

2017

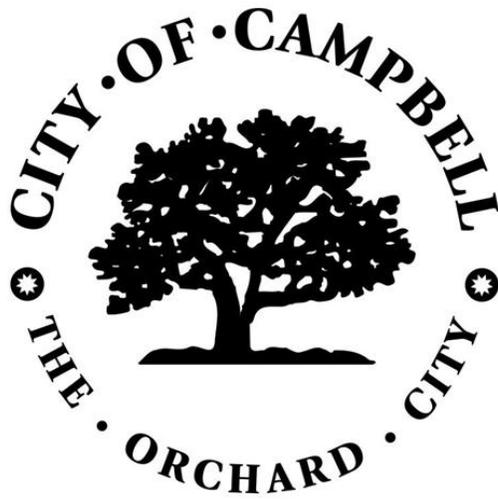


Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2017

CITY OF CAMPBELL CALIFORNIA





CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FISCAL YEAR ENDED JUNE 30, 2017

Prepared by

Finance Department
Jesse Takahashi,
Finance Director



CITY OF CAMPBELL, CALIFORNIA

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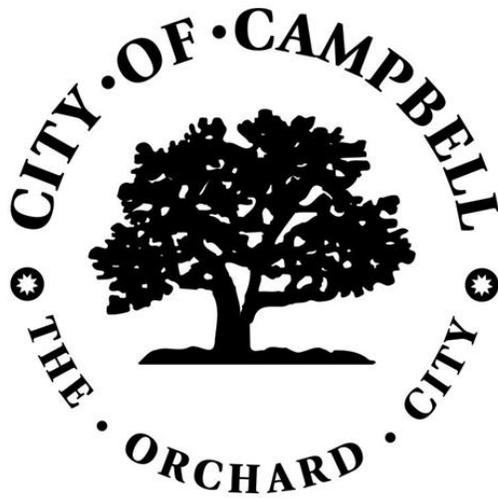
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INTRODUCTORY SECTION





CITY OF CAMPBELL
Finance Department

February 20, 2018

Honorable Mayor, Members of the
City Council, and Residents of Campbell

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) for the City of Campbell, California for the fiscal year ended June 30, 2017, prepared by the City's Finance Department.

State law requires that the accounts and fiscal affairs of each municipal corporation be examined annually by an independent certified public accountant. Section 2.08.140 of the Campbell Municipal Code also requires an annual audit of the fiscal records of the City. Accordingly, an audit report, provided by White Nelson Diehl Evans, LLP, along with the basic financial statements of the City, is herein submitted in fulfillment of this requirement.

The report consists of management's representations concerning the finances of the City of Campbell. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects. Further, every attempt has been made to conform to the highest standards of public financial reporting as set forth by the following organizations:

- Governmental Accounting Standards Board (GASB);
- American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing;
- Government Finance Officers Association of the United States and Canada; and
- California Society of Municipal Finance Officers.

The City's independent audit was meant to provide reasonable assurance that its financial statements are free of material misstatement. This audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The auditor has issued an unqualified opinion on the City's financial statements indicating they are fairly presented in conformity with GAAP.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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. The City's MD&A can be found immediately following the report of the independent auditors.

In addition to meeting the requirements set forth by State law, the audit was also designed to meet the requirement of the Single Audit Act of 1984 as amended in 1996, the U.S. Office of Management and Budget Circular A-133 and Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). The standards governing Single Audit engagements require the auditor to report on the City's internal controls and compliance with certain legal requirements with special emphasis on the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

CITY OF CAMPBELL PROFILE

The City of Campbell is located in the heart of Silicon Valley contiguous with the City of San Jose and 50 miles south of San Francisco. The City encompasses 6.7 square miles, is substantially built out, and serves a population of approximately 42,726. The City is comprised of a mix of residential, office and commercial retail businesses. The City is also home to a number of community festivals and celebrations throughout the year, and it prides itself on fostering a "small town" feel despite being located in the midst of a major metropolitan region. The City's central geographic setting within Silicon Valley makes it a desirable place to live and work.

The City was incorporated March 28, 1952, as a general law city and operates under a Council-Manager form of government that includes five council members elected at-large for a term of four years. The Mayor is selected each year by majority vote of the other Council members. The Council appoints the City Manager and City Attorney. The City Council members also serve as the governing board members of the Successor Agency to the dissolved City of Campbell Redevelopment Agency, the Campbell Lighting and Landscape District, the Campbell Industrial Development Authority, and the Campbell Joint Public Finance Authority.

The City provides the following services to its residents: police and contract fire protection; park and street lighting maintenance; recreational classes, services and cultural events; planning, zoning and building review and inspections; construction and maintenance of streets and roads; and leadership provided through general administrative services. Water, sewage, garbage and electric utilities are provided directly through other agencies not under the City's jurisdiction.

The annual budget serves as the foundation for the City of Campbell's financial planning and control. The budget process begins in December with each City department receiving a budget packet. Initial appropriation requests are made in mid-February; study sessions are later held with the City Council between March and May to discuss department goals and work plans as well as to obtain Council's input on special priorities or concerns that should be considered in developing the budget. Subsequently, the City Manager meets with each department director to discuss the budget requests and make changes where necessary. The City Manager then prepares and presents the recommended budget in late May or early June for Council's preliminary consideration. Adoption of the operating and capital budget document takes place in June. The City's financial policies authorize the City Manager to administratively approve budget adjustments within the adopted budget up to \$10,000 or requiring transfers from reserves up to \$5,000 per transaction. Requests for increases in appropriations over these amounts or any adjustments to capital projects require approval by the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

National, State and Local economies—While Silicon Valley is best known for its significant concentration of high technology and electronics research, development and manufacturing, the area also supports a wide variety of retail, office and personal services industries. Historically, this region has experienced cycles of expansion and contraction and has led the nation in productivity, innovation and economic growth for much of the past two decades. The region is home to numerous institutions of higher learning and education that support a broad base of research and development in advanced technology and design.

The nation's economy continues to expand and improve with GDP growth averaging 2.5 - 3% during the year. At the same time, interest rates have increased slightly while unemployment has decreased to historically low levels. This situation, combined with positive corporate earnings of major industrial and technology companies, have contributed to increases in the major stock exchanges during the year.

The national unemployment rate saw a slight decline from 4.7% in December, 2016 to 4.1% in December, 2017 reflecting the continued strength in the economy. Unemployment for the City of Campbell as of December, 2017 was 1.9%, down from 2.6% from the same month last year, again reflecting outstanding stability in the region. This also compares favorably to the County rate of 2.6% and the State rate of 4.3%.

The Federal Reserve Bank increased interest rates several time during the year in order to maintain a stable economy and keep inflation under control. Recent history has shown a trend toward thoughtful and measured actions that promote continued stability in the financial markets.

In the local Silicon Valley region, construction and development activity have remained robust with demand for residential properties exceeding the supply. Because of the unique setting of this region, and the fact that many of the surrounding cities have limited capacity for new housing, most property values have continued to increase considerably. This is predominantly due to the fact that demand in this region regularly exceeds the supply despite the high cost of housing. While private development activity in Campbell has relaxed compared to recent years, new development projects continue to keep the City Planning and Building divisions busy with plan applications for reviews and inspections.

Campbell is home to a diversified economic base of business segments located throughout the community. There are over 5,300 businesses in the City that generated approximately \$14.3 million in sales tax revenue during the year. The largest categories of sales tax producers comprise general retail, food products, transportation and business-to-business.

Because of the many economic and fiscal uncertainties that constantly confront the City, and to address the financial impacts created by these issues, the City has taken necessary steps to preserve its fiscal health. The City incorporates long-term financial planning into its budget process. For example, it has established financial and budgetary policies monitored by the City Council that ensure operating revenues are available to fund operating expenditures resulting in a balanced budget. The City has also designated a Reserve for Economic Fluctuations the purpose of which is to serve as a buffer for those revenue sources most significantly impacted by downturns in the economy, thereby, enabling the City to better withstand an economic recession. For many years, the City's financial policies had a target funding of \$6 million for this reserve. However, in October, 2017, the City Council modified this policy to increase the target to two months of General Fund expenditures which will likely raise this reserve target by an additional \$2 million or more in FY

City's financial policies had a target funding of \$6 million for this reserve. However, in October, 2017, the City Council modified this policy to increase the target to two months of General Fund expenditures which will likely raise this reserve target by an additional \$2 million or more in FY 2018. Moreover, the City's 5-year projections include anticipated increases in retirement costs over the next seven years due primarily to changes in actuarial assumptions. In addition, there are other reserves set aside for both operating as well as emergency purposes to provide the City a financial "safety net" during the next economic slowdown.

AWARDS (Financial and Budgetary)

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 Campbell for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award that recognizes conformity with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. The 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 has received a Certificate of Achievement for the past 29 consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are again submitting it to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2016-17. This is the 24th consecutive year of receiving this award. In order to receive this award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

ACKNOWLEDGEMENTS

Timely and accurate preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Campbell Finance Department. Each member of the Department has my sincere appreciation for the many contributions made in the preparation of this report. In addition, I wish to extend a special thanks to Tran Nguyen, Senior Accountant, and Shannon Brangan, Executive Assistant, for their dedication in producing this document.

I also wish to thank the members of the City Council and the City Manager for their interest and support in conducting the financial operations of the City in a responsible and prudent manner in the best interest of the residents of Campbell.

Respectfully submitted,



Jesse Takahashi
Finance Director



Government Finance Officers Association

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

Presented to

**City of Campbell
California**

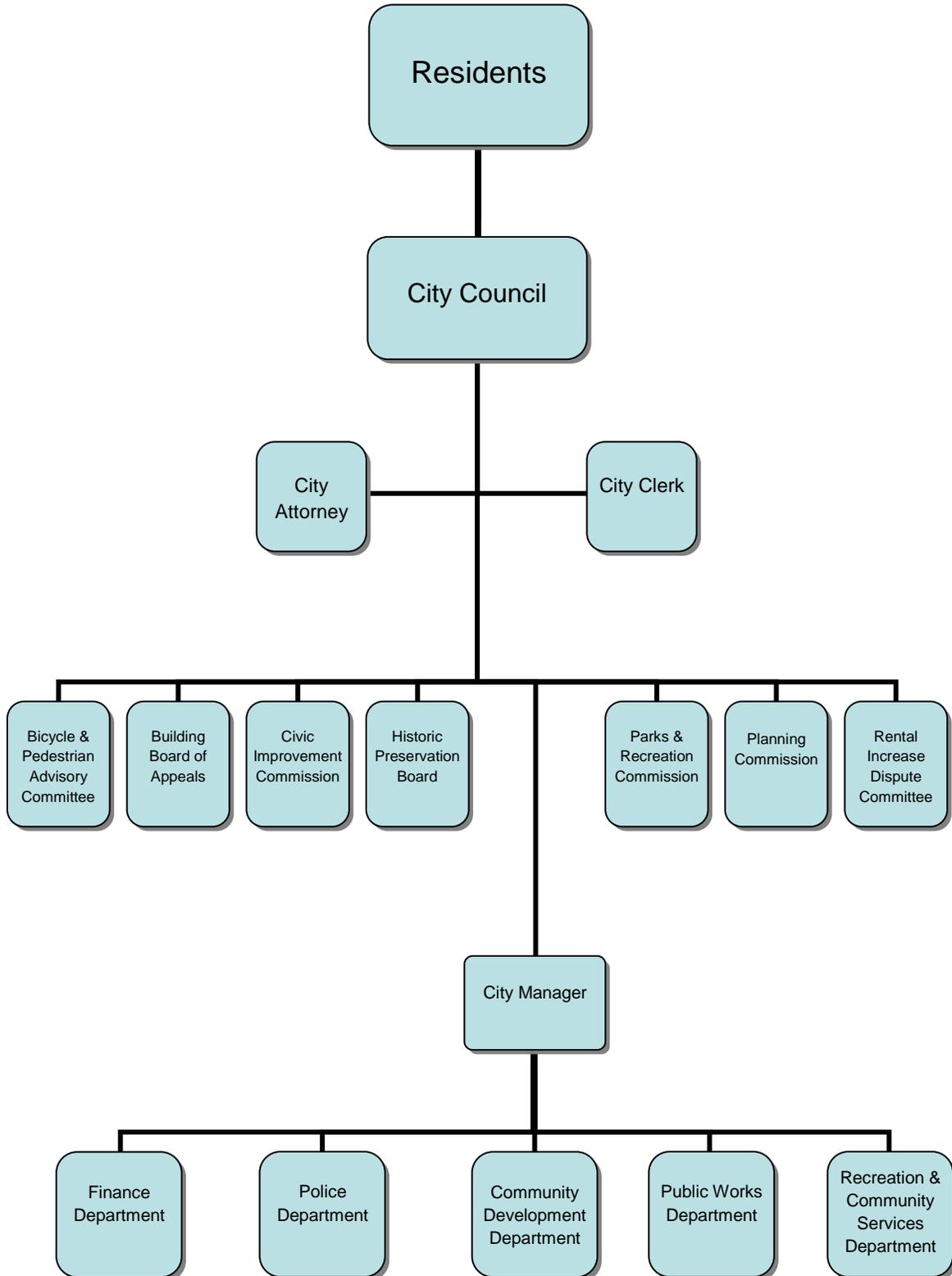
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

General Organization

2016 - 2017



CITY OFFICIALS

City Council

Mayor – Jason Baker

Vice Mayor – Liz Gibbons

Councilmember – Michael Kotowski

Councilmember – Jeffrey Cristina

Councilmember – Paul Resnikoff

Note: Mayor serves an annual term from December to December. Names and positions are as of July 1, 2016.

City Administrative Staff

City Manager – Mark Linder

Deputy City Manager – Al Bito

City Clerk – Wendy Wood

City Attorney – William Seligmann

Community Development Director – Paul Kermoyan

Finance Director – Jesse Takahashi

Human Resources Manager – Jill Lopez

Police Chief – David Carmichael

Public Works Director – Todd Capurso

Recreation & Community Services Director – Regina Maurantonio

COMMISSION, COMMITTEES, AND ADVISORY BOARDS

Planning Commission

Cynthia Dodd, Chairperson
Yvonne Kendal, Vice Chairperson
Ron Bonhagen
Pamela Finch
Philip Reynolds
Michael Rich
Donald Young

Parks and Recreation Commission

Christine Scholberg, Chairperson
Celeste Walker, Vice Chairperson
Jacquie Davidson
Charles Gibson
Scott Hughes
Rich Ptaszynski
Vacant

Civic Improvement Commission

Carl Hoffman, Chairperson
Lucy Zheng, Vice Chairperson
Ann Herosy
Traci Mitchell
Anne Castleton
Sharon Teeter
Alan Zisser

Building Board of Appeal

Bruno Marcelic
Jim Morelan
Jay Perrine
Kevin Salazar
Todd Zeman

Historical Preservation Board

JoElle Hernandez, Chairperson
Susan Blake, Vice Chairperson
Dawn Anderson
Laura Taylor Moore
Todd Walter

Rental Fact Finding Committee

Lucy Zheng
Eric Bracher
Phil Doetsch
John Figueroa
Marla Sierras

Bicycle/Pedestrian Committee

Herman Wadler, Chairperson
Laura Smith, Vice Chairperson
Brian Conroy
David Pasfield
Paul Tuttle

Note: Names and Positions as of July 1, 2016

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Campbell
Campbell, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions for the CalPERS safety pension plan, the schedule of changes in the net pension liability and related ratios and the schedule of contributions for the CalPERS miscellaneous pension plan, the schedule of funding progress - other post-employment benefit plan, and the budgetary comparison schedules for the General Fund and The Housing Assets and Other Grants Special Revenue Funds, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and individual fund schedules (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
February 20, 2018



Management's Discussion and Analysis

The following discussion provides a narrative overview and analysis of the City of Campbell's financial statements for the fiscal year ended June 30, 2017. The information contained herein should be considered in conjunction with the information furnished in the letter of transmittal and the basic financial statements.

Fiscal Year 2016-17 Financial Highlights

The City ended its fiscal year with total revenues of \$55.8 million, a decrease of \$6.2 million from the previous year, and total expenses of \$54.1 million, an increase of \$5.4 million compared to the previous year. Excluding property taxes, general revenues, comprised of sales tax, transient occupancy tax and other revenues, decreased \$1.9 million while program revenues, including charges for service, operating and capital grants and contributions accounted experienced a decrease of \$5.3 million.

Other financial highlights of the past year are as follows:

City-wide:

- Total City assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$39.6 million. Of this amount, \$34.9 million represents the net investment in capital assets while \$17.1 million is restricted for various purposes including affordable housing, streets and roads, community development and debt service. The negative \$12.4 million in unrestricted net position decreased by \$0.2 million since last year.
- Total net position increased from the previous year by \$1.7 million primarily attributable to the net impact from the deferred recognition of employer retirement payments and an increase in the City's net pension liability.

Fund level:

- Total governmental fund balances were \$45.6 million at fiscal year-end, a decrease of \$7.1 million from the previous year.
- General Fund revenues, excluding transfers, decreased \$0.4 million to \$48.0 million from the previous year. Related expenditures increased by \$4.0 million from the previous year to \$46.0 million.
- General Fund's fund balance decreased \$1.3 million to \$28.9 million at fiscal year end.
- The City realized a small operating surplus in the General Fund; therefore, no draw from its Reserve for Economic Fluctuations was necessary.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Campbell's basic financial statements that are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

City-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. They consist of the *statement of net position* and *statement of activities*. The statements are reported on the full accrual basis of accounting and eliminate any duplicate activity between City funds.

The statement of position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources including capital assets and long-term debt, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. It encompasses all revenues and expenses and reports them based on when they are earned or incurred, respectively, rather than the timing of the related cash flows.

The City has only *governmental* activities that are primarily supported through taxes and intergovernmental revenues. The City-wide financial statements include Campbell Lighting and Landscape District, a legally separate entity that is under the control of the City and for which the City retains financial accountability.

Fund financial statements—The City uses fund accounting on a day-to-day basis to ensure and demonstrate compliance with finance-related legal requirements. These statements focus on more short-term reporting related to current revenues, expenditures, and fund balances. They do not include capital assets or long-term liabilities. The City's funds can be divided into two categories: *governmental funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the City-wide financial statements. However, unlike the City-wide financial statements, governmental fund financial statements focus on inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the City-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the City-wide financial statements. By doing so, a better understanding may result of the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds. Information for the General Fund, Housing Assets Special Revenue Fund, Other Grants Special Revenue Fund, and Capital Projects Fund is presented separately in the fund statements as they are considered *major* funds of the City. The data for the remaining funds are shown in the aggregate in the financial statements. However, the individual fund data for each of these non-major funds is provided as supplemental information in the form of combining statements.

The City adopts an annually appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the City-wide financial statements because the resources of those funds are not available to support the City's own programs. Accordingly, only assets and liabilities are reported for these funds. The City reports two agency funds, representing a joint powers authority and a local improvement district. It also reports a Private Purpose Trust Fund which consists of the Successor Agency to the former Campbell Redevelopment Agency, which was dissolved by State legislation on February 1, 2012.

Notes to financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the City-wide and fund financial statements. They can be found immediately following the financial statements.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information in the form of budget and actual schedules for major governmental funds other than the general fund; combining statements for non-major governmental funds and the City's internal service funds; and a statement of changes in assets and liabilities for the City's agency funds.

City-wide Financial Analysis

This analysis focuses on the net assets and changes in net assets at the City-wide level as presented in the statement of net position and statement of activities. Net positions for the City are summarized below as of June 30 and an analysis follows:

Governmental Net Position
(in millions)

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Cash & investments	\$43.5	\$42.5
Capital assets	45.6	43.9
Other assets	14.5	22.3
Total assets	<u>103.6</u>	<u>108.7</u>
Deferred outflows of resources	<u>14.7</u>	<u>5.8</u>
Long term liabilities	18.2	23.7
Other liabilities	6.2	5.6
Net OPEB obligation	1.7	1.7
Net pension liability	50.7	41.8
Total liabilities	<u>76.8</u>	<u>72.8</u>
Deferred inflows of resources	<u>1.9</u>	<u>3.8</u>
Net position:		
Net investment in capital assets	34.9	27.0
Restricted	17.1	23.5
Unrestricted	(12.4)	(12.6)
Total net position	<u><u>\$39.6</u></u>	<u><u>\$37.9</u></u>

The changes in net assets were comprised of the following elements:

- Cash and investments increased by a net of \$1.0 million due to decreases in Other Assets.
- Capital asset additions during the year were \$4.3 million, deletions were \$0.4 million and increases in accumulated depreciation were \$2.2 million, resulting in a net increase of \$1.7 million.
- Other assets decreased \$7.8 million primarily due to a decrease in the Advance to Campbell Successor Agency of \$6.2 million which was eliminated with the refinancing of the City's and Agency's previous debt, as well as from decreases in taxes and accounts receivable.
- Deferred outflows of resources increased \$8.9 million consisting of deferred pension contributions that will be recognized as a reduction to the net pension liability next year and the net differences between projected and actual earnings on pension plan investments that is being amortized and recognized as a component of pension expense over future periods.

- Long-term liabilities decreased \$5.5 million resulting from refinancing the City's outstanding debt which was offset by increases in compensated absences and claims payable.
- Other liabilities increased by \$0.6 million due primarily to increases in accounts payable related to the timing of fiscal year end payments.
- Net Pension Liability increased \$8.9 million resulting from a combination of actuarial assumption changes in the liability and reduced investment earnings on pension assets.
- Deferred Inflows of Resources decreased \$1.9 million due primarily to changes in assumptions which are being recognized over future periods.
- Net investment in capital assets increased \$7.9 million from the previous year due to an increase in capital assets of \$1.7 million and reduction in capital debt of \$6.2 million.
- Restricted net position assets have external limitations placed upon them regarding how they may be spent. This balance decreased by \$6.4 million due primarily to the refinancing of City and Successor Agency debt. The reduced net position offsets a reduction in other assets.

On the following page is a summary of the components that resulted in the change to net position for the fiscal year ended June 30:

Changes in Governmental Net Position
(in millions)

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$13.3	\$14.0
Operating grants and contributions	2.3	5.4
Capital grants and contributions	1.7	3.2
General revenues:		
Property taxes	14.2	13.2
Sales and use taxes	14.3	14.8
Other taxes	9.3	9.5
Investment income	0.2	0.5
Other	0.5	1.4
Total revenues	<u>55.8</u>	<u>62.0</u>
Expenses:		
General government	8.1	6.8
Recreation	6.2	5.7
Community development	3.1	2.5
Public safety	23.7	22.2
Public works	12.4	10.6
Interest on long term debt	0.6	0.9
Total expenses	<u>54.1</u>	<u>48.7</u>
Change in net position	1.7	13.3
Net position at beginning of year	<u>37.9</u>	<u>24.6</u>
Net position at end of year	<u><u>\$39.6</u></u>	<u><u>\$37.9</u></u>

Governmental net position increased \$1.7 million from the prior year. Key elements of activity are as follows:

Revenues:

- Within program revenues, charges for services decreased \$0.7 million resulting from a reduction in development activity compared to the previous year. Operating grants and contributions decreased \$3.1 million and capital grants and contributions decreased \$1.5 million due to several projects that were completed in the previous year.
- Within general revenues, property tax revenues increased \$1.0 million reflecting continued strength in the real estate market; however, sales tax revenue decreased \$0.5 million due to a one-time adjustment payment from the State in 2016 related to ending the sales tax “triple-flip.”

- Other taxes decreased \$0.2 million resulting from decreases in some franchise tax revenues.
- Other revenue decreased \$0.9 million due to the sale of City property in the previous year.

Expenses:

- General Government expenses increased \$1.3 million attributable to regular and special elections costing \$0.7 million, work on the General Plan update costing \$0.3 million, increased contributions to a Section 115 Trust for post-retirement benefits pre-funding, and additional staffing costs related to increased need for support services.
- Recreation expenses increased \$0.5 million due to increased staffing costs.
- Community Development expenses increased \$0.6 million due to additional staffing as well as increased staffing costs related to expanded economic development efforts and to keep up with workload demands.
- Public Safety expenses increased \$1.5 million due primarily to additional staffing as well as increased staffing costs of \$1.2 million and increased contractual fire services costs of \$0.3 million.
- Public Works expenses increased \$1.8 million due to completing street and sidewalk capital projects as well as due to increased staffing to meet workload demands.
- Interest on long-term debt decreased \$0.3 million due to the refinancing of outstanding debt with lower interest debt.

Financial Analysis of Fund Financial Statements

Combined governmental fund balances at fiscal year-end were \$45.6 million, a decrease of \$7.1 million from the previous year. The City has Restricted, Committed, Assigned and Unassigned fund balances of \$17.0 million; \$23.9 million; \$5.8 million and (\$1.1) million, respectively, at year-end.

