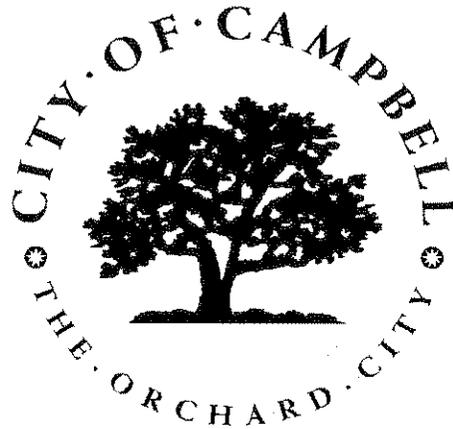


City of Campbell, California



Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2004

*Prepared by the Finance Department
Under the Direction of
Gretchen E. Conner, Finance Director*

CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2004

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CITY OF CAMPBELL
Finance Department

November 12, 2004

Honorable Mayor, Members of the
City Council, City Manager and Citizens of the
City of Campbell, California

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Campbell, California for fiscal year ended June 30, 2004 as prepared by 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, the audit report, as provided by Maze and Associates Accountancy Corporation, along with the basic financial statements of the City, is herein submitted in fulfillment of these requirements.

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 and the U.S. Office of Management and Budget Circular A-133. 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.

The CAFR is presented in three basic sections as follows:

1. **INTRODUCTORY SECTION:** Includes this transmittal letter, the City's organization chart, State and National awards for excellence in financial reporting and a list of principal officials.
2. **FINANCIAL SECTION:** Includes the independent auditors' report, management's discussion and analysis, basic financial statements, notes to financial statements and supplemental information.
3. **STATISTICAL SECTION:** Contains a broad range of trend data covering key financial indicators for the past 10 fiscal years including revenues and expenditures, property assessments, debt obligations and demographic statistics useful in assessing the City's financial condition.

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 roughly 6.5 square miles, is largely built out, and serves a population of approximately 38,000. A combination of residential, office and commercial retail businesses comprise the makeup of the City. The City is home to a number of community festivals and celebrations throughout the year, and it prides itself on fostering a "small town" feel while located in the midst of a major metropolitan region. The City's 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 Campbell Redevelopment Agency, and the City Manager serves as its Executive Director.

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 City 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 due to the Finance Department by mid-February, and a study session is held with the City Council in early March 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 early May for preliminary adoption. Final adoption of the budget document occurs no later than the second meeting in June. The City's financial policies authorize the City Manager to administratively approve budget adjustments within the adopted budget or requiring transfers from reserves up to \$5,000. Requests for increases in appropriations or any adjustments to capital projects require approval by the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

Local economy--While Silicon Valley is known for its significant concentration of high technology and electronics manufacturing, the area also supports a wide variety of retail, office and personal services industries. Historically, the area has experienced cycles of expansion and contraction and has led the nation in productivity, innovation and economic growth for most of the past decade. 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 effects from the recent economic downturn over the past four years have had a significant impact on the region resulting in a considerable decrease in output and rise in unemployment. However, current trends and indicators show the economy is in the process of recovery and poised to grow at a slow but consistent rate over the next several years. The region also saw continued strength in the residential housing market during the past year which has help weather the recent economic weaknesses. Within the City, several large development projects were approved by Council and are expected to result in new revenue sources for the City over the next couple of years. Unemployment for the City as of September, 2004 was 4.0%, down from 5.6% one year ago, compares favorably to the County rate of 5.5% and the State rate of 5.9%. It is expected these rates will improve further over the next couple of years as economic activity continues to pick up.

Campbell is fortunate to enjoy a diversified economic base with businesses located throughout the community. By comparison, Campbell has a distinct advantage over many cities that rely on one or two major categories of sales tax producers. Of the approximately 4,500 businesses in the City, no single business generates more than 10% of the total sales tax revenue. This diversity within the local economy has and should continue to help mitigate economic swings that traditionally impact a city's revenue base.

