2012	5,857	1,198	3,570	1,044	456	-	3,947	230	9,382	25,684
2013	6,020	1,329	3,425	775	456	955	4,319	459	10,086	27,824
2014	6,286	1,315	3,794	1,133	618	1,082	4,271	570	11,122	30,191
2015	6,731	1,405	4,111	1,059	551	1,056	4,622	439	12,466	32,440

- (1) Property taxes are imposed by the County of Orange at a rate of 1% of assessed value, pursuant to Proposition 13. Refer to Direct and Overlapping Property Tax Rate schedule for distribution information.
- (2) Beginning in fiscal 2005 the State of California swapped 25% of the 1% basic sales tax levy allocated to municipalities for in-lieu sales taxes, which represent an equivalent amount of property taxes. Therefore, the City's portion of sales tax was reduced from 1.00% of gross sales to 0.75% of gross sales. The City does not impose a local sales tax.
- (3) Beginning in fiscal 2011 the State of California replaced the Proposition 42 (Transportation Congestion Relief) funds with gasoline tax funds which represents an equivalent amount.
- (4) Transient occupancy tax is imposed by the City at the rate of 10%; beginning in 2014, short term rentals of residential houses began paying this tax.
- (5) Beginning in fiscal 2013 the method of accounting for the TBID tax collections was changed from an agency fund to a special revenue fund.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total property tax levy	\$ 5,129	\$ 5,556	\$ 6,174	\$ 6,256	\$ 6,064	\$ 6,031	\$ 6,093	\$ 6,303	\$ 7,836	\$ 10,076
Current year collections	\$ 4,973	\$ 5,338	\$ 5,908	\$ 5,985	\$ 5,910	\$ 5,848	\$ 5,827	\$ 5,865	\$ 7,499	\$ 9,764
Current year collections as % of levy	97.0%	96.1%	95.7%	95.7%	97.5%	97.0%	95.6%	93.1%	95.7%	96.9%
Current year delinquencies	\$ 156	\$ 218	\$ 266	\$ 271	\$ 154	\$ 183	\$ 266	\$ 438	\$ 337	\$ 312
Current year delinquencies as % of levy	3.0%	3.9%	4.3%	4.3%	2.5%	3.0%	4.4%	6.9%	4.3%	3.1%
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)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed value	\$ 6,998,388	\$ 7,693,012	\$ 8,532,709	\$ 8,879,909	\$ 8,763,402	\$ 8,687,748	\$ 8,735,352	\$ 8,844,364	\$ 9,126,750	\$ 9,787,132
Estimated actual value (see note)	\$ 6,998,388	\$ 7,693,012	\$ 8,532,709	\$ 8,879,909	\$ 8,763,402	\$ 8,687,748	\$ 8,735,352	\$ 8,844,364	\$ 9,126,750	\$ 9,787,132
Annual increase in assessed value	\$ 747,726	\$ 694,624	\$ 839,697	\$ 347,200	\$ (116,507)	\$ (75,654)	\$ 47,604	\$ 109,012	\$ 282,386	\$ 660,382
Annual % increase in assessed value	12.0%	9.9%	10.9%	4.1%	-1.3%	-0.9%	0.5%	1.2%	3.2%	7.2%

