

CITY OF DANA POINT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008



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

Douglas C. Chotkevys, City Manager

Prepared by:
Department of Administrative Services

CITY OF DANA POINT
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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November 15, 2008

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, 2008, 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, 2008, financial statements was performed by Rogers, Anderson, Malody and Scott, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008, are free of material misstatement. Rogers, Anderson, Malody and Scott concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Dana Point's financial statements for the year ended June 30, 2008, are fairly presented in conformity with Generally Accepted Accounting Principles ("GAAP"). The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE CITY

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

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

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

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

On December 22, 1993, pursuant to a resolution of the Orange County Local Agency Formation Commission ("LAFCO"), the Capistrano Bay Park and Recreation District (the "Park District")

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

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

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

LOCAL ECONOMY

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

The City is highly reliant upon the tourism industry which is the City's principal revenue source. At 30% of governmental revenues, transient occupancy taxes were the City's single largest revenue source in fiscal 2008. This tax is imposed at the rate of 10% upon visitors staying in lodgings located in the City. The luxury hotels that many visitors stay in are also the City's largest individual property-tax payers, the largest employers and the largest sales-tax generators. Moreover, their guests dine in the restaurants, shop in retail establishments and partake of recreational opportunities within the City that provide other streams of revenue to the City's merchants as well as its government. In total, it is estimated that the tourism industry directly or indirectly contributes 45-50% of total General Fund revenues.

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

in the Headlands area of the City, which is adjacent to the Dana Point Harbor. The Headlands project received final development approval from the City and the California Coastal Commission in fiscal 2006 and final grading operations were completed in fiscal 2008. Custom lot sales began last year and the first new homes are currently under construction. When completed, the Headlands development will ultimately include 118 luxury homes together with public park facilities, open space, lodging and visitor-serving retail establishments. The Headlands area is expected to be built-out over the next three to five years, although this timetable may be significantly altered depending upon how the local and national economy fares over the next several years.

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

Fiscal 2008 represented a record year for transient occupancy tax revenues, totaling \$11.3 million. This represented an increase of 3.8% over fiscal 2007. Although they began to slow in the latter half of fiscal 2008, the City has experienced strong growth over the past two fiscal years in transient occupancy tax revenues, with a total increase of \$1.8 million, or 18.5%, during this two-year period. This growth was attributable to a combination of higher room rates and occupancy levels, as no new hotels were opened during this period. Sales tax generation weakened in fiscal 2008, falling by 2.4%. It became evident in the sales tax receipts from the second half of fiscal 2008 that sales tax revenues were continuing to weaken as the effects of the sluggish economy began to impact the tourism industry. The City anticipates this weakness to continue through fiscal 2009 and possibly beyond. For fiscal 2009, transient occupancy tax and sales tax revenues are likely to decline from the fiscal 2008 level.

Over the last few years, California's economic growth and unemployment rates have largely mirrored that of the rest of the United States. However, over the last 12 months the California economy, due largely to the collapse of the housing market, has weakened at a quicker pace. Although local unemployment rates are unavailable, the Bureau of Labor Statistics reports that unemployment rates in the greater Los Angeles / Orange County metro area have increased from 4.9% in 2007 to 7.3% in 2008. The 7.3% rate exceeds the national unemployment rate which averaged 6.0%. Locally, the Dana Point populace has experienced significant growth in median household income (up 38.4% since 2000) and per capita income (up 34.4% since 2000). Recent forecasts point to continued income growth over the next five years. Home values, which have dropped over the last 18 months, are widely expected to remain flat or drop further.

After rising by 9.9% in fiscal 2007, growth in citywide assessed real property valuation slowed in fiscal 2008, rising by \$347 million, or 4.1%, to \$8.830 billion which is an all-time record. It should be noted that the actual underlying *market* values typically increase much more than the assessed valuations. Under Proposition 13, growth in *assessed* valuation is limited to 2% per year, except in cases where property is sold, at which time it is reassessed to market value.

A threat to the City's economic future remains in the State of California's ongoing budget problems. The State continues to face a structural budget deficit insofar as the budget only

remains balanced when revenues continue to grow rapidly every year. For fiscal 2009, the State was nearly 3 months late in adopting its budget, which was balanced by using what appears to be overly optimistic revenue assumptions, changes in accounting practices and borrowings. Due to the economic downturn due to declining revenues, State budget shortfall estimates for fiscal 2009 currently range from \$10 – 15 billion, and the Governor has called for an emergency session of the legislature to address the issue.

For the last decade the State has experienced repeated budget crises due to a fundamental imbalance between revenues and expenditures, and has a long history of balancing its budgets by taking funds from cities and counties. This has often resulted in the State temporarily (and in some cases permanently) diverting revenues from local governments. In fiscal 2008 the State temporarily borrowed \$219,000 of City highway user tax revenues in order to deal with a mid-year cash flow crisis in the State coffers. It is unknown the extent to which future State budget actions may impact the City's revenues in future years.

LONG-TERM FINANCIAL PLANNING

As of June 30, 2008, the City had \$20.7 million of designations of fund balance in the General Fund. These designations included \$6.2 million for emergencies, \$3.1 million for cash flow needs and \$2.9 million for the future replacement of City infrastructure assets. The remainder of \$8.5 million is designated to provide for economic uncertainties in future City revenues and expenditures. In fiscal 2007 the City Council formally adopted a policy to set aside each fiscal year permanent minimum reserves equal to 30% of General Fund revenues. This policy is reflected in the reserve balances.

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

The City has aggressively pursued opportunities to work with the State, County, local agencies, developers and non-profit groups whenever possible to jointly fund the cost of infrastructure improvements. In the past, the City has joint-ventured with the local school district and neighboring cities to improve shared recreational facilities, and continues to seek out similar partnerships. In fiscal 2008, the City was successful in obtaining \$1.8 million outside funding for a variety of capital improvement projects.

The City provides retirement benefits to its employees through contributions to the California Public Employee's Retirement System ("CalPERS"), a cost-sharing multiple-employer public employee defined benefit pension plan. As discussed in Note 8 to the financial statements, in fiscal 2006 CalPERS assigned the City to a risk pool consisting of similarly sized agencies. The purpose of the risk pool is to provide greater consistency in contribution rates from year to year. The risk pool has a substantial unfunded liability and as a result the City's pension contribution

rates are expected to remain slightly higher than would otherwise be required for the next eleven years in order to amortize the liability.

MAJOR INITIATIVES

Beginning in fiscal 2005 the City initiated the development of the Town Center Specific Plan (“TCSP”). The Town Center is the City’s symbolic “downtown.” The City’s goal, as set forth in the General Plan, is to create the conditions for a thriving diversity of retail, office and residential uses that will promote positive pedestrian activity. After numerous public hearings, newsletters and other outreach efforts, the City Council adopted the TCSP on November 9, 2006. The TCSP includes a series of policies, development standards and design guidelines which are intended to guide the transformation of the Town Center into a pedestrian-oriented, mixed-use district which serves the community more effectively and creates a more meaningful place that adds to the identity of Dana Point. The first major construction step towards implementation of the TCSP was undertaken in fiscal 2008 with the PCH Congestion Relief project. This project seeks to relieve traffic congestion at the juncture of PCH and the entrance to the harbor through creation of an overhead pedestrian bridge, lane widening, sidewalk enhancements, bus turnouts and street reconfiguration. This \$6 million project, located at the southern end of the Town Center area, will be completed in mid-fiscal 2009. The City Council will develop additional programs in future fiscal years to implement additional elements of the TCSP.

In 2006 the City and California Coastal Commission gave final approval for the development of the Headlands area of the City. The mass grading component of the site was completed in fiscal 2008 and the developer has made significant progress towards the completion of public improvements on the site. These public improvements, which include storm drains, streets, funicular, parks, landscaping and utilities, are being partially funded through a community facilities district that was formed in June 2006. The community facilities district may ultimately issue up to \$40 million of debt which will be repaid by special assessments on the new parcels located in the Headlands development. By the end of fiscal 2008 a total of 30 of the 118 lots had been sold and a number of these were under active construction. In addition to the custom residential lots, there are six commercial/hotel parcels on the Headlands site. The commercial area is zoned to permit 35,000 square feet of retail and office space, including a 40-bed hostel and a visitor information center. Construction of this commercial area is expected to commence as early as fiscal 2009. The hotel site is likely to be developed into a condominium/boutique hotel, spa and resort commercial facility. Development of this section is not anticipated prior to 2010. In July 2009, Community Facilities District No. 2006-1 of the City of Dana Point issued the first tranche of bonds associated with the Headlands project, totaling \$8,710,000. Additional bonds will be issued in the future as additional lots are sold.

As a condition of approval of the Headlands development, approximately 62 acres of land was dedicated to various public and non-profit agencies. This dedication includes 24 acres in a conservation zone and 38 acres that is being developed into four park sites that will ultimately be conveyed to the City and County. The new parks and conservation areas will offer expansive coastal and ocean views adding to the recreational infrastructure of the City.

In the recently adopted fiscal 2008 and 2009 budgets the City Council approved a strategy to replace a number of positions currently filled through private sector contracts with City employees. The resulting structure provides sufficient in-hour Staff to cover base workloads while contracting to cover peak workloads and extraordinary work. Most elements of this plan were implemented in fiscal 2008, with the transition of the Building and Planning departmental functions (design review, permitting and inspection) to in-house being fully completed, and a substantial portion of the Engineering departmental functions also being successfully transitioned. Concurrent with this change, staffing levels were adjusted to optimal levels in order to ensure that the City has the capability to meet the high expectations of the community. By utilizing City Staff in place of contractors the City is able to deliver services in a more cost-effective manner while simultaneously improving customer service. In total, ten contract positions were converted to twelve in-house positions, four new positions were added and two existing positions were re-classified.

Worked continued on a number of infrastructure improvements. Construction began on Sea Terrace Park, with the first five acre section being developed as a passive park with landscaping, irrigation and hardscape improvements. The park is to be dedicated in December 2008. Substantial progress was made in beautification of roadway medians on Pacific Coast Highway and Golden Lantern Street. Also, extensive renovation was completed at Sunset Park with playground improvements, new lighting, new picnic tables and landscape and hardscape improvements.

A number of other initiatives were undertaken in fiscal 2008. In June 2008 the City went live with a totally redesigned web site. The new site allows City Staff to process updates immediately and new features include a City “e-news” link, expanded community calendar, interactive forms and a photo gallery. In addition, the City now streams City Council and Planning Commission meetings live over the internet, and also makes them available on-line for later viewing. The City worked collaboratively with the County of Orange to expand library hours at the Dana Point library branch to include Sundays from 11am to 5pm. This trial program, funded by the City, began in April 2008 and has been quite successful. During fiscal 2008 the City undertook efforts to redesign the Planning, Building and Public Works customer service and office space within City Hall in order to improve work flow and enhance counter service to the public. Construction of the redesign will occur in fiscal 2009. Upon completion of this task, the next redesign phase will be focused on the Public Works work area (most likely in fiscal 2010).

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, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents

conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Dana Point has received a Certificate of Achievement for the last nineteen consecutive years (fiscal years 1989 through 2007). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

Respectfully submitted,

Andrew Glass
Accounting & Data Processing Manager

Michael A. Killebrew
Director of Administrative Services

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Dana Point
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Charles S. Cox