The City is also largely affected by the actions of the State of California. Since last year's multi-billion dollar budget deficit, voters passed a measure allowing the State to issue \$15 billion in bonds to help alleviate much of the deficit and to bring the budget closer into balance. Another significant measure was recently passed in the November, 2004 election to protect local government agencies from future revenue take-aways by the State. Although this will require local governments, including the City of Campbell, to make payments to the State for the next two years in order to help balance the State budget, such revenue grabs will be severely restricted in subsequent years. This should improve the reliability and stability of local governments' most significant revenue sources currently controlled by the State and mitigate reductions in service levels that have been common during the past couple of years. Also recently legislated was an action to make permanent a two thirds reduction in the fee paid by motorists for their vehicle registrations that the State collects and passes on to cities. This is expected to be backfilled by the State through the use of property tax funds that will be distributed twice per year and which should increase by the growth in property taxes. The impact to the City of Campbell and the City's Redevelopment Agency is an estimated reduction in property tax net receipts approximating \$1.1 million and \$1.0 million, respectively, over the next two fiscal years. Further, the City is impacted by approximately \$0.7 million in vehicle license fee revenue that the State did not backfill during fiscal 2003-04 and has promised to repay during fiscal 2006-07.

Anticipating such significant financial impacts as just described, the City has taken active measures to preserve its fiscal health in times of economic uncertainty such as has been the case in recent times. For example, the City routinely employs prudent financial and budgetary policies established and monitored by the City Council that ensure operating revenues are available to fund operating expenditures resulting in a balanced budget. Additionally, during the fiscal 2002-03, the City and Redevelopment Agency issued long-term debt to pay for certain capital projects previously funded with General Fund money. As a result, approximately \$7.4 million in General Fund money was freed up and added into the City's Designation for Economic Fluctuations whose purpose is to act as a reserve for those revenue sources most significantly impacted by downturns in the economy, thereby, enabling the City to better withstand an economic downturn. The balance of this reserve was \$8.9 million as of June 30, 2004.

Cash management—The City adheres to the provisions of the California Government Code section 53601 regarding investment of idle cash. The City Council annually reviews the investment policy and any changes thereto. Cash temporarily idle during the year was invested in U.S. Government Agency securities and the State Local Agency Investment Fund. The maturities of the investments, except for specific long-term bond reserve funds, do not exceed 5 years. The portfolio yield for the fiscal year ended June, 2004 was 2.11%. Investment income includes a reduction in the fair value of investments held at year-end due to the change in market conditions during the year. However, the decreased fair value doesn't necessarily represent the amount that will ultimately be realized by the City due to the fact that the City has historically held its investments in securities until maturity.

Risk management—The City is exposed to various risks of loss related to tort claims, theft, damage and destruction of City assets and property, errors and omissions, injuries to employees and the public and natural disasters. A combination of self-insurance and commercial coverage is used by the City to manage its risk. Further details on the types and amounts of coverage are addressed in Note 12 in the notes to the financial statements.

Pension benefits—The City provides for retirement benefits to its employees through participation in the California Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan. Each year, an independent actuary is engaged by PERS to calculate the amount of annual contribution the City must make to ensure the plan will meet its obligations to pay retired employees on a timely basis. As a matter of policy, the City fully funds its annual required contribution as determined by the actuary. Due to a combination of enhanced retirement benefits, significant investment losses by PERS over the past few years, and additional liability related to past fire protection employees, the City will be absorbing a significant ongoing annual contribution for the foreseeable future. Additional detail and trend information is explained in Note 11 of the notes to the financial statements.

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, 2003. 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 last 16 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 2003-04. This is the 11th 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.

The City of Campbell was also awarded the Certificate of Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the City's CAFR. This award has been received consecutively for the past 17 fiscal years with the most recent award being received for the fiscal year ended June 30, 2003. For the last eight years, the CSMFO has also awarded the City awards for Excellence in Operational Budgeting and Outstanding Capital Budgeting.

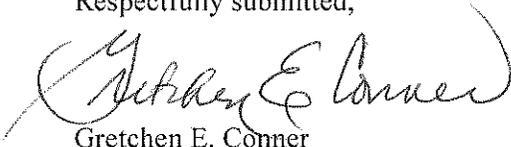
ACKNOWLEDGEMENTS

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 all of the many contributions made in the preparation of this report.