Governmental fund revenues, excluding transfers, were \$56.2 million, an overall decrease of \$4.5 million from the previous year. Property taxes were higher by \$1.0 million due to continued strength in the real estate market. However, intergovernmental revenues were lower by \$1.1 million due to a decrease in grants received in the previous year for various capital projects; license and permit revenues and park dedication fees were also lower by a combined \$2.6 million compared to the previous year due to several large developments that were approved in the previous year.

Governmental fund expenditures, excluding transfers, increased from the prior year by a net amount of \$9.3 million to \$63.6 million. However, this included \$6.2 million expense related to the refinancing of the City Advance to Successor Agency. Excluding this one-time amount, governmental fund expenditures would have been \$57.4 million or \$3.1 million (5.6%) higher than the previous year. The increase is attributable to a special City-wide election, work on the City's General Plan update, and increased staffing costs.

Analysis of Major Governmental Funds

General Fund

The General Fund realized an excess of revenues over expenditures of \$2.0 million, excluding transfers. General Fund revenues, excluding transfers, decreased \$0.4 million from the previous year to \$48.0 million. Property taxes increased \$1.0 million offset by decreases in sales tax of \$0.5 million and licenses and permits of \$1.0 million.

General Fund expenditures, excluding transfers, were \$46.0 million, an increase of \$4.0 million from the previous year. The increase was related primarily to increased costs for Police services and the City's contract with County Fire totaling \$1.5 million, increased general government costs of \$1.2 million, including a regular and special election costing \$0.7 million and continuing work on the General Plan update costing \$0.3 million, as well as increases in other departments related to increased demand for programs and services.

The General Fund's fund balance at fiscal year-end was \$28.9 million, a decrease of \$1.3 million from the previous year. Committed and Assigned fund balances at year-end were \$23.9 million and \$4.0 million, respectively. These balances are utilized to fund various emergency and operating funds, including a \$6.0 million reserve for economic fluctuations, \$4.0 million for continuing capital projects, \$5.4 million for future capital improvements and \$4.9 million for emergencies. Unassigned fund balance of \$1.0 million serves as an additional reserve for unanticipated needs that may arise.

There was a final budget-to-actual variance for total General Fund expenditures of \$1.5 million. Positive variances in all functional areas were realized except for a \$0.1 million negative variance in Public Safety resulting from higher than expected compensated absences. Approximately \$0.6 million of the variance is for committed work related to the multi-year update of the City's General Plan that will continue into the subsequent year. The remaining net positive variances for the General Fund resulted from continued efforts to conserve budget, as well as rescheduling of some projects and work to the following year due to staffing and workload constraints.

Housing Assets Special Revenue Fund

The principal assets of this fund consist of long-term housing loans receivable from various housing programs which were formerly administered by the Campbell Redevelopment Agency. Limited funds are available for new homebuyers, consisting primarily of loan repayment proceeds and interest earnings.

Other Grants Special Revenue Fund

This fund accounts for various grants received from federal, state or local entities. Most of the grants are billed and received after the City expends funds for approved projects or uses. During the year, \$2.3 million in revenues were received, a decrease of \$1.1 million from the previous year.

Capital Projects Fund

This fund accounts for the City's capital projects expenditures and related grant funded reimbursements. During the year, \$4.5 million in expenditures were incurred, a reduction of \$0.8 million from the previous year.

Capital Assets

The City had net capital assets of \$45.6 million as of June 30, 2017. The following is a summary of the City's capital assets for the fiscal year ended June 30:

	<u>2017</u>	<u>2016</u>
Land	\$9.1	\$9.1
Construction in progress	2.6	12.4
Building & improvements	13.7	13.7
Other improvements	9.7	9.6
Machinery & equipment	9.9	9.6
Infrastructure	46.9	33.7
Less: Accumulated depreciation	<u>(46.3)</u>	<u>(44.2)</u>
Net capital assets:	<u>\$45.6</u>	<u>\$43.9</u>

Total additions to capital assets were \$4.3 million during the year consisting primarily of infrastructure related capital project improvements. Additional detail on capital assets can be found in Note 5 of the notes to the basic financial statements. Deletions of capital assets consisted primarily of vehicles and equipment which were no longer serviceable.

Debt Administration

In August 2016, the City and its Successor Agency concurrently refinanced a combined four outstanding debt issues to achieve significant interest savings for the City and the Successor Agency, given the low rate environment that existed for the past couple of years. Additional detail regarding the City's long-term debt can be found at Note 6 in the notes to financial statements. The Successor Agency debt is reported in a Private Purpose Trust separate from the City's financial statement reporting entity. The debt obligations appear on the Fiduciary Funds Statement of Net Assets of the CAFR. Total outstanding debt of the Successor Agency for the refunding tax allocation bonds was \$22.3 million at June 30, 2017.

The City had \$2.9 million in outstanding certificates of participation and \$7.46 million in refunding lease revenue bonds outstanding at June 30, 2017.

Economic Outlook and Next Year's Budget

The City was again able to maintain and enhance its reserves at or above their target levels. In developing the FY18 budget, the following information was used:

- Property tax revenues are expected to grow 7-8% compared to FY 17 due to continued appreciation in the property tax base. Growth and demand in the commercial and residential real estate markets are expected to remain strong into the next year.
- Sales tax revenue is expected to be 1.0% higher during the year based on limited growth in retail sales adjusted for a slight increase in new businesses.
- Development fee revenue is expected to decrease compared to FY 17 levels reflecting fewer large scale developments than what was experienced in the previous year.
- Employer retirement costs are expected to continue rising considerably for the next several years due to ongoing changes in actuarial and demographic assumptions reflecting more conservative funding requirements and reduced earnings expectations.
- Premiums for employee health care are also expected to increase in the foreseeable future.

The economic outlook for the local Silicon Valley remains positive with some cautious optimism. The unemployment rate in Campbell for June 2017 was 2.5%, down from 2.9% a year ago, marking historically low levels not seen in many years. Concern over possible increases in inflation continues but is not expected to have a significant impact during the FY 2017-18 budget year. The Silicon Valley region has contributed significantly to job growth in the past and is expected to continue to do so in the near term.

In spite of the overall positive outlook, there remain uncertainties facing the City. Consequently, the City is continuing to closely monitor its primary revenue sources while being cognizant of the need to minimize expenditure growth from year to year. General Fund operating appropriations for fiscal 2017-18 are \$50.4 million, an increase of \$1.4 million (2.9%) from the previous year's adopted budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Campbell's finances for residents, taxpayers, investors, creditors and any other interested parties. Questions about this report may be directed to the City's Finance Department at 70 N. First Street, Campbell, CA 95008 or by e-mail at finance@cityofcampbell.com.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as all its revenues and expenses. This is known as the full accrual basis of accounting. The effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. It focuses the reader on the composition of the City's net position, by subtracting total liabilities and total deferred inflows of resources from total assets and total deferred outflows of resources. The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Debt Service and Capital Projects Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis of accounting, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands.

The format of the Statement of Activities presents the City's expenses first, which are listed by program. Program revenues - that is, revenues which are generated directly by these programs - are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities column, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the City of Campbell Lighting and Landscape District, which is a legally separate but blended component unit of the City because it is controlled by the City, which is financially accountable for its activities.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
ASSETS:	
Cash and investments	\$ 43,518,216
Cash held with fiscal agent	3,099
Receivables:	
Taxes	2,850,667
Accounts	3,202,716
Interest	85,304
Notes and loans	8,277,731
Deposits	90,000
Capital assets, not depreciated	11,675,986
Capital assets, depreciated, net	<u>33,937,581</u>
 TOTAL ASSETS	 <u>103,641,300</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Amount related to pensions	<u>14,679,976</u>
LIABILITIES:	
Accounts payable	3,208,566
Accrued expenses	1,027,422
Deposits payable	1,770,415
Interest payable	64,525
Unearned revenue	63,800
Long-term liabilities:	
Due within one year	2,566,123
Due in more than one year	15,663,541
Net OPEB obligation - Due in more than one year	1,717,261
Net pension liability - Due in more than one year	<u>50,745,930</u>
 TOTAL LIABILITIES	 <u>76,827,583</u>
DEFERRED INFLOWS OF RESOURCES:	
Amount related to pensions	<u>1,890,024</u>
NET POSITION:	
Net investment in capital assets	34,884,223
Restricted for:	
Debt service	3,099
Streets and roads	2,343,336
Museum and adult center	147,214
Public safety	151,647
Low and moderate income housing	9,459,431
Community development	4,973,102
Unrestricted	<u>(12,358,383)</u>
 TOTAL NET POSITION	 <u>\$ 39,603,669</u>

See accompanying notes to the basic financial statements.

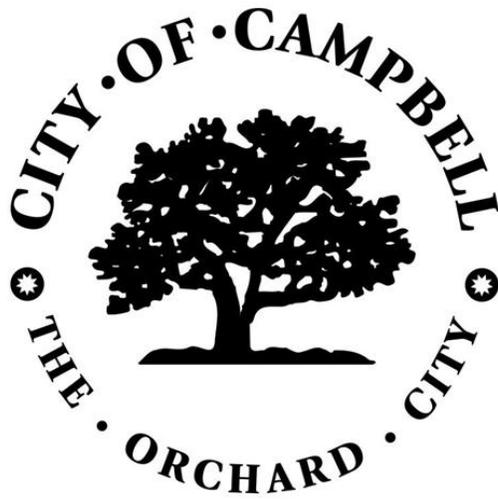
CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2017

Functions/programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Change in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 8,110,359	\$ 1,602,647	\$ 551	\$ -	\$ (6,507,161)
Recreation	6,166,806	4,136,749	124,009	-	(1,906,048)
Community development	3,111,691	3,335,990	272,048	-	496,347
Public safety	23,679,842	790,163	349,208	-	(22,540,471)
Public works	12,484,904	3,464,407	1,571,120	1,688,085	(5,761,292)
Interest expense and other charges	579,013	-	-	-	(579,013)
Total governmental activities	\$ 54,132,615	\$ 13,329,956	\$ 2,316,936	\$ 1,688,085	(36,797,638)
General revenues:					
Taxes:					
Property					14,191,181
Sales and use					14,297,751
Transient occupancy					4,420,208
Franchise					3,478,916
Other					1,370,932
Motor vehicle in lieu, unrestricted					19,077
Investment income					171,257
Miscellaneous					586,210
Total general revenues					38,535,532
Change in net position					1,737,894
Net Position At Beginning of Year					37,865,775
Net Position At End of Year					\$ 39,603,669

See accompanying notes to the basic financial statements.



CITY OF CAMPBELL, CALIFORNIA

FUND FINANCIAL STATEMENTS - GOVERNMENTAL

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal year 2017. Individual other governmental (nonmajor) funds may be found in the Supplemental Section.

General Fund

Accounts for activities traditionally associated with governments, such as administration, recreation, community development, engineering and public safety, which are not required to be accounted for in another fund.

Housing Assets Special Revenue Fund

Accounts for assets of the City's Successor Housing Agency, formed to take over certain housing assets from the former Redevelopment Agency Low-Moderate Income Housing Fund upon its dissolution by the State of California.

Other Grants Special Revenue Fund

Accounts for Federal, State and local grant funds which are provided for specific purposes.

Capital Projects Fund

Accounts for the expenditures and financing of the City's capital projects.

CITY OF CAMPBELL, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Special Revenue Funds	
		Housing Assets	Other Grants
ASSETS			
Cash and investments	\$ 27,651,308	\$ 1,333,407	\$ 162,241
Cash held with fiscal agent	-	-	-
Receivables:			
Accounts	543,766	-	2,303,440
Taxes	2,845,977	-	-
Interest	85,304	-	-
Notes and loans	-	8,137,731	-
Due from other funds	3,143,481	-	-
TOTAL ASSETS	\$ 34,269,836	\$ 9,471,138	\$ 2,465,681
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 2,630,226	\$ 11,434	\$ -
Accrued payroll	945,081	-	-
Deposits payable	1,770,415	-	-
Due to other funds	-	273	2,381,688
Unearned revenue	9	-	-
TOTAL LIABILITIES	5,345,731	11,707	2,381,688
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues - grants	-	-	2,149,706
FUND BALANCES (DEFICIT):			
Restricted	-	9,459,431	-
Committed	23,896,221	-	-
Assigned	4,027,890	-	-
Unassigned	999,994	-	(2,065,713)
TOTAL FUND BALANCES (DEFICIT)	28,924,105	9,459,431	(2,065,713)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 34,269,836	\$ 9,471,138	\$ 2,465,681

See accompanying notes to the basic financial statements.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,057,658	\$ 7,619,781	\$ 38,824,395
-	3,099	3,099
74,175	251,335	3,172,716
-	4,690	2,850,667
-	-	85,304
-	140,000	8,277,731
-	-	3,143,481
<u>\$ 2,131,833</u>	<u>\$ 8,018,905</u>	<u>\$ 56,357,393</u>

\$ 258,562	\$ 256,817	\$ 3,157,039
-	64,617	1,009,698
-	-	1,770,415
-	140,267	2,522,228
<u>56,333</u>	<u>7,458</u>	<u>63,800</u>

<u>314,895</u>	<u>469,159</u>	<u>8,523,180</u>
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<u>74,175</u>	<u>-</u>	<u>2,223,881</u>
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-	7,534,405	16,993,836
-	-	23,896,221
1,742,763	15,341	5,785,994
-	-	(1,065,719)

<u>1,742,763</u>	<u>7,549,746</u>	<u>45,610,332</u>
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<u>\$ 2,131,833</u>	<u>\$ 8,018,905</u>	<u>\$ 56,357,393</u>
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CITY OF CAMPBELL, CALIFORNIA

RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Fund balances - total governmental funds \$ 45,610,332

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

Capital assets used in governmental activities are not current financial resources
and therefore are not reported in the governmental funds balance sheet:

Capital assets	\$ 83,943,365	
Accumulated depreciation	<u>(39,953,790)</u>	43,989,575

Long-term liabilities applicable to the City's governmental activities are not due and
payable in the current period and accordingly are not reported as fund liabilities.
Interest on long-term liabilities is not accrued in governmental funds, but rather is
recognized as an expenditures when due. All liabilities, both current and long-term,
are reported in the Statement of Net Position. Balances as of June 30, 2017 are:

Lease revenue bonds and certificates of participation	(11,359,261)	
Compensated absences	(3,822,191)	
Claims payable - general liability	(128,851)	
Accrued interest	<u>(64,525)</u>	(15,374,828)

Other post-employment benefit obligation is not accrued in governmental funds,
but rather is recognized as expenditure when paid. (1,717,261)

Certain receivables will be collected after year-end, but are not available soon
enough to pay for current period expenditures, and therefore, are offset by a
deferred inflow of resources related to unavailable revenues. 2,223,881

Pension related debt applicable to the City's governmental activities are not due and
payable in the current period and accordingly are not reported as fund liabilities.
Deferred outflows of resources and deferred inflows of resources related to pensions
are only reported in the Statement of Net Position as the changes in these amounts
effects only the government-wide statements for governmental activities:

Deferred outflows of resources	14,679,976	
Deferred inflows of resources	(1,890,024)	
Net pension liability	<u>(50,745,930)</u>	(37,955,978)

Internal service funds are used by management to charge the costs of certain activities,
such as equipment management, information technology, and workers' compensation
self-insurance, to individual funds. The assets and liabilities of the internal service
funds are included in governmental activities in the Statement of Net Position. 2,827,948

Net position of governmental activities \$ 39,603,669

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the fiscal year ended June 30, 2017

	General Fund	Special Revenue Funds	
		Housing Assets	Other Grants
REVENUES:			
Property taxes	\$ 13,052,321	\$ -	\$ -
Sales and use taxes	14,297,751	-	-
Other taxes	9,279,306	-	-
Special assessments	-	-	-
Licenses and permits	3,873,976	-	-
Fines and forfeitures	320,193	-	-
Investment income	171,220	20,902	90
Rents and leases	2,829,484	-	-
Intergovernmental	191,665	-	2,337,271
Charges for services	3,743,089	-	-
Project revenues	-	-	-
Donations	74,342	-	-
Parkland dedication fees	-	-	-
Miscellaneous revenues	177,867	355,582	-
TOTAL REVENUES	<u>48,011,214</u>	<u>376,484</u>	<u>2,337,361</u>
EXPENDITURES:			
Current:			
General government	7,129,171	-	-
Recreation	6,080,395	-	-
Community development	2,947,508	262,435	-
Public safety	24,426,410	-	-
Public works	5,377,822	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Payments to refunding escrow agent	-	-	-
TOTAL EXPENDITURES	<u>45,961,306</u>	<u>262,435</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,049,908</u>	<u>114,049</u>	<u>2,337,361</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	1,399,558	-	-
Transfers out	(4,747,573)	-	(1,995,956)
Proceeds from bond issuance	-	-	-
Premium from bond issuance	-	-	-
Payments to refunding escrow agent	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,348,015)</u>	<u>-</u>	<u>(1,995,956)</u>
NET CHANGE IN FUND BALANCES	(1,298,107)	114,049	341,405
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>30,222,212</u>	<u>9,345,382</u>	<u>(2,407,118)</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 28,924,105</u>	<u>\$ 9,459,431</u>	<u>\$ (2,065,713)</u>

See accompanying notes to the basic financial statements.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,138,860	\$ 14,191,181
-	-	14,297,751
-	-	9,279,306
-	1,387,853	1,387,853
-	-	3,873,976
-	-	320,193
-	36,304	228,516
-	-	2,829,484
-	1,643,243	4,172,179
-	880,787	4,623,876
50,669	-	50,669
-	6,579	80,921
-	269,803	269,803
-	37,581	571,030
<u>50,669</u>	<u>5,401,010</u>	<u>56,176,738</u>
-	-	7,129,171
-	-	6,080,395
-	20,210	3,230,153
-	117,668	24,544,078
2,023,335	5,506,500	12,907,657
2,487,393	-	2,487,393
-	625,000	625,000
-	176,642	176,642
-	209,762	209,762
-	6,203,790	6,203,790
<u>4,510,728</u>	<u>12,859,572</u>	<u>63,594,041</u>
<u>(4,460,059)</u>	<u>(7,458,562)</u>	<u>(7,417,303)</u>
4,853,998	3,555,657	9,809,213
-	(2,916,106)	(9,659,635)
-	8,085,000	8,085,000
-	1,090,835	1,090,835
-	(8,962,993)	(8,962,993)
<u>4,853,998</u>	<u>852,393</u>	<u>362,420</u>
393,939	(6,606,169)	(7,054,883)
<u>1,348,824</u>	<u>14,155,915</u>	<u>52,665,215</u>
<u>\$ 1,742,763</u>	<u>\$ 7,549,746</u>	<u>\$ 45,610,332</u>

CITY OF CAMPBELL, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2017

Net change in fund balances - total governmental funds \$ (7,054,883)

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

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay	\$ 3,708,042	
Depreciation expense	<u>(2,185,220)</u>	1,522,822

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal payment on lease revenue bond	625,000	
Payment to escrow agent in refunding of certificates of participation	15,166,783	
Issuance of lease revenue bond and premium	<u>(9,175,835)</u>	6,615,948

Accrued interest expense related to the long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities. (192,609)

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

Net change in compensated absences	(491,714)	
Net change in claims payable - general liability	28,053	
Net change in other post-employment benefit obligation	<u>(42,510)</u>	(506,171)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (306,229)

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. 1,887,070

Internal service funds are used by management to charge the costs of certain activities, such as equipment management, information technology, and workers' compensation self-insurance, to individual funds. The net revenue (expense) of these internal service funds are included in the governmental activities in the Statement of Net Position. (228,054)

Change in net position of governmental activities \$ 1,737,894

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL, CALIFORNIA

FUND FINANCIAL STATEMENTS - PROPRIETARY

Internal Service Funds

Account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services to other City funds be financed through user charges to those funds.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

June 30, 2017

	<u>Governmental Activities Internal Service Funds</u>
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 4,693,821
Accounts receivable	30,000
Deposits	<u>90,000</u>
TOTAL CURRENT ASSETS	<u>4,813,821</u>
NONCURRENT ASSETS:	
Capital assets, net of accumulated depreciation	<u>1,623,992</u>
TOTAL NONCURRENT ASSETS	<u>1,623,992</u>
TOTAL ASSETS	<u>6,437,813</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	51,527
Accrued payroll	17,724
Due to other funds	621,253
Compensated absences, current portion	42,763
Claims and judgments payable, current portion	<u>268,676</u>
TOTAL CURRENT LIABILITIES	<u>1,001,943</u>
LONG-TERM LIABILITIES:	
Compensated absences	53,598
Claims payable and judgments	<u>2,554,324</u>
TOTAL LONG-TERM LIABILITIES	<u>2,607,922</u>
TOTAL LIABILITIES	<u>3,609,865</u>
NET POSITION:	
Net investment in capital assets	1,623,992
Unrestricted	<u>1,203,956</u>
TOTAL NET POSITION	<u>\$ 2,827,948</u>

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the fiscal year ended June 30, 2017

	Governmental Activities
	<u>Internal Service Funds</u>
OPERATING REVENUES:	
Charges for services	\$ 3,410,280
Other	<u>56,724</u>
TOTAL OPERATING REVENUES	<u>3,467,004</u>
OPERATING EXPENSES:	
Personnel services	1,147,817
Services and supplies	2,138,644
Depreciation	<u>259,019</u>
TOTAL OPERATING EXPENSES	<u>3,545,480</u>
OPERATING LOSS	<u>(78,476)</u>
TRANSFERS:	
Transfers in	26,724
Transfers out	<u>(176,302)</u>
TOTAL TRANSFERS	<u>(149,578)</u>
CHANGE IN NET POSITION	(228,054)
NET POSITION AT BEGINNING OF YEAR	<u>3,056,002</u>
NET POSITION AT END OF YEAR	<u>\$ 2,827,948</u>

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the fiscal year ended June 30, 2017

	Governmental Activities <u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from department users	\$ 3,453,144
Cash payments to suppliers of goods and services	(1,762,349)
Cash payments to employees for services	(1,156,174)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>534,621</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	294,769
Cash paid to other funds	(176,302)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>118,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(483,847)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(483,847)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	169,241
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,524,580</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 4,693,821</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (78,476)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	259,019
Loss on disposal of capital assets	5,067
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(13,860)
Increase (decrease) in accounts payable	(54,796)
Increase (decrease) in accrued payroll	2,979
Increase (decrease) in compensated absences	(11,336)
Increase (decrease) in claims and judgments payable	426,024
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 534,621</u></u>

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL, CALIFORNIA

FUND FINANCIAL STATEMENTS - FIDUCIARY

Private-Purpose Trust Fund

The private-purpose trust fund was created to account for the assets and liabilities of the Campbell Successor Agency, effective February 1, 2012. These amounts represent the assets and liabilities of the former Campbell Redevelopment Agency.

Agency Funds

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
CURRENT ASSETS:		
Cash and investments	\$ 1,084,512	\$ 316,870
Cash held with fiscal agent	7,655	-
	<u>1,092,167</u>	<u>316,870</u>
NONCURRENT ASSETS:		
Capital assets, not being depreciated	7,176,061	-
Capital assets, net of accumulated depreciation	17,529,258	-
	<u>24,705,319</u>	<u>-</u>
TOTAL ASSETS	<u>25,797,486</u>	<u>\$ 316,870</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	-	\$ 31,630
Accrued interest payable	118,552	-
Due to West Valley Solid Waste JPA	-	253,966
Due to bondholders	-	31,274
	<u>118,552</u>	<u>316,870</u>
LONG-TERM LIABILITIES:		
Due within one year	1,355,000	-
Due in more than one year	20,970,000	-
	<u>22,325,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>22,443,552</u>	<u>\$ 316,870</u>
NET POSITION:		
Held in trust for other purposes	<u>\$ 3,353,934</u>	

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL, CALIFORNIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

For the fiscal year ended June 30, 2017

	<u>Private-Purpose Trust Fund</u>
ADDITIONS:	
Distributions from county-administered redevelopment property tax trust fund	\$ 1,706,287
Investment income	73
Miscellaneous revenues	<u>6</u>
TOTAL ADDITIONS	<u>1,706,366</u>
DEDUCTIONS:	
Bond issuance costs	209,363
Professional and special services	29,775
Depreciation	1,050,148
Interest and fiscal agent costs	<u>656,305</u>
TOTAL DEDUCTIONS	<u>1,945,591</u>
CHANGE IN NET POSITION	(239,225)
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	<u>3,593,159</u>
NET POSITION AT END OF YEAR	<u><u>\$ 3,353,934</u></u>

See accompanying notes to the basic financial statements.



CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Campbell, California (the City), have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

a. Reporting Entity:

The City of Campbell was incorporated March 28, 1952, under the general laws of the State of California. The City operates under a Council Manager form of government providing such services as public safety (police, contracted fire services, and building inspection), street and sidewalk maintenance, recreation, planning and zoning, and general administrative services. The accompanying financial statements present the activities of the City of Campbell (the primary government) and its blended component units, entities for which the City is financially accountable.