President

Jeffrey R. Emery

Executive Director

OFFICIALS OF THE CITY OF DANA POINT*

Members of the City Council

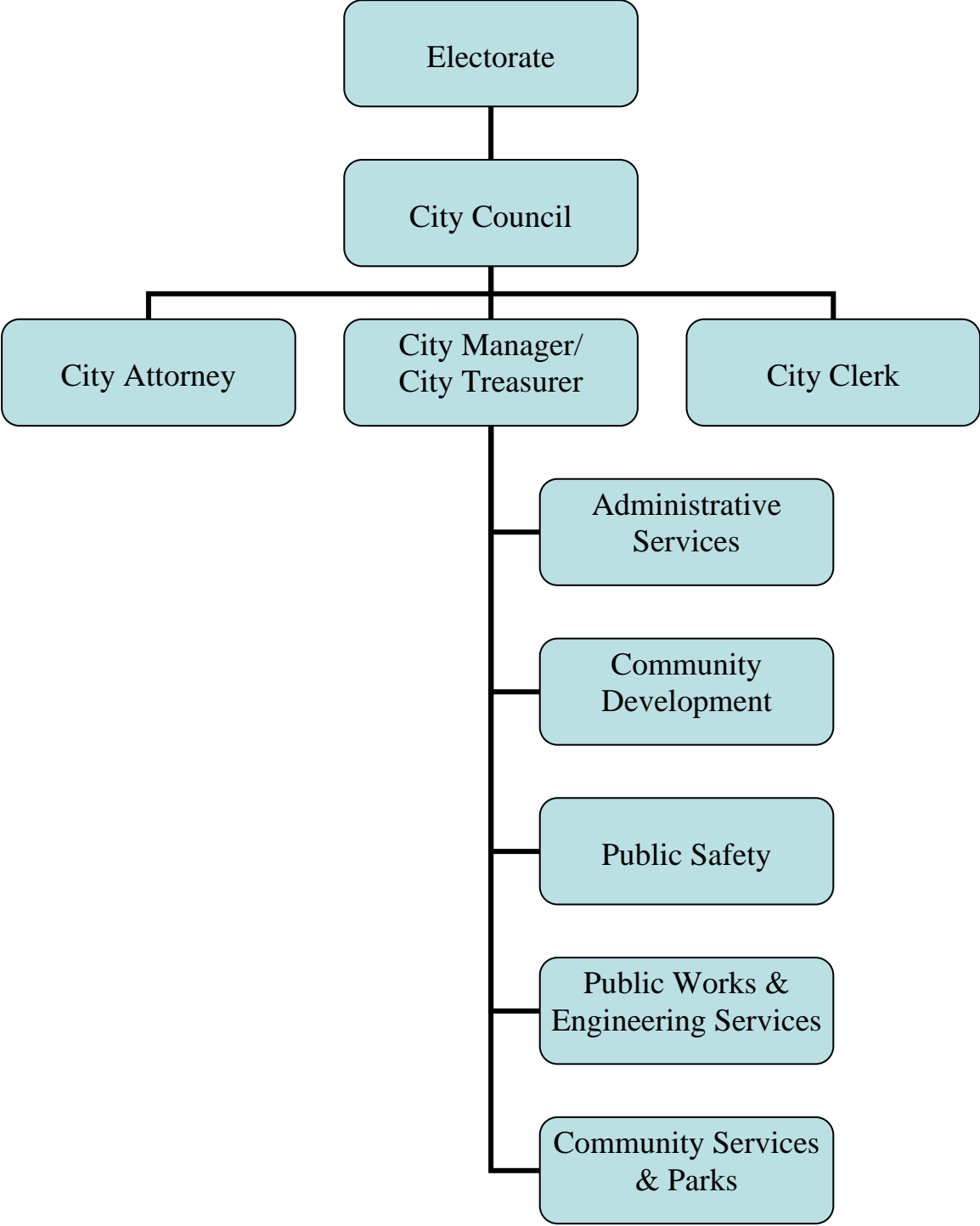
Joel Bishop, Mayor
Lisa Bartlett, Mayor Pro Tem
Lara Anderson, Council Member
Diane Harkey, Council Member
Steven Weinberg, Council Member

Administrative Staff

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

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

CITY OF DANA POINT
ORGANIZATIONAL CHART



INTRODUCTORY SECTION CONCLUDED

FINANCIAL SECTION



ROGERS, ANDERSON, MALODY & SCOTT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

JAY H. ZERCHER, C.P.A.
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TIMOTHY P. HORN, C.P.A.
KATIE L. MILLSOM, C.P.A.
JOHN J. BADIA, C.P.A.

The Honorable City Council
City of Dana Point, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dana Point, California, as of and for the year ended June 30, 2008, 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 State. 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, 2008, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008 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.

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

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

Rogers, Anderson, Molodt & Scott, LLP

October 15, 2008

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, 2008. 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 2008 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 \$173.9 million at June 30, 2008, which was an increase of \$6.0 million from the prior year. Of this amount, \$119.3 million is invested in capital assets, \$2.8 million is restricted for various purposes and \$51.8 million is unrestricted.
- City-wide governmental revenues include program revenues of \$8.0 million and general revenues of \$29.3 million, for a total of \$37.3 million.
- Total City-wide governmental expenses were \$31.3 million.

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

- At the close of fiscal 2008, the City's Governmental Funds reported combined ending fund balances of \$55.0 million, an increase of \$7.4 million. Of this amount, \$10.2 million is reserved, and \$44.8 million is unreserved.
- General Fund revenues totaled \$32.9 million, an increase of \$1.7 million from fiscal 2007. Approximately \$410,000 of this increase represented growth in transient occupancy taxes, \$172,000 was from growth in earnings on the City's investment portfolio, \$1 million from an increase in property tax revenues (including in-lieu property taxes), and \$424,000 from increased charges for services. These increases were partially offset by a \$90,000 decrease in sales tax revenues. Capital Improvements Fund revenues decreased by \$1.5 million to \$2.9 million. This drop is attributable to a net decrease in revenues from the County of

Orange for various road programs. All Other Governmental Funds revenues increased by \$11,000 to \$1.6 million.

- General Fund expenditures totaled \$26.3 million, a decrease of \$633,000 from fiscal 2007. Although debt service expenditures fell by \$3 million (due to the early retirement of the City's remaining capital lease obligation in fiscal 2007), there were offsetting expenditure increases in other areas. Among the increases was a \$890,000 increase in the cost of police services (police services are provided through a contract with the County), a \$559,000 increase in street maintenance outlays and \$327,000 in costs associated with the Dana Point Headlands development. Capital Improvements Fund expenditures decreased by \$4.9 million from fiscal 2007. A number of projects were completed in fiscal 2007 and much of fiscal 2008 efforts were focused on the project design and approval process for several new projects that were not undertaken until late in the fiscal year, including the Sea Terrace Park and PCH Congestion Relief projects. All Other Governmental Funds expenditures combined decreased by \$942,000, attributable to the renovation of the City's City Council chamber which was completed in fiscal 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

- (2) **Fund financial statements.** These statements show how City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants and other money. There are three kinds of funds, namely:
- a) *Governmental funds.* These statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information 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 a city charges for the services it provides, the services are generally reported in proprietary funds. The City does not have any financial transactions required to be accounted for using proprietary funds.

- c) *Fiduciary funds.* These funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.
- (3) **Notes to the financial statements.** The notes provide additional information essential to a full understanding of the government-wide and fund financial statements.
- (4) **Supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information, which includes budgetary and combining schedules that provide additional details about the City's 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 is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that in fiscal 2007 the City retired the remaining debt associated with its capital assets, and that as of June 30, 2008, there were no outstanding debt service requirements.

The remaining net assets of the City are concentrated primarily in cash and investments, including \$52.1 million of unrestricted cash and investments and \$142,000 of cash and investments which are restricted due to debt covenants or other legal restrictions on the manner in which they may be expended. The City also carries various receivables from other governmental agencies and the private sector which arise in the normal course of the City's operations.

Table 1
Net Assets
(in thousands)

	Governmental Activities		
	2007	2008	% Change
Assets:			
Current and other assets	\$49,068	\$57,907	18.0%
Capital assets	120,559	119,292	-1.1%
Total assets	169,627	177,199	4.5%
Liabilities:			
Long-term liabilities	313	366	16.9%
Other liabilities	1,441	2,897	101.0%
Total liabilities	1,754	3,263	86.0%
Net Assets:			
Invested in capital assets	120,560	119,292	-1.1%
Restricted	5,515	2,855	-48.2%
Unrestricted	41,798	51,789	23.9%
Total net assets	\$167,873	\$173,936	3.6%

Net assets of the City increased by \$6.1 million, or 3.6%, to \$173.9 million, of which \$119.3 million is invested in capital assets such as land, buildings, equipment and infrastructure. Current assets rose by \$8.8 million due to a \$7.3 million increase in cash and investment balances and a \$1.5 million increase in intergovernmental accounts receivable.

Capital assets decreased by \$1.3 million, or 1.1%. New capital outlays in fiscal 2008 actually fell below the amount of depreciation for the year. Capital outlays for the fiscal year totaled \$3.8 million and depreciation on capital assets totaled \$5.1 million, resulting in a \$1.3 million net decrease in the book value of capital assets in fiscal 2008. Designs for significant street repair programs were begun in fiscal 2008 and related construction is planned to begin by mid-fiscal 2009. Projects completed in fiscal 2008 were limited to a number of smaller programs including park rehabilitation, median and sidewalk improvements and minor street work.

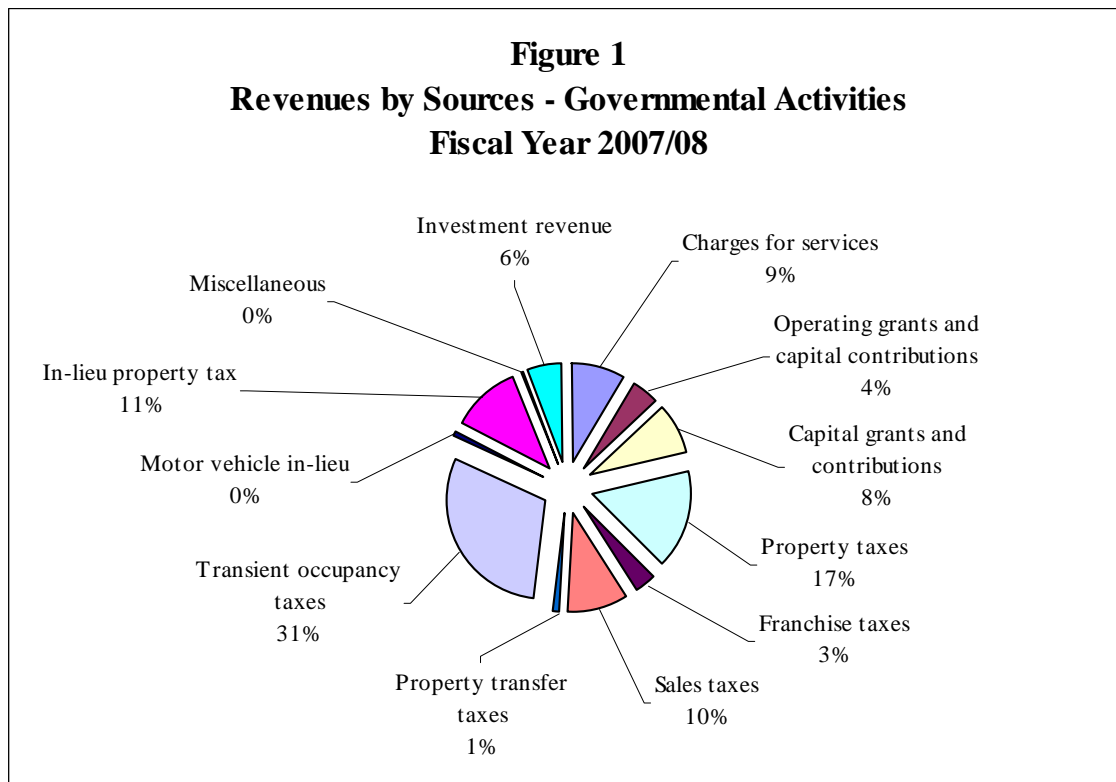
As of June 30, 2008, the City had remaining net assets totaling \$54.6 million. Of this amount, \$51.8 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors, or may be designated for other specific purposes that may be identified by the City Council. The remaining \$2.8 million of net assets are restricted by various debt covenants, legal restrictions or other constraints on the manner in which it may be expended.

Governmental Activities – The cost of all governmental activities in fiscal 2008 was \$31.3 million. As shown in Table 2, the City recovered \$8.0 million of these costs through program revenues such as user fees, grants and contributions from other governmental organizations, developers and property owners. The remaining \$23.3 million of expenses were subsidized through general City revenues.

Table 2
Changes in Net Assets
(in thousands)

	Governmental Activities		
	2007	2008	% Change
Revenues:			
Program Revenues:			
Charges for services	\$2,827	\$3,251	15.0%
Operating grants and capital contributions	1,694	1,612	-4.8%
Capital grants and contributions	16,321	3,159	-80.6%
General Revenues:			
Taxes:			
Property taxes	5,373	6,001	11.7%
Franchise taxes	1,202	1,239	3.1%
Sales taxes	3,761	3,671	-2.4%
In-lieu property taxes	3,867	4,276	10.6%
Property transfer taxes	395	374	-5.3%
Transient occupancy taxes	10,888	11,298	3.8%
Motor vehicle in-lieu	199	164	-17.6%
Miscellaneous	234	66	-71.8%
Investment revenue	2,038	2,210	8.4%
Total revenues	48,799	37,321	-23.5%
Expenses:			
General government	4,569	4,896	7.2%
Public safety	8,068	8,807	9.2%
Community development	2,330	2,811	20.6%
Recreation and parks	3,708	4,037	8.9%
Public Works	9,687	10,520	8.6%
Interest on long-term debt	15	0	-100.0%
Unallocated depreciation	131	187	42.7%
Total expenses	28,508	31,258	9.6%
Increase in net assets	20,291	6,063	-70.1%
Net assets at beginning of year	147,582	167,873	13.7%
Net assets at end of year	\$167,873	\$173,936	3.6%

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 31% of governmental revenues in fiscal 2008, grew by \$410,000, or 3.8%. This increase was brought about by a combination of higher room and occupancy rates, as no new lodging facilities were opened during the year. Fiscal 2008 represented a record high year for transient occupancy tax revenues. Sales tax revenues, which typically track fairly closely with changes in transient occupancy taxes, diverged in fiscal 2008, falling by \$90,000, or 2.4%. Though regional housing markets began suffering major declines in 2008, the Dana Point housing market experienced only a modest decline in home sales and actually experienced positive growth of 10.9% in assessed valuations. As a consequence, property transfer taxes (generated upon sale) were down by \$21,000, or 5.3%, but property tax revenues, which are based primarily upon assessed values, grew by \$628,000, or 11.7%. Although yields declined, the City’s investment portfolio grew by \$6.6 million, leading to an increase of \$172,000, or 8.4%, in investment interest revenue. In-lieu property taxes, which resulted from the State of California exchanging a major portion of motor-vehicle taxes and sales taxes for property taxes, grew by \$409,000, or 10.6%. Capital grants and contributions revenues dropped by \$13.2 million in fiscal 2008. Of this drop, \$10.7 million was due to a non-recurrent contribution from the County of Orange (for the relinquishment of Lantern Bay Park to the City in fiscal 2007), and \$4.0 million was due to a non-recurrent contribution from a County coastal area road improvement grant (for improvements to Pacific Coast Highway). Overall, the City experienced a decrease of \$11.5 million, or 23.5%, in governmental revenues in fiscal 2008.



