

CITY OF DANA POINT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2006



Lara Anderson, Mayor
Russell Chilton, Mayor Pro Tem
Wayne Rayfield, Councilman
James Lacy, Councilman
Diane Harkey, Councilwoman

Douglas Chotkevys, City Manager

Prepared by:
Department of Administrative Services

CITY OF DANA POINT
Comprehensive Annual Financial Report
For the Year Ended June 30, 2006

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INTRODUCTORY SECTION



November 2, 2006

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, 2006, 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, 2006, financial statements was performed by Teaman, Ramirez & Smith, Inc. 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, 2006, are free of material misstatement. Teaman, Ramirez & Smith 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, 2006, 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.

In accordance with the above mentioned guidelines, the accompanying report is presented in three sections:

- | | |
|---------------|---|
| Introductory: | Transmittal letter, profile of the City, information for assessing the City’s economic condition, financial reporting awards, list of principal officials, and the City's organizational chart. |
| Financial: | Independent auditors' report, MD&A, basic financial statements and supplementary information. |
| Statistical: | Pertinent financial and non-financial data that present historical trends and other information about the City. |

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 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 as a "contract city", primarily 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 currently consists of a \$2,925,000 capital lease obligation.

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 who, in turn, 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 shows that 70.6% of the working age citizens work in management, professional, sales and administrative jobs. Of the remainder 15.4% work in the service industry and 14.0% 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 28% 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, and also the largest sales-tax generators. Moreover the visitors 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, nor are any expected in the near future. 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 received final development approval from the City and the California Coastal Commission in fiscal 2006 and grading operations are currently underway. It will ultimately include approximately 120 luxury homes together with public park facilities, open space, visitor-serving and commercial construction. This area is expected to be built out over the next three to five years.

The City also receives major 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. These revenue streams tend to be fairly stable, although they are always subject to the whims of the State legislature with respect to the rates of these taxes and the manner in which they are apportioned.

Due to its heavy reliance on tourism, the City experienced a negative economic impact from the terrorist attacks on 9/11/01. Hotel occupancy rates dropped precipitously in the six months following the attacks but by mid-fiscal 2003 tourism-related revenues had returned to the pre-attack levels. After a decline of 8.4% in transient occupancy tax revenues in fiscal 2005 (due to a partial closure during a major renovation of one of the City's largest hotels), in fiscal 2006 occupancy tax revenues surged to their highest level since the City incorporated. Totaling \$9.5 million, this represented an increase of \$1.8 million, or 22.8%, over fiscal 2005. Sales tax generation, which tends to track closely with occupancy taxes, was up by 10.6% in fiscal 2006 and also reached a record high level since the City incorporated. Barring any major tourism

disruptions, the City anticipates revenue growth of approximately 5% per year in transient occupancy and sales tax revenues.

After several years lagging the growth rate in the national economy, over the last two years California has experienced higher growth and lower unemployment rates than the national averages. 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 fallen from 6.0% in 2004 to 4.7% in 2006. Locally, the Dana Point populace has experienced significant growth in median household income (up 22.7% since 2000), median home value (up 176.8% since 2000) and per capita income (up 19.8% since 2000). Recent forecasts point to continued growth in these areas over the next five years.

After rising by 5.2% in fiscal 2005, growth in citywide assessed real property valuation was up substantially again in fiscal 2006, rising by \$748 million, or 12.0%, to \$6.998 billion which is an all-time record level for the City. It should be noted that the actual underlying *market* values have increased 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 eliminated the State's budget deficit for now, 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 has a long history of raiding local city and county revenues to balance its budget when the economy goes south. In fiscal 2005 (and fiscal 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 these 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, 2006, the City had established \$4.5 million of designations of fund balance in the General Fund. This includes \$2 million for emergencies, \$1 million for future potential uninsured claims, and \$1.5 million for routine cash flow needs. In fiscal 2006 the City Council assigned the task of evaluating the adequacy of these City's reserves to its Investment Review Committee. A recommendation was put forth to the City Council (and subsequently adopted in early fiscal 2007) to increase total designated reserves to a full 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, low income housing subsidies and certain other costs.

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 2006 the City was successful in assuming control over Pacific Coast Highway from the State, along with \$3.6 million in cash to renovate the roadway. 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 future 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 future similar partnerships.

The City provides retirement benefits to its employees through contributions to the California Public Employee's Retirement System ("CalPERS"), an agent 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. 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. The deterioration of funding status was due to a combination of changes in benefits and a period of poor investment returns by CalPERS.

MAJOR INITIATIVES

Beginning in fiscal 2005 and continuing throughout fiscal 2006 the City made considerable progress in 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. The Town Center Plan will include 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, which runs through the Town Center, the City has taken a major step forward towards realization of these goals. In fiscal 2007 the City Council is expected to approve specific guidelines governing future design, density, building height, parking, traffic flow and pedestrian facilities for the Town Center area.

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 will occur in two main phases over

approximately 5 to 20 years. The near-term improvements will include remodeling and reconstruction of existing retail establishments and improving and increasing parking facilities. Over the longer term the lodging facilities in the harbor will be upgraded, youth group facilities will be improved and the boat slips will be reconfigured. In September 2006 the City Council gave its approval to the plan, and it has been forwarded to the California Coastal Commission for further consideration.

In 2006 the City and California Coastal Commission gave final approval for the development of the Headlands area of the City. In conjunction with this development the City formed a community facilities district 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, will be constructed over the next 12-24 months and will include combination of streets, sewers, storm drains, lighting, park and landscaping improvements.

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. In the past 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. This plant uses filtration technology and ozone disinfection to reduce bacterial levels in Salt Creek before the water reaches the ocean. The City continues 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, 2005. 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 seventeen consecutive years (fiscal years 1989 through 2005). 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

Sharie Apodaca
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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

OFFICIALS OF THE CITY OF DANA POINT*

Members of the City Council

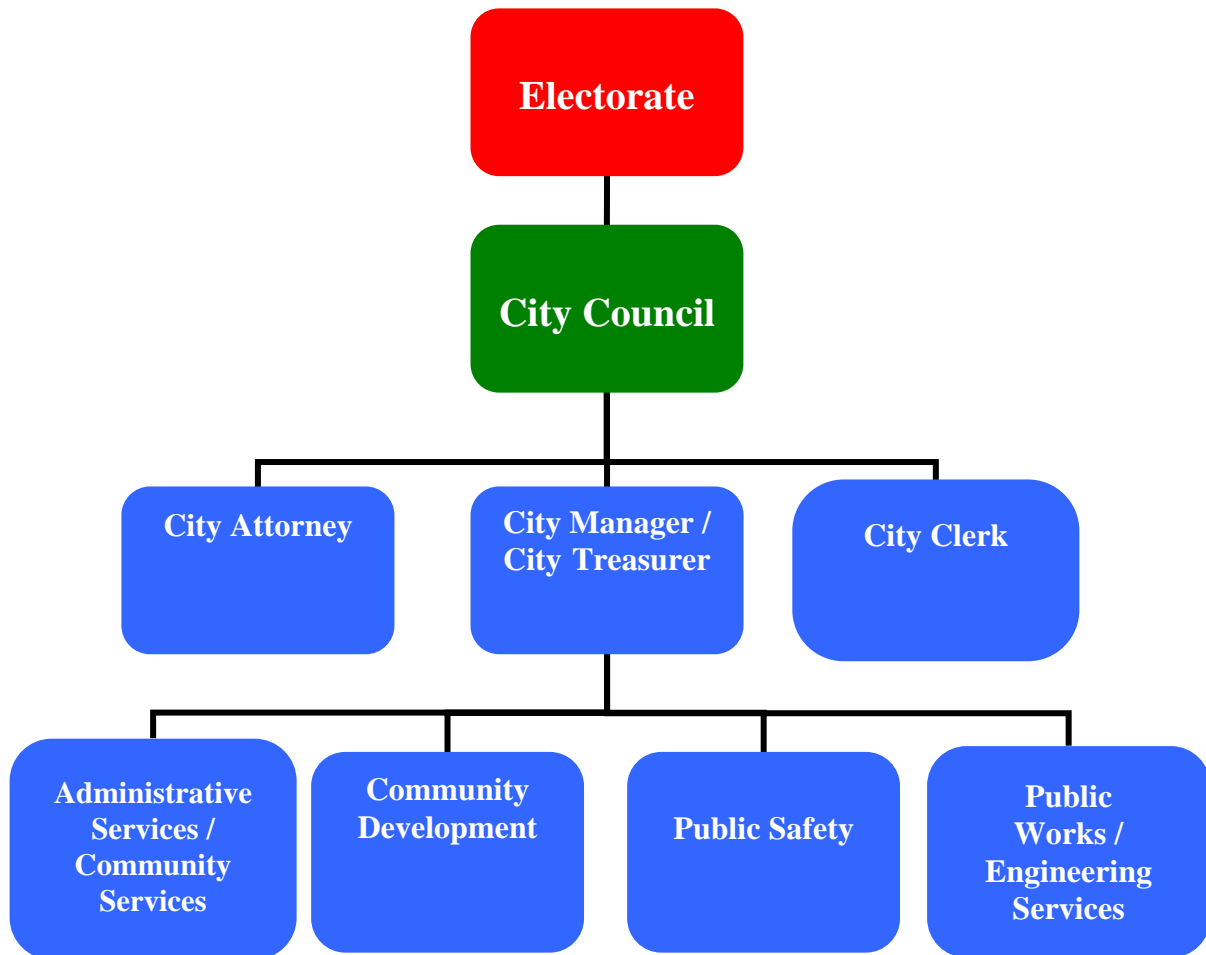
Lara Anderson, Mayor
Russell Chilton, Mayor Pro Tem
Wayne Rayfield, Councilman
James Lacy, Councilman
Diane Harkey, Councilwoman

Administrative Staff

Douglas Chotkevys City Manager/City Treasurer
Kathy Ward Acting City Clerk
Sharie Apodaca Director of Administrative Services
Kyle Butterwick Director of Community Development
Brad Fowler..... Director of Public Works & Engineering Services
Lt. Mark Billings..... 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*



* Reflects the organization of the City as of the issue date of this report.

INTRODUCTORY SECTION CONCLUDED

FINANCIAL SECTION

Independent Auditors' Report

The Honorable City Council
City of Dana Point, California

We have audited the accompanying financial statements of the government 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, 2006, 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, 2006, 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 September 24, 2006 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 inquires 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.

Teaman Ramirez & Smith

September 24, 2006

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, 2006. 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 2006 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 \$147.6 million at June 30, 2006, which was an increase of \$15.5 million from the prior year. Of this amount, \$45.6 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 \$10.5 million and general revenues of \$24.4 million, for a total of \$34.9 million.
- Total City-wide governmental expenses were \$27.0 million.
- Total City-wide fund balances decreased by \$841,000.

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 2006, the City's Governmental Funds reported a combined ending fund balance of \$46.0 million, a decrease of \$841,000. Of this amount, \$9.0 million is reserved, and \$37.0 million is unreserved.
- General Fund revenues totaled \$27.8 million, an increase of \$2.8 million from fiscal 2005. Approximately \$1.8 million of this increase represented growth in transient occupancy taxes, \$600,000 was from growth in earnings on the City's investment portfolio, \$400,000 from an increase in property tax revenues and \$300,000 from increased sales tax revenues. Capital Improvement Fund revenues increased by \$3.3 million to \$6.9 million. All of this growth is attributable to a one-time payment to the City from the State associated with the State's relinquishment of control over the portion of Pacific Coast Highway located

within the City limits. All Other Governmental Fund revenues increased by \$10,000 to \$1.5 million.

