

CITY OF DANA POINT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



John Tomlinson, Mayor
Richard Viczorek, Mayor Pro Tem
Joseph Muller, Council Member
Carlos N. Olvera, Council Member
Scott Schoeffel, 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, 2016**

TABLE OF CONTENTS

PAGE

INTRODUCTION SECTION

Letter of Transmittal	i
Certification of Achievement for Excellence in Financial Reporting (GFOA)	ix
Officials of the City of Dana Point	x
Organizational Chart.....	xi

FINANCIAL SECTION

Independent Auditors’ Report	1
---	---

Management’s Discussion and Analysis	4
---	---

Basic Financial Statements

Government-Wide Financial Statements:	
Statement of Net Position.....	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	27
Budget and Actual - Headlands CFD 2006-1 Maintenance Fund	28
Statement of Fiduciary Assets and Liabilities – Agency Funds	29
Notes to the Basic Financial Statements	30

Required Supplementary Information

Schedule of the City’s Proportionate Share of the Net Pension Liability	56
Schedule of Contributions	57
Schedule of Funding Progress – Other Post Employment Benefit Plan.....	58

Supplementary Information

Major Capital Projects Fund.....	59
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Improvements Projects Fund	60

**CITY OF DANA POINT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

PAGE

Supplementary Information, (Continued)

Nonmajor Governmental Funds	61
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Funds	65
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
– Gasoline Tax Fund	67
– Measure M Fund	68
– Supplemental Law Enforcement Services Fund	69
– Coastal Transit Fund	70
– AB 2766 Fund	71
– ESHA Maintenance Fund	72
– Tourism Business Improvement District Fund	73
– Facilities Improvement Fund	74
– Park Development Fund	75
Agency Funds	76
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	77
Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds	78

Statistical Section

Net Position by Components	81
Changes in Net Position	82
Fund Balances of Governmental Funds	83
Changes in Fund Balances of Governmental Funds	84
Program Revenues by Function/Program	85
Tax Revenues by Source, Governmental Funds	86
Property Tax Levies and Collections	87
Assessed and Estimated Actual Value of Taxable Property	87
Direct and Overlapping Property Tax Rates	88
Principal Property Taxpayers	89
Transient Occupancy Taxes	90
Retail Sales Tax Generation / Top 25 Sales Tax Producers	91
Ratios of Outstanding Debt by Type	92
Direct and Overlapping Governmental Activities Debt	93
Legal Debt Margin Information	94
Demographic and Economical Statistics	95
Principal Employers	96
Full-time Equivalent City Government Employees Authorized, by Function	97
Operating Indicators by Function/Program	98
Capital Asset Statistics by Function/Program	99



November 28, 2016

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 (“City”) for the fiscal year ended June 30, 2016, 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, 2016, 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, 2016, 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, 2016, are fairly presented in conformity with Generally Accepted Accounting Principles (“GAAP”). The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE CITY

Dana Point is a city of approximately 6.7 square miles. Located on the southern coast of Orange County, California, the City has a population of approximately 34,518. 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 Monarch Beach Resort), 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 1,850 rooms. The City's coastal resources continue to draw visitors that support its visitor-oriented commercial and retail establishments.

The City is highly reliant upon the tourism industry which is its principal revenue source. At approximately 33% of general fund revenues, transient occupancy taxes (“TOT”) were the City’s single largest revenue source in fiscal year 2016. 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.

TOT revenue decreased \$375,000, or 3.0%, to \$12.1 million in fiscal year 2016. Despite the remodel of a major hotel that closed approximately half of its rooms for a few months, TOT fared relatively well. One of the major hotels changed from operating under a national brand to its own, new brand during the 4th quarter of fiscal year 2016.

Sales tax received in fiscal year 2016, at \$5.3 million, increased by \$1.2 million or 29.3% above fiscal year 2015. The increase is due to a one-time payment of \$719,000 received from the State of California, along with the return of one-quarter of the 1% local sales tax that was taken each year by the State for more than a decade.. 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, 11% in 2014, and 8.3% in 2015. 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.

Due to high property values and the limited availability of space, there is limited commercial and industrial development occurring in 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.

The Governor’s fiscal year 2017 budget cites continual improvement of California’s economy, along with that of the nation, and California’s 5.5% unemployment rate in August, 2016 continued to drop with jobs being added at a steady pace. With a generally well educated populace, Dana Point’s unemployment rate was only 4.1%. Dana Point’s 2016 median household income was \$82,065, or 4.2% higher than the previous year. While job growth has been relatively strong, a Chapman University economic forecast states there are weakening labor market conditions and that the current economic recovery is in its latter stages and may be nearing an end point.

According to Trulia, Dana Point’s August 2016 median home sales price was \$862,500, a 9.6% increase compared to \$780,000 reported one year earlier. Low mortgage rates, higher median family income and a desirable location, coupled with a tight housing supply have fueled the climbing median home prices.

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 \$1.8 billion, or 20.4%.

Dana Point Assessed Property Values Last Five Fiscal Years (in thousands)				
2012	2013	2014	2015	2016
\$8,735,000	\$8,844,000	\$9,127,000	\$9,798,000	\$10,521,000

After the recession lows of 2009-2011, Dana Point property values have shown a steady increase. Assessed property values rose to \$10.5 billion in 2016, a 20.4% increase since the recovery began in 2011-2012. Although property tax assessments increased 7.4% in 2016, it was at a slower pace than the prior year, which indicates the appreciation may be leveling off. Some believe the recovery is ending and that the current level of appreciation rates will not continue. With Dana Point’s desirable location, property appreciation is still projected to exceed national levels.

The City’s property tax revenues increased \$567,000 in fiscal 2016. This is the sixth year in a row with an increase.

LONG-TERM FINANCIAL PLANNING

A Master Financial Plan (MFP) was prepared as part of the development of the fiscal year 2016 and 2017 two-year budget, and focused on major General Fund revenues and expenditures. It also included projections for an additional three years 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 the 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 indicated that revenues would finally be back to the fiscal year 2008 pre-recession levels, and projections showed 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 79% of General Fund revenue. The City has seen a combined increase of nearly 21% in tax receipts for the past five 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. TOT revenue has remained the top revenue producer for the City and is expected to remain so should the economy remain stable. Efforts of the individual hotels, their brands, along with efforts of the recently formed Destination Marketing Organization (i.e. Visit Dana Point) and of the City in promoting Dana Point as a destination for family, group and business travelers has helped the TOT revenue improve each year. The outlook suggests that TOT revenue will continue increasing on a positive path, although at what is looking to be a slower trajectory.

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 recession, the City managed to maintain services even 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

The County of Orange is working to rebuild much of the Dana Point Harbor. There is a plan in motion that reflects the community's vision for a family-friendly harbor, maintains the area's original spirit and character, while planning responsibly for the future. The project is expected to evolve the harbor into a more prominent Orange County destination. County staff is currently seeking requests for proposals from developers, and estimates it could take 18 to 24 months to negotiate a lease.

The City's PCH Trolley was introduced in 2015, ran from mid-June through Labor Day traversing PCH from Capistrano Beach to Monarch Beach. That first year was very successful, and based on that the City Council approved expanding service to seven days per week for 2016. New trolleys were purchased and included an open-air design, and an additional trolley was added. The trolley is largely funded by the Orange County Transportation Authority's Project "V" grant. Additional funding has been requested to extend the operation for two additional weeks, to expand the route to service popular inland areas within the City, and to make improved trolley stop connections with two adjacent cities (the City of San Juan Capistrano and the City of Laguna Niguel). The expansion would occur in Summer 2017 and create 5 new trolley stops.

The Economic Development Department has been active this past year implementing a number of new programs and initiatives. An estimated twenty-four new businesses arrived in Dana Point, including three new restaurants that created over 100 new jobs. A Business Retention and Expansion Program was established to support and assist in local business growth, and entails business visits and surveys, in conjunction with the Chamber of Commerce, that connect local shop owners with existing resources and business workshops. A Lantern District Merchants group was also formed to promote the district and has already successfully launched two new events, the Lantern District Car Show and the Lantern District Art Show.

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 room night, with the proceeds accumulated to collectively promote and market Dana Point as an overnight destination. In December, 2015 the TBID advisory board and the City Council agreed it was in the best interest for the TBID to create a 501c6 non-profit corporation, commonly known as a Destination Marketing Organization (DMO) in the industry, to oversee the activities of the TBID and manage day to day operations. The Resorts of Dana Point Association, Inc. is the non-profit that was formed. An operating agreement between the City and the DMO was created to provide the functions for which the City's TBID funds are allowed to be spent. The DMO has its own executive director, and is required to submit to the City Council an Annual Business Plan and budget for review and approval, and that outlines the accomplishments during prior year, as well as the intended services and programs to be provided by the DMO during the forthcoming calendar year.

In FY16, the Public Works Department was successful in obtaining OCTA competitive grant funding for both the Arterial Roadway Resurfacing Project on Del Obispo, and for the Capistrano Beach area Coast Highway Class 1 Bikeway/ Pedestrian Way Phase 2 project. Phase 2 of the Bikeway project will extend the Class 1 bikeway north to Doheny Park Road. Installation of reclaimed water irrigation systems was also completed this fiscal year in Lantern Bay Park, La Plaza Park and on the Golden Lantern medians, each intended to reduce potable water use. Renovations to the Community House Parking Lot were completed in conjunction with the City's program to lease private parking lots for public parking use within Lantern District. Lastly, the Public Works Department was honored with the American Society of Civil Engineers and the Engineering Council of Orange County awards for the Lantern District PCH/Del Prado Improvement project which was completed in Fall 2015.

The Community Development Department processed development applications and is currently working with developers on two major projects that broke ground in the City. The South Cove project, when completed in 2017, will have 168 for sale townhomes with attached garages and will range from 883 to 2,126 sq.ft. and will feature balconies, rooftop decks, ocean views and highly appointed interior finishes. The Prado West project is a new mixed-use multifamily property in the heart of Dana Point's new Lantern District that will offer 109-luxury residences and nearly 27,000 sq.ft. of new restaurants, shops, and public courtyard space.

A number of other initiatives were undertaken in fiscal year 2016:

- The City Clerk Department completed approximately twenty four years of mainly Planning and Building related microfiche conversion to digital files that will greatly improve efficiencies for records research. The conversion project will be continuing over the coming few years to digitize most City records, with a stated goal of providing easier public access to City records. The Department also updated the City website to a new and improved version.
- The Town Center's North entry gateway and PCH street-wide banner display were completed in the fall of 2015.
- The Emergency Service Department completed a major update of the Dana Point Emergency Plan. As part of this update the new Emergency Plan takes into account and aligns with changes in Federal Emergency Management Agency doctrine, complies and conforms to National Incident Management System (NIMS) and California Standardized Emergency Management Systems (SEMS).

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, 2015. 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 seven consecutive years (fiscal years 1989 through 2015). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

Respectfully submitted,

A handwritten signature in black ink, reading "Michael A. Killebrew". The signature is written in a cursive style with a period 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, 2015

Executive Director/CEO

OFFICIALS OF THE CITY OF DANA POINT*

Members of the City Council

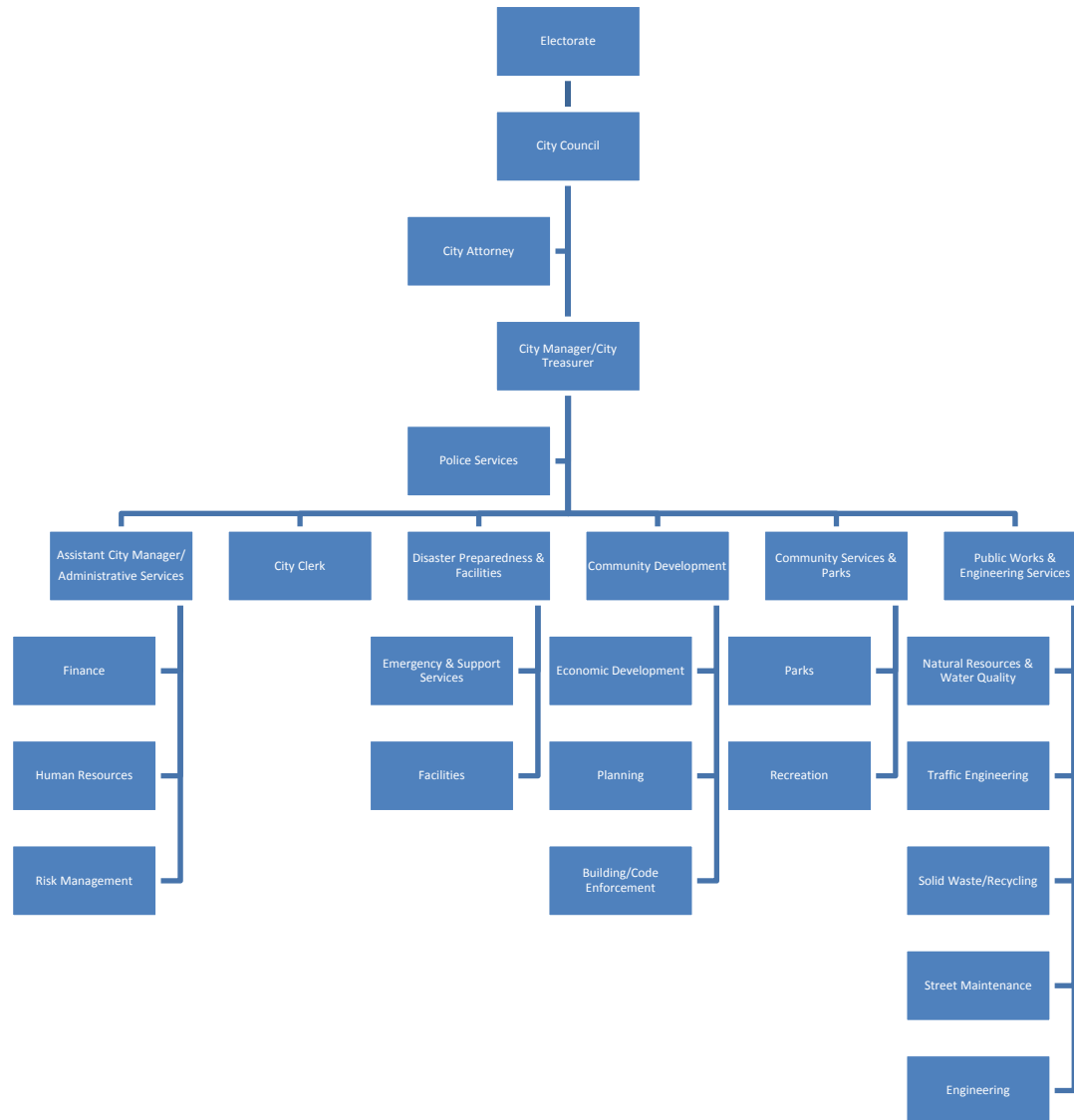
John Tomlinson, Mayor
Richard A. Viczorek, Mayor Pro Tem
Carlos N. Olvera, Council Member
Joseph Muller, Council Member
J. Scott Schoeffel, Council Member