Dana Point is a “contract” City, wherein certain 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 by the Orange County Fire Authority.

Community Development is comprised of four departments (Planning, Building, Code Enforcement and Economic Development), which provide development review and permitting services, building inspection, plan review and enforcement of municipal code services. During fiscal 2008 many of these services, which were previously provided via contracts with the private sector, were brought in-house.

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

Public Works is comprised of six departments (Administration, Street 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 certain engineering review and design services. Solid waste collection services are provided to the community through a franchise agreement with a private firm. Street maintenance services are provided through contracts with the County of Orange and 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 2008, together representing 61% of total expenditures. Public Safety expenditures rose by \$739,000, driven primarily by an \$890,000 increase in the cost of contract police services, as partially offset by \$151,000 of reductions in operating supplies and equipment costs.

Public Works outlays grew by \$833,000. Of this, \$559,000 was due to increased outlays for street maintenance activities and \$327,000 was due to reimbursable contract resources to monitor construction activities at the Headlands development.

Community Development expenditures grew by \$481,000 due to one-time costs during conversion of contract positions to in-house City employees combined with a new Economic Development program intended to enhance revenues by encouraging commercial development and coordinating City marketing, tourism and visitor information services.

Recreation and Parks expenditures grew by \$329,000. The bulk of this is attributable to increased outlays for park and median landscape maintenance combined with an increase in City financial support for local community-serving organizations and events.

Overall, total expenses for governmental activities increased by \$2.7 million, or 9.6%, to \$31.3 million in fiscal 2008.

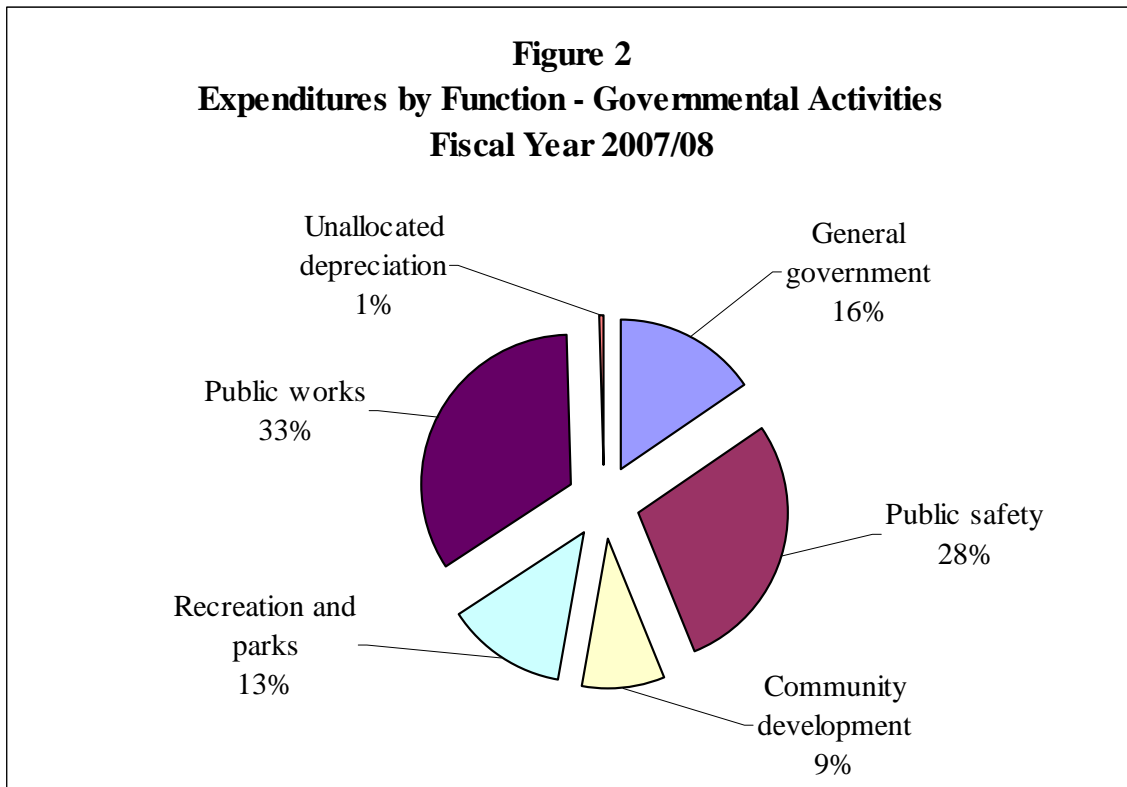
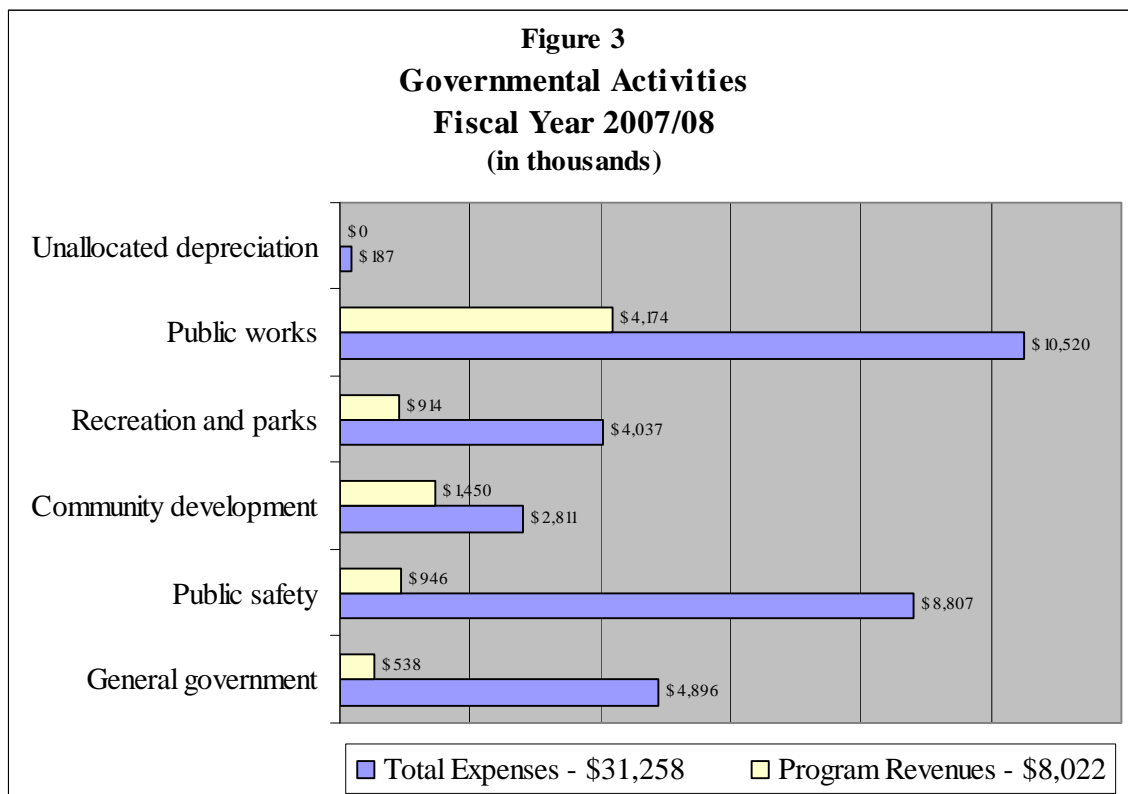


Table 3 and Figure 3 illustrate the City’s expenditures, by program, as well as the amount of revenue generated through direct fees, grants and contributions which funded the program activities. The excess of costs over program revenues were funded from general revenues.

Table 3
Net Cost of Governmental Activities
(in thousands)

	<u>Total Cost of Services</u>			<u>Net Cost (Revenue) from Services</u>		
	<u>2007</u>	<u>2008</u>	<u>% Change</u>	<u>2007</u>	<u>2008</u>	<u>% Change</u>
General government	\$4,569	\$4,896	7.2%	\$4,192	\$4,358	4.0%
Public safety	8,068	8,807	9.2%	7,139	7,861	10.1%
Community development	2,330	2,811	20.6%	914	1,361	48.9%
Recreation and parks	3,708	4,037	8.9%	(7,503)	3,123	-141.6%
Public Works	9,687	10,520	8.6%	2,778	6,346	128.4%
Interest on long-term debt	15	0	-100.0%	15	0	-100.0%
Unallocated depreciation	131	187	42.7%	131	187	42.7%
	\$28,508	\$31,258	9.6%	\$7,666	\$23,236	203.1%



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 fiscal requirements. In particular, unreserved fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balance – As of the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$55.0 million, an increase of \$7.4 million from the prior year. The General Fund represented \$22.1 million, or 40.2%, of the combined balances, the Capital Improvements Fund represented \$29.1 million, or 52.9%, and the remainder of \$3.8 million, or 6.9%, was in all the Other Nonmajor Governmental Funds combined.

Reserved fund balance – The City has \$10.2 million of fund balance that is reserved to indicate it is not available to finance new activities because it has already been committed: 1) to fulfill contractual obligations and purchase orders (\$9.7 million), 2) as a reserve for various fiscal 2009 expenditures that were prepaid in fiscal 2008 (\$200,000), and 3) for the City's interest in real property that is held for resale (\$272,000).

Unreserved fund balance – The remaining \$44.8 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, and the designations may be modified at any time by a majority vote of the City Council. Refer to Note 10 in the Notes to the Financial Statements for more information concerning designations of fund balance.

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

The General Fund generated a \$6.6 million net excess of revenues over expenditures. Interfund transfers out of the General Fund of \$2.7 million and \$575,000 were made to the Capital Improvements Projects Fund and Facilities Improvement Fund, respectively. The General Fund received a transfer in from the Gasoline Tax fund totaling \$501,000, which was used to fund street maintenance operations. As a result of these transactions, there was a net increase of \$3.8 million in the fund balance of the General Fund in fiscal 2008.

After two years of double-digit annual increases, the growth in transient occupancy tax revenues slowed to 3.8% in fiscal 2008. The year started very strong, with monthly records set in the first three months, and then began to taper off as the weakening economy began to impact the tourism industry. Despite the slowdown later in the year, the City still experienced a record \$11.3 million of transient occupancy tax in fiscal 2008. For the first time in 14 years the City experienced a year-to-year decrease in sales tax revenues, which fell by \$90,000, or 2.4%, in fiscal 2008. Although the housing market has been suffering nationwide, Dana Point has thus far avoided the worst of the Southern California declines. Citywide assessed property values grew by \$839 million, or 10.9%, in fiscal 2008, which led to a \$628,000 increase in property tax revenues. However, property transfer revenues dipped by \$21,000 due to a significant decrease in the volume of homes sales.

Beginning in fiscal 2003 and continuing through fiscal 2007, the City Council implemented a major expansion of the City's capital improvement program projects, including streets, drainage, water treatment, park improvement, tree planting, medians, sidewalks and general landscaping. In fiscal 2006 and 2007 capital improvement expenditures totaled \$12.2 million and \$8.4 million, respectively. In fiscal 2008 capital improvement outlays fell by \$4.9 million to \$3.5 million. The decrease is largely attributable to Public Works focusing resources on design work for several large projects (Citywide street maintenance program, Sea Terrace Park and PCH Congestion Relief). The actual construction of these projects will occur mainly in fiscal 2009, when capital improvement outlays are expected to increase significantly. In total, over the most recent five fiscal years, the City has spent \$45.1 million on capital improvement projects throughout the City and as of the end of fiscal 2008 had allocated an additional \$18.9 million for specific future projects.

Budgetary Highlights

The City adopts two-year budgets, with fiscal 2008 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 2008 the General Fund revenue budget was increased by \$2.2 million. The major components of this increase were:

Transient occupancy taxes – as noted earlier, the City experienced a record year for transient occupancy taxes, and the budget was increased by \$800,000 early in the year.