- General Fund expenditures totaled \$24.0 million, an increase of \$2.9 million from fiscal 2005. Approximately \$800,000 of the increase relates to personnel costs (salary and benefits) associated with newly created positions and the filling of previously vacant authorized positions, \$600,000 was spent on renovation of the City Hall facility, \$519,000 is associated with contractual increases for providing police services in the City, \$300,000 related to increased costs for contractual building plan check and inspection services, and \$150,000 related to the purchase of a new building permit software application. Capital Improvement Fund expenditures increased by \$4.7 million from fiscal 2005. Additional public works staffing enabled the City to accelerate work on a variety of infrastructure improvements during fiscal 2006, including \$6 million on a massive storm drain improvement project in the Capistrano Beach section of the City. All Other Governmental Fund expenditures combined increased by \$188,000.

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 use 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 (69%) 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. Although the City's investment in it is capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining net assets of the City are concentrated primarily in cash and investments, including \$40.3 million of unrestricted cash and investments and \$4.0 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		
	2005	2006	% Change
Assets:			
Current and other assets	\$50,536	\$48,702	-3.6%
Capital assets	87,546	104,933	19.9%
Total assets	138,082	153,635	11.3%
Liabilities:			
Long-term liabilities	3,475	3,229	-7.1%
Other liabilities	2,511	2,824	12.5%
Total liabilities	5,986	6,053	1.1%
Net Assets:			
Invested in capital assets, net of related debt	84,296	102,009	21.0%
Restricted	5,412	8,069	49.1%
Unrestricted	42,388	37,504	-11.5%
Total net assets	\$132,096	\$147,582	11.7%

Net assets of the City increased by \$15.5 million, or 11.7%, to \$147.6 million, of which \$102 million is invested in capital assets such as land, buildings, equipment and infrastructure. Current assets fell by \$1.8 million due largely to a \$1.5 million drop in intergovernmental receivables. In fiscal 2005 a major water quality improvement project funded by the State led to an unusually large receivable balance at year end, which was non-recurrent in fiscal 2006.

Capital assets increased by \$17.4 million, or 19.9%. The largest component of this increase is associated with the relinquishment of ownership of Pacific Coast Highway from the State of California to the City. The roadway asset was valued at \$7.6 million. The City also spent \$6 million on a major storm drain project in fiscal 2006, as well as across the board increases in street, sidewalk, water treatment, traffic safety and park improvement projects that led to an additional \$3.8 million increase in capital assets.

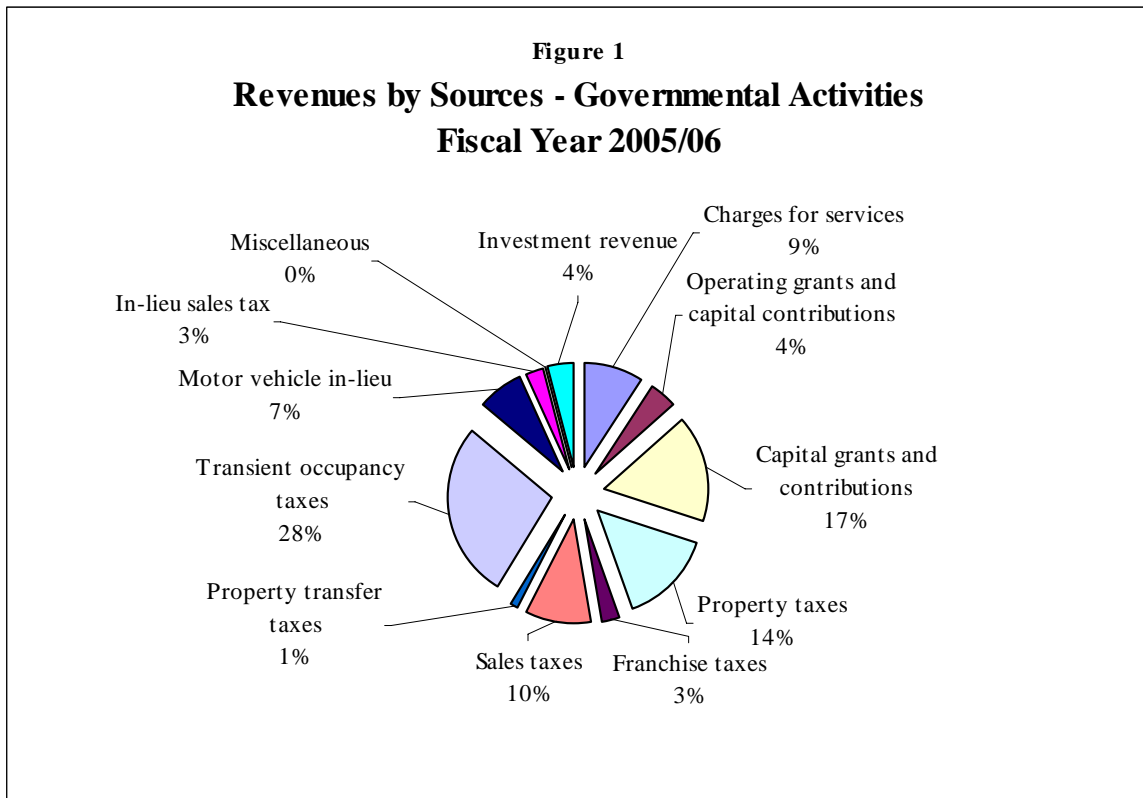
As of June 30, 2006, the City had remaining net assets totaling \$45.6 million. Of this amount, \$37.5 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors, or may be designated for other specific purposes that may be identified by the City Council. The remaining \$8.1 million of net assets are restricted by various debt covenants, legal restrictions or other constraints on the manner in which it may be expended, including \$3 million designated for retirement of the City's outstanding capital lease obligation on August 1, 2006.

Governmental Activities – The cost of all governmental activities in fiscal 2006 was \$27,023,066. As shown in Table 2, the City recovered \$10,504,454 of these costs through user fees, grants and contributions from other governmental organizations, developers and property owners. The remaining \$16,518,612 was subsidized through general City revenues.

Table 2
Changes in Net Assets

	Governmental Activities		
	2005	2006	% Change
Revenues:			
Program Revenues:			
Charges for services	\$3,183,688	\$3,236,744	1.7%
Operating grants and capital contributions	1,584,973	1,448,996	-8.6%
Capital grants and contributions	5,175,659	5,818,714	12.4%
General Revenues:			
Taxes:			
Property taxes	4,523,995	5,009,266	10.7%
Franchise taxes	1,034,037	1,076,105	4.1%
Sales taxes	3,116,789	3,447,432	10.6%
In-lieu sales taxes	964,091	887,680	-7.9%
Property transfer taxes	524,807	440,556	-16.1%
Transient occupancy taxes	7,763,404	9,532,913	22.8%
Motor vehicle in-lieu	2,553,360	2,486,253	-2.6%
Miscellaneous	151,487	52,442	-65.4%
Investment revenue	819,103	1,432,854	74.9%
Total revenues	31,395,393	34,869,955	11.1%
Expenses:			
General government	4,587,574	4,976,837	8.5%
Public safety	7,013,792	7,557,710	7.8%
Community development	2,149,065	2,581,999	20.1%
Recreation and parks	2,084,778	3,303,422	58.5%
Public Works	8,776,889	8,294,093	-5.5%
Interest on long-term debt	207,089	187,390	-9.5%
Unallocated depreciation	85,531	121,615	42.2%
Total expenses	24,904,718	27,023,066	8.5%
Donated capital asset	0	7,639,632	N/A
Increase in net assets	6,490,675	15,486,521	138.6%
Net assets at beginning of year	125,605,025	132,095,700	5.2%
Net assets at end of year	\$132,095,700	\$147,582,221	11.7%

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 28% of governmental revenues in fiscal 2006, grew by \$1.8 million, or 22.8%. This increase was attributable to the completion of a major facility renovation at the Ritz Carlton hotel (which took many of their rooms out of service for seven months during fiscal 2005) that led to increased occupancy and room rates in fiscal 2006. However even after excluding the impact of this renovation, transient occupancy taxes from all other hotels were up by 13%, leading the City to a record year for occupancy tax revenues. Sales tax revenues, which tend to track closely with occupancy taxes, grew by \$331,000, or 10.6%. The Southern California housing market continued to be strong through fiscal 2006. Increasing home prices combined with valuation reassessments upon resale led to a \$486,000, or 10.7% increase in property tax revenues. Although the City’s investment portfolio fell by \$2.7 million, the yields on the principal investments increased by nearly 50%, leading to an increase of \$614,000, or 75.2%, in investment revenue. Grant funding fell in 2006 due to the completion of major water quality treatment facilities in fiscal 2005 that were funded in large part by State agencies, however this decrease was more than offset by a one-time payment of \$3.6 million from the State Department of Transportation that was associated with the relinquishment of Pacific Coast Highway to the City. As a result, net capital grants and contributions increased by \$643,000, or 12.4%. Overall, the City experienced an increase of \$3.5 million, or 11.1%, in governmental revenues in fiscal 2006.



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 2006, representing 59% of total expenditures. Public Safety expenditures rose by \$544,000, driven primarily by a \$519,000 increase in the cost of police services for which the City contracts with the County of Orange. An additional Staff member added to the Emergency Services department accounts for the remainder of the increase.

Public Works outlays fell by \$483,000, however a large portion of the decrease was due to costs associated with cancelled capital projects, which were \$719,000 in fiscal 2005 but fell to only \$43,000 in fiscal 2006. This decrease was partially offset by increased outlays for street and storm drain maintenance in fiscal 2006.

Recreation and parks expenditures grew by \$1.2 million due to efforts in reducing park deferred maintenance items that had accumulated in prior years, as well as the hiring of an additional Staff member in the Parks Department.

General Government expenditures rose by \$389,000, or 8.5%. The increase consists of a number of items including \$100,000 allocated to low income rental subsidies, a \$97,000 increase in City insurance premiums and additional full and part-time staffing in Administrative Services and the City Clerks departments. Community Development expenditures rose by \$433,000, due mainly to a \$304,000 increase in outlays to firms that provide contractual plan check and building inspection services to the City.

Overall, total expenses for governmental activities increased by \$2,118,348, or 8.5%, to \$27,023,066 in fiscal 2006.