City of Campbell Lighting and Landscape District (the District) is a City-wide assessment District established in 1980 to provide lighting and landscape services and a funding source for these services. The District is governed by a Board composed of City Council members and lighting services are provided by City employees. Although legally separate, this District is so intertwined with the City that it is, in substance, one and the same. Accordingly, it is blended with the City in these financial statements. No separate financial statements are prepared for the District.

b. Measurement Focus and Basis of Accounting:

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements:

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include a column for the governmental activities of the primary government (including its blended component units). Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus and Basis of Accounting (Continued):

Government-wide Financial Statements (Continued):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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 not properly included among program revenues are reported instead as general revenues.

Government-wide financial statements are presented using the *economic resources measurement focus* and *accrual basis of accounting*, as are the proprietary fund financial statements and the fiduciary private-purpose trust fund financial statements. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations are reported. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources, resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements:

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus and Basis of Accounting (Continued):

Fund Financial Statements (Continued):

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and proprietary funds. Fiduciary statements include financial information for the private-purpose trust fund, and agency funds. Agency funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations. Agency funds are reported using no measurement focus, but utilize the accrual basis of accounting.

Governmental Funds:

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so they have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus and Basis of Accounting (Continued):

Governmental Funds (Continued):

Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Measurement Focus and Basis of Accounting (Continued):

Proprietary and Fiduciary Funds:

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds and the fiduciary private-purpose trust fund, are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The fiduciary agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability.

c. Fund Classifications:

The City reports the following major governmental funds:

The General Fund is used to account for resources traditionally associated with governments, such as administration, engineering and public safety, which are not required to be accounted for in another fund.

The Housing Assets Special Revenue Fund is used to account for resources received from the dissolution of the former Campbell Redevelopment Agency dedicated to low and moderate income housing activities pursuant to the California Health and Safety Code.

The Other Grants Special Revenue Fund is used to account for Federal, State and local grant funds which are provided for specific purposes.

The Capital Projects Fund is used to account for the expenditures and financing of the City's capital projects.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

Additionally, the City reports the following fund types:

The Special Revenue Funds - These funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose.

The Debt Service Funds - These funds are used to account for the City's share of proceeds from the 2016 Refunding Lease Revenue Bonds, which were utilized chiefly to refund debt related to the City's Community Center and deferred street maintenance projects.

The Internal Service Funds - These funds are used to account for the City's motor vehicle pool, workers' compensation self-funded insurance program and information technology services. Departments of the City are charged for the services provided or benefits received from these funds.

The Fiduciary Funds - The City maintains two types of Fiduciary Funds - a Private-Purpose Trust Fund and Agency Funds. The Private-Purpose Trust Fund accounts for activities of the Successor Agency to the Campbell Redevelopment Agency. Agency Funds are used to account for monies held for the West Valley Solid Waste Management Authority and for the 1915 Act Bonds.

d. New Accounting Pronouncements:

Current Year Standards:

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 77 - Tax Abatement Disclosure, effective for periods beginning after December 15, 2015, and did not impact the City.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Current Year Standards (Continued):

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, effective for periods beginning after December 15, 2015, and did not impact the City.

GASB 79 - Certain External Investment Pools and Pool Participants, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the City.

GASB 80 - Blending Requirements for Certain Component Units, effective for periods beginning after June 15, 2016, and did not impact the City.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- *GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- *GASB 81 - Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016.
- *GASB 82 - Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- *GASB 83 - Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- *GASB 84 - Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- *GASB 85 - Omnibus 2017*, effective for periods beginning after June 15, 2017.
- *GASB 86 - Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- *GASB 87 - Leases*, effective for periods beginning after December 15, 2019.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has three items that qualify for reporting in this category. The first item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability. The second item is a deferred outflow related to pensions for the changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans. The third item is the deferred outflow related to pensions for the net difference between projected and actual earnings on plan investments. This amount is amortized over five years.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. The first item is unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: grants receivable collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred inflow related to the differences between expected and actual experience in calculating the net pension liability. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans. The third item is a deferred inflow related to pensions for the changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans. The fourth item is a deferred inflow to pension resulting from the changes in actuarial assumptions. This amount is also amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Net Position and Fund Balance Flow Assumptions:

In the government-wide financial statements, when expenses are incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

In the governmental fund financial statements, when expenditures are incurred for purposes for which all categories of fund balances are available, the City's general policy is to apply the expenditures against fund balance in the following order: restricted, committed, assigned, and unassigned.

g. Property Taxes:

All property taxes and special assessments are levied and collected by the County of Santa Clara (the County) and paid upon collection to the various taxing entities including the City, Successor Agency of the former Redevelopment Agency, and Lighting and Landscape District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured taxes are due on July 1 and become delinquent on August 31. The lien date for secured and unsecured property taxes is January 1 of the preceding fiscal year.

The County is permitted by State law to levy taxes at 1% of full market value at time of purchase plus other increases approved by the voters, and can increase the assessed value no more than 2% per year. The City receives its proportionate share of this levy.

The City has adopted an alternative method of property tax distribution called the Teeter Plan. Under this method, the City receives 100% of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives payments as a series of advances made by the County throughout the year. Secured property tax levy is recognized as revenue upon receipt, including the final payment, which generally is received within 60 days after the fiscal year end.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Cash and Investments:

Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in external investment pools are valued based on the stated fair value represented by the external investment pool.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's quarterly average cash and investment balance.

For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary fund's share in the cash and investment pool of the City.

i. Capital Assets:

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their acquisition value at the date of the contribution. Generally, the City capitalizes all infrastructures with a value greater than \$25,000. All other capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of more than one year. Capital assets include all public domain (infrastructure) assets consisting of certain improvements, including roads, streets, sidewalks, medians, and storm drains.

The following schedule summarizes capital asset useful lives:

Buildings and improvements	40 years
Other improvements	20 years
Machinery and equipment	3 to 20 years
Infrastructure	15 to 40 years

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Capital Assets (Continued):

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements and in the fund financial statements of the proprietary funds.

j. Compensated Absences:

Accrued vacation and sick leave are accrued as earned by employees. City employees may accrue vacation up to certain maximums as of December 31 of each calendar year, which vary depending on classification and years of service. Upon termination, they may be compensated for their vacation balance at current hourly rates. Similarly, sick leave may be accumulated without limit and employees may be compensated upon termination based on a vesting schedule determined by years of service, compensated at current hourly rates.

For all governmental funds, a liability of these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. The remaining portion is recorded as a liability in the Statement of Net Position. For Internal Service Funds, liabilities of these amounts are recorded liabilities of those funds.

Compensated absences are typically liquidated in the General Fund.

k. Pensions:

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

l. Use of Estimates:

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 43,518,216
Cash held with fiscal agent	3,099
Statement of Fiduciary Net Position:	
Cash and investments	1,401,382
Cash held with fiscal agent	<u>7,655</u>
Total cash and investments	<u>\$ 44,930,352</u>

Cash and investments as of June 30, 2017 consisted of the following:

Cash on hand	\$ 3,869
Deposits with financial institutions (1)	(188,119)
Investments	<u>45,114,602</u>
Total cash and investments	<u>\$ 44,930,352</u>

- (1) The City utilizes a sweep account in connection with their general checking account whereby available funds in the account are invested in a repurchase agreement overnight or over the weekend. On June 30, 2017, the City's available cash in the general checking account of \$1,465,659 was swept into a three-day repurchase agreement which has been included with investments for disclosure purposes.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

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

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee 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 Types</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	75%	None
Federal Instrumentality (government sponsored enterprise)	5 years	None	75%	None
Repurchase Agreements	1 year	A/A-1	10%	None
Commercial Paper	270 days	*	25%	10%
Bankers' Acceptances	180 days	A-1 or P-1 or F-1	30%	10%
Medium-Term Notes	5 years	AA or Aa2	10%	None
Non-negotiable Time Certificates of Deposit	5 years	None	25%	\$1 million
Negotiable Certificates of Deposit	5 years	None	30%	None
California Local Agency Investment Fund	N/A	None	None	\$50 million per account
Mutual Funds	N/A	AAAm or Aaa or AAA/V1+	15%	10%
Money Market Mutual Funds	N/A	AAAm or Aaa Or AAA/V1+	15%	10%
Municipal and State Obligations	5 years	A/A-1	10%	None

* Issuer must be U.S. general corporation having assets in excess of \$500,000,000 with debt other than commercial paper rated A or higher or U.S. special purpose corporation, trust or limited liability company having program-wide credit enhancements and commercial paper rated A-1 or higher.

N/A - Not Applicable

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Types</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bonds, Notes and Bills	5-7 years	None	No Limit	No Limit
U.S. Government Sponsored Entities	5-7 years	AAA	No Limit	No Limit
Time Certificates of Deposit - Banks or Savings and Loans	1 year	None	No Limit	No Limit
Bankers' Acceptances	360 days	A-1/P-1	No Limit	No Limit
Commercial Paper	270 days	A	No Limit	No Limit
Repurchase Agreements	30 days-7 years	A	No Limit	No Limit
California Local Agency Investment Fund (LAIF)	N/A	None	No Limit	\$50 million per account
Money Market Funds	N/A	A	No Limit	10%
Investment Agreements	5-7 years	A	No Limit	No Limit
Other Tax Exempt Organizations	7 years	A	No Limit	No Limit
California Asset Management Program (CAMP)	N/A	None	No Limit	No Limit

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 term 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.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

Investment Type	Remaining Maturity (in Months)			Totals
	12 Months or Less	13 to 24 Months	25 to 60 Months	
U.S. Government Sponsored Entities	\$ 1,992,320	\$ 3,495,380	\$ 5,973,620	\$ 11,461,320
Corporate Notes	-	1,996,120	-	1,996,120
California Local Agency Investment Fund	30,180,750	-	-	30,180,750
Repurchase Agreement	1,465,659	-	-	1,465,659
Held with Fiscal Agent:				
Money Market Mutual Funds	<u>10,753</u>	<u>-</u>	<u>-</u>	<u>10,753</u>
Total Investments	<u>\$ 33,649,482</u>	<u>\$ 5,491,500</u>	<u>\$ 5,973,620</u>	<u>\$ 45,114,602</u>

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual Standard & Poor's rating as of year-end for each investment type.

Investment Type	Minimum Legal Rating	Total as of			Not Rated	
		June 30, 2017	AAA	AA+		AA-
U.S. Government Sponsored Entities	None	\$ 11,461,320	\$ -	\$ 11,461,320	\$ -	\$ -
Corporate Notes	AA	1,996,120	-	-	1,996,120	-
California Local Agency Investment Fund	None	30,180,750	-	-	-	30,180,750
Repurchase Agreement	None	1,465,659	1,465,659	-	-	-
Held with Fiscal Agent:						
Money Market Mutual Funds	AAA	<u>10,753</u>	<u>10,753</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments		<u>\$ 45,114,602</u>	<u>\$ 1,476,412</u>	<u>\$ 11,461,320</u>	<u>\$ 1,996,120</u>	<u>\$ 30,180,750</u>

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk:

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2017, the City's investment in Federal Home Loan Mortgage Corp had a market value of \$7,980,440 which represents more than 5% of total City investments.

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 credit 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 credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental 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. At June 30, 2017, the City's deposits were either federally insured or collateralized except for the repurchase agreement which is uninsured with the collateral held in the name of Wells Fargo Bank, but not in the name of the City.

For investments identified herein as held with fiscal agent, the trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool:

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements:

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government				
Sponsored Entities	\$ -	\$ 11,461,320	\$ -	\$ 11,461,320
Corporate Notes	-	1,996,120	-	1,996,120
	<u>\$ -</u>	<u>\$ 13,457,440</u>	<u>\$ -</u>	<u>13,457,440</u>
Investments Not Subject to Fair Value Hierarchy:				
California Local Agency Investment Fund				30,180,750
Repurchase Agreement				1,465,659
Held with Fiscal Agent:				
Money Market Mutual Funds				<u>10,753</u>
Total Investment Portfolio				<u>\$ 45,114,602</u>

3. INTERFUND TRANSACTIONS:

Due To/From Other Funds:

The current interfund outstanding balances result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances are normally repaid as they arise.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

3. INTERFUND TRANSACTIONS (CONTINUED):

Due To/From Other Funds (Continued):

Current interfund balances are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Housing Assets Special Revenue Fund	\$ 273
	Other Grants Special Revenue Fund	2,381,688
	Other Governmental Funds	140,267
	Internal Service Funds	<u>621,253</u>
		<u>\$ 3,143,481</u>

Transfers In/Out:

Transfers between funds during the fiscal year ended June 30, 2017 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Grants Special Revenue Fund (e)	\$ 105,530
	Other Governmental Funds (a)(b)(c)	1,207,028
	Internal Service Funds (a)	87,000
Capital Projects Fund	General Fund (f)	1,759,318
	Other Grants Special Revenue Fund (f)	1,843,718
	Other Governmental Funds (f)	1,161,660
	Internal Service Funds (f)	89,302
Other Governmental Funds	General Fund (b)(d)(e)	2,961,531
	Other Grants Special Revenue Fund (e)	46,708
	Other Governmental Funds (a)(b)	547,418
Internal Service Funds	General Fund (c)	<u>26,724</u>
		<u>\$ 9,835,937</u>

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

3. INTERFUND TRANSACTIONS (CONTINUED):

Interfund transfers were principally used for the following purposes:

- (a) To fund administrative support
- (b) To fund specific program expenditures
- (c) To fund equipment and vehicle replacements
- (d) To fund a portion of debt service payments
- (e) Grant funded program expenditures
- (f) Capital project expenditures

4. NOTES AND LOANS RECEIVABLES:

First-Time Homebuyer Loan Program:

The City's Housing Assets Special Revenue Fund engages in a first-time homebuyer down payment assistance program designed to encourage home ownership among low and moderate income households. Under this program, a loan up to \$50,000 is provided to eligible households to be used as part of the down payment for the purchase of a home in the City of Campbell. These promissory notes are secured by second deeds of trust and are due thirty years from the date the property was purchased. The notes require a payback of principal plus an 8% fee or an equity share payment, whichever is lower. The balance of the notes receivable arising from this program at June 30, 2017 was \$655,183.

Housing Rehabilitation and Affordable Housing Loans:

The City's Housing Assets Special Revenue Fund engages in programs designed to encourage construction or improvement in low to moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs at June 30, 2017 was \$1,410,468.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

4. NOTES AND LOANS RECEIVABLES (CONTINUED):

Maravilla Loans:

The City's Housing Assets Special Revenue Fund engages in programs designed to encourage home ownership among low and moderate income households in the Maravilla Community in the City of Campbell. Under this program, an interest free loan up to \$200,274 is provided to eligible households to be used as part of the down payment for the purchase of a home in the Maravilla Community in the City of Campbell. These promissory notes are secured by second deeds of trust, and are due forty five years from the date the property was purchased. The balance of the notes receivable arising from this program at June 30, 2017 was \$3,816,080.

Additionally, under this program, a loan of \$94,000 is provided to eligible households to be used as part of the down payment for the purchase of a home in the Maravilla Community in the City of Campbell. These promissory notes are secured by second deeds of trust, earn interest at a rate of 1% per annum, and are due thirty years from the date the property was purchased. The balance of the notes receivable arising from this program at June 30, 2017 was \$2,256,000.

Rehabilitation Loans:

The City administers a housing rehabilitation program using Housing and Community Development Act funds. Under the Program, individuals with incomes below a certain level are eligible to receive low or no interest loans, secured by deeds of trust, for construction work on their homes. Federal funds received by the City are deposited with a commercial bank. Upon approval of loans, the bank disburses the funds and arranges for and collects repayments.

At June 30, 2017, the City had outstanding rehabilitation loans of \$140,000 in its Community Development Block Grant Special Revenue Fund.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

5. CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance at <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance at <u>June 30, 2017</u>
Capital assets, not being depreciated:					
Land	\$ 9,105,635	\$ -	\$ -	\$ -	\$ 9,105,635
Construction in progress	<u>12,403,589</u>	<u>3,837,962</u>	<u>(129,917)</u>	<u>(13,541,283)</u>	<u>2,570,351</u>
Total capital assets, not being depreciated	<u>21,509,224</u>	<u>3,837,962</u>	<u>(129,917)</u>	<u>(13,541,283)</u>	<u>11,675,986</u>
Capital assets, being depreciated:					
Buildings and improvements	13,690,155	-	-	-	13,690,155
Other improvements	9,623,560	-	-	135,260	9,758,820
Machinery and equipment	9,563,440	483,845	(296,746)	164,962	9,915,501
Infrastructure	<u>33,661,590</u>	<u>-</u>	<u>-</u>	<u>13,241,061</u>	<u>46,902,651</u>
Total capital assets, being depreciated	<u>66,538,745</u>	<u>483,845</u>	<u>(296,746)</u>	<u>13,541,283</u>	<u>80,267,127</u>
Less accumulated depreciation for:					
Buildings and improvements	(13,375,677)	(342,254)	-	-	(13,717,931)
Other improvements	(9,556,955)	(509,863)	-	-	(10,066,818)
Machinery and equipment	(7,870,535)	(465,820)	291,678	-	(8,044,677)
Infrastructure	<u>(13,373,818)</u>	<u>(1,126,302)</u>	<u>-</u>	<u>-</u>	<u>(14,500,120)</u>
Total accumulated depreciation	<u>(44,176,985)</u>	<u>(2,444,239)</u>	<u>291,678</u>	<u>-</u>	<u>(46,329,546)</u>
Total capital assets, being depreciated, net	<u>22,361,760</u>	<u>(1,960,394)</u>	<u>(5,068)</u>	<u>13,541,283</u>	<u>33,937,581</u>
Total capital assets, net	<u>\$ 43,870,984</u>	<u>\$ 1,877,568</u>	<u>\$ (134,985)</u>	<u>\$ -</u>	<u>\$ 45,613,567</u>

Depreciation expense, including \$259,019 relating to the internal service funds, was charged in the following functions in the Statement of Activities:

General government	\$ 736,470
Recreation	309,400
Public safety	35,882
Public works	<u>1,362,487</u>
	<u>\$ 2,444,239</u>

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

6. LONG-TERM LIABILITIES:

The following is a summary of changes in the City's long-term liabilities for the year ended June 30, 2017:

	Balance at <u>July 1, 2016</u>	Additions/ <u>Accretion</u>	<u>Deletions</u>	Balance at <u>June 30, 2017</u>	Due Within <u>One Year</u>
1997 Refunding Certificates of					
Participation - Civic Center Project	\$ 12,565,000	\$ -	\$ (12,565,000)	\$ -	\$ -
2002 Refunding Certificates of					
Participation - Civic Center Project	5,157,700	161,629	(2,420,000)	2,899,329	-
2016 Refunding Lease Revenue Bonds	-	8,085,000	(625,000)	7,460,000	595,000
Bond premium	-	1,090,835	(90,903)	999,932	-
Compensated absences	3,438,174	2,831,480	(2,351,102)	3,918,552	1,595,933
Claims payable (Note 12)	<u>2,553,880</u>	<u>1,017,157</u>	<u>(619,186)</u>	<u>2,951,851</u>	<u>375,190</u>
	<u>\$ 23,714,754</u>	<u>\$ 13,186,101</u>	<u>\$ (18,671,191)</u>	<u>\$ 18,229,664</u>	<u>\$ 2,566,123</u>

1997 Refunding Certificates of Participation - Civic Center Project:

The proceeds from the 1997 Refunding Certificates of Participation were used to advance refund the remaining outstanding balance on the City's 1991 Certificates of Participation (COP) and to fund the City's deferred street maintenance and improvement projects. The Certificates bear interest at rates ranging from 4% to 5.25%. Interest payments are due on April 1 and October 1 of each year. Principal is due annually on October 1 through 2028. Certificates maturing on or after October 1, 2008 were subject to optional prepayment by the City after this date. Under an agreement with the City, the Successor Agency of the former Campbell Redevelopment Agency reimbursed the City for approximately 42% of the City's debt service on these COPs. These bonds were refunded in August 2016 with proceeds from the 2016 Refunding Lease Revenue Bonds issued by the Campbell Joint Public Finance Authority and 2016 Tax Allocation Refunding Bonds issued by the Successor Agency of the former Campbell Redevelopment Agency.

2002 Refunding Certificates of Participation - Civic Center Project:

Net proceeds of \$9,678,751 from the City's 2002 Refunding Certificates of Participation were used to prepay and refund the City's 1993 Certificates of Participation. An additional \$1,830,975 of proceeds was used to provide partial funding for renovation and expansion of the City's Police Department and construction of an animal shelter. As of June 30 2017, the defeased debt had been retired.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

6. LONG-TERM LIABILITIES (CONTINUED):

2002 Refunding Certificates of Participation - Civic Center Project (Continued):

Serial Certificates in the amount of \$10,685,000 bear interest at rates ranging from 2.50% to 4.75% payable semiannually on October 1 and April 1. Serial Certificate maturities began October 1, 2002 and continue annually through 2018. Certificates maturing between October 1, 2012 and 2018 are subject to optional prepayment by the City on or after October 1, 2011 only on interest payment dates. Under an agreement with the City, the Successor Agency of the former Campbell Redevelopment Agency reimbursed the City for approximately 42% of the City's debt service on these COPs. The Serial Certificates of these bonds were refunded in August 2016 with proceeds from the 2016 Lease Revenue Bonds issued by the Campbell Joint Public Finance Authority and 2016 Tax Allocation Refunding Bonds issued by the Successor Agency of the former Campbell Redevelopment Agency.

Capital Appreciation Certificates in the amount of \$1,245,843 bear interest at rates ranging from 5.80% to 5.83%. Capital Appreciation Certificate maturities begin October 1, 2029 and continue annually through 2032. The Capital Appreciation Certificates are subject to optional redemption in whole or in part any time after October 1, 2022. Each year the outstanding principal balance is increased for the accretion of interest associated with the Capital Appreciation Certificates. The accumulated accreted interest at June 30, 2017 is \$1,653,485.

Principal and interest payments are guaranteed under an insurance policy issued by Ambac Assurance Corporation.

The amount shown in the schedule of changes include the accreted value to date. The future debt service requirements on the 2002 Refunding Certificates of Participation outstanding at June 30, 2017 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028 - 2032	\$ 961,507	\$ 3,883,493	\$ 4,845,000
2033	<u>284,337</u>	<u>1,330,663</u>	<u>1,615,000</u>
	1,245,844	5,214,156	6,460,000
Accumulated Accreted Interest	<u>1,653,485</u>	<u>(1,653,485)</u>	-
	<u>\$ 2,899,329</u>	<u>\$ 3,560,671</u>	<u>\$ 6,460,000</u>

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

6. LONG-TERM LIABILITIES (CONTINUED):

2016 Refunding Lease Revenue Bonds:

In August of 2016, the Campbell Joint Public Finance Authority issued 2016 Refunding Lease Revenue Bonds (the 2016 PFA Bonds), in the aggregate principal amount of \$8,085,000. The bonds pay interest at a rate from 2.0% to 4.0% payable semiannually on April 1 and October 1, commencing on April 1, 2016. The bonds were issued to prepay a portion of the 1997 Refunding Certificates of Participation (Civic Center Project) (the 1997 Certificates) of the City of Campbell (the City), prepay a portion of the 2002 Refunding Certificates of Participation (Civic Center Project) (the 2002 Certificates) of the City, and pay the costs of bond issuance.

As a result of the advance refunding, the City reduced its debt service requirements by \$2,020,520, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,832,047.

The annual debt service requirements to amortize the 2016 Lease Revenue Bonds outstanding at June 30, 2017 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 595,000	\$ 263,900	\$ 858,900
2019	605,000	252,000	857,000
2020	535,000	233,850	768,850
2021	550,000	217,800	767,800
2022	570,000	201,300	771,300
2023 - 2027	3,155,000	678,200	3,833,200
2028 - 2031	<u>1,450,000</u>	<u>87,600</u>	<u>1,537,600</u>
	<u>\$ 7,460,000</u>	<u>\$ 1,934,650</u>	<u>\$ 9,394,650</u>

7. COMMITMENTS:

In the regular course of business, the City enters into contracts for various services and construction projects. At June 30, 2017, the City had the following outstanding commitments under various contracts:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 900,256
Capital Projects Fund	776,381
Other Governmental Funds	<u>804,715</u>
	<u>\$ 2,481,352</u>

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

8. NET POSITION AND FUND BALANCES:

Net Position:

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government - such as citizens, public interest groups, or the judiciary - can compel a government to honor.

Unrestricted Net Position represents net position of the City that is not restricted for any project or purpose.

Fund Balances:

Governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for government funds are classified as follows:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.

Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by a City Council resolution taking the same formal action that imposed the constraint originally.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

8. NET POSITION AND FUND BALANCES (CONTINUED):

Fund Balances (Continued):

Committed Fund Balance (Continued)

Within this classification of fund balance, the City has established by City Council resolution, an *Economic Fluctuations Reserve* that is maintained at \$6,000,000 to provide budget stabilization during an economic downturn that could otherwise result in significant reductions in service levels and/or organizational staffing. The reserve shall not be less than \$2,000,000. However, if the reserve balance falls below \$4 million, or the City's five-year financial projections indicate the reserve will fall below this minimum requirement at any time during this period, City staff shall present to Council, by the following year's budget adoption, a plan to return to the target amount within five years.

Within this classification of fund balance, the City has established by City Council resolution, a *General Fund Emergency Reserve* that shall be maintained at a level of 10% of General Fund revenues and used only in case of dire need as a result of physical or financial emergencies as determined by the City Council.

Assigned Fund Balance - includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as committed. City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily.

Unassigned Fund Balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

8. NET POSITION AND FUND BALANCES (CONTINUED):

Fund Balances (Continued):

Fund balances for all the major and other governmental funds as of June 30, 2017, were classified as follows:

	General Fund	Special Revenue Funds		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
		Housing Assets	Other Grants			
Restricted:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 3,099	\$ 3,099
Streets and roads	-	-	-	-	2,259,343	2,259,343
Museum and adult center	-	-	-	-	147,214	147,214
Public safety	-	-	-	-	151,647	151,647
Community development	-	-	-	-	4,973,102	4,973,102
Housing	-	<u>9,459,431</u>	-	-	-	<u>9,459,431</u>
Total restricted	-	<u>9,459,431</u>	-	-	<u>7,534,405</u>	<u>16,993,836</u>
Committed:						
General plan update	459,966	-	-	-	-	459,966
City council reserve	417,380	-	-	-	-	417,380
Civic center plan	403,283	-	-	-	-	403,283
Compensated absences	1,161,310	-	-	-	-	1,161,310
Economic fluctuations	6,000,000	-	-	-	-	6,000,000
Liability insurance	128,851	-	-	-	-	128,851
Capital improvements reserve	5,410,890	-	-	-	-	5,410,890
Capital projects	3,954,042	-	-	-	-	3,954,042
Workers' compensation	500,000	-	-	-	-	500,000
Heritage Theater	519,421	-	-	-	-	519,421
Emergency	<u>4,941,078</u>	-	-	-	-	<u>4,941,078</u>
Total committed	<u>23,896,221</u>	-	-	-	-	<u>23,896,221</u>
Assigned:						
Capital projects	515,634	-	-	1,742,763	-	2,258,397
Unemployment insurance	60,000	-	-	-	-	60,000
PERS/OPEB	2,552,000	-	-	-	-	2,552,000
Other	<u>900,256</u>	-	-	-	<u>15,341</u>	<u>915,597</u>
Total assigned	<u>4,027,890</u>	-	-	<u>1,742,763</u>	<u>15,341</u>	<u>5,785,994</u>
Unassigned	<u>999,994</u>	-	<u>(2,065,713)</u>	-	-	<u>(1,065,719)</u>
Total fund balances	<u>\$ 28,924,105</u>	<u>\$ 9,459,431</u>	<u>\$ (2,065,713)</u>	<u>\$ 1,742,763</u>	<u>\$ 7,549,746</u>	<u>\$ 45,610,332</u>

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS:

The following is a summary of pension related items for the year ended June 30, 2017:

	<u>Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalPERS Miscellaneous	\$ 24,817,264	\$ 6,265,625	\$ (764,346)	\$ 2,175,480
CalPERS Safety	<u>25,928,666</u>	<u>8,414,351</u>	<u>(1,125,678)</u>	<u>1,294,477</u>
	<u>\$ 50,745,930</u>	<u>\$ 14,679,976</u>	<u>\$ (1,890,024)</u>	<u>\$ 3,469,957</u>

a. Public Employees' Retirement System (CalPERS):

General Information about the Pension Plans:

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Safety (police) cost-sharing multiple-employer defined benefit plan or the Miscellaneous (all other) Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of services. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

General Information about the Pension Plans (Continued):

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		
	Prior to March 7, 2011	On or After March 7, 2011 and Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	2.5%@55	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50-63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.75%
Required employer contribution rates	19.849%	19.849%	19.849%
	Safety		
	Prior to October 18, 2010	On or After October 18, 2010 and Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	3%@50	2%@50	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	10.48%
Required employer contribution rates:			
Normal cost rate	21.230%	15.742%	12.082%
Employer portion of unfunded liability	\$ 1,811,006	\$ -	\$ 37

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

General Information about the Pension Plans (Continued):

Employees Covered

At June 30, 2015 (the actuarial valuation date), the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	170
Inactive employees entitled to but not yet receiving benefits	138
Active employees	<u>133</u>
Total	<u><u>441</u></u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

Net Pension Liability:

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Net Pension Liability (Continued):

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increase	(1)	(1)
Mortality	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)

- (1) Depending on age, service and type of employment
- (2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Net Pension Liability (Continued):

Change of Assumptions

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Net Pension Liability (Continued):

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Changes in the Net Pension Liability:

The changes in the net pension liability for the Miscellaneous Plan during the measurement period are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015	<u>\$ 91,097,472</u>	<u>\$ 71,032,257</u>	<u>\$ 20,065,215</u>
Changes in the Year:			
Service cost	1,958,173	-	1,958,173
Interest on the total pension liability	6,827,812	-	6,827,812
Differences between expected and actual experience	(487,339)	-	(487,339)
Contribution - employer	-	2,168,070	(2,168,070)
Contribution - employee	-	903,290	(903,290)
Net investment income	-	518,527	(518,527)
Administrative expenses	-	(43,290)	43,290
Benefit payments, including refunds of employee contributions	(4,673,560)	(4,673,560)	-
Net Changes	<u>3,625,086</u>	<u>(1,126,963)</u>	<u>4,752,049</u>
Balance at June 30, 2016	<u>\$ 94,722,558</u>	<u>\$ 69,905,294</u>	<u>\$ 24,817,264</u>

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Changes in the Net Pension Liability (Continued):

Proportionate Share of Net Pension Liability - Safety Plan

The City's Safety Plan is included in the Safety Risk Pool administered by CalPERS in its Public Agency Cost-Sharing Multiple Employer Defined Benefit Pension Plan (PERFC). As of the measurement date of June 30, 2016, the City's proportionate share of the net pension liability for the Safety Risk Pool was as follows:

	Proportionate Share of Net Pension Liability
	<u> </u>
Safety Plan	<u>\$ 25,928,666</u>

The City's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability of the Safety Risk Pool. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's change in proportionate share of the net pension liability for the Safety Risk Pool, in terms of percentage, as of the measurement dates ended June 30, 2015 and 2016 was as follows:

	<u>Safety</u>
Proportion - June 30, 2015	0.52828%
Proportion - June 30, 2016	0.50063%
Change - Increase (Decrease)	-0.02765%

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

Changes in the Net Pension Liability (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for the Miscellaneous Plan and proportionate share of net pension liability for the Safety Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability and proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 37,265,087	\$ 37,181,379
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 24,817,264	\$ 25,928,666
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 14,517,772	\$ 16,691,342

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Subsequent Events

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

a. Public Employees' Retirement System (CalPERS) (Continued):

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

For the year ended June 30, 2017, the City recognized pension expense of \$2,175,480 related to the Miscellaneous Plan and \$1,294,477 related to the Safety Plan. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 2,425,906	\$ -	\$ 2,928,596	\$ -	\$ 5,354,502	\$ -
Differences between expected and actual experience	-	(395,348)	-	(207,051)	-	(602,399)
Change in assumptions	-	(368,998)	-	(902,756)	-	(1,271,754)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	1,050,555	(15,871)	1,050,555	(15,871)
Net differences between projected and actual earnings on plan investments	3,839,719	-	4,435,200	-	8,274,919	-
Total	<u>\$ 6,265,625</u>	<u>\$ (764,346)</u>	<u>\$ 8,414,351</u>	<u>\$ (1,125,678)</u>	<u>\$ 14,679,976</u>	<u>\$ (1,890,024)</u>

\$2,425,906 and \$2,928,596 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the miscellaneous and safety plans, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Miscellaneous	Safety	Total
2018	\$ (79,163)	\$ 514,123	\$ 434,960
2019	460,257	574,524	1,034,781
2020	1,725,640	2,116,818	3,842,458
2021	968,639	1,154,612	2,123,251
Thereafter	-	-	-

Payable to the Pension Plans:

At June 30, 2017, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

9. PENSION PLANS (CONTINUED):

b. Deferred Compensation Plan:

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

10. OTHER RETIREMENT SYSTEM:

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan. Effective July 1, 2004, the City contracted with the Public Agency Retirement System (PARS), a defined contribution plan. This Plan covers employees that are part-time, seasonal or temporary and all other employees that are not covered by another retirement system. All eligible employees covered by the Plan are fully vested. Employer liabilities are limited to the amount of current contributions.

Under PARS, employees contribute 6.2% and the City contributes 1.3% of the employees' salary each pay period. For the fiscal year ended June 30, 2017, total contributions of \$133,731 (\$110,550 employee and \$23,181 employer) were made based on covered compensation of \$1,783,034.

11. POST-EMPLOYMENT BENEFITS PLAN:

Plan Description:

The City administers a single employer Retiree Award Program which provides medical insurance benefits on a reimbursement basis to eligible retirees in accordance with various labor agreements. The City pays up to \$325 per month for retiree only medical insurance premiums or the actual cost of the retiree premium, whichever is less. Eligible retirees must be retired from the City with at least 17 years of service with the City and be at least 50 years of age.

The City has established a trust with the California Employers Retiree Benefit Trust for the purpose of holding assets accumulated for plan benefits. Copies of PERS' annual financial reports for its OPEB Trust may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

11. POST-EMPLOYMENT BENEFITS PLAN (CONTINUED):

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on the most recent actuarial study using a 10-year phase-in option.

Annual OPEB and Net OPEB Obligation:

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

Annual required contribution	\$ 1,003,000
Interest on net OPEB obligation	116,000
Adjustment to annual required contribution (1)	<u>(143,000)</u>
Annual OPEB cost (expense)	976,000
Contributions made (including premiums paid and implied subsidy benefit payments)	<u>(933,490)</u>
Decrease in net OPEB obligation	42,510
Net OPEB Obligation - beginning of year	<u>1,674,751</u>
Net OPEB Obligation - end of year	<u>\$ 1,717,261</u>

The City's General Fund has typically been used in prior years to liquidate the Net OPEB obligation.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
06/30/2015	\$ 653,000	91%	\$ 1,691,478
06/30/2016	680,000	102%	1,674,751
06/30/2017	976,000	96%	1,717,261

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

11. POST-EMPLOYMENT BENEFITS PLAN (CONTINUED):

Funded Status and Funding Progress:

As of June 30, 2015, the most recent actuarial valuation date, the plan was 21.4% funded. The actuarial accrued liability for benefits was \$9,640,000 and the actuarial value of assets was \$2,063,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,577,000. The covered payroll (annual payroll of active employees covered by the plan) was \$15,147,000, and the ratio of the UAAL to the covered payroll was 50.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.25% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% starting in the year 2016, reduced by decrements of .5% per year to an ultimate rate of 5.0% after the year 2021. Both rates included a 3.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over a closed 23-year period. It is assumed the City's payroll will increase 3.25% per year.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

12. RISK MANAGEMENT:

General Liability:

Risk management activity for City exposure to torts (general liability) is accounted for as a liability on the Statement of Net Position. The City is self-insured for the first \$100,000 of liability for each occurrence, and the excess (up to \$20,000,000) is covered through the City's participation in the Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN) general liability risk pool. ABAG PLAN also provides \$1,000,000 of employee theft coverage in the excess of the City's \$5,000 deductible.

ABAG PLAN pool consists of twenty-eight member agencies within the San Francisco Bay Area. The stated purpose of the ABAG PLAN pool is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to each participating city within the pool.

Each city was required to make an initial deposit premium based on an actuarial study of each City's risk exposure. The premium consists of a risk portion and administrative portion. The premium is revised each year based on claims experience and risk exposure.

Workers' Compensation:

The City has a risk financing fund to account for work related injuries and accidents to City employees. This fund is accounted for as an internal service fund in which assets are set aside for claim payments. Under the California Workers' Disability and Compensation laws, the City, as an employer, is permissibly self-insured for the first \$1,000,000 of claims arising from each occurrence. The City obtains excess Workers' Compensation insurance through a policy up to statutory limits. A premium is charged to each fund and program that budgets for part-time or full-time employees. The total charge allocated is based upon the percentage of each fund's current-year payroll as it relates to total payroll of the City.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. For the past three fiscal years, no claims were settled in excess of commercial insurance coverage.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

12. RISK MANAGEMENT (CONTINUED):

City's Claims Liabilities:

The City's liability for uninsured claims was estimated by management based on prior year claims experience, as follows:

	General <u>Liability</u>	Workers' <u>Compensation</u>	<u>Total</u>
Balance as of July 1, 2015	\$ 125,439	\$ 2,346,398	\$ 2,471,837
Liability for current year fiscal claims	176,893	430,690	607,583
Increase (decrease) in estimated liability	(30,436)	(80,163)	(110,599)
Claims paid	<u>(114,992)</u>	<u>(299,949)</u>	<u>(414,941)</u>
Balance as of June 30, 2016	<u>\$ 156,904</u>	<u>\$ 2,396,976</u>	<u>\$ 2,553,880</u>
Balance as of July 1, 2016	\$ 156,904	\$ 2,396,976	\$ 2,553,880
Liability for current year fiscal claims	178,518	756,232	934,750
Increase (decrease) in estimated liability	(76,782)	(44,998)	(121,780)
Claims paid	<u>(129,792)</u>	<u>(285,207)</u>	<u>(414,999)</u>
Balance as of June 30, 2017	<u>\$ 128,848</u>	<u>\$ 2,823,003</u>	<u>\$ 2,951,851</u>

13. JOINT POWERS AGREEMENTS:

Congestion Management Agency:

The Congestion Management Agency (CMA) was formed in 1991 by a joint exercise of powers agreement between the County of Santa Clara and each of the cities of Santa Clara County for the purpose of preparing, implementing, and administering a traffic congestion management plan pursuant to California Government Code Section 66531. The City's share of CMA assets, liabilities, and fund equity is approximately 2.10%.

The CMA financial statements are included as part of the Special Fund of the Santa Clara Valley Transportation Authority. Audited financial statements may be obtained at 3331 N. First Street, Building B-2, San Jose, California 95134-1927.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

13. JOINT POWERS AGREEMENTS (CONTINUED):

Silicon Valley Animal Control Authority:

The City is a member of Silicon Valley Animal Control Authority (SVACA), established in 2000 to deliver animal control services. SVACA provides its own field services and has an agreement with the Humane Society of Santa Clara Valley to provide facilities, personnel, shelter, and animal services. SVACA is governed by a Board of Directors consisting of representatives from member cities.

During the fiscal year ended June 30, 2017, the City contributed \$258,415 to SVACA for field services and sheltering costs. Audited financial statements are available from SVACA at 2340-A Walsh Avenue, Santa Clara, California 95051.

West Valley Solid Waste Management Authority:

The West Valley Solid Waste Management Authority (WVSWMA) was formed on October 1, 1997 to implement and administer the West Valley Solid Waste Management Plan, manage rate studies, and negotiate the related contracts for member's entities.

WVSWMA includes the Cities of Campbell, Monte Sereno, Saratoga, and the Town of Los Gatos. The City of Campbell maintains the financial records and provides accounting services for WVSWMA. Audited financial statements are available from the City of Campbell.

California Municipal Finance Authority:

The California Municipal Finance Authority (CMFA) was created to assist local governments, non-profit organizations and business with the issuance of taxable and tax-exempt bonds aimed at improving the standards of living in California. In order for the CMFA to have the authority to serve as the issuer of the bonds for the rehabilitation of a project within the City limits, it was necessary for the City to become a member of the CMFA. The City has no obligation with respect to the bonds issued by the CMFA, and the City has the right to withdraw from the Joint Exercise of Powers Agreement upon written notice to the Board of Directors of the CMFA.

14. RENTAL INCOME FROM USE OF CITY PROPERTY:

The City leases a portion of the space at its Community Center. Rental income from leases and facility rentals during the fiscal year ended June 30, 2017 amounted to \$1,601,444. Major tenants include Delphi Academy, Old Orchard School, Casa DiMir Montessori, Santa Clara County Office of Education, and West Valley College.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

14. RENTAL INCOME FROM USE OF CITY PROPERTY (CONTINUED):

Minimum future lease rental commitments at June 30, 2017 are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2018	\$ 1,495,936
2019	1,256,274
2020	1,069,575
2021	760,114
Total minimum future lease rentals	<u>\$ 4,581,899</u>

The carrying value and accumulated depreciation of related assets under the leases totaled \$6,347,043 and \$1,887,512, respectively, at June 30, 2017, which is recorded in the Successor Agency private-purpose trust fund since it was considered an asset of the former City of Campbell Redevelopment Agency and is security for outstanding Successor Agency debt.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

The following funds have a deficit fund balance at June 30, 2017:

Major Fund:

Other Grants Special Revenue Fund \$ (2,065,713)

This deficit fund balance will be eliminated by the collection of unavailable revenues.

Excess of Expenditures over Appropriations:

Expenditures exceeded budgeted appropriations in the following funds:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Fund:			
General Fund - General Government	\$ 7,128,022	\$ 7,129,171	\$ (1,149)
General Fund - Public Safety	24,362,103	24,426,410	(64,307)
Housing Assets Special Revenue Fund	252,475	262,435	(9,960)
Other Governmental Funds:			
Special Revenue Funds:			
Lighting and Landscaping District - Public Works	3,889,397	3,945,864	(56,467)
Community Development Block Grant - Community Development	10,088	17,084	(6,996)
COP Debt Service Fund - Debt Service	1,599,927	6,203,951	(4,604,024)

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

16. CONTINGENT LIABILITIES:

Litigation:

The City is subject to litigation arising in the normal course of business. In the opinion of the City attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

Grant Programs:

The City participates in Federal and State grant programs. The amounts received or receivable from granting agencies are subject to audit adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Annexation of Territory:

On May 1, 2013, the City annexed approximately 103 acres from the County of Santa Clara and 24 acres from the City of San Jose as part of a territorial reorganization between these entities. As a condition to the reorganization of territory from the City of San Jose to the City, the City entered into a 40-year agreement with the City of San Jose to provide it with compensation for future net revenues it has given up as a result of the territorial reorganization. Under the terms of the agreement, the City is committed to make annual payments to San Jose based on an initial base amount for the first five years, effective fiscal year 2013-14. This base amount is subject to adjustment if certain conditions are met. In the sixth year, and every subsequent fifth year thereafter, the payment is to be adjusted by an agreed upon formula that calculates the increase/decrease in net revenues, as defined in the agreement, as a percentage, and applies it to the base payment resulting in a revised based payment amount for the ensuing five year period. Other provisions call for a recalculation of the revised base payment in between calculation dates if certain economic conditions are met. The City expects its annual payment amount to be approximately \$199,000 through fiscal 2017-18, however if certain conditions are met, this annual amount may be adjusted.

17. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the Dissolution Act) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package, which dissolved the redevelopment agency.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

17. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

In September 2015, the Legislature passed and the Governor signed SB 107, which made additional changes to the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each Dissolved RDA) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 17, 2012, the City elected to serve as the Successor Agency to the City of Campbell Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards are to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City elected on January 17, 2012 to serve as the Housing Successor Agency.

As of the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Assets Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

In the current and future fiscal years, the Successor Agency will only be allocated revenue from the County of Santa Clara in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Dissolved RDA until all enforceable obligations of the Dissolved RDA have been paid in full and all assets have been liquidated.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

18. SUCCESSOR AGENCY:

Capital Assets:

Capital assets of the Successor Agency as of June 30, 2017 consisted of the following:

	Balance at July 1, 2016, <u>as restated (a)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 7,176,061	\$ -	\$ -	\$ -	\$ 7,176,061
Capital assets, being depreciated:					
Buildings and improvements	18,939,961	-	-	-	18,939,961
Other improvements	<u>11,805,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,805,911</u>
Total capital assets, being depreciated	<u>30,745,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,745,872</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,072,750)	(466,616)	-	-	(5,539,366)
Other improvements	<u>(7,093,716)</u>	<u>(583,532)</u>	<u>-</u>	<u>-</u>	<u>(7,677,248)</u>
Total accumulated depreciation	<u>(12,166,466)</u>	<u>(1,050,148)</u>	<u>-</u>	<u>-</u>	<u>(13,216,614)</u>
Total capital assets, being depreciated, net	<u>18,579,406</u>	<u>(1,050,148)</u>	<u>-</u>	<u>-</u>	<u>17,529,258</u>
Total capital assets, net	<u>\$ 25,755,467</u>	<u>\$ (1,050,148)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,705,319</u>

(a) At July 1, 2016, the beginning net position of the Successor Agency Private-Purpose Trust Fund was increased by \$287,756 for the correction of the accumulated depreciation balance. Depreciation expense for certain assets had been overstated in prior years.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

18. SUCCESSOR AGENCY (CONTINUED):

Long-term Liabilities:

Long-term liabilities of the Successor Agency as of June 30, 2017 consisted of the following:

	Balance at <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2017</u>	Due Within <u>One Year</u>
2002 RDA Tax Allocation Bonds -					
Central Campbell Redevelopment Project	\$ 8,510,000	\$ -	\$ (8,510,000)	\$ -	\$ -
2005 RDA Tax Allocation Bonds, Series A -					
Central Campbell Redevelopment Project	10,870,000	-	(10,870,000)	-	-
Advances from City of Campbell	6,203,790	-	(6,203,790)	-	-
2016 Tax Allocation Refunding Bonds	<u>-</u>	<u>22,660,000</u>	<u>(335,000)</u>	<u>22,325,000</u>	<u>1,355,000</u>
	<u>\$ 25,583,790</u>	<u>\$ 22,660,000</u>	<u>\$ (25,918,790)</u>	<u>\$ 22,325,000</u>	<u>\$ 1,355,000</u>

2002 RDA Tax Allocation Bonds - Central Campbell Redevelopment Project:

On July 10, 2002, the City of Campbell Redevelopment Agency issued the Central Campbell Redevelopment Project Tax Allocation Bonds, Series 2002A of \$15,300,000 with interest rates ranging from 2.75% to 6.0%, due October 1, 2033. The net proceeds of the bonds were being used to fund acquisition and construction of various redevelopment projects including the Community Center and Heritage Theatre renovations. Bonds are payable from and secured principally by tax increment revenues generated in the redevelopment area. Serial bonds in the amount of \$2,865,000 are subject to optional redemption in whole or in part by the Successor Agency anytime after October 1, 2011. These bonds were refunded in August 2016 with proceeds from the 2016 Tax Allocation Refunding Bonds issued by the Successor Agency of the former Campbell Redevelopment Agency.

2005 RDA Tax Allocation Bonds, Series A - Central Campbell Redevelopment Project:

On May 10, 2005, the City of Campbell Redevelopment Agency issued the Central Campbell Redevelopment Project Tax Allocation Bonds, Series A of \$12,300,000 with interest rates ranging from 3.0% to 5.0%, due October 1, 2032. The Bonds are payable from and secured principally by tax increment revenues generated in the redevelopment area. Net proceeds of the bonds were used to advance refund the remaining outstanding balance of the City's 1999 Redevelopment Agency Tax Allocation Bonds, Series A and B. Annual principal payments are due October 1 and semiannual interest payments are due April 1 and October 1 of each year through October 1, 2032. These bonds were refunded in August 2016 with proceeds from the 2016 Tax Allocation Refunding Bonds issued by the Successor Agency of the former Campbell Redevelopment Agency.

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

18. SUCCESSOR AGENCY (CONTINUED):

Advances from the City of Campbell:

The City has advanced funds to the former redevelopment agency under the terms of a Third Amended and Restated Indebtedness Agreement. Principal was payable out of the excess of tax increment revenues over other similar liabilities and agreements. The Campbell Redevelopment Agency was dissolved on January 31, 2012 and the advance liability was transferred to the Successor Agency to be paid as an enforceable obligation. This advance was refunded in August 2016 with proceeds from the 2016 Tax Allocation Refunding Bonds issued by the Successor Agency of the former Campbell Redevelopment Agency. The proceeds repaid to the City were utilized by the City to refund a portion of the 1997 Refunding Certificates of Participation and a portion of the 2002 Refunding Certificates of Participation as described in Note 6.

2016 Tax Allocation Refunding Bonds:

Concurrently with the issue of the 2016 Refunding Lease Revenue Bonds, the City of Campbell Successor Agency issued Tax Allocation Refunding Bonds, Series 2016 in the aggregate principal amount of \$22,705,000. These bonds were private placement bonds that pay interest at a rate from 1.825% to 2.15% payable semiannually on April 1 and October 1 commencing on April 1, 2017. The proceeds from the Tax Allocation Refunding Bonds, Series 2016 were used to prepay the 2002 RDA Tax Allocation Bonds, Series A, to prepay the 2005 RDA Tax Allocation Bonds, Series A, to prepay a portion of the 1997 Refunding Certificates of Participation and the 2002 Refunding Certificates of Participation, and to pay the cost of issuing the bonds.