Administrative Staff

Douglas C. ChotkevysCity 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
Brian McClure Interim 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, 2016, 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, 2016, 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) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, as of July 1, 2015. 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, schedule of the City's proportionate share of the net pension liability, schedule of contributions for the cost sharing retirement plan, and schedule of funding progress for the other post-employment benefit plan on pages 4 through 17 and 56 through 58 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 and budgetary comparison schedules, 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 budgetary comparison schedules, 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 budgetary comparison schedules, 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 28, 2016, 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 28, 2016

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, 2016. 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 2016 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 \$197.3 million at June 30, 2016, which was a decrease of approximately \$347 thousand from the prior year's amount. Of this amount, \$169.9 million is invested in capital assets, \$4.8 million is restricted for various purposes and \$22.5 million is unrestricted.
- City-wide governmental revenues for fiscal year 2016 include program revenues of \$7.0 million, and general revenues of \$32.7 million, for a total of \$39.7 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 2016, the City's Governmental Funds reported combined ending fund balances of \$30.7 million, a decrease of \$2.5 million from fiscal 2015. Of this amount, \$0.2 million is non-spendable, \$4.8 million is restricted, \$8.3 million is assigned, and \$17.4 million is unassigned.
- General Fund revenues totaled \$36.5 million, an increase of \$1.7 million from fiscal year 2015. Approximately \$0.8 million of this increase was the result of the one-time Sales Tax "Triple Flip" true up received, and a \$0.4 million increase in property transfer tax, mostly due to a large hotel sale in the city.

- General Fund expenditures totaled \$33.0 million, an increase of \$2.2 million from fiscal year 2015. The increase is due to a combination of litigation costs not incurred in the previous year, higher professional services costs, street maintenance and storm drain increases, offset by cost decreases in tree and park maintenance and equipment maintenance.
- Capital Improvements Fund revenues remained unchanged in fiscal year 2016. This is attributable to a lack of available grant funding.
- Capital Improvements Fund expenditures decreased by \$0.2 million from fiscal year 2015, to \$7.3 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 2016, the bulk of major capital outlays went towards the Lantern District project and residential road resurfacing.
- Headlands CFD Maintenance Fund expenditures decreased \$0.3 million in fiscal year 2016. The majority of costs in both fiscal years 2015 and 2016 were due to the rebuild of the funicular car. The fund collected \$0.3 million in CFD maintenance taxes and \$30 thousand was transferred in from the General Fund.
- All Other Governmental Funds revenues decreased by \$0.2 million to \$2.7 million.
- All Other Governmental Funds expenditures remained unchanged at \$1.5 million in fiscal year 2016.

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. Beginning with the fiscal year 2016, three new GASB pronouncements were implemented; GASB 72 Fair Value Measurement and Application; GASB 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments; and GASB 82 An Amendment of GASB Statements No.67, No.68, and No.73.

- (4) **Required Supplementary Information.** Certain information is provided regarding the City's pension program in accordance with GASB 68. Further, as part of the early adoption of GASB 82, certain amounts related to covered payroll have been restated within these schedules.
- (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 (86%) 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 \$1.7 million in capital assets in fiscal year 2016 resulting from depreciation of \$5.9 million and offset by \$7.7 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 \$22.7 million of unrestricted cash and investments, and \$5.1 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
	2015	2016	
Assets:			
Current and other assets	\$ 35,439	\$ 33,747	(4.8%)
Capital assets	168,209	169,925	1.0%
Total assets	203,648	203,672	0.0%
Deferred Outflows of Resources	700	722	3.1%
Liabilities:			
Long-term liabilities	3,492	3,718	6.5%
Other liabilities	2,204	2,858	29.7%
Total liabilities	5,696	6,576	15.4%
Deferred Inflows of Resources	1,032	545	47.1%
Net Position:			
Invested in capital assets	168,209	169,925	1.0%
Restricted	4,632	4,826	4.2%
Unrestricted	24,779	22,522	(9.1%)
Total net position	\$ 197,620	\$ 197,273	(0.2%)

Table 1 shows the net position of the City decreased by \$347 thousand, or 0.2%, to \$197,273 million.

Depreciation for fiscal year 2016 totaled \$5.9 million and new capital outlays net of dispositions totaled \$7.6 million, resulting in a net increase of \$1.7 million in capital assets. The majority of the capital outlays in fiscal year 2016 were for the completion of Lantern District, roadway resurfacing, and Creekside playground improvements.

As of June 30, 2016, the City had a combined remaining restricted and unrestricted position totaling \$27.3 million. Of this amount, \$22.5 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 \$4.8 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)

	Fiscal Year		% Change
	2015	2016	
Revenues:			
Program revenues:			
Charges for services	\$ 4,989	\$ 4,923	(1.3%)
Operating grants and capital contributions	2,037	1,840	(9.7%)
Capital grants and contributions	173	264	52.6%
General revenues:			
Taxes:			
Property taxes	6,731	7,298	8.4%
Franchise taxes	1,405	1,382	(1.6%)
Sales taxes	4,111	5,316	29.3%
In-lieu property taxes	4,622	3,953	(14.5%)
Motor vehicle in Lieu tax - unrestricted	-	14	
Property transfer taxes	439	904	105.9%
Transient occupancy taxes	12,467	12,091	(3.0%)
Other	1,119	333	(70.2%)
Tourism business improvement district *		994	*
Unrestricted investment earnings	83	367	342.2%
Gain (Loss) on Asset Sale	(8)	15	288.0%
Total revenues	38,168	39,694	4.0%
Expenses:			
General government	5,382	6,368	18.3%
Public safety	10,905	11,129	2.1%
Community development	4,651	5,031	8.2%
Recreation and parks	6,817	6,298	(7.6%)
Public works	10,322	11,216	8.7%
Total expenses	38,077	40,042	5.2%
Change in net position	91	(347)	(481.3%)
Net position, beginning of year, as restated 7-1-15	197,529	197,620	0.0%
Net position, end of year	\$ 197,620	\$ 197,273	(1.8%)

* reported as part of Other category in 2015

Governmental Activities – The cost of all governmental activities in fiscal 2016 was \$40.0 million. As shown in Table 2, the City recovered \$7.0 million of these costs through program revenues such as user fees, and grants and contributions from other governmental organizations, developers, and property owners.

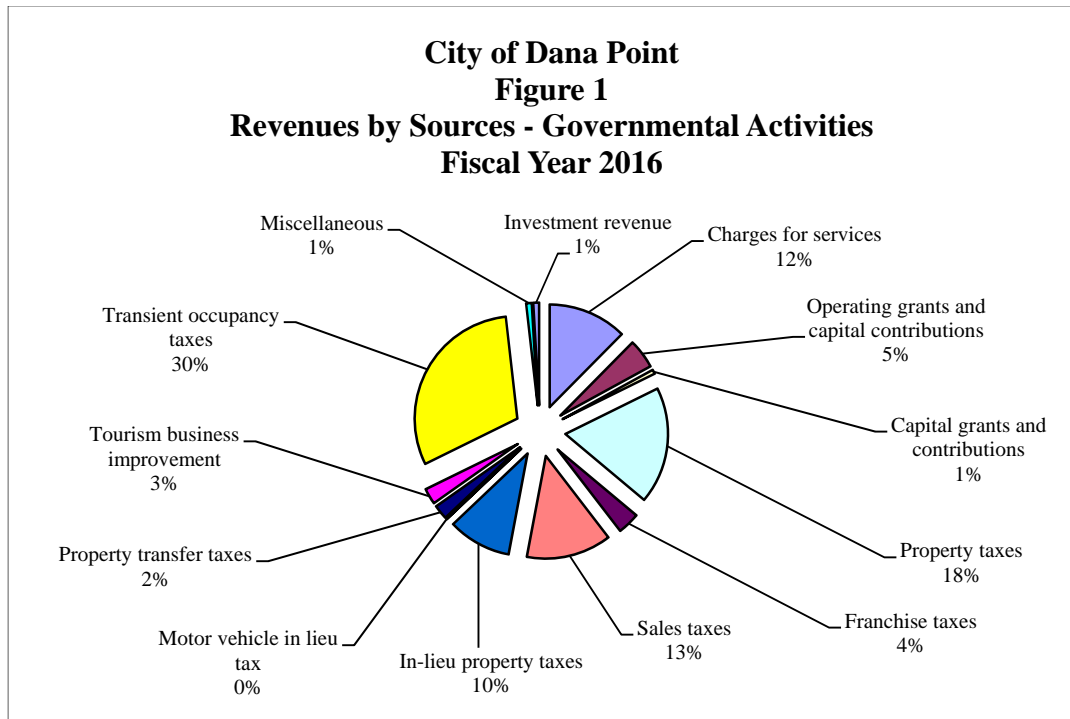


Figure 1, Revenues by Sources – Governmental Activities, depicts the distribution of fiscal year 2016 revenues. The City remains highly dependent on tourism in general, and transient occupancy taxes in particular, to fund its operations. This revenue represented 30% of recurring governmental revenues in fiscal year 2016 and decreased by \$375 thousand or 3.0% compared to fiscal 2015. Sales tax revenues increased in fiscal year 2016 by \$1.2 million, or 22.7%, due primarily to the unwinding of the Triple Flip. The City’s investment interest earnings increased by \$285 thousand, or 77.5%, \$200 thousand of which is attributable to an adjustment to fair market value, and the City experienced an increase in property taxes during the fiscal year of \$567 thousand, or 7.8%. Capital grants and contributions revenue increased \$90 thousand, and operating grant revenue decreased by \$197 thousand in fiscal year 2016. Property transfer tax revenue increased \$465 thousand or 51.4% compared to the prior year due to the sale of a major hotel in the city. In-Lieu Property Tax revenue decreased \$669 thousand, or 16.9% due to the unwinding of the Triple-Flip. Additionally, the City received \$994 thousand in Tourism Business Improvement District assessments which were included in miscellaneous revenues in fiscal year 2015, but separated from the miscellaneous category in 2016. Overall, the City experienced an increase of \$1.5 million, or 4.0%, in governmental revenues in fiscal year 2016.

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:

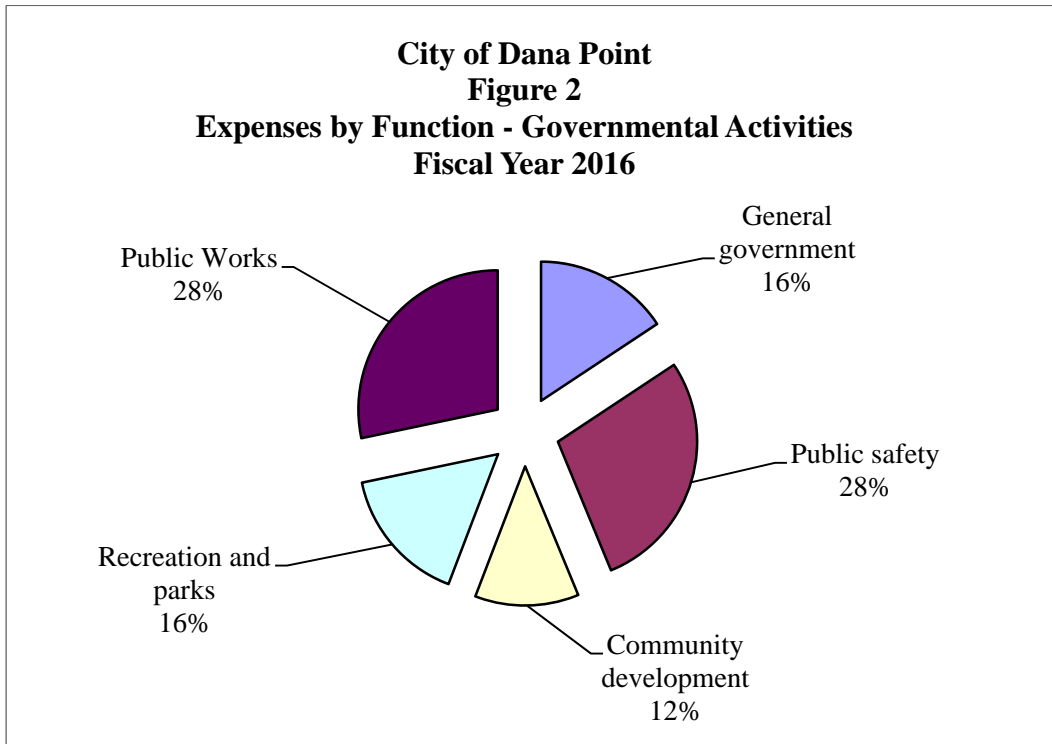
General Government is comprised of nine departments (City Council, City Manager, City Clerk, Public Information Services, City Attorney, Administrative Services, Risk Management, Facilities, and Non-Departmental), which provide the general governance services, executive management, legal, records management, 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.