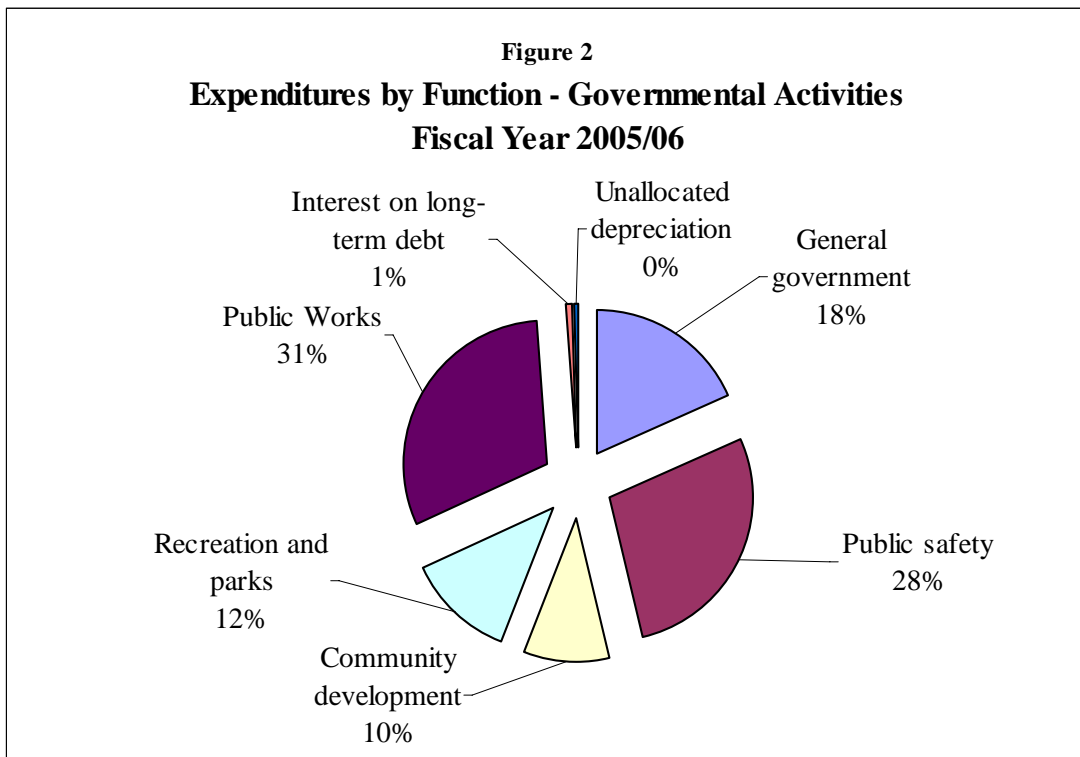
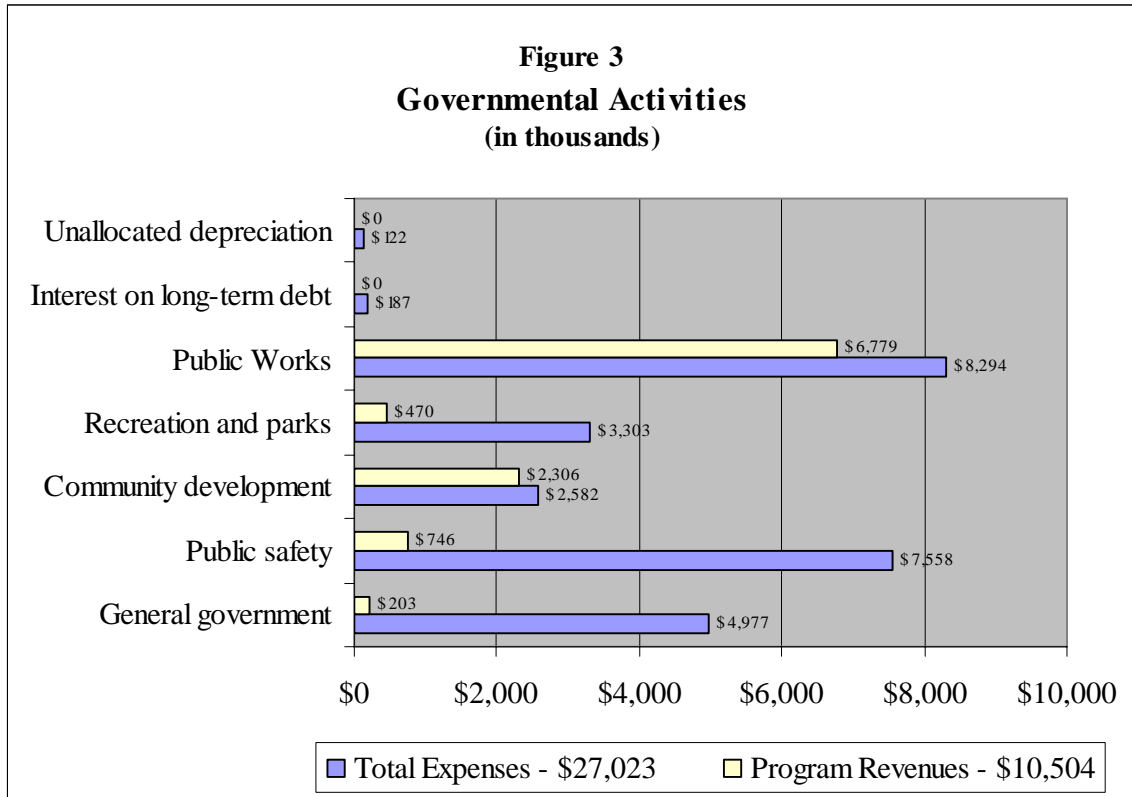


Table 3 and Figure 3 illustrate the City’s expenditures, by program, as well as the amount of revenues generated through direct fees, grants and contributions which funded the program activities. The deficits of costs over program revenues were funded from the City’s general revenues.

Table 3
Net Cost of Governmental Activities
(in thousands)

	Total Cost of Services			Net Cost (Revenue) from Services		
	2005	2006	% Change	2005	2006	% Change
General government	\$4,588	\$4,977	8.5%	\$3,709	\$4,774	28.7%
Public safety	7,014	7,558	7.8%	6,071	6,812	12.2%
Community development	2,149	2,582	20.1%	781	277	-64.5%
Recreation and parks	2,085	3,303	58.4%	1,261	2,833	124.7%
Public Works	8,057	8,294	2.9%	2,125	1,514	-28.8%
Interest on long-term debt	207	187	-9.7%	207	187	-9.7%
Unallocated depreciation	85	122	43.5%	86	122	41.9%
	\$24,185	\$27,023	11.7%	\$14,240	\$16,519	16.0%



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 \$46.0 million, a decrease of \$841,000 from the prior year. The General Fund represented \$16.3 million, or 35.5%, of the combined balances, the Capital Improvements fund represented \$24.2 million, or 52.6%, and the remainder of \$5.5 million was held in all the other governmental funds combined.

Reserved fund balance – The City has \$9.0 million 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 (\$5.6 million), 2) as a debt service reserve sufficient to retire the City's capital lease obligation on August 1, 2006 (\$3.0 million), and 3) for a variety of other restrictions that make these resources unavailable for spending (\$368,000).

Unreserved Fund Balance – The remaining \$37.0 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 \$3.8 million net excess of revenues over expenditures. Operating transfers out of \$1.5 million and \$754,500 were made to the Capital Improvement 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 \$2.2 million in the fund balance of the General Fund in fiscal 2006.

Following several years of negotiations with the State Department of Transportation, on August 1, 2005 the State of California relinquished ownership to the City of a 3.9 mile section of Pacific Coast Highway, extending from the San Juan Creek Bridge to the northerly City limits. In addition to the roadway itself, which was valued at \$7.6 million, the State also transferred \$3.6 million in cash to the City to address the deferred maintenance costs which will be incurred by the City in the future to raise the condition of Pacific Coast Highway to the high standard of other roadways in the City.

As noted earlier the completion in fiscal 2005 of major renovations at the Ritz Carlton Hotel, combined with an overall improvement in tourism led to a substantial favorable economic impact in fiscal 2006. Transient occupancy tax and sales tax revenues, which in Dana Point are both driven primarily by tourism, were up a combined \$2.1 million, or 19.3%.

Beginning in fiscal 2003 and through fiscal 2006, 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. The City steadily increased such expenditures from \$7.6 million in fiscal 2003 to \$12.2 million in fiscal 2006. In total over the most recent four fiscal years the City has spent \$39.1 million on capital improvement projects throughout the City.

Budgetary Highlights

The City adopts two-year budgets, with fiscal 2006 being the first year of the current two-year budget cycle. Due to the uncertainty and estimations involved in projecting certain revenues and expenditures, the City Council routinely amends the budget during the fiscal year. During fiscal 2006 the General Fund revenue budget was increased by \$435,000. The major components of this increase were:

Reimbursed expenditures – increased \$325,000 pursuant to agreements with various property owners, developers and litigants which mandated that they reimburse the City for certain legal, planning and engineering costs associated with their developments.

Development impact fees – collection of \$100,000 of fees from developers to assist low income residents impacted by the closure of a mobile home park located in the City.

In fiscal 2006 the General Fund expenditure budget was increased by \$2.2 million. The major components of this increase were:

Carryover of encumbrances from fiscal 2005 – the City had \$434,000 of outstanding commitments at the end of fiscal 2005 in the form of purchase orders for which funding was re-appropriated in fiscal 2006. This included a variety of

professional services contracts including \$232,000 for preparation of a Town Center specific plan and \$143,000 for the purchase of a new building permit system.

Planning Department professional services - increased by \$242,000. During fiscal 2006 the City was involved in the creation of a community facilities district to facilitate the construction of public improvements in the Headlands area of the City. In connection with this work the City incurred expenses under a variety of professional service agreements, which necessitated an increase in the expenditure budget. The City received reimbursement for all of these costs from the developer of the Headlands site.

Building Department professional services – increased budget for plan checking and building services by \$156,000 due to increase in construction activity. These services are provided to the City through a contract with the private sector.

Low Income Housing Assistance – increased budget by \$100,000 to provide assistance to low-income residents impacted by the closure of a privately-owned mobile home park.

Re-appropriation of unspent funds from fiscal 2005 – increased various expenditures by \$910,000. A number of projects budgeted in fiscal 2005 were not undertaken and the funds were re-appropriated in fiscal 2006. Among the items included was \$110,000 for park tree replanting, \$662,000 for renovation of office space occupied by Police Services and the City’s administrative Staff, \$75,000 for development of a City marketing program and \$50,000 for a study to evaluate the adequacy of the City’s building and engineering fee structure.

Total actual revenues for fiscal 2006 exceeded the final budget by \$2.1 million, or 8.2%. The major positive contributors to this favorable variance were motor vehicle in-lieu fees at \$1 million, transient occupancy taxes at \$732,000, investment interest at \$221,000, property taxes at \$368,000 and sales taxes at \$147,000. These positive variances were partially offset by negative revenue variances of \$100,000 for property transfer taxes and \$110,000 for planning and building permit fees.

Total actual expenditures for fiscal 2006 were under the final budget by \$1.9 million, or 7.4%. Of these unexpended funds, \$328,000 was obligated at June 30, 2006 through encumbrances and was re-appropriated in fiscal 2007. The City spent \$645,000 less than anticipated on personnel costs in fiscal 2006 due to a number of vacant budgeted positions. Outlays for public information services were \$100,000 under budget due to anticipated public relations consultant not being utilized. Solid waste management expenditures were \$75,000 under budget due to lower than expected costs associated for the franchise agreement renewal with the City’s contract carting service. Additionally a number of tasks originally budgeted in fiscal 2006 were delayed and as a result in fiscal 2007 the City Council re-appropriated \$356,000 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 2006 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		
	2005	2006	% Change
Land	\$35,609	\$35,609	0.0%
Construction in progress	9,212	8,701	-5.5%
Buildings and improvements	5,774	6,479	12.2%
Equipment	846	1,063	25.7%
Infrastructure	82,096	102,395	24.7%
Less: Accumulated depreciation	-45,991	-49,313	7.2%
Governmental activity capital assets, net	\$87,546	\$104,934	19.9%

Major capital asset transactions during the year included the following:

- Construction in progress decreased by a net of \$511,000, which consisted of \$12.2 million of new projects expenditures, \$12.6 million of projects completed during the year and transferred into infrastructure, and \$44,000 of projects that were cancelled and charged to expense.
- Infrastructure construction projects completed during fiscal 2006 consisted of \$3.7 million for street improvements, \$563,000 for park and land improvements, \$341,000 for curb and gutter improvements, \$6.3 million for storm drain improvements, \$1.2 million for traffic signal installation and improvements and \$508,000 for sidewalk installation and improvements.
- There were no land acquisitions fiscal 2006.
- Improvements to buildings totaled \$705,000
- New equipment additions totaled \$283,000, and dispositions of surplus and obsolete equipment totaled \$67,000.