As a result of the refunding, the Successor Agency reduced its total debt service requirements by \$12,154,021, which resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$7,232,296.

The annual debt service requirements to amortize the 2016 Tax Allocation Refunding Bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2018	\$ 1,355,000	\$ 466,338	\$ 1,821,338
2019	1,170,000	440,206	1,610,206
2020	1,175,000	415,741	1,590,741
2021	1,200,000	390,737	1,590,737
2022	1,375,000	365,150	1,740,150
2023 - 2027	8,145,000	1,330,684	9,475,684
2028 - 2031	<u>7,905,000</u>	<u>417,798</u>	<u>8,322,798</u>
	<u>\$ 22,325,000</u>	<u>\$ 3,826,654</u>	<u>\$ 26,151,654</u>

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the fiscal year ended June 30, 2017

19. SUBSEQUENT EVENTS:

Events occurring after June 30, 2017 have been evaluated for possible adjustments to the financial statements or disclosure as of February 20, 2018, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CalPERS MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Period Ended	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:			
Service cost	\$ 1,958,173	\$ 1,794,374	\$ 1,803,589
Interest on total pension liability	6,827,812	6,544,912	6,237,266
Differences between expected and actual experience	(487,339)	(413,601)	-
Changes in assumptions	-	(1,598,990)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	<u>(4,673,560)</u>	<u>(3,798,085)</u>	<u>(3,467,485)</u>
Net Change in Total Pension Liability	3,625,086	2,528,610	4,573,370
Total Pension Liability - Beginning of Year	<u>91,097,472</u>	<u>88,568,862</u>	<u>83,995,492</u>
Total Pension Liability - End of Year (a)	<u>\$ 94,722,558</u>	<u>\$ 91,097,472</u>	<u>\$ 88,568,862</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 2,168,070	\$ 1,811,356	\$ 1,592,734
Contributions - employee	903,290	818,954	869,838
Net investment income	518,527	1,566,471	10,321,563
Plan to plan resource movement	-	(12,655)	-
Administrative expenses	(43,290)	(79,967)	-
Benefit payments	<u>(4,673,560)</u>	<u>(3,798,085)</u>	<u>(3,467,485)</u>
Net Change in Plan Fiduciary Net Position	(1,126,963)	306,074	9,316,650
Plan Fiduciary Net Position - Beginning of Year	<u>71,032,257</u>	<u>70,726,183</u>	<u>61,409,533</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 69,905,294</u>	<u>\$ 71,032,257</u>	<u>\$ 70,726,183</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 24,817,264</u>	<u>\$ 20,065,215</u>	<u>\$ 17,842,679</u>
Plan fiduciary net position as a percentage of the total pension liability	73.80%	77.97%	79.85%
Covered - employee payroll	\$ 11,395,916	\$ 10,550,178	\$ 9,939,320
Net pension liability as percentage of covered- employee payroll	217.77%	190.19%	179.52%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF CONTRIBUTIONS
CalPERS MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,425,906	\$ 2,165,546	\$ 1,811,474
Contributions in relation to the actuarially determined contributions	<u>(2,425,906)</u>	<u>(2,165,546)</u>	<u>(1,811,474)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 12,189,153	\$ 11,395,916	\$ 10,550,178
Contributions as a percentage of covered - employee payroll	19.90%	19.00%	17.17%

Notes to Schedule:

Valuation Date	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on Age, Service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	2.5% at 55 and 2% at 60 retirement age from 50-63, 2% at 62 retirement age 52-67**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CalPERS SAFETY PLANS

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period ended	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.29965%	0.31713%	0.32550%
Plan's proportionate share of the net pension liability	\$ 25,928,666	\$ 21,767,656	\$ 19,752,687
Plan's covered - employee payroll	\$ 5,370,852	\$ 5,168,789	\$ 5,062,342
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	482.77%	421.14%	390.19%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	74.85%
Plan's proportionate share of aggregate employer contributions	\$ 1,968,412	\$ 1,960,049	\$ 1,664,775

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

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

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF CONTRIBUTIONS
CalPERS SAFETY PLANS

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 2,928,596	\$ 2,610,566	\$ 2,079,597
Contributions in relation to the actuarially determined contributions	<u>(2,928,596)</u>	<u>(2,610,566)</u>	<u>(2,079,597)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 5,832,083	\$ 5,370,852	\$ 5,168,789
Contributions as a percentage of covered - employee payroll	50.22%	48.61%	40.23%

Notes to Schedule:

Valuation Date	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age **
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS

For the fiscal year ended June 30, 2017

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/c]
06/30/11	\$ 6,492,000	\$ 426,000	\$ 6,066,000	6.56%	\$ 14,993,000	40.46%
06/30/13	7,204,000	1,015,000	6,189,000	14.09%	13,039,000	47.47%
06/30/15	9,640,000	2,063,000	7,577,000	21.40%	15,147,000	50.02%

CITY OF CAMPBELL, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 12,320,000	\$ 13,163,000	\$ 13,052,321	\$ (110,679)
Sales and use taxes	15,022,000	14,132,000	14,297,751	165,751
Other taxes	9,306,000	9,196,000	9,279,306	83,306
Licenses and permits	2,183,410	3,123,410	3,873,976	750,566
Fines and forfeitures	300,000	362,000	320,193	(41,807)
Investment income	173,000	173,000	171,220	(1,780)
Rents and leases	2,672,743	2,750,268	2,829,484	79,216
Intergovernmental	376,247	234,247	191,665	(42,582)
Charges for services	4,259,836	3,454,661	3,743,089	288,428
Donations	33,000	78,000	74,342	(3,658)
Miscellaneous revenues	51,850	114,600	177,867	63,267
TOTAL REVENUES	46,698,086	46,781,186	48,011,214	1,230,028
EXPENDITURES:				
GENERAL GOVERNMENT				
City Council	292,369	365,758	348,617	17,141
City Manager	977,913	1,079,913	1,130,676	(50,763)
City Clerk	484,662	1,007,962	1,104,046	(96,084)
Human Resources	926,930	944,930	935,714	9,216
Accounting	1,566,727	1,538,979	1,446,951	92,028
Non-Departmental Finance	1,688,600	1,753,600	1,637,061	116,539
Legal Services	384,380	436,880	526,092	(89,212)
TOTAL GENERAL GOVERNMENT	6,321,581	7,128,022	7,129,171	(1,149)
RECREATION				
Community services and administration	740,352	742,052	745,367	(3,315)
Senior citizens nutrition program	218,749	218,750	217,617	1,133
Adult services	669,617	669,618	657,734	11,884
Campbell Community Center	850,548	864,149	889,938	(25,789)
Museum services	385,805	391,806	386,331	5,475
Theater	936,490	1,158,360	988,507	169,853
Sports, aquatics and fitness	1,135,156	1,165,157	1,116,448	48,709
Trips, tours and classes	1,106,423	1,114,524	1,078,453	36,071
TOTAL RECREATION	6,043,140	6,324,416	6,080,395	244,021
COMMUNITY DEVELOPMENT				
Community Development administration	456,211	460,986	462,942	(1,956)
Current planning	686,608	686,608	636,700	49,908
Policy development	142,783	1,026,616	359,532	667,084
Building	1,390,050	1,403,136	1,360,903	42,233
Economic development	159,547	161,547	127,431	34,116
TOTAL COMMUNITY DEVELOPMENT	2,835,199	3,738,893	2,947,508	791,385

(Continued)

See accompanying note to required supplementary information.

CITY OF CAMPBELL, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND
(CONTINUED)

For the fiscal year ended June 30, 2017

EXPENDITURES (CONTINUED):	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
PUBLIC SAFETY				
Police administration	\$ 912,103	\$ 912,103	\$ 956,248	\$ (44,145)
Communications	2,183,127	2,193,127	2,225,779	(32,652)
Records	1,337,617	1,184,917	1,321,400	(136,483)
Special enforcement services	3,932,363	3,932,363	3,551,235	381,128
Field services	8,432,474	8,323,806	8,553,712	(229,906)
Fire protection services	7,815,787	7,815,787	7,818,036	(2,249)
TOTAL PUBLIC SAFETY	24,613,471	24,362,103	24,426,410	(64,307)
PUBLIC WORKS				
Public Works administration	774,517	797,132	723,912	73,220
Transportation engineering	394,062	394,062	367,478	26,584
Engineering	1,179,167	1,107,945	1,088,035	19,910
Land Development/Env. programs	1,220,822	1,267,194	1,090,373	176,821
Maintenance administration	511,310	521,310	468,760	52,550
Building maintenance	1,665,598	1,791,430	1,639,264	152,166
TOTAL PUBLIC WORKS	5,745,476	5,879,073	5,377,822	501,251
TOTAL EXPENDITURES	45,558,867	47,432,507	45,961,306	1,471,201
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,139,219	(651,321)	2,049,908	2,701,229
OTHER FINANCING SOURCES (USES):				
Transfers in	1,354,777	1,360,677	1,399,558	38,881
Transfers out	(3,452,858)	(9,356,571)	(4,747,573)	4,608,998
TOTAL OTHER FINANCING SOURCES (USES)	(2,098,081)	(7,995,894)	(3,348,015)	4,647,879
NET CHANGE IN FUND BALANCE	(958,862)	(8,647,215)	(1,298,107)	7,349,108
FUND BALANCE AT BEGINNING OF YEAR	30,222,212	30,222,212	30,222,212	-
FUND BALANCE AT END OF YEAR	\$ 29,263,350	\$ 21,574,997	\$ 28,924,105	\$ 7,349,108

See accompanying note to required supplementary information.

CITY OF CAMPBELL, CALIFORNIA
 BUDGETARY COMPARISON SCHEDULE
 HOUSING ASSETS SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 11,000	\$ 11,000	\$ 20,902	\$ 9,902
Miscellaneous revenue	50,000	50,000	355,582	305,582
TOTAL REVENUES	<u>61,000</u>	<u>61,000</u>	<u>376,484</u>	<u>315,484</u>
EXPENDITURES:				
Current:				
Community development	<u>252,474</u>	<u>252,475</u>	<u>262,435</u>	<u>(9,960)</u>
TOTAL EXPENDITURES	<u>252,474</u>	<u>252,475</u>	<u>262,435</u>	<u>(9,960)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(191,474)	(191,475)	114,049	305,524
FUND BALANCE AT BEGINNING OF YEAR	<u>9,345,382</u>	<u>9,345,382</u>	<u>9,345,382</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 9,153,908</u></u>	<u><u>\$ 9,153,907</u></u>	<u><u>\$ 9,459,431</u></u>	<u><u>\$ 305,524</u></u>

See accompanying note to required supplementary information.

CITY OF CAMPBELL, CALIFORNIA
 BUDGETARY COMPARISON SCHEDULE
 OTHER GRANTS SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income (loss)	\$ -	\$ -	\$ 90	\$ 90
Intergovernmental	1,235,000	4,181,768	2,337,271	(1,844,497)
TOTAL REVENUES	1,235,000	4,181,768	2,337,361	(1,844,407)
EXPENDITURES	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,235,000	4,181,768	2,337,361	(1,844,407)
OTHER FINANCING USES:				
Transfers in	-	183,500	-	(183,500)
Transfers out	(1,235,000)	(4,358,268)	(1,995,956)	2,362,312
TOTAL OTHER FINANCING USES	(1,235,000)	(4,174,768)	(1,995,956)	2,178,812
NET CHANGE IN FUND BALANCE	-	7,000	341,405	334,405
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(2,407,118)	(2,407,118)	(2,407,118)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (2,407,118)	\$ (2,400,118)	\$ (2,065,713)	\$ 334,405

See accompanying note to required supplementary information.

CITY OF CAMBELL, CALIFORNIA

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the fiscal year ended June 30, 2017

1. BUDGETS AND BUDGETARY DATA:

The City adopts a budget annually for General, Special Revenue, and Debt Service Funds. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted by the City Council and controlled by each department head, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. Budget adjustments within the adopted budget of less than \$10,000, or requiring a transfer from reserves of less than \$5,000, may be approved by the City Manager; otherwise, City Council approval is required. All budget adjustments to capital projects must be approved by the City Council. Thus, the legal level of expenditure control is, effectively, at the department level. For the General Fund, budgetary comparisons for line operating departments are presented and supporting departments, Finance and City Manager are combined as General Government. All appropriations lapse at year-end. During the fiscal year, supplemental adjustments to appropriations were adopted by City Council and have been included in the budget versus actual statements.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles, except for the 2016 LRB Debt Service Fund and the Museum and Adult Center Special Revenue Fund for which no budget was adopted in the current fiscal year and the Capital Projects Fund which budget on a project length basis and, therefore, is not comparable on an annual basis. Accordingly, no budgetary comparison for these funds are presented in the financial statements.

Under encumbrance accounting, purchase orders, contracts and other commitments of the expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end lapse and must be reappropriated as part of the following year budget.

SUPPLEMENTARY INFORMATION



CITY OF CAMPBELL, CALIFORNIA

OTHER GOVERNMENTAL FUNDS

Other Governmental Special Revenue Funds:

Gas Tax

Accounts for revenues and expenditures pertaining to the construction and maintenance of City streets.

Vehicle Impact Fees

Accounts for revenues and expenditures pertaining to street maintenance.

Parkland Dedication Fees

Accounts for Quimby Act monies received from developers and records expenditures related to development of designated areas.

Lighting and Landscaping District

Accounts for revenues and expenditures providing for City street lighting and landscaping.

Community Development Block Grant

Accounts for Federal Block Grant Funds used for community development, such as low-and-moderate rehabilitation grants and loans.

Drug Enforcement Revenue

Accounts for revenues received through drug related asset seizures and any drug related convictions.

Environmental Services

Accounts for revenues received from developers and franchised garbage collection to be utilized for solid waste management and storm drain improvements.

Supplemental Law Enforcement

Accounts for revenues and expenditures pertaining to grants received from enhancing law enforcement services.

CITY OF CAMPBELL, CALIFORNIA

OTHER GOVERNMENTAL FUNDS
(CONTINUED)

Other Governmental Special Revenue Funds (Continued):

Community Facilities District #1

Accounts for revenues and expenditures pertaining to specific ongoing maintenance of the District's boundaries.

Community Facilities District #2

Accounts for revenues and expenditures pertaining to specific ongoing maintenance of the District's boundaries.

Museum and Adult Center

Accounts for donations received from expenditures related to the City's Museum and Adult Center.

Other Governmental Debt Service Funds:

COP

Accounts for the City's share of proceeds from the repayments of the 1997 and 2002 COP refinancing, which were utilized chiefly for the City's Community Center and deferred street maintenance projects.

2016 LRB

Accounts for the City's share of proceeds from the repayments of the 2016 Lease Revenue Bonds, which were utilized for the refunding of the City's 1997 and 2002 COP obligations.



CITY OF CAMPBELL, CALIFORNIA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2017

		Special Revenue Funds	
		Gas Tax	Vehicle Impact Fees
ASSETS			
Cash and investments		\$ 212,859	\$ 1,298,788
Cash held with fiscal agent		-	-
Receivables:			
Accounts		2,165	39,800
Taxes		-	-
Notes and loans		-	-
		-	-
TOTAL ASSETS		\$ 215,024	\$ 1,338,588
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ 18,481	\$ -
Accrued payroll		20,814	-
Due to other funds		349	-
Unearned revenue		-	-
		-	-
TOTAL LIABILITIES		39,644	-
FUND BALANCES:			
Restricted		175,380	1,338,588
Assigned		-	-
		-	-
TOTAL FUND BALANCES		175,380	1,338,588
TOTAL LIABILITIES AND FUND BALANCES		\$ 215,024	\$ 1,338,588

Special Revenue Funds (Continued)

Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement
\$ 4,861,639	\$ 334,244	\$ 16	\$ 33,704	\$ 562,304	\$ 101,719
-	-	-	-	-	-
-	2,515	7,458	325	183,153	15,919
-	4,602	-	-	-	-
-	-	140,000	-	-	-
<u>\$ 4,861,639</u>	<u>\$ 341,361</u>	<u>\$ 147,474</u>	<u>\$ 34,029</u>	<u>\$ 745,457</u>	<u>\$ 117,638</u>
\$ -	\$ 238,336	\$ -	\$ -	\$ -	\$ -
-	43,803	-	-	-	-
1,124	-	138,655	-	82	20
-	-	7,458	-	-	-
<u>1,124</u>	<u>282,139</u>	<u>146,113</u>	<u>-</u>	<u>82</u>	<u>20</u>
4,860,515	59,222	1,361	34,029	745,375	117,618
-	-	-	-	-	-
<u>4,860,515</u>	<u>59,222</u>	<u>1,361</u>	<u>34,029</u>	<u>745,375</u>	<u>117,618</u>
<u>\$ 4,861,639</u>	<u>\$ 341,361</u>	<u>\$ 147,474</u>	<u>\$ 34,029</u>	<u>\$ 745,457</u>	<u>\$ 117,638</u>

(Continued)

CITY OF CAMPBELL, CALIFORNIA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2017

		Special Revenue Funds (Continued)		
		Community Facilities District #1	Community Facilities District #2	Museum and Adult Center
ASSETS				
Cash and investments		\$ 1,998	\$ 49,918	\$ 162,592
Cash held with fiscal agent		-	-	-
Receivables:				
Accounts		-	-	-
Taxes		88	-	-
Notes and loans		-	-	-
	TOTAL ASSETS	<u>\$ 2,086</u>	<u>\$ 49,918</u>	<u>\$ 162,592</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ -	\$ -	\$ -
Accrued payroll		-	-	-
Due to other funds		-	-	37
Unearned revenue		-	-	-
	TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>37</u>
FUND BALANCES:				
Restricted		2,086	49,918	147,214
Assigned		-	-	15,341
	TOTAL FUND BALANCES	<u>2,086</u>	<u>49,918</u>	<u>162,555</u>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,086</u>	<u>\$ 49,918</u>	<u>\$ 162,592</u>

<u>Debt Service Funds</u>		Total Other Governmental Funds
<u>COP</u>	<u>2016 LRB</u>	
\$ -	\$ -	\$ 7,619,781
-	3,099	3,099
-	-	251,335
-	-	4,690
-	-	140,000
<u>\$ -</u>	<u>\$ 3,099</u>	<u>\$ 8,018,905</u>
\$ -	\$ -	\$ 256,817
-	-	64,617
-	-	140,267
-	-	7,458
<u>-</u>	<u>-</u>	<u>469,159</u>
-	3,099	7,534,405
-	-	15,341
<u>-</u>	<u>3,099</u>	<u>7,549,746</u>
<u>\$ -</u>	<u>\$ 3,099</u>	<u>\$ 8,018,905</u>

CITY OF CAMPBELL, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS

For the fiscal year ended June 30, 2017

	Special Revenue Funds	
	Gas Tax	Vehicle Impact Fees
REVENUES:		
Property taxes	\$ -	\$ -
Special assessments	-	-
Investment income	7,443	-
Intergovernmental	748,623	742,489
Charges for services	-	-
Donations	-	-
Parkland dedication fees	-	-
Miscellaneous revenues	2,741	-
TOTAL REVENUES	758,807	742,489
EXPENDITURES:		
Current:		
Community development	-	-
Public safety	-	-
Public works	1,560,636	-
Debt service:		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
Payments to refunding escrow agent	-	-
TOTAL EXPENDITURES	1,560,636	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(801,829)	742,489
OTHER FINANCING SOURCES (USES):		
Transfers in	484,300	-
Transfers out	(75,529)	(464,236)
Proceeds from bond issuance	-	-
Premium from bond issuance	-	-
Payments to refunding escrow agent	-	-
TOTAL OTHER FINANCING SOURCES (USES)	408,771	(464,236)
NET CHANGE IN FUND BALANCES	(393,058)	278,253
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	568,438	1,060,335
FUND BALANCES AT END OF YEAR	\$ 175,380	\$ 1,338,588

Special Revenue Funds (Continued)

Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement
\$ -	\$ 1,138,860	\$ -	\$ -	\$ -	\$ -
-	1,201,770	-	-	-	-
25,756	-	-	-	1,811	464
-	1,096	6,131	12,713	-	132,191
-	-	505	-	880,282	-
-	-	-	-	-	-
269,803	-	-	-	-	-
10,000	24,840	-	-	-	-
<u>305,559</u>	<u>2,366,566</u>	<u>6,636</u>	<u>12,713</u>	<u>882,093</u>	<u>132,655</u>
-	-	17,084	-	-	-
-	-	-	-	-	117,668
-	3,945,864	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>3,945,864</u>	<u>17,084</u>	<u>-</u>	<u>-</u>	<u>117,668</u>
<u>305,559</u>	<u>(1,579,298)</u>	<u>(10,448)</u>	<u>12,713</u>	<u>882,093</u>	<u>14,987</u>
-	1,738,968	19,427	-	511,500	-
(624,960)	(111,300)	-	(13,836)	(1,471,143)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(624,960)</u>	<u>1,627,668</u>	<u>19,427</u>	<u>(13,836)</u>	<u>(959,643)</u>	<u>-</u>
(319,401)	48,370	8,979	(1,123)	(77,550)	14,987
<u>5,179,916</u>	<u>10,852</u>	<u>(7,618)</u>	<u>35,152</u>	<u>822,925</u>	<u>102,631</u>
<u>\$ 4,860,515</u>	<u>\$ 59,222</u>	<u>\$ 1,361</u>	<u>\$ 34,029</u>	<u>\$ 745,375</u>	<u>\$ 117,618</u>

(Continued)

CITY OF CAMPBELL, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the fiscal year ended June 30, 2017

	Special Revenue Funds (Continued)		
	Community Facilities District #1	Community Facilities District #2	Museum and Adult Center
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Special assessments	144,652	41,431	-
Investment income	-	-	792
Intergovernmental	-	-	-
Charges for services	-	-	-
Donations	-	-	6,579
Parkland dedication fees	-	-	-
Miscellaneous revenues	-	-	-
TOTAL REVENUES	144,652	41,431	7,371
EXPENDITURES:			
Current:			
Community development	3,126	-	-
Public safety	-	-	-
Public works	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Payments to refunding escrow agent	-	-	-
TOTAL EXPENDITURES	3,126	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	141,526	41,431	7,371
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(140,000)	(15,020)	-
Proceeds from bond issuance	-	-	-
Premium from bond issuance	-	-	-
Payments to refunding escrow agent	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(140,000)	(15,020)	-
NET CHANGE IN FUND BALANCES	1,526	26,411	7,371
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	560	23,507	155,184
FUND BALANCES AT END OF YEAR	\$ 2,086	\$ 49,918	\$ 162,555

<u>Debt Service Funds</u>		Total Other Governmental Funds
<u>COP</u>	<u>2016 LRB</u>	
\$ -	\$ -	\$ 1,138,860
-	-	1,387,853
-	38	36,304
-	-	1,643,243
-	-	880,787
-	-	6,579
-	-	269,803
-	-	37,581
<u>-</u>	<u>38</u>	<u>5,401,010</u>
-	-	20,210
-	-	117,668
-	-	5,506,500
-	625,000	625,000
161	176,481	176,642
-	209,762	209,762
<u>6,203,790</u>	<u>-</u>	<u>6,203,790</u>
<u>6,203,951</u>	<u>1,011,243</u>	<u>12,859,572</u>
<u>(6,203,951)</u>	<u>(1,011,205)</u>	<u>(7,458,562)</u>
-	801,462	3,555,657
(82)	-	(2,916,106)
-	8,085,000	8,085,000
-	1,090,835	1,090,835
-	(8,962,993)	(8,962,993)
<u>(82)</u>	<u>1,014,304</u>	<u>852,393</u>
(6,204,033)	3,099	(6,606,169)
<u>6,204,033</u>	<u>-</u>	<u>14,155,915</u>
<u>\$ -</u>	<u>\$ 3,099</u>	<u>\$ 7,549,746</u>

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GAS TAX SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 7,443	\$ 7,443
Intergovernmental	861,000	861,000	748,623	(112,377)
Miscellaneous revenues	2,500	2,500	2,741	241
TOTAL REVENUES	863,500	863,500	758,807	(104,693)
EXPENDITURES:				
Current:				
Public works	1,607,927	1,626,647	1,560,636	66,011
TOTAL EXPENDITURES	1,607,927	1,626,647	1,560,636	66,011
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(744,427)	(763,147)	(801,829)	(38,682)
OTHER FINANCING SOURCES (USES):				
Transfers in	484,300	499,300	484,300	(15,000)
Transfers out	(78,200)	(78,200)	(75,529)	2,671
TOTAL OTHER FINANCING SOURCES (USES)	406,100	421,100	408,771	(12,329)
NET CHANGE IN FUND BALANCE	(338,327)	(342,047)	(393,058)	(51,011)
FUND BALANCE AT BEGINNING OF YEAR	568,438	568,438	568,438	-
FUND BALANCE AT END OF YEAR	\$ 230,111	\$ 226,391	\$ 175,380	\$ (51,011)