I wish to extend a special thanks to Jesse Takahashi, Accounting Manager and Sherrie Doherty, Executive Assistant for their diligent efforts and sacrifices in the production of this document. I greatly value their contributions and their ability to work as a team.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Gretchen E. Conner". The signature is written in dark ink and is positioned above the printed name.

Gretchen E. Conner
Finance Director

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, 2003

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



Nancy L. Zelle

President

Jeffrey R. Enos

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2002-2003

Presented to the

City of Campbell

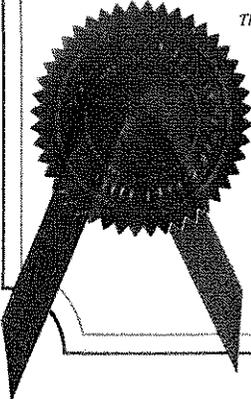
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

March 1, 2004

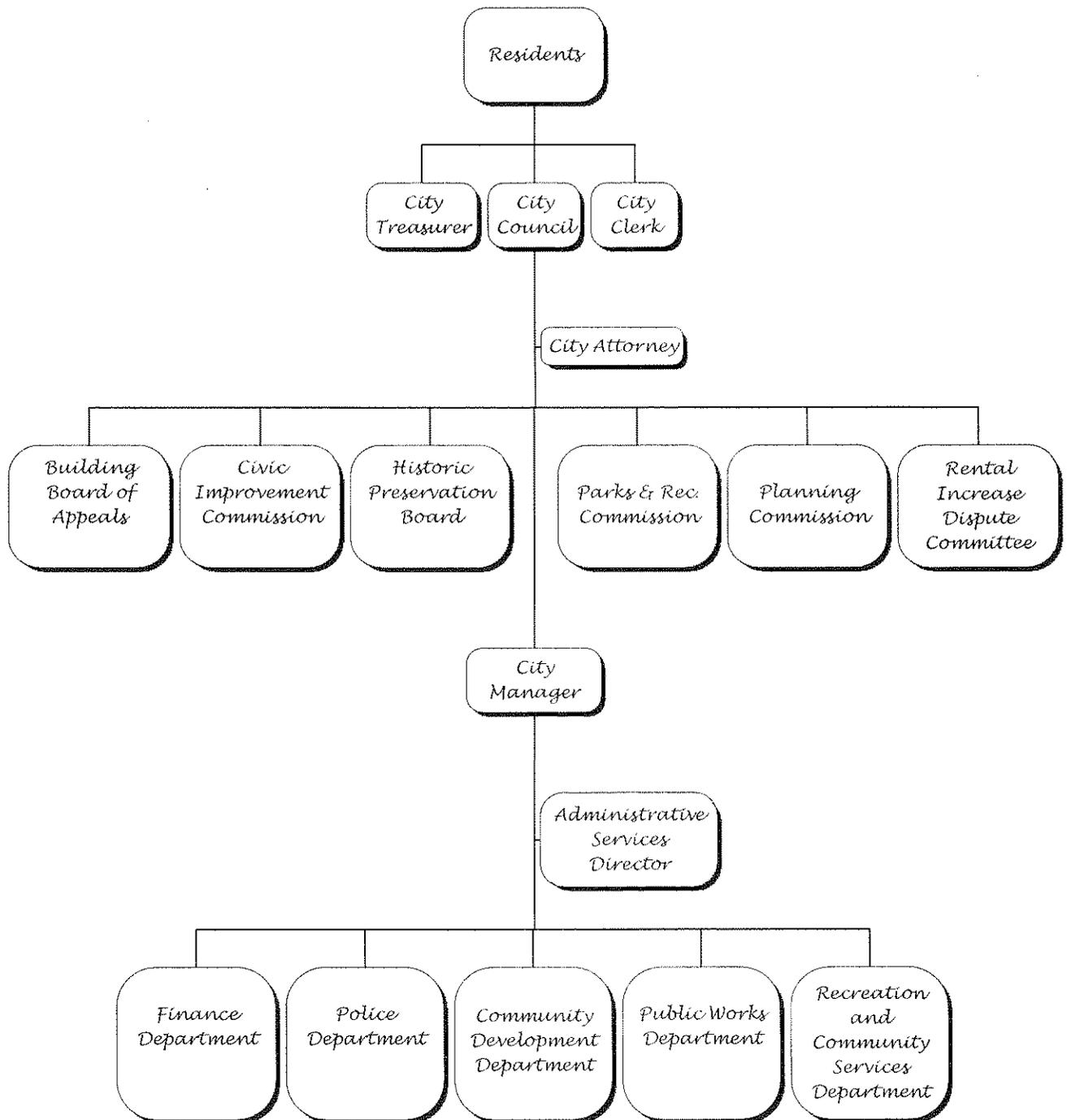
Bret M. Plimlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