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 \$3.2 million. Debt reduction during the years consisted of a \$325,000 decrease in capital lease obligations, and a net \$79,000 increase in compensated absences obligations. There was no new debt incurred during fiscal 2006. 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. This retirement took place on schedule in fiscal 2007.

As of June 30, 2006, the City's long-term debt was as shown in Table 5:

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

Table 5
Long-term Debt
(in thousands)

	Governmental Activities		
	2005	2006	% Change
Capital lease obligation:			
CSDA Finance Corporation	\$3,250,000	\$2,925,000	-10.0%
Other debt:			
Compensated absences	225,257	303,814	34.9%
Total long-term debt	\$3,475,257	\$3,228,814	-7.1%

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, 2006

	Governmental Activities
ASSETS	
Cash and investments	\$40,297,552
Taxes receivable	1,426,615
Accounts receivable	555,701
Interest receivable	455,580
Intergovernmental receivables	1,601,529
Prepays	103,460
Real property held for resale	264,160
Restricted cash and investments	3,997,256
Capital assets, not depreciated	44,309,693
Capital assets, net of depreciation	60,624,070
Total assets	153,635,616
LIABILITIES	
Accounts payable	2,734,180
Accrued liabilities	13,010
Interest payable	77,391
Noncurrent liabilities:	
Due within one year	431,070
Due in more than one year	2,797,744
Total liabilities	6,053,395
NET ASSETS	
Invested in capital assets, net of related debt	102,008,763
Restricted for:	
Public safety	122,979
Community development	1,161,818
Recreation and parks	2,647,913
Public works	139,434
Development of Art in Public Places	115,111
Roadway improvements	862,436
Repayment of capital lease obligation	3,019,709
Unrestricted	37,504,058
Total net assets	\$147,582,221

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

CITY OF DANA POINT
Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities:				
General Government	\$4,976,837	\$154,541	\$48,475	(\$4,773,821)
Public Safety	7,557,710	461,288	284,379	(6,812,043)
Community Development	2,581,999	2,266,314	39,300	(276,385)
Recreation and Parks	3,303,422	224,110		\$246,300 (2,833,012)
Public Works	8,294,093	130,491	1,076,842	5,572,414 (1,514,346)
Interest on Long-term Debt	187,390			(187,390)
Unallocated Depreciation	121,615			(121,615)
Total Governmental Activities	\$27,023,066	\$3,236,744	\$1,448,996	\$5,818,714 (16,518,612)
General Revenues:				
Taxes:				
Property taxes				5,009,266
Franchise taxes				1,076,105
Sales taxes				3,447,432
In-lieu sales taxes				887,680
Property transfer taxes				440,556
Transient occupancy taxes				9,532,913
Motor vehicle in-lieu (unrestricted)				2,486,253
Miscellaneous				52,442
Investment revenue				1,432,854
Total General Revenues				24,365,501
Donated capital asset				7,639,632
Change in Net Assets				15,486,521
Total Net Assets - Beginning				132,095,700
Total Net Assets - Ending				\$147,582,221

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

CITY OF DANA POINT
Governmental Funds
Balance Sheet
June 30, 2006

	General	Capital Improvements	Other Governmental	Totals
ASSETS				
Cash and investments	\$11,156,654	\$23,822,520	\$5,318,378	\$40,297,552
Receivables:				
Taxes	1,287,181		139,434	1,426,615
Accounts	555,701			555,701
Interest	455,580			455,580
Intergovernmental	658,351	943,178		1,601,529
Prepaid expenditures	103,460			103,460
Real property held for resale	264,160			264,160
Restricted assets:				
Cash and investments	3,134,820	862,436		3,997,256
Total assets	\$17,615,907	\$25,628,134	\$5,457,812	\$48,701,853
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$1,282,865	\$1,440,715	\$10,600	\$2,734,180
Accrued liabilities	13,010			13,010
Total liabilities	1,295,875	1,440,715	10,600	2,747,190
Fund Balances:				
Reserved for:				
Encumbrances	327,679	5,225,090		5,552,769
Prepaid expenditures	103,460			103,460
Real property held for resale	264,160			264,160
Capital lease repayment	3,019,709			3,019,709
Unreserved, reported in:				
General Fund	12,605,024			12,605,024
Special Revenue Funds			1,424,231	1,424,231
Capital Project Funds		18,962,329	4,022,981	22,985,310
Total fund balances	16,320,032	24,187,419	5,447,212	45,954,663
Total liabilities and fund balances	\$17,615,907	\$25,628,134	\$5,457,812	\$48,701,853

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, 2006

Fund Balances of governmental funds	\$45,954,663
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.	104,933,763
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Capital lease	(2,925,000)
Compensated absences	(303,814)
Accrued interest payable for the current portion of interest on the capital lease obligation has not been reported in the governmental funds.	(77,391)
Net assets of governmental activities	\$147,582,221

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
Year Ended June 30, 2006

	General	Capital Improvements	Other Governmental	Totals
REVENUES				
Taxes	\$19,317,847		\$1,076,842	\$20,394,689
Licenses, fees and permits	1,766,933		158,800	1,925,733
Fines and forfeitures	468,382			468,382
Intergovernmental	2,633,846	\$6,634,974	144,375	9,413,195
Charges for services	1,905,662			1,905,662
Use of money and property	1,604,726		135,644	1,740,370
Other	84,484	252,959		337,443
Total revenues	27,781,880	6,887,933	1,515,661	36,185,474
EXPENDITURES				
Current:				
General government	4,816,452		29,087	4,845,539
Public safety	7,453,337		90,747	7,544,084
Community development	2,564,951			2,564,951
Recreation and parks	3,234,843		2,294	3,237,137
Public works	4,643,137	490,464		5,133,601
Capital outlays	769,558	12,192,184	218,545	13,180,287
Debt Service:				
Principal retirement	325,000			325,000
Interest and fiscal charges	195,650			195,650
Total expenditures	24,002,928	12,682,648	340,673	37,026,249
Excess (deficiency) of revenues over expenditures	3,778,952	(5,794,715)	1,174,988	(840,775)
OTHER FINANCING SOURCES (USES)				
Transfers in	669,452	2,024,999	1,543,200	4,237,651
Transfers out	(2,254,500)	(788,700)	(1,194,451)	(4,237,651)
Total other financing sources (uses)	(1,585,048)	1,236,299	348,749	
Net change in fund balances	2,193,904	(4,558,416)	1,523,737	(840,775)
Fund balances, beginning	14,126,128	28,745,835	3,923,475	46,795,438
Fund balances, ending	\$16,320,032	\$24,187,419	\$5,447,212	\$45,954,663

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
 Year ended June 30, 2006

Net change in fund balances - total governmental funds	(\$840,775)
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.	9,792,124
To record receipt of donated capital asset (roadway) from the State of California, 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.	7,639,632
Losses on the disposal of capital assets do not require the use of current financial resources and are not reported in the governmental funds.	(43,644)
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.	325,000
Accrued interest for capital lease obligations. This is the net change in accrued interest for the current period.	8,260
To record as an expense the net change in compensated absences in the Statement of Activities.	(78,557)
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.	(1,315,519)
Change in Net Assets of Governmental Activities	\$15,486,521

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$18,380,000	\$18,380,000	\$19,317,847	\$937,847
Licenses, fees and permits	1,816,000	1,816,000	1,766,933	(49,067)
Fines and forfeitures	490,000	495,047	468,382	(26,665)
Intergovernmental	1,841,900	1,845,900	2,633,846	787,946
Charges for services	1,362,910	1,788,359	1,905,662	117,303
Use of money and property	1,257,000	1,257,000	1,604,726	347,726
Other	93,000	93,000	84,484	(8,516)
Total revenues	<u>25,240,810</u>	<u>25,675,306</u>	<u>27,781,880</u>	<u>2,106,574</u>
EXPENDITURES				
Current:				
General government	5,229,977	5,340,619	4,816,452	524,167
Public safety	7,684,757	7,699,262	7,453,337	245,925
Community development	2,030,766	3,035,971	2,564,951	471,020
Recreation and parks	3,289,483	3,570,073	3,234,843	335,230
Public works	4,953,984	4,911,939	4,643,137	268,802
Capital outlays	22,000	846,218	769,558	76,660
Debt Service:				
Principal retirement	325,000	325,000	325,000	-
Interest and fiscal charges	195,650	195,650	195,650	-
Total expenditures	<u>23,731,617</u>	<u>25,924,732</u>	<u>24,002,928</u>	<u>1,921,804</u>
Excess (deficiency) of revenues over expenditures	<u>1,509,193</u>	<u>(249,426)</u>	<u>3,778,952</u>	<u>4,028,378</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	659,000	659,000	669,452	10,452
Transfers out	(1,954,500)	(2,254,500)	(2,254,500)	-
Total other financing sources (uses)	<u>(1,295,500)</u>	<u>(1,595,500)</u>	<u>(1,585,048)</u>	<u>10,452</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	213,693	(1,844,926)	2,193,904	4,038,830
Fund balances, beginning	14,126,128	14,126,128	14,126,128	-
Fund balances, ending	<u>\$14,339,821</u>	<u>\$12,281,202</u>	<u>\$16,320,032</u>	<u>\$4,038,830</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, 2006

ASSETS	
Cash and investments	<u>\$1,311,166</u>
Total assets	<u><u>\$1,311,166</u></u>
 LIABILITIES	
Deposits	\$1,302,083
Due to other agencies	<u>9,083</u>
Total liabilities	<u><u>\$1,311,166</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, 2006

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, 2006

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, 2006

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 \$9,792,124 difference are as follows:

Capital Outlay	\$ 13,180,287
Depreciation Expense	<u>(3,388,163)</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>\$ 9,792,124</u>

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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 2005-06 fiscal year, the City Council made several supplemental budgetary appropriations, including a \$110,642 increase in the General Government budget, a \$215,805 increase in the Public Safety budget, a \$1,005,205 increase in the Community Development budget, a \$282,884 increase in the Recreation and Parks budget, a \$530,381 increase in the Public Works budget and a \$19,348,761 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, 2006

- 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;
- 4) The gain/loss resulting from valuation will be reported within the revenue account "investment revenue" 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) 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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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 fixed asset class as follows:

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

J) Use of Estimates

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

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$40,297,552
Restricted cash and investments	3,997,256
Fiduciary funds:	
Cash and investments	1,311,166
Total cash and investments	<u><u>\$45,605,974</u></u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand (petty cash)	\$4,200
Deposits with financial institutions	-22,851
Investments	45,624,625
Total cash and investments	<u><u>\$45,605,974</u></u>

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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.