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

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

Source: Orange County Assessor

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<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	\$0.3898	\$0.3898	\$0.3898
Educational Revenue Augmentation Fund	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1656	0.1656	0.1656
Orange County Fire Authority	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1217	0.1217	0.1217
South Orange County Comm. College District	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0959	0.0959	0.0959
Orange County General Fund	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0526	0.0526	0.0526
<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>0.07618</b>	<b>0.07618</b>	<b>0.07618</b>
Orange County Flood Control District	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0214	0.0214	0.0214
Orange County Library District	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.01806	0.01806	0.01806
Orange County Department of Education	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.01767	0.01767	0.01767
Orange County Harbors, Beaches & Parks	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.01655	0.01655	0.01655
Capistrano Beach County Water District	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.01060	0.01060	0.01060
Tri Cities Municipal Water District	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.00913	0.00913	0.00913
Orange County Transportation Authority	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.00304	0.00304	0.00304
Orange County Vector Control	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.00121	0.00121	0.00121
Orange County Cemetary District	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.00054	0.00054	0.00054
Total Basic 1% Levy (1)	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
<u>Tax Rate Area 28-019:</u>										
Metro Water District MWDOC Annex #4	0.0052	0.0047	0.0043	0.0043	0.0037	0.0037	0.0037	0.00350	0.00350	0.00000
Capistrano Unified ID#1 1999 Bond Fund - Series A	0.0031	0.0027	0.0028	0.0031	0.0032	0.0032	0.0032	0.00335	0.00335	0.00335
Capistrano Unified ID#1 1999 Bond Fund - Series B	0.0049	0.0043	0.0045	0.0043	0.0051	0.0051	0.0051	0.00538	0.00538	0.00470
Capistrano Unified ID#1 1999 Bond Fund - Series C	0.0027	0.0024	0.0025	0.0028	0.0028	0.0028	0.0028	0.00298	0.00298	0.00430
Combined Total Property Tax Rate (2)	<u>\$1.0160</u>	<u>\$1.0142</u>	<u>\$1.0140</u>	<u>\$1.0144</u>	<u>\$1.0148</u>	<u>\$1.0148</u>	<u>\$1.0148</u>	<u>\$1.0152</u>	<u>\$1.0152</u>	<u>\$1.0123</u>

Notes:

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

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

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

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

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

Source: Orange County Auditor-Controller

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

Taxpayer	Fiscal Year 2015				Fiscal Year 2006			
	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid
MMB Management LLC (1)	\$ 241,749,672	\$ 81,509	1	2.59%	-	-	-	-
SHC Laguna Niguel 1 LLC	239,548,022	74,766	2	2.38%	180,023,352	56,188	2	2.52%
Monroe MBR (1)	218,457,229	67,759	3	2.15%	-	-	-	-
Regency Laguna LP (1)	182,108,859	56,504	4	1.80%	-	-	-	-
Monarch Coast I LLC	86,891,775	26,870	5	0.85%	-	-	-	-
Headlands Reserve, LLC	37,908,917	13,005	6	0.41%	68,553,762	25,306	6	1.13%
Kenneth L Wagner Trust	35,112,168	14,466	7	0.46%	-	-	-	-
Bear Brand Partners	32,351,623	10,097	8	0.32%	28,345,739	8,847	8	0.40%
Fountains Sea BLFS Owner NT HC (1)	28,012,845	9,748	9	0.31%	-	-	-	-
ST Apartments	27,161,982	9,208	10	0.29%	-	-	-	-
Harbor Pointe Partners LLC	-	-	-	-	-	-	-	-
Cagney Enterprises LLC	-	-	-	-	-	-	-	-
CPH Monarch Hotel LLC (1)	-	-	-	-	166,596,927	51,997	3	2.33%
Lloyd's Bank California (1)	-	-	-	-	200,056,860	67,451	1	3.03%
Monarch Bay Two	-	-	-	-	84,219,674	26,045	5	1.17%
Connecticut General Life Ins. Co. (1)	-	-	-	-	-	-	-	0.00%
CPH Resorts LLC	-	-	-	-	40,540,821	12,704	7	0.57%
PRISA Acquisition LLC (1)	-	-	-	-	90,029,463	28,011	4	1.26%
Dana Point Partners	-	-	-	-	23,797,792	7,588	9	0.34%
Theresa C. Morrison Trust	-	-	-	-	19,816,436	6,221	10	0.28%
<b>Totals</b>	<b>\$ 1,129,303,092</b>	<b>\$ 363,932</b>		<b>11.56%</b>	<b>\$ 901,980,826</b>	<b>\$ 290,358</b>		<b>13.03%</b>

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Lodging Facilities, listed alphabetically:</u>										
Best Western Inn by the Sea	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Blue Lantern Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Seaside Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Surfside Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Marina Motel	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Doubletree	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Harbor Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Marina Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Holiday Inn Express	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Marriott's Laguna Cliffs Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Ritz Carlton	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riviera Shores Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riviera Beach Spa	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
St. Regis Monarch Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total revenues	<u>\$9,533</u>	<u>\$10,888</u>	<u>\$11,298</u>	<u>\$8,630</u>	<u>\$7,221</u>	<u>\$8,284</u>	<u>\$9,382</u>	<u>\$10,086</u>	<u>\$11,007</u>	<u>\$12,071</u>
Transient Occupancy Tax Rate	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

