

CITY OF DANA POINT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2007



Diane Harkey, Mayor
Lisa Bartlett, Mayor Pro Tem
Lara Anderson, Council Member
Joel Bishop, Council Member
Steven Weinberg, 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, 2007

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INTRODUCTORY SECTION



November 15, 2007

To the Mayor, City Council, City Manager, and Citizens of the City of Dana Point:

The Comprehensive Annual Financial Report (CAFR) of the City of Dana Point for the fiscal year ended June 30, 2007, is submitted herewith. The Department of Administrative Services prepared this report. The responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management. This document reflects the City's commitment to the highest levels of financial reporting by using a reporting format which meets the standards adopted by the Governmental Accounting Standards Board (GASB), which is recognized as the authoritative body for the promulgation of standards of financial accounting and reporting for activities and transactions of state and local governments. We believe that the data provided in this report is accurate in all material respects and is presented in a manner designed to fairly reflect the financial position and results of operations of the City. In addition, we believe all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

It is the policy of the City to have an audit performed annually by an independent certified public accountant. The independent audit of the June 30, 2007, financial statements was performed by Rogers, Anderson, Malody and Scott, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007, are free of material misstatement. Rogers, Anderson, Malody and Scott concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Dana Point's financial statements for the year ended June 30, 2007, are fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE CITY

Dana Point is a city of approximately 6.7 square miles. Located on the southern coast of Orange County, California, the City has a population of approximately 37,000. The City draws its name from author Richard Henry Dana (1815-1882), who documented his experiences in an 1830's sea voyage from Boston to California in the novel *Two Years Before the Mast*. A replica of the sailing vessel he traveled on, the tallship Pilgrim, is permanently moored in the Dana Point Harbor.

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

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

Beginning with the City's first full year of operations on July 1, 1989, all of the previously provided services became the direct responsibility of the City and are now provided by the City at its own expense, either with in-house City staff, or by contract with private firms or the County. The City today operates mostly as a "contract city", utilizing contracts with other governmental entities, private firms and individuals to provide many 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, and numerous water, sewer and other districts, as well as electric and gas utilities provide various levels of service within the City of Dana Point. These entities are legally separate from the City.

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

LOCAL ECONOMY

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

The City populace is well educated and works predominantly in white collar occupations. The most recent census data show that 70.8% of the working age citizens work in management, professional, sales and administrative jobs. Of the remainder, 15.3% work in the service industry and 13.9% work in blue collar occupations. Of the citizens aged 25 and over, 41.0% have college degrees and of those 15.8% have advanced college degrees.

The City is highly reliant upon the tourism industry which is the City's principal revenue source. At 29% of governmental revenues, transient occupancy taxes are the City's single largest revenue source. This tax is imposed at the rate of 10% upon visitors staying in lodgings located in the City. The luxury hotels that many visitors stay in are the City's largest individual property-tax payers, the largest employers and also the largest sales-tax generators. Moreover their guests dine in the restaurants, shop in retail establishments and partake of recreational opportunities within the City that provide other streams of revenue to the City's merchants as well as its government. In total it is estimated that the tourism industry directly or indirectly contributes 45-50% of total General Fund revenues.

Due to very high property values and limited availability of suitable sites there is limited commercial and industrial development within the City. Most businesses are oriented toward serving visitors or local residents. The City does not have any malls, new car dealers or major franchise retailers. The City is nearly built-out, with limited future opportunities for new residential or commercial construction. The largest contiguous undeveloped parcels are located in the Headlands area of the City, which is adjacent to the Dana Point Harbor. The Headlands project received final development approval from the City and the California Coastal Commission in fiscal 2006 and final grading operations are currently underway. It will ultimately include approximately 120 luxury homes together with public park facilities, open space, lodging and visitor-serving retail establishments. Sales of the residential lots have recently begun and the Headlands area is expected to be built-out over the next three to five years.

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

Fiscal 2007 represented a record year for transient occupancy tax revenues, totaling \$10.9 million. This represented an increase of 14.2% over fiscal 2006. The City has experienced tremendous growth over the past two fiscal years in transient occupancy tax revenues, with a total increase of \$3.1 million, or 40.2%, during this two-year period. This growth was attributable to a combination of higher room rates and occupancy levels, as no new hotels were opened during this period. Sales tax generation, which tends to track closely with occupancy taxes, was up by 9.1% in fiscal 2007 and also reached a record high level in fiscal 2007. Barring any major tourism disruptions, the City anticipates continued steady revenue growth of 5% per year in transient occupancy and sales tax revenues.

Over the last two years California's growth and unemployment rates have largely mirrored that of the rest of the United States. Although local unemployment rates are unavailable, the Bureau of Labor Statistics reports show that unemployment rates in the greater Los Angeles / Orange County metro area have increased slightly from 4.4% in 2006 to 4.9% in 2007. Locally, the Dana Point populace has experienced significant growth in median household income (up 26.1% since 2000), median home value (up 177.1% since 2000) and per capita income (up 24.0% since 2000). Recent forecasts point to continued income growth over the next five years, while median home value is expect to remain relatively flat over this period (less than 2% projected growth).

After rising by 12.0% in fiscal 2006, growth in citywide assessed real property valuation was up substantially again in fiscal 2007, rising by \$695 million, or 9.9%, to \$7.693 billion which is an all-time record level for the City. It should be noted that the actual underlying *market* values typically increase much more than the assessed valuations. Under Proposition 13, growth in *assessed* valuation is limited to 2% per year, except in cases where property is sold, at which time it is reassessed to market value.

The principal threat to the City's economic future remains in the State of California's ongoing budget issues. Although the strong economy has temporarily eliminated the State's budget deficit, many experts believe that by spending every dollar of growth in revenues the State is posturing itself for major problems when the next economic downturn occurs. This is being termed as a "structural" deficit insofar as the budget can only remain balanced when revenues continue to grow every year. The State budget office is again predicting significant budget shortfalls due in large part to the current mortgage crisis and associated drop in home values. In the past the State has raided local city and county revenues to balance its budget when the economy goes south. As recently as fiscals 2005 and 2006 the State helped balance its budget by seizing \$350 million of motor vehicle in-lieu revenues that were previously apportioned to cities and counties. Dana Point's share of that seizure was \$405,000 for each of those fiscal years. Although promises were secured from Governor Arnold Schwarzenegger that there would be no more future raids upon local revenues, the State has a long history of balancing its budgets on the backs of cities and counties, despite its promises to the contrary.

LONG-TERM FINANCIAL PLANNING

As of June 30, 2007, the City had \$17.7 million of designations of fund balance in the General Fund. These designations included \$5.7 million for emergencies, \$2.9 million for cash flow needs and \$2.5 million for the future replacement of City infrastructure assets. The remainder of \$6.6 million is designated to provide for economic uncertainties in future City revenues and expenditures. In fiscal 2007 the City Council formally adopted a policy to set aside each fiscal year permanent minimum reserves equal to 30% of General Fund revenues.

Since incorporation the City has made a practice of living within its means. General Fund surpluses, as well as outside funding sources when available, have been used to fund improvements to the City's infrastructure. To date the City has never utilized long-term debt to fund such work. One key component of this strategy has been a requirement of all new development that the developer pay for any new infrastructure requirements necessitated by their projects. This includes not only streets and sidewalks, but also the addition of park facilities, public art and low income housing subsidies.

The City has aggressively pursued opportunities to work with the State, County, local agencies and non-profit groups whenever possible to jointly fund improvements. In fiscal 2007 the City took ownership of Lantern Bay Park (previously a County park facility), which was valued at \$10.7 million. Although there are a number of deferred maintenance issues associated with this acquisition, it is a remarkable facility and a jewel of the City's park system. As part of its ongoing work to improve ocean water quality, the City, in partnership with the Southern California Coastal Water Research Project, obtained \$3.2 million in funding (with the City adding \$500,000) to quantify the health risks and sources of bacterial contamination in lower San Juan Creek and Doheny State Beach Park. In the past, the City has joint-ventured with the local school district and neighboring cities to improve shared recreational facilities, and continues to seek out similar partnerships.

The City provides retirement benefits to its employees through contributions to the California Public Employee's Retirement System ("CalPERS"), a cost-sharing multiple-employer public

employee defined benefit pension plan. As discussed in Note 8 to the financial statements, in fiscal 2006 CalPERS assigned the City to a risk pool consisting of similarly sized agencies. The purpose of the risk pool is to provide greater consistency in contribution rates from year to year. The risk pool has a substantial unfunded liability and as a result the City's pension contribution rates are expected to remain higher than average for the next several years in order to amortize the liability.

MAJOR INITIATIVES

Beginning in fiscal 2005 the City initiated the development of the Town Center Specific Plan. The Town Center is the City's symbolic "downtown." The City's goal, as set forth in the General Plan, is to create the conditions for a thriving diversity of retail, office and residential uses that will promote positive pedestrian activity. After numerous public hearings, newsletters and other outreach efforts the City Council adopted the Town Center Specific Plan on November 9, 2006. The Town Center Plan includes a series of policies, development standards and design guidelines which will guide the transformation of the Town Center into a pedestrian-oriented, mixed-use district which serves the community more effectively and creates a more meaningful place that adds to the identity of Dana Point. By assuming control over Pacific Coast Highway in fiscal 2006 the City has already taken a major step forward towards realization of these goals. In fiscal 2008 and beyond the City Council will be creating and implementing programs to implement the goals set forth in the Town Center Plan.

The City also expended considerable effort working with the County of Orange on the future redevelopment of the Dana Point Harbor area. Although the harbor itself is administered by the County, it is located within the City limits. The Harbor construction was completed in the early 1970's and with the exception of the Dana Wharf buildings, routine maintenance and some other minor improvements, the County has not remodeled or constructed any new facilities since that time. Beginning in the late 1990's, planning for the Harbor's revitalization began. The proposed Dana Point Harbor Revitalization Plan improvements would occur in two main phases over approximately 5 to 20 years. The near-term improvements would include remodeling and reconstruction of existing retail establishments, and improving and increasing parking facilities. Over the longer term the lodging facilities in the harbor would be upgraded, youth group facilities would be improved and the boat slips would be reconfigured. In September 2006 the City Council gave its approval to the plan and it was forwarded to the California Coastal Commission for further consideration. During fiscal 2007 additional materials were requested by the Coastal Commission and the Commission is expected to take action on the project in late fiscal 2008 or early fiscal 2009.

In 2006 the City and California Coastal Commission gave final approval for the development of the Headlands area of the City. A significant portion of the grading of the site occurred during fiscal 2007 and the developer initiated sales of lots to future homeowners. In total, 120 new custom homes are expected to be built over the next 3-5 years, as well as a lodging facility and high-end retail shopping. In addition, as a condition of approval of the development, approximately 62 acres of land was dedicated to various public and non-profit agencies. This dedication includes 24 acres in a conservation zone and 38 acres that will be developed into four park sites that will ultimately be conveyed to the City and County. In addition, a community

facilities district was formed in June 2006 to fund the public improvements (and maintenance thereof) to the 120 acre Headlands site. These improvements, which will be paid for by property owners within the community facilities district, are currently being constructed and completion is expected in the next 12-24 months. These improvements include a combination of streets, sewers, storm drains, lighting, park and landscaping improvements.

In the recently adopted fiscal 2008 and 2009 budgets the City Council approved a strategy to replace a number of positions currently filled through private sector contracts with City employees. This will be occurring principally in the areas where the City interfaces with members of the public at the planning, building and engineering counters. Concurrent with this change, staffing levels are being adjusted to optimal levels in order to ensure that the City has the capability to meet the high expectations of the community. By utilizing City Staff in place of contractors the City will be able to deliver services in a more cost-effective manner while simultaneously improving customer service to the public. In total, ten contract positions will be converted to twelve in-house positions, four new positions will be added and two existing positions will be re-classified.

For the past several years the City Council has placed an intense focus on improving ocean water quality. Local beaches have been plagued for many years by high bacteria levels that have resulted in closures of the ocean to swimmers. Dana Point sits at the terminus to several creeks in a very large watershed area, and has little control over contaminants entering upstream. As a result the City has been actively engaged with the State, County and local environmental groups to find solutions. The City succeeded in obtaining funding to cover most of the cost of a water treatment plant on Salt Creek, which was dedicated in October of 2005. In fiscal 2007 the City was successful in obtaining \$3 million in grant funding from the State Water Resources Control Board for an epidemiology and microbial source tracking study at San Juan Creek/Doheny State Park Beach. The City has partnered with the lead agency for this study, the Southern California Coastal Water Research Project, an organization of scientists that are well respected and connected with regulatory agencies, to conduct the study. The City has committed a \$500,000 funding match for this study, which will be conducted over the 2007 and 2008 summer periods. Over the long term, the City will continue to fund extensive public outreach programs to educate the public about water quality issues.