Property taxes and in-lieu property taxes – the City experienced greater than expected growth in assessed property valuations, which grew by \$839 million, or 10.9% from fiscal 2007 to fiscal 2008. Accordingly, the budget for property tax revenues was increased by \$150,000, and the budget for in-lieu property taxes

(resulting from prior State action to substitute property taxes for a portion of sales taxes and motor vehicle in-lieu taxes) was increased by \$296,000.

Investment interest revenues – the average portfolio yield dropped slightly, from 4.71% in fiscal 2007 to 4.41% in fiscal 2008. However, the larger than expected growth in transient occupancy taxes and property taxes resulted in the City's investment portfolio growing by \$6.6 million in fiscal 2008. As a result, the investment interest revenue budget was increased by \$500,000.

During fiscal 2008 the General Fund expenditure budget was increased by \$873,000. The major components of this increase were:

Carryover of encumbrances from fiscal 2007 – the City had \$219,000 of outstanding commitments at the end of fiscal 2007 in the form of purchase orders for which funding was re-appropriated in fiscal 2008. This included a variety of professional services contracts including \$48,000 for environmental reviews and \$57,000 for various studies.

Police services – pursuant to the terms of the contract between the City and the County of Orange, under which the City receives services from the Orange County Sheriff, an amendment was processed during fiscal 2008 to reflect the County's increased costs for providing these services. As a result of a retroactive increase in labor costs resulting from a new agreement between the County and the deputy Sheriff's union, the City budget was increased by \$325,000.

Non-departmental capital outlays – during the budget process there were a number of items broadly identified as potential future needs in fiscal 2008. However, as the year progressed it was determined that there was sufficient funding within the various City departments to cover the associated costs. As a result the non-departmental capital outlay budget was reduced by \$135,000.

Re-appropriation of unspent funds from fiscal 2007 – increased various expenditures by \$613,000. A number of projects and tasks budgeted in fiscal 2007 were not undertaken and the funds were re-appropriated in fiscal 2008. Among the larger items included were \$147,000 for City Attorney legal expenses, \$150,000 for police services and associated equipment, \$90,000 for park lighting improvements and \$100,000 for the development of the Tri-City Trolley system.

Total actual revenues for fiscal 2008 were \$279,000, or .8%, short of the final budget. The major contributors to this unfavorable variance were transient occupancy taxes at \$160,000 and property transfer taxes at \$103,000. Based upon strong revenues early in the fiscal year the transient occupancy tax budget was increased; however, as the economy weakened in the second half of the fiscal year the City fell short of attaining the revised budget. Similarly, as the housing market slowed, property transfer taxes began to drop and thus came in under budget.

Total actual expenditures for fiscal 2008 were under the final budgeted amount by \$2.8 million, or 9.7%. Of these unexpended funds, \$994,000 was obligated at June 30, 2008, through encumbrances and was re-appropriated in fiscal 2009. Professional services outlays were \$471,000 less than anticipated due to a delay in initiation of a planned information technology master plan and continuation of the Tri-City Trolley project into fiscal 2009. Outlays for utilities were \$183,000 below the amount budgeted due to smaller than anticipated rate increases by utilities combined with a mild winter. Resolution of a number of lawsuits resulted in litigation expenses that were \$128,000 below the amount budgeted. Additionally, a number of tasks that were originally budgeted in fiscal 2008 were delayed and a number of new projects were identified in early fiscal 2009 to be funded from the fiscal 2008 expenditure savings. As a result in fiscal 2009 the City Council re-appropriated \$1.0 million of unspent funds originally budgeted in fiscal 2008 to complete those tasks.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Government Accounting Standards Board Statement No. 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 public assets. At the end of fiscal 2008 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		
	2007	2008	% Change
Land	\$41,809	\$41,809	0.0%
Construction in progress	16,185	5,109	-68.4%
Buildings and improvements	7,700	7,809	1.4%
Equipment	1,040	1,240	19.2%
Infrastructure	107,689	122,247	13.5%
Less: Accumulated depreciation	-53,863	-58,922	9.4%
Governmental activity capital assets, net	\$120,560	\$119,292	-1.1%

Major capital asset transactions during the year included the following:

- Construction in progress decreased by a net of \$11.1 million, which consisted of \$14.6 million of projects completed during the year and transferred into infrastructure, \$3.5 million of new project expenditures, and \$5,000 of projects that were cancelled and charged to expense.
- Infrastructure construction projects completed during fiscal 2008 consisted of \$9.3 million for storm drain improvements, \$5.2 million for roadway improvements and \$70,000 for traffic safety improvements.
- Improvements to buildings totaled \$109,000 and represented design and demolition costs associated with the renovation of City Hall to provide improved public counter services and office space. Construction of the new improvements will occur in fiscal 2009.
- New equipment additions totaled \$237,000, and dispositions of surplus and obsolete equipment totaled \$37,000.

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 \$366,000, consisting entirely of compensated time-off obligations due to employees. In fiscal 2007 the City retired all its other long-term debt.

As of June 30, 2008, the City’s long-term debt was as shown in Table 5:

Table 5
Long-term Debt
(in thousands)

	Governmental Activities		
	2007	2008	% Change
Other debt:			
Compensated absences	\$304	\$366	20.4%
Total long-term debt	\$304	\$366	20.4%

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

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF DANA POINT
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS	
Cash and investments	\$52,082,944
Taxes receivable	1,470,663
Accounts receivable	357,470
Interest receivable	504,921
Intergovernmental receivables	2,877,788
Prepays	200,222
Real property held for resale	271,653
Restricted cash and investments	141,730
Capital assets, not depreciated	46,917,695
Capital assets, net of depreciation	72,374,274
Total assets	177,199,360
LIABILITIES	
Accounts payable	2,681,736
Accrued liabilities	215,250
Noncurrent liabilities:	
Due within one year	168,559
Due in more than one year	197,873
Total liabilities	3,263,418
NET ASSETS	
Invested in capital assets	119,291,969
Restricted for:	
Public safety	209,680
Community development	1,305,318
Recreation and parks	411,850
Public works	748,075
Development of Art in Public Places	141,730
Roadway improvements	38,061
Unrestricted	51,789,259
Total net assets	\$173,935,942

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

CITY OF DANA POINT
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue
Primary Government:				
Governmental activities:				
General government	\$4,896,017	\$492,941	\$44,727	(\$4,358,349)
Public safety	8,807,152	539,037	407,026	(7,861,089)
Community development	2,811,267	1,395,979	54,150	(1,361,138)
Recreation and parks	4,037,023	262,331	\$651,549	(3,123,143)
Public works	10,519,882	560,808	1,106,273	(6,345,578)
Unallocated depreciation	186,639			(186,639)
Total governmental activities	\$31,257,980	\$3,251,096	\$1,612,176	(23,235,936)
General revenues:				
Taxes:				
Property taxes				6,001,126
Franchise taxes				1,238,912
Sales taxes				3,671,003
In-lieu property taxes				4,276,025
Property transfer taxes				374,004
Transient occupancy taxes				11,298,548
Motor vehicle in-lieu (unrestricted)				163,760
Miscellaneous				65,795
Unrestricted investment earnings				2,210,040
Total general revenues				29,299,213
Change in net assets				6,063,277
Total net assets, beginning				167,872,665
Total net assets, ending				\$173,935,942

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

CITY OF DANA POINT
Governmental Funds
Balance Sheet
June 30, 2008

	General	Capital Improvements	Total Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$20,853,840	\$27,725,532	\$3,503,572	\$52,082,944
Receivables:				
Taxes	1,177,102		293,561	1,470,663
Accounts	357,470			357,470
Interest	504,921			504,921
Intergovernmental	748,835	2,117,422	11,531	2,877,788
Prepaid expenditures	200,222			200,222
Real property held for resale	271,653			271,653
Restricted assets:				
Cash and investments	141,730			141,730
Total assets	<u>\$24,255,773</u>	<u>\$29,842,954</u>	<u>\$3,808,664</u>	<u>\$57,907,391</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$1,890,910	\$787,832	\$2,994	\$2,681,736
Accrued liabilities	215,250			215,250
Total liabilities	<u>2,106,160</u>	<u>787,832</u>	<u>2,994</u>	<u>2,896,986</u>
Fund Balances:				
Reserved for:				
Encumbrances	993,984	8,734,917	11,800	9,740,701
Prepaid expenditures	200,222			200,222
Real property held for resale	271,653			271,653
Unreserved, reported in:				
General Fund	20,683,754			20,683,754
Special Revenue Funds			2,263,073	2,263,073
Capital Projects Funds		20,320,205	1,530,797	21,851,002
Total fund balances	<u>22,149,613</u>	<u>29,055,122</u>	<u>3,805,670</u>	<u>55,010,405</u>
Total liabilities and fund balances	<u>\$24,255,773</u>	<u>\$29,842,954</u>	<u>\$3,808,664</u>	<u>\$57,907,391</u>

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

CITY OF DANA POINT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Fund balances of governmental funds	\$55,010,405
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.	119,291,969
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Compensated absences	(366,432)
Net assets of governmental activities	<u>\$173,935,942</u>

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

CITY OF DANA POINT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	General	Capital Improvements	Total Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	\$25,620,706		\$1,094,773	\$26,715,479
Licenses, fees and permits	2,010,576		175,050	2,185,626
Fines and forfeitures	635,840			635,840
Intergovernmental	445,890	\$2,873,746	144,677	3,464,313
Charges for services	1,671,705			1,671,705
Use of money and property	2,381,927		208,001	2,589,928
Other	93,486			93,486
Total revenues	<u>32,860,130</u>	<u>2,873,746</u>	<u>1,622,501</u>	<u>37,356,377</u>
EXPENDITURES				
Current:				
General government	4,789,396		19,492	4,808,888
Public safety	8,721,837		45,331	8,767,168
Community development	2,771,997			2,771,997
Recreation and parks	3,953,506			3,953,506
Public works	5,801,722	811		5,802,533
Capital outlays	244,646	3,486,173	101,384	3,832,203
Total expenditures	<u>26,283,104</u>	<u>3,486,984</u>	<u>166,207</u>	<u>29,936,295</u>
Excess (deficiency) of revenues over expenditures	<u>6,577,026</u>	<u>(613,238)</u>	<u>1,456,294</u>	<u>7,420,082</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500,974	5,582,056	575,000	6,658,030
Transfers out	(3,325,143)		(3,332,887)	(6,658,030)
Total other financing sources (uses)	<u>(2,824,169)</u>	<u>5,582,056</u>	<u>(2,757,887)</u>	<u>-</u>
Net change in fund balances	3,752,857	4,968,818	(1,301,593)	7,420,082
Fund balances, beginning	18,396,756	24,086,304	5,107,263	47,590,323
Fund balances, ending	<u>\$22,149,613</u>	<u>\$29,055,122</u>	<u>\$3,805,670</u>	<u>\$55,010,405</u>

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

CITY OF DANA POINT
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$7,420,082
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,263,613)
Losses on the disposal of capital assets do not require the use of current financial resources and are not reported in the governmental funds.	(4,855)
To record as an expense the net change in compensated absences in the Statement of Activities.	(53,217)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period.	(35,120)
Change in net assets of governmental activities	\$6,063,277

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$24,645,000	\$25,891,000	\$25,620,706	(\$270,294)
Licenses, fees and permits	1,978,000	2,083,000	2,010,576	(72,424)
Fines and forfeitures	480,000	501,000	635,840	134,840
Intergovernmental	405,900	556,074	445,890	(110,184)
Charges for services	1,502,700	1,727,519	1,671,705	(55,814)
Use of money and property	1,830,500	2,305,500	2,381,927	76,427
Other	54,800	74,800	93,486	18,686
Total revenues	<u>30,896,900</u>	<u>33,138,893</u>	<u>32,860,130</u>	<u>(278,763)</u>
EXPENDITURES				
Current:				
General government	5,618,977	5,958,435	4,789,396	1,169,039
Public safety	8,531,649	9,066,228	8,721,837	344,391
Community development	2,864,706	3,115,970	2,771,997	343,973
Recreation and parks	4,188,908	4,328,069	3,953,506	374,563
Public works	6,600,288	6,378,897	5,801,722	577,175
Capital outlays	445,000	275,289	244,646	30,643
Total expenditures	<u>28,249,528</u>	<u>29,122,888</u>	<u>26,283,104</u>	<u>2,839,784</u>
Excess of revenues over expenditures	<u>2,647,372</u>	<u>4,016,005</u>	<u>6,577,026</u>	<u>2,561,021</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	659,000	659,000	500,974	(158,026)
Transfers out	(2,760,000)	(2,819,127)	(3,325,143)	(506,016)
Total other financing sources (uses)	<u>(2,101,000)</u>	<u>(2,160,127)</u>	<u>(2,824,169)</u>	<u>(664,042)</u>
Net change in fund balance	546,372	1,855,878	3,752,857	1,896,979
Fund balance, beginning	18,396,756	18,396,756	18,396,756	-
Fund balance, ending	<u><u>\$18,943,128</u></u>	<u><u>\$20,252,634</u></u>	<u><u>\$22,149,613</u></u>	<u><u>\$1,896,979</u></u>