As shown in Figure 2, Public Works (including Capital Investments in streets) 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 increased \$894 thousand in fiscal year 2016, or 8.0%. The increase is a combination of residential road resurfacing work, park playground improvements, and third party contract services, offset by decreases in the Lantern District project.

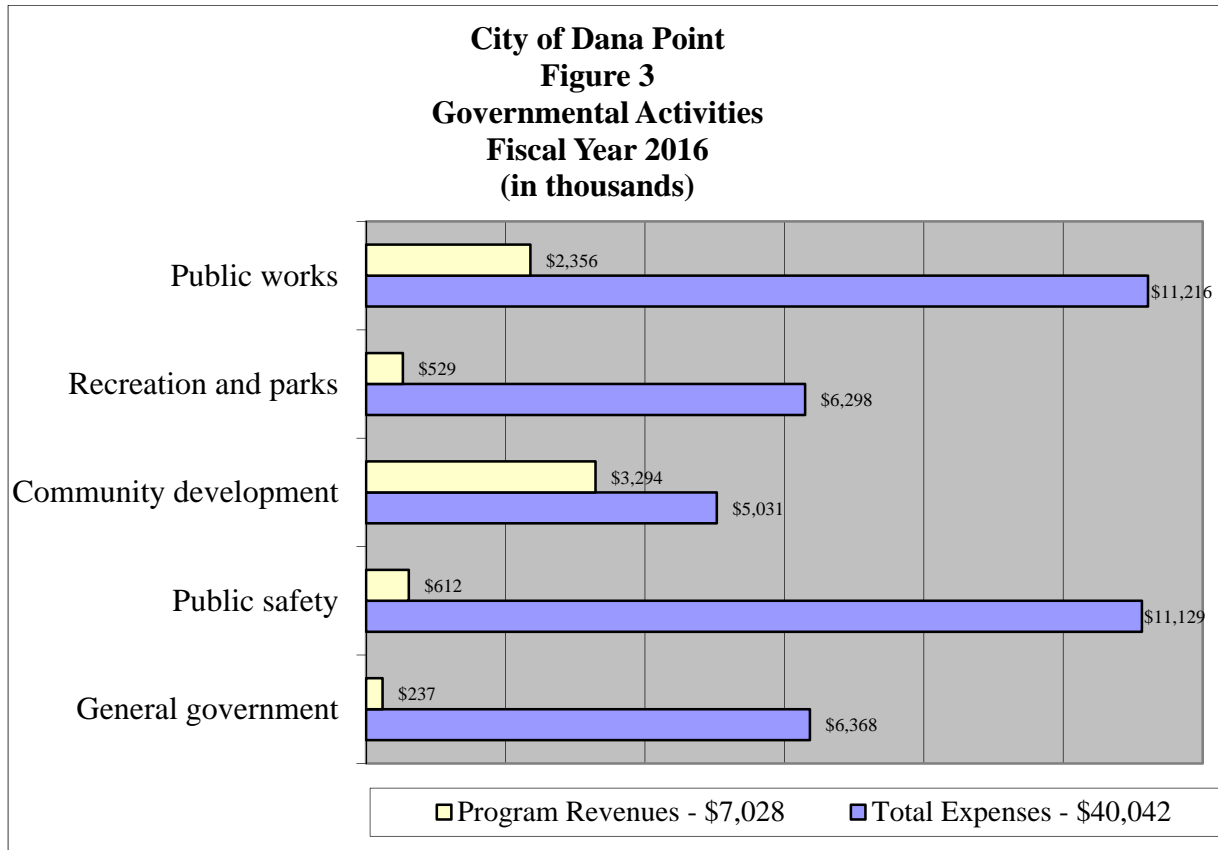
Public Safety expenses increased by \$223 thousand or 2.0%. These are primarily due to standard annual increases including sworn personnel retirement costs, increases in county liability insurance, and increases to shared costs for regional sheriff resources.

General Government outlays increased \$986 thousand, or 18.3% in fiscal year 2016. The majority of the increase is due to a rise in litigation costs, along with some personnel cost increases.

Community Development expenses increased by \$380 thousand, or 8.2%. The increases are primarily due to a rise in professional service expenses for project consultants and extra contract staff to assist with increased development activity.

Recreation and Parks expenses decreased \$519 thousand or 8.2%. This decrease is mainly the result of one-time park costs in the prior year to refurbish park play grounds, purchase irrigation equipment, and to complete landscaping projects.

Overall, total fiscal year 2016 expenses for governmental activities increased \$2.0 million, or 5.2%, to \$40.0 million in fiscal year 2016.



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 provides 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 2016, the City's governmental funds reported combined fund balances of \$30.7 million, a decrease of \$2.6 million from the prior year. Of that total, the General Fund represented \$20.2 million or 65.8%, of the combined balances; the Capital Improvements Fund represented \$6.2 million, or 20.3%; the remainder of \$4.3 million, or 13.9%, was in all other funds combined.

At June 30, 2016, the City had \$170 thousand of prepaid expenditures that are classified in the non-spendable portion of the fund balance. This amount has already been spent so it is not available for additional appropriation. There is \$4.8 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 \$8.3 million at the end of fiscal year 2016. The remainder of the fund balance is \$17.4 million and is categorized as unassigned, meaning it is available for appropriation for any purpose, although \$9.9 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 \$3.6 million more than expenditures in fiscal year 2016. When combined with Interfund Transfers Out of \$30 thousand to the Headlands CFD Maintenance Fund, \$143 thousand of Transfers Out to the Facilities Improvement Fund, Interfund Transfers out of \$2.0 million to the Capital Improvement Fund, and transfers in from the Gasoline Tax fund of \$606 thousand, and transfers in from the Measure M fund of \$74 thousand, the result for fiscal year 2016 is a net fund balance increase of \$2.0 million in the General Fund.

For the first time in six years, transient occupancy tax revenue decreased in fiscal year 2016, by \$376 thousand, or 3.0%. This decrease is mainly due to the remodel of a major hotel that closed approximately 50% of its rooms for a few months.

Assessed real estate values in Dana Point have been climbing for four consecutive years. Fiscal year 2013, 2014, 2015 and 2016 reported increases in assessed property values of 1.2%, 3.2%, 7.2%, and 7.4% respectively. The 2016 assessed values stand at an all-time high of \$10.5 billion.

Fiscal 2016 revenues increased 4.5% over fiscal 2015.

CAPITAL IMPROVEMENTS FUND

The Capital Improvements Fund incurred \$7.3 million in capital expenditures and received no revenues. Funding was received from transfers in from the Measure M Fund in the amount of \$534 thousand, the Gasoline Tax Fund in the amount of \$159 thousand, the Park Development Fund of \$450 thousand, and the General Fund of \$2.0 million. The Capital Improvements Fund concluded fiscal year 2016 with a net \$4.1 million decrease in fund balance.

Capital Improvements Fund transfers in from the Park Development Fund were \$350 thousand higher, and transfers in from the General Fund, Gas Tax Fund, and Measure M Fund were \$5.9 million, \$235 thousand, and \$17 thousand lower, respectively.

HEADLANDS CFD MAINTENANCE FUND

The Headlands CFD Maintenance Fund generated \$296 thousand in revenue for fiscal 2016, which is \$198 thousand less than fiscal 2015. The decrease is attributable to \$209 thousand in deferred revenue that was recognized in the prior fiscal year.

Budgetary Highlights

The City adopts two-year operating and capital budgets, with fiscal year 2016 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 2016, the overall General Fund revenue budget was increased by \$3.0 million. The revenue accounts reflecting the largest increases included property taxes, property transfer tax, in-lieu property tax, and building plan checks.

Property taxes – assessed property values have been increasing steadily for the last four 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 \$400 thousand during the fiscal year.

In-lieu property taxes – these taxes arose from the past swap by the State of California of a portion of local sales taxes and motor vehicle in-lieu taxes for property taxes. This revenue is largely based on changes in assessed property value. With the recent increases in the housing market the budget for this revenue was increased by \$750 thousand during fiscal year 2016.

Property Transfer Tax – real estate sales activity was better than projected during fiscal year 2016. Sales included the transfer of a large hotel resort in the City, and the revenue budget was increased by \$450 thousand.

Building Plan Check Fees – there was an increase in building activity during the year, which included the beginning stages of two relatively large projects in town, one a residential complex and the other a mixed use project. The revenue budget was increased by \$575 thousand to reflect the uptick in activity.

Actual General Fund revenues for fiscal year 2016 are \$0.6 million, or 1.7% above the final fiscal year 2016 budget. The major contributor to the variance in revenue was a combination of increases in property transfer tax, franchise fees, transient occupancy tax, and reimbursed expenses, offset by lower than budgeted sales and use tax.

During fiscal year 2016 the General Fund expenditure budget had a net increase of \$3.2 million. The major components include a \$2.0 million increase of Transfers Out to the Capital Improvement Fund for the Lantern District project, and a \$1.1 million increase to the Public Works and Community Development professional service expenditures, some of 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 2016 were \$2.7 million, or 7.6% under the final budget. Of these unexpended funds, \$926 thousand was obligated at June 30, 2016 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 2016 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)

	Governmental Activities		
	2015	2016	% Change
Land	\$ 54,386	\$ 54,386	0.0%
Construction in progress	15,655	19,254	23.0%
Buildings and improvements	9,702	9,702	0.0%
Equipment	3,019	3,019	0.0%
Infrastructure	187,280	191,174	2.1%
Less: Accumulated depreciation	(101,833)	(107,611)	5.7%
Governmental activity capital assets, net	\$ 168,209	\$ 169,924	1.0%

For more detailed information regarding the City's capital assets refer to Note 5 to the Financial Statements.

Long-term Liabilities

At the end of fiscal year 2016, the City had total outstanding long-term liabilities of \$3.7 million, consisting of \$0.5 million in compensated time-off obligations due to employees, \$0.1 million for Other Post Employment Benefits (OPEB) related to the CALPERS health benefit program, and \$3.1 million in net pension liability.

As of June 30, 2016, the City's long-term liabilities were as shown in Table 5 below:

	Governmental Activities		
	2015	2016	% Change
Other debt:			
Compensated absences	\$ 520	\$ 521	0.2%
Net OPEB Obligation		134	N/A
Net Pension Liability	2,971	3,063	3.1%
Total long-term debt	<u>\$ 3,491</u>	<u>\$ 3,718</u>	<u>6.5%</u>

For more detailed information regarding the City's long-term liabilities, refer to Notes 7 and 9 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, 2016

	Governmental Activities
Assets	
Cash and investments	\$ 29,452,678
Cash and investments - restricted	180,000
Receivables:	
Taxes	3,079,242
Accounts	679,070
Interest	30,856
Assessments	5,172
Intergovernmental	150,054
Prepays	170,390
Capital assets not being depreciated	73,640,441
Capital assets net of accumulated depreciation	96,284,250
Total Assets	203,672,153
Deferred Outflows of Resources	
Deferred amount related to pensions	721,510
Liabilities	
Accounts payable	2,855,193
Accrued liabilities	2,562
Noncurrent liabilities:	
Due within one year:	
Compensated absences	281,576
Due in more than one year:	
Compensated absences	239,790
Net OPEB Obligation	134,000
Net pension liability	3,062,851
Total Liabilities	6,575,972
Deferred Inflows of Resources	
Deferred amount related to pensions	544,778
Net Position	
Net investment in capital assets	169,924,691
Restricted for:	
Public works	1,055,249
Community development	1,454,782
Public safety	31,863
Parks and recreation	237,683
ESHA maintenance	221,815
Art in public places	117,954
Tourism business improvement	1,706,668
Unrestricted	22,522,208
Total Net Position	\$ 197,272,913

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

CITY OF DANA POINT
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General government	\$ 6,367,969	\$ 191,060	\$ 2,144
Public safety	11,128,672	167,622	444,585
Community development	5,031,259	3,285,673	7,911
Parks and recreation	6,298,420	305,887	2,384
Public works	11,215,748	973,058	1,383,315
Total Governmental Activities	<u>\$ 40,042,068</u>	<u>\$ 4,923,300</u>	<u>\$ 1,840,339</u>

General Revenues:

Taxes:

Property taxes

Franchise taxes

Sales taxes

In-lieu property taxes

Motor vehicle in lieu tax - unrestricted

Property transfer taxes

Transient occupancy taxes

Tourism business improvement district

Unrestricted investment earnings

Gain on disposal of capital assets

Other

Total General Revenues

Change in Net Position

Net Position, Beginning of Year

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) Revenue and Changes in Net Position</u>
\$ 43,449	\$ (6,131,316)
-	(10,516,465)
-	(1,737,675)
220,254	(5,769,895)
-	(8,859,375)
<u>\$ 263,703</u>	<u>(33,014,726)</u>

7,297,869
1,381,939
5,315,519
3,953,335
13,802
904,178
12,091,061
994,215
367,367
14,751
333,427
<u>32,667,463</u>
(347,263)
<u>197,620,176</u>
<u>\$ 197,272,913</u>