General Organization



CITY OFFICIALS

CITY COUNCIL & REDEVELOPMENT AGENCY BOARD

Mayor – Donald R. Burr

Vice-Mayor – Jane P. Kennedy

Councilmember – Matthew Dean

Councilmember – Daniel E. Furtado

Councilmember – Jeanette Watson

Note: Mayor serves an annual term from November to November. Names and positions are as of June 30, 2004.

CITY ADMINISTRATIVE STAFF

City Manager - Bernard M. Strojny

City Clerk - Anne Bybee (Elected)

City Treasurer - Gerald Kennedy (Elected)

Administrative Services Director - Vacant

Community Development Director – Sharon Fierro

Finance Director - Gretchen E. Conner

Recreation & Community Services Director - Claudia Cauthorn

Police Chief - David Gullo

Public Works Director - Robert Kass

COMMISSIONS, COMMITTEES AND ADVISORY BOARDS

Planning Commission

George P. Doorley, Chairperson
Elizabeth Gibbons, Vice Chairperson
Bob Alderete
Tom Francois
Joseph D. Hernandez
Michael Rocha
Robert A. Roseberry

Civic Improvement Commission

Art Ring, Chairperson
Jacquie Davidson, Vice Chairperson
Kurt Arends
Joan Goldstein
Jeff Hofstrand
Frank Jewett
Joel Slatis

Historical Preservation Board

Mark Sandoval, Chairperson
Susan Blake, Vice Chairperson
Trish Forsman
JoElle Hernandez
Joanna Herz

Parks & Recreation Commission

Tim Mason, Chairperson
John Medalen, Vice Chairperson
Linda Andrianos
Bruce Baker
Jim Cramer
Jean LaDuc
Alan G. Lowder

Building Board of Appeals

Dietrich VonDohlen, Chairperson
Jeff Bowsby
James C. Malone
Vacant
Vacant

Rental Increase Dispute Fact Finding Committee

Stanley Raider, Chairperson
Eric Bracher
John W. Figueroa
Miriam Robinson
Zakie C. Twainy

Note: Names and positions as of July 1, 2004.

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council
City of Campbell, California

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell, California as of and for the year ended June 30, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, California as of June 30, 2004, and the respective changes in the financial position thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated October 15, 2004 on our consideration of the City of Campbell's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information, but we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the Table of Contents 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 on this information.



October 15, 2004

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, 2004. 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 2003-04 Financial Highlights

The City ended its fiscal year with total revenues of \$35.7 million, matching that of the previous year. Expenses, however, were 11% higher than the previous year. The City maintained its fiscal stability primarily through a combination of using conservative budget practices and finding ways to mitigate the effects of a slowly recovering economy. During the past year this was accomplished through a combination of selected hiring freezes, spending reductions and establishment of a reserve for economic uncertainty, currently at \$8.9 million, that has been able to cushion revenue shortfalls and, thereby, maintain service levels throughout the year. Highlights of the past year are as follows:

City-wide:

- Total City assets exceeded its liabilities by \$54.6 million. Of this amount, \$29.2 million represents unrestricted net assets that the City has designated for various purposes including reserves for emergencies, operations, economic uncertainty and approved capital projects.
- Total net assets decreased from the previous year by \$4.6 million, almost half of which was attributable to non-capitalizable capital project expenditures for street and sidewalk maintenance and other public facilities projects.
- Total City revenues remained the same as last year at \$35.7 million while total expenses increased by \$4.1 million to \$40.3 million.