<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, 2006, the City had the following investments. Except for the investment in money market funds, all investments are in the City's internal investment pool:

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

		<u>Maturity Date</u>
U.S. Treasury note	\$3,763,330	November 15, 2006
U.S. Treasury note	3,876,727	February 15, 2007
U.S. Treasury note	3,951,101	May 15, 2007
U.S. Treasury note	4,186,590	September 30, 2007
U.S. Treasury note	4,297,358	February 15, 2008
U.S. Treasury note	3,981,165	May 15, 2008
Money market funds	3,019,709	not available
State investment pool (LAIF)	18,548,645	152 days average
Total	\$45,624,625	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2006, the City did not have any investments considered to be highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
U.S. Treasury notes	\$24,056,271	N/A	\$24,056,271
Money market funds*	3,019,709	N/A	3,019,709
State investment pool (LAIF)**	18,548,645	N/A	18,548,645
Total	\$45,624,625		\$45,624,625

* Money market funds are invested exclusively in U.S. Treasury instruments and are exempt from disclosure.

** LAIF is an unrated investment pool.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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, 2006, the City did not have any concentrations of credit risk requiring disclosure under GASB Statement No. 40.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits, other than the following provision: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's Investment Policy contains a requirement that would limit the exposure to custodial risk for investments by the following provision: All securities owned by the City, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department, acting as agent for the City under terms of a custody agreement executed by the bank and by the City. All security transactions entered into by the City shall be conducted on a delivery-versus-payment basis, i.e., the City's safekeeping agent will only release payment for a security after the security has been properly delivered.

GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$2,110,587 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2006, City investments in the following investment type were held by a third-party trustee pursuant to the terms of capital lease obligation:

<u>Investment Type</u>	<u>Reported Amount</u>
Money market funds	\$3,019,709

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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, 2006 the City's interest in the property totaled \$264,160.

4. INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2006 are as follows:

		TRANSFER IN			Total
		General Fund	Capital Improvement	Facilities Improvement	
TRANSFER OUT	General Fund		\$1,500,000	\$754,500	\$2,254,500
	Capital Impvmt			788,700	788,700
	Non-major Funds	\$669,452	524,999		1,194,451
	Total	<u>\$669,452</u>	<u>\$2,024,999</u>	<u>\$1,543,200</u>	<u>\$4,237,651</u>

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$35,608,865			\$35,608,865
Construction in Progress	9,211,829	\$12,192,184	\$12,703,185	8,700,828
Total Capital Assets not being depreciated	<u>44,820,694</u>	<u>12,192,184</u>	<u>12,703,185</u>	<u>44,309,693</u>
Capital Assets, being depreciated:				
Buildings	5,774,103	704,936		6,479,039
Equipment	846,360	283,167	67,055	1,062,472
Infrastructure	82,095,957	20,299,173		102,395,130
Total Capital Assets being depreciated	<u>88,716,420</u>	<u>21,287,276</u>	<u>67,055</u>	<u>109,936,641</u>
Less accumulated depreciation:				
Buildings	1,318,486	184,065		1,502,551
Equipment	504,046	93,766	67,055	530,757
Infrastructure	44,168,931	3,110,332		47,279,263
Total accumulated depreciation	<u>45,991,463</u>	<u>3,388,163</u>	<u>67,055</u>	<u>49,312,571</u>
Total Capital Assets being depreciated, net	<u>42,724,957</u>	<u>17,899,113</u>	<u>0</u>	<u>60,624,070</u>
Governmental Activities Capital Assets, net	<u>\$87,545,651</u>	<u>\$30,091,297</u>	<u>\$12,703,185</u>	<u>\$104,933,763</u>

Included in the Construction in Progress decrease of \$12,703,185 was \$43,644 of dispositions representing expenditures incurred in prior fiscal years on construction projects that were cancelled during the fiscal year ended June 30, 2006. This is included in Public Works expense on the Statement of Activities.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 52,741
Public Safety	13,626
Community Development	17,048
Recreation and Parks	66,285
Public Works	3,116,848
Unallocated depreciation.	<u>121,615</u>
 Total depreciation expense - governmental activities	 <u>\$ 3,388,163</u>

Construction commitments

The City has active construction projects as of June 30, 2006. 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 \$5,225,090.

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, 2006 amounted to \$147,447. Future minimum lease revenues based on the terms of the existing leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$124,993
2008	124,482
2009	99,826
2010	99,599
2011	39,080
Thereafter	22,162
Total	<u><u>\$510,142</u></u>

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

7. LONG-TERM DEBT

The following is a summary of the long-term liability activity for the year ended June 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$225,257	\$151,077	(\$72,520)	\$303,814	\$86,070
Capital Lease Obligation - Lease Finance Program	3,250,000		(325,000)	2,925,000	325,000
Total	<u>\$3,475,257</u>	<u>\$151,077</u>	<u>(\$397,520)</u>	<u>\$3,228,814</u>	<u>\$411,070</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 bear interest at 3.8% to 6.35%. Lease payments are due on August 1 and February 1 of each year. All certificates maturing on any payment date after February 1, 2003 are subject to early redemption, in whole or in part, at par value.

On January 12, 2006 the City Council took action directing that the entire outstanding principal balance of the capital lease obligation be retired on August 1, 2006. Pursuant to that action and the requirements of the lease agreement, in June 2006 the City transferred funding to the CSDA's trustee, BNY Western Trust Company, equal to the estimated payoff amount. As of June 30, 2006 these reserve funds held by

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

the trustee totaled \$3,019,709, and this amount is included in the “Restricted cash and investments” on the Statement of Net Assets.

On August 1, 2006 the remaining principal balance of the debt (\$2,925,000) was retired along with accrued interest through the date of the retirement (\$92,869).

8. PENSION PLAN

Plan Description

The City of Dana Point contributes to the California Public Employee's Retirement System (“CalPERS”), an agent 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.

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 13.946% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For 2005-06, the City’s annual pension cost of \$388,368 for CalPERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, (c) 3% inflation, (d) 3.25% payroll growth, and (e) individual salary growth using a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3% and an annual production growth of 0.25%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed 20 year period.

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

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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.

THREE YEAR TREND INFORMATION FOR CalPERS

<u>Fiscal Year</u>		<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>		
6/30/2004		\$105,973	100%	0		
6/30/2005		\$242,682	100%	0		
6/30/2006		\$388,368	100%	0		

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL/ (Excess Assets) (UAAL)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2002	(Data prior to Implementation of risk pools on June 30, 2003 is unavailable.)					
6/30/2003	\$2,372,879,034	\$2,596,966,545	\$224,087,511	91.4%	\$725,020,458	30.9%
6/30/2004	\$2,746,095,668	\$2,460,944,656	\$285,151,012	89.6%	\$743,691,970	38.3%

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.

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.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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, 2006. 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 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, 2006 were not available at the time of this report.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

10. FUND BALANCES

Reservations and designations of fund balances of funds 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, real property held for resale and capital lease repayment. 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	1,500,000		
Designated for uninsured claims	1,000,000		
Designated for vehicle/equipment replacement	66,685		
Designated for emergencies	2,000,000		
Designated for roadway improvements		862,436	
Designated for open space acquisition		1,440,000	
Designated for utility undergrounding		3,375,000	
Designated for art in public places	115,111		
Designated for future year's expenditures	7,923,228	13,284,893	5,447,212
Total Unreserved, designated	\$12,605,024	\$18,962,329	\$5,447,212

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 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.

Reserve for capital lease repayment This reserve was created to reflect that portion of the investment portfolio balance that is held in the custody of the Trustee for the capital lease, which represents the final years' lease payment. These funds are not available for expenditure by the City, other than for the repayment of the capital lease obligation.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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 uninsured claims This designation was established to ensure that the City would maintain adequate funds for major claims against the City that are not covered through the City's insurance policies.

Unreserved/Designated for vehicle and equipment replacement This designation was established to ensure adequate funds are available for routine replacement of major office equipment and motor vehicles.

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.

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.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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 109 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. Loss development reserves are allocated by pool and by loss layer. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; 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 and the loss development reserve associated with losses \$750,000 to \$10,000,000 are pooled based on payroll. Costs of covered claims above \$10,000,000 are currently 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.

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. The 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 \$10,447,960. There is a \$5,000 per loss 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.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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. The City property currently has earthquake protection in the amount of \$8,274,081. 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.

Fidelity Bonds The City purchases blanket fidelity bond 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.

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 2005 and 2006, the City paid \$0, and \$6,667, respectively, for unemployment benefit claims.

Adequacy of Protection

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

CJPIA premiums for fiscal years 2005 and 2006 were \$323,260 and \$537,432, 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.

In fiscal year 1991, the City began designating a portion of the fund balance to be used to pay uninsured claims and judgments as well as any extraordinary claims beyond the City's policy limits. The City intends to maintain the fund balance designated for uninsured claims at the present level of \$1,000,000. As of June 30, 2006, 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 uninsured claims (\$1,000,000 as of June 30, 2006). Immaterial uninsured claims would be paid from routine operating revenues. There were no uninsured claims paid by the City in fiscal years 2005 or 2006.

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.

CITY OF DANA POINT
Notes to the Financial Statements
June 30, 2006

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, 2006.

13. SUBSEQUENT EVENT

Effective on July 28, 2006, the City completed formation of Dana Point Community Facilities District No. 2006-1 (the "CFD"). The CFD was formed to fund the construction of public improvements in the Headlands area of the City and to fund the ongoing future maintenance and of the improvements. The CFD is authorized to incur indebtedness and levy special taxes. Upon completion of the construction of the public improvements they will be donated to the City by the developer of the Headlands property.

SUPPLEMENTARY INFORMATION

CITY OF DANA POINT
Major Governmental Fund
June 30, 2006

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

Capital Improvement 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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$900,000	\$6,490,842	\$6,634,974	\$144,132
Other	-	251,874	252,959	1,085
Total revenues	<u>900,000</u>	<u>6,742,716</u>	<u>6,887,933</u>	<u>145,217</u>
EXPENDITURES				
Current:				
Public works	-	572,426	490,464	81,962
Capital outlays	6,655,000	24,879,543	12,192,184	12,687,359
Total expenditures	<u>6,655,000</u>	<u>25,451,969</u>	<u>12,682,648</u>	<u>12,769,321</u>
Excess (deficiency) of revenues over expenditures	(5,755,000)	(18,709,253)	(5,794,715)	12,914,538
OTHER FINANCING SOURCES				
Transfers in	1,916,086	2,037,086	2,024,999	(12,087)
Transfers out	(788,700)	(788,700)	(788,700)	-
ancing sources (uses)	<u>1,127,386</u>	<u>1,248,386</u>	<u>1,236,299</u>	<u>(12,087)</u>
Excess (deficiency) of revenues over expenditures	(4,627,614)	(17,460,867)	(4,558,416)	12,902,451
Fund balances, beginning	29,602,767	10,400,884	28,745,835	18,344,951
Fund balances, ending	<u>\$24,975,153</u>	<u>(\$7,059,983)</u>	<u>\$24,187,419</u>	<u>\$31,247,402</u>

CITY OF DANA POINT
Non-Major Governmental Funds
June 30, 2006

The City of Dana Point has established the following non-major 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 supplement 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.
AB2766 Fund	Used to account for funds received pursuant to the California Clean Air Act. Under this Act, the South Coast Air Quality Management District distribute 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 non-major capital project 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
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2006