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

CITY OF DANA POINT
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2008

ASSETS		
Cash and investments		<u>\$2,043,514</u>
	Total assets	<u><u>\$2,043,514</u></u>
LIABILITIES		
Deposits		\$1,727,596
Due to other agencies		<u>315,918</u>
	Total liabilities	<u><u>\$2,043,514</u></u>

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

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A) Description of the Reporting Entity

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

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

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

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

B) Basis of Presentation

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

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

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

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

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

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

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

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

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 interfund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

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

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

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(1,263,613) difference are as follows:

Capital Outlays	\$ 3,832,203
Depreciation Expense	<u>(5,095,816)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ (1,263,613)</u>

E) Budgetary Policy and Control

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

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. For management purposes, the City monitors activity at the function and activity level, within each individual fund. Formal budgetary integration is employed as a management control device during the year for the Governmental Type Funds. Budgets for the Governmental Type Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council. During the 2007-08 fiscal year, the City Council made several supplemental budgetary appropriations, including a \$358,950 increase in the General Government budget, a \$681,289 increase in the Public Safety budget, a \$251,264 increase in the Community Development budget, a \$139,161 increase in the Recreation and Parks budget, a \$125,837 decrease in the Public Works budget, and a \$11,658,478 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,

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

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

G) Property Taxes

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

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

H) Interfund Payables/Receivables

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

I) Prepaid Items

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

J) Restricted Assets

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

K) Capital Assets

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

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

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

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

L) Use of Estimates

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

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$52,082,944
Restricted cash and investments	141,730
Fiduciary funds:	
Cash and investments	2,043,514
 Total cash and investments	 <u>\$54,268,188</u>

Cash and investments as of June 30, 2008, consist of the following:

Cash on hand (petty cash)	\$4,200
Deposits with financial institutions	338,433
Investments	53,925,555
 Total cash and investments	 <u>\$54,268,188</u>

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

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

<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, 2008, the City had the following investments. Except for the investment in money market funds, all investments are in the City's internal investment pool:

		<u>Maturity Date</u>
U.S. Treasury note	\$5,992,304	September 30, 2008
U.S. Treasury note	6,120,557	January 31, 2009
U.S. Treasury note	4,059,787	May 15, 2009
U.S. Treasury note	4,233,954	September 30, 2009
U.S. Treasury note	4,252,941	January 31, 2010
U.S. Treasury note	4,098,120	May 15, 2010
State investment pool (LAIF)	25,167,892	212 days average
Total	<u>\$53,925,555</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2008, 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	\$28,757,663	N/A	\$28,757,663
State investment pool (LAIF)*	25,167,892	N/A	-
Total	<u>\$53,925,555</u>		<u>\$28,757,663</u>

* LAIF is an unrated investment pool.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of June 30, 2008, 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: \$1,475,562 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

Investment in State Investment Pool

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

3. REAL PROPERTY HELD FOR RESALE

On May 28, 2002, the City entered into a City Manager Housing Assistance Agreement (the "Agreement"), with an employee of the City. The purpose of the Agreement was to assist the employee with the purchase of a residence in Dana Point. The Agreement provided for the City to purchase a 50% interest in the property at a cost of \$249,500, for which the City received an undivided 50% interest as a co-tenant. Under the terms of the agreement, the employee is required to maintain residency in the property and is responsible for all day-to-day maintenance and repair costs necessary to keep the property in good condition and repair. The City is required to share in one-half of the costs of any future capital improvements to the property, with the City's share of costs not to exceed \$62,500. The employee has the right, but not the obligation, to purchase all or part of the City's cash interest in the property at any time. 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, 2008 the City's interest in the property totaled \$271,653.

4. INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2008, are as follows:

		TRANSFERS IN			
		General Fund	Capital Improvements	Facilities Improvement	Total
TRANSFERS OUT	General Fund		\$2,750,143	\$575,000	\$3,325,143
	Non-major Funds	\$500,974	2,831,913		3,332,887
	Total	<u>\$500,974</u>	<u>\$5,582,056</u>	<u>\$575,000</u>	<u>\$6,658,030</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 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, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$41,808,865			\$41,808,865
Construction in Progress	16,184,880	\$3,486,173	\$14,562,223	5,108,830
Total Capital Assets, not being depreciated	<u>57,993,745</u>	<u>3,486,173</u>	<u>14,562,223</u>	<u>46,917,695</u>
Capital Assets, being depreciated:				
Buildings	7,700,353	109,068		7,809,421
Equipment	1,040,104	236,962	37,207	1,239,859
Infrastructure	107,689,445	14,557,368		122,246,813
Total Capital Assets, being depreciated	<u>116,429,902</u>	<u>14,903,398</u>	<u>37,207</u>	<u>131,296,093</u>
Less accumulated depreciation:				
Buildings	1,695,499	252,323		1,947,822
Equipment	540,240	150,061	37,207	653,094
Infrastructure	51,627,471	4,693,432		56,320,903
Total accumulated depreciation	<u>53,863,210</u>	<u>5,095,816</u>	<u>37,207</u>	<u>58,921,819</u>
Total Capital Assets, being depreciated, net	<u>62,566,692</u>	<u>9,807,582</u>	<u>0</u>	<u>72,374,274</u>
Governmental Activities Capital Assets, net	<u>\$120,560,437</u>	<u>\$13,293,755</u>	<u>\$14,562,223</u>	<u>\$119,291,969</u>

Included in the Construction in Progress decrease of \$14,562,223 was \$4,855 of dispositions representing expenditures incurred in prior fiscal years on construction projects that were cancelled during the fiscal year ended June 30, 2008. This is included in Public Works expense on the Statement of Activities.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 33,912
Public safety	39,984
Community development	39,270
Recreation and parks	83,517
Public works	4,712,494
Unallocated depreciation	<u>186,639</u>
Total depreciation expense - governmental activities	<u>\$ 5,095,816</u>

Construction commitments

The City has active construction projects as of June 30, 2008. The projects include street construction, street resurfacing, landscaping, storm drain construction and curb, sidewalk, median and gutter construction. At year end, the City had outstanding commitments to firms performing the construction work which totaled \$8,734,917.

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, 2008, amounted to \$132,710. Future minimum lease revenues based on the terms of the existing leases are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$38,000
2010	38,540
2011	39,080
2012	22,162
Total	<u><u>\$137,782</u></u>

7. LONG-TERM DEBT

The following is a summary of the long-term liability activity for the year ended June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$313,215	\$182,233	(\$129,016)	\$366,432	\$168,559
Total	<u>\$313,215</u>	<u>\$182,233</u>	<u>(\$129,016)</u>	<u>\$366,432</u>	<u>\$168,559</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.

8. PENSION PLAN

Plan Description

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

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code, allowed CalPERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the City was required to participate in a risk pool of other agencies with less than 100 employees. The valuation report as of June 30, 2004, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate, and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2004. The City participates in the 2% @ 55 pool.

Funding Policy

Employees are required to contribute 7% of their annual covered salary. During the period July 1, 1999 through August 31, 1999, those employees hired after June 30, 1995 were responsible for the 7% employee contribution. Effective September 1, 1999, the City paid both the employee and employer contributions for all employees. The City is required to contribute at an actuarially determined rate; the current rate is 12.719% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City's contributions to CalPERS for the years ended June 30, 2006, 2007 and 2008, were \$388,368, \$457,133 and \$537,036, respectively, equal to the required contributions for each year.

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>
6/30/2006	\$388,368	100%	\$0
6/30/2007	\$457,133	100%	\$0
6/30/2008	\$537,036	100%	\$0

9. JOINT VENTURES

South Orange County Animal Services Authority

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

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

Orange County Fire Authority

In January 1995 the City of Dana Point entered into a joint powers agreement with several other Orange County cities and the County of Orange to create the Orange County Fire Authority. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County.

The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered “cash contract Cities” and make cash contributions based on the Authority’s annual budget. No determination has been made as to each participant’s proportionate share of fund equity as of June 30, 2008. 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, 2008, were not available at the time of this report.

10. FUND BALANCES

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

	Fund		
	General	Capital Improvements	Nonmajor Governmental Funds
Unreserved fund balances:			
Designated for cash flow	\$3,090,000		
Designated for emergencies	6,179,000		
Designated for infrastructure replacement	2,857,000		
Designated for roadway improvements		\$3,038,061	
Designated for open space acquisition		1,091,463	
Designated for utility undergrounding		1,375,000	
Designated for art in public places	141,730		
Designated for investment market value adjustments	381,000		
Designated for potential State budget impacts	1,011,500		
Designated for future year's expenditures	7,023,524	14,815,681	\$3,793,870
Total Unreserved, designated	\$20,683,754	\$20,320,205	\$3,793,870

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 investment market value adjustment This reserve was created to reflect the market value adjustment of the investments owned by the City, pursuant to GASB Statement No. 31. The City Council has established a policy that such adjustments do not represent expendable available financial resources.

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

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

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

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

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

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

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

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

11. RISK MANAGEMENT PROGRAM

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

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority ("CJPIA"). The CJPIA is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insurance losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The CJPIA's pool began covering claims of its members in 1978. Each member government has an elected official as its

representative on the Board of Directors. The Board operates through a nine-member Executive Committee. The City's precise share of the CJPIA's assets, liabilities and equities is not available. Separate financial statements of CJPIA may be obtained at: 8081 Moody St., La Palma, California 90623.

Self-Insurance Programs of the CJPIA

General Liability Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the CJPIA's investment earnings.

Workers' Compensation The City also participates in the workers' compensation pool administered by the CJPIA. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among CJPIA members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administration expenses are paid from the CJPIA's investment earnings.

Purchased Insurance

Property Insurance The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. Total all-risk property insurance coverage is \$20,688,467. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

Earthquake and Flood Insurance The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA. City property currently has earthquake protection in the amount of \$9,900,932. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

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

Business Interruption Insurance The City purchases insurance to mitigate potential losses in transient occupancy revenues which could result from damage to City lodgings as a result of floods, fires, earthquakes, other perils or acts of terrorism. The City purchased \$8 million of coverage per event and location per year, subject to a \$50,000 deductible.

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 2007 and 2008, the City paid \$550 and \$11,700, 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 2007 and 2008 were \$425,743 and \$418,602, respectively. Since claims are paid by the CJPIA and, in effect, charged back to the City via future insurance deposits, no long-term debt has been recorded.

As of June 30, 2008, the City's management was not aware of any material claims that were incurred but not reported, which would exceed the amounts insured by CJPIA. Accordingly, no provision has been made in the financial statements for such items (see Note 12).

12. CONTINGENCIES

As a CJPIA member (see Note 11), the City is insured for claims and judgments resulting from the normal operations of the City. Material losses not covered by the CJPIA program would be paid from the unreserved fund balance designated for emergencies (\$6,179,000 as of June 30, 2008) and/or other undesignated fund balances. Immaterial uninsured claims would be paid from routine operating revenues. There were no uninsured claims paid by the City in fiscal years 2007 or 2008.

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

The City receives financial assistance from federal, state and local governmental agencies in the form of grants and allocations. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of the City's management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at June 30, 2008.

13. SUBSEQUENT EVENT

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

On July 2, 2008, the CFD sold 2008 Special Tax Bonds totaling \$8,710,000 of aggregate principal. The bonds mature in increments over a 30-year period. The City is not liable for any CFD debt or defaults thereon, and acts only as an agent for those paying special taxes and for the bondholders.