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, 2006. 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 eighteen consecutive years (fiscal years 1989 through 2006). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

Respectfully submitted,

Andrew Glass
Accounting & Data Processing Manager

Michael A. Killebrew
Director of Administrative Services

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, 2006

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



President

Executive Director

OFFICIALS OF THE CITY OF DANA POINT*

Members of the City Council

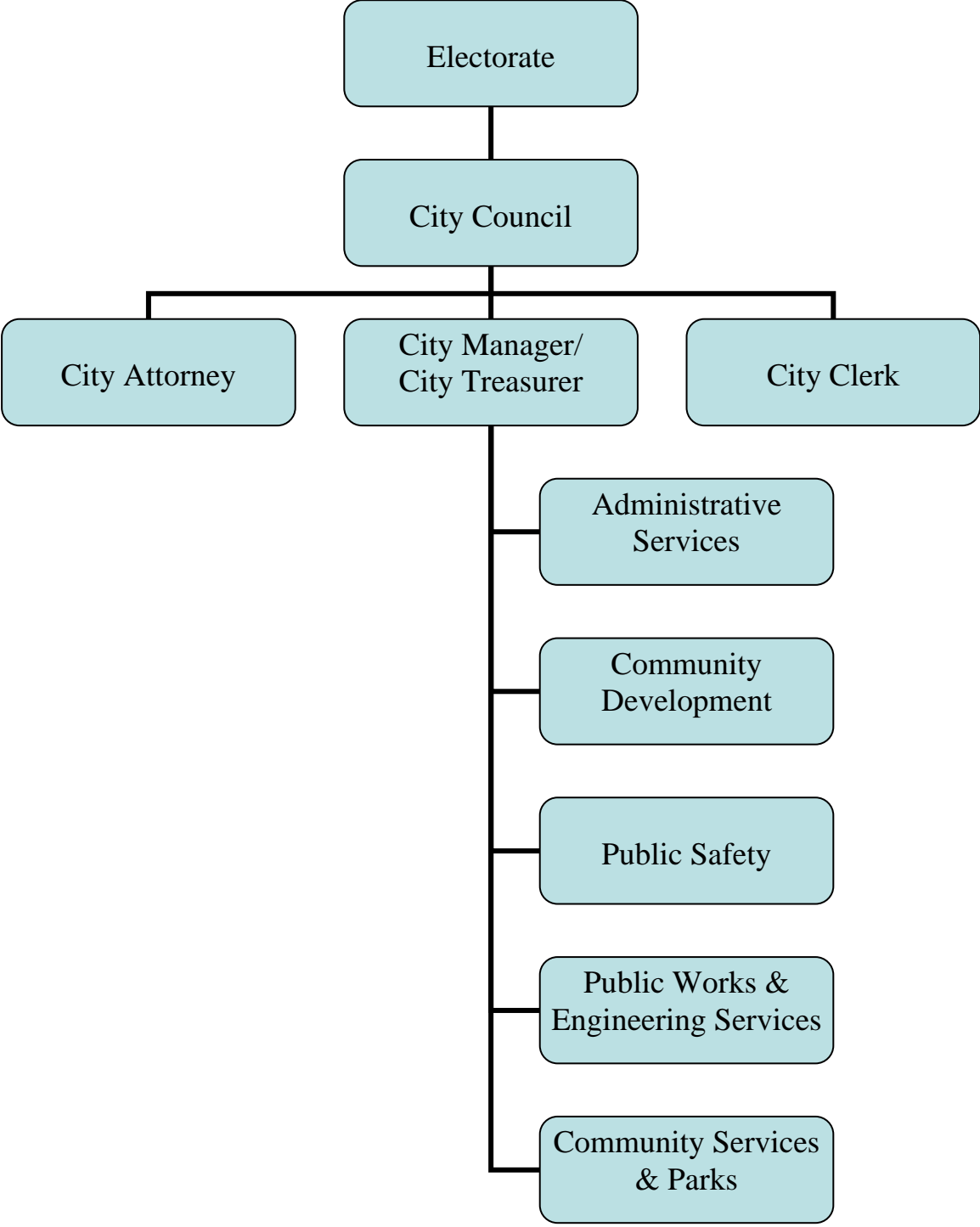
Diane Harkey, Mayor
Lisa Bartlett, Mayor Pro Tem
Lara Anderson, Council Member
Joel Bishop, Council Member
Steven Weinberg, Council Member

Administrative Staff

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

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

CITY OF DANA POINT
ORGANIZATIONAL CHART



INTRODUCTORY SECTION CONCLUDED

FINANCIAL SECTION



ROGERS, ANDERSON, MALODY & SCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JAY H. ZERCHER, C.P.A.
ROBERT B. MEMORY, C.P.A.
PHILLIP H. WALLER, C.P.A.
BRENDA L. ODLE, C.P.A.
TERRY P. SHEA, C.P.A.
KIRK A. FRANKS, C.P.A.
MATTHEW B. WILSON, C.P.A.

The Honorable City Council
City of Dana Point, California

LEENA SHANBHAG, C.P.A.
NANCY O'RAFFERTY, C.P.A.
SCOTT W. MANNO, C.P.A.
BRAD A. WELEBIR, C.P.A.
LYNN W. JENKINS, C.P.A.
MARION M. HABERKORN, C.P.A.

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dana Point, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dana Point's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dana Point, California, as of June 30, 2007, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007 on our consideration of the City of Dana Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Rogers, Anderson, Malody & Scott, LLP

October 12, 2007

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

PCPS THE AICPA ALLIANCE FOR CPA FIRMS

CALIFORNIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2007. 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 2007 FINANCIAL HIGHLIGHTS

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

- The City's total net assets were \$167.9 million at June 30, 2007, which was an increase of \$20.3 million from the prior year. Of this amount, \$47.3 million is available to meet the City's ongoing obligation to citizens and creditors, but is subject to designation for specific programs.
- City-wide governmental revenues include program revenues of \$20.8 million and general revenues of \$28.0 million, for a total of \$48.8 million.
- Total City-wide governmental expenses were \$28.5 million.
- Total City-wide fund balances increased by \$1.6 million.

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

- At the close of fiscal 2007, the City's Governmental Funds reported a combined ending fund balance of \$47.6 million, an increase of \$1.6 million. Of this amount, \$974,000 is reserved, and \$46.6 million is unreserved.
- General Fund revenues totaled \$31.1 million, an increase of \$3.4 million from fiscal 2006. Approximately \$1.4 million of this increase represented growth in transient occupancy taxes, \$600,000 was from growth in earnings on the City's investment portfolio, \$365,000 from an increase in property tax revenues and \$314,000 from increased sales tax revenues. Capital Improvements Fund revenues decreased by \$1.6 million to \$5.3 million. This decrease is attributable to a non-recurring \$4 million one-time payment in FY06 (for the State's relinquishment of control over the portion of Pacific Coast Highway) as partially offset in FY07 by

increases in funding from federal and county road programs. All Other Governmental Funds revenues increased by \$96,000 to \$1.6 million.

- General Fund expenditures totaled \$26.9 million, an increase of \$2.9 million from fiscal 2006. Although most expenditure categories were relatively unchanged from the preceding fiscal year, there was a \$2.5 million increase in debt service costs due to the early retirement (in August 2006) of the City's remaining capital lease. This retirement eliminated all of the City's long-term debt, with the exception of compensated absences. There also was a \$302,000 contractual increase in the cost of police services in fiscal 2007. Police services are provided to the City through a contract with the County of Orange. Capital Improvements Fund expenditures decreased by \$4.3 million from fiscal 2006. The bulk of the outlays for a major storm drain improvement project in the Capistrano Beach section of the City occurred in fiscal 2006, for which outlays dropped by \$3 million in 2007. Also, work on the \$2 million Salt Creek storm water treatment facility was completed in fiscal 2006, which was non-recurrent in fiscal 2007. These decreases were partially offset by increases in roadway resurfacing expenditures in fiscal 2007. All Other Governmental Funds expenditures combined increased by \$768,000. All of this increase was attributable to the renovation of the City's City Council chamber in fiscal 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

reported in this statement for some items that will only result in 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 uses taxes, transient occupancy taxes, property taxes and franchise fees. The statement of activities assists users understanding the extent to which programs are self-supporting and which are subsidized through general revenues.

(2) **Fund financial statements.** These statements show how the City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants and other money. There are three kinds of funds, namely:

- a) *Governmental funds.* These statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information provide a short-term view of the City's general government operations and show whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using the *modified accrual method* of accounting, which measures cash and all other financial assets that can readily be converted to cash. The relationship between governmental activities and the governmental funds are reported in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets and in the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.
- b) *Proprietary funds.* When the City charges for the services it provides, these services are generally reported in proprietary funds.

The City does not have any financial transactions required to be accounted for using proprietary funds.

- c) *Fiduciary funds.* These funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.
- (3) **Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.
- (4) **Supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which includes budgetary and combining schedules that provide additional details about the City's non-major Governmental Funds. These statements can be found immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The largest portion of the City's net assets (72%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that in fiscal 2007 the City retired the remaining debt associated with its capital assets, and that as of June 30, 2007 there were no outstanding debt service requirements associated with its capital asset investment.

The remaining net assets of the City are concentrated primarily in cash and investments, including \$43.9 million of unrestricted cash and investments and \$1.0 million of cash and investments which are restricted due to debt covenants and other legal restrictions on the manner in which they may be expended. The City also carries various receivables from other governmental agencies and the private sector which arise in the normal course of the City's operations.

Table 1
Net Assets
(in thousands)

	Governmental Activities		
	2006	2007	% Change
Assets:			
Current and other assets	\$48,702	\$49,068	0.8%
Capital assets	104,933	120,559	14.9%
Total assets	153,635	169,627	10.4%
Liabilities:			
Long-term liabilities	3,229	313	-90.3%
Other liabilities	2,824	1,441	-49.0%
Total liabilities	6,053	1,754	-71.0%
Net Assets:			
Invested in capital assets, net of related debt	102,009	120,560	18.2%
Restricted	8,069	5,515	-31.7%
Unrestricted	37,504	41,798	11.4%
Total net assets	\$147,582	\$167,873	13.7%

Net assets of the City increased by \$20.3 million, or 13.7%, to \$167.9 million, of which \$120.6 million is invested in capital assets such as land, buildings, equipment and infrastructure. Current assets rose by \$366,000 due largely to a \$593,000 increase in cash and investment balances, as partially offset by a \$253,000 decrease in intergovernmental receivables.

Capital assets increased by \$15.6 million, or 14.9%. The largest component of this increase was the conveyance of ownership of Lantern Bay Park from the County of Orange to the City in July 2006. This improved park facility was valued at \$10.7 million. The City also spent \$2.9 million for the completion of a major storm drain project in Capistrano Beach, \$4 million for roadway resurfacing and improvement projects throughout the City, and \$415,000 for preliminary design work for future planned improvements to the Town Center area of the City.

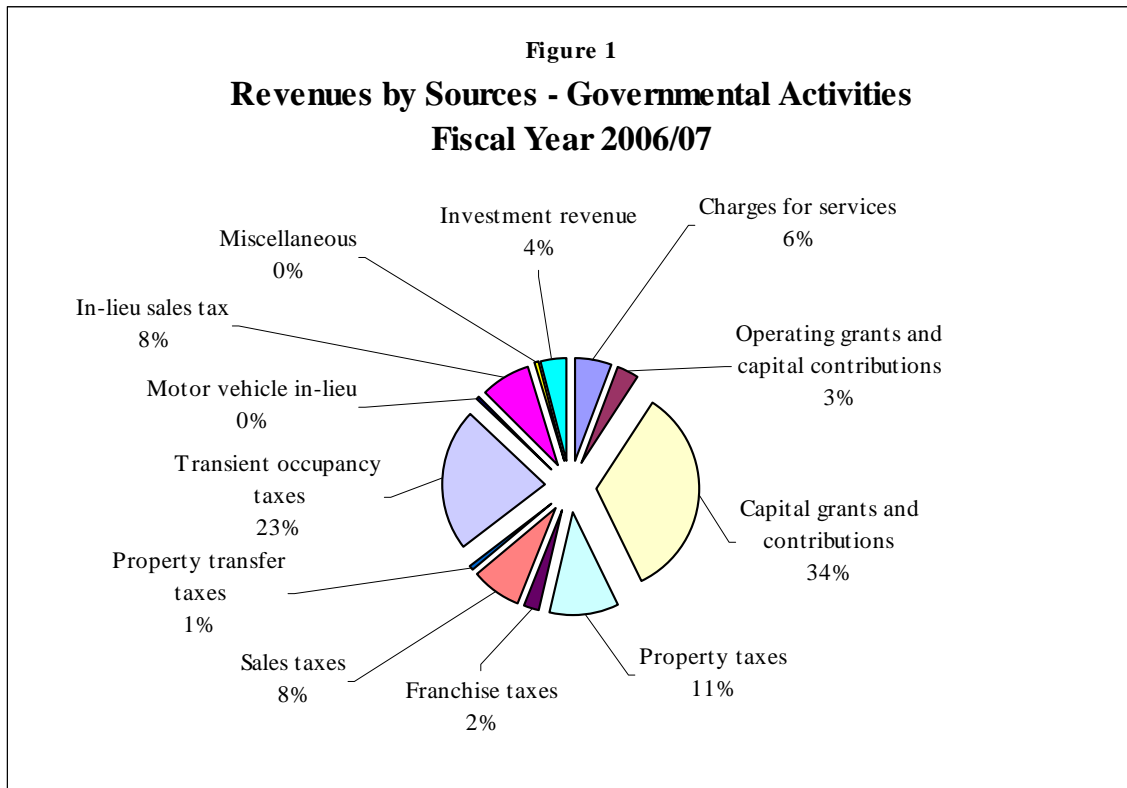
As of June 30, 2007, the City had remaining net assets totaling \$47.3 million. Of this amount, \$41.8 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors, or may be designated for other specific purposes that may be identified by the City Council. The remaining \$5.5 million of net assets are restricted by various debt covenants, legal restrictions or other constraints on the manner in which it may be expended.

Governmental Activities – The cost of all governmental activities in fiscal 2007 was \$28.5 million. As shown in Table 2, the City recovered \$20.8 million of these costs through program revenues such as user fees, grants and contributions from other governmental organizations, developers and property owners, including \$10.7 million representing the donation of capital assets (i.e. Lantern Bay Park) to the City by the County of Orange. The remaining \$7.7 million was subsidized through general City revenues.