	Special Revenue				Capital Project		Total Nonmajor Governmental Funds	
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit	AB 2766	Facilities Improvement		Park Development
ASSETS								
Cash and investments			\$122,979	\$1,161,818		\$1,385,668	\$2,647,913	\$5,318,378
Receivables:								
Taxes	\$64,525	\$74,909						139,434
Prepaid expenditures								
Total assets	<u>\$64,525</u>	<u>\$74,909</u>	<u>\$122,979</u>	<u>\$1,161,818</u>	<u>-</u>	<u>\$1,385,668</u>	<u>\$2,647,913</u>	<u>\$5,457,812</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable						\$10,600		\$10,600
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,600</u>		<u>10,600</u>
Fund Balances:								
Reserved for encumbrances								
Reserved for prepaid expenditures								
Unreserved:								
Designated for future years' expenditures	\$64,525	\$74,909	\$122,979	\$1,161,818		1,375,068	\$2,647,913	5,447,212
Total fund equity	<u>64,525</u>	<u>74,909</u>	<u>122,979</u>	<u>1,161,818</u>	<u>-</u>	<u>1,375,068</u>	<u>2,647,913</u>	<u>5,447,212</u>
Total liabilities and fund equity	<u>\$64,525</u>	<u>\$74,909</u>	<u>\$122,979</u>	<u>\$1,161,818</u>	<u>-</u>	<u>\$1,385,668</u>	<u>\$2,647,913</u>	<u>\$5,457,812</u>

CITY OF DANA POINT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds					Capital Project Funds		Total Non-major Governmental Funds
	Gasoline Tax	Supplemental Law Measure M	Enforcement Services	Coastal Transit	AB 2766	Facilities Improvement	Park Development	
REVENUES								
Taxes	\$669,864	\$406,978						\$1,076,842
Licenses, fees and permits							\$158,800	158,800
Intergovernmental			\$100,000		\$44,375			144,375
Use of money and property			4,744	\$39,300	4,100		87,500	135,644
Total revenues	<u>669,864</u>	<u>406,978</u>	<u>104,744</u>	<u>39,300</u>	<u>48,475</u>	<u>-</u>	<u>246,300</u>	<u>1,515,661</u>
EXPENDITURES								
Current:								
General government					24,625	\$4,462		29,087
Public safety			90,747					90,747
Recreation and parks							2,294	2,294
Capital outlays					54,875	163,670		218,545
Total expenditures	<u>-</u>	<u>-</u>	<u>90,747</u>	<u>-</u>	<u>79,500</u>	<u>168,132</u>	<u>2,294</u>	<u>340,673</u>
Excess (deficiency) of revenues over expenditures	<u>669,864</u>	<u>406,978</u>	<u>13,997</u>	<u>39,300</u>	<u>(31,025)</u>	<u>(168,132)</u>	<u>244,006</u>	<u>1,174,988</u>
OTHER FINANCING SOURCES (USES)								
Transfers in						1,543,200		1,543,200
Transfers out	(669,452)	(401,488)			(123,511)			(1,194,451)
Total other financing sources (uses)	<u>(669,452)</u>	<u>(401,488)</u>	<u>-</u>	<u>-</u>	<u>(123,511)</u>	<u>1,543,200</u>	<u>-</u>	<u>348,749</u>
Excess (deficiency) of revenues over expenditures	412	5,490	13,997	39,300	(154,536)	1,375,068	244,006	1,523,737
Fund balances, beginning	64,113	69,419	108,982	1,122,518	154,536	-	2,403,907	3,923,475
Fund balances, ending	<u>\$64,525</u>	<u>\$74,909</u>	<u>\$122,979</u>	<u>\$1,161,818</u>	<u>-</u>	<u>\$1,375,068</u>	<u>\$2,647,913</u>	<u>\$5,447,212</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$659,000	\$659,000	\$669,864	\$10,864
OTHER FINANCING USES				
Transfers out	(659,000)	(659,000)	(669,452)	(10,452)
Excess (deficiency) of revenues over other financing uses	-	-	412	412
Fund balance, beginning	64,113	64,113	64,113	-
Fund balance, ending	<u>\$64,113</u>	<u>\$64,113</u>	<u>\$64,525</u>	<u>\$412</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$416,086	\$416,086	\$406,978	(\$9,108)
OTHER FINANCING USES				
Transfers out	(416,086)	(416,086)	(401,488)	14,598
Excess of revenues over other financing uses	-	-	5,490	5,490
Fund balance, beginning	69,419	69,419	69,419	-
Fund balance, ending	<u>\$69,419</u>	<u>\$69,419</u>	<u>\$74,909</u>	<u>\$5,490</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental		\$100,000	\$100,000	-
Use of money and property	\$500	500	4,744	\$4,244
Total revenues	<u>500</u>	<u>100,500</u>	<u>104,744</u>	<u>4,244</u>
EXPENDITURES				
Public safety		<u>201,300</u>	<u>90,747</u>	<u>110,553</u>
Excess (deficiency) of revenues over expenditures	-	(100,800)	13,997	114,797
Fund balance, beginning	108,982	108,982	108,982	-
Fund balance, ending	<u>\$108,982</u>	<u>\$8,182</u>	<u>\$122,979</u>	<u>\$114,797</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$28,000	\$28,000		(\$28,000)
Use of money and property	35,000	35,000	\$39,300	4,300
Total revenues	<u>63,000</u>	<u>63,000</u>	<u>39,300</u>	<u>(23,700)</u>
EXPENDITURES				
General government	<u>120,000</u>	<u>120,000</u>		<u>120,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(57,000)	(57,000)	39,300	96,300
Fund balance, beginning	1,122,518	1,122,518	1,122,518	-
Fund balance, ending	<u>\$1,065,518</u>	<u>\$1,065,518</u>	<u>\$1,161,818</u>	<u>\$96,300</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$38,000	\$38,000	\$44,375	\$6,375
Use of money and property	3,000	3,000	4,100	1,100
Total revenues	<u>41,000</u>	<u>41,000</u>	<u>48,475</u>	<u>7,475</u>
EXPENDITURES				
General government	20,000	20,000	24,625	(4,625)
Capital Outlays	95,500	95,500	54,875	40,625
Total expenditures	<u>115,500</u>	<u>115,500</u>	<u>79,500</u>	<u>36,000</u>
Excess (deficiency) of revenues over expenditures	(74,500)	(74,500)	(31,025)	43,475
OTHER FINANCING USES				
Transfers out	-	121,000	(123,511)	(244,511)
Fund balance, beginning	154,536	154,536	154,536	-
Fund balance, ending	<u>\$80,036</u>	<u>\$201,036</u>	<u>-</u>	<u>(\$201,036)</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
General government	\$5,000	\$5,000	\$4,462	\$538
Capital outlays	1,238,200	1,538,200	163,670	1,374,530
Total expenditures	<u>1,243,200</u>	<u>1,543,200</u>	<u>168,132</u>	<u>1,375,068</u>
OTHER FINANCING SOURCES				
Transfers in	<u>1,243,200</u>	<u>1,543,200</u>	<u>1,543,200</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	-	-	1,375,068	1,375,068
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>-</u>	<u>-</u>	<u>\$1,375,068</u>	<u>\$1,375,068</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses, fees and permits	\$100,000	\$100,000	\$158,800	\$58,800
Use of money and property	80,000	80,000	87,500	7,500
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>246,300</u>	<u>66,300</u>
EXPENDITURES				
Recreation and parks	-	2,294	2,294	-
Excess (deficiency) of revenues over expenditures	180,000	177,706	244,006	66,300
Fund balance, beginning	2,299,595	2,260,413	2,403,907	143,494
Fund balance, ending	<u>\$2,479,595</u>	<u>\$2,438,119</u>	<u>\$2,647,913</u>	<u>\$209,794</u>

CITY OF DANA POINT

Agency Funds

June 30, 2006

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

Developer Deposits Fund

Used to account for deposits placed with the City by developers to ensure that developers perform required services. These deposits are fully refundable.

Pass-through Deposits Fund

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

CITY OF DANA POINT
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2006

	Developer Deposits	Pass-through Deposits	Totals
ASSETS			
Cash and investments	\$1,302,083	\$9,083	\$1,311,166
LIABILITIES			
Deposits	\$1,302,083		\$1,302,083
Due to other agencies		\$9,083	9,083
Total liabilities	\$1,302,083	\$9,083	\$1,311,166

CITY OF DANA POINT
Statement of Changes in Fiduciary Net Assets
Agency Funds
Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>DEVELOPER DEPOSITS</u>				
ASSETS:				
Cash and investments	\$1,230,381	\$1,083,145	\$1,011,443	\$1,302,083
LIABILITIES:				
Deposits	\$1,230,381	\$1,083,145	\$1,011,443	\$1,302,083
 <u>PASS-THROUGH DEPOSITS</u>				
ASSETS:				
Cash and investments	\$32,469	\$138,517	\$161,903	\$9,083
LIABILITIES:				
Due to other agencies	\$32,469	\$138,517	\$161,903	\$9,083
 <u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$1,262,850	\$1,221,662	\$1,173,346	\$1,311,166
LIABILITIES:				
Deposits	\$1,230,381	\$1,083,145	\$1,011,443	\$1,302,083
Due to other agencies	32,469	138,517	161,903	9,083
Total Liabilities	\$1,262,850	\$1,221,662	\$1,173,346	\$1,311,166

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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This schedule offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
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- (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 Four Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	<u>1997</u>	<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>
Governmental activities										
Invested in capital assets, net of related debt	-	-	-	-	-	-	\$70,422	\$79,950	\$84,296	\$102,009
Restricted	-	-	-	-	-	-	3,706	5,152	5,412	8,069
Unrestricted	-	-	-	-	-	-	46,909	40,503	42,388	37,504
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>N/A (1)</u>	<u>\$121,037</u>	<u>\$125,605</u>	<u>\$132,096</u>	<u>\$147,582</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 Four Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>1997</u>	<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>
Expenses										
Governmental activities:										
General Government							\$3,782	\$3,715	\$4,588	\$4,977
Public Safety							6,217	6,845	7,014	7,558
Community Development							1,779	1,875	2,149	2,582
Recreation and Parks							1,486	1,678	2,085	3,303
Public Works							6,476	6,646	8,777	8,294
Interest on Long-term Debt							249	225	207	187
Unallocated Depreciation							74	76	85	122
Total governmental activities expenses	-	-	-	-	-	-	\$20,063	\$21,060	\$24,905	\$27,023
Program Revenues										
Governmental activities:										
Charges for services:										
General Government							\$265	\$138	\$843	\$155
Public Safety							339	418	488	461
Community Development							1,331	1,161	1,344	2,266
Recreation and Parks							254	219	221	224
Public Works							265	155	288	131
Operating grants and contributions							2,665	1,475	1,585	1,449
Capital grants and contributions							2,612	1,836	5,176	5,819
Total governmental activities program revenues	-	-	-	-	-	-	\$7,731	\$5,402	\$9,945	\$10,505
Total government net expense	-	-	-	-	-	-	\$12,332	\$15,658	\$14,960	\$16,518
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes							\$3,912	\$4,209	\$4,524	\$5,009
Franchise taxes							942	936	1,034	1,076
Sales taxes							3,795	4,015	3,117	3,447
In-lieu sales taxes							0	0	964	888
Property transfer taxes							319	498	525	441
Transient occupancy taxes							8,146	8,478	7,763	9,533
Motor vehicle in-lieu (unrestricted)							2,095	1,678	2,553	2,486
Miscellaneous							113	61	152	52
Investment revenue							1,275	351	819	1,433
Total governmental activities	-	-	-	-	-	-	\$20,597	\$20,226	\$21,451	\$24,365
Donated capital asset							0	0	0	7,640
Change in Net Assets	N/A (1)	N/A (1)	N/A (1)	N/A (1)	N/A (1)	N/A (1)	\$8,265	\$4,568	\$6,491	\$15,487