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

VEHICLE IMPACT FEES SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 630,000	\$ 742,489	\$ 742,489	\$ -
TOTAL REVENUES	630,000	742,489	742,489	-
EXPENDITURES	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	630,000	742,489	742,489	-
OTHER FINANCING USES:				
Transfers out	(630,000)	(464,236)	(464,236)	-
TOTAL OTHER FINANCING USES	(630,000)	(464,236)	(464,236)	-
NET CHANGE IN FUND BALANCE	-	278,253	278,253	-
FUND BALANCE AT BEGINNING OF YEAR	1,060,335	1,060,335	1,060,335	-
FUND BALANCE AT END OF YEAR	\$ 1,060,335	\$ 1,338,588	\$ 1,338,588	\$ -

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARKLAND DEDICATION FEES SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 25,756	\$ 25,756
Parkland dedication fees	-	-	269,803	269,803
Miscellaneous revenues	-	-	10,000	10,000
TOTAL REVENUES	-	-	305,559	305,559
EXPENDITURES	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	305,559	305,559
OTHER FINANCING USES:				
Transfers out	(375,000)	(1,069,549)	(624,960)	444,589
TOTAL OTHER FINANCING USES	(375,000)	(1,069,549)	(624,960)	444,589
NET CHANGE IN FUND BALANCE	(375,000)	(1,069,549)	(319,401)	750,148
FUND BALANCE AT BEGINNING OF YEAR	5,179,916	5,179,916	5,179,916	-
FUND BALANCE AT END OF YEAR	<u>\$ 4,804,916</u>	<u>\$ 4,110,367</u>	<u>\$ 4,860,515</u>	<u>\$ 750,148</u>

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LIGHTING AND LANDSCAPING DISTRICT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 773,000	\$ 773,000	\$ 1,138,860	\$ 365,860
Special assessments	1,165,000	1,165,000	1,201,770	36,770
Intergovernmental	2,500	2,500	1,096	(1,404)
Miscellaneous revenues	75,000	75,000	24,840	(50,160)
TOTAL REVENUES	<u>2,015,500</u>	<u>2,015,500</u>	<u>2,366,566</u>	<u>351,066</u>
EXPENDITURES:				
Current:				
Public works	<u>3,591,965</u>	<u>3,889,397</u>	<u>3,945,864</u>	<u>(56,467)</u>
TOTAL EXPENDITURES	<u>3,591,965</u>	<u>3,889,397</u>	<u>3,945,864</u>	<u>(56,467)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,576,465)</u>	<u>(1,873,897)</u>	<u>(1,579,298)</u>	<u>294,599</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,687,765	1,782,765	1,738,968	(43,797)
Transfers out	<u>(111,300)</u>	<u>(111,300)</u>	<u>(111,300)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,576,465</u>	<u>1,671,465</u>	<u>1,627,668</u>	<u>(43,797)</u>
NET CHANGE IN FUND BALANCE	-	(202,432)	48,370	250,802
FUND BALANCE AT BEGINNING OF YEAR	<u>10,852</u>	<u>10,852</u>	<u>10,852</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 10,852</u>	<u>\$ (191,580)</u>	<u>\$ 59,222</u>	<u>\$ 250,802</u>

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 505	\$ 505
Intergovernmental	10,000	10,000	6,131	(3,869)
TOTAL REVENUES	10,000	10,000	6,636	(3,364)
EXPENDITURES:				
Current:				
Community development	10,088	10,088	17,084	(6,996)
TOTAL EXPENDITURES	10,088	10,088	17,084	(6,996)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(88)	(88)	(10,448)	(10,360)
OTHER FINANCING SOURCES:				
Transfers in	-	88	19,427	19,339
TOTAL OTHER FINANCING SOURCES (USES)	-	88	19,427	19,339
NET CHANGE IN FUND BALANCE	(88)	-	8,979	8,979
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(7,618)	(7,618)	(7,618)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (7,706)	\$ (7,618)	\$ 1,361	\$ 8,979

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DRUG ENFORCEMENT REVENUE SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 8,500	\$ 8,500	\$ 12,713	\$ 4,213
TOTAL REVENUES	8,500	8,500	12,713	4,213
EXPENDITURES	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,500	8,500	12,713	4,213
OTHER FINANCING USES:				
Transfers out	(8,500)	(12,900)	(13,836)	(936)
TOTAL OTHER FINANCING USES	(8,500)	(12,900)	(13,836)	(936)
NET CHANGE IN FUND BALANCE	-	(4,400)	(1,123)	3,277
FUND BALANCE AT BEGINNING OF YEAR	35,152	35,152	35,152	-
FUND BALANCE AT END OF YEAR	\$ 35,152	\$ 30,752	\$ 34,029	\$ 3,277

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 1,811	\$ 1,811
Charges for services	799,007	848,363	880,282	31,919
Miscellaneous revenues	49,356	-	-	-
TOTAL REVENUES	848,363	848,363	882,093	33,730
EXPENDITURES:				
	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	848,363	848,363	882,093	33,730
OTHER FINANCING SOURCES (USES):				
Transfers in	511,500	511,500	511,500	-
Transfers out	(1,448,677)	(1,652,308)	(1,471,143)	181,165
TOTAL OTHER FINANCING SOURCES (USES)	(937,177)	(1,140,808)	(959,643)	181,165
NET CHANGE IN FUND BALANCE	(88,814)	(292,445)	(77,550)	214,895
FUND BALANCE AT BEGINNING OF YEAR	822,925	822,925	822,925	-
FUND BALANCE AT END OF YEAR	\$ 734,111	\$ 530,480	\$ 745,375	\$ 214,895

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 464	\$ 464
Intergovernmental	-	120,040	132,191	12,151
TOTAL REVENUES	-	120,040	132,655	12,615
EXPENDITURES:				
Current:				
Public safety	-	117,668	117,668	-
TOTAL EXPENDITURES	-	117,668	117,668	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	2,372	14,987	12,615
FUND BALANCE AT BEGINNING OF YEAR	102,631	102,631	102,631	-
FUND BALANCE AT END OF YEAR	\$ 102,631	\$ 105,003	\$ 117,618	\$ 12,615

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY FACILITIES DISTRICT #1 SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 145,000	\$ 145,000	\$ 144,652	\$ (348)
TOTAL REVENUES	145,000	145,000	144,652	(348)
EXPENDITURES				
Current:				
Community development	5,000	5,000	3,126	1,874
TOTAL EXPENDITURES	5,000	5,000	3,126	1,874
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	140,000	140,000	141,526	1,526
OTHER FINANCING USES:				
Transfers out	(140,000)	(140,000)	(140,000)	-
TOTAL OTHER FINANCING USES	(140,000)	(140,000)	(140,000)	-
NET CHANGE IN FUND BALANCE	-	-	1,526	1,526
FUND BALANCE AT BEGINNING OF YEAR	560	560	560	-
FUND BALANCE AT END OF YEAR	\$ 560	\$ 560	\$ 2,086	\$ 1,526

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY FACILITIES DISTRICT #2 SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 16,094	\$ 16,094	\$ 41,431	\$ 25,337
TOTAL REVENUES	16,094	16,094	41,431	25,337
EXPENDITURES	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,094	16,094	41,431	25,337
OTHER FINANCING USES:				
Transfers out	(15,020)	(15,020)	(15,020)	-
TOTAL OTHER FINANCING USES	(15,020)	(15,020)	(15,020)	-
NET CHANGE IN FUND BALANCE	1,074	1,074	26,411	25,337
FUND BALANCE AT BEGINNING OF YEAR	23,507	23,507	23,507	-
FUND BALANCE AT END OF YEAR	\$ 24,581	\$ 24,581	\$ 49,918	\$ 25,337

CITY OF CAMPBELL, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COP DEBT SERVICE FUND

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 310,884	\$ 310,884	\$ -	\$ (310,884)
Miscellaneous revenue	349,830	349,830	-	(349,830)
TOTAL REVENUES	660,714	660,714	-	(660,714)
EXPENDITURES:				
Debt service:				
Principal	845,000	845,000	-	845,000
Interest	750,927	754,927	161	754,766
Payments to refunding escrow agent	4,000	-	6,203,790	(6,203,790)
TOTAL EXPENDITURES	1,599,927	1,599,927	6,203,951	(4,604,024)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(939,213)	(939,213)	(6,203,951)	(5,264,738)
OTHER FINANCING SOURCES (USES):				
Transfers in	939,213	801,513	-	(801,513)
Transfers out	-	-	(82)	(82)
TOTAL OTHER FINANCING SOURCES (USES)	939,213	801,513	(82)	(801,595)
NET CHANGE IN FUND BALANCE	-	(137,700)	(6,204,033)	(6,066,333)
FUND BALANCE AT BEGINNING OF YEAR	6,204,033	6,204,033	6,204,033	-
FUND BALANCE AT END OF YEAR	\$ 6,204,033	\$ 6,066,333	\$ -	\$ (6,066,333)

CITY OF CAMPBELL, CALIFORNIA

INTERNAL SERVICE FUNDS

Account for goods or services provided to other departments of the City where the intent of the City is that the costs of these goods or services are to be recovered through interdepartmental charges at the time that the goods are delivered or the services rendered to those departments.

Motor Vehicle Pool

Accounts for the costs of operating maintaining and replacing vehicle and other equipment used by City departments. Rental rates charged to user departments include costs and equipment depreciation.

Workers' Compensation Self-Insurance

Accounts for revenues derived from charges made to operating departments at rates based on the State Compensation Fund, annually adjusted to ensure an adequate reserve for future claims. This fund is charged for administrative costs of settling claims, as well as material and other costs of job related illness or injury.

Information Technology Services

Accounts for the costs of operating maintaining, and replacing computer hardware and software. Rental rates charged to the user departments include operating costs and equipment depreciation.

CITY OF CAMPBELL, CALIFORNIA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2017

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Totals
ASSETS:				
CURRENT ASSETS:				
Cash and investments	\$ -	\$ 3,953,451	\$ 740,370	\$ 4,693,821
Accounts receivable	-	-	30,000	30,000
Deposits	-	90,000	-	90,000
TOTAL CURRENT ASSETS	-	4,043,451	770,370	4,813,821
NONCURRENT ASSETS:				
Capital assets, net of accumulated depreciation	1,305,641	-	318,351	1,623,992
TOTAL NONCURRENT ASSETS	1,305,641	-	318,351	1,623,992
TOTAL ASSETS	1,305,641	4,043,451	1,088,721	6,437,813
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	22,548	10,639	18,340	51,527
Accrued payroll	7,509	-	10,215	17,724
Due to other funds	621,253	-	-	621,253
Compensated absences, current portion	19,862	-	22,901	42,763
Claims and judgments payable, current portion	-	268,676	-	268,676
TOTAL CURRENT LIABILITIES	671,172	279,315	51,456	1,001,943
LONG-TERM LIABILITIES:				
Compensated absences	12,264	-	41,334	53,598
Claims payable and judgments	-	2,554,324	-	2,554,324
TOTAL LONG-TERM LIABILITIES	12,264	2,554,324	41,334	2,607,922
TOTAL LIABILITIES	683,436	2,833,639	92,790	3,609,865
NET POSITION:				
Net investment in capital assets	1,305,641	-	318,351	1,623,992
Unrestricted	(683,436)	1,209,812	677,580	1,203,956
TOTAL NET POSITION	\$ 622,205	\$ 1,209,812	\$ 995,931	\$ 2,827,948

CITY OF CAMPBELL, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS

For the fiscal year ended June 30, 2017

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Totals
OPERATING REVENUES:				
Charges for services	\$ 1,156,974	\$ 1,038,214	\$ 1,215,092	\$ 3,410,280
Other	44,369	-	12,355	56,724
	<u>1,201,343</u>	<u>1,038,214</u>	<u>1,227,447</u>	<u>3,467,004</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES:				
Personnel services	425,418	46,050	676,349	1,147,817
Services and supplies	631,640	818,012	688,992	2,138,644
Depreciation	170,474	-	88,545	259,019
	<u>1,227,532</u>	<u>864,062</u>	<u>1,453,886</u>	<u>3,545,480</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	<u>(26,189)</u>	<u>174,152</u>	<u>(226,439)</u>	<u>(78,476)</u>
TRANSFERS:				
Transfers in	-	-	26,724	26,724
Transfers out	(45,000)	-	(131,302)	(176,302)
	<u>(45,000)</u>	<u>-</u>	<u>(104,578)</u>	<u>(149,578)</u>
TOTAL TRANSFERS				
CHANGE IN NET POSITION	(71,189)	174,152	(331,017)	(228,054)
NET POSITION AT BEGINNING OF YEAR	<u>693,394</u>	<u>1,035,660</u>	<u>1,326,948</u>	<u>3,056,002</u>
NET POSITION AT END OF YEAR	<u>\$ 622,205</u>	<u>\$ 1,209,812</u>	<u>\$ 995,931</u>	<u>\$ 2,827,948</u>

CITY OF CAMPBELL, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the fiscal year ended June 30, 2017

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from department users	\$ 1,217,483	\$ 1,038,214	\$ 1,197,447	\$ 3,453,144
Cash payments to suppliers of goods and services	(689,835)	(381,349)	(691,165)	(1,762,349)
Cash payments to employees for services	(418,187)	(46,050)	(691,937)	(1,156,174)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>109,461</u>	<u>610,815</u>	<u>(185,655)</u>	<u>534,621</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	268,045	-	26,724	294,769
Cash paid to other funds	(45,000)	-	(131,302)	(176,302)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>223,045</u>	<u>-</u>	<u>(104,578)</u>	<u>118,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(332,506)	-	(151,341)	(483,847)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(332,506)</u>	<u>-</u>	<u>(151,341)</u>	<u>(483,847)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	610,815	(441,574)	169,241
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>3,342,636</u>	<u>1,181,944</u>	<u>4,524,580</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 3,953,451</u>	<u>\$ 740,370</u>	<u>\$ 4,693,821</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (26,189)	\$ 174,152	\$ (226,439)	\$ (78,476)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	170,474	-	88,545	259,019
Loss on disposal of capital assets	5,067	-	-	5,067
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	16,140	-	(30,000)	(13,860)
Increase (decrease) in accounts payable	(63,262)	10,639	(2,173)	(54,796)
Increase (decrease) in accrued payroll	2,149	-	830	2,979
Increase (decrease) in compensated absences	5,082	-	(16,418)	(11,336)
Increase (decrease) in claims and judgments payable	-	426,024	-	426,024
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 109,461</u>	<u>\$ 610,815</u>	<u>\$ (185,655)</u>	<u>\$ 534,621</u>

CITY OF CAMPBELL, CALIFORNIA

AGENCY FUNDS

Account for assets held by the City on behalf of other organizations.

West Valley Solid Waste Management Authority

Accounts for the monies of the West Valley Solid Waste Management Authority. The City acts as custodian for the operating resources of the entity.

1915 Acts Bonds

Accounts for the assessments received and the payment of principal and interest under the Improvement Bond Act of 1915.

CITY OF CAMPBELL, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2017

	West Valley Solid Waste Management Authority	1915 Act Bonds	Totals
ASSETS:			
Cash and investments	\$ 285,596	\$ 31,274	\$ 316,870
TOTAL ASSETS	<u>\$ 285,596</u>	<u>\$ 31,274</u>	<u>\$ 316,870</u>
LIABILITIES:			
Accounts payable	\$ 31,630	\$ -	\$ 31,630
Due to West Valley Solid Waste JPA	253,966	-	253,966
Due to bondholders	<u>-</u>	<u>31,274</u>	<u>31,274</u>
TOTAL LIABILITIES	<u>\$ 285,596</u>	<u>\$ 31,274</u>	<u>\$ 316,870</u>

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the fiscal year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY				
ASSETS:				
Cash and investments	\$ 266,143	\$ 634,929	\$ 615,476	\$ 285,596
Accounts receivable	-	74,266	74,266	-
TOTAL ASSETS	\$ 266,143	\$ 709,195	\$ 689,742	\$ 285,596
LIABILITIES:				
Accounts payable	\$ 36,588	\$ 391,280	\$ 396,238	\$ 31,630
Due to West Valley Solid Waste JPA	229,555	253,966	229,555	253,966
TOTAL LIABILITIES	\$ 266,143	\$ 645,246	\$ 625,793	\$ 285,596
1915 ACT BONDS				
ASSETS:				
Cash and investments	\$ 31,274	\$ -	\$ -	\$ 31,274
TOTAL ASSETS	\$ 31,274	\$ -	\$ -	\$ 31,274
LIABILITIES:				
Due to bondholders	\$ 31,274	\$ -	\$ -	\$ 31,274
TOTAL LIABILITIES	\$ 31,274	\$ -	\$ -	\$ 31,274
TOTAL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 297,417	\$ 634,929	\$ 615,476	\$ 316,870
Accounts receivable	-	74,266	74,266	-
TOTAL ASSETS	\$ 297,417	\$ 709,195	\$ 689,742	\$ 316,870
LIABILITIES:				
Accounts payable	\$ 36,588	\$ 391,280	\$ 396,238	\$ 31,630
Due to West Valley Solid Waste JPA	229,555	253,966	229,555	253,966
Due to bondholders	31,274	-	-	31,274
TOTAL LIABILITIES	\$ 297,417	\$ 645,246	\$ 625,793	\$ 316,870



**STATISTICAL SECTION
(UNAUDITED)**



CITY OF CAMPBELL, CALIFORNIA

DESCRIPTION OF STATISTICAL SECTION CONTENTS

For the fiscal year ended June 30, 2017

This part of the City of Campbell, California’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 say about the government’s overall financial health.

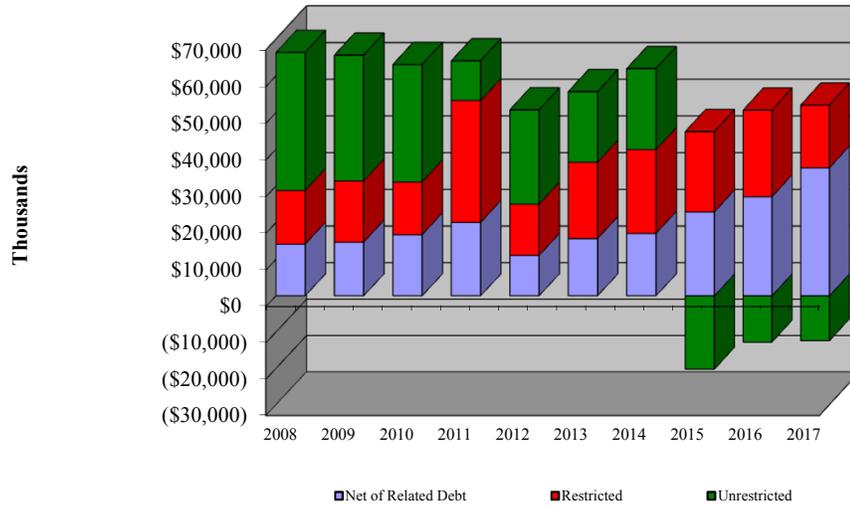
Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	131 - 137
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	138 - 141
<u>Debt Capacity</u> 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.	142 - 145
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	146 - 147
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	148 - 150

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 CAMPBELL
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)



	Fiscal Year Ended June 30, 2017				
	2008	2009	2010	2011	2012
Governmental activities				(A)	(B)
Invested in capital assets, net of related debt	\$14,093,995	\$14,625,860	\$16,661,364	\$20,021,321	\$11,036,245
Restricted	14,637,426	16,706,585	14,402,444	33,241,978	13,973,818
Unrestricted	37,606,549	34,276,409	31,978,555	10,797,722	25,667,911
Total governmental activities net position	<u>\$66,337,970</u>	<u>\$65,608,854</u>	<u>\$63,042,363</u>	<u>\$64,061,021</u>	<u>\$50,677,974</u>

Primary government					
Invested in capital assets, net of related debt	\$14,093,995	\$14,625,860	\$16,661,364	\$20,021,321	\$11,036,245
Restricted	14,637,426	16,706,585	14,402,444	33,241,978	13,973,818
Unrestricted	37,606,549	34,276,409	31,978,555	10,797,722	25,667,911
Total governmental activities net position	<u>\$66,337,970</u>	<u>\$65,608,854</u>	<u>\$63,042,363</u>	<u>\$64,061,021</u>	<u>\$50,677,974</u>

	Fiscal Year Ended June 30, 2017				
	2013	2014	2015	2016	2017
Governmental activities			(C)		
Invested in capital assets, net of related debt	\$15,612,650	\$17,024,512	\$22,884,579	\$26,997,661	\$34,884,223
Restricted	20,802,425	22,841,487	21,868,884	23,616,442	17,077,829
Unrestricted	19,239,382	22,067,786	(20,170,607)	(12,748,328)	(12,358,383)
Total governmental activities net position	<u>\$55,654,457</u>	<u>\$61,933,785</u>	<u>\$24,582,856</u>	<u>\$37,865,775</u>	<u>\$39,603,669</u>

Primary government					
Invested in capital assets, net of related debt	\$15,612,650	\$17,024,512	\$22,884,579	\$26,997,661	\$34,884,223
Restricted	20,802,425	22,841,487	21,868,884	23,616,442	17,077,829
Unrestricted	19,239,382	22,067,786	(20,170,607)	(12,748,328)	(12,358,383)
Total governmental activities net position	<u>\$55,654,457</u>	<u>\$61,933,785</u>	<u>\$24,582,856</u>	<u>\$37,865,775</u>	<u>\$39,603,669</u>

(A) Activities previously classified as Unrestricted have been reclassified to Restricted in order to comply with provision of GASB 54.

(B) Dissolution of the Redevelopment Agency on 1/31/2012 resulted in a \$17.2 million reduction in net assets.

(C) Reported Pension Liability resulted in a negative \$20.1 million of unrestricted in net assets in order to comply with provision of GASB 68.