Fund level:

- Total governmental fund balances were \$54.1 million at fiscal year end, a decrease of \$9.5 million from the previous year.
- General fund revenues, including transfers, increased \$0.9 million to \$26.6 million from the previous year; related expenditures increased \$1.6 million from previous year to \$29.7 million.
- General fund balance decreased \$3.1 million to \$27.3 million at fiscal year end.

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 financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

City-wide financial statements—These 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 assets* 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 net assets presents information on all of the City's assets and liabilities, including capital assets and long-term debt, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets 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 the Campbell Redevelopment Agency and Campbell Lighting and Landscape District, legally separate entities that are 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 19 individual governmental funds. Information for the General fund, Redevelopment Agency Housing, RDA Capital Projects fund, Capital Projects fund, COP Debt Service fund and RDA Debt Service fund is presented separately in the fund financial 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 annual 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 one agency fund representing a joint powers authority and a local improvement district.

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 assets and statement of activities. Net assets for the City are summarized below as of June 30 and an analysis follows:

Governmental Net Assets
(in millions)

	Governmental Activities	
	2004	2003
Cash & investments	\$ 56.8	\$ 66.3
Capital assets	48.3	43.8
Other assets	7.9	8.5
Total assets	113.0	118.6
Long term debt	49.1	50.0
Other liabilities	9.3	9.4
Total liabilities	58.4	59.4
Net assets:		
Invested in capital assets, net of debt	5.7	2.5
Restricted	19.7	23.0
Unrestricted	29.2	33.7
Total net assets	\$ 54.6	\$ 59.2

Net assets decreased during the year by \$4.6 million, comprised of the following elements:

- Cash and investments decreased by \$9.5 million primarily due to completion of two major capital projects, the Heritage Theatre renovation and the Campbell Community Center improvements that cost \$5.5 million during the year. The remaining \$4 million was due to expenses exceeding revenues.
- Capital assets added during the year were \$6.2 million offset by depreciation charges of \$1.7 million for a net increase of \$4.5 million. The majority of capital asset additions relate to the Heritage Theatre and Community Center improvements.
- Other assets had a net decrease of \$0.6 million consisting of a reduction in the carrying value of land held for resale by the City's Redevelopment Agency of \$1.2 million and an increase in receivables of \$0.5 million.
- Long term debt decreased by \$0.9 million resulting from normal debt service payments made during the year.
- Net assets invested in capital assets, net of debt increased \$3.2 million from the previous year, representing asset additions from non-debt funding sources.
- Restricted net assets have external limitations placed upon them regarding how they may be spent. During the year, these assets decreased by \$3.3 million, representing the use of long-term debt proceeds to fund capital asset additions.

- Unrestricted net assets are not restricted by debt covenants or other legal constraints and may be used at the discretion of the City subject to existing internal policies. The balance decreased by \$4.5 million during the year primarily to fund the excess of expenses over revenues.

Below is a summary of the components that resulted in the change to net assets for the fiscal year ended June 30:

**Changes in Governmental Net Assets
(in millions)**

	Governmental Activities	
	2004	2003
Revenues:		
Program revenues:		
Charges for services	\$ 7.4	\$ 6.6
Operating grants and contributions	2.7	1.8
Capital grants and contributions	0.6	1.5
General revenues:		
Property taxes	9.4	9.6
Sales and use taxes	10.7	9.0
Other taxes	4.5	4.9
Other	0.4	2.3
Total revenues	35.7	35.7
Expenses:		
General government	14.6	11.3
Public safety	15.0	14.1
Public works	8.2	6.7
Interest on long term debt	2.5	4.1
Total expenses	40.3	36.2
Change in net assets	\$ (4.6)	\$ (0.5)

Net assets decreased by \$4.6 million. Key elements of this decrease are as follows:

- As previously mentioned, total revenues remained the same as the previous year at \$35.7 million. Sales tax revenues reflected an increase of \$1.7 million that included a one-time receipt of back taxes owed by a single taxpayer of \$1.3 million.