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

CITY OF DANA POINT
Governmental Funds
Balance Sheet
June 30, 2016

	General	Special Revenue Fund	Capital Projects Funds
		Headlands CFD 2006-1 Maintenance	Capital Improvements
Assets			
Cash and investments	\$ 18,381,521	\$ 669,501	\$ 6,582,357
Cash and investments - restricted	-	-	-
Receivables:			
Taxes	2,940,517	-	-
Accounts	482,334	-	-
Interest	30,856	-	-
Assessments	-	5,172	-
Intergovernmental	33,488	-	-
Prepaid expenditures	149,290	-	-
Due from other funds	321,534	-	-
Total Assets	<u>\$ 22,339,540</u>	<u>\$ 674,673</u>	<u>\$ 6,582,357</u>
Liabilities			
Liabilities:			
Accounts payable	\$ 2,172,378	\$ 218	\$ 343,221
Accrued liabilities	2,562	-	-
Due to other funds	-	301,810	-
Total Liabilities	<u>2,174,940</u>	<u>302,028</u>	<u>343,221</u>
Deferred Inflow of Resources			
Unavailable Revenue	-	-	-
Fund Balances			
Nonspendable	149,290	-	-
Restricted	117,954	372,645	637,713
Assigned	2,500,000	-	5,601,423
Unassigned	17,397,356	-	-
Total Fund Balances	<u>20,164,600</u>	<u>372,645</u>	<u>6,239,136</u>
Total Liabilities and Fund Balances	<u>\$ 22,339,540</u>	<u>\$ 674,673</u>	<u>\$ 6,582,357</u>

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

Total Non-major Governmental Funds	Total Governmental Funds
\$ 3,819,299	\$ 29,452,678
180,000	180,000
138,725	3,079,242
196,736	679,070
-	30,856
-	5,172
116,566	150,054
21,100	170,390
-	321,534
<u>\$ 4,472,426</u>	<u>\$ 34,068,996</u>
\$ 339,376	\$ 2,855,193
-	2,562
19,724	321,534
<u>359,100</u>	<u>3,179,289</u>
<u>221,598</u>	<u>221,598</u>
21,100	170,390
3,697,702	4,826,014
172,926	8,274,349
-	17,397,356
<u>3,891,728</u>	<u>30,668,109</u>
<u>\$ 4,472,426</u>	<u>\$ 34,068,996</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, 2016

Fund Balances of Governmental Funds	\$ 30,668,109
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	277,535,572
Accumulated depreciation	(107,610,881)
Revenues are reported as deferred inflows of resources in the governmental funds that do not provide current financial resources and are recognized in the statement of activities	
	221,598
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(521,366)
Net OPEB obligation	(134,000)
Net pension liability	(3,062,851)
Deferred outflows of resources related to pensions	721,510
Deferred inflows of resources related to pensions	(544,778)
Net Position of Governmental Activities	\$ 197,272,913

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, 2016

	<u>Special Revenue Fund</u>		<u>Capital Projects Funds</u>
	General Fund	Headlands CFD 2006-1 Maintenance	Capital Improvements
Revenues:			
Taxes	\$ 30,943,901	\$ -	\$ -
Licenses, fees and permits	1,934,816	-	-
Fines, forfeitures and penalties	319,782	-	-
Intergovernmental	343,249	-	-
Charges for services	2,271,387	291,183	-
Investment earnings	471,749	4,353	-
Other	174,929	-	-
Total Revenues	<u>36,459,813</u>	<u>295,536</u>	<u>-</u>
Expenditures:			
Current:			
General government	6,065,748	-	-
Public safety	10,883,851	-	-
Community development	4,123,267	-	-
Parks and recreation	5,147,530	-	-
Public works	6,624,066	89,455	-
Capital outlay	148,306	209,450	7,261,441
Total Expenditures	<u>32,992,768</u>	<u>298,905</u>	<u>7,261,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,467,045</u>	<u>(3,369)</u>	<u>(7,261,441)</u>
Other Financing Sources (Uses):			
Transfers in	680,558	30,000	3,143,054
Transfers out	(2,173,216)	-	-
Total Other Financing Sources (Uses)	<u>(1,492,658)</u>	<u>30,000</u>	<u>3,143,054</u>
Net Changes in Fund Balances	1,974,387	26,631	(4,118,387)
Fund Balances, Beginning of Year	18,190,213	346,014	10,357,523
Fund Balances, End of Year	<u>\$ 20,164,600</u>	<u>\$ 372,645</u>	<u>\$ 6,239,136</u>

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

Total Non-major Governmental Funds	Total Governmental Funds
\$ 2,280,538	\$ 33,224,439
-	1,934,816
-	319,782
229,134	572,383
2,384	2,564,954
55,802	531,904
150,000	324,929
<u>2,717,858</u>	<u>39,473,207</u>
255,997	6,321,745
178,767	11,062,618
889,668	5,012,935
18,685	5,166,215
-	6,713,521
143,216	7,762,413
<u>1,486,333</u>	<u>42,039,447</u>
<u>1,231,525</u>	<u>(2,566,240)</u>
143,216	3,996,828
(1,823,612)	(3,996,828)
<u>(1,680,396)</u>	<u>-</u>
(448,871)	(2,566,240)
<u>4,340,599</u>	<u>33,234,349</u>
<u>\$ 3,891,728</u>	<u>\$ 30,668,109</u>

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

CITY OF DANA POINT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds		\$ (2,566,240)
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	\$ 7,695,858	
Disposal of capital assets	(51,664)	
Depreciation expense	<u>(5,928,193)</u>	1,716,001
Revenues collected after the period of availability and earned in current fiscal year on the government wide statement of activities		221,598
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		(1,177)
Change in net OPEB obligation		(134,000)
Changes in net pension liability		<u>416,555</u>
Change in Net Position of Governmental Activities		<u><u>\$ (347,263)</u></u>

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

CITY OF DANA POINT
Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	29,250,000	\$ 30,910,000	\$ 30,943,901	\$ 33,901
Licenses, fees and permits	1,273,000	1,846,500	1,934,816	88,316
Fines, forfeitures and penalties	300,000	290,000	319,782	29,782
Intergovernmental	240,000	337,000	343,249	6,249
Charges for services	1,512,000	2,101,989	2,271,387	169,398
Investment earnings	222,800	198,000	471,749	273,749
Other	76,000	171,750	174,929	3,179
Total Revenues	<u>32,873,800</u>	<u>35,855,239</u>	<u>36,459,813</u>	<u>604,574</u>
Expenditures				
Current:				
General government	5,374,572	6,335,583	6,065,748	269,835
Public safety	11,137,328	11,146,719	10,883,851	262,868
Community development	3,761,578	5,048,780	4,123,267	925,513
Parks and recreation	5,601,418	5,669,818	5,147,530	522,288
Public works	6,432,590	7,114,638	6,624,066	490,572
Capital outlay	100,200	250,200	148,306	101,894
Total Expenditures	<u>32,407,686</u>	<u>35,565,738</u>	<u>32,992,768</u>	<u>2,572,970</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>466,114</u>	<u>289,501</u>	<u>3,467,045</u>	<u>3,177,544</u>
Other financing sources (uses)				
Transfers in	625,551	606,513	680,558	74,045
Transfers out	<u>(667,074)</u>	<u>(2,667,074)</u>	<u>(2,173,216)</u>	<u>493,858</u>
Total Other Financing Sources (Uses)	<u>(41,523)</u>	<u>(2,060,561)</u>	<u>(1,492,658)</u>	<u>567,903</u>
Net Change in Fund Balance	424,591	(1,771,060)	1,974,387	3,745,447
Fund Balance, Beginning of Year	<u>18,190,213</u>	<u>18,190,213</u>	<u>18,190,213</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 18,614,804</u></u>	<u><u>\$ 16,419,153</u></u>	<u><u>\$ 20,164,600</u></u>	<u><u>\$ 3,745,447</u></u>

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

CITY OF DANA POINT
Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual
Headlands CFD 2006-1 Maintenance Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 324,000	\$ 324,000	\$ 291,183	\$ (32,817)
Investment earnings	1,400	1,400	4,353	2,953
Total Revenues	<u>325,400</u>	<u>325,400</u>	<u>295,536</u>	<u>(29,864)</u>
Expenditures				
Current:				
Public works	208,800	208,800	89,455	119,345
Capital outlay	-	224,023	209,450	14,573
Total Expenditures	<u>208,800</u>	<u>432,823</u>	<u>298,905</u>	<u>133,918</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,600</u>	<u>(107,423)</u>	<u>(3,369)</u>	<u>104,054</u>
Other financing sources (uses)				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	146,600	(77,423)	26,631	104,054
Fund Balance, Beginning of Year	<u>346,014</u>	<u>346,014</u>	<u>346,014</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 492,614</u>	<u>\$ 268,591</u>	<u>\$ 372,645</u>	<u>\$ 104,054</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, 2016

Assets

Cash and investments	\$ 3,837,242
Cash with fiscal agents	4,956,431
Accounts receivable	<u>52,685</u>
Total Assets	<u><u>\$ 8,846,358</u></u>

Liabilities

Deposits	\$ 3,759,288
Due to bondholders	5,009,116
Due to other agencies	<u>77,954</u>
Total Liabilities	<u><u>\$ 8,846,358</u></u>

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

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

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, building, engineering, park, recreation, emergency preparedness, 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, 2016

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 certain special taxes for bonds financed under the Mello-Roos Community Facilities Act of 1982.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

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) Investment Valuations

As of July 1, 2015 the City adopted Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurements and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes, applying fair value to investments, and disclosures related to all hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

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

G) Property Taxes

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

Under California law, property taxes are assessed and collected by the County at up to 1 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.

H) 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.

I) Prepaid Items

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

J) Restricted Assets

The City imposes impact fees upon certain new development in order to fund the creation, improvement and installation of public art in locations throughout the City. 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.

K) Capital Assets

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

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

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

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

K) Capital Assets (Continued)

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

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

L) Use of Estimates

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

M) 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.

N) 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.

O) Deferred Inflows and Outflows

Government-Wide Financial Statements

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources represents an acquisition of net position applicable to a future period. Refer to Note 9 for items identified as deferred outflows and inflows of resources related to pensions.

Fund Financial Statements

Deferred inflows of resources represent funds that have been earned but have not been received within the availability period. This does not provide an available financial resource in the current period; therefore, recognition is deferred until these criteria have been met.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

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

P) New GASB Pronouncements

Adopted in the Current Year

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 clarify the definition of fair value, establish general principles for measuring fair value, and enhancing disclosures about fair value measurements. The Statement is effective for periods beginning after June 15, 2015, or the 2015-2016 fiscal year. This pronouncement was implemented effective July 1, 2015.

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. This pronouncement was implemented effective July 1, 2015.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. This pronouncement was implemented effective July 1, 2015.

Effective in Future Years

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 requirements of the Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, or FY 2016-17. 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 RSI 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 pronouncement is applicable to OPEB plans.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

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

P) New GASB Pronouncements (Continued)

Effective in Future Years (Continued)

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. 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 the statement.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple employer plans. 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 the statement.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement establishes additional note disclosure requirements for qualifying external investment pools that require measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Both the qualifying external investment pools and their participants are required to disclose information about any limitations or restrictions on participant withdrawals. The Statement is effective for the periods beginning after June 15, 2015, or the 2016-2017 fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. The City has not determined the effect of the statement.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the 2016-2017 fiscal year. The City has not determined the effect of the statement.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

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

P) New GASB Pronouncements (Continued)

Effective in Future Years (Continued)

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the 2017-2018 fiscal year. The City has not determined the effect of the statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 29,452,678
Cash and investments - restricted	180,000
Fiduciary Funds	
Cash and investments	3,837,242
Cash and investments with fiscal agents	4,956,431
Total Cash and Investments	<u>\$ 38,426,351</u>

Cash and investments as of June 30, 2016, consist of the following:

Cash on hand (petty cash)	\$ 5,200
Deposits with financial institutions	1,381,721
Investments	37,039,430
Total Cash and Investments	<u>\$ 38,426,351</u>

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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, 2016, the City had the following investments.

Investment Type	Totals	Remaining Maturity (In Months)		
		12 Months Or Less	13 to 24 Months	25-60 Months
Local Agency Investment Fund	\$ 14,859,517	\$ 14,859,517	\$ -	\$ -
U.S. Treasury Notes Held by bond trustee:	17,223,482	3,400,238	3,408,228	10,415,016
Money market funds	4,956,431	4,956,431	-	-
Total	<u>\$ 37,039,430</u>	<u>\$ 23,216,186</u>	<u>\$ 3,408,228</u>	<u>\$ 10,415,016</u>

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s Investment Policy, or debt agreements, and the 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	\$ 14,859,517	N/A	\$ -	\$ -	\$ 14,859,517
U.S. Treasury Notes	17,223,482	N/A	17,223,482	-	-
Held by bond trustee:					
Money market funds	4,956,431	AAA	-	4,956,431	-
Total	<u>\$ 37,039,430</u>		<u>\$ 17,223,482</u>	<u>\$ 4,956,431</u>	<u>\$ 14,859,517</u>

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, \$1,610,787 was in excess of federal depository insurance limits. This amount is collateralized pursuant to California Government Code.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Measurements

Fair Value measurements are categorized based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, including matrix pricing models; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements as of June 30, 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Notes	\$ 17,223,482		\$ 17,223,482	
Local Agency Investment Fund	14,859,517			
Held by bond trustee:				
Money Market Funds	<u>4,956,431</u>			
Total Investment Portfolio	<u>\$ 37,039,430</u>			

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. Deposits and withdrawals to and from LAIF are made on the basis of \$1 and not at fair value. Accordingly, under the fair value hierarchy, the investment with LAIF is uncategorized.