Table 2
Changes in Net Assets
(in thousands)

	Governmental Activities		
	2006	2007	% Change
Revenues:			
Program Revenues:			
Charges for services	\$3,237	\$2,827	-12.7%
Operating grants and capital contributions	1,449	1,694	16.9%
Capital grants and contributions	13,458	16,321	21.3%
General Revenues:			
Taxes:			
Property taxes	5,009	5,373	7.3%
Franchise taxes	1,076	1,202	11.7%
Sales taxes	3,447	3,761	9.1%
In-lieu property taxes	3,119	3,867	24.0%
Property transfer taxes	441	395	-10.4%
Transient occupancy taxes	9,533	10,888	14.2%
Motor vehicle in-lieu	255	199	-22.0%
Miscellaneous	53	234	341.5%
Investment revenue	1,433	2,038	42.2%
Total revenues	42,510	48,799	14.8%
Expenses:			
General government	4,977	4,569	-8.2%
Public safety	7,558	8,068	6.7%
Community development	2,582	2,330	-9.8%
Recreation and parks	3,303	3,708	12.3%
Public Works	8,294	9,687	16.8%
Interest on long-term debt	187	15	-92.0%
Unallocated depreciation	122	131	7.4%
Total expenses	27,023	28,508	5.5%
Increase in net assets	15,487	20,291	31.0%
Net assets at beginning of year	132,095	147,582	11.7%
Net assets at end of year	\$147,582	\$167,873	13.7%

As demonstrated in Figure 1, Revenues by Sources – Governmental Activities, the City remains highly dependent on tourism in general, and transient occupancy taxes in particular to fund its operations. This revenue, which represented 23% of governmental revenues in fiscal 2007, grew by \$1.4 million, or 14.2%. This increase was brought about by a combination of higher room and occupancy rates, as no new lodging facilities were opened during the year. Fiscal 2007 represented a record high year for occupancy tax revenues. Sales tax revenues, which tend to track closely with occupancy taxes, grew by \$314,000, or 9.1%. Though regional housing markets began to suffer in 2007, the Dana Point housing market remained relatively robust. A combination of reassessments upon sale, new construction, remodeling and inflationary growth lead to an overall increase in property tax revenues of \$365,000, or 7.4%. The City’s investment portfolio grew by \$4.1 million and the yields on the principal investments increased by 25%, leading to an increase of \$605,000, or 42.2%, in investment revenue. In-lieu property taxes, which resulted from the State of California exchanging a major portion of motor-vehicle taxes and sales taxes for property taxes, grew by \$748,000, or 24.0%. Capital grants and contributions grew by \$2.9 million in fiscal 2007. The City has experienced two years of atypically large contributions of assets from other governmental agencies. In fiscal 2006 the State relinquished a section of Pacific Coast Highway to the City, which resulted in cash and property contributions of \$7.6 million. Then, in fiscal 2007, the County of Orange relinquished Lantern Bay Park to the City, which was valued at \$10.7 million, and accounts for the surge in fiscal 2007 contribution revenues. Overall, the City experienced an increase of \$6.3 million, or 14.8%, in governmental revenues in fiscal 2007.



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

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

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

Community Development is comprised of three departments (Planning, Building and Code Enforcement), which provide development review and permitting services, building inspection, plan review and enforcement of municipal code services. The City contracts with private firms to provide a portion of the plan review services, and all building inspection 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 park maintenance.

Public Works is comprised of six departments (Administration, Street and Drainage Maintenance, Traffic Engineering, Solid Waste, General Engineering, and Water Quality), 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 as well as overall administration of the City’s capital improvement program. The City contracts with private firms and individuals to provide much of the 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 a variety of private sector firms. Water, sewer, gas, electric and cable television services are provided by other governmental agencies or private sector enterprises.

As demonstrated in figure 2, Public Works and Public Safety were the two largest cost centers in fiscal 2007, together representing 63% of total expenditures. Public Safety expenditures rose by \$511,000, driven primarily by a \$302,000 increase in the cost of police services for which the City contracts with the County of Orange. Additional staffing in the Emergency Services department and formation of a Community Emergency Response Team accounts for the remainder of the increase.

Public Works outlays grew by \$1.4 million. Of this, \$1.2 million of this is attributable to an increase in depreciation expense over fiscal 2006 (due to a \$25 million increase in capital assets over the last two years). Also, staffing was increased in the engineering department in order to address the expansion of the City's capital improvement program.

Recreation and parks expenditures grew by \$404,000 due to efforts in reducing accumulated deferred maintenance items plus the addition of Lantern Bay Park to the City's park system.

General Government expenditures fell by \$408,000. The bulk of this is attributable to a \$454,000 drop in legal expenses due to non-recurrent litigation matters. This decrease was partially offset by a \$68,000 increase in facility maintenance expenditures.

Overall, total expenses for governmental activities increased by \$1.5 million, or 5.5%, to \$28.6 million in fiscal 2007.

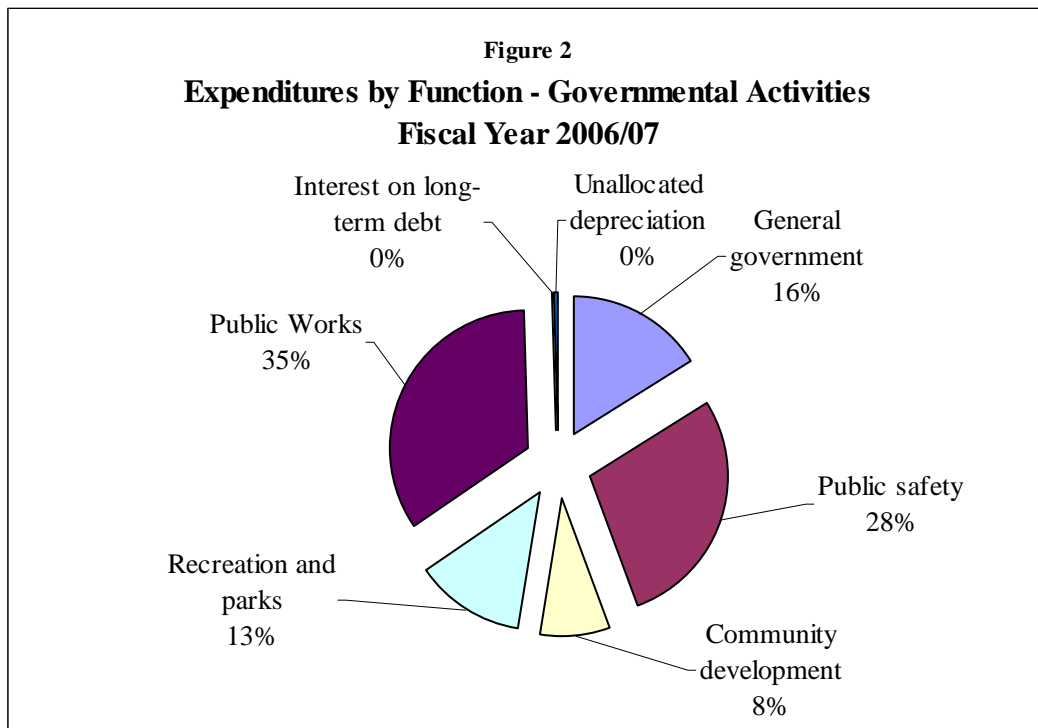
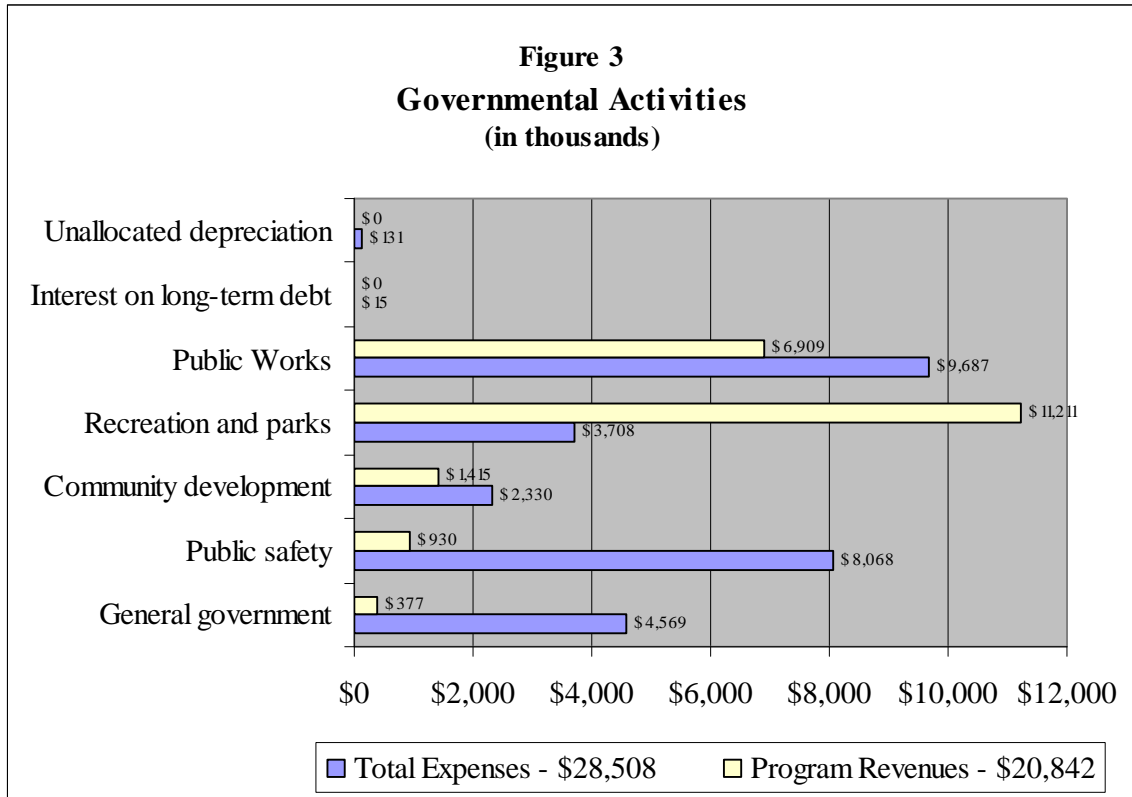


Table 3 and Figure 3 illustrate the City’s expenditures, by program, as well as the amount of revenues generated through direct fees, grants and contributions which funded the program activities. The deficits of costs over program revenues were funded from the City’s general revenues.

Table 3
Net Cost of Governmental Activities
(in thousands)

	Total Cost of Services			Net Cost (Revenue) from Services		
	2006	2007	% Change	2006	2007	% Change
General government	\$4,977	\$4,569	-8.2%	\$4,774	\$4,192	-12.2%
Public safety	7,558	8,068	6.7%	6,812	7,139	4.8%
Community development	2,582	2,330	-9.8%	277	914	230.0%
Recreation and parks	3,303	3,708	12.3%	2,833	-7,503	-364.8%
Public Works	8,294	9,687	16.8%	9,154	2,778	-69.7%
Interest on long-term debt	187	15	-92.0%	187	15	-92.0%
Unallocated depreciation	122	131	7.4%	122	131	7.4%
	\$27,023	\$28,508	5.5%	\$24,159	\$7,666	-68.3%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds utilize the financial resources measurement focus; the City's governmental funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve 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 the current fiscal year, the City's governmental funds reported combined fund balances of \$47.6 million, an increase of \$1.6 million from the prior year. The General Fund represented \$18.4 million, or 38.7%, of the combined balances, the Capital Improvements Fund represented \$24.1 million, or 50.6%, and the remainder of \$5.1 million was held in all the Other Governmental Funds combined.

Reserved fund balance – The City has \$974,000 in fund balance that is reserved to indicate it is not available to finance new activities because it has already been committed: 1) to fulfill contractual obligations and purchase orders (\$632,000), 2) as a reserve for various fiscal 2008 expenditures that were prepaid in fiscal 2007 (\$73,000), and 3) for the City's interest in real property that is held for resale (\$269,000).

Unreserved fund balance – The remaining \$46.6 million is classified as unreserved fund balance, which is available for spending at the City's discretion. The City Council has taken actions to designate portions of the unreserved fund balance to be used for specific purposes; however, these restrictions do not legally obligate the City to utilize the funds in the manner designated by the City Council, and the designations may be modified at any time by a simple majority vote. Refer to footnote 10 in the Notes to the Financial Statements for more information regarding designations of fund balance.

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

The General Fund generated a \$4.2 million net excess of revenues over expenditures. Interfund transfers out from the General Fund of \$2.5 million and \$260,000 were made to the Capital Improvements Projects Fund and Facilities Improvement Fund, respectively. The General Fund received a transfer in from the Gasoline Tax fund totaling \$669,000, which was used to fund street maintenance operations. As a result of these transactions, there was a net increase of \$2.1 million in the fund balance of the General Fund in fiscal 2007.

Following several years of negotiations with the County of Orange, in July 2006 the County conveyed ownership to the City of 15.4 acre Lantern Bay Park. Overlooking the Dana Point Harbor, this park is a crowning jewel to the City's park system and it includes a playground area, restroom, basketball court and extensive improvements. The park was valued at \$10.7 million. There are a number of deferred maintenance and improvement issues in Lantern Bay Park which the City will need to address in order to bring the park up to the level of the rest of the park infrastructure. These will occur over the next few years.

The City experienced tremendous growth in transient occupancy taxes, its primary revenue source. They were up by \$1.4 million, or 14.2%, to \$10.9 million, which is a record annual amount since the City incorporation in 1989. This record was achieved despite the fact that there were no additions to available beds during the year. Because sales tax revenues are closely tied to tourism, the City also experienced record sales tax revenues at \$3.8 million, up 9.1% from fiscal 2006.

Beginning in fiscal 2003 and continuing through fiscal 2007, the City Council implemented a major expansion of the City's capital improvement program projects, including streets, drainage, water treatment, park improvement, tree planting, medians, sidewalks and general landscaping. Prior to fiscal 2003 annual capital expenditures were typically \$2.5 – 3.5 million per year. Under the expansion, expenditures grew yearly, peaking in fiscal 2006 at \$12.2 million. In fiscal 2007 expenditures dropped to \$8.4 million as several of the larger projects reached completion. In total over the most recent five fiscal years the City has spent \$47.5 million on capital improvement projects throughout the City.

Budgetary Highlights

The City adopts two-year budgets, with fiscal 2007 being the second year of the current two-year budget cycle. Due to the uncertainty and estimations involved in projecting certain revenues and expenditures, the City Council routinely amends the budget during the fiscal year. During fiscal 2007 the General Fund revenue budget was increased by \$3.7 million. The major components of this increase were:

Transient occupancy and sales taxes – as noted earlier, the City experienced a record year for transient occupancy taxes, and the budget was increased by \$1.3 million. Similarly, the budget for sales taxes, which is largely driven by visitors to the City, was increased by \$300,000.

Property taxes and in-lieu property taxes – the City experienced greater than expected growth in assessed property valuations, which grew by \$695 million, or 9.9% from fiscal 2006 to fiscal 2007. Accordingly the budget for property tax revenues was increased by \$600,000, and the budget for in-lieu property taxes (resulting from prior State action to substitute property taxes for a portion of sales taxes and motor vehicle in-lieu taxes) was increased by \$700,000.