SUPPLEMENTARY INFORMATION

CITY OF DANA POINT
Major Governmental Fund
June 30, 2008

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

Capital Improvements Projects Fund

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

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Capital Improvements Projects Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$3,867,607	\$5,281,381	\$2,873,746	(\$2,407,635)
Other	418,901	418,901		(418,901)
Total revenues	<u>4,286,508</u>	<u>5,700,282</u>	<u>2,873,746</u>	<u>(2,826,536)</u>
EXPENDITURES				
Current:				
Public works		95,554	811	94,743
Capital outlays	\$14,170,277	25,341,335	3,486,173	21,855,162
Total expenditures	<u>14,170,277</u>	<u>25,436,889</u>	<u>3,486,984</u>	<u>21,949,905</u>
Excess (deficiency) of revenues over expenditures	<u>(9,883,769)</u>	<u>(19,736,607)</u>	<u>(613,238)</u>	<u>19,123,369</u>
OTHER FINANCING SOURCES				
Transfers in	3,944,137	6,020,861	5,582,056	(438,805)
Total other financing sources	<u>3,944,137</u>	<u>6,020,861</u>	<u>5,582,056</u>	<u>(438,805)</u>
Net change in fund balance	(5,939,632)	(13,715,746)	4,968,818	18,684,564
Fund balance, beginning	24,086,304	24,086,304	24,086,304	-
Fund balance, ending	<u><u>\$18,146,672</u></u>	<u><u>\$10,370,558</u></u>	<u><u>\$29,055,122</u></u>	<u><u>\$18,684,564</u></u>

CITY OF DANA POINT
Nonmajor Governmental Funds
June 30, 2008

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

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

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

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

CITY OF DANA POINT
Nonmajor Governmental Funds
June 30, 2008

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 Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Gasoline Tax	Measure M	Supplemental Law Enforcement Services	Coastal Transit	AB 2766	Facilities Improvement	Park Development	
ASSETS								
Cash and investments		\$454,514	\$211,399	\$1,271,605	\$22,182	\$1,132,022	\$411,850	\$3,503,572
Receivables:								
Taxes	\$218,764	74,797						293,561
Intergovernmental					11,531			11,531
Total assets	<u>\$218,764</u>	<u>\$529,311</u>	<u>\$211,399</u>	<u>\$1,271,605</u>	<u>\$33,713</u>	<u>\$1,132,022</u>	<u>\$411,850</u>	<u>\$3,808,664</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable			\$1,719			\$1,275		\$2,994
Total liabilities	-	-	1,719	-	-	1,275	-	2,994
Fund Balances:								
Reserved for encumbrances						11,800		11,800
Unreserved:								
Designated for future years' expenditures	\$218,764	\$529,311	209,680	\$1,271,605	\$33,713	1,118,947	\$411,850	3,793,870
Total fund equity	218,764	529,311	209,680	1,271,605	33,713	1,130,747	411,850	3,805,670
Total liabilities and fund equity	<u>\$218,764</u>	<u>\$529,311</u>	<u>\$211,399</u>	<u>\$1,271,605</u>	<u>\$33,713</u>	<u>\$1,132,022</u>	<u>\$411,850</u>	<u>\$3,808,664</u>

CITY OF DANA POINT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Gasoline Tax	Supplemental Law Measure M	Enforcement Services	Coastal Transit	AB 2766	Facilities Improvement	Park Development	
REVENUES								
Taxes	\$655,058	\$439,715						\$1,094,773
Licenses, fees and permits						\$175,050		175,050
Intergovernmental			\$100,000	\$550	\$44,127			144,677
Investment interest earnings		11,500	8,301	53,600	600		134,000	208,001
Total revenues	<u>655,058</u>	<u>451,215</u>	<u>108,301</u>	<u>54,150</u>	<u>44,727</u>	<u>-</u>	<u>309,050</u>	<u>1,622,501</u>
EXPENDITURES								
Current:								
General government						19,492		19,492
Public safety			45,331					45,331
Capital outlays					59,000	42,384		101,384
Total expenditures	<u>-</u>	<u>-</u>	<u>45,331</u>	<u>-</u>	<u>59,000</u>	<u>61,876</u>	<u>-</u>	<u>166,207</u>
Excess (deficiency) of revenues over expenditures	<u>655,058</u>	<u>451,215</u>	<u>62,970</u>	<u>54,150</u>	<u>(14,273)</u>	<u>(61,876)</u>	<u>309,050</u>	<u>1,456,294</u>
OTHER FINANCING SOURCES (USES)								
Transfers in						575,000		575,000
Transfers out	(500,974)						(2,831,913)	(3,332,887)
Total other financing sources (uses)	<u>(500,974)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,000</u>	<u>(2,831,913)</u>	<u>(2,757,887)</u>
Net change in fund balances	<u>154,084</u>	<u>451,215</u>	<u>62,970</u>	<u>54,150</u>	<u>(14,273)</u>	<u>513,124</u>	<u>(2,522,863)</u>	<u>(1,301,593)</u>
Fund balances, beginning	64,680	78,096	146,710	1,217,455	47,986	617,623	2,934,713	5,107,263
Fund balances, ending	<u>\$218,764</u>	<u>\$529,311</u>	<u>\$209,680</u>	<u>\$1,271,605</u>	<u>\$33,713</u>	<u>\$1,130,747</u>	<u>\$411,850</u>	<u>\$3,805,670</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$659,000	\$659,000	\$655,058	(\$3,942)
Total revenues	<u>659,000</u>	<u>659,000</u>	<u>655,058</u>	<u>(3,942)</u>
OTHER FINANCING USES				
Transfers out	(659,000)	(659,000)	(500,974)	158,026
Net change in fund balance	-	-	154,084	154,084
Fund balance, beginning	64,680	64,680	64,680	-
Fund balance, ending	<u>\$64,680</u>	<u>\$64,680</u>	<u>\$218,764</u>	<u>\$154,084</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$438,805	\$438,805	\$439,715	\$910
Investment interest earnings			11,500	11,500
Total revenues	<u>438,805</u>	<u>438,805</u>	<u>451,215</u>	<u>12,410</u>
OTHER FINANCING USES				
Transfers out	<u>(438,805)</u>	<u>(438,805)</u>	-	438,805
Net change in fund balance	-	-	451,215	451,215
Fund balance, beginning	78,096	78,096	78,096	-
Fund balance, ending	<u><u>\$78,096</u></u>	<u><u>\$78,096</u></u>	<u><u>\$529,311</u></u>	<u><u>\$451,215</u></u>

CITY OF DANA POINT
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Supplemental Law Enforcement Services Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental		\$100,000	\$100,000	-
Investment interest earnings	\$4,000	4,000	8,301	\$4,301
Total revenues	<u>4,000</u>	<u>104,000</u>	<u>108,301</u>	<u>4,301</u>
EXPENDITURES				
Public safety		146,710	45,331	101,379
Total expenditures	<u>-</u>	<u>146,710</u>	<u>45,331</u>	<u>101,379</u>
Net change in fund balance	4,000	(42,710)	62,970	105,680
Fund balance, beginning	146,710	146,710	146,710	-
Fund balance, ending	<u>\$150,710</u>	<u>\$104,000</u>	<u>\$209,680</u>	<u>\$105,680</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$1,000	\$1,000	\$550	(\$450)
Investment interest earnings	45,000	45,000	53,600	8,600
Total revenues	<u>46,000</u>	<u>46,000</u>	<u>54,150</u>	<u>8,150</u>
EXPENDITURES				
General government	120,000	120,000		120,000
Total expenditures	<u>120,000</u>	<u>120,000</u>	-	<u>120,000</u>
Net change in fund balance	(74,000)	(74,000)	54,150	128,150
Fund balance, beginning	1,217,455	1,217,455	1,217,455	-
Fund balance, ending	<u>\$1,143,455</u>	<u>\$1,143,455</u>	<u>\$1,271,605</u>	<u>\$128,150</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$38,000	\$38,000	\$44,127	\$6,127
Investment interest earnings			600	600
Total revenues	<u>38,000</u>	<u>38,000</u>	<u>44,727</u>	<u>6,727</u>
EXPENDITURES				
Capital outlays		59,000	59,000	-
Total expenditures	<u>-</u>	<u>59,000</u>	<u>59,000</u>	<u>-</u>
Net change in fund balance	38,000	(21,000)	(14,273)	6,727
Fund balance, beginning	47,986	47,986	47,986	-
Fund balance, ending	<u>\$85,986</u>	<u>\$26,986</u>	<u>\$33,713</u>	<u>\$6,727</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES				
Current:				
General government		\$19,492	\$19,492	-
Capital outlays	\$575,000	1,173,131	42,384	\$1,130,747
Total expenditures	<u>575,000</u>	<u>1,192,623</u>	<u>61,876</u>	<u>1,130,747</u>
OTHER FINANCING SOURCES				
Transfers in	<u>575,000</u>	<u>575,000</u>	<u>575,000</u>	<u>-</u>
Net change in fund balance	-	(617,623)	513,124	1,130,747
Fund balance, beginning	617,623	617,623	617,623	-
Fund balance, ending	<u>\$617,623</u>	<u>-</u>	<u>\$1,130,747</u>	<u>\$1,130,747</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses, fees and permits	\$100,000	\$100,000	\$175,050	\$75,050
Investment interest earnings	2,000	2,000	134,000	132,000
Total revenues	<u>102,000</u>	<u>102,000</u>	<u>309,050</u>	<u>207,050</u>
OTHER FINANCING USE:				
Transfers out	<u>(2,831,913)</u>	<u>(2,831,913)</u>	<u>(2,831,913)</u>	<u>-</u>
Net change in fund balance	(2,729,913)	(2,729,913)	(2,522,863)	207,050
Fund balance, beginning	2,934,713	2,934,713	2,934,713	-
Fund balance, ending	<u><u>\$204,800</u></u>	<u><u>\$204,800</u></u>	<u><u>\$411,850</u></u>	<u><u>\$207,050</u></u>

CITY OF DANA POINT
Combining Statement of Agency Funds Fiduciary Assets and Liabilities
June 30, 2008

	Developer Deposits	Pass-through Deposits	Totals
ASSETS			
Cash and investments	\$1,727,596	\$315,918	\$2,043,514
LIABILITIES			
Deposits	\$1,727,596		\$1,727,596
Due to other agencies		\$315,918	315,918
Total liabilities	\$1,727,596	\$315,918	\$2,043,514

CITY OF DANA POINT
Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>DEVELOPER DEPOSITS</u>				
ASSETS:				
Cash and investments	\$1,498,839	\$1,206,760	\$978,003	\$1,727,596
LIABILITIES:				
Deposits	\$1,498,839	\$1,206,760	\$978,003	\$1,727,596
 <u>PASS-THROUGH DEPOSITS</u>				
ASSETS:				
Cash and investments	\$315,423	\$160,564	\$160,069	\$315,918
LIABILITIES:				
Due to other agencies	\$315,423	\$160,564	\$160,069	\$315,918
 <u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$1,814,262	\$1,367,324	\$1,138,072	\$2,043,514
LIABILITIES:				
Deposits	\$1,498,839	\$1,206,760	\$978,003	\$1,727,596
Due to other agencies	315,423	160,564	160,069	315,918
Total liabilities	\$1,814,262	\$1,367,324	\$1,138,072	\$2,043,514

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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These schedules contain information to help the reader assess the City's most significant revenue sources.	
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
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- (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 Six Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities										
Invested in capital assets, net of related debt	-	-	-	-	\$70,422	\$79,950	\$84,296	\$102,009	\$120,561	\$119,292
Restricted	-	-	-	-	3,706	5,152	5,412	8,069	5,515	2,645
Unrestricted	-	-	-	-	46,909	40,503	42,388	37,504	41,797	51,789
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>\$121,037</u>	<u>\$125,605</u>	<u>\$132,096</u>	<u>\$147,582</u>	<u>\$167,873</u>	<u>\$173,726</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 Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses										
Governmental activities:										
General Government					\$3,782	\$3,715	\$4,588	\$4,977	\$4,569	\$4,896
Public Safety					6,217	6,845	7,014	7,558	8,068	8,807
Community Development					1,779	1,875	2,149	2,582	2,330	2,811
Recreation and Parks					1,486	1,678	2,085	3,303	3,708	4,037
Public Works					6,476	6,646	8,777	8,294	9,687	10,520
Interest on Long-term Debt					249	225	207	187	15	0
Unallocated Depreciation					74	76	85	122	131	187
Total governmental activities expenses	-	-	-	-	\$20,063	\$21,060	\$24,905	\$27,023	\$28,508	\$31,258
Program Revenues										
Governmental activities:										
Charges for services:										
General Government					\$265	\$138	\$843	\$155	\$321	\$493
Public Safety					339	418	488	461	454	539
Community Development					1,331	1,161	1,344	2,266	1,359	1,396
Recreation and Parks					254	219	221	224	224	262
Public Works					265	155	288	131	469	561
Operating grants and contributions					2,665	1,475	1,585	1,449	1,694	1,612
Capital grants and contributions					2,612	1,836	5,176	13,459	16,321	3,159
Total governmental activities program revenues	-	-	-	-	\$7,731	\$5,402	\$9,945	\$18,145	\$20,842	\$8,022
Total government net expense	-	-	-	-	\$12,332	\$15,658	\$14,960	\$8,878	\$7,666	\$23,236
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes					\$3,912	\$4,209	\$4,524	\$5,009	\$5,373	\$6,001
Franchise taxes					942	936	1,034	1,076	1,201	1,239
Sales taxes					3,795	4,015	3,117	3,447	3,761	3,671
In-lieu property taxes					0	0	2,665	3,119	3,867	4,276
Property transfer taxes					319	498	525	441	395	374
Transient occupancy taxes					8,146	8,478	7,763	9,533	10,888	11,298
Motor vehicle in-lieu (unrestricted)					2,095	1,678	852	255	199	164
Miscellaneous					113	61	152	52	234	66
Unrestricted Investment earnings					1,275	351	819	1,433	2,038	2,210
Total governmental activities	-	-	-	-	\$20,597	\$20,226	\$21,451	\$24,365	\$27,956	\$29,299
Change in Net Assets	N/A (1)	N/A (1)	N/A (1)	N/A (1)	\$8,265	\$4,568	\$6,491	\$15,487	\$20,290	\$6,063