NOTE 3 – DUE FROM AND DUE TO OTHER FUNDS

Current interfund receivables and payables balances at June 30, 2016 are as follows:

	<u>Amounts due from</u>		<u>Total</u>
	<u>Headlands CFD</u>	<u>Measure M</u>	
<u>Amounts due to</u>	<u>2006-1 Maintenance</u>	<u>Fund</u>	
General Fund	<u>\$ 301,810</u>	<u>\$ 19,724</u>	<u>\$ 321,534</u>

The receivable of \$301,810 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.

The receivable of \$19,724 due from the Measure M fund to the General Fund is for street and maintenance related projects funded by the General Fund.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 4 – INTERFUND ACTIVITY

Interfund balances for the year ended June 30, 2016, are as follows:

	Transfers in				Totals
	General Fund	Capital Improvements	Headlands CFD 2006-1 Maintenance	Nonmajor Governmental	
Transfers out					
General fund	\$ -	\$ 2,000,000	\$ 30,000	\$ 143,216	\$ 2,173,216
Nonmajor governmental funds	680,558	1,143,054	-	-	1,823,612
Total	<u>\$ 680,558</u>	<u>\$ 3,143,054</u>	<u>\$ 30,000</u>	<u>\$ 143,216</u>	<u>\$ 3,996,828</u>

The City has established certain funds to account for revenues, which are subject to statutory requirements requiring that the revenues not be commingled with other revenue sources. In cases where the associated expenditure of these revenues occurs in other funds, the City utilizes interfund transfers to move the monies from the fund in which the revenues are received into the fund in which the associated expenditures occur. Interfund transfers are also used to move unrestricted monies from the General Fund into other funds, as needed, to provide matching funds or supplemental funds for operating and/or capital expenditures. In the year ended June 30, 2016, the City made the following interfund transfers:

1. A transfer of \$2,000,000 from the General Fund unassigned fund balance to the Capital Improvements Project Fund to provide resources for current year projects.
2. A transfer of \$30,000 from the General Fund to the Headlands CFD Maintenance Fund representing the City’s share of funicular operating expenses.
3. A transfer of \$159,524 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 \$606,513 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.
5. A transfer of \$533,530 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 \$450,000 from the Park Development Fund (nonmajor governmental fund) to the Capital Improvements fund to provide resources for the La Plaza and Lantern Bay Park drought conversion projects.
7. A transfer of \$74,045 from the Measure M Fund to the General Fund representing Measure M apportionments received from the Orange County Transportation Authority that are restricted for the Senior Mobility Program services. Such maintenance expenditures are accounted for in the General Fund.
8. A transfer of \$78,485 from the General Fund to the Facilities Improvement Fund for the purchase of the community center bleachers and \$64,731 for the design of the OC Sheriff Police substation that will be located at City Hall.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 54,386,442	\$ -	\$ -	\$ 54,386,442
Construction in progress	15,654,545	7,178,706	(3,579,252)	19,253,999
Total capital assets not being depreciated	<u>70,040,987</u>	<u>7,178,706</u>	<u>(3,579,252)</u>	<u>73,640,441</u>
Capital assets being depreciated:				
Buildings	9,701,949	-	-	9,701,949
Equipment	3,019,118	202,626	(202,296)	3,019,448
Infrastructure	187,279,956	3,893,778	-	191,173,734
Total capital assets being depreciated	<u>200,001,023</u>	<u>4,096,404</u>	<u>(202,296)</u>	<u>203,895,131</u>
Less accumulated depreciation for:				
Buildings	(4,047,033)	(304,021)	-	(4,351,054)
Equipment	(1,845,498)	(206,025)	150,632	(1,900,891)
Infrastructure	(95,940,789)	(5,418,147)	-	(101,358,936)
Total accumulated depreciation	<u>(101,833,320)</u>	<u>(5,928,193)</u>	<u>150,632</u>	<u>(107,610,881)</u>
Total capital assets being depreciated, net	<u>98,167,703</u>	<u>(1,831,789)</u>	<u>(51,664)</u>	<u>96,284,250</u>
Total capital assets net of accumulated depreciation	<u>\$ 168,208,690</u>	<u>\$ 5,346,917</u>	<u>\$ (3,630,916)</u>	<u>\$ 169,924,691</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 327,602
Public safety	66,054
Community development	18,324
Recreation and parks	1,132,205
Public works	4,384,008
Total Depreciation Expense - Governmental Activities	<u>\$ 5,928,193</u>

The City reported a gain on disposal of capital assets on the government-wide statement of activities totaling \$14,751.

Construction Commitments

The City had active construction projects as of June 30, 2016. The projects include residential road resurfacing, a bikeway extension, storm drain repairs, slurry seals, and park projects. At year end, the City had outstanding commitments which totaled \$454,758.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

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, 2016, amounted to \$38,900. As of October 31, 2015, the City terminated all but one tenant lease. The tenant is leasing the office space on a month-to-month basis. The future minimum lease revenues based on the existing leases are \$22,800.

NOTE 7 – COMPENSATED ABSENCES

The following is a summary of the compensated absences activity for the year ended June 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Compensated absences	\$ 520,189	\$ 564,329	\$ (563,152)	\$ 521,366	\$ 281,576

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 and the City’s Personnel Rules and Regulations. CAL vests immediately upon being earned.

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description: The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees to the extent they are legally mandated under California's Public Employee Medical and Hospital Care Act (PEMHCA). Under PEMHCA, participants in the CalPERS health medical program, which the City participates, are required to make contributions for medical care. In order for a retiree to be eligible for a City contribution toward the retirees medical care, they must (1) be a CalPERS member; (2) be a participant in the CalPERS health program at the time of retirement; and (3) elect to continue participation in the CalPERS health program (at their own expense) at the time of retirement. If the retiree meets all three criteria, then the City is required to make monthly payments which are credited against the retirees' costs of continued health insurance through the CalPERS health system. For the calendar year ended 2015 and 2016, the City's mandated contribution rate was \$122 and \$125 per month, respectively, per eligible retiree. The contribution rate is adjusted annually by the State of California based on the medical care component of the Consumer Price Index. A separate report is not issued for the plan.

City's Funding Policy: The contribution requirements of the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as monthly PEMHCA contributions for eligible retiree's cost become due). For fiscal year 2015-16, the total contributions made to the plan were \$19,000, and includes \$7,779 paid by the City for this benefit.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

The City has not established an irrevocable trust for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$ 153,000
Annual OPEB cost (expense)	153,000
Contributions made (including premiums paid)	<u>(19,000)</u>
Increase in net OPEB obligation	134,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 134,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 153,000	12%	\$ 134,000

Funded Status and Funding Progress

The Funded status of the plan as of June 30, 2016 (the most recent actuarial report), was as follows:

Actuarial accrued liability (AAL)	\$ 1,132,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 1,132,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	5,894,574
UAAL as a percentage of covered payroll	19.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the Entry Age Normal actuarial cost method was used for determining the benefit obligations. The actuarial assumptions included a 4% investment rate of return, which is the assumed rate of return on assets used to pay benefits, and PEMCA benefit increases of \$3 per retiree per month for 2017, and 4.5% increases per year thereafter. The actuarial value of assets were valued on a market value basis. The UAAL is being amortized as a level percentage of projected payroll over closed 30 years. It is assumed the City's payroll will increase 3.25% per year.

NOTE 9 – 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, 2016, are summarized as follows:

	Classic	New Member
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
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	7.000%	6.25%
Required employer contribution rates	8.512%	6.237%

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 9 – COST-SHARING EMPLOYER PENSION PLAN (Continued)

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 \$572,235 for the year ended June 30, 2016, which included \$117,960 of contributions in excess of the required contribution rates.

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

As of June 30, 2016, 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	\$ 3,062,851

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, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.04775%
Proportion - June 30, 2015	0.04462%
Change - Increase (Decrease)	-0.00313%

For the year ended June 30, 2016, the City recognized pension expense of \$33,720. At June 30, 2016, 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	\$ 572,235	\$ -
Differences between expected and actual experience	38,354	-
Changes in assumptions	-	362,868
Changes in proportion and difference between City's contributions and proportionate share of contributions	232,881	-
Net difference between projected and actual earnings on pension plan investments	-	181,910
	\$ 843,470	\$ 544,778

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 9 – COST-SHARING EMPLOYER PENSION PLAN (Continued)

The amount of \$572,235 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, 2017. 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,	
2017	\$ (78,204)
2018	(78,204)
2019	(71,658)
2020	(45,477)
	\$ (273,543)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions.

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
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, 2014 valuation were based on the results of an actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Changes of Assumptions – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. 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, 2016

NOTE 9 – COST-SHARING EMPLOYER PENSION PLAN (Continued)

In determining the long-term expected 7.65% 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	51%	5.25%	5.71%
Global Debt Securities	19%	0.99	2.43
Inflation Assets	6%	0.45	3.36
Private Equity	10%	6.83	6.95
Real Estate	10%	4.50	5.13
Infrastructure and Forestland	2%	4.50	5.09
Liquidity	2%	(0.55)	(1.05)
Total	100%		

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 7.65%, 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:

	1% Decrease (6.65%)	Discount Rate (7.65%)	1% Increase (8.65%)
City's proportionate share of the net pension liability	\$ 5,001,058	\$ 3,062,851	\$ 1,468,886

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, 2016

NOTE 10 – 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, 2016. 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, 2016

NOTE 11 – 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	\$ 149,290	\$ -	\$ -	\$ 21,100	\$ 170,390
Restricted:					
Public works	-	372,645	533,530	149,074	1,055,249
Community development	-	-	-	1,454,782	1,454,782
Public safety	-	-	-	31,863	31,863
Parks and recreation	-	-	104,183	133,500	237,683
ESHA maintenance	-	-	-	221,815	221,815
Art in public places	117,954	-	-	-	117,954
Tourism business improvement	-	-	-	1,706,668	1,706,668
Subtotal	117,954	372,645	637,713	3,697,702	4,826,014
Assigned:					
Capital projects	2,500,000	-	5,601,423	172,926	8,274,349
Unassigned	17,397,356	-	-	-	17,397,356
Total Fund Balance	<u>\$ 20,164,600</u>	<u>\$ 372,645</u>	<u>\$ 6,239,136</u>	<u>\$ 3,891,728</u>	<u>\$ 30,668,109</u>

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 11 – 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. Upon adoption for the fiscal year 2016 budget, the City Council approved plans to return the reserve to its \$2,500,000 policy level. As such, as of June 30, 2016, the balance in the reserve stood at \$2,500,000.

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 \$3,287,380.
- 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 members. The reserve is set an amount equal to 20 percent of General Fund Revenues. The current year amount is \$6,574,760.
- 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, 2016

NOTE 12 – 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 2015-16 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, 2016

NOTE 12 – 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 2015-16 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, 2016

NOTE 12 – 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 2016 were \$558,780. 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 13 – CONTINGENCIES

As a CJPIA member (see Note 12), 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 (\$6,574,760) as of June 30, 2016 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 2015 or 2016.

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, 2016.

NOTE 14 – COMMUNITY FACILITIES DISTRICT BONDS

Included within the City is Community Facilities District No. 2006-1 of the City of Dana Point (CFD), which was formed pursuant to the Mello-Roos Community Facilities Act of 1982 for the purpose of financing the acquisition and/or construction of certain public improvements in the area of the City known as The Headlands. The CFD is authorized to issue up to \$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, 2016 was \$17,295,000.

CITY OF DANA POINT
Notes to Financial Statements
June 30, 2016

NOTE 14 – 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, 2016 was \$25,820,000.

An amount of \$4,956,431 of cash with fiscal agent is being held by the City and is reflected as due to bondholders at June 30, 2016 in the Statement of Fiduciary Assets and Liabilities.

NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures for the year ended June 30, 2016, exceeded appropriations in the following funds:

	Final Budget	Actual	Excess Over Appropriations
Measure M Fund (nonmajor governmental fund)	\$ 595,581	\$ 607,575	\$ (11,994)
Coastal Transit Fund (nonmajor governmental fund)	70,000	255,997	(185,997)

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 Coastal Transit Fund due additional expenditures required for the new trolley transit services.

NOTE 16 – DESTINATION MARKETING ORGANIZATION

On May 17, 2016, the City executed an operating agreement with a Destination Marketing Organization (DMO) (dba Visit Dana Point). The DMO provides tourism related services on behalf of the City’s Tourism Business Improvement District (TBID). The DMO, utilizing funding provided by the TBID, will carry out functions consistent with allowable uses of TBID funds. Visit Dana Point is a legally separate non-profit 501c(6) entity.

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, 2016

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.04462%	0.04775%
Proportionate share of the net pension liability	\$ 3,062,851	\$ 2,971,518
Covered payroll	\$ 5,360,064	\$ 5,020,186
Proportionate Share of the net pension liability as a percentage of covered payroll	57.14%	59.19%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%
Measurement Date	June 30, 2015	June 30, 2014

* - Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

Changes of Assumption

The discount rate changed from 7.5 percent used for the June 30, 2014 measurement date to 7.65 percent used for the June 30, 2015 measurement date.

Covered Payroll

In accordance with GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, we have restated to show covered payroll based on pensionable earnings.

CITY OF DANA POINT
Schedule of Contributions
Last Ten Years*
As of the Fiscal Year Ending June 30, 2016

	2016	2015
Actuarially determined contributions - Miscellaneous	\$ 454,275	\$ 598,530
Contributions in relation to the actuarially determined contribution	(572,235)	(598,530)
Contribution deficiency (excess)	\$ (117,960)	\$ -
Covered payroll	\$ 5,495,749	\$ 5,360,064
Contributions as a percentage of covered payroll	10.41%	11.17%

* - Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

Covered Payroll

In accordance with GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, we have restated to show covered payroll based on pensionable earnings.