Investment interest revenues – the larger than expected growth in transient occupancy taxes, property taxes and sales taxes resulted in the City’s investment portfolio growing by \$4.1 million in fiscal 2007. In addition, the average portfolio yield grew from 3.76% in fiscal 2006 to 4.71% in fiscal 2007. As a result, the investment interest revenue budget was increased by \$700,000.

In fiscal 2007 the General Fund expenditure budget was increased by \$4.9 million. The major components of this increase were:

Carryover of encumbrances from fiscal 2006 – the City had \$328,000 of outstanding commitments at the end of fiscal 2006 in the form of purchase orders for which funding was re-appropriated in fiscal 2007. This included a variety of professional services contracts including \$67,000 for preparation of a Town Center specific plan and \$42,000 for updating of the City’s General Plan.

Water Quality Department professional services - in an effort to better understand and mitigate the impacts of pollution in the City’s watersheds and beach areas, \$3 million of grant funding was allocated by the State Water Resources Control Board for an epidemiology and microbial source tracking study. The City is working in cooperation with the grant administrator, Southern California Coastal Water Research Organization, to conduct the study. In order to demonstrate its commitment to improving water quality, the City allocated \$500,000 in matching funds from its General Fund balance towards this project.

Planning Department personnel – added two new positions (Economic Development Manager and Management Analyst) to implement the programs and activities defined in the City’s Economic Development Plan and also to engage in other community wide tasks such as the City’s affordable housing program, coastal transit program and business database management. The impact of these activities increased the budget by \$257,000.

Debt service – in fiscal 2006 the City Council directed that the City’s remaining outstanding debt (in the form of a capital lease) be retired on August 1, 2006. In order to fund this early retirement, \$2.5 million was transferred from the undesignated General Fund balance. Upon retirement of this debt, the City’s only remaining long-term debt is in the form of compensated absences due to its employees.

Re-appropriation of unspent funds from fiscal 2006 – increased various expenditures by \$356,000. A number of projects budgeted in fiscal 2006 were not undertaken and the funds were re-appropriated in fiscal 2007. Among the items included were \$88,000 for facility improvements, \$50,000 for park tree replanting, \$90,000 for park lighting improvements, \$50,000 for cable television and PEG programming and \$25,000 for marketing and public outreach associated with the Town Center project.

Total actual revenues for fiscal 2007 exceeded the final budget by \$639,000, or 2.1%. The major positive contributors to this favorable variance were transient occupancy taxes at \$438,000 and investment interest at \$492,000. These positive variances were partially offset by negative revenue variances of \$181,000 for property transfer taxes and \$95,000 for property taxes.

Total actual expenditures for fiscal 2007 were under the final budget by \$2.2 million, or 7.6%. Of these unexpended funds, \$219,000 was obligated at June 30, 2007 through encumbrances and was re-appropriated in fiscal 2008. The City spent \$385,000 less than anticipated on personnel costs in fiscal 2007 due to a number of vacant budgeted positions. Outlays for public information services were \$141,000 under budget due to anticipated public relations consultants not being utilized. Police services costs were reduced by \$310,000 as a result of contract costs increasing at a slower rate than anticipated plus various minor credits from the preceding fiscal year. Reduced liability insurance premiums combined with a major drop in litigation-related legal fees contributed to a \$190,000 favorable expenditure budget variance in the Risk Management department. Additionally a number of tasks originally budgeted in fiscal 2007 were delayed and as a result in fiscal 2008 the City Council re-appropriated \$613,000 of funds originally budgeted in fiscal 2007 to complete those tasks.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

GASB 34 requires the City to record all of its capital assets, including infrastructure. Infrastructure includes roads, bridges, signals, curbs, sidewalks, gutters, storm drains and similar assets used by the entire population. At the end of fiscal 2007 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 4:

Table 4
Capital Assets
(in thousands)

	Governmental Activities		
	2006	2007	% Change
Land	\$35,609	\$41,809	17.4%
Construction in progress	8,701	16,185	86.0%
Buildings and improvements	6,479	7,700	18.8%
Equipment	1,063	1,040	-2.2%
Infrastructure	102,395	107,689	5.2%
Less: Accumulated depreciation	-49,313	-53,863	9.2%
Governmental activity capital assets, net	\$104,934	\$120,560	14.9%

Major capital asset transactions during the year included the following:

- Land additions consisted of \$6.2 million representing the fair value of the Lantern Bay Park acreage conveyed to the City by the County of Orange.
- Construction in progress increased by a net of \$7.5 million, which consisted of \$8.4 million of new project expenditures, \$794,000 of projects completed during the year and transferred into infrastructure, and \$88,000 of projects that were cancelled and charged to expense.
- Infrastructure construction projects completed during fiscal 2007 consisted of \$712,000 for park improvements and \$82,000 for traffic safety improvements. In addition, property improvements associated with the conveyance of Lantern Bay Park added \$4.5 million to the City's infrastructure valuation.
- Improvements to buildings totaled \$705,000 and represent costs associated with the renovation of the City Council chamber.
- New equipment additions totaled \$80,000, and dispositions of surplus and obsolete equipment totaled \$103,000.

For more detailed information regarding the City's capital assets, refer to note 5 in the notes to the financial statements.

Long-term Debt

At the end of the current fiscal year, the City had total outstanding long-term debt of \$313,000. Debt reduction during the year consisted of a \$2,925,000 decrease in capital lease obligations, and a net \$9,000 increase in compensated absences obligations. There was no new debt incurred during fiscal 2007. In January 2006 the City Council took action directing that the entire outstanding balance of the capital lease obligation (\$2,925,000) be retired on August 1, 2006. That retirement took place on schedule in fiscal 2007.

As of June 30, 2007, the City's long-term debt was as shown in Table 5:

Table 5
Long-term Debt
(in thousands)

	Governmental Activities		
	2006	2007	% Change
Capital lease obligation:			
CSDA Finance Corporation	\$2,925	\$0	-100.0%
Other debt:			
Compensated absences	304	313	3.0%
Total long-term debt	<u>\$3,229</u>	<u>\$313</u>	-90.3%

For more detailed information regarding the City's long-term debt, refer to note 7 in the notes to the financial statements.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF DANA POINT
Statement of Net Assets
June 30, 2007

	Governmental Activities
ASSETS	
Cash and investments	\$43,862,516
Taxes receivable	1,430,843
Accounts receivable	467,748
Interest receivable	590,081
Intergovernmental receivables	1,348,243
Prepays	72,791
Real property held for resale	269,502
Restricted cash and investments	1,024,992
Capital assets, not depreciated	57,993,745
Capital assets, net of depreciation	62,566,692
Total assets	169,627,153
LIABILITIES	
Accounts payable	1,301,723
Accrued liabilities	139,550
Noncurrent liabilities:	
Due within one year	144,827
Due in more than one year	168,388
Total liabilities	1,754,488
NET ASSETS	
Invested in capital assets	120,560,437
Restricted for:	
Public safety	146,710
Community development	1,265,441
Recreation and parks	2,934,713
Public works	142,776
Development of Art in Public Places	141,730
Roadway improvements	883,262
Unrestricted	41,797,596
Total net assets	\$167,872,665

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

CITY OF DANA POINT
Statement of Activities
Year Ended June 30, 2007

Functions/Programs	Program Revenues			Net	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue	
Primary Government:					
Governmental activities:					
General government	\$4,568,678	\$321,186	\$55,902	(\$4,191,590)	
Public safety	8,068,405	453,430	476,245	(7,138,730)	
Community development	2,330,326	1,359,184	55,637	(915,505)	
Recreation and parks	3,707,672	224,146	\$10,986,800	7,503,274	
Public works	9,687,215	469,131	1,105,987	(2,777,823)	
Interest on long-term debt	15,478			(15,478)	
Unallocated depreciation	130,500			(130,500)	
Total governmental activities	\$28,508,274	\$2,827,077	\$1,693,771	\$16,321,074	(7,666,352)
General revenues:					
Taxes:					
Property taxes				5,373,233	
Franchise taxes				1,201,464	
Sales taxes				3,761,453	
In-lieu property taxes				3,867,114	
Property transfer taxes				395,141	
Transient occupancy taxes				10,888,021	
Motor vehicle in-lieu (unrestricted)				198,595	
Miscellaneous				233,735	
Unrestricted investment revenue				2,038,040	
Total general revenues				27,956,796	
Change in net assets				20,290,444	
Total net assets, beginning				147,582,221	
Total net assets, ending				\$167,872,665	

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

CITY OF DANA POINT
Governmental Funds
Balance Sheet
June 30, 2007

	General	Capital Improvements	Other Governmental	Totals
ASSETS				
Cash and investments	\$16,013,763	\$22,801,062	\$5,047,691	\$43,862,516
Receivables:				
Taxes	1,288,067		142,776	1,430,843
Accounts	467,748			467,748
Interest	590,081			590,081
Intergovernmental	697,222	639,573	11,448	1,348,243
Prepaid expenditures	72,791			72,791
Real property held for resale	269,502			269,502
Restricted assets:				
Cash and investments	141,730	883,262		1,024,992
Total assets	<u>\$19,540,904</u>	<u>\$24,323,897</u>	<u>\$5,201,915</u>	<u>\$49,066,716</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$993,502	\$213,569	\$94,652	\$1,301,723
Accrued liabilities	139,550			139,550
Deferred revenue	11,096	24,024		35,120
Total liabilities	<u>1,144,148</u>	<u>237,593</u>	<u>94,652</u>	<u>1,476,393</u>
Fund Balances:				
Reserved for:				
Encumbrances	218,644	413,496		632,140
Prepaid expenditures	72,791			72,791
Real property held for resale	269,502			269,502
Unreserved, reported in:				
General Fund	17,835,819			17,835,819
Special Revenue Funds			1,554,927	1,554,927
Capital Projects Funds		23,672,808	3,552,336	27,225,144
Total fund balances	<u>18,396,756</u>	<u>24,086,304</u>	<u>5,107,263</u>	<u>47,590,323</u>
Total liabilities and fund balances	<u>\$19,540,904</u>	<u>\$24,323,897</u>	<u>\$5,201,915</u>	<u>\$49,066,716</u>

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

CITY OF DANA POINT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Fund balances of governmental funds	\$47,590,323
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	120,560,437
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	(313,215)
Certain City revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	35,120
Net assets of governmental activities	<u>\$167,872,665</u>

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

CITY OF DANA POINT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	General	Capital Improvements	Other Governmental	Totals
REVENUES				
Taxes	\$24,284,962		\$1,105,987	\$25,390,949
Licenses, fees and permits	1,887,809		159,800	2,047,609
Fines and forfeitures	470,098			470,098
Intergovernmental	544,615	\$5,310,250	155,939	6,010,804
Charges for services	1,475,245			1,475,245
Use of money and property	2,233,429		189,509	2,422,938
Other	245,955			245,955
Total revenues	31,142,113	5,310,250	1,611,235	38,063,598
EXPENDITURES				
Current:				
General government	4,517,717		7,916	4,525,633
Public safety	7,951,719		83,178	8,034,897
Community development	2,311,840			2,311,840
Recreation and parks	3,627,391			3,627,391
Public works	5,205,409	37,451		5,242,860
Capital outlays	283,803	8,366,200	1,017,445	9,667,448
Debt service:				
Principal retirement	2,925,000			2,925,000
Interest and fiscal charges	92,869			92,869
Total expenditures	26,915,748	8,403,651	1,108,539	36,427,938
Excess (deficiency) of revenues over expenditures	4,226,365	(3,093,401)	502,696	1,635,660
OTHER FINANCING SOURCES (USES)				
Transfers in	669,486	2,992,286	260,000	3,921,772
Transfers out	(2,819,127)		(1,102,645)	(3,921,772)
Total other financing sources (uses)	(2,149,641)	2,992,286	(842,645)	-
Net change in fund balances	2,076,724	(101,115)	(339,949)	1,635,660
Fund balances, beginning	16,320,032	24,187,419	5,447,212	45,954,663
Fund balances, ending	\$18,396,756	\$24,086,304	\$5,107,263	\$47,590,323

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

CITY OF DANA POINT
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year ended June 30, 2007

Net change in fund balances - total governmental funds	\$1,635,660
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,014,507
To record receipt of donated capital asset (park facility) from the County of Orange, which is not recorded as a revenue in Governmental funds because it will be retained for use, but is included as a capital asset in the Statement of Net Assets.	10,700,000
Losses on the disposal of capital assets do not require the use of current financial resources and are not reported in the governmental funds.	(87,833)
Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	2,925,000
Accrued interest for capital lease obligations. This is the net change in accrued interest for the current period.	77,391
To record as an expense the net change in compensated absences in the Statement of Activities.	(9,401)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period.	35,120
Change in net assets of governmental activities	\$20,290,444

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

CITY OF DANA POINT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$21,167,000	\$24,067,000	\$24,284,962	\$217,962
Licenses, fees and permits	1,848,000	1,848,000	1,887,809	39,809
Fines and forfeitures	490,000	490,000	470,098	(19,902)
Intergovernmental	1,014,900	678,716	544,615	(134,101)
Charges for services	1,148,320	1,422,567	1,475,245	52,678
Use of money and property	1,040,500	1,740,500	2,233,429	492,929
Other	93,000	256,627	245,955	(10,672)
Total revenues	<u>26,801,720</u>	<u>30,503,410</u>	<u>31,142,113</u>	<u>638,703</u>
EXPENDITURES				
Current:				
General government	5,227,964	5,425,317	4,517,717	907,600
Public safety	8,109,794	8,285,299	7,951,719	333,580
Community development	2,052,305	2,657,304	2,311,840	345,464
Recreation and parks	3,340,346	3,840,927	3,627,391	213,536
Public works	4,865,789	5,595,485	5,205,409	390,076
Capital outlays	125,000	297,835	283,803	14,032
Debt service:				
Principal retirement	345,000	2,925,000	2,925,000	-
Interest and fiscal charges	174,784	92,869	92,869	-
Total expenditures	<u>24,240,982</u>	<u>29,120,036</u>	<u>26,915,748</u>	<u>2,204,288</u>
Excess of revenues over expenditures	<u>2,560,738</u>	<u>1,383,374</u>	<u>4,226,365</u>	<u>2,842,991</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	659,000	659,000	669,486	10,486
Transfers out	(2,760,000)	(2,819,127)	(2,819,127)	-
Total other financing sources (uses)	<u>(2,101,000)</u>	<u>(2,160,127)</u>	<u>(2,149,641)</u>	<u>10,486</u>
Net change in fund balances	459,738	(776,753)	2,076,724	2,853,477
Fund balances, beginning	16,320,032	16,320,032	16,320,032	-
Fund balances, ending	<u><u>\$16,779,770</u></u>	<u><u>\$15,543,279</u></u>	<u><u>\$18,396,756</u></u>	<u><u>\$2,853,477</u></u>

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

CITY OF DANA POINT
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2007

ASSETS		
Cash and investments		<u>\$1,814,262</u>
	Total assets	<u><u>\$1,814,262</u></u>
 LIABILITIES		
Deposits		\$1,498,839
Due to other agencies		<u>315,423</u>
	Total liabilities	<u><u>\$1,814,262</u></u>

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A) Description of the Reporting Entity

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

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

On December 22, 1993, pursuant to a resolution of the Orange County Local Agency Formation Commission ("LAFCO"), the Capistrano Bay Park and Recreation District (the "District") was merged with the City of Dana Point. In connection with the merger, the City agreed to assume the existing debt of the District (see note 7).