(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)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	3,727,934	4,160,640	4,004,864	939,930	1,248,818	1,447,274	1,555,007	2,105,588	1,318,128	3,715,008
Unreserved	11,986,643	14,346,431	19,619,437	22,816,812	28,139,515	28,592,385	20,324,047	14,250,588	12,808,000	12,605,024
Total general fund	<u>\$15,714,577</u>	<u>\$18,507,071</u>	<u>\$23,624,301</u>	<u>\$23,756,742</u>	<u>\$29,388,333</u>	<u>\$30,039,659</u>	<u>\$21,879,054</u>	<u>\$16,356,176</u>	<u>\$14,126,128</u>	<u>\$16,320,032</u>
All other governmental funds										
Reserved	\$1,039,745	\$1,157,385	\$765,611	\$2,459,429	\$2,118,804	\$2,949,913	\$4,301,089	\$6,699,027	\$3,741,182	\$5,225,090
Unreserved, reported in:										
Special revenue funds	293,052	216,533	367,572	335,683	506,038	386,366	1,330,064	1,474,530	1,499,568	1,424,231
Capital project funds	4,066,576	6,295,148	7,572,037	8,972,946	10,639,837	14,128,883	23,293,097	21,368,395	27,428,560	22,985,310
Total all other governmental funds	<u>\$5,399,373</u>	<u>\$7,669,066</u>	<u>\$8,705,220</u>	<u>\$11,768,058</u>	<u>\$13,264,679</u>	<u>\$17,465,162</u>	<u>\$28,924,250</u>	<u>\$29,541,952</u>	<u>\$32,669,310</u>	<u>\$29,634,631</u>

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$11,456,056	\$11,896,888	\$13,398,608	\$13,772,590	\$14,345,504	\$15,801,870	\$17,277,662	\$18,247,449	\$17,964,889	\$20,394,689
Licences, fees and permits	1,116,559	1,080,734	1,646,715	1,973,116	1,812,808	1,715,867	2,451,528	1,959,478	1,936,198	1,925,733
Fines and forfeitures	270,743	252,083	318,197	315,066	310,430	353,351	352,351	428,222	492,097	468,382
Intergovernmental	2,620,594	3,199,318	3,066,049	3,250,914	3,225,854	4,122,352	4,710,625	3,188,961	5,505,831	9,413,195
Charges for services	401,659	493,202	576,799	836,945	737,538	816,486	1,049,628	920,919	1,893,480	1,905,662
Use of money and property	1,191,016	1,547,392	1,724,657	2,141,164	3,107,510	2,241,820	1,638,014	572,978	1,016,253	1,740,370
Other	424,829	187,243	138,773	181,853	182,846	197,823	815,552	352,249	1,271,126	337,443
Total revenues	<u>17,481,456</u>	<u>18,656,860</u>	<u>20,869,798</u>	<u>22,471,648</u>	<u>23,722,490</u>	<u>25,249,569</u>	<u>28,295,360</u>	<u>25,670,256</u>	<u>30,079,874</u>	<u>36,185,474</u>
Expenditures										
General government	2,220,042	2,208,506	2,796,809	3,972,865	3,135,187	3,488,843	3,686,519	3,585,732	4,450,167	4,845,539
Public safety	4,735,432	5,140,848	4,902,010	5,179,187	5,236,598	5,448,433	6,216,979	6,842,707	7,007,425	7,544,084
Community development	894,042	921,077	1,397,337	1,397,854	1,331,112	1,396,807	1,767,775	1,866,352	2,132,155	2,564,951
Recreation and parks	1,061,203	915,126	894,946	872,814	1,025,040	1,253,032	1,234,776	1,622,101	2,029,117	3,237,137
Public works	1,871,024	1,872,336	1,857,200	1,962,722	2,378,213	2,950,950	4,337,543	4,129,151	5,404,680	5,133,601
Capital outlay	2,310,008	2,013,297	2,345,384	5,369,904	3,242,915	5,335,652	7,726,890	12,006,971	7,639,307	13,180,287
Debt service:										
Principal	200,000	210,000	220,000	230,000	245,000	260,000	270,000	290,000	305,000	325,000
Interest	323,428	313,483	302,728	291,023	278,190	264,043	248,802	232,418	214,713	195,650
Total expenditures	<u>13,615,179</u>	<u>13,594,673</u>	<u>14,716,414</u>	<u>19,276,369</u>	<u>16,872,255</u>	<u>20,397,760</u>	<u>25,489,284</u>	<u>30,575,432</u>	<u>29,182,564</u>	<u>37,026,249</u>
Excess of revenues over (under) expenditures	3,866,277	5,062,187	6,153,384	3,195,279	6,850,235	4,851,809	2,806,076	(4,905,176)	897,310	(840,775)
Other financing sources (uses)										
Transfers in	3,277,704	5,906,158	3,549,842	8,777,089	4,641,270	8,262,560	16,630,855	11,642,343	7,964,035	4,237,651
Transfers out	(3,277,704)	(5,906,158)	(3,549,842)	(8,777,089)	(4,641,270)	(8,262,560)	(16,630,855)	(11,642,343)	(7,964,035)	(4,237,651)
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	-	-	-	-	277,977	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-	492,407	-	-	-
Net change in fund balances	<u>\$3,866,277</u>	<u>\$5,062,187</u>	<u>\$6,153,384</u>	<u>\$3,195,279</u>	<u>\$7,128,212</u>	<u>\$4,851,809</u>	<u>\$3,298,483</u>	<u>(\$4,905,176)</u>	<u>\$897,310</u>	<u>(\$840,775)</u>
Debt service as a percentage of noncapital expenditures	4.9%	4.7%	4.4%	3.9%	4.0%	3.6%	3.0%	2.9%	2.5%	2.2%

CITY OF DANA POINT
 Program Revenues by Function/Program
 Last Four Fiscal Years
 (accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function/Program										
Governmental activities:										
General government	-	-	-	-	-	-	\$310,148	\$182,799	\$878,295	\$203,016
Public safety	-	-	-	-	-	-	712,648	750,889	942,610	745,667
Community development	-	-	-	-	-	-	2,379,289	1,211,873	1,367,790	2,305,614
Recreation and parks	-	-	-	-	-	-	931,858	799,927	824,271	470,410
Public works	-	-	-	-	-	-	3,397,589	2,456,935	5,931,354	6,779,747
Total governmental activities	N/A (1)	N/A (1)	N/A (1)	N/A (1)	N/A (1)	N/A (1)	\$7,731,532	\$5,402,423	\$9,944,320	\$10,504,454

(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 Sales Tax (2)	Property Transfer Tax	Transient Occupancy Tax (3)	Total
1997	\$2,398	\$610	\$2,677	\$932	\$259	-	\$152	\$5,038	\$12,066
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	\$964	525	7,763	18,999
2006	5,009	1,076	3,447	670	407	888	441	9,533	21,471

- (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 70 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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total property tax levy	\$2,459,318	\$2,461,837	\$2,686,963	\$3,085,557	\$3,273,954	\$3,613,158	\$3,955,929	\$4,285,120	\$4,537,601	\$5,051,277
Current year collections	\$2,265,606	\$2,380,103	\$2,605,973	\$3,025,940	\$3,211,024	\$3,483,990	\$3,895,324	\$4,209,403	\$4,450,778	\$5,009,267
Current year delinquencies	\$88,295	\$81,664	\$81,833	\$59,617	\$62,930	\$129,168	\$60,605	\$75,717	\$86,823	\$109,063
Percent delinquent	3.7%	3.3%	3.1%	1.9%	1.9%	3.6%	1.5%	1.8%	1.9%	2.2%

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed value	\$3,547,843,696	\$3,574,532,241	\$3,863,177,199	\$4,331,938,719	\$4,594,760,741	\$5,111,518,925	\$5,516,436,253	\$5,941,464,922	\$6,250,662,258	\$6,998,388,409
Estimated actual value (see note)	\$3,547,843,696	\$3,574,532,241	\$3,863,177,199	\$4,331,938,719	\$4,594,760,741	\$5,111,518,925	\$5,516,436,253	\$5,941,464,922	\$6,250,662,258	\$6,998,388,409
Annual increase in assessed value	\$9,686,367	\$26,688,545	\$288,644,958	\$468,761,520	\$262,822,022	\$516,758,184	\$404,917,328	\$425,028,669	\$309,197,336	\$747,726,151
Annual % increase in assessed value	0.3%	0.8%	8.1%	12.1%	6.1%	11.2%	7.9%	7.7%	5.2%	12.0%

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 Six Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>Distribution of Basic 1% Levy:</u>										
Capistrano Unified School District	-	-	-	-	\$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
Orange County Fire Authority	-	-	-	-	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
Orange County General Fund	-	-	-	-	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
Orange County Flood Control District	-	-	-	-	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
Orange County Department of Education	-	-	-	-	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
Capistrano Beach County Water District	-	-	-	-	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
Orange County Transportation Authority	-	-	-	-	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
Orange County Cemetary District	-	-	-	-	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
<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
Capistrano Unified ID#1 1999 Bond Fund - Series A	-	-	-	-	0.0086	0.0053	0.0053	0.0034	0.0031	0.0031
Capistrano Unified ID#1 1999 Bond Fund - Series B	-	-	-	-	0.0000	0.0031	0.0031	0.0054	0.0049	0.0049
Capistrano Unified ID#1 1999 Bond Fund - Series C	-	-	-	-	0.0000	0.0000	0.0000	0.0031	0.0027	0.0027
Combined Total Property Tax Rate (2)	<u>N/A (3)</u>	<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>

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 2006				Fiscal Year 1997			
	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid
CPH Monarch Golf LLC	\$183,989,953	\$151,899	1	3.03%	-	-	-	-
SHC Laguna Niguel 1 LLC	180,023,352	149,642	2	2.99%	-	-	-	-
Monarch Bay Two	84,219,674	116,755	3	2.33%	\$28,689,237	\$45,048	3	1.88%
Prisa Acquisition LLC	90,029,463	50,319	4	1.00%	-	-	-	-
Headlands Reserve LLC	68,553,762	42,184	5	0.84%	-	-	-	-
Capital Pacific Homes, Inc.	32,262,894	25,681	6	0.51%	-	-	-	-
Stephen J. Muller	10,859,401	23,530	7	0.47%	-	-	-	-
ST Apartments	23,725,256	21,251	8	0.42%	-	-	-	-
Thersa C. Morrison	18,349,852	15,286	9	0.31%	10,318,016	8,595	9	0.36%
Frances A. Bass Trust	5,550,329	14,110	10	0.28%	2,973,162	7,558	12	0.32%
Shamrock Estates, LLC	5,550,000	14,109	11	0.28%	-	-	-	-
Doheny Estates, LLC	16,943,974	12,917	12	0.26%	-	-	-	-
John F. Kayyem Trust	4,700,000	11,947	13	0.24%	-	-	-	-
Michael A. Giurbino Trust	4,313,709	10,965	14	0.22%	-	-	-	-
Pamela M. Jannard	4,229,427	10,752	15	0.21%	-	-	-	-
Prudential Insurance Co. of America	-	-	-	-	110,513,914	91,863	1	3.83%
Monarch Bay Resort, Inc.	-	-	-	-	63,629,006	51,970	2	2.17%
Connecticut General Life Ins. Co.	-	-	-	-	39,950,000	22,346	4	0.93%
Sea Terrace Homeowners Assn.	-	-	-	-	13,843,057	12,399	5	0.52%
Parcel RP Inc.	-	-	-	-	14,000,000	11,637	6	0.49%
Bear Brand Partners	-	-	-	-	32,237,982	10,061	7	0.42%
Emeritus Dana Point Ltd. Pship.	-	-	-	-	16,118,300	9,619	8	0.40%
Monarch Beach Venture Ltd.	-	-	-	-	10,309,750	8,027	10	0.33%
Pamela Jannard	-	-	-	-	2,989,710	7,600	11	0.32%
Monarch Beach 72 Partners	-	-	-	-	8,763,300	7,284	13	0.30%
Steven F. Udvar-Hazy Trust	-	-	-	-	7,885,121	6,554	14	0.27%
Robert D. Trette	-	-	-	-	2,554,182	6,493	15	0.27%
Totals	<u>\$733,301,046</u>	<u>\$671,347</u>		<u>13.40%</u>	<u>\$364,774,737</u>	<u>\$307,054</u>		<u>12.81%</u>