CITY OF DANA POINT
Other Post Employment Benefit Plan*
Schedule of Funding Progress
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
June 30, 2016	\$ -	\$ 1,132,000	\$ 1,132,000	0%	\$ 5,894,574	19%

*Only one valuation is reflected. Information on subsequent actuarial valuations will be included when they are performed.

SUPPLEMENTARY INFORMATION

CITY OF DANA POINT
Major Capital Projects Fund
June 30, 2016

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, Gas Tax Fund, and Measure M 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, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures			
Capital outlay	\$ 10,849,433	\$ 7,261,441	\$ 3,587,992
Other financing sources (uses)			
Transfers in	3,205,105	3,143,054	(62,051)
Net Change in Fund Balance	(7,644,328)	(4,118,387)	3,525,941
Fund Balance, Beginning of Year	10,357,523	10,357,523	-
Fund Balance, End of Year	\$ 2,713,195	\$ 6,239,136	\$ 3,525,941

CITY OF DANA POINT
Nonmajor Governmental Funds
June 30, 2016

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 (M1), and again in 2006 (M2). 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, 2016

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, 2016

	Special Revenue Funds			
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit
Assets				
Cash and investments	\$ 63,936	\$ -	\$ 35,674	\$ 1,174,050
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	138	196,598
Intergovernmental	-	104,862	-	-
Prepaid Expenditures	-	-	-	-
Cash and investments - restricted	-	-	-	-
Total Assets	<u>\$ 63,936</u>	<u>\$ 104,862</u>	<u>\$ 35,812</u>	<u>\$ 1,370,648</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 3,949	\$ 78,621
Due to other funds	-	19,724	-	-
Total Liabilities	<u>-</u>	<u>19,724</u>	<u>3,949</u>	<u>78,621</u>
Deferred Inflows of Resources				
Unavailable revenue - grant reimbursement	-	-	-	196,598
Unavailable revenue - settlement	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,598</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted	63,936	85,138	31,863	1,095,429
Assigned	-	-	-	-
Total Fund Balances	<u>63,936</u>	<u>85,138</u>	<u>31,863</u>	<u>1,095,429</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 63,936</u>	<u>\$ 104,862</u>	<u>\$ 35,812</u>	<u>\$ 1,370,648</u>

Special Revenue Funds			Capital Projects		Total Nonmajor Governmental Funds
AB 2766	ESHA Maintenance Fund	Tourism Business Improvement District	Facilities Improvement	Park Development	
\$ 347,649	\$ 41,815	\$ 1,849,749	\$ 172,926	\$ 133,500	\$ 3,819,299
-	-	138,725	-	-	138,725
-	-	-	-	-	196,736
11,704	-	-	-	-	116,566
-	-	21,100	-	-	21,100
-	180,000	-	-	-	180,000
<u>\$ 359,353</u>	<u>\$ 221,815</u>	<u>\$ 2,009,574</u>	<u>\$ 172,926</u>	<u>\$ 133,500</u>	<u>\$ 4,472,426</u>
\$ -	\$ -	\$ 256,806	\$ -	\$ -	\$ 339,376
-	-	-	-	-	19,724
-	-	256,806	-	-	359,100
-	-	-	-	-	196,598
-	-	25,000	-	-	25,000
-	-	25,000	-	-	221,598
-	-	21,100	-	-	21,100
359,353	221,815	1,706,668	-	133,500	3,697,702
-	-	-	172,926	-	172,926
<u>359,353</u>	<u>221,815</u>	<u>1,727,768</u>	<u>172,926</u>	<u>133,500</u>	<u>3,891,728</u>
<u>\$ 359,353</u>	<u>\$ 221,815</u>	<u>\$ 2,009,574</u>	<u>\$ 172,926</u>	<u>\$ 133,500</u>	<u>\$ 4,472,426</u>

CITY OF DANA POINT
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Funds
For the Year Ended June 30, 2016

	Special Revenue Funds			
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit
Revenues				
Taxes	\$ 752,793	\$ 533,530	\$ -	\$ -
Intergovernmental	-	47,403	114,626	23,656
Charges for services	-	-	-	2,384
Investment earnings	-	2,062	512	7,911
Other	-	-	-	-
Total Revenues	<u>752,793</u>	<u>582,995</u>	<u>115,138</u>	<u>33,951</u>
Expenditures				
Current:				
General Government	-	-	-	255,997
Public safety	-	-	178,767	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>178,767</u>	<u>255,997</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>752,793</u>	<u>582,995</u>	<u>(63,629)</u>	<u>(222,046)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(766,037)	(607,575)	-	-
Total Other Financing Sources (Uses)	<u>(766,037)</u>	<u>(607,575)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(13,244)	(24,580)	(63,629)	(222,046)
Fund Balances at Beginning of Year	77,180	109,718	95,492	1,317,475
Fund Balances at End of Year	<u>\$ 63,936</u>	<u>\$ 85,138</u>	<u>\$ 31,863</u>	<u>\$ 1,095,429</u>

Special Revenue Funds			Capital Projects		Total Nonmajor Governmental Funds
AB 2766	ESHA Maintenance Fund	Tourism Business Improvement District	Facilities Improvement	Park Development	
\$ -	\$ -	\$ 994,215	\$ -	\$ -	\$ 2,280,538
43,449	-	-	-	-	229,134
-	-	-	-	-	2,384
2,143	31,375	11,799	-	-	55,802
-	-	150,000	-	-	150,000
<u>45,592</u>	<u>31,375</u>	<u>1,156,014</u>	<u>-</u>	<u>-</u>	<u>2,717,858</u>
-	-	-	-	-	255,997
-	-	-	-	-	178,767
-	-	889,668	-	-	889,668
-	18,685	-	-	-	18,685
-	-	-	143,216	-	143,216
<u>-</u>	<u>18,685</u>	<u>889,668</u>	<u>143,216</u>	<u>-</u>	<u>1,486,333</u>
<u>45,592</u>	<u>12,690</u>	<u>266,346</u>	<u>(143,216)</u>	<u>-</u>	<u>1,231,525</u>
-	-	-	143,216	-	143,216
-	-	-	-	(450,000)	(1,823,612)
<u>-</u>	<u>-</u>	<u>-</u>	<u>143,216</u>	<u>(450,000)</u>	<u>(1,680,396)</u>
45,592	12,690	266,346	-	(450,000)	(448,871)
313,761	209,125	1,461,422	172,926	583,500	4,340,599
<u>\$ 359,353</u>	<u>\$ 221,815</u>	<u>\$ 1,727,768</u>	<u>\$ 172,926</u>	<u>\$ 133,500</u>	<u>\$ 3,891,728</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Gasoline Tax Fund
For the Year Ended June 30, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 766,037	\$ 752,793	\$ (13,244)
Other financing sources (uses)			
Transfers out	(766,037)	(766,037)	-
Net Change in Fund Balance	-	(13,244)	(13,244)
Fund Balance, Beginning of Year	77,180	77,180	-
Fund Balance, End of Year	\$ 77,180	\$ 63,936	\$ (13,244)

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, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 595,581	\$ 533,530	\$ (62,051)
Intergovernmental	-	47,403	47,403
Investment earnings	900	2,062	1,162
Total Revenues	<u>596,481</u>	<u>582,995</u>	<u>(13,486)</u>
Other financing sources (uses)			
Transfers out	<u>(595,581)</u>	<u>(607,575)</u>	<u>(11,994)</u>
Net Change in Fund Balance	900	(24,580)	(25,480)
Fund Balance, Beginning of Year	<u>109,718</u>	<u>109,718</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 110,618</u></u>	<u><u>\$ 85,138</u></u>	<u><u>\$ (25,480)</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, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 114,478	\$ 114,626	\$ 148
Investment earnings	600	512	(88)
Total Revenues	<u>115,078</u>	<u>115,138</u>	<u>60</u>
Expenditures			
Current:			
Public safety	<u>209,970</u>	<u>178,767</u>	<u>31,203</u>
Net Change in Fund Balance	(94,892)	(63,629)	31,263
Fund Balance, Beginning of Year	<u>95,492</u>	<u>95,492</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 600</u></u>	<u><u>\$ 31,863</u></u>	<u><u>\$ 31,263</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, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ -	\$ 23,656	\$ 23,656
Charges for Services	-	2,384	2,384
Investment earnings	6,300	7,911	1,611
Total Revenues	<u>6,300</u>	<u>33,951</u>	<u>27,651</u>
Expenditures			
Current:			
General Government	<u>70,000</u>	<u>255,997</u>	<u>(185,997)</u>
Net Change in Fund Balance	(63,700)	(222,046)	(158,346)
Fund Balance, Beginning of Year	<u>1,317,475</u>	<u>1,317,475</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,253,775</u>	<u>\$ 1,095,429</u>	<u>\$ (158,346)</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
AB 2766 Fund
For the Year Ended June 30, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Intergovernmental	\$ 40,000	\$ 43,449	\$ 3,449
Investment earnings	800	2,143	1,343
Total Revenues	<u>40,800</u>	<u>45,592</u>	<u>4,792</u>
Net Change in Fund Balance	40,800	45,592	4,792
Fund Balance, Beginning of Year	<u>313,761</u>	<u>313,761</u>	-
Fund Balance, End of Year	<u><u>\$ 354,561</u></u>	<u><u>\$ 359,353</u></u>	<u><u>\$ 4,792</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, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Investment earnings	\$ 30,450	\$ 31,375	\$ 925
Expenditures			
Parks and recreation	22,700	18,685	4,015
Net Change in Fund Balance	7,750	12,690	4,940
Fund Balance, Beginning of Year	209,125	209,125	-
Fund Balance, End of Year	\$ 216,875	\$ 221,815	\$ 4,940

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, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 950,000	\$ 994,215	\$ 44,215
Investment earnings	-	11,799	11,799
Other	-	150,000	150,000
Total Revenues	<u>950,000</u>	<u>1,156,014</u>	<u>206,014</u>
Expenditures			
Community development	<u>1,200,000</u>	<u>889,668</u>	<u>310,332</u>
Net Change in Fund Balance	(250,000)	266,346	516,346
Fund Balance, Beginning of Year	<u>1,461,422</u>	<u>1,461,422</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,211,422</u></u>	<u><u>\$ 1,727,768</u></u>	<u><u>\$ 516,346</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, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures			
Capital outlay	\$ 810,000	\$ 143,216	\$ 666,784
Excess (Deficiency) of Revenues Over (Under) Expenditures	(810,000)	(143,216)	666,784
Other Financing Sources (Uses)			
Transfers In	-	143,216	143,216
Net Change in Fund Balance	(810,000)	-	810,000
Fund Balance, Beginning of Year	172,926	172,926	-
Fund Balance, End of Year	<u>\$ (637,074)</u>	<u>\$ 172,926</u>	<u>\$ 810,000</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Park Development
For the Year Ended June 30, 2016

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Other financing sources (uses)			
Transfers out	\$ (450,000)	\$ (450,000)	\$ -
Net Change in Fund Balance	(450,000)	(450,000)	-
Fund Balance, Beginning of Year	583,500	583,500	-
Fund Balance, End of Year	\$ 133,500	\$ 133,500	\$ -

CITY OF DANA POINT

Agency Funds

June 30, 2016

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 Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	Developer Deposits	Due to Bondholders	Pass-through Deposits	Totals
Assets				
Cash and investments	\$ 3,759,288	\$ -	\$ 77,954	\$ 3,837,242
Cash with fiscal agents	-	4,956,431	-	4,956,431
Accounts receivables	-	52,685	-	52,685
Total Assets	<u>\$ 3,759,288</u>	<u>\$ 5,009,116</u>	<u>\$ 77,954</u>	<u>\$ 8,846,358</u>
Liabilities				
Deposits	\$ 3,759,288	\$ -	\$ -	\$ 3,759,288
Due to bondholders	-	5,009,116	-	5,009,116
Due to other agencies	-	-	77,954	77,954
Total Liabilities	<u>\$ 3,759,288</u>	<u>\$ 5,009,116</u>	<u>\$ 77,954</u>	<u>\$ 8,846,358</u>