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

B) Basis of Presentation

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

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 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 judgements, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

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.

As a general rule, the effect of inter-fund 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.

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

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

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$5,014,507 difference are as follows:

Capital Outlay	\$ 9,667,448
Depreciation Expense	<u>(4,652,941)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 5,014,507</u>

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

E) Budgetary Policy and Control

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

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. For management purposes, the City monitors activity at the function and activity level, within each individual fund. Formal budgetary integration is employed as a management control device during the year for the Governmental Type Funds. Budgets for the Governmental Type Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council. During the 2006-07 fiscal year, the City Council made several supplemental budgetary appropriations, including a \$205,353 increase in the General Government budget, a \$275,505 increase in the Public Safety budget, a \$604,999 increase in the Community Development budget, a \$500,581 increase in the Recreation and Parks budget, a \$729,696 increase in the Public Works budget, a \$2,498,085 increase in the Debt Service budget and a \$19,773,996 increase in the Capital Outlays budget.

F) Cash and Investments

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

The City has implemented Governmental Accounting Standards Board (“GASB”) Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. As a governmental entity other than an external investment pool in accordance with GASB Statement No. 31, the City’s investments are stated at fair value.

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

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
 - a) Items required to be reported at amortized cost,

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

- b) Items subject to involuntary participation in an external pool,
 - c) Items associated with a fund other than the fund to which the income is assigned;
- 3) Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent its cash and investments' balance exceeds the cumulative value of those investments subject to GASB Statement No. 31; and,
- 4) The gain/loss resulting from valuation will be reported within the revenue account "Use of money and property" on the Statement of Activities.

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

G) Property Taxes

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

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

H) Interfund Payables/Receivables

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

I) Prepaid Items

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

J) Restricted Assets

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

K) Capital Assets

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

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

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

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

L) Use of Estimates

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$43,862,516
Restricted cash and investments	1,024,992
Fiduciary funds:	
Cash and investments	1,814,262
Total cash and investments	<u><u>\$46,701,770</u></u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand (petty cash)	\$4,200
Deposits with financial institutions	-218,599
Investments	46,916,169
Total cash and investments	<u><u>\$46,701,770</u></u>

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

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

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

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2007, the City had the following investments. Except for the investment in money market funds, all investments are in the City's internal investment pool:

		<u>Maturity Date</u>
U.S. Treasury note	\$4,240,693	September 30, 2007
U.S. Treasury note	4,287,355	February 15, 2008
U.S. Treasury note	3,969,750	May 15, 2008
U.S. Treasury note	3,932,423	September 30, 2008
U.S. Treasury note	4,019,647	January 31, 2009
U.S. Treasury note	3,973,132	May 15, 2009
State investment pool (LAIF)	22,493,169	176 days average
Total	<u><u>\$46,916,169</u></u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2007, the City did not have any investments considered to be highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

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

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
U.S. Treasury notes	\$24,423,000	N/A	\$24,423,000
State investment pool (LAIF)*	22,493,169	N/A	22,493,169
Total	\$46,916,169		\$46,916,169

* LAIF is an unrated investment pool.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. As of June 30, 2007, the City did not have any concentrations of credit risk requiring disclosure under GASB Statement No. 40.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

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

GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$1,109,093 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

Investment in State Investment Pool

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

3. REAL PROPERTY HELD FOR RESALE

On May 28, 2002, the City entered into a City Manager Housing Assistance Agreement (the "Agreement"), with an employee of the City. The purpose of the Agreement was to assist the employee with the purchase of a residence in Dana Point. The Agreement provided for the City to purchase a 50% interest in the property at a cost of \$249,500, for which the City received an undivided 50% interest as a co-tenant. Under the terms of the agreement, the employee is required to maintain residency in the property and is responsible for all day-to-day maintenance and repair costs necessary to keep the property in good condition and repair. The City is required to share in one-half of the costs of any future capital improvements to the property, with the City's share of costs not to exceed \$62,500. The employee has the right, but not the obligation, to reduce the City's interest in the property by up to \$15,000 annually. Sale of the property shall occur within 12 months of the termination of employment with the City. The City and the employee shall share proportionately in the sales proceeds based upon the ownership shares in effect at the time of disposition. As of June 30, 2007 the City's interest in the property totaled \$269,502.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

4. INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2007 are as follows:

		TRANSFER IN			Total
		General Fund	Capital Improvement	Facilities Improvement	
TRANSFER OUT	General Fund		\$2,559,127	\$260,000	\$2,819,127
	Non-major Funds	\$669,486	433,159		1,102,645
	Total	\$669,486	\$2,992,286	\$260,000	\$3,921,772

The City has established certain funds to account for revenues which are subject to statutory requirements that the revenues not be commingled with other revenue sources. In cases where the associated expenditure of these revenues occur in other funds, the City utilizes interfund transfers to move the monies into the fund in which the expenditure occurs. 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.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$35,608,865	\$6,200,000		\$41,808,865
Construction in Progress	8,700,828	8,366,200	\$882,148	16,184,880
Total Capital Assets not being depreciated	<u>44,309,693</u>	<u>14,566,200</u>	<u>882,148</u>	<u>57,993,745</u>
Capital Assets, being depreciated:				
Buildings	6,479,039	1,221,314		7,700,353
Equipment	1,062,472	79,933	102,301	1,040,104
Infrastructure	102,395,130	5,294,315		107,689,445
Total Capital Assets being depreciated	<u>109,936,641</u>	<u>6,595,562</u>	<u>102,301</u>	<u>116,429,902</u>
Less accumulated depreciation:				
Buildings	1,502,551	192,948		1,695,499
Equipment	530,757	111,784	102,301	540,240
Infrastructure	47,279,263	4,348,208		51,627,471
Total accumulated depreciation	<u>49,312,571</u>	<u>4,652,940</u>	<u>102,301</u>	<u>53,863,210</u>
Total Capital Assets being depreciated, net	<u>60,624,070</u>	<u>1,942,622</u>	<u>0</u>	<u>62,566,692</u>
Governmental Activities Capital Assets, net	<u>\$104,933,763</u>	<u>\$16,508,822</u>	<u>\$882,148</u>	<u>\$120,560,437</u>

Included in the Construction in Progress decrease of \$882,148 was \$87,833 of dispositions representing expenditures incurred in prior fiscal years on construction projects that were cancelled during the fiscal year ended June 30, 2007. This is included in Public Works expense on the Statement of Activities.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 33,644
Public safety	33,508
Community development	18,486
Recreation and parks	80,281
Public works	4,356,521
Unallocated depreciation	<u>130,500</u>
 Total depreciation expense - governmental activities	 <u>\$ 4,652,940</u>

Construction commitments

The City has active construction projects as of June 30, 2007. The projects include street construction, street resurfacing, landscaping, water treatment, storm drain construction and curb, sidewalk and gutter construction. At year end, the City had outstanding commitments to firms performing the construction work which totaled \$413,496.

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 for accounting purposes to be operating leases. Lease revenues for the year ended June 30, 2007 amounted to \$166,990. Future minimum lease revenues based on the terms of the existing leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$124,482
2009	99,826
2010	99,599
2011	39,080
2012	22,162
Total	<u><u>\$385,149</u></u>

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

7. LONG-TERM DEBT

The following is a summary of the long-term liability activity for the year ended June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$303,814	\$110,981	(\$101,580)	\$313,215	\$144,827
Capital Lease Obligation - Lease Finance Program	2,925,000		(2,925,000)	-	N/A
Total	<u>\$3,228,814</u>	<u>\$110,981</u>	<u>(\$3,026,580)</u>	<u>\$313,215</u>	<u>\$144,827</u>

Compensated Absences

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

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

Capital Lease Obligation

In August 1992 the District (described under "Description of the Reporting Entity" in Note 1) entered into a lease financing program whereby \$6,040,000 of principal amount of 1992 Certificates of Participation, Series Q (the "Certificates") were issued by the California Special Districts Association Financing Corporation (the "CSDA") on behalf of the former District to finance the acquisition of properties for recreation and community service facilities. In connection with the merger of the City and the District, the City assumed all obligations arising under the lease agreement.

Under the lease agreement, the District leased its Community Recreation Center facility to the CSDA, which then leased it back to the District for semi-annual lease payments which correspond to the principal and interest payments due on the Certificates. The Certificates bore interest at 3.8% to 6.35%. Lease payments were due on August 1 and February 1 of each year. All certificates maturing on any payment date after February 1, 2003 were subject to early redemption, in whole or in part, at par value.

On August 1, 2006 the remaining principal balance of the debt (\$2,925,000) was retired prior to its scheduled maturity of August 1, 2012. Included with the payoff was \$92,869 of accrued interest through the date of the retirement.

8. PENSION PLAN

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

Plan Description

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

In fiscal 2006 CalPERS began requiring that participants with fewer than 100 active members as of June 30, 2003 (including the City) participate in a risk pool consisting of similar-sized participating agencies. The primary purpose of the risk pool is to minimize the fluctuations in annual contribution rates that frequently occur in plans with small member groups. CalPERS established nine risk pools, based upon the retirement formula of the participating agency. The City participates in the 2% @ 55 pool.

Funding Policy

Employees are required to contribute 7% of their annual covered salary. During the period July 1, 1999 through August 31, 1999, those employees hired after June 30, 1995 were responsible for the 7% employee contribution. Effective September 1, 1999, the City paid both the employee and employer contributions for all employees. The City is required to contribute at an actuarially determined rate; the current rate is 13.869% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City's contributions to CalPERS for the years ended June 30, 2005, 2006 and 2007 were \$242,682, \$388,368 and \$457,133, respectively, equal to the required contributions for each year.

9. JOINT VENTURES

El Toro Reuse Planning Authority

The City is a member of the El Toro Reuse Planning Authority, a joint powers agreement with eight other Cities within Orange County. The Authority was established to develop a reuse plan for the conversion of the MCAS El Toro to civilian use. The Board of Directors of the Authority consists of representatives from the member Cities.

Each member agency is required to make contributions to the Authority each year in proportion to the number of votes on the Board allocated to each member agency, based upon the adopted budget. Separate financial statements of the Authority can be obtained at: El Toro Reuse Planning Authority, 1 Civic Center Plaza, Irvine, CA 92606.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

South Orange County Animal Services Authority

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

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

Orange County Fire Authority

In January 1995 the City of Dana Point entered into a joint powers agreement with several other Orange County cities and the County of Orange to create the Orange County Fire Authority. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered "cash contract Cities" and make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2007. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Complete financial statements may be obtained from the Orange County Fire Authority, 180 S. Water Street, Orange, California, 92866.

Orange County 800 Megahertz Communications System

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

for its percentage interest contribution of the Authority's annual budget. The percentage interest contribution is calculated based upon each member's equipment purchase divided by the total equipment purchases. The City of Dana Point's percentage contribution is 0.835%. Upon dissolution, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by the member during its membership. The City of Dana Point's precise share of the Authority's assets, liabilities, equities and changes therein as well as summarized audited information of the Authority for the period ended June 30, 2007 were not available at the time of this report.

10. FUND BALANCES

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

	Fund		
	General	Capital Improvements	Other Governmental
Unreserved fund balances:			
Designated for cash flow	\$2,860,000		
Designated for emergencies	5,720,000		
Designated for infrastructure replacement	2,500,000		
Designated for roadway improvements		\$883,262	
Designated for open space acquisition		1,440,000	
Designated for utility undergrounding		3,375,000	
Designated for art in public places	141,730		
Designated for future year's expenditures	6,614,089	17,974,546	\$5,107,263
Total Unreserved, designated	\$17,835,819	\$23,672,808	\$5,107,263

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

Definitions of reserved and unreserved, designated fund balances:

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

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

Reserve for real property held for resale This reserve was created to reflect the City's share the underlying ownership share in the property which is non-current in nature and does not represent expendable available financial resources.

Unreserved/Designated for cash flow This designation was established to ensure that the City would have adequate cash resources on hand at all times to compensate for normal fluctuations in monthly cash receipts and disbursements.

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

Unreserved/Designated for emergencies This designation was established to ensure adequate funds are available to respond to unanticipated emergencies that might result from natural disasters or major economic calamities. Expenditure of funds from this fund balance designation requires a vote of 4/5's of the City Council members.

Unreserved/Designated for roadway improvements This designation was established to accumulate funds for the widening of the Pacific Coast Highway bridge over San Juan Creek.

Unreserved/Designated for open space acquisition This designation was established to accumulate funds for the future acquisition of public open space within the City.

Unreserved/Designated for utility undergrounding This designation was established to accumulate funds for the future undergrounding of electric utilities throughout the City.

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

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

11. RISK MANAGEMENT PROGRAM

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City accounts for all risk management activities in the General Fund.

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (“CJPIA”). The CJPIA is composed of 114 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The CJPIA’s pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee. The City's precise share of the CJPIA's assets, liabilities and equities is not available. Separate financial statements of CJPIA may be obtained at: 8081 Moody St., La Palma, California 90623.