Source: Hinderliter De Llamas

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
1997	\$1,587,945	\$59,846	\$512,079	\$187,332	\$10,177	\$287,762	\$2,645,141
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

Top 25 Sales Tax Producers
Fiscal Year 2006

<u>Business Name (1)</u>	<u>Business Type</u>
Albertson's	Grocery 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 (Golden Lantern)	Grocery stores
Ralphs (Pacific Coast Highway)	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 = 55.74%

(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
1996	\$5,480,000	\$5,480,000	0.435%	\$147
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

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, 2006

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>City Share @ 6/30/06</u>
Orange County Teeter Plan Obligations	\$2,811,032
Metropolitan Water District	1,866,016
Capistrano Unified School District Facilities Impv. Dist. No. 1	11,698,079
South Coast Water District	3,314,822
Moulton Niguel Water District, I.D. #7	1,839,471
Santa Margarita Water District I.D. #3	11,788
Orange County Assessment District #94-1	<u>886,872</u>
Total Direct and Overlapping Tax and Assessment Debt:	<u>22,428,080</u>
<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>	
Orange County General Fund Obligations	14,314,100
Orange County Pension Fund Obligations	2,265,554
Orange County Board of Education Certificates of Participation	450,310
Orange County Transportation Authority	56,118
Municipal Water District of Orange County Water Facilities Corp.	762,945
South Orange County Community College District Cert. of Participation	2,081,859
Capistrano Unified School District Certificates of Participation	4,994,097
City of Dana Point - Certificates of Participation	2,925,000
Dana Point Sanitary District Certificates of Participation	1,381,618
Moulton-Niguel Water District Certificates of Participation	445,073
South Coast Water District (SCWD) General Fund Obligations	2,448,571
Orange County Fire Authority General Obligations	<u>742,649</u>
Total Gross Overlapping General Fund Obligation Debt:	32,867,894
Less: Orange County Transit Authority (80% self-supporting)	(44,895)
MWDOC Water Facilities Corp. (100% self-supporting)	(762,945)
SCWD General Fund Obligations (100% self-supporting)	<u>(2,448,571)</u>
Total Net Overlapping General Fund Obligation Debt:	<u>\$29,611,483</u>
GROSS COMBINED TOTAL DEBT	\$54,939,475 (1)
NET COMBINED TOTAL DEBT	\$51,683,064

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

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: California Municipal Statistics, Inc.

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed Valuation	<u>\$3,547,844</u>	<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>
Legal Debt Limit = 3.75% of Total Assessed Valuation	133,044	134,045	144,869	162,448	172,304	191,682	206,866	222,805	234,400	262,440
Amount of Debt Applicable to Limit:										
Certificates of Participation/Capital Lease	5,280	5,070	4,850	4,620	4,375	4,115	3,845	3,555	3,250	2,925
Legal Debt Margin	<u>127,764</u>	<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>

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Population	38,575	37,343	38,004	37,611	37,611	35,415	36,312	35,416	37,283	36,854
Age Distribution:										
0 - 4	2,360	2,407	2,474	2,089	2,089	1,917	1,913	1,890	1,996	1,950
5 - 14	4,491	4,106	4,363	4,168	4,168	3,897	4,020	3,837	4,079	4,026
15 - 19	1,769	2,102	2,215	2,058	2,058	1,955	1,953	1,925	1,987	1,911
20 - 24	1,848	2,359	2,324	2,252	2,252	1,763	1,980	2,106	2,216	2,181
25 - 34	6,750	6,004	5,869	5,753	5,753	4,874	4,537	4,323	4,503	4,503
35 - 44	7,893	7,336	7,357	7,617	7,617	5,929	5,935	5,639	5,812	5,587
45 - 64	8,614	8,809	9,089	9,022	9,022	10,185	10,747	10,459	11,209	11,335
65 - 74	2,893	2,551	2,539	2,742	2,742	2,709	2,848	2,816	2,861	2,777
75-84	1,534	1,282	1,362	1,458	1,458	1,735	1,876	1,895	2,045	1,994
85 and over	423	387	412	452	452	451	503	526	575	590
Total	<u>38,575</u>	<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>
Median Age	37.5	37.3	37.5	37.5	37.5	40.7	41.5	41.6	41.8	42.0
Per capita income	\$31,437	\$32,467	\$36,174	\$41,945	\$41,945	\$38,303	\$44,179	\$46,848	\$46,381	\$45,461
Personal income (,000,000)	\$1,213	\$1,212	\$1,375	\$1,578	\$1,578	\$1,357	\$1,604	\$1,659	\$1,729	\$1,675
Median household income	\$61,142	\$62,656	\$61,831	\$70,306	\$70,306	\$68,949	\$72,590	\$75,190	\$78,392	\$78,160
Average household income	\$78,640	\$80,828	\$88,429	\$102,799	\$102,799	\$90,945	\$106,384	\$111,959	\$111,051	\$110,715
Civilian unemployment rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.3%	5.2%	4.4%
Number of families	9,965	9,319	9,622	9,431	9,431	9,235	9,278	9,219	9,753	9,435
Number of households	15,316	14,910	15,461	15,251	15,251	14,582	14,850	14,596	15,342	14,909
Average household size	2.50	2.49	2.44	2.45	2.45	2.42	2.43	2.42	2.42	2.46
Households, by income:										
Less than \$15,000	\$1,105	\$1,000	\$1,074	\$781	\$781	\$781	\$858	\$829	\$839	\$794
\$15,000 - \$24,999	1,155	1,045	1,116	871	871	933	984	912	840	829
\$25,000 - \$34,999	1,379	1,209	1,287	1,090	1,090	1,110	910	900	928	890
\$35,000 - \$49,999	2,232	2,233	2,321	1,961	1,961	1,913	2,084	1,705	1,698	1,551
\$50,000 - \$74,999	3,772	3,643	3,810	3,487	3,487	3,234	2,803	2,931	2,951	3,024
\$75,000 - \$99,999	2,191	2,150	2,215	2,481	2,481	2,051	2,077	2,038	2,346	2,224
\$100,000 - \$149,999	2,074	2,068	2,101	2,474	2,474	2,682	2,608	2,657	2,913	2,729
Over \$150,000	1,408	1,562	1,537	2,106	2,106	1,878	2,526	2,624	2,827	2,868
Total	<u>\$15,316</u>	<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>

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>General government:</u>										
City Manager's Office	2.10	2.70	2.70	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Economic Development	1.25	-	-	-	-	-	-	-	-	-
City Clerk	4.00	4.00	4.00	4.00	4.00	4.00	2.75	3.75	3.75	3.75
Administrative Services	4.50	4.50	4.50	4.50	4.50	4.50	5.75	5.75	5.75	6.75
Facilities	-	-	-	-	0.33	0.33	-	-	0.50	1.50
<u>Public Safety</u>										
Police Services	0.33	0.10	0.10	-	-	-	-	-	-	-
Emergency Services	1.33	1.20	1.20	1.00	1.00	1.00	1.00	1.00	1.50	1.50
<u>Community Development</u>										
Planning	7.00	6.00	6.00	3.00	4.00	3.00	4.00	5.00	6.00	9.00
Building	0.50	0.50	0.50	0.50	1.50	1.50	1.50	1.50	2.50	3.50
Code Enforcement	3.00	2.00	2.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50
<u>Recreation and Parks</u>										
Parks	0.66	0.67	0.67	0.67	1.00	1.00	0.67	1.67	1.67	3.00
Community Services	4.00	4.00	4.00	4.00	3.00	4.00	3.00	4.00	4.00	4.00
<u>Public Works</u>										
Administration	2.83	2.83	2.83	3.33	3.33	3.33	4.33	4.33	4.33	2.33
Street/Drainage Maintenance	0.66	0.67	0.67	0.67	1.00	1.00	1.17	1.16	1.16	1.33
Traffic Engineering	0.50	0.50	0.50	0.50	0.50	0.50	0.50	-	-	-
Solid Waste	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.34
Engineering	0.50	0.50	0.50	0.50	1.00	1.00	1.50	1.00	2.00	5.00
Water Quality	-	-	-	-	0.50	0.50	0.50	1.50	1.50	1.00
Total	33.50	30.50	30.50	27.50	30.50	30.50	31.50	35.50	39.50	47.50

CITY OF DANA POINT
Operating Indicators by Function/Program
Fiscal Year 2006

	Fiscal Year	
	Prior	2006
<u>Police (1)</u>		
Arrests	*	2,153
Calls for service	*	17,091
Parking citations issued	*	9,795
Traffic citations issued	*	6,666
<u>Fire (2)</u>		
Incidents	*	2,326
Unit responses	*	4,619
Fires	*	55
Inspections conducted	*	720
<u>Refuse Collection (3)</u>		
Refuse collected (tons/day)	*	83
Recyclables collected (tons/day)	*	82
<u>Community Development</u>		
Building permits issued	*	1,663
Value of building permits issued	*	\$49,420,168
Inspections conducted	*	7,960
New code enforcement cases opened	*	699
Code enforcement cases closed	*	687
<u>Public Works</u>		
Miles of street resurfaced	*	8
Potholes repaired	*	103
Inspections completed	*	300
<u>Parks and recreation</u>		
Number of classes offered	*	421
Number of activities/trips conducted	*	10
Number of participants:	*	
Youth classes	*	1,168
Youth & adult classes	*	281
Adult classes	*	769
Sports leagues	*	600
Excursions	*	259
Total participants		3,077

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 Year 2006

	Fiscal Year	
	Prior	2006
<u>Police (1)</u>		
Stations	*	1
Patrol units (cars)	*	
Patrol units (motorcycles)	*	3
Fire stations		2
<u>Refuse Collection (3)</u>		
Collection trucks	*	16
<u>Public Works</u>		
Miles of arterial streets maintained	*	14.81
Miles of non-arterial streets maintained		55.58
Miles of storm drains maintained		47.19
Number of traffic signals	*	36
Number of street lights (4)	*	1,466
<u>Parks and recreation</u>		
Number of parks	*	21
Total park acreage	*	65.7
Number of baseball/softball diamonds	*	7
Number of community centers	*	1
Number of tennis courts	*	8
Number of basketball courts	*	5

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