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	4,005	940	1,249	1,447	1,555	2,105	1,318	3,715	561	1,466
Unreserved	19,619	22,817	28,139	28,593	20,324	14,251	12,808	12,605	17,836	20,684
Total general fund	<u>\$23,624</u>	<u>\$23,757</u>	<u>\$29,388</u>	<u>\$30,040</u>	<u>\$21,879</u>	<u>\$16,356</u>	<u>\$14,126</u>	<u>\$16,320</u>	<u>\$18,397</u>	<u>\$22,150</u>
All other governmental funds										
Reserved	\$766	\$2,459	\$2,119	\$2,950	\$4,301	\$6,699	\$3,741	\$5,225	\$414	\$8,747
Unreserved, reported in:										
Special revenue funds	367	336	506	386	1,330	1,475	1,499	1,424	1,555	2,263
Capital project funds	7,572	8,973	10,640	14,129	23,293	21,368	27,429	22,986	27,225	21,851
Total all other governmental funds	<u>\$8,705</u>	<u>\$11,768</u>	<u>\$13,265</u>	<u>\$17,465</u>	<u>\$28,924</u>	<u>\$29,542</u>	<u>\$32,669</u>	<u>\$29,635</u>	<u>\$29,194</u>	<u>\$32,861</u>

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$13,399	\$13,773	\$14,346	\$15,802	\$17,278	\$18,247	\$19,666	\$22,626	\$25,391	\$26,715
Licences, fees and permits	1,647	1,973	1,812	1,716	2,451	1,960	1,936	1,926	2,048	2,186
Fines and forfeitures	318	315	310	353	352	428	492	469	470	636
Intergovernmental	3,066	3,251	3,226	4,122	4,711	3,189	3,805	7,181	6,011	3,464
Charges for services	577	837	737	817	1,050	921	1,894	1,906	1,475	1,672
Use of money and property	1,724	2,141	3,108	2,242	1,638	573	1,016	1,740	2,423	2,590
Other	139	182	183	198	815	352	1,271	337	246	93
Total revenues	<u>20,870</u>	<u>22,472</u>	<u>23,722</u>	<u>25,250</u>	<u>28,295</u>	<u>25,670</u>	<u>30,080</u>	<u>36,185</u>	<u>38,064</u>	<u>37,356</u>
Expenditures										
General government	2,797	3,973	3,135	3,489	3,687	3,586	4,450	4,846	4,526	4,809
Public safety	4,902	5,179	5,237	5,448	6,217	6,843	7,008	7,544	8,035	8,767
Community development	1,398	1,398	1,331	1,397	1,768	1,866	2,132	2,565	2,312	2,772
Recreation and parks	895	873	1,025	1,253	1,235	1,622	2,029	3,237	3,627	3,953
Public works	1,857	1,963	2,378	2,951	4,336	4,129	5,405	5,133	5,243	5,803
Capital outlay	2,345	5,370	3,243	5,336	7,727	12,007	7,639	13,180	9,667	3,832
Debt service:										
Principal	220	230	245	260	270	290	305	325	2,925	0
Interest	303	291	278	264	249	232	215	196	93	0
Total expenditures	<u>14,717</u>	<u>19,277</u>	<u>16,872</u>	<u>20,398</u>	<u>25,489</u>	<u>30,575</u>	<u>29,183</u>	<u>37,026</u>	<u>36,428</u>	<u>29,936</u>
Excess of revenues over (under) expenditures	6,153	3,195	6,850	4,852	2,806	(4,905)	897	(841)	1,636	7,420
Other financing sources (uses)										
Transfers in	3,549,842	8,777	4,641	8,263	16,631	11,642	764	4,237	3,922	6,658
Transfers out	(3,549,842)	(8,777)	(4,641)	(8,263)	(16,631)	(11,642)	(7,964)	(4,238)	(3,922)	(6,658)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cumulative effect of a change in accounting principle	-	-	278	-	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	492	-	-	-	-	-
Net change in fund balances	<u>\$6,153</u>	<u>\$3,195</u>	<u>\$7,128</u>	<u>\$4,852</u>	<u>\$3,298</u>	<u>(\$4,905)</u>	<u>\$897</u>	<u>(\$841)</u>	<u>\$1,636</u>	<u>\$7,420</u>
Debt service as a percentage of noncapital expenditures	3.6%	2.7%	3.1%	2.6%	2.0%	1.7%	1.8%	1.4%	8.3%	0.0%

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function/Program										
Governmental activities:										
General government	-	-	-	-	\$310	\$182	\$878	\$203	\$377	\$538
Public safety	-	-	-	-	713	751	943	746	930	946
Community development	-	-	-	-	2,379	1,212	1,368	2,306	1,415	1,450
Recreation and parks	-	-	-	-	932	800	824	470	11,211	914
Public works	-	-	-	-	3,398	2,457	5,931	14,419	6,909	4,174
Total governmental activities	N/A (1)	N/A (1)	N/A (1)	N/A (1)	\$7,732	\$5,402	\$9,944	\$18,144	\$20,842	\$8,022

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

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

Fiscal Year	Property Tax (1)	Franchise Tax	Sales Tax (2)	Gasoline Tax	Measure M Tax	In-lieu Property Tax (2)	Property Transfer Tax	Transient Occupancy Tax (3)	Total
1999	\$2,706	\$897	\$3,014	\$1,062	\$304	-	\$234	\$6,079	\$14,296
2000	3,097	852	3,325	802	349	-	255	5,945	14,625
2001	3,291	894	3,417	692	381	-	287	6,278	15,240
2002	3,606	987	3,605	603	356	-	282	7,350	16,789
2003	3,912	941	3,795	737	368	-	319	8,147	18,219
2004	4,209	936	4,015	674	373	-	498	8,478	19,183
2005	4,524	1,034	3,117	680	392	\$2,665	525	7,763	20,700
2006	5,009	1,076	3,447	670	407	3,119	441	9,533	23,702
2007	5,373	1,201	3,762	670	436	3,867	395	10,888	26,592
2008	5,373	1,201	3,867	655	440	4,276	374	11,298	27,484

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total property tax levy	\$2,725	\$3,086	\$3,274	\$3,670	\$3,956	\$4,285	\$4,602	\$5,129	\$5,556	\$6,174
Current year collections	\$2,644	\$3,023	\$3,208	\$3,579	\$3,876	\$4,181	\$4,501	\$4,973	\$5,338	\$6,072
Current year collections as % of levy	97.0%	98.0%	98.0%	97.5%	98.0%	97.6%	97.8%	97.0%	96.1%	98.3%
Current year delinquencies	\$81	\$63	\$66	\$91	\$80	\$104	\$101	\$156	\$218	\$102
Current year delinquencies as % of levy	3.0%	2.0%	2.0%	2.5%	2.0%	2.4%	2.2%	3.0%	3.9%	1.7%
City direct rate applied to base (1)	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%	0.076%

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed value	\$3,863,177	\$4,331,939	\$4,594,761	\$5,111,519	\$5,516,436	\$5,941,465	\$6,250,662	\$6,998,388	\$7,693,012	\$8,532,709
Estimated actual value (see note)	\$3,863,177	\$4,331,939	\$4,594,761	\$5,111,519	\$5,516,436	\$5,941,465	\$6,250,662	\$6,998,388	\$7,693,012	\$8,532,709
Annual increase in assessed value	\$288,645	\$468,762	\$262,822	\$516,758	\$404,917	\$425,029	\$309,197	\$747,726	\$694,624	\$839,697
Annual % increase in assessed value	8.1%	12.1%	6.1%	11.2%	7.9%	7.7%	5.2%	12.0%	9.9%	10.9%

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

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

Source: Orange County Assessor

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Distribution of Basic 1% Levy (per \$100 of assessed value)</u>										
Capistrano Unified School District	-	-	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890	\$0.3890
Educational Revenue Augmentation Fund	-	-	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660	0.1660
Orange County Fire Authority	-	-	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220	0.1220
South Orange County Comm. College District	-	-	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960	0.0960
Orange County General Fund	-	-	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530
City of Dana Point	-	-	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760	0.0760
Orange County Flood Control District	-	-	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210	0.0210
Orange County Library District	-	-	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180
Orange County Department of Education	-	-	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180
Orange County Harbors, Beaches & Parks	-	-	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166	0.0166
Capistrano Beach County Water District	-	-	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106	0.0106
Tri Cities Municipal Water District	-	-	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091	0.0091
Orange County Transportation Authority	-	-	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030	0.0030
Orange County Vector Control	-	-	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012	0.0012
Orange County Cemetary District	-	-	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005	0.0005
Total Basic 1% Levy (1)	-	-	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<u>Tax Rate Area 28-019:</u>										
Metro Water District MWDOC Annex #4	-	-	0.0088	0.0077	0.0077	0.0058	0.0052	0.0052	0.0047	0.0043
Capistrano Unified ID#1 1999 Bond Fund - Series A	-	-	0.0086	0.0053	0.0053	0.0034	0.0031	0.0031	0.0027	0.0028
Capistrano Unified ID#1 1999 Bond Fund - Series B	-	-	0.0000	0.0031	0.0031	0.0054	0.0049	0.0049	0.0043	0.0045
Capistrano Unified ID#1 1999 Bond Fund - Series C	-	-	0.0000	0.0000	0.0000	0.0031	0.0027	0.0027	0.0024	0.0025
Combined Total Property Tax Rate (2)	<u>N/A (3)</u>	<u>N/A (3)</u>	<u>\$1.0174</u>	<u>\$1.0161</u>	<u>\$1.0161</u>	<u>\$1.0177</u>	<u>\$1.0160</u>	<u>\$1.0160</u>	<u>\$1.0142</u>	<u>\$1.0140</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 2008				Fiscal Year 1999			
	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid	Taxable Assessed Value	Taxes Paid	Rank	% of Total Taxes Paid
SHC Laguna Niguel 1 LLC	\$280,960,006	\$233,545	1	3.89%	\$190,362,792	\$158,236	1	5.85%
CPH Monarch Golf LLC	178,118,786	148,059	2	2.47%	-	-	-	-
Monarch Bay Two	87,689,420	121,574	3	2.03%	29,315,752	46,038	2	1.70%
Regency Laguna	78,004,445	43,570	4	0.73%	-	-	-	-
MMB Management LLC	86,984,919	33,569	5	0.56%	-	-	-	-
Ocean Ranch Village	50,934,913	32,818	6	0.55%	-	-	-	-
Headlands Reserve, LLC	51,958,757	31,109	7	0.52%	-	-	-	-
CPH Resorts I	29,127,374	23,554	8	0.39%	9,329,940	7,755	12	0.29%
ST Apartments	24,847,133	22,256	9	0.37%	19,439,992	17,413	6	0.64%
CPH Monarch Golf, LLC	22,986,688	18,024	10	0.30%	-	-	-	-
Pamela M. Jannard	6,975,769	17,733	11	0.30%	3,478,379	8,842	11	0.33%
Theresa C. Mortonson Trust	20,932,488	17,437	12	0.29%	11,610,691	9,672	9	0.36%
HCP DR California LLC	21,522,565	15,592	13	0.26%	-	-	-	-
Stephen J. Muller Trust	12,072,178	15,527	14	0.26%	-	-	-	-
Felcor Suites Limited	20,230,350	15,421	15	0.26%	16,967,700	12,935	7	0.48%
Lloyds of California Bank	-	-	-	-	96,263,558	37,158	3	1.37%
Monarch Bay Resort, Inc.	-	-	-	-	43,588,440	35,468	4	1.31%
Connecticut General Life Ins. Co.	-	-	-	-	34,636,140	19,366	5	0.72%
Fountains Senior Propertis of Calif.	-	-	-	-	18,986,675	11,331	8	0.42%
Monarch Beach CPH	-	-	-	-	11,322,000	9,411	10	0.35%
Frances A. Bass	-	-	-	-	3,046,971	7,745	13	0.29%
Bear Brand Partners	-	-	-	-	23,005,644	7,180	14	0.27%
Robert D. & Deborah L. Trette	-	-	-	-	2,667,740	6,781	15	0.25%
Totals	<u>\$973,345,791</u>	<u>\$789,788</u>		<u>13.16%</u>	<u>\$514,022,414</u>	<u>\$395,331</u>		<u>14.61%</u>

Source: HDL, Coren & Cone

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Lodging Facilities, listed alphabetically:</u>										
Best Western Inn by the Sea	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Blue Lantern Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Seaside Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Capistrano Surfside Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Marina Motel	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Doubletree	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Harbor Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dana Point Marina Inn	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Holiday Inn Express	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Marriott's Laguna Cliffs Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Ritz Carlton	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riviera Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riviera Beach Spa	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
St. Regis Monarch Beach Resort	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total revenues	<u>\$6,079</u>	<u>\$5,945</u>	<u>\$6,278</u>	<u>\$7,350</u>	<u>\$8,147</u>	<u>\$8,478</u>	<u>\$7,763</u>	<u>\$9,533</u>	<u>\$10,888</u>	<u>\$11,298</u>
Transient Occupancy Tax Rate	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