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

Source: City of Dana Point, Administrative Services Department

**CITY OF DANA POINT**  
**Retail Sales Tax Generation**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

Calendar Year	Apparel Stores	General Merchandise	Food Stores	Eating and Drinking Places	Building Materials	Auto Dealers and Supplies	Service Stations	Other Retail Stores	All Other Outlets	Total
2004	5,426	1,721	30,693	88,987	22,350	7,501	57,404	66,897	131,349	412,328
2005	7,634	1,758	30,722	93,342	23,564	7,070	64,414	74,911	138,872	442,287
2006	8,168	1,946	32,527	97,999	25,485	7,294	68,014	78,394	170,948	490,775
2007	7,729	1,472	32,783	100,895	24,365	5,553	70,476	79,485	176,152	498,910
2008	7,176	1,207	32,206	95,064	20,596	4,976	73,107	68,365	154,759	457,456
2009	5,522	912	32,026	90,448	16,961	5,357	57,227	61,100	117,326	386,879
2010	4,754	1,007	31,981	88,467	16,739	5,265	62,714	60,365	126,003	397,295
2011	4,778	2,335	28,885	92,995	18,015	5,613	68,307	67,286	149,815	438,029
2012	4,633	N/A (2)	29,419	98,436	18,334	4,570	71,893	68,194	157,389	452,868
2013	4,245	N/A (2)	30,266	104,509	20,483	5,405	71,430	76,470	180,494	493,302
2014	3,840	N/A (2)	30,689	113,578	28,438	8,288	71,025	86,571	194,297	536,726

Top 25 Sales Tax Producers  
Fiscal Year 2015

<u>Business Name (1)</u>	<u>Business Type</u>
Albertsons	Grocery stores
Big Five Sporting Goods	Sporting Goods/Bike Stores
Capo Beach 76	Service stations
Chart House	Restaurants
Chevron	Service stations
Circle K	Service stations
CVS Pharmacy	Drug stores
Ganahl Lumber	Lumber/building materials
Gelson's Market	Grocery stores
Jacks Surfboards	Sporting Goods/Bike Stores
Jimmys Famous American Tavern	Casual Dining
Marriott Laguna Cliffs Resort & Spa	Hotels
Monarch Beach Chevron	Service stations
My Goods Market	Service stations
Ralphs - Del Prado	Grocery stores
Ralphs - Golden Lantern	Grocery stores
Ritz Carlton	Hotels
Rubenz Imports	Used Automotive Dealers
Salt Creek Grille	Restaurants
Smart & Final	Grocery stores
St. Regis Monarch Beach	Hotels - Liquor
St. Regis Monarch Beach	Hotels - Liquor
Sun Country Marine	Boats/Motorcycles
Western Emulsions	Contractors
Wind & Sea Restaurant	Restaurants

**Percent of total paid by top 25 accounts = 58.44%**

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

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

Sources: The HdL Companies; California Board of Equalization



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

Fiscal Year	Governmental Activities Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2006	2,925,000	2,925,000	0.175%	79
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-

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

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

Source: City of Dana Point, Administrative Services Department

**CITY OF DANA POINT**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2015**

<u>OVERLAPPING DEBT:</u>	<u>Gross Debt Balance</u>	<u>% Applicable to City</u>	<u>City Share 6/30/15</u>
Metropolitan Water District	\$ 22,450,118	2.317%	\$ 520,169
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2002C	21,645,000	20.161%	4,363,848
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2001B	10,871,818	20.161%	2,191,867
South Coast Water District 2011A REFUNDING GOBS	1,375,000	56.406%	775,583
South Coast Water District 2010A REFUNDING GOBS	14,280,000	56.406%	8,054,777
South Coast Water District 2010B BABS Issuance	19,350,000	56.406%	10,914,561
Santa Margarita Water District I.D. #3 1978 Bond*	17,385,000	0.178%	30,945
Moulton Niguel Water I.D. #7 Bond	7,000,000	12.513%	875,910
Total Overlapping Debt			<u><u>\$ 27,727,661</u></u>

DIRECT DEBT:

None

\* No current year data was available at the time of report issue. June 30, 2014 data is reflected.