CITY OF DANA POINT
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Developer Deposits</u>				
Assets:				
Cash and investments	\$ 3,331,543	\$1,687,287	\$ 1,259,542	\$ 3,759,288
	<u>\$ 3,331,543</u>	<u>\$1,687,287</u>	<u>\$ 1,259,542</u>	<u>\$ 3,759,288</u>
Liabilities:				
Deposits	\$ 3,331,543	\$1,687,287	\$ 1,259,542	\$ 3,759,288
	<u>\$ 3,331,543</u>	<u>\$1,687,287</u>	<u>\$ 1,259,542</u>	<u>\$ 3,759,288</u>
<u>Due to Bondholders</u>				
Assets:				
Cash with fiscal agents	\$ 4,749,128	\$208,585	\$ 1,282	\$ 4,956,431
Accounts receivables	43,690	\$8,995	-	52,685
	<u>\$ 4,792,818</u>	<u>\$ 217,580</u>	<u>\$ 1,282</u>	<u>\$ 5,009,116</u>
Liabilities:				
Due to bondholders	\$ 4,792,818	\$ 217,580	\$ 1,282	\$ 5,009,116
	<u>\$ 4,792,818</u>	<u>\$ 217,580</u>	<u>\$ 1,282</u>	<u>\$ 5,009,116</u>
<u>Pass-through Deposits</u>				
Assets:				
Cash and investments	\$ 188,176	\$ 336,939	\$ 447,161	\$ 77,954
	<u>\$ 188,176</u>	<u>\$ 336,939</u>	<u>\$ 447,161</u>	<u>\$ 77,954</u>
Liabilities:				
Due to other agencies	\$ 188,176	\$ 336,939	\$ 447,161	\$ 77,954
	<u>\$ 188,176</u>	<u>\$ 336,939</u>	<u>\$ 447,161</u>	<u>\$ 77,954</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 3,519,719	\$ 2,024,226	\$ 1,706,703	\$ 3,837,242
Cash with fiscal agents	4,749,128	208,585	1,282	4,956,431
Accounts receivables	43,690	8,995	-	52,685
	<u>\$ 8,312,537</u>	<u>\$ 2,241,806</u>	<u>\$ 1,707,985</u>	<u>\$ 8,846,358</u>
Liabilities:				
Deposits	\$ 3,331,543	\$ 1,687,287	\$ 1,259,542	\$ 3,759,288
Due to bondholders	4,792,818	217,580	1,282	5,009,116
Due to other agencies	188,176	336,939	447,161	77,954
	<u>\$ 8,312,537</u>	<u>\$ 2,241,806</u>	<u>\$ 1,707,985</u>	<u>\$ 8,846,358</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.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Net Position by Component	81
Changes in Net Position	82
Fund Balances of Governmental Funds	83
Changes in Fund Balances of Governmental Funds	84
Program Revenues by Function/Program	85
Tax Revenues by Source, Governmental Funds	86
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant revenue sources.	
Property Tax Levies and Collections	87
Assessed and Estimated Actual Value of Taxable Property	87
Direct and Overlapping Property Tax Rates	88
Principal Property Taxpayers	89
Transient Occupancy Taxes	90
Retail Sales Tax Generation / Top 25 Sales Tax Producers	91
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type	92
Direct and Overlapping Governmental Activities Debt	93
Legal Debt Margin Information	94
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Demographic and Economic Statistics	95
Principal Employers	96

STATISTICAL SECTION, continued

Page

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	97
Operating Indicators by Function/Program	98
Capital Asset Statistics by Function/Program	99

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$120,561	\$119,292	\$128,285	\$174,898	\$171,342	\$169,246	\$167,182	\$166,203	\$168,209	\$169,925
Restricted	5,515	2,645	3,257	2,847	2,665	2,765	2,879	\$4,747	\$4,631	\$4,826
Unrestricted	41,797	51,789	39,654	33,932	31,319	29,690	30,400	\$30,108	\$24,780	\$22,522
Total governmental activities net position	<u>\$167,873</u>	<u>\$173,726</u>	<u>\$171,196</u>	<u>\$211,677</u>	<u>\$205,326</u>	<u>\$201,701</u>	<u>\$200,461</u>	<u>\$201,058</u>	<u>\$197,620</u>	<u>\$197,273</u>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General Government	\$ 4,569	\$ 4,896	\$ 5,093	\$ 5,285	\$ 5,636	\$ 5,006	\$ 4,794	\$ 5,110	\$ 5,382	\$ 6,368
Public Safety	8,068	8,807	9,193	9,700	10,156	9,977	10,069	10,100	10,906	11,129
Community Development	2,330	2,811	2,625	2,831	2,604	2,769	3,689	4,325	4,651	5,031
Recreation and Parks	3,708	4,037	4,270	4,528	4,632	4,481	4,917	6,460	6,817	6,298
Public Works	9,687	10,520	19,447	10,667	11,374	11,327	21,265	33,075	10,321	11,216
Interest on Long-term Debt	15	-	-	-	-	-	-	-	-	-
Unallocated Depreciation	131	187	192	220	221	214	214	-	-	-
Total governmental activities expenses	<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>	<u>40,042</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	321	493	263	631	464	584	112	140	169	191
Public Safety	454	539	332	305	253	304	199	199	195	168
Community Development	1,359	1,396	1,054	1,265	1,171	1,064	1,603	2,275	3,311	3,286
Recreation and Parks	224	262	261	271	306	349	424	344	335	306
Public Works	469	561	422	260	244	185	118	436	980	973
Operating grants and contributions	1,694	1,612	9,999	2,424	1,900	2,172	11,610	2,162	2,037	1,840
Capital grants and contributions	16,321	3,159	852	46,617	826	1,143	705	24,425	173	264
Total governmental activities program revenues	<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>	<u>7,028</u>
Total government net revenue (expense)	<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>	<u>\$ (33,014)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 5,373	\$ 6,001	\$ 6,176	\$ 6,109	\$ 5,936	\$ 5,857	\$ 6,020	\$ 6,286	\$ 6,731	\$ 7,298
Franchise taxes	1,201	1,239	1,294	1,255	1,247	1,198	1,329	1,315	1,405	1,382
Sales taxes	3,761	3,671	2,998	2,909	3,075	3,570	3,425	3,794	4,111	5,316
In-lieu property taxes	3,867	4,276	4,154	3,719	3,944	3,947	4,319	4,271	4,622	3,953
Property transfer taxes	395	374	224	229	200	230	459	570	439	904
Transient occupancy taxes	10,888	11,298	8,630	7,221	8,284	9,382	10,086	12,140	12,467	12,091
Motor vehicle in-lieu (unrestricted)	199	164	126	109	170	18	-	-	-	14
Other	234	66	68	53	60	68	1,233	141	82	333
Unrestricted investment earnings	2,038	2,210	1,227	334	193	77	124	86	1,119	367
Tourism business improvement district										994
Special Item							180	1,083	(8)	15
Total governmental activities	<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>	<u>32,667</u>
Change in Net Position	<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>	<u>\$ (347)</u>

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

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 64	\$ 73	\$ 76	\$ 155	\$ 98	\$ 149
Restricted	-	-	-	-	-	-	139	118	118	118
Committed	-	-	-	-	9,462	9,027	-	-	-	-
Assigned	-	-	-	-	3,169	3,169	13,472	2,500	2,500	2,500
Unassigned	-	-	-	-	6,094	7,003	8,284	18,930	15,474	17,397
Reserved	561	1,466	1,378	406	-	-	-	-	-	-
Unreserved	17,836	20,684	19,478	19,925	-	-	-	-	-	-
Total General Fund	\$ 18,397	\$ 22,150	\$ 20,856	\$ 20,331	\$ 18,789	\$ 19,272	\$ 21,971	\$ 21,703	\$ 18,190	\$ 20,164
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21
Restricted	-	-	-	-	2,498	2,598	2,920	4,629	4,514	4,708
Committed	-	-	-	-	-	-	1,919	-	-	-
Assigned	-	-	-	-	12,406	10,284	6,867	9,027	10,530	5,775
Reserved	414	8,747	4,136	827	-	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	1,555	2,263	2,553	2,062	-	-	-	-	-	-
Capital project funds	27,225	21,851	15,794	13,130	-	-	-	-	-	-
Total all other governmental funds	\$ 29,194	\$ 32,861	\$ 22,483	\$ 16,019	\$ 14,904	\$ 12,882	\$ 11,706	\$ 13,656	\$ 15,044	\$ 10,504

(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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 25,391	\$ 26,715	\$ 23,117	\$ 20,271	\$ 22,821	\$ 24,525	\$ 27,513	\$ 28,811	\$ 32,437	\$ 33,224
Licenses, fees and permits	2,048	2,186	1,997	1,983	1,975	1,937	2,122	2,434	1,799	1,935
Fines and forfeitures	470	636	433	335	286	455	236	263	288	320
Intergovernmental	6,011	3,464	1,536	1,856	1,118	1,570	1,442	854	558	572
Charges for services	1,475	1,672	1,150	1,651	1,392	1,307	1,437	1,859	2,786	2,620
Use of money and property	2,423	2,590	1,468	520	399	241	286	281	280	532
Contributions from property owners	-	-	8,199	486	41	28	9,447	23,935	-	-
Other	246	93	180	106	295	86	111	147	32	270
Total revenues	38,064	37,356	38,080	27,208	28,327	30,149	42,594	58,584	38,180	39,473
Expenditures										
General government	4,526	4,809	4,971	5,223	5,524	5,026	4,880	4,745	5,314	6,322
Public safety	8,035	8,767	9,123	9,617	10,077	9,856	9,985	10,030	10,846	11,062
Community development	2,312	2,772	2,594	2,804	2,578	2,764	3,667	4,292	4,627	5,013
Recreation and parks	3,627	3,953	4,186	4,443	4,526	4,477	4,799	4,993	5,337	5,166
Public works	5,243	5,803	6,673	5,398	5,409	5,388	5,538	5,498	6,121	6,714
Capital outlay	9,667	3,832	22,205	6,712	2,869	4,177	14,145	30,969	8,059	7,762
Debt service:										
Principal	2,925	-	-	-	-	-	-	-	-	-
Interest	93	-	-	-	-	-	-	-	-	-
Total expenditures	36,428	29,936	49,752	34,197	30,983	31,688	43,014	60,527	40,304	42,039
Excess of revenues over (under) expenditures	1,636	7,420	(11,672)	(6,989)	(2,656)	(1,539)	(420)	(1,943)	(2,124)	(2,566)
Other financing sources (uses)										
Transfers in	3,922	6,658	3,357	4,313	1,772	1,521	1,277	9,543	9,965	3,997
Transfers out	(3,922)	(6,658)	(3,357)	(4,313)	(1,772)	(1,521)	(1,277)	(9,543)	(9,965)	(3,997)
Other Financing Sources (uses)								3,625	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	3,625	-	-
Cumulative effect of a change in accounting principle	-	-	-	-	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-	-	-	-	-
Special Item	-	-	-	-	-	-	180	-	-	-
Net change in fund balances	\$ 1,636	\$ 7,420	\$ (11,672)	\$ (6,989)	\$ (2,656)	\$ (1,539)	\$ (240)	\$ 1,682	\$ (2,124)	\$ (2,566)
Debt service as a percentage of noncapital expenditures	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:										
General Government	\$ 377	\$ 538	\$ 295	\$ 685	\$ 497	\$ 625	\$ 164	\$ 171	\$ 223	\$ 237
Public Safety	930	946	737	785	670	803	983	570	580	612
Community Development	1,415	1,450	1,089	1,280	1,181	1,070	1,607	2,278	3,315	3,293
Recreation and Parks	11,211	914	456	442	359	422	517	351	335	529
Public Works	6,909	4,174	10,606	48,581	2,457	2,881	11,500	26,611	2,747	2,356
Total governmental activities	<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>	<u>\$ 7,027</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
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	1,017 *	4,271	570	11,122	30,126
2015	6,731	1,405	4,111	1,059	551	1,052 *	4,622	439	12,466	32,436
2016	7,298	1,382	5,315	753	533	994	3,953	904	12,091	33,223

* Corrected actuals.

- (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 from 2005, and ended in 2016. 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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Dana Point portion of property tax levy	\$ 5,556	\$ 6,174	\$ 6,256	\$ 6,064	\$ 6,031	\$ 6,093	\$ 6,303	\$ 7,836	\$ 10,076	\$ 10,702
Current year collections	5,338	5,908	5,985	5,910	5,848	5,827	5,865	7,499	9,764	10,405
Current year collections as % of levy	96.1%	95.7%	95.7%	97.5%	97.0%	95.6%	93.1%	95.7%	96.9%	97.2%
Current year delinquencies	\$ 218	\$ 266	\$ 271	\$ 154	\$ 183	\$ 266	\$ 438	\$ 337	\$ 312	\$ 297
Current year delinquencies as % of levy	3.9%	4.3%	4.3%	2.5%	3.0%	4.4%	6.9%	4.3%	3.1%	2.8%
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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed value	\$ 7,693,012	\$ 8,532,709	\$ 8,879,909	\$ 8,763,402	\$ 8,687,748	\$ 8,735,352	\$ 8,844,364	\$ 9,126,750	\$ 9,797,767	\$ 10,521,105
Estimated actual value (see note)	7,693,012	8,532,709	8,879,909	8,763,402	8,687,748	8,735,352	8,844,364	9,126,750	9,797,767	10,521,105
Annual increase in assessed value	694,624	839,697	347,200	(116,507)	(75,654)	47,604	109,012	282,386	671,017	723,338
Annual % increase in assessed value	9.9%	10.9%	4.1%	-1.3%	-0.9%	0.5%	1.2%	3.2%	7.4%	7.4%

(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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<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	\$0.3898	\$0.3898	\$0.3898	\$0.3898
Educational Revenue Augmentation Fund	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1656	0.1656	0.1656	0.1656
Orange County Fire Authority	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1217	0.1217	0.1217	0.1217
South Orange County Comm. College District	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0959	0.0959	0.0959	0.0959
Orange County General Fund	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0526	0.0526	0.0526	0.0526
City of Dana Point	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.07618	0.07618	0.07618	0.07618
Orange County Flood Control District	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0214	0.0214	0.0214	0.0214
Orange County Library District	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.01806	0.01806	0.01806	0.01806
Orange County Department of Education	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.01767	0.01767	0.01767	0.01767
Orange County Harbors, Beaches & Parks	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.01655	0.01655	0.01655	0.01655
Capistrano Beach County Water District	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.01060	0.01060	0.01060	0.01060
Tri Cities Municipal Water District	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.00913	0.00913	0.00913	0.00913
Orange County Transportation Authority	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.00304	0.00304	0.00304	0.00304
Orange County Vector Control	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.00121	0.00121	0.00121	0.00121
Orange County Cemetary District	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.00054	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: (3)</u>										
Metro Water District MWDOC Annex #4	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	0.0027	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	0.0043	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	0.0024	0.0025	0.0028	0.0028	0.0028	0.0028	0.00298	0.00298	0.00430	
Combined Total Property Tax Rate (2)	<u>\$1.0142</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.

(3) No current year data was available at the time of report issue. June 30, 2015 data is latest data available.