Self-Insurance Programs of the CJPIA

General Liability Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member’s primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member’s share of losses under \$30,000; losses from \$750,000 to \$10,000,000, \$18,000,000 to \$23,000,000, and \$45,000,000 to \$50,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$10,000,000 to \$18,000,000 and \$23,000,000 to \$45,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the CJPIA’s investment earnings.

Workers’ Compensation The City also participates in the workers’ compensation pool administered by the CJPIA. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member’s primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member’s share of losses under

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

\$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$200,000,000 are transferred to reinsurance carriers. Costs in excess of \$200,000,000 are pooled among CJPIA members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administration expenses are paid from the CJPIA's investment earnings.

Purchased Insurance

Property Insurance The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. Total all-risk property insurance coverage is \$19,644,885. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Environmental Insurance The City participates in the pollution legal liability and remediation legal liability insurance which is available through the CJPIA. The policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The CJPIA has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through June 30, 2008. Each member of the CJPIA has a \$10,000,000 limit during the 3-year term of the policy.

Earthquake and Flood Insurance The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA. City property currently has earthquake protection in the amount of \$9,395,726. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

Special Event Tenant User Liability Insurance The City further protects against liability damages by requiring tenant users of certain property to purchase tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the CJPIA.

The City does not participate in the California State Unemployment Insurance program. The City funds all claims for unemployment benefits from current resources on an as-incurred basis. In fiscal years 2006 and 2007, the City paid \$6,667 and \$550, respectively, for unemployment benefit claims.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2007

Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgements that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

CJPIA premiums for fiscal years 2006 and 2007 were \$537,432 and \$425,743, respectively. Since claims are paid by the CJPIA and, in effect, charged back to the City via future insurance deposits, no long-term debt has been recorded.

As of June 30, 2007, the City's management was not aware of any material claims that were incurred but not reported, which would exceed the amounts insured by CJPIA. Accordingly, no provision has been made in the financial statements for such items (see Note 12)

12. CONTINGENCIES

As a CJPIA member (see Note 11), the City is insured for claims and judgments resulting from the normal operations of the City. Material losses not covered by the CJPIA program would be paid from the unreserved fund balance designated for emergencies (\$5,720,000 as of June 30, 2007) and/or other undesignated fund balances. Immaterial uninsured claims would be paid from routine operating revenues. There were no uninsured claims paid by the City in fiscal years 2006 or 2007.

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.

As of June 30, 2007 there was a pending claim against the City involving two individuals who sustained catastrophic injuries when struck by an automobile on a City street. This claim is being managed by the City's liability insurer (CJPIA). Subsequent to year end a settlement was reached within the City's insurance policy coverage limit; therefore no liability has been reflected in the financial statements.

The City receives financial assistance from federal, state and local governmental agencies in the form of grants and allocations. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of the City's management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at June 30, 2007.

SUPPLEMENTARY INFORMATION

CITY OF DANA POINT
Major Governmental Fund
June 30, 2007

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

Capital Improvements Projects Fund

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

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Improvement Projects Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental		\$5,400,607	\$5,310,250	(\$90,357)
Total revenues	-	5,400,607	5,310,250	(90,357)
EXPENDITURES				
Current:				
Public works			37,451	(37,451)
Capital outlays	\$4,100,000	22,326,161	8,366,200	13,959,961
Total expenditures	4,100,000	22,326,161	8,403,651	13,922,510
Excess (deficiency) of revenues over expenditures	(4,100,000)	(16,925,554)	(3,093,401)	13,832,153
OTHER FINANCING SOURCES				
Transfers in	2,929,261	2,988,388	2,992,286	3,898
Total other financing sources	2,929,261	2,988,388	2,992,286	3,898
Net change in fund balance	(1,170,739)	(13,937,166)	(101,115)	13,836,051
Fund balance, beginning	24,187,419	24,187,419	24,187,419	-
Fund balance, ending	<u>\$23,016,680</u>	<u>\$10,250,253</u>	<u>\$24,086,304</u>	<u>\$13,836,051</u>

CITY OF DANA POINT
Nonmajor Governmental Funds
June 30, 2007

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

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

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

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

CITY OF DANA POINT
Nonmajor Governmental Funds
June 30, 2007

The City of Dana Point has established the following nonmajor 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.

Pass-through Deposits Fund

Used to account for revenues collected by the City on behalf of other governmental agencies.

CITY OF DANA POINT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit	AB 2766	Facilities Improvement	Park Development	
ASSETS								
Cash and investments			\$146,710	\$1,217,455	\$36,538	\$712,275	\$2,934,713	\$5,047,691
Receivables:								
Taxes	\$64,680	\$78,096						142,776
Intergovernmental					11,448			11,448
Total assets	<u>\$64,680</u>	<u>\$78,096</u>	<u>\$146,710</u>	<u>\$1,217,455</u>	<u>\$47,986</u>	<u>\$712,275</u>	<u>\$2,934,713</u>	<u>\$5,201,915</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable						\$94,652		\$94,652
Total liabilities	-	-	-	-	-	<u>94,652</u>	-	<u>94,652</u>
Fund Balances:								
Unreserved:								
Designated for future years' expenditures	<u>\$64,680</u>	<u>\$78,096</u>	<u>\$146,710</u>	<u>\$1,217,455</u>	<u>\$47,986</u>	<u>617,623</u>	<u>\$2,934,713</u>	<u>5,107,263</u>
Total fund equity	<u>64,680</u>	<u>78,096</u>	<u>146,710</u>	<u>1,217,455</u>	<u>47,986</u>	<u>617,623</u>	<u>2,934,713</u>	<u>5,107,263</u>
Total liabilities and fund equity	<u>\$64,680</u>	<u>\$78,096</u>	<u>\$146,710</u>	<u>\$1,217,455</u>	<u>\$47,986</u>	<u>\$712,275</u>	<u>\$2,934,713</u>	<u>\$5,201,915</u>

CITY OF DANA POINT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit	AB 2766	Facilities Improvement	Park Development	
REVENUES								
Taxes	\$669,641	\$436,346						\$1,105,987
Licenses, fees and permits							\$159,800	159,800
Intergovernmental			\$100,000	\$1,037	\$54,902			155,939
Use of money and property			6,909	54,600	1,000		127,000	189,509
Total revenues	<u>669,641</u>	<u>436,346</u>	<u>106,909</u>	<u>55,637</u>	<u>55,902</u>	<u>-</u>	<u>286,800</u>	<u>1,611,235</u>
EXPENDITURES								
Current:								
General government					7,916			7,916
Public safety			83,178					83,178
Capital outlays						\$1,017,445		1,017,445
Total expenditures	<u>-</u>	<u>-</u>	<u>83,178</u>	<u>-</u>	<u>7,916</u>	<u>1,017,445</u>	<u>-</u>	<u>1,108,539</u>
Excess (deficiency) of revenues over expenditures	<u>669,641</u>	<u>436,346</u>	<u>23,731</u>	<u>55,637</u>	<u>47,986</u>	<u>(1,017,445)</u>	<u>286,800</u>	<u>502,696</u>
OTHER FINANCING SOURCES (USES)								
Transfers in						260,000		260,000
Transfers out	(669,486)	(433,159)						(1,102,645)
Total other financing sources (uses)	<u>(669,486)</u>	<u>(433,159)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>(842,645)</u>
Net over expenditures	155	3,187	23,731	55,637	47,986	(757,445)	286,800	(339,949)
Fund balances, beginning	64,525	74,909	122,979	1,161,818	-	1,375,068	2,647,913	5,447,212
Fund balances, ending	<u>\$64,680</u>	<u>\$78,096</u>	<u>\$146,710</u>	<u>\$1,217,455</u>	<u>\$47,986</u>	<u>\$617,623</u>	<u>\$2,934,713</u>	<u>\$5,107,263</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$659,000	\$659,000	\$669,641	\$10,641
Total revenues	<u>659,000</u>	<u>659,000</u>	<u>669,641</u>	<u>10,641</u>
OTHER FINANCING USES				
Transfers out	(659,000)	(659,000)	(669,486)	(10,486)
Net change in fund balances	-	-	155	155
Fund balance, beginning	64,525	64,525	64,525	-
Fund balance, ending	<u>\$64,525</u>	<u>\$64,525</u>	<u>\$64,680</u>	<u>\$155</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Measure M Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$429,261	\$429,261	\$436,346	\$7,085
Total revenues	<u>429,261</u>	<u>429,261</u>	<u>436,346</u>	<u>7,085</u>
OTHER FINANCING USES				
Transfers out	(429,261)	(429,261)	(433,159)	(3,898)
Net change in fund balance	-	-	3,187	3,187
Fund balance, beginning	74,909	74,909	74,909	-
Fund balance, ending	<u>\$74,909</u>	<u>\$74,909</u>	<u>\$78,096</u>	<u>\$3,187</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental		\$100,000	\$100,000	-
Use of money and property	\$500	500	6,909	\$6,409
Total revenues	<u>500</u>	<u>100,500</u>	<u>106,909</u>	<u>6,409</u>
EXPENDITURES				
Public safety		100,000	83,178	16,822
Total expenditures	<u>-</u>	<u>100,000</u>	<u>83,178</u>	<u>16,822</u>
Net change in fund balance	500	500	23,731	23,231
Fund balance, beginning	122,979	122,979	122,979	-
Fund balance, ending	<u>\$123,479</u>	<u>\$123,479</u>	<u>\$146,710</u>	<u>\$23,231</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$1,000	\$1,000	\$1,037	\$37
Use of money and property	38,500	38,500	54,600	16,100
Total revenues	<u>39,500</u>	<u>39,500</u>	<u>55,637</u>	<u>16,137</u>
EXPENDITURES				
General government	120,000	120,000		120,000
Total expenditures	<u>120,000</u>	<u>120,000</u>	-	<u>120,000</u>
Net change in fund balance	(80,500)	(80,500)	55,637	136,137
Fund balance, beginning	1,161,818	1,161,818	1,161,818	-
Fund balance, ending	<u>\$1,081,318</u>	<u>\$1,081,318</u>	<u>\$1,217,455</u>	<u>\$136,137</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$38,000	\$38,000	\$54,902	\$16,902
Use of money and property	3,000	3,000	1,000	(2,000)
Total revenues	<u>41,000</u>	<u>41,000</u>	<u>55,902</u>	<u>14,902</u>
EXPENDITURES				
General government	20,000	28,000	7,916	20,084
Total expenditures	<u>20,000</u>	<u>28,000</u>	<u>7,916</u>	<u>20,084</u>
Net change in fund balance	21,000	13,000	47,986	34,986
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$21,000</u>	<u>\$13,000</u>	<u>\$47,986</u>	<u>\$34,986</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
Capital outlays	\$260,000	\$1,635,000	\$1,017,445	\$617,555
Total expenditures	<u>260,000</u>	<u>1,635,000</u>	<u>1,017,445</u>	<u>617,555</u>
OTHER FINANCING SOURCES				
Transfers in	<u>260,000</u>	<u>260,000</u>	<u>260,000</u>	<u>-</u>
Net change in fund balance	-	(1,375,000)	(757,445)	617,555
Fund balance, beginning	1,375,068	1,375,068	1,375,068	-
Fund balance, ending	<u>\$1,375,068</u>	<u>\$68</u>	<u>\$617,623</u>	<u>\$617,555</u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Park Development Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses, fees and permits	\$100,000	\$100,000	\$159,800	\$59,800
Use of money and property	84,000	84,000	127,000	43,000
Total revenues	<u>184,000</u>	<u>184,000</u>	<u>286,800</u>	<u>102,800</u>
Fund balance, beginning	2,647,913	2,647,913	2,647,913	-
Fund balance, ending	<u><u>\$2,831,913</u></u>	<u><u>\$2,831,913</u></u>	<u><u>\$2,934,713</u></u>	<u><u>\$102,800</u></u>

CITY OF DANA POINT
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2007

	Developer Deposits	Pass-through Deposits	Totals
ASSETS			
Cash and investments	\$1,498,839	\$315,423	\$1,814,262
LIABILITIES			
Deposits	\$1,498,839		\$1,498,839
Due to other agencies		\$315,423	315,423
Total liabilities	\$1,498,839	\$315,423	\$1,814,262

CITY OF DANA POINT
Statement of Changes in Fiduciary Net Assets
Agency Funds
Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<u>DEVELOPER DEPOSITS</u>				
ASSETS:				
Cash and investments	\$1,302,083	\$1,371,839	\$1,175,083	\$1,498,839
LIABILITIES:				
Deposits	\$1,302,083	\$1,371,839	\$1,175,083	\$1,498,839
<u>PASS-THROUGH DEPOSITS</u>				
ASSETS:				
Cash and investments	\$9,083	\$399,755	\$93,415	\$315,423
LIABILITIES:				
Due to other agencies	\$9,083	\$399,755	\$93,415	\$315,423
<u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$1,311,166	\$1,771,594	\$1,268,498	\$1,814,262
LIABILITIES:				
Deposits	\$1,302,083	\$1,371,839	\$1,175,083	\$1,498,839
Due to other agencies	9,083	399,755	93,415	315,423
Total Liabilities	\$1,311,166	\$1,771,594	\$1,268,498	\$1,814,262

FINANCIAL SECTION CONCLUDED

STATISTICAL SECTION

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

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
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- (1) The City does not require business licensing, therefore data concerning principal employers within its jurisdiction is unavailable.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities										
Invested in capital assets, net of related debt	-	-	-	-	-	\$70,422	\$79,950	\$84,296	\$102,009	\$120,561
Restricted	-	-	-	-	-	3,706	5,152	5,412	8,069	5,515
Unrestricted	-	-	-	-	-	46,909	40,503	42,388	37,504	41,797
Total governmental activities net assets	<u>N/A (1)</u>	<u>N/A (1)</u>	<u>N/A (1)</u>	<u>N/A (1)</u>	<u>N/A (1)</u>	<u>\$121,037</u>	<u>\$125,605</u>	<u>\$132,096</u>	<u>\$147,582</u>	<u>\$167,873</u>