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

Sources: HdL, Coren & Cone

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed Valuation	<u>\$ 6,998,388</u>	<u>\$ 7,693,012</u>	<u>\$ 8,530,360</u>	<u>\$ 8,879,909</u>	<u>\$ 8,761,158</u>	<u>\$ 8,687,748</u>	<u>\$ 8,735,352</u>	<u>\$ 8,844,363</u>	<u>\$ 9,126,749</u>	<u>\$ 9,787,132</u>
Legal Debt Limit = 3.75% of Total Assessed Valuation (1)	262,440	288,488	319,889	332,997	328,543	325,791	327,576	331,664	342,253	367,017
Amount of Debt Applicable to Limit:										
Certificates of Participation/ Capital Lease	2,925	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 265,365</u>	<u>\$ 288,488</u>	<u>\$ 319,889</u>	<u>\$ 332,997</u>	<u>\$ 328,543</u>	<u>\$ 325,791</u>	<u>\$ 327,576</u>	<u>\$ 331,664</u>	<u>\$ 342,253</u>	<u>\$ 367,017</u>

Note:

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

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

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

	2006 (1)	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (2)	2012 (2)	2013 (2)	2014 (2) (5)	2015 (2) (5)
Population	36,854	36,884	36,441	35,822	35,561	35,109	33,054	33,398	33,625	33,710
Age Distribution: (2)										
0 - 4	1,950	1,953	1,903	1,915	1,905	1,753	1,675	1,544	1,541	1,546
5 - 14	4,026	4,049	3,757	3,734	3,657	3,794	3,593	3,146	3,191	3,214
15 - 19	1,911	1,960	1,933	1,764	1,716	2,160	2,151	2,046	2,034	1,949
20 - 24	2,181	2,097	2,029	1,852	1,805	1,419	1,340	1,481	1,452	1,479
25 - 34	4,503	4,431	4,560	4,707	4,772	4,421	4,302	4,045	4,102	4,135
35 - 44	5,587	5,568	5,179	5,034	4,849	4,606	4,390	3,958	3,934	3,888
45 - 64	11,335	11,519	11,480	11,235	11,169	11,202	10,341	10,917	10,823	10,692
65 - 74	2,777	2,753	2,939	2,992	3,078	3,105	2,732	3,492	3,691	3,884
75 - 84	1,994	1,939	1,958	1,886	1,864	1,936	1,836	1,913	1,958	1,993
85 and over	590	615	703	703	746	713	694	856	899	930
Total	<u>36,854</u>	<u>36,884</u>	<u>36,441</u>	<u>35,822</u>	<u>35,561</u>	<u>35,109</u>	<u>33,054</u>	<u>33,398</u>	<u>33,625</u>	<u>33,710</u>
Median Age (2)	42	42	43	43	43	44	43	46	46	46
Per capita income (5)	\$ 45,461	\$ 47,055	\$ 50,978	\$ 46,922	\$ 47,982	\$ 42,245	\$ 44,704	not avail	\$ 49,928	\$ 48,454
Personal income (,000,000) (5)	\$ 1,675	\$ 1,736	\$ 1,858	\$ 1,681	\$ 1,706	\$ 1,816	\$ 1,663	\$ 1,723	\$ 1,699	\$ 1,649
Median household income	\$ 78,160	\$ 80,508	\$ 88,429	\$ 86,537	\$ 87,100	\$ 73,700	\$ 73,696	\$ 76,268	\$ 80,603	\$ 78,758
Average household income	\$ 110,715	\$ 114,824	\$ 124,494	\$ 113,457	\$ 115,966	\$ 101,855	\$ 101,662	\$ 111,397	\$ 113,298	\$ 112,325
Civilian unemployment rate (2)(3)(4)	2.4%	2.8%	3.8%	6.4%	6.9%	6.3%	n/a	5.9%	5.5%	5.2%
Number of families (2)	9,435	9,467	9,320	9,248	9,181	9,143	9,097	8,826	8,892	8,918
Number of households (2)	14,909	14,889	14,697	14,585	14,491	14,459	14,328	14,405	14,515	14,568
Average household size (2)	2.46	2.47	2.47	2.44	2.44	2.42	2.29	2.31	2.30	2.30
Households, by income: (2)										
Less than \$15,000	794	791	630	646	611	864	866	954	945	827
\$15,000 - \$24,999	829	694	604	602	702	905	899	1,064	1,075	1,141
\$25,000 - \$34,999	890	805	727	744	582	928	920	991	1,014	1,206
\$35,000 - \$49,999	1,551	1,502	1,147	1,168	1,384	1,735	1,716	1,742	1,544	1,545
\$50,000 - \$74,999	3,024	3,010	2,944	2,812	2,675	2,951	2,915	2,355	2,212	2,283
\$75,000 - \$99,999	2,224	2,308	2,136	2,452	2,309	2,022	2,009	1,902	2,086	1,876
\$100,000 - \$149,999	2,729	2,759	3,191	3,176	3,206	2,612	2,600	2,535	2,419	2,545
Over \$150,000	2,868	3,020	3,318	2,985	3,022	2,442	2,403	2,862	3,220	3,145
Total	<u>14,909</u>	<u>14,889</u>	<u>14,697</u>	<u>14,585</u>	<u>14,491</u>	<u>14,459</u>	<u>14,328</u>	<u>14,405</u>	<u>14,515</u>	<u>14,568</u>