CITY OF CAMPBELL
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses					
Governmental Activities:					
General Government	\$3,830,038	\$4,743,890	\$4,591,916	\$4,454,242	\$4,768,208
Public Safety	16,695,849	18,304,340	18,120,168	18,560,647	19,808,247
Public Works	8,075,236	11,096,882	8,781,674	8,634,025	9,756,513
Community Development	6,233,925	6,750,784	7,814,061	6,855,318	6,124,075
Recreation and Community Services	6,130,130	5,123,508	5,391,171	4,739,270	3,938,036
Interest on Long Term Debt	2,766,915	2,325,068	2,269,160	2,207,529	1,791,038
Total Governmental Activities Expenses	<u>43,732,093</u>	<u>48,344,472</u>	<u>46,968,150</u>	<u>45,451,031</u>	<u>46,186,117</u>
Total Business-Type Activities Expenses	-	-	-	-	-
Total Primary Government Expenses	<u>\$43,732,093</u>	<u>\$48,344,472</u>	<u>\$46,968,150</u>	<u>\$45,451,031</u>	<u>\$46,186,117</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$81,648	\$76,504	\$78,516	\$133,160	\$0
Public Safety	690,054	730,698	757,093	840,455	789,476
Public Works	2,096,814	955,503	1,101,854	1,002,765	1,150,645
Community Development	2,273,914	1,499,580	1,161,234	2,338,664	2,090,710
Recreation and Community Services	4,607,406	4,869,150	4,637,180	4,804,171	4,918,137
Operating Grants and Contributions	2,183,507	2,564,546	3,383,020	2,110,026	4,418,376
Capital Grants and Contributions	959,566	4,287,371	2,265,145	3,191,724	3,117,438
Total Government Activities Program Revenues	<u>12,892,909</u>	<u>14,983,352</u>	<u>13,384,042</u>	<u>14,420,965</u>	<u>16,484,782</u>
Total Business-Type Activities Program Revenue	-	-	-	-	-
Total Primary Government Program Revenues	<u>\$12,892,909</u>	<u>\$14,983,352</u>	<u>\$13,384,042</u>	<u>\$14,420,965</u>	<u>\$16,484,782</u>
Net (Expense)/Revenue					
Governmental Activities	(\$30,839,184)	(\$33,361,120)	(\$33,584,108)	(\$31,030,066)	(\$29,701,335)
Business-Type Activities	-	-	-	-	-
Total Primary Government Net Expense	<u>(\$30,839,184)</u>	<u>(\$33,361,120)</u>	<u>(\$33,584,108)</u>	<u>(\$31,030,066)</u>	<u>(\$29,701,335)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property Taxes	\$15,718,642	\$17,073,312	\$16,680,859	\$15,836,085	\$11,893,082
Sales Taxes	10,334,831	9,625,398	9,538,242	10,524,344	11,777,407
Transient Occupancy Tax	1,619,111	1,287,184	1,297,573	2,031,585	2,578,323
Franchise Fees	2,323,063	2,368,278	2,337,022	2,619,457	2,657,964
Business License Taxes	240,133	232,424	214,198	218,252	598,342
Property Transfer Taxes	290,036	192,369	172,449	191,118	199,791
Construction Taxes	129,027	10,639	1,469	134,444	87,701
Motor Vehicle In Lieu	219,538	176,389	155,074	185,864	20,214
Interest Earnings	1,531,949	952,739	473,694	241,369	221,274
Other General Revenues	662,041	713,272	146,851	66,207	471,107
Total Government Activities	<u>33,068,371</u>	<u>32,632,004</u>	<u>31,017,431</u>	<u>32,048,725</u>	<u>30,505,205</u>
Total Business-Type Activities	-	-	-	-	-
Total Primary Government	<u>\$33,068,371</u>	<u>\$32,632,004</u>	<u>\$31,017,431</u>	<u>\$32,048,725</u>	<u>\$30,505,205</u>
Change in Net Assets					
Governmental Activities	\$2,229,187	(\$729,116)	(\$2,566,677)	\$1,018,659	\$803,870
Business-Type Activities	-	-	-	-	-
Extraordinary Loss	-	-	-	-	-
Total Primary Government	<u>\$2,229,187</u>	<u>(\$729,116)</u>	<u>(\$2,566,677)</u>	<u>\$1,018,659</u>	<u>\$803,870</u>

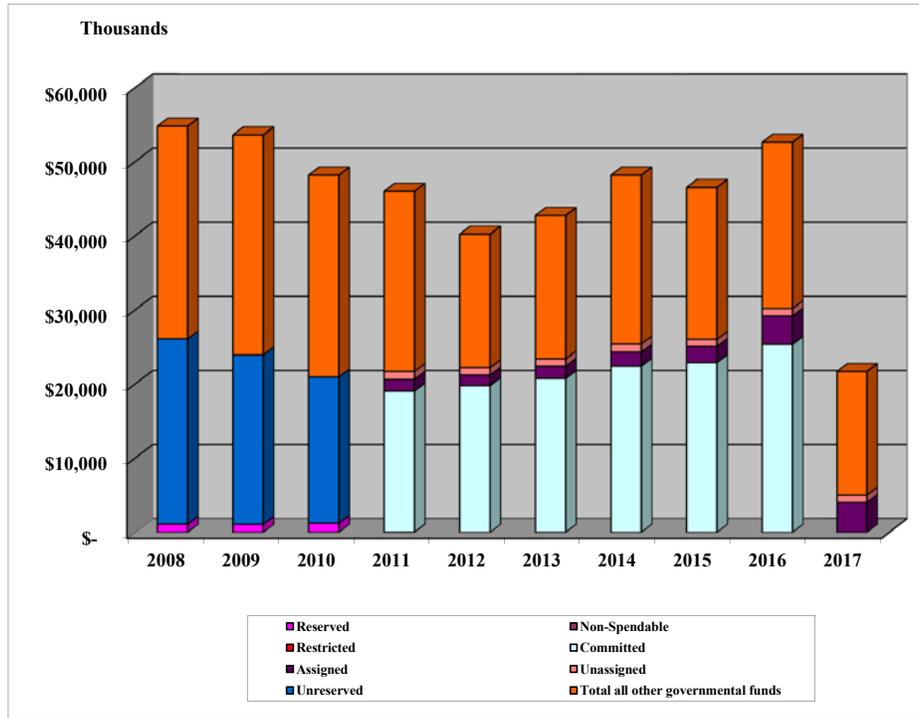
(a) Extraordinary gain resulted from the State mandated dissolution of the Redevelopment Agency as of 1/31/2012.

(b) Housing rehab loans transferred to the County due to dissolution of RDA.

	2013	2014	2015	2016	2017
	\$5,895,629	\$5,165,958	\$6,146,700	\$6,679,357	\$8,110,359
	20,871,425	20,361,802	21,022,373	22,179,057	23,679,842
	9,397,310	9,945,032	11,194,915	10,595,886	12,484,904
	2,119,263	1,787,491	2,047,303	2,590,034	3,111,691
	5,164,889	5,297,874	5,613,775	5,689,721	6,166,806
	1,013,545	990,140	965,225	936,250	579,013
	<u>44,462,061</u>	<u>43,548,297</u>	<u>46,990,291</u>	<u>48,670,305</u>	<u>54,132,615</u>
	-	-	-	-	-
	<u>\$44,462,061</u>	<u>\$43,548,297</u>	<u>\$46,990,291</u>	<u>\$48,670,305</u>	<u>\$54,132,615</u>
	\$1,201	\$1,492,558	\$1,478,895	\$1,624,617	\$1,602,647
	685,552	684,986	686,364	740,750	790,163
	2,421,622	2,696,169	2,787,091	3,443,486	3,464,407
	3,372,735	2,851,264	2,072,487	4,375,330	3,335,990
	3,592,223	3,887,599	3,831,513	3,822,648	4,136,749
	2,313,510	3,725,646	4,133,704	5,437,108	2,316,936
	3,117,506	1,760,526	1,744,822	3,240,726	1,688,085
	<u>15,504,349</u>	<u>17,098,748</u>	<u>16,734,876</u>	<u>22,684,665</u>	<u>17,334,977</u>
	-	-	-	-	-
	<u>\$15,504,349</u>	<u>\$17,098,748</u>	<u>\$16,734,876</u>	<u>\$22,684,665</u>	<u>\$17,334,977</u>
	(\$28,957,712)	(\$26,449,549)	(\$30,255,415)	(\$25,985,640)	(\$36,797,638)
	-	-	-	-	-
	<u>(\$28,957,712)</u>	<u>(\$26,449,549)</u>	<u>(\$30,255,415)</u>	<u>(\$25,985,640)</u>	<u>(\$36,797,638)</u>
	\$10,621,755	\$11,134,726	\$12,297,621	\$13,161,587	\$14,191,181
	12,649,768	13,115,263	13,915,291	14,818,495	14,297,751
	2,875,976	3,417,412	4,091,923	4,439,668	4,420,208
	2,776,192	2,917,263	3,322,031	3,319,603	3,478,916
	625,050	647,872	662,787	683,445	694,569
	285,292	354,112	526,054	551,007	467,990
	67,920	212,522	50,710	338,718	208,373
	20,946	17,335	26,321	69,109	19,077
	329,371	621,301	529,495	487,662	171,257
	627,170	291,071	153,958	1,399,265	586,210
	<u>30,879,440</u>	<u>32,728,877</u>	<u>35,576,191</u>	<u>39,268,559</u>	<u>38,535,532</u>
	-	-	-	-	-
	<u>\$30,879,440</u>	<u>\$32,728,877</u>	<u>\$35,576,191</u>	<u>\$39,268,559</u>	<u>\$38,535,532</u>
	\$1,921,728	\$6,279,328	\$5,320,776	\$13,282,919	\$1,737,894
	-	-	-	-	-
(a)	-	-	-	-	-
(b)	-	-	-	-	-
	<u>\$1,921,728</u>	<u>\$6,279,328</u>	<u>\$5,320,776</u>	<u>\$13,282,919</u>	<u>\$1,737,894</u>



CITY OF CAMPBELL
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,105,870	\$ 1,091,231	\$ 1,236,593	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Spendable	-	-	-	-	-	12,782	-	-	-	-
Restricted	-	-	-	32,756	-	-	-	-	-	-
Committed	-	-	-	19,061,518	19,816,774	20,748,137	22,443,923	22,930,342	25,392,112	23,896,221
Assigned	-	-	-	1,552,458	1,414,030	1,681,171	1,881,401	2,176,615	3,830,100	4,027,890
Unassigned	-	-	-	1,060,784	1,013,113	987,225	1,104,285	961,258	1,000,000	999,994
Unreserved	25,026,233	22,856,245	19,732,965	-	-	-	-	-	-	-
Total General Fund	<u>\$26,132,103</u>	<u>\$23,947,476</u>	<u>\$20,969,558</u>	<u>\$21,707,516</u>	<u>\$22,243,917</u>	<u>\$23,429,315</u>	<u>\$25,429,609</u>	<u>\$26,068,215</u>	<u>\$30,222,212</u>	<u>\$28,924,105</u>
All Other Governmental Funds										
Reserved	\$ 17,025,881	\$ 16,271,927	\$ 19,974,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	24,561,868	17,983,177	20,467,472	22,443,840	21,623,743	23,493,450	16,993,836
Committed	-	-	-	2,065,866	-	-	-	-	1,223,623	-
Assigned	-	-	-	1,406,746	93,599	303,127	371,381	108,767	140,666	1,758,104
Unassigned	-	-	-	(3,696,734)	(70,955)	(1,411,586)	(44,852)	(1,234,364)	(2,414,736)	(2,065,713)
Unreserved, reported in:										
Special revenue funds	6,347,568	8,757,057	6,130,381	-	-	-	-	-	-	-
Capital project funds	5,286,910	4,321,847	2,760,842	-	-	-	-	-	-	-
Debt service funds	9,268	346,331	(1,634,874)	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$28,669,627</u>	<u>\$29,697,162</u>	<u>\$27,230,808</u>	<u>\$24,337,746</u>	<u>\$18,005,821</u>	<u>(h) \$19,359,013</u>	<u>\$22,770,369</u>	<u>\$20,498,146</u>	<u>\$22,443,003</u>	<u>\$16,686,227</u>

- (a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
- (b) Implementation of GASB 54, "Fund Balance Reporting and Governmental Fund Type Definition", beginning in fiscal year 2011 changed the nature of the fund balance classifications.

CITY OF CAMPBELL
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u> (b)
Revenues					
Taxes	\$30,654,843	\$30,789,604	\$30,241,812	\$31,557,784	\$29,804,611
Licenses, permits and fees	2,522,921	1,686,255	1,288,664	2,364,085	2,676,684
Special Assessments	1,136,457	1,135,051	1,135,464	1,135,466	1,135,465
Fines and forfeitures	344,844	369,616	436,679	394,275	354,359
Use of money and property	4,506,694	4,496,169	3,136,727	2,486,510	2,095,435
Intergovernmental revenues	1,982,703	5,211,858	4,414,326	4,142,685	3,723,529
Charges for services	3,459,659	3,667,754	3,736,998	4,209,986	4,059,731
Other	1,107,051	717,183	461,727	611,880	3,246,290
Total Revenues	<u>45,715,172</u>	<u>48,073,490</u>	<u>44,852,397</u>	<u>46,902,671</u>	<u>47,096,104</u>
Expenditures					
Current:					
General government	3,819,217	4,005,190	3,917,093	4,204,006	4,380,461
Public safety	17,092,877	18,386,502	18,221,484	18,305,304	19,384,848
Public works	6,989,785	7,662,601	7,397,394	6,858,938	10,156,056
Community development	5,284,418	4,704,397	7,090,693	5,595,382	6,090,582
Recreation and Community Services	5,840,659	4,807,547	4,668,299	4,497,252	4,721,100
Capital outlay	2,218,792	5,524,204	4,874,101	5,493,620	201,883
Debt service:					
Principal repayment	1,105,000	1,550,000	1,605,000	1,675,000	1,745,000
Interest and fiscal charges	2,291,875	2,648,019	2,577,786	2,501,091	1,688,531
Bond issuance costs	-	-	-	-	-
Payments to refunding escrow agent	-	-	-	-	-
Total Expenditures	<u>44,642,623</u>	<u>49,288,460</u>	<u>50,351,850</u>	<u>49,130,593</u>	<u>48,368,461</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,072,549</u>	<u>(1,214,970)</u>	<u>(5,499,453)</u>	<u>(2,227,922)</u>	<u>(1,272,357)</u>
Other Financing Sources (Uses)					
Transfers in	6,740,802	9,698,627	9,043,078	10,151,253	14,780,957
Transfers (out)	(6,817,774)	(9,640,749)	(8,987,897)	(10,078,433)	(14,711,057)
Extraordinary Loss	-	-	-	-	(4,593,067)
Proceeds from bond issuance	-	-	-	-	-
Premium from bond issuance	-	-	-	-	-
Payments to refunding escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>(76,972)</u>	<u>57,878</u>	<u>55,181</u>	<u>72,820</u>	<u>(4,523,167)</u>
Net Change in fund balances	<u>\$995,577</u>	<u>(\$1,157,092)</u>	<u>(\$5,444,272)</u>	<u>(\$2,155,102)</u>	<u>(\$5,795,524)</u>
Debt service as a percentage of noncapital expenditures	8.0%	8.8%	9.1%	9.4%	7.7%

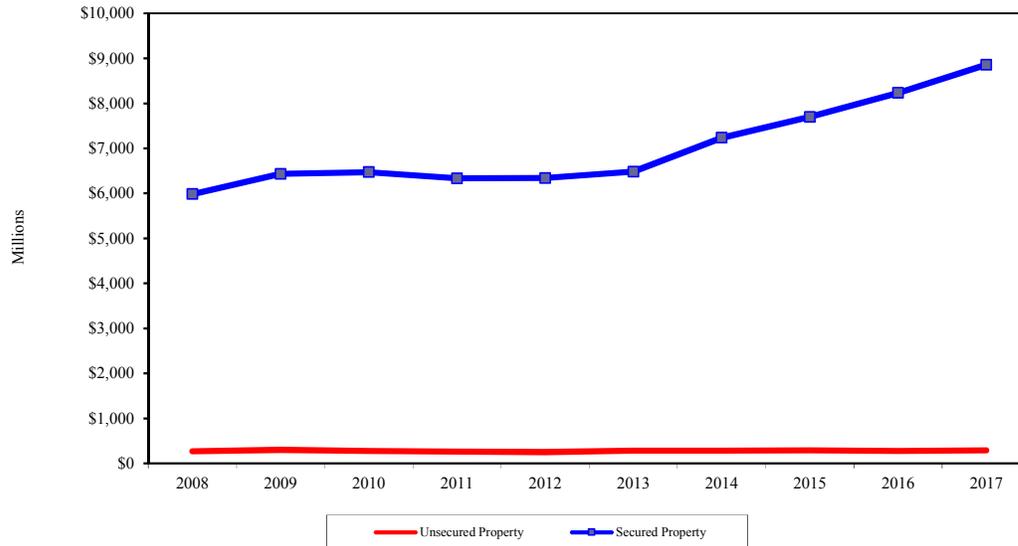
NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.

(b) Implementation of GASB 54, "Fund Balance Reporting and Governmental Fund Type Definition," beginning fiscal year 2011.

2013	2014	2015	2016	2017
\$29,913,954	\$31,811,171	\$34,881,417	\$37,324,522	\$37,768,238
2,914,942	4,852,752	2,839,871	6,900,052	3,873,976
1,139,132	1,309,750	1,329,637	1,369,696	1,387,853
302,199	332,100	354,445	324,137	320,193
2,259,585	2,567,440	2,604,602	2,746,371	3,058,000
2,957,860	4,626,035	3,880,357	5,346,920	4,172,179
4,150,652	4,256,235	4,422,552	4,491,002	4,623,876
1,110,711	1,275,310	1,117,511	2,237,463	972,423
<u>44,749,035</u>	<u>51,030,793</u>	<u>51,430,392</u>	<u>60,740,163</u>	<u>56,176,738</u>
4,915,926	5,210,662	5,673,874	6,220,587	7,129,171
20,379,876	20,299,917	21,049,851	23,007,615	24,544,078
9,012,996	9,040,957	10,305,115	10,506,080	12,907,657
2,087,094	1,791,094	2,063,640	2,702,702	3,230,153
4,841,625	4,983,642	5,340,786	5,611,544	6,080,395
2,191,794	2,512,727	6,773,543	4,675,614	2,487,393
715,000	740,000	775,000	810,000	625,000
892,369	861,944	829,600	793,300	176,642
-	-	-	-	209,762
-	-	-	-	6,203,790
<u>45,036,680</u>	<u>45,440,943</u>	<u>52,811,409</u>	<u>54,327,442</u>	<u>63,594,041</u>
<u>(287,645)</u>	<u>5,589,850</u>	<u>(1,381,017)</u>	<u>6,412,721</u>	<u>(7,417,303)</u>
7,533,103	7,489,674	11,266,904	10,100,282	\$9,809,213
(7,478,203)	(7,667,874)	(11,519,504)	(10,414,149)	(9,659,635)
(1,159,962)	-	-	-	-
-	-	-	-	8,085,000
-	-	-	-	1,090,835
-	-	-	-	(8,962,993)
<u>(1,105,062)</u>	<u>(178,200)</u>	<u>(252,600)</u>	<u>(313,867)</u>	<u>362,420</u>
<u>(\$1,392,707)</u>	<u>\$5,411,650</u>	<u>(\$1,633,617)</u>	<u>\$6,098,854</u>	<u>(\$7,054,883)</u>
3.8%	3.7%	3.5%	3.3%	12.0%

**CITY OF CAMPBELL
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

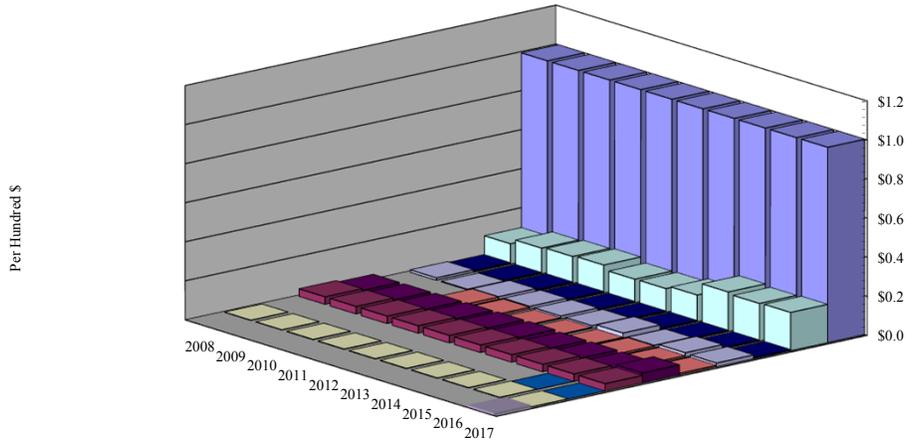


Fiscal Year	Secured Property	HOPTR Exemptions	SBE Utilities	Total Secured Value	Unsecured Property	Total Assessed (a)	Total Direct Tax Rate (b)
2008	5,668,447,696	46,579,400	53,000	5,715,080,096	268,438,860	5,983,518,956	1%
2009	6,084,718,612	47,271,000	132,500	6,132,122,112	301,436,497	6,433,558,609	1%
2010	6,145,647,005	47,023,200	132,500	6,192,802,705	277,622,054	6,470,424,759	1%
2011	6,028,040,396	46,446,400	132,500	6,074,619,296	258,641,006	6,333,260,302	1%
2012	6,042,798,505	46,079,600	145,750	6,089,023,855	253,185,951	6,342,209,806	1%
2013	6,155,290,542	45,424,400	145,750	6,200,860,692	280,367,332	6,481,228,024	1%
2014	6,903,997,112	46,993,800	145,750	6,951,136,662	284,251,723	7,235,388,385 (c)	1%
2015	7,361,679,060	46,186,046	172,250	7,408,037,356	288,458,347	7,696,495,703	1%
2016	7,912,201,031	45,357,200	172,250	7,957,730,481	273,569,603	8,231,300,084	1%
2017	8,522,484,862	45,200,400	172,250	8,567,857,512	290,398,591	8,858,256,103	1%

Source: Santa Clara County Assessor's Office

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Campbell encompasses more than 20 tax rate areas.
- (c) Total assessed value increased 11.6% due primarily to the annexation of several County pockets in 2013.

**CITY OF CAMPBELL
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



■ Housing Bond	■ Basic Library Retirement	■ Mid-Pen Open Space	■ Basic SCC Retirement
■ High School Bonds	■ Hospital Facilities Bond	■ West Valley College	■ SCVWD State Project
■ Elem or Unified School Bonds	■ Basic Direct Tax Rate		

Fiscal Year	Basic Direct Tax Rate	SCC Retirement	Library Retirement	Elem or Unified School Bonds	High School Bonds	SCVWD State Project	Mid-Pen Open Space	West Valley College	Hospital Facilities Bond	Housing Bond	Total
2008	1.0000	0.039	0.002	0.104	0.030	0.007		0.012			1.1940
2009	1.0000	0.039	0.002	0.131	0.030	0.006		0.003			1.2110
2010	1.0000	0.039	0.002	0.137	0.031	0.007		0.014	0.0122		1.2433
2011	1.0000	0.039	0.002	0.143	0.033	0.007		0.014	0.0095		1.2472
2012	1.0000	0.039	0.002	0.120	0.034	0.006		0.014	0.0047		1.2196
2013	1.0000	0.039	0.002	0.121	0.034	0.006		0.014	0.0047		1.2209
2014	1.0000	0.039	0.002	0.137	0.029	0.007		0.026	0.0035		1.2434
2015	1.0000	0.039	0.002	0.202	0.028	0.007		0.012	0.0091		1.2996
2016	1.0000	0.039	0.002	0.193	0.026	0.006	0.0008	0.023	0.0088		1.2982
2017	1.0000	0.039	0.002	0.196	0.052	0.006	0.0009	0.020	0.0082	0.01266	1.3371

Source: Santa Clara County Assessors Office

Note: In 1978, California voters passed Proposition 13 which set the property tax rate at a fixed amount of 1.00% of assessed value .

Each year, the assessed values may be increased by the California CPI, not to exceed 2.0%. Properties are reassessed at market value upon sale.

The 1.0% tax levy is shared by all jurisdictions within the County. Based upon the Assessors report for 2015-16 the levy was distributed as follows:

School Districts	44%	Community Colleges	7%
Cities	13%	Special Districts	6%
Other (Successor Agencies)	12%	County	18%
		Total	100%

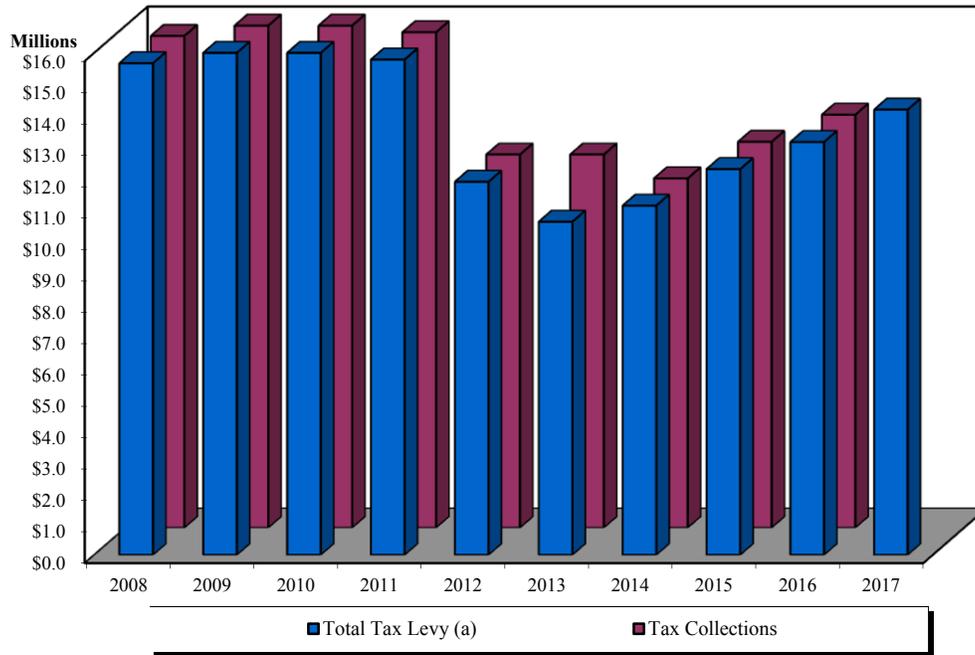
CITY OF CAMPBELL
Principal Property Tax Payers
Current Year and Ten Years Ago

Taxpayer	2016-17			2007-08		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
CREP PRUNYARD LLC	\$ 267,239,972	1	2.860%			
AG-SW HAMILTON PLAZA OWNER LP	\$ 139,740,000	2	1.490%			
PARC RESIDENCES LLC	101,436,674	3	1.090%			
CAMPBELL APARTMENTS PROPERTIES LLC	94,033,229	4	1.010%			
CRP VASONA LLC	86,986,614	5	0.930%			
SHI-III CAMPBELL LP	82,110,000	6	0.880%			
CAMPBELL TECHNOLOGY PK LLC	80,069,875	7	0.860%	70,747,200	4	1.182%
HAMILTON PLAZA INVESTORS LLC	56,184,853	8	0.600%	69,597,730	5	1.163%
BAY APARTMENT COMMUNITIES INC	53,681,679	9	0.570%	80,796,058	3	1.350%
KBS SOR II LINCOLN COURT LLC	52,530,000	10	0.560%			
LEGACY III CAMPBELL LLC				103,121,342	2	10.723%
BLACKHAWK PARENT LLC				236,371,422	1	3.950%
LYON THE COMMONS APARTMENTS LLC				31,468,740	8	0.526%
EQR-CONNOR LLC				23,940,959	9	0.400%
KIRKORIAN PARTNERSHIP				23,385,335	10	0.391%
HINES VAF NO CAL PROPERTIES LP				69,462,000	6	1.161%
BUZOLICH LYNN A ETAL.				56,081,876	7	0.937%
Total	\$1,014,012,896		11.4%	\$ 764,972,662		12.8%

Total Net Assessed Valuation:
Fiscal Year 2016-2017 \$8,858,256,103
Fiscal Year 2007-2008 \$5,983,518,956

Source: Santa Clara County Assessor Fiscal Year Combined Tax Rolls
Santa Clara County GIS Services
2007-08 City of Campbell Comprehensive Annual Financial Report

**CITY OF CAMPBELL
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



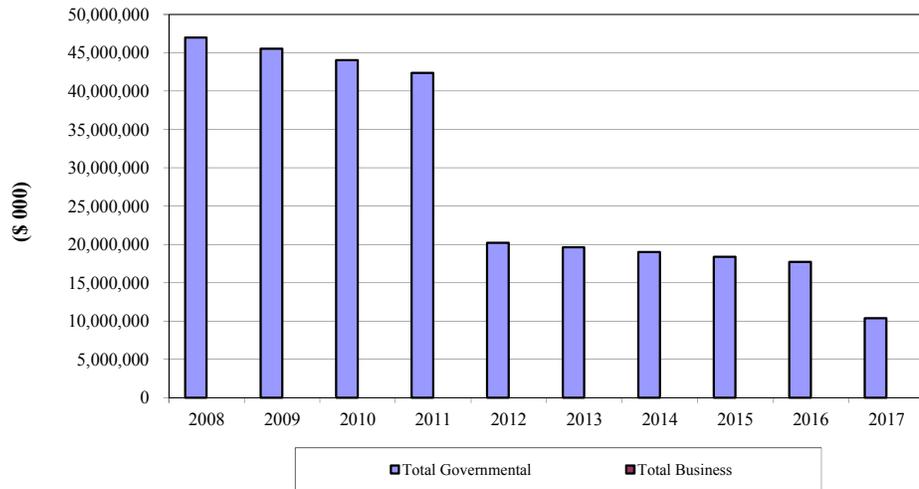
Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2008	15,669,700	15,669,700	100.0000%		15,669,700	100.0000%
2009	17,023,986	17,023,986	100.0000%		17,023,986	100.0000%
2010	16,631,707	16,631,707	100.0000%		16,631,707	100.0000%
2011	15,787,084	15,787,084	100.0000%		15,787,084	100.0000%
2012	11,893,082	11,893,082	100.0000%		11,893,082	100.0000%
2013	10,621,754	11,893,082	111.9691%		11,893,082	111.9691%
2014	11,134,726	11,134,726	100.0000%		11,134,726	100.0000%
2015	12,297,621	12,297,621	100.0000%		12,297,621	100.0000%
2016	13,161,587	13,161,587	100.0000%		13,161,587	100.0000%
2017	14,191,181	14,191,181	100.0000%		14,191,181	100.0000%

Source: City of Campbell Records

NOTES: Proposition 13 approved by the voters in 1978 provided for a maximum tax rate. The proceeds are apportioned to the various taxing entities on a formula basis. In 1981 - 1982 the basis of assessed valuation was adjusted to full cash value upon resale or new construction, rather than the previous 25 percent estimate. The property tax levy was not to exceed one percent.