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

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

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses										
Governmental activities:										
General Government						\$3,782	\$3,715	\$4,588	\$4,977	\$4,569
Public Safety						6,217	6,845	7,014	7,558	8,068
Community Development						1,779	1,875	2,149	2,582	2,330
Recreation and Parks						1,486	1,678	2,085	3,303	3,708
Public Works						6,476	6,646	8,777	8,294	9,687
Interest on Long-term Debt						249	225	207	187	15
Unallocated Depreciation						74	76	85	122	131
Total governmental activities expenses	-	-	-	-	-	\$20,063	\$21,060	\$24,905	\$27,023	\$28,508
Program Revenues										
Governmental activities:										
Charges for services:										
General Government						\$265	\$138	\$843	\$155	\$321
Public Safety						339	418	488	461	454
Community Development						1,331	1,161	1,344	2,266	1,359
Recreation and Parks						254	219	221	224	224
Public Works						265	155	288	131	469
Operating grants and contributions						2,665	1,475	1,585	1,449	1,694
Capital grants and contributions						2,612	1,836	5,176	13,459	16,321
Total governmental activities program revenues	-	-	-	-	-	\$7,731	\$5,402	\$9,945	\$18,145	\$20,842
Total government net expense	-	-	-	-	-	\$12,332	\$15,658	\$14,960	\$8,878	\$7,666
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes						\$3,912	\$4,209	\$4,524	\$5,009	\$5,373
Franchise taxes						942	936	1,034	1,076	1,201
Sales taxes						3,795	4,015	3,117	3,447	3,761
In-lieu property taxes						0	0	2,665	3,119	3,867
Property transfer taxes						319	498	525	441	395
Transient occupancy taxes						8,146	8,478	7,763	9,533	10,888
Motor vehicle in-lieu (unrestricted)						2,095	1,678	852	255	199
Miscellaneous						113	61	152	52	234
Unrestricted Investment revenue						1,275	351	819	1,433	2,038
Total governmental activities	-	-	-	-	-	\$20,597	\$20,226	\$21,451	\$24,365	\$27,956
Change in Net Assets	N/A (1)	N/A (1)	N/A (1)	N/A (1)	N/A (1)	\$8,265	\$4,568	\$6,491	\$15,487	\$20,290

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	4,161	4,005	940	1,249	1,447	1,555	2,105	1,318	3,715	561
Unreserved	14,346	19,619	22,817	28,139	28,593	20,324	14,251	12,808	12,605	17,836
Total general fund	<u>\$18,507</u>	<u>\$23,624</u>	<u>\$23,757</u>	<u>\$29,388</u>	<u>\$30,040</u>	<u>\$21,879</u>	<u>\$16,356</u>	<u>\$14,126</u>	<u>\$16,320</u>	<u>\$18,397</u>
All other governmental funds										
Reserved	\$1,157	\$766	\$2,459	\$2,119	\$2,950	\$4,301	\$6,699	\$3,741	\$5,225	\$414
Unreserved, reported in:										
Special revenue funds	217	367	336	506	386	1,330	1,475	1,499	1,424	1,555
Capital project funds	6,295	7,572	8,973	10,640	14,129	23,293	21,368	27,429	22,986	27,225
Total all other governmental funds	<u>\$7,669</u>	<u>\$8,705</u>	<u>\$11,768</u>	<u>\$13,265</u>	<u>\$17,465</u>	<u>\$28,924</u>	<u>\$29,542</u>	<u>\$32,669</u>	<u>\$29,635</u>	<u>\$29,194</u>

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$11,897	\$13,399	\$13,773	\$14,346	\$15,802	\$17,278	\$18,247	\$19,666	\$22,626	\$25,391
Licences, fees and permits	1,081	1,647	1,973	1,812	1,716	2,451	1,960	1,936	1,926	2,048
Fines and forfeitures	252	318	315	310	353	352	428	492	469	470
Intergovernmental	3,199	3,066	3,251	3,226	4,122	4,711	3,189	3,805	7,181	6,011
Charges for services	493	577	837	737	817	1,050	921	1,894	1,906	1,475
Use of money and property	1,548	1,724	2,141	3,108	2,242	1,638	573	1,016	1,740	2,423
Other	187	139	182	183	198	815	352	1,271	337	246
Total revenues	<u>18,657</u>	<u>20,870</u>	<u>22,472</u>	<u>23,722</u>	<u>25,250</u>	<u>28,295</u>	<u>25,670</u>	<u>30,080</u>	<u>36,185</u>	<u>38,064</u>
Expenditures										
General government	2,209	2,797	3,973	3,135	3,489	3,687	3,586	4,450	4,846	4,526
Public safety	5,141	4,902	5,179	5,237	5,448	6,217	6,843	7,008	7,544	8,035
Community development	921	1,398	1,398	1,331	1,397	1,768	1,866	2,132	2,565	2,312
Recreation and parks	915	895	873	1,025	1,253	1,235	1,622	2,029	3,237	3,627
Public works	1,873	1,857	1,963	2,378	2,951	4,336	4,129	5,405	5,133	5,243
Capital outlay	2,013	2,345	5,370	3,243	5,336	7,727	12,007	7,639	13,180	9,667
Debt service:										
Principal	210	220	230	245	260	270	290	305	325	2,925
Interest	313	303	291	278	264	249	232	215	196	93
Total expenditures	<u>13,595</u>	<u>14,717</u>	<u>19,277</u>	<u>16,872</u>	<u>20,398</u>	<u>25,489</u>	<u>30,575</u>	<u>29,183</u>	<u>37,026</u>	<u>36,428</u>
Excess of revenues over (under) expenditures	5,062	6,153	3,195	6,850	4,852	2,806	(4,905)	897	(841)	1,636
Other financing sources (uses)										
Transfers in	5,906	3,549,842	8,777	4,641	8,263	16,631	11,642	764	4,237	3,922
Transfers out	(5,906)	(3,549,842)	(8,777)	(4,641)	(8,263)	(16,631)	(11,642)	(7,964)	(4,238)	(3,922)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cumulative effect of a change in accounting principle	-	-	-	278	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	492	-	-	-	-
Net change in fund balances	<u>\$5,062</u>	<u>\$6,153</u>	<u>\$3,195</u>	<u>\$7,128</u>	<u>\$4,852</u>	<u>\$3,298</u>	<u>(\$4,905)</u>	<u>\$897</u>	<u>(\$841)</u>	<u>\$1,636</u>
Debt service as a percentage of noncapital expenditures	4.7%	4.4%	3.9%	4.0%	3.6%	3.0%	2.9%	2.5%	2.2%	12.7%

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Function/Program										
Governmental activities:										
General government	-	-	-	-	-	\$310	\$182	\$878	\$203	\$377
Public safety	-	-	-	-	-	713	751	943	746	930
Community development	-	-	-	-	-	2,379	1,212	1,368	2,306	1,415
Recreation and parks	-	-	-	-	-	932	800	824	470	11,211
Public works	-	-	-	-	-	3,398	2,457	5,931	14,419	6,909
Total governmental activities	N/A (1)	N/A (1)	N/A (1)	N/A (1)	N/A (1)	\$7,732	\$5,402	\$9,944	\$18,144	\$20,842

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

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

Fiscal Year	Property Tax (1)	Franchise Tax	Sales Tax (2)	Gasoline Tax	Measure M Tax	In-lieu Property Tax (2)	Property Transfer Tax	Transient Occupancy Tax (3)	Total
1998	\$2,468	\$744	\$2,741	\$837	\$302	-	\$359	\$5,190	\$12,641
1999	2,706	897	3,014	1,062	304	-	234	6,079	14,296
2000	3,097	852	3,325	802	349	-	255	5,945	14,625
2001	3,291	894	3,417	692	381	-	287	6,278	15,240
2002	3,606	987	3,605	603	356	-	282	7,350	16,789
2003	3,912	941	3,795	737	368	-	319	8,147	18,219
2004	4,209	936	4,015	674	373	-	498	8,478	19,183
2005	4,524	1,034	3,117	680	392	\$2,665	525	7,763	20,700
2006	5,009	1,076	3,447	670	407	3,119	441	9,533	23,702
2007	5,373	1,201	3,762	670	436	3,867	395	10,888	26,592

- (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 on page 72 for distribution information.
- (2) Beginning in fiscal 2005 the State of California swapped 25% of the 1% basic sales tax levy allocated to municipalities for In-lieu sales taxes, which represent an equivalent amount of property taxes. Therefore sales tax revenues were reduced from 1.00% of gross sales to .75% of gross sales. The City does not impose a local sales tax.
- (3) Transient occupancy tax is imposed by the City at the rate of 10%.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total property tax levy	\$2,462	\$2,687	\$3,086	\$3,274	\$3,613	\$3,895	\$4,197	\$4,538	\$5,051	\$5,448
Current year collections	\$2,468	\$2,706	\$3,097	\$3,291	\$3,606	\$3,912	\$4,209	\$4,524	\$5,009	\$5,373
Current year collections as % of levy	96.7%	96.9%	98.1%	98.1%	96.4%	98.5%	98.2%	98.1%	97.8%	96.4%
Current year delinquencies	\$82	\$82	\$60	\$93	\$129	\$61	\$76	\$87	\$109	\$196
Current year delinquencis as % of levy	3.3%	3.1%	1.9%	1.9%	3.6%	1.5%	1.8%	1.9%	2.2%	3.6%

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assessed value	\$3,574,533	\$3,863,177	\$4,331,939	\$4,594,761	\$5,111,519	\$5,516,436	\$5,941,465	\$6,250,662	\$6,998,388	\$7,693,012
Estimated actual value (see note)	\$3,574,533	\$3,863,177	\$4,331,939	\$4,594,761	\$5,111,519	\$5,516,436	\$5,941,465	\$6,250,662	\$6,998,388	\$7,693,012
Annual increase in assessed value	\$26,689	\$288,645	\$468,762	\$262,822	\$516,758	\$404,917	\$425,029	\$309,197	\$747,726	\$694,624
Annual % increase in assessed value	0.8%	8.1%	12.1%	6.1%	11.2%	7.9%	7.7%	5.2%	12.0%	9.9%

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 Seven Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>Distribution of Basic 1% Levy (per \$100 of assessed value)</u>										
Capistrano Unified School District	-	-	-	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890
Educational Revenue Augmentation Fund	-	-	-	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660
Orange County Fire Authority	-	-	-	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220
South Orange County Comm. College District	-	-	-	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960
Orange County General Fund	-	-	-	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530
City of Dana Point	-	-	-	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760
Orange County Flood Control District	-	-	-	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210
Orange County Library District	-	-	-	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180
Orange County Department of Education	-	-	-	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180
Orange County Harbors, Beaches & Parks	-	-	-	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166
Capistrano Beach County Water District	-	-	-	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106
Tri Cities Municipal Water District	-	-	-	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091
Orange County Transportation Authority	-	-	-	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030
Orange County Vector Control	-	-	-	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012
Orange County Cemetary District	-	-	-	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005
Total Basic 1% Levy (1)	-	-	-	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<u>Tax Rate Area 28-019:</u>										
Metro Water District MWDOC Annex #4	-	-	-	0.0088	0.0077	0.0077	0.0058	0.0052	0.0052	0.0047
Capistrano Unified ID#1 1999 Bond Fund - Series A	-	-	-	0.0086	0.0053	0.0053	0.0034	0.0031	0.0031	0.0027
Capistrano Unified ID#1 1999 Bond Fund - Series B	-	-	-	0.0000	0.0031	0.0031	0.0054	0.0049	0.0049	0.0043
Capistrano Unified ID#1 1999 Bond Fund - Series C	-	-	-	0.0000	0.0000	0.0000	0.0031	0.0027	0.0027	0.0024
Combined Total Property Tax Rate (2)	<u>N/A (3)</u>	<u>N/A (3)</u>	<u>N/A (3)</u>	<u>\$1.0174</u>	<u>\$1.0161</u>	<u>\$1.0161</u>	<u>\$1.0177</u>	<u>\$1.0160</u>	<u>\$1.0160</u>	<u>\$1.0142</u>

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) Data prior to fiscal 2001 is not available

SOURCE: Orange County Auditor-Controller

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

Taxpayer	Fiscal Year 2007				Fiscal Year 1998			
	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid
CPH Monarch Golf LLC	\$198,560,315	\$163,990	1	3.05%	-	-	-	-
SHC Laguna Niguel 1 LLC	184,342,435	153,232	2	2.85%	\$112,008,210	\$93,106	1	3.77%
Monarch Bay Two	85,881,696	119,056	3	2.22%	28,687,198	45,048	2	1.83%
Prisa Acquisition LLC	85,266,140	47,645	4	0.89%	-	-	-	-
Headlands Reserve LLC	63,289,091	38,423	5	0.72%	-	-	-	-
CPH Resorts I	39,426,281	32,145	6	0.60%	-	-	-	-
ST Apartments	24,388,063	21,844	7	0.41%	-	-	-	-
Shahid S. Asghar	7,450,000	18,938	8	0.35%	-	-	-	-
Pamela M. Jannard	6,838,990	17,385	9	0.32%	3209207	8158	8	0.33%
Thersa C. Morrison Trust	20,522,049	17,095	10	0.32%	11,165,507	9,301	6	0.38%
Stephen J. Muller Trust	11,835,469	15,222	11	0.28%	-	-	-	-
Felcor Suites Limited	19,833,677	15,119	12	0.28%	-	-	-	-
HCP DR California LLC	19,260,225	14,682	13	0.27%	-	-	-	-
France A. Bass Trust	5,661,333	14,391	14	0.27%	2,973,162	7,558	9	0.31%
Shamrock Estates Limited, LLC	5,661,000	14,390	15	0.27%	-	-	-	-
Monarch Bay Resort, Inc.	-	-	-	-	51,748,868	42,266	3	1.71%
Connecticut General Life Ins. Co.	-	-	-	-	33,957,000	18,986	4	0.77%
Parcel RP Inc.	-	-	-	-	14,000,000	11,637	5	0.47%
Harahan Trust	-	-	-	-	14,779,000	8,819	7	0.36%
Bear Brand Partners	-	-	-	-	22,554,556	7,039	10	0.29%
Robert D. & Deborah L. Trette	-	-	-	-	2,616,476	6,651	11	0.27%
Steven F. Udvar-Hazy Trust	-	-	-	-	7,885,121	6,554	12	0.27%
Sea Terrace Homeowners Assn.	-	-	-	-	7,266,001	6,508	13	0.26%
RS&C	-	-	-	-	7,199,036	5,488	14	0.22%
George H. Proodian Trust	-	-	-	-	2,150,000	5,466	15	0.22%
Totals	<u>\$778,216,764</u>	<u>\$703,557</u>		<u>13.09%</u>	<u>\$322,199,342</u>	<u>\$282,585</u>		<u>11.45%</u>