(1) Source: ESRI Business Information Solutions

(2) Source: The Nielsen Company

(3) Source: Bureau of Labor Statistics

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

(5) Source: HdL

**CITY OF DANA POINT**  
**Principal Employers**  
**Calendar Year 2014 and Four Years Ago**

<u>Employer</u>	<u>2015</u>			<u>2010*</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>
Ritz-Carlton-Laguna Niguel	970	1	5.52%	970	1
St Regis Monarch Beach	800	2	4.55%	800	2
Marriott-Laguna Cliffs Resort	250	3	1.42%	250	4
Dana Hills High School	200	4	1.14%		
Harpoon Henry's Seafood Rstrnt	150	5	0.85%	150	6
Wind & Sea Restaurant Inc	125	6	0.71%	125	7
Ocean Institute/Chambers Gallery	115	7	0.65%	120	8
O C Lifeguards	101	8	0.57%	101	9
Albertsons - Del Obispo St	100	9	0.57%	100	12
Gelson's Markets	100	9	0.57%		
Monarch Beach & Tennis Club	100	9	0.57%	100	11
Salt Creek Grille	100	9	0.57%	100	10
Jimmy's Famous American Tavern	90	10	0.51%		
Chart House Restaurant	90	10	0.51%	90	14
Ralphs - Golden Lantern	83	11	0.47%	95	13
Capo School District	N/A	-	-	350	3
Expert Loan Solutions	N/A	-	-	200	5
Altera Real Estate	80	12	0.46%		
U.S. Postal Service	80	12	0.46%	80	15
Cannons Seafood Grill	80	12	0.46%	80	16
Ralphs - Del Prado	70	13	0.40%	70	17
ERA Fine Homes	70	13	0.40%	70	18
St Edward School	68	14	-	65	19
Luxre Realty	65	15	-	65	20
Total	<u>3,887</u>		<u>21.36%</u>	<u>3,981</u>	

\* Data unavailable before calendar year 2009.

2015 Source: Telephone Survey, Orange County Workforce Investment Board, Infogroup

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

<b>Function</b>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>General Government</u>										
City Manager's Office	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	3.75	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Administrative Services	6.75	6.75	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Facilities	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
<u>Public Safety</u>										
Police Services	-	-	-	-	-	-	-	-	-	-
Emergency Services	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
<u>Community Development</u>										
Planning	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	9.00
Building	3.50	2.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Code Enforcement	2.50	2.50	3.50	3.50	3.50	3.50	3.50	3.50	4.50	4.50
Economic Development	-	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>Recreation and Parks</u>										
Parks	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Community Services	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00
<u>Public Works</u>										
Administration	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33
Street/Drainage Maintenance	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33
Traffic Engineering	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Solid Waste	0.34	0.33	0.33	0.33	0.33	0.34	0.34	0.33	0.33	0.34
Engineering	5.00	5.00	10.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Water Quality & Natural Resources	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	46.50	47.75	61.00	63.00	64.00	64.00	64.00	64.00	66.00	67.00