Source: Orange County Auditor-Controller

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

Taxpayer	Fiscal Year 2016				Fiscal Year 2007			
	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid
Monroe MBR (1)	\$ 303,377,773	\$ 93,884	1	2.78%	\$ -	-	-	-
MMB Management LLC (1)	250,764,614	84,548	2	2.50%	-	-	-	-
SHC Laguna Niguel	244,863,824	76,425	3	2.26%	-	-	-	-
Regency Laguna LP (1)	184,959,237	57,387	4	1.70%	-	-	-	-
Monarch Coast I LLC	98,829,794	30,591	5	0.91%	-	-	-	-
Kenneth L Wagner Trust	35,813,708	14,755	6	0.44%	-	-	-	-
ERGS AIM Hotel Realty LLC (1)	33,506,343	10,963	7	0.32%	-	-	-	-
Bear Brand Partners	32,993,150	10,298	8	0.30%	\$ 28,912,822	9,024	8	0.37%
Headland Reserve LLC	27,660,333	9,442	9	0.28%	69,387,370	24,953	6	1.02%
Jon Darbyshire	22,797,588	9,392	10	0.28%	-	-	-	-
Lloyd's Bank California (1)	-	-	-	-	211,330,468	71,253	1	2.91%
CPH Monarch Hotel LLC (1)	-	-	-	-	195,350,833	60,972	2	2.49%
SHC Laguna Niguel 1 LLC	-	-	-	-	184,388,611	57,550	3	2.35%
Monarch Bay Two	-	-	-	-	85,881,696	26,559	4	1.08%
PRISA Acquisition LLC (1)	-	-	-	-	85,266,140	26,522	5	1.08%
CPH Resorts LLC (1)	-	-	-	-	39,426,281	12,341	7	0.50%
ST Apartments	-	-	-	-	24,388,063	7,634	9	0.31%
Dana Point Partners	-	-	-	-	24,257,240	7,735	10	0.32%
Totals	\$1,235,566,364	\$ 397,685		11.77%	\$ 948,589,524	\$304,542		12.43%

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<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)
Monarch Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total revenues	<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>	<u>\$11,648</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
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
2015	4,354	N/A (2)	34,213	117,976	31,291	7,570	59,813	82,916	195,014	533,147

Top 25 Sales Tax Producers
Fiscal Year 2016

<u>Business Name (1)</u>	<u>Business Type</u>
Albertsons	Grocery stores
AT&T Mobility	Electronics/ Appliance Stores
Big Five Sporting Goods	Sporting Goods/Bike Stores
Chart House	Restaurants
Chevron	Service stations
Circle K	Service stations
Circle K 76	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
Sun Country Marine	Boats/Motorcycles
Western Emulsions	Contractors
Wind & Sea Restaurant	Restaurants

Percent of total paid by top 25 accounts = 57.17%

(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
THE CITY HAS NO OUTSTANDING DEBT				
2007	-	-	-	-
2008	-	-	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-

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, 2016

<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, 2015 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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Valuation	<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>	<u>\$ 10,521,105</u>
Legal Debt Limit = 3.75% of Total Assessed Valuation (1)	288,488	319,889	332,997	328,543	325,791	327,576	331,664	342,253	367,017	394,541
Amount of Debt Applicable to Limit: Certificates of Participation/ Capital Lease	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<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>	<u>\$ 394,541</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

	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (2)	2012 (2)	2013 (2)	2014 (2) (5)	2015 (2) (5)	2016 (2) (5)
Population	36,884	36,441	35,822	35,561	35,109	33,054	33,398	33,625	33,710	34,264
Age Distribution: (2)										
0 - 4	1,953	1,903	1,915	1,905	1,753	1,675	1,544	1,541	1,546	1,490
5 - 14	4,049	3,757	3,734	3,657	3,794	3,593	3,146	3,191	3,214	3,261
15 - 19	1,960	1,933	1,764	1,716	2,160	2,151	2,046	2,034	1,949	1,941
20 - 24	2,097	2,029	1,852	1,805	1,419	1,340	1,481	1,452	1,479	1,468
25 - 34	4,431	4,560	4,707	4,772	4,421	4,302	4,045	4,102	4,135	4,220
35 - 44	5,568	5,179	5,034	4,849	4,606	4,390	3,958	3,934	3,888	3,956
45 - 64	11,519	11,480	11,235	11,169	11,202	10,341	10,917	10,823	10,692	10,781
65 - 74	2,753	2,939	2,992	3,078	3,105	2,732	3,492	3,691	3,884	4,097
75 - 84	1,939	1,958	1,886	1,864	1,936	1,836	1,913	1,958	1,993	2,095
85 and over	615	703	703	746	713	694	856	899	930	955
Total	<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>	<u>34,264</u>
Median Age (2)	42	43	43	43	44	43	46	46	46	46
Per capita income (5)	\$ 47,055	\$ 50,978	\$ 46,922	\$ 47,982	\$ 42,245	\$ 44,704	not avail	\$ 49,928	\$ 48,454	\$ 52,160
Personal income (,000,000) (5)	\$ 1,736	\$ 1,858	\$ 1,681	\$ 1,706	\$ 1,816	\$ 1,663	\$ 1,723	\$ 1,699	\$ 1,649	\$ 1,743
Median household income	\$ 80,508	\$ 88,429	\$ 86,537	\$ 87,100	\$ 73,700	\$ 73,696	\$ 76,268	\$ 80,603	\$ 78,758	\$ 82,065
Average household income	\$ 114,824	\$ 124,494	\$ 113,457	\$ 115,966	\$ 101,855	\$ 101,662	\$ 111,397	\$ 113,298	\$ 112,325	\$ 117,539
Civilian unemployment rate (2)(3)(4)	2.8%	3.8%	6.4%	6.9%	6.3%	n/a	5.9%	5.5%	5.2%	4.2%
Number of families (2)	9,467	9,320	9,248	9,181	9,143	9,097	8,826	8,892	8,918	9,099
Number of households (2)	14,889	14,697	14,585	14,491	14,459	14,328	14,405	14,515	14,568	14,879
Average household size (2)	2.47	2.47	2.44	2.44	2.42	2.29	2.31	2.30	2.30	2.29
Households, by income: (2)										
Less than \$15,000	791	630	646	611	864	866	954	945	827	827
\$15,000 - \$24,999	694	604	602	702	905	899	1,064	1,075	1,141	1,034
\$25,000 - \$34,999	805	727	744	582	928	920	991	1,014	1,206	1,097
\$35,000 - \$49,999	1,502	1,147	1,168	1,384	1,735	1,716	1,742	1,544	1,545	1,557
\$50,000 - \$74,999	3,010	2,944	2,812	2,675	2,951	2,915	2,355	2,212	2,283	2,398
\$75,000 - \$99,999	2,308	2,136	2,452	2,309	2,022	2,009	1,902	2,086	1,876	1,863
\$100,000 - \$149,999	2,759	3,191	3,176	3,206	2,612	2,600	2,535	2,419	2,545	2,552
Over \$150,000	3,020	3,318	2,985	3,022	2,442	2,403	2,862	3,220	3,145	3,551
Total	<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>	<u>14,879</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 2016 and Four Years Ago

Employer	2016			2010	
	Employees	Rank	Percentage of Total City Employment	Employees	Rank
Capistrano School District	N/A	-	-	350	3
Expert Loan Solutions	N/A	-	-	200	5
Ritz-Carlton-Laguna Niguel	970	1	5.46%	970	1
Monarch Beach Resort	800	2	4.51%	800	2
Marriott-Laguna Cliffs Resort	250	3	1.41%	250	4
Dana Hills High School	200	4	1.13%		
Harpoon Henry's Seafood Rstrnt	150	5	0.84%	150	6
Wind & Sea Restaurant Inc	125	6	0.70%	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	114	9	0.64%	100	12
Gelson's Markets	100	10	0.56%		
Monarch Beach & Tennis Club	100	11	0.56%	100	11
Salt Creek Grille	100	12	0.56%	100	10
Chart House Restaurant	90	13	0.51%	90	14
Ralphs - Golden Lantern	83	14	0.47%	95	13
Cannons Seafood Grill	82	15	0.46%		
U.S. Postal Service	80	16	0.45%	80	15
Cannons Seafood Grill	80	17	0.45%	80	16
Surterre Poperties Inc	80	18	0.45%		
Town Center Car Wash Co Inc	80	19	0.45%		
Monarch Beach Golf Links	74	20	0.42%		
Stonehill Tavern	70	21	0.39%		
Ralphs - Del Prado	70	22	0.39%	70	17
ERA Fine Homes	70	23	0.39%	70	18
Western Union	70	24	0.39%		
St Edward School	65	25	0.37%	65	19
Total	<u>4,119</u>		<u>23.20%</u>	<u>3,916</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

Function	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>General Government</u>										
City Manager's Office	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Administrative Services	6.75	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	9.00
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	8.00	8.00	8.00	8.00	8.00	8.00	8.00	9.00	10.00
Building	2.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Code Enforcement	2.50	3.50	3.50	3.50	3.50	3.50	3.50	4.50	4.50	4.50
Economic Development	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	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	5.00	5.00	5.00	5.00	5.00	5.00	6.00	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	0.33	0.33	0.33	0.33	0.34	0.34	0.33	0.33	0.34	0.34
Engineering	5.00	10.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Water Quality & Natural Resources	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	<u>47.75</u>	<u>61.00</u>	<u>63.00</u>	<u>64.00</u>	<u>64.00</u>	<u>64.00</u>	<u>64.00</u>	<u>66.00</u>	<u>67.00</u>	<u>70.00</u>

Source: City of Dana Point Budget Document

CITY OF DANA POINT
Operating Indicators by Function/Program
Fiscal Years 2007 through 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police (1)										
Arrests	418	404	1,009	882	1,006	881	923	544	510	448
Calls for service	20,028	16,479	16,501	15,505	15,899	14,916	15,778	16,391	17,812	18,815
Parking citations issued (4)	12,102	11,837	8,290	7,132	9,055	9,832	7,135	7,571	8,617	8,286
Traffic citations issued (5)	6,320	5,816	6,528	1,908	1,996	1,876	1,788	N/A	N/A	N/A
Fire (2)										
Incidents	2,449	2,700	2,654	2,790	3,155	2,778	2,958	2,925	3,297	3,292
Unit responses	4,771	4,946	4,684	5,145	5,631	5,009	5,387	5,242	5,783	7,234
Fires	66	66	63	51	41	36	46	39	43	52
Inspections conducted	848	1,059	452	774	549	229	230	678	691	951
Refuse Collection (3)										
Refuse collected (tons/day)	86	42	53	55	55	54	55	63	64	57
Recyclables collected (tons/day)	78	44	55	60	64	61	64	50	50	71
Community Development										
Building permits issued	1,648	1,456	1,500	1,552	1,560	1,496	1,726	1,958	2,318	2,505
Value of building permits issued	\$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	\$113,969,484
Inspections conducted	8,341	7,497	7,571	7,994	8,300	7,333	8,739	7,222	7,545	8,704
New code enforcement cases opened	614	867	1,241	1,368	1,325	916	1,266	1,268	1,544	1,289
Code enforcement cases closed	484	956	1,187	1,369	1,330	914	1,164	1,351	1,578	1,249
Public Works										
Miles of street resurfaced	8	2	1	5	2	2	1.5	1.8	2.5	2.2
Potholes repaired	25	150	312	220	156	81	154	56	78	64
Inspections completed	478	575	653	274	1,071	2,864	3,368	3,777	5,174	7,719
Parks and recreation										
Number of classes offered	475	471	680	701	720	715	689	579	398	402
Number of activities/trips conducted	6	4	4	4	16	31	30	23	25	25
Number of participants:										
Youth classes	1,436	1,492	1,069	1,032	1,259	1,915	1,409	1,449	1,219	1030
Adult classes	1,279	1,286	1,125	1,101	805	1,180	1,071	1,142	1,348	1574
Sports leagues	402	401	446	404	720	750	750	720	358	455
Excursions	173	101	176	170	170	65	65	120	60	60
Total participants	<u>3,290</u>	<u>3,280</u>	<u>2,816</u>	<u>2,707</u>	<u>2,954</u>	<u>3,910</u>	<u>3,295</u>	<u>3,431</u>	<u>2,985</u>	<u>3,119</u>

(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

(4) Beginning in 2016 a new source for parking citation information is used: Citation Processing Center. This resulted in adjustments for previous fiscal years.

(5) Traffic citation information for FY's 14-16 is under review and is not ready at the time of publishing.

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 2007 through 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Police (1)</u>									
Stations	1	1	1	1	1	1	1	1	1
Patrol units (cars)	12	12	12	12	13	13	13	14	16
Patrol units (motorcycles)	3	3	3	2	2	1	2	1	1
Fire Stations (2)	2	2	2	2	2	2	2	2	2
<u>Refuse Collection (3)</u>									
Collection trucks	13	18	15	13	13	14	14	14	14
<u>Public Works</u>									
Miles of arterial streets maintained	12	19	19	19	19	19	19	19	19
Miles of non-arterial streets maintained	63	56	56	56	56	56	56	56	56
Miles of storm drains maintained	18	18	18	20	20	20	20	20	20
Number of traffic signals	36	36	37	37	37	37	37	40	38
Number of street lights (4)	1,467	1,467	1,470	1,470	1,470	1,470	1,470	1,470	1,508
<u>Parks and Recreation</u>									
Number of parks	23	23	23	27	27	27	27	27	27
Total park acreage	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
Number of community centers	1	1	1	1	1	1	1	1	1
Number of tennis courts	8	8	8	8	8	8	8	8	8
Number of basketball courts	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 street lights owned by San Diego Gas & Electric and the City of Dana Point. All lights are maintained by the city.

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