Source: HDL, Coren & Cone

CITY OF DANA POINT
Retail Sales Tax Generation, by Major Business Category
Last Ten Fiscal Years

Fiscal Year	Retail Group	Non-store & part-time retailers	Business, Service and Repair Group	Manufacturer and Wholesale Group	State Sales Tax Pool Allocations	County Sales Tax Pool Allocations	Total
1998	\$1,727,673	\$79,381	\$559,493	\$65,732	\$11,859	\$285,444	\$2,729,582
1999	1,956,029	86,380	591,842	78,248	6,925	288,383	3,007,807
2000	2,111,840	88,709	891,661	90,932	16,367	349,664	3,549,173
2001	2,394,960	53,853	423,714	64,847	7,319	332,132	3,276,825
2002	2,325,201	49,691	767,534	63,125	5,601	334,962	3,546,114
2003	2,398,450	48,965	844,343	82,343	7,549	348,455	3,730,105
2004	2,589,353	37,522	902,628	67,727	6,917	349,917	3,954,064
2005	2,807,904	30,919	816,613	78,492	4,830	390,946	4,129,704
2006	3,028,841	33,548	935,997	49,693	23,676	443,378	4,515,133
2007	3,257,295	24,714	1,144,110	88,120	11,610	477,317	5,003,166

Top 25 Sales Tax Producers
Fiscal Year 2007

<u>Business Name (1)</u>	<u>Business Type</u>
Big 5	Sporting goods/bike stores
Capo Beach 76	Service stations
Chart House	Restaurants
Chevron USA	Service stations
Circle K	Grocery stores
Dana Point Am/Pm	Service stations
Doheny Builders Supply	Lumber/building materials
Ganahl Lumber	Lumber/building materials
Gelsons Market	Grocery stores
Hennesseys Tavern	Restaurants
Kwik/Al Sal Oil	Service stations
Laguna Cliffs Marriott Resort & Spa	Hotels
Longs Drugs	Drug stores
McKee & Company	Home furnishings
Mobil Oil	Service stations
Monarch Bay Chevron	Service stations
Ralphs	Grocery stores
Reel Time Sight & Sound	Radio/appliance stores
Ritz Carlton	Hotels
Salt Creek Grille	Restaurants
Smart & Final	Grocery stores
St. Regis Monarch Beach Resort	Hotels
Sun Country Marine	Boats/watercraft
Wind & Sea Restaurant	Restaurants

Percent of total paid by top 25 accounts = 53.95%

(1) California law prohibits release of sale tax revenue information, other than alphabetical listing.
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
1997	\$5,280,000	\$5,280,000	0.435%	\$137
1998	5,070,000	5,070,000	0.418%	136
1999	4,850,000	4,850,000	0.353%	128
2000	4,620,000	4,620,000	0.293%	123
2001	4,375,000	4,375,000	0.277%	116
2002	4,115,000	4,115,000	0.303%	116
2003	3,845,000	3,845,000	0.240%	106
2004	3,555,000	3,555,000	0.214%	100
2005	3,250,000	3,250,000	0.188%	87
2006	2,925,000	2,925,000	0.175%	79
2007	0	0	0.000%	0

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

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

CITY OF DANA POINT
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

<u>OVERLAPPING DEBT:</u>	<u>Gross Debt Balance</u>	<u>% Applicable to City</u>	<u>City Share @ 6/30/07</u>
Metropolitan Water District	\$73,488,978	2.023%	\$1,651,503
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2002C	16,880,000	18.969%	3,202,026
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2001B	24,994,930	18.969%	4,741,375
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2000A	16,260,000	18.969%	3,084,416
South Coast Water District Bond Fund	5,365,000	57.571%	3,088,696
Moulton Niguel Water District, I.D. #7	14,040,000	12.329%	1,730,968
Santa Margarita Water District I.D. #3	7,986,577	0.048%	3,829
Santa Margarita Water District I.D. #3A	13,498,123	0.048%	6,471
Total Overlapping Debt			<u>\$17,509,284</u>

DIRECT DEBT:

None

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

SOURCE: HdL, Coren & Cone, Orange County Assessor

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assessed Valuation	<u>\$3,574,532</u>	<u>\$3,863,177</u>	<u>\$4,331,939</u>	<u>\$4,594,761</u>	<u>\$5,111,519</u>	<u>\$5,516,436</u>	<u>\$5,941,465</u>	<u>\$6,250,662</u>	<u>\$6,998,388</u>	<u>\$7,693,012</u>
Legal Debt Limit = 3.75% of Total Assessed Valuation	134,045	144,869	162,448	172,304	191,682	206,866	222,805	234,400	262,440	288,488
Amount of Debt Applicable to Limit:										
Certificates of Participation/Capital Lease	5,070	4,850	4,620	4,375	4,115	3,845	3,555	3,250	2,925	0
Legal Debt Margin	<u>128,975</u>	<u>140,019</u>	<u>157,828</u>	<u>167,929</u>	<u>187,567</u>	<u>203,021</u>	<u>219,250</u>	<u>\$237,650</u>	<u>\$265,365</u>	<u>\$288,488</u>

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

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Population	37,343	38,004	37,611	37,611	35,415	36,312	35,416	37,283	36,854	36,884
Age Distribution:										
0 - 4	2,407	2,474	2,089	2,089	1,917	1,913	1,890	1,996	1,950	1,953
5 - 14	4,106	4,363	4,168	4,168	3,897	4,020	3,837	4,079	4,026	4,049
15 - 19	2,102	2,215	2,058	2,058	1,955	1,953	1,925	1,987	1,911	1,960
20 - 24	2,359	2,324	2,252	2,252	1,763	1,980	2,106	2,216	2,181	2,097
25 - 34	6,004	5,869	5,753	5,753	4,874	4,537	4,323	4,503	4,503	4,431
35 - 44	7,336	7,357	7,617	7,617	5,929	5,935	5,639	5,812	5,587	5,568
45 - 64	8,809	9,089	9,022	9,022	10,185	10,747	10,459	11,209	11,335	11,519
65 - 74	2,551	2,539	2,742	2,742	2,709	2,848	2,816	2,861	2,777	2,753
75-84	1,282	1,362	1,458	1,458	1,735	1,876	1,895	2,045	1,994	1,939
85 and over	387	412	452	452	451	503	526	575	590	615
Total	<u>37,343</u>	<u>38,004</u>	<u>37,611</u>	<u>37,611</u>	<u>35,415</u>	<u>36,312</u>	<u>35,416</u>	<u>37,283</u>	<u>36,854</u>	<u>36,884</u>
Median Age	37.3	37.5	37.5	37.5	40.7	41.5	41.6	41.8	42.0	42.1
Per capita income	\$32,467	\$36,174	\$41,945	\$41,945	\$38,303	\$44,179	\$46,848	\$46,381	\$45,461	\$47,055
Personal income (,000,000)	\$1,212	\$1,375	\$1,578	\$1,578	\$1,357	\$1,604	\$1,659	\$1,729	\$1,675	\$1,736
Median household income	\$62,656	\$61,831	\$70,306	\$70,306	\$68,949	\$72,590	\$75,190	\$78,392	\$78,160	\$80,508
Average household income	\$80,828	\$88,429	\$102,799	\$102,799	\$90,945	\$106,384	\$111,959	\$111,051	\$110,715	\$114,824
Civilian unemployment rate	n/a	n/a	n/a	n/a	n/a	n/a	5.3%	5.2%	4.4%	4.9%
Number of families	9,319	9,622	9,431	9,431	9,235	9,278	9,219	9,753	9,435	9,467
Number of households	14,910	15,461	15,251	15,251	14,582	14,850	14,596	15,342	14,909	14,889
Average household size	2.49	2.44	2.45	2.45	2.42	2.43	2.42	2.42	2.46	2.47
Households, by income:										
Less than \$15,000	1,000	1,074	781	781	781	858	829	839	794	791
\$15,000 - \$24,999	1,045	1,116	871	871	933	984	912	840	829	694
\$25,000 - \$34,999	1,209	1,287	1,090	1,090	1,110	910	900	928	890	805
\$35,000 - \$49,999	2,233	2,321	1,961	1,961	1,913	2,084	1,705	1,698	1,551	1,502
\$50,000 - \$74,999	3,643	3,810	3,487	3,487	3,234	2,803	2,931	2,951	3,024	3,010
\$75,000 - \$99,999	2,150	2,215	2,481	2,481	2,051	2,077	2,038	2,346	2,224	2,308
\$100,000 - \$149,999	2,068	2,101	2,474	2,474	2,682	2,608	2,657	2,913	2,729	2,759
Over \$150,000	1,562	1,537	2,106	2,106	1,878	2,526	2,624	2,827	2,868	3,020
Total	<u>14,910</u>	<u>15,461</u>	<u>15,251</u>	<u>15,251</u>	<u>14,582</u>	<u>14,850</u>	<u>14,596</u>	<u>15,342</u>	<u>14,909</u>	<u>14,889</u>

SOURCE: ESRI Business Information Solutions

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

Function	Full-time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>General government:</u>										
City Manager's Office	2.70	2.70	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Economic Development	-	-	-	-	-	-	-	-	-	2.00
City Clerk	4.00	4.00	4.00	4.00	4.00	2.75	3.75	3.75	3.75	4.00
Administrative Services	4.50	4.50	4.50	4.50	4.50	5.75	5.75	5.75	6.75	6.75
Facilities	-	-	-	0.33	0.33	-	-	0.50	1.50	1.50
<u>Public Safety</u>										
Police Services	0.10	0.10	-	-	-	-	-	-	-	-
Emergency Services	1.20	1.20	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50
<u>Community Development</u>										
Planning	6.00	6.00	3.00	4.00	3.00	4.00	5.00	6.00	9.00	7.00
Building	0.50	0.50	0.50	1.50	1.50	1.50	1.50	2.50	3.50	2.50
Code Enforcement	2.00	2.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
<u>Recreation and Parks</u>										
Parks	0.67	0.67	0.67	1.00	1.00	0.67	1.67	1.67	3.00	3.00
Community Services	4.00	4.00	4.00	3.00	4.00	3.00	4.00	4.00	4.00	4.00
<u>Public Works</u>										
Administration	2.83	2.83	3.33	3.33	3.33	4.33	4.33	4.33	2.33	2.33
Street/Drainage Maintenance	0.67	0.67	0.67	1.00	1.00	1.17	1.16	1.16	1.33	1.33
Traffic Engineering	0.50	0.50	0.50	0.50	0.50	0.50	-	-	-	1.00
Solid Waste	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.34	0.33
Engineering	0.50	0.50	0.50	1.00	1.00	1.50	1.00	2.00	5.00	5.00
Water Quality	-	-	-	0.50	0.50	0.50	1.50	1.50	1.00	1.00
Total	<u>30.50</u>	<u>30.50</u>	<u>27.50</u>	<u>30.50</u>	<u>30.50</u>	<u>31.50</u>	<u>35.50</u>	<u>39.50</u>	<u>47.50</u>	<u>47.75</u>

CITY OF DANA POINT
 Operating Indicators by Function/Program
 Fiscal Years 2006 and 2007

	Prior	Fiscal Year	
		2006	2007
<u>Police (1)</u>			
Arrests	*	2,153	418
Calls for service	*	17,091	20,028
Parking citations issued	*	9,795	9,652
Traffic citations issued	*	6,666	6,320
<u>Fire (2)</u>			
Incidents	*	2,326	2,449
Unit responses	*	4,619	4,771
Fires	*	55	66
Inspections conducted	*	720	848
<u>Refuse Collection (3)</u>			
Refuse collected (tons/day)	*	83	86
Recyclables collected (tons/day)	*	82	78
<u>Community Development</u>			
Building permits issued	*	1,663	1,648
Value of building permits issued	*	\$49,420,168	\$37,818,104
Inspections conducted	*	7,960	8,341
New code enforcement cases opened	*	699	614
Code enforcement cases closed	*	687	484
<u>Public Works</u>			
Miles of street resurfaced	*	8	8
Potholes repaired	*	103	25
Inspections completed	*	300	478
<u>Parks and recreation</u>			
Number of classes offered	*	421	475
Number of activities/trips conducted	*	10	6
Number of participants:			
Youth classes	*	1,168	1,436
Youth & adult classes	*	769	1,279
Sports leagues	*	600	402
Excursions	*	259	173
Total participants		2,796	3,290

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

* Data unavailable prior to fiscal year 2006

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

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

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

CITY OF DANA POINT
Capital Asset Statistics by Function/Program
Fiscal Years 2006 and 2007

	Fiscal Year		
	Prior	2006	2007
<u>Police (1)</u>			
Stations	*	1	1
Patrol units (cars)	*	12	12
Patrol units (motorcycles)	*	3	3
Fire stations	*	2	2
<u>Refuse Collection (3)</u>			
Collection trucks	*	16	13
<u>Public Works</u>			
Miles of arterial streets maintained	*	11.86	11.86
Miles of non-arterial streets maintained	*	62.55	62.55
Miles of storm drains maintained	*	15.16	18.16
Number of traffic signals	*	36	36
Number of street lights (4)	*	1,466	1,467
<u>Parks and recreation</u>			
Number of parks	*	21	23
Total park acreage	*	65.7	85.4
Number of baseball/softball diamonds	*	7	7
Number of community centers	*	1	1
Number of tennis courts	*	8	8
Number of basketball courts	*	5	6

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

* Data unavailable prior to fiscal year 2006

(1) Police services are provided to the City via contract with County of Orange - substation is located in Dana Point

(2) Fire stations are owned by Orange County Fire Authority

(3) Refuse collection vehicles are owned by franchisee CR&R

(4) Includes 1,335 street lights owned by San Diego Gas & Electric, energy cost paid by City

STATISTICAL SECTION CONCLUDED