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

SOURCE: City of Dana Point, Administrative Services Department

CITY OF DANA POINT
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
1999	1,956,029	86,380	591,842	78,248	6,925	288,383	3,007,807
2000	2,111,840	88,709	891,661	90,932	16,367	349,664	3,549,173
2001	2,394,960	53,853	423,714	64,847	7,319	332,132	3,276,825
2002	2,325,201	49,691	767,534	63,125	5,601	334,962	3,546,114
2003	2,398,450	48,965	844,343	82,343	7,549	348,455	3,730,105
2004	2,589,353	37,522	902,628	67,727	6,917	349,917	3,954,064
2005	2,807,904	30,919	816,613	78,492	4,830	390,946	4,129,704
2006	3,028,841	33,548	935,997	49,693	23,676	443,378	4,515,133
2007	3,257,295	24,714	1,144,110	88,120	11,610	477,317	5,003,166
2008	3,156,899	25,540	1,179,287	107,470	2,953	463,688	4,935,837

Top 25 Sales Tax Producers
Fiscal Year 2008

Business Name (1)

Albertsons
Big 5
Capo Beach 76
Chart House
Chevron USA
Circle K
Dana Point Am/Pm
Doheny Builders Supply
Ganahl Lumber
Gelsons Market
Hennesseys Tavern
Kwik/Al Sal Oil
Laguna Cliffs Marriott Resort & Spa
Longs Drugs
McKee & Company
Mobil Oil
Monarch Bay Chevron
Ralphs - Del Prado
Ralphs - Golden Lantern
Ritz Carlton
Salt Creek Grille
Smart & Final
St. Regis Monarch Beach Resort
Sun Country Marine
Wind & Sea Restaurant

Business Type

Grocery stores
Sporting goods/bike stores
Service stations
Restaurants
Service stations
Grocery stores
Service stations
Lumber/building materials
Lumber/building materials
Grocery stores
Restaurants
Service stations
Hotels
Drug stores
Home furnishings
Service stations
Service stations
Grocery stores
Grocery stores
Hotels
Restaurants
Grocery stores
Hotels
Boats/watercraft
Restaurants

Percent of total paid by top 25 accounts = 54.59%

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

Sources: The HdL Companies; California Board of Equalization

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

Fiscal Year	Governmental Activities Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
1998	\$5,070,000	\$5,070,000	0.418%	\$136
1999	4,850,000	4,850,000	0.353%	128
2000	4,620,000	4,620,000	0.293%	123
2001	4,375,000	4,375,000	0.277%	116
2002	4,115,000	4,115,000	0.303%	116
2003	3,845,000	3,845,000	0.240%	106
2004	3,555,000	3,555,000	0.214%	100
2005	3,250,000	3,250,000	0.188%	87
2006	2,925,000	2,925,000	0.175%	79
2007	0	0	0.000%	0
2008	0	0	0.000%	0

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

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

CITY OF DANA POINT
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008

<u>OVERLAPPING DEBT:</u>	Gross Debt Balance	% Applicable to City	City Share @ 6/30/08
Metropolitan Water District	\$66,198,355	2.310%	\$1,529,545
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2002C	16,580,000	19.545%	3,240,561
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2001B	23,504,930	19.545%	4,594,039
Capistrano Unified School District Facilities Impv. Dist. No. 1 - 1999 Bond #2000A	15,920,000	19.545%	3,111,564
South Coast Water District 1990 Bond Fund	4,950,000	58.254%	2,883,578
Moulton Niguel Water District, I.D. #7	13,375,000	12.170%	1,627,797
Santa Margarita Water District I.D. #3	7,636,157	0.046%	3,479
Santa Margarita Water District I.D. #3A	13,033,843	0.046%	5,938
Total Overlapping Debt			<u>\$16,996,501</u>

DIRECT DEBT:

None

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

SOURCE: HdL, Coren & Cone, Orange County Assessor

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed Valuation	<u>\$3,863,177</u>	<u>\$4,331,939</u>	<u>\$4,594,761</u>	<u>\$5,111,519</u>	<u>\$5,516,436</u>	<u>\$5,941,465</u>	<u>\$6,250,662</u>	<u>\$6,998,388</u>	<u>\$7,693,012</u>	<u>\$8,530,360</u>
Legal Debt Limit = 3.75% of Total Assessed Valuation	144,869	162,448	172,304	191,682	206,866	222,805	234,400	262,440	288,488	319,889
Amount of Debt Applicable to Limit:										
Certificates of Participation/Capital Lease	4,850	4,620	4,375	4,115	3,845	3,555	3,250	2,925	0	0
Legal Debt Margin	<u>140,019</u>	<u>157,828</u>	<u>167,929</u>	<u>187,567</u>	<u>203,021</u>	<u>219,250</u>	<u>\$237,650</u>	<u>\$265,365</u>	<u>\$288,488</u>	<u>\$319,889</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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population	38,004	37,611	37,611	35,415	36,312	35,416	37,283	36,854	36,884	36,441
Age Distribution:										
0 - 4	2,474	2,089	2,089	1,917	1,913	1,890	1,996	1,950	1,953	1,903
5 - 14	4,363	4,168	4,168	3,897	4,020	3,837	4,079	4,026	4,049	3,757
15 - 19	2,215	2,058	2,058	1,955	1,953	1,925	1,987	1,911	1,960	1,933
20 - 24	2,324	2,252	2,252	1,763	1,980	2,106	2,216	2,181	2,097	2,029
25 - 34	5,869	5,753	5,753	4,874	4,537	4,323	4,503	4,503	4,431	4,560
35 - 44	7,357	7,617	7,617	5,929	5,935	5,639	5,812	5,587	5,568	5,179
45 - 64	9,089	9,022	9,022	10,185	10,747	10,459	11,209	11,335	11,519	11,480
65 - 74	2,539	2,742	2,742	2,709	2,848	2,816	2,861	2,777	2,753	2,939
75-84	1,362	1,458	1,458	1,735	1,876	1,895	2,045	1,994	1,939	1,958
85 and over	412	452	452	451	503	526	575	590	615	703
Total	<u>38,004</u>	<u>37,611</u>	<u>37,611</u>	<u>35,415</u>	<u>36,312</u>	<u>35,416</u>	<u>37,283</u>	<u>36,854</u>	<u>36,884</u>	<u>36,441</u>
Median Age	37.5	37.5	37.5	40.7	41.5	41.6	41.8	42.0	42.1	42.9
Per capita income	\$36,174	\$41,945	\$41,945	\$38,303	\$44,179	\$46,848	\$46,381	\$45,461	\$47,055	\$50,978
Personal income (,000,000)	\$1,375	\$1,578	\$1,578	\$1,357	\$1,604	\$1,659	\$1,729	\$1,675	\$1,736	\$1,858
Median household income	\$61,831	\$70,306	\$70,306	\$68,949	\$72,590	\$75,190	\$78,392	\$78,160	\$80,508	\$88,429
Average household income	\$88,429	\$102,799	\$102,799	\$90,945	\$106,384	\$111,959	\$111,051	\$110,715	\$114,824	\$124,494
Civilian unemployment rate (1)	n/a	n/a	n/a	n/a	n/a	5.3%	5.2%	4.4%	4.9%	7.3%
Number of families	9,622	9,431	9,431	9,235	9,278	9,219	9,753	9,435	9,467	9,320
Number of households	15,461	15,251	15,251	14,582	14,850	14,596	15,342	14,909	14,889	14,697
Average household size	2.44	2.45	2.45	2.42	2.43	2.42	2.42	2.46	2.47	2.47
Households, by income:										
Less than \$15,000	1,074	781	781	781	858	829	839	794	791	630
\$15,000 - \$24,999	1,116	871	871	933	984	912	840	829	694	604
\$25,000 - \$34,999	1,287	1,090	1,090	1,110	910	900	928	890	805	727
\$35,000 - \$49,999	2,321	1,961	1,961	1,913	2,084	1,705	1,698	1,551	1,502	1,147
\$50,000 - \$74,999	3,810	3,487	3,487	3,234	2,803	2,931	2,951	3,024	3,010	2,944
\$75,000 - \$99,999	2,215	2,481	2,481	2,051	2,077	2,038	2,346	2,224	2,308	2,136
\$100,000 - \$149,999	2,101	2,474	2,474	2,682	2,608	2,657	2,913	2,729	2,759	3,191
Over \$150,000	1,537	2,106	2,106	1,878	2,526	2,624	2,827	2,868	3,020	3,318
Total	<u>15,461</u>	<u>15,251</u>	<u>15,251</u>	<u>14,582</u>	<u>14,850</u>	<u>14,596</u>	<u>15,342</u>	<u>14,909</u>	<u>14,889</u>	<u>14,697</u>

(1) Reflects civilian unemployment rate for Los Angeles - Long Beach - Santa Ana metropolitan area. Local rate for Dana Point is not available.

SOURCE: ESRI Business Information Solutions

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

Function	Full-time Equivalent Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>General government:</u>										
City Manager's Office	2.70	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	4.00	4.00	4.00	4.00	2.75	3.75	3.75	3.75	4.00	4.00
Administrative Services	4.50	4.50	4.50	4.50	5.75	5.75	5.75	6.75	6.75	6.75
Facilities	-	-	0.33	0.33	-	-	0.50	1.50	1.50	1.50
<u>Public Safety</u>										
Police Services	0.10	-	-	-	-	-	-	-	-	-
Emergency Services	1.20	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50
<u>Community Development</u>										
Planning	6.00	3.00	4.00	3.00	4.00	5.00	6.00	7.00	7.00	8.00
Building	0.50	0.50	1.50	1.50	1.50	1.50	2.50	3.50	2.50	7.50
Code Enforcement	2.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	3.50
Economic Development	-	-	-	-	-	-	-	-	2.00	2.00
<u>Recreation and Parks</u>										
Parks	0.67	0.67	1.00	1.00	0.67	1.67	1.67	3.00	3.00	3.00
Community Services	4.00	4.00	3.00	4.00	3.00	4.00	4.00	4.00	4.00	5.00
<u>Public Works</u>										
Administration	2.83	3.33	3.33	3.33	4.33	4.33	4.33	2.33	2.33	2.33
Street/Drainage Maintenance	0.67	0.67	1.00	1.00	1.17	1.16	1.16	1.33	1.33	1.33
Traffic Engineering	0.50	0.50	0.50	0.50	0.50	-	-	1.00	1.00	1.00
Solid Waste	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.34	0.33	0.33
Engineering	0.50	0.50	1.00	1.00	1.50	1.00	2.00	5.00	5.00	10.00
Water Quality	-	-	0.50	0.50	0.50	1.50	1.50	1.00	1.00	1.00
Total	<u>30.50</u>	<u>27.50</u>	<u>30.50</u>	<u>30.50</u>	<u>31.50</u>	<u>35.50</u>	<u>39.50</u>	<u>46.50</u>	<u>47.75</u>	<u>60.75</u>

CITY OF DANA POINT
Operating Indicators by Function/Program
Fiscal Years 2006 through 2008

	Fiscal Year		
	2006	2007	2008
<u>Police (1)</u>			
Arrests	2,153	418	404
Calls for service	17,091	20,028	16,479
Parking citations issued	9,795	9,652	10,895
Traffic citations issued	6,666	6,320	5,816
<u>Fire (2)</u>			
Incidents	2,326	2,449	2,700
Unit responses	4,619	4,771	4,946
Fires	55	66	66
Inspections conducted	720	848	1,059
<u>Refuse Collection (3)</u>			
Refuse collected (tons/day)	83	86	42
Recyclables collected (tons/day)	82	78	44
<u>Community Development</u>			
Building permits issued	1,663	1,648	1,456
Value of building permits issued	\$49,420,168	\$37,818,104	\$56,799,416
Inspections conducted	7,960	8,341	7,497
New code enforcement cases opened	699	614	867
Code enforcement cases closed	687	484	956
<u>Public Works</u>			
Miles of street resurfaced	8	8	2
Potholes repaired	103	25	150
Inspections completed	300	478	575
<u>Parks and recreation</u>			
Number of classes offered	421	475	471
Number of activities/trips conducted	10	6	4
Number of participants:			
Youth classes	1,168	1,436	1,492
Youth & adult classes	769	1,279	1,286
Sports leagues	600	402	401
Excursions	259	173	101
Total participants	<u>2,796</u>	<u>3,290</u>	<u>3,280</u>

Sources: Various City departments, Orange County Fire Authority, Orange County Sheriff, CR&R
(1) Police services are provided to the City via contract with County of Orange
(2) Fire services are provided by Orange County Fire Authority
(3) Refuse collection is provided via franchise with CR&R

CITY OF DANA POINT
 Capital Asset Statistics by Function/Program
 Fiscal Years 2006 through 2008

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

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

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

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

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

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