(a) Includes Redevelopment Agency in total tax levy through 1/31/2012.

CITY OF CAMPBELL
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Governmental Activities

<u>Fiscal Year</u>	<u>Tax Allocation Bonds (b)</u>	<u>Certificates of Participation (c)</u>	<u>Special Assessment Debt</u>	<u>Other Indebtedness</u>	<u>Total</u>
2008	24,635,000	22,350,150	-	-	46,985,150
2009	23,700,000	21,837,315	-	-	45,537,315
2010	22,730,000	21,310,488	-	-	44,040,488
2011	21,715,000	20,650,488	-	-	42,365,488
2012	-	20,201,391	-	-	20,201,391
2013	-	19,614,880	-	-	19,614,880
2014	-	19,010,976	-	-	19,010,976
2015	-	18,380,066	-	-	18,380,066
2016	-	17,722,700	-	-	17,722,700
2017	-	10,359,329	-	-	10,359,329

Business-Type Activities

<u>Fiscal Year</u>	<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (a)</u>	<u>Per Capita (a)</u>
2008	0	46,985,150	2.0007%	1,169.92
2009	0	45,537,315	2.0943%	1,126.60
2010	0	44,040,488	1.9650%	1,118.83
2011	0	42,365,488	1.7149%	1,068.11
2012	0	20,201,391	0.7452%	506.53
2013	0	19,614,880	0.6920%	485.47
2014	0	19,010,976	0.6470%	452.72
2015	0	18,380,066	0.6290%	439.12
2016	0	17,722,700	0.5742%	416.18
2017	0	10,359,329	0.3175%	242.46

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

RDA tax allocation bonds are included in total debt through 1/31/2012.

Sources: City of Campbell

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

(a) See Page 134 (Demographic Statistics) for personal income and population data.

(b) Tax allocation bonds related to the RDA dissolution are no longer an obligation of the City

(c) Certificates of Participation were refinanced in 2017. A portion of the Certificates related to the Campbell Successor Agency was repaid during the refinancing.

**CITY OF CAMPBELL
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2017**

2016-17 Assessed Valuation \$8,858,256,103

	Net Debt Outstanding	% Applicable(1)	Amount Applicable To City of Campbell
OVERLAPPING TAX AND ASSESSMENT DEBT			
Santa Clara County Valley Water District Benefit Assessment District	\$90,945,000	2.115%	\$1,923,487
Santa Clara County	784,845,000	2.115%	16,599,472
Campbell Union High School District	215,895,000	20.751%	44,800,371
Cambrian School District	51,149,944	31.298%	16,008,909
Campbell Union School District	181,299,000	30.857%	55,943,457
Moreland School District	111,312,251	11.791%	13,124,828
West Valley -Mission Community College District	407,295,973	7.316%	29,797,773
Midpeninsula Regional Open Space District	44,225,000	0.036%	15,921
SUB-TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$178,214,218
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Santa Clara County General Fund Obligations	\$638,110,521	2.115%	\$13,496,038
Santa Clara County Board of Education Certificates of Participation	5,690,000	2.115%	120,344
Santa Clara County Vector Control District Certificates of Participation	2,685,000	2.115%	56,788
Santa Clara County Pension Obligations	362,470,957	2.115%	7,666,261
Campbell Union High School District General Fund Obligations	15,165,000	20.751%	3,146,889
Campbell Union School District General Fund Obligations	3,090,000	30.857%	953,481
West Valley-Mission Community College District General Fund Obligations	63,715,000	7.316%	4,661,389
City of Campbell General Fund Obligations	10,359,688	100.000%	\$10,359,688
Midpeninsula Regional Open Space District General Fund Obligations	112,143,611	0.036%	40,372
SUB-TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$40,501,250
Les: Santa Clara County supported obligations			<u>9,225,811</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$31,275,439
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	22,325,000	100.000%	\$22,325,000
TOTAL DIRECT DEBT (City of Campbell Certificates of Participation)			\$10,359,688
TOTAL GROSS OVERLAPPING DEBT			\$230,680,780
TOTAL NET OVERLAPPING DEBT			\$221,454,969
GROSS COMBINED TOTAL DEBT			\$241,040,468
NET COMBINED TOTAL DEBT (excludes County supported item)			\$231,814,657

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

RATIOS TO 2016-17 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	2.01%
Total Direct Debt (\$8,705,843)	0.10%
Gross Combined Total Debt	2.72%
Net Combined Total Debt	2.62%

RATIOS TO REDEVELOPMENT INCREMENTAL VALUATION (\$865,876,923)

Total Overlapping Tax Increment Debt	2.58%
--------------------------------------	-------

*Note: Prepared for the City of Campbell by California Municipal Statistics, Inc., except that Campbell Certificates of Participation include accreted interest for Capital Appreciation Bonds of \$1,653,485

CITY OF CAMPBELL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2017

ASSESSED VALUATION:

Total Taxable Property \$8,858,256,103

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) \$332,184,604

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt \$10,359,329

Less Tax Allocation Bonds and Sales Tax Revenue
 Bonds, Certificate of Participation not subject to limit 10,359,329

Amount of debt subject to limit -

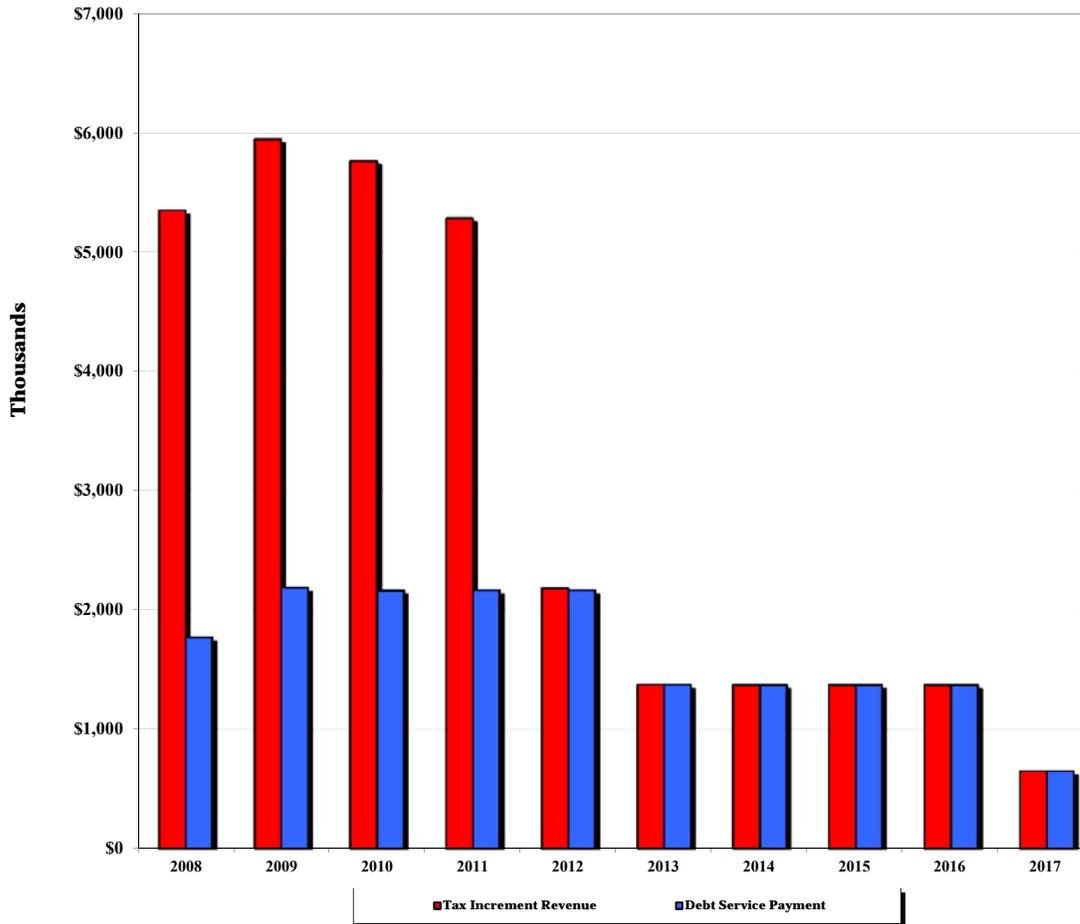
LEGAL BONDED DEBT MARGIN \$332,184,604

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2008	224,381,960		224,381,960	0.00%
2009	241,258,448		241,258,448	0.00%
2010	242,640,928		242,640,928	0.00%
2011	237,497,261		237,497,261	0.00%
2012	237,832,868		237,832,868	0.00%
2013	243,046,051		243,046,051	0.00%
2014	271,327,064		271,327,064	0.00%
2015	286,886,612		286,886,612	0.00%
2016	308,673,753		308,673,753	0.00%
2017	332,184,604		332,184,604	0.00%

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF CAMPBELL
 BONDED DEBT PLEDGED REVENUE COVERAGE
 REDEVELOPMENT/SUCCESSOR AGENCY TAX ALLOCATION BONDS
 LAST TEN FISCAL YEARS**



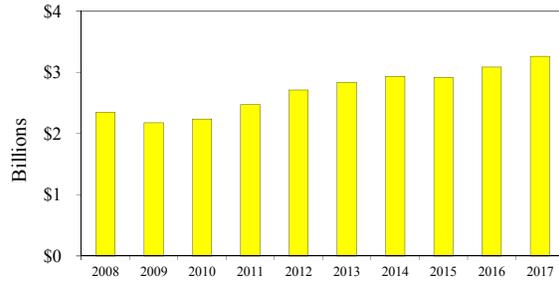
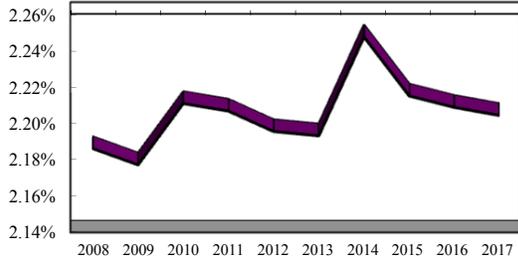
Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2008	5,349,414	510,000	1,263,668	1,773,668	3.02
2009	5,947,747	935,000	1,254,439	2,189,439	2.72
2010	5,763,885	970,000	1,196,974	2,166,974	2.66
2011	5,283,202	1,015,000	1,154,235	2,169,235	2.44
2012 *	2,180,452	1,060,000	1,107,923	2,167,923	1.01
2013	1,377,810	300,000	1,077,810	1,377,810	1.00
2014	1,375,013	310,000	1,065,013	1,375,013	1.00
2015	1,376,201	325,000	1,051,201	1,376,201	1.00
2016	1,376,380	340,000	1,036,380	1,376,380	1.00
2017 **	652,867	335,000	317,867	652,867	1.00

* Effective 1/31/2012 Redevelopment Agencies in the State of California were dissolved. A Successor Agency was established by the City of Campbell to receive all of the assets and liabilities of the former RDA and assume responsibility for all legal debt service obligations. Tax increment revenues are received from the County of Santa Clara in an amount equal to the debt service requirements based on a Recognized Obligation Payment Schedule.

** In August 2016, the Successor Agency debt was refinanced with the 2016 Tax Allocation Bonds. Only one debt service payment was required in this year.

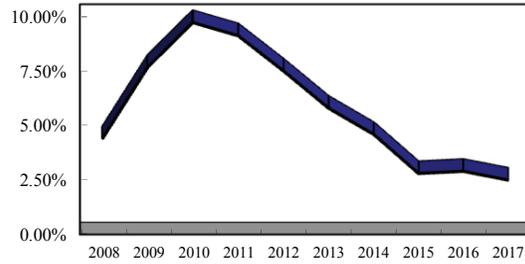
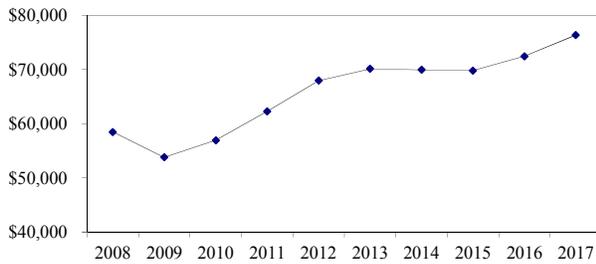
Source: City of Campbell Annual Financial Statements

CITY OF CAMPBELL
DEMOGRAPHIC AND ECONOMIC STATISTICS



■ City Population % of County

■ Total Personal Income (000's)



◆ Per Capita Personal Income

■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income (000's)	Per Capita Personal Income	Unemployment Rate (%)	Santa Clara County Population	City Population % of County
2008	40,161	2,348,414	58,475	4.4%	1,837,075	2.19%
2009	40,420	2,174,394	53,795	7.7%	1,856,514	2.18%
2010	39,363	2,241,290	56,939	9.7%	1,780,384	2.21%
2011	39,664	2,470,393	62,283	9.1%	1,797,375	2.21%
2012	39,882	2,710,939	67,974	7.5%	1,816,486	2.20%
2013	40,404	2,834,381	70,151	5.8%	1,842,254	2.19%
2014	(1) 41,993	2,938,192	69,969	4.6%	1,868,558	2.25%
2015	41,857	2,921,953	69,808	2.8%	1,889,638	2.22%
2016	42,584	3,086,261	72,475	2.9%	1,927,888	2.21%
2017	42,726	3,262,837	76,367	2.5%	1,938,180	2.20%

Source: California State Department of Finance; Employment Development Department Bureau of Economic Analysis, U.S. Department of Commerce

Note: Unemployment rates for FY2004-2011 are FY average. FY12-16 collected as of June 30.

Per Capita Income for 2017 is adjusted using the CA Department of Finance Change in Per Capita Income as reported in May 2016 (5.37%)

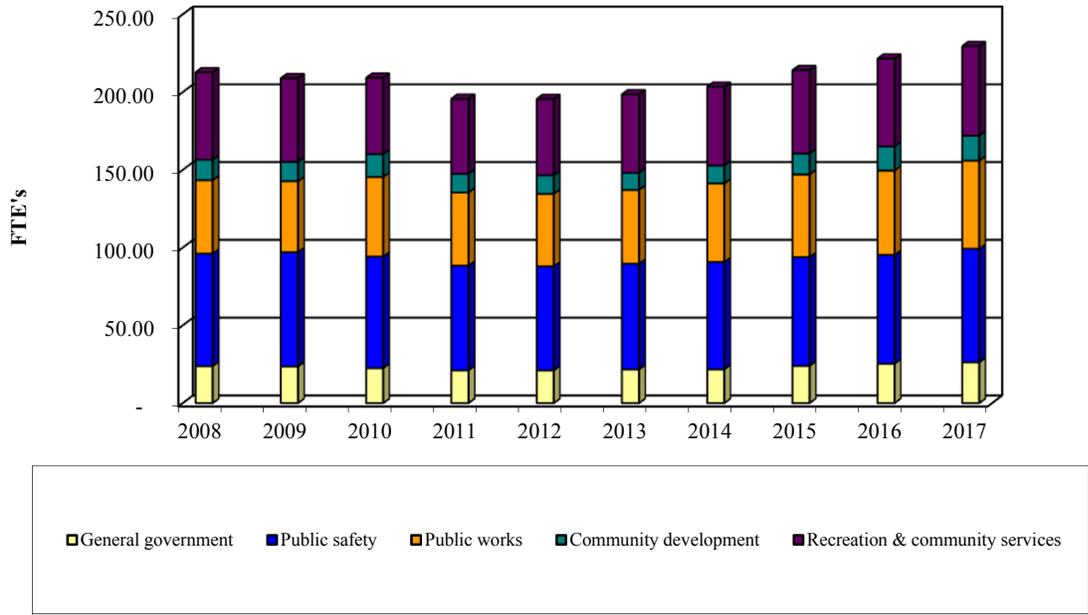
(1) The City annexed several County pockets effective May 1, 2013.

CITY OF CAMPBELL
Top Ten Principal Employers
Current Year and Ten Years Ago

<u>Employer</u>	<u>2016-17</u>			<u>2007-08</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Daley's Drywall & Taping Inc	385	1	1.52%			
Barracuda Networks Inc	350	2	1.38%	210	6	1.10%
SAAMA Technologies	274	3	1.08%			
On-Site.com	230	4	0.91%			
Home Depot #0642	228	5	0.90%	257	4	1.20%
Whole Foods Market	226	6	0.89%	235	5	1.10%
Dewinter Group	220	7	0.87%			
Chargepoint - Hacienda Ave	200	8	0.79%			
Chargepoint - Dell Ave	200	8	0.79%			
Moss Adams LLP	200	8	0.79%			
Tacpro LLC DBA: Creganna Medical	188	9	0.74%			
Fry's Electronics Inc	184	10	0.73%			
Qualcom Inc.				325	1	1.50%
JDA Software Group				300	2	1.40%
Fry's Electronics Inc				287	3	1.40%
City of Campbell				161	7	0.80%
Safeway				159	8	0.80%
Mohler, Nixon & Williams Accountancy				150	9	0.70%
Durham School Services LP				143	10	0.70%
Subtotal	<u>2,885</u>		<u>11.4%</u>	<u>2,227</u>		<u>10.5%</u>
Total City Labor Force	<u>25,300</u>			<u>21,200</u>		

Source: City of Campbell - California Employment Development Department

CITY OF CAMPBELL
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function					
General government	23.77	23.52	22.45	21.07	21.07
Public safety	72.39	73.53	71.81	67.36	66.81
Public works	47.10	45.58	51.12	46.97	46.67
Community development	13.23	12.51	14.73	12.06	11.91
Recreation & community services	56.20	53.70	48.99	48.19	49.04
Total	<u>212.69</u>	<u>208.84</u>	<u>209.10</u>	<u>195.65</u>	<u>195.50</u>

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function					
General government	21.65	21.72	23.88	25.28	26.26
Public safety	68.01	69.01	70.01	70.01	73.01
Public works	47.42	50.50	53.14	54.26	56.65
Community development	10.91	11.51	13.51	15.55	16.10
Recreation & community services	50.52	50.67	53.48	56.37	57.49
Total	<u>198.51</u>	<u>203.41</u>	<u>214.02</u>	<u>221.47</u>	<u>229.51</u>

Source: City of Campbell, CA Budget Documents

CITY OF CAMPBELL, CALIFORNIA
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety:										
Fire:										
Fire calls for service	119	99	74	72	70	76	90	81	67	72
Medical aid calls	1,801	1,662	1,806	1,931	1,946	1,886	1,966	2,177	2,318	2,354
Police:										
Police calls for Service	22,961	22,362	22,272	22,098	23,353	24,151	24,624	24,408	23,275	23,312
Law violations:										
Arrests	1,586	1,568	1,725	1,535	1,660	1,835	2,141	2,183	2,027	2,080
Traffic violations	6,545	5,968	6,038	4,232	4,083	4,607	6,205	4,501	4,638	4,339
Parking violations	2,686	4,400	3,315	2,986	2,394	2,335	3,110	3,733	4,384	3,741
Public works:										
Miles of streets (major)	15	15	15	15	15	16	16	16	16	16
Miles of Streets (secondary)	77	77	77	77	77	80	80	80	80	80
Potholes repaired	182	131	150	151	160	78	81	90	108	58
Culture and recreation:										
Community Services:										
Recreation class participants	31,826	33,023	33,886	32,674	33,526	31,749	30,022	35,082	35,737	42,195
Performing Arts Center performances	6	12	13	10	7	8	8	6	6	7
Wastewater										
Miles of sewers (storm)	42	42	50	50	50	50	50	50	50	59
Miles of sewers (sanitary - entire district)	484	484	618	618	618	618	618	618	618	602
Miles of sewers (sanitary - Campbell only)	125	125	158	158	158	158	158	158	158	168
Solid Waste										
Refuse Landfilled (tons per year)	29,585	24,647	24,951	25,761	25,514	26,555	27,398	29,422	28,386	28,300
Green Waste	-	-	-	-	-	-	-	-	6,781	7,312
Recyclables Processed (tons per year)	17,702	17,636	17,505	15,561	14,541	15,414	16,702	15,866	10,004	18,483

Source: City of Campbell

Note: n/a denotes information not available.

CITY OF CAMPBELL, CALIFORNIA
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year										
	2008	2009	2010	2011	2012	2013	2014	2015	2015	2016	2017
Public safety:											
Fire stations	2	2	2	2	2	2	2	2	2	2	2
Police stations	1	1	1	1	1	1	1	1	1	1	1
Police patrol units	11	12	12	12	12	12	12	15	15	15	15
Public works											
Miles of streets	92	92	92	92	92	96	96	96	96	96	96
Street lights	2,532	2,535	2,535	2,535	2,535	2,610	2,610	2,705	2,705	2,705	2,706
Traffic Signals	42	43	43	43	43	43	43	44	44	44	44
Culture and recreation:											
Community services:											
City parks	11	11	12	12	12	12	12	12	12	12	12
City parks acreage	86	86	87	87	87	87	87	87	87	87	87
Playgrounds	7	7	7	7	7	7	7	7	7	7	7
City trails	1	1	1	1	1	1	1	1	1	1	1
City trails miles	3	3	3	3	3	3	3	3	3	3	3
Historic house (museum)	1	1	1	1	1	1	1	1	1	1	1
Community gardens	1	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1	1
Adult centers	1	1	1	1	1	1	1	1	1	1	1
Sports centers	1	1	1	1	1	1	1	1	1	1	1
Performing arts centers	1	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8	8	8	8	8
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3	3
Soccer/football fields	9	9	9	9	9	9	9	9	9	9	9
Library:											
City Libraries	1	1	1	1	1	1	1	1	1	1	1

Source: City of Campbell