Source: City of Dana Point Budget Document

**CITY OF DANA POINT**  
**Operating Indicators by Function/Program**  
**Fiscal Years 2006 through 2015**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b><u>Police (1)</u></b>										
Arrests	2,153	418	404	1,009	882	1,006	881	923	544	510
Calls for service	17,091	20,028	16,479	16,501	15,505	15,899	14,916	15,778	16,391	17,812
Parking citations issued	9,765	9,652	10,895	7,955	7,042	7,544	6,739	5,188	444	5,376
Traffic citations issued	6,666	6,320	5,816	6,528	1,908	1,996	1,876	1,788	830	519
<b><u>Fire (2)</u></b>										
Incidents	2,326	2,449	2,700	2,654	2,790	3,155	2,778	2,958	2,925	3,297
Unit responses	4,619	4,771	4,946	4,684	5,145	5,631	5,009	5,387	5,242	5,783
Fires	55	66	66	63	51	41	36	46	39	43
Inspections conducted	720	848	1,059	452	774	549	229	230	678	691
<b><u>Refuse Collection (3)</u></b>										
Refuse collected (tons/day)	83	86	42	53	55	55	54	55	63	64
Recyclables collected (tons/day)	82	78	44	55	60	64	61	64	50	50
<b><u>Community Development</u></b>										
Building permits issued	1,663	1,648	1,456	1,500	1,552	1,560	1,496	1,726	1,958	2,318
Value of building permits issued	\$49,420,168	\$37,818,104	\$56,799,416	\$45,852,490	\$31,413,957	\$42,400,000	\$31,665,561	\$42,535,668	\$ 59,240,249	\$ 107,031,542
Inspections conducted	7,960	8,341	7,497	7,571	7,994	8,300	7,333	8,739	7,222	7,545
New code enforcement cases opened	699	614	867	1,241	1,368	1,325	916	1,266	1,268	1,544
Code enforcement cases closed	687	484	956	1,187	1,369	1,330	914	1,164	1,351	1,578
<b><u>Public Works</u></b>										
Miles of street resurfaced	8	8	2	1	5	2	2	1.5	1.8	2.5
Potholes repaired	103	25	150	312	220	156	81	154	56	78
Inspections completed	300	478	575	653	274	1,071	2,864	3,368	3,777	5,174
<b><u>Parks and recreation</u></b>										
Number of classes offered	421	475	471	680	701	720	715	689	579	398
Number of activities/trips conducted	10	6	4	4	4	16	31	30	23	25
Number of participants:										
Youth classes	1,168	1,436	1,492	1,069	1,032	1,259	1,915	1,409	1,449	1,219
Adult classes	1,050	1,279	1,286	1,125	1,101	805	1,180	1,071	1,142	1,348
Sports leagues	600	402	401	446	404	720	750	750	720	358
Excursions	259	173	101	176	170	170	65	65	120	60
Total participants	3,077	3,290	3,280	2,816	2,707	2,954	3,910	3,295	3,431	2,985

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

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

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

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

**CITY OF DANA POINT**  
**Capital Asset Statistics by Function/Program**  
**Fiscal Years 2006 through 2015**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Police (1)</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units (cars)	12	12	12	12	12	13	13	13	14	16
Patrol units (motorcycles)	3	3	3	3	2	2	1	2	1	1
Fire Stations (2)	2	2	2	2	2	2	2	2	2	2
<u>Refuse Collection (3)</u>										
Collection trucks	16	13	18	15	13	13	14	14	14	14
<u>Public Works</u>										
Miles of arterial streets maintained	15	12	19	19	19	19	19	19	19	19
Miles of non-arterial streets maintained	56	63	56	56	56	56	56	56	56	56
Miles of storm drains maintained	47	18	18	18	20	20	20	20	20	20
Number of traffic signals	36	36	36	37	37	37	37	37	40	38
Number of street lights (4) (5)	1,466	1,467	1,467	1,470	1,470	1,470	1,470	1,470	7	7
<u>Parks and Recreation</u>										
Number of parks	21	23	23	23	27	27	27	27	27	27
Total park acreage	65.7	85.4	85.4	85.4	135.0	135.0	135.0	135.0	135.0	135.0
Number of baseball/softball diamonds	7	7	7	7	7	7	7	7	7	7
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of tennis courts	8	8	8	8	8	8	8	8	8	8
Number of basketball courts	5	6	5	7	7	7	7	6	6	6
Number of bocce ball courts	-	-	-	-	-	-	-	-	-	3

(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

(5) Since 2014 includes City owned street lights only

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