- Other revenues decreased \$1.9 million due to a decrease in investment earnings of \$0.8 million resulting from historically low interest rates and a lower average invested portfolio balance than the previous year. Additionally, because interest rates rose during FY 04 in relation to FY 03, the City reflected an unrealized loss on its investment portfolio of \$0.5 million. Also contributing to the decrease was \$0.4 million in revenue received in FY 03 related to the sale of real property. No such sales occurred in FY 04.
- General government expenses include Community Development, Recreation and Community Services, Redevelopment in addition to administrative support functions such as the City Manager, Finance, and Human Resources. Total expenses increased \$3.3 million from the previous year. There were several contributing factors to the increase including a \$1.2 million reduction in the carrying value of land held for resale; increased salary and benefits cost; and, an increase in expenses of \$0.4 million by the City's newly refurbished Heritage Theatre that began operations during the fiscal year.
- Public safety expenses, which include contracted fire protection services, increased \$0.9 million from the previous year due primarily to a \$0.7 million payment for improvements for a new animal sheltering facility being operated through a joint powers authority. The additional increase is due to previously negotiated salary cost of living adjustments.
- Public works expenses increased \$1.5 million from the previous year due primarily to increased costs incurred for street and sidewalk maintenance, storm drain improvements, and contributions to the Valley Transportation Agency related to the light rail expansion.
- Interest on long-term debt decreased \$1.6 million from the previous year due to a loss realized on the retirement of debt in the previous year and lower interest costs associated with the replacement debt.

Financial Analysis of Fund Financial Statements

Combined governmental fund balances at fiscal year end were \$54.1 million, a decrease of \$9.5 million from the previous year. The decrease was due principally to spending \$8.9 million for capital projects. The City has reserved fund balance of \$26.2 million at year end, a decrease of \$9.3 million from the previous year. Unreserved fund balance was \$27.9 million compared to \$28.1 million in the previous year.

Governmental fund revenues, excluding transfers, were \$35.7 million, a slight decrease of \$0.5 million from the previous year. Decreases in revenue from investment earnings and transient occupancy tax revenues were offset by a one-time receipt of past due sales tax revenue during the year.

Governmental fund expenditures, excluding transfers, were \$45.2 million, a decrease of \$1.2 million from the previous year. This was attributable primarily to reduced capital outlay from the previous year.

Analysis of Major Governmental Funds

General fund

General fund revenues, excluding transfers, increased \$1.4 million from the previous year to \$25.4 million. The largest portion of this increase is attributable to the one-time receipt of \$1.2 million in sales tax revenue related to prior years. Taking this into account, sales taxes realized a 5% increase over the previous year. Licenses and permits, rents and leases, and charges for services all saw significant increases compared to the prior year. These increases, however, were offset by lower revenues from intergovernmental sources and investment income. Approximately \$0.3 million of the investment income decrease represents an unrealized loss on holdings in the portfolio. As the City has a history of holding its investments until maturity, it is not expected such a loss would be realized.

General fund expenditures, excluding transfers, were \$26.8 million, an increase of \$1.8 million (7.2%) from the previous year. This is due primarily to previously negotiated salary and benefit increases approved by the City Council.

Net transfers out increased by \$0.2 million due to fund operating deficits and capital projects committed in prior years.

General fund balance at fiscal year-end was \$27.3 million, a decrease of \$3.1 million from the previous year. This resulted from the excess of operating expenditures over revenues, funding for which was provided by a combination of reserves and designations for specific expenditures as well as the designation for economic fluctuation. Unreserved, designated fund balance at year end was \$25.0 million and is utilized to fund various emergency operating funds including a \$8.9 million designation for economic fluctuations and other contingency funds.

Significant original to final budget variances consisted of reductions in investment income of \$0.5 million resulting due to interest rates not rising as anticipated at the outset of the year; transient occupancy tax revenue budget reduction of \$0.4 million due to continued sluggishness in the economy; and a reduction in Motor Vehicle In-lieu revenues by \$0.7 million due to the State's decision to reduce by two-thirds the fee paid by State residents to register their vehicles in the State. While the State promised to backfill the lost tax revenue to cities, a transition period of three months existed during which the State did not make these payments. The State has indicated these monies will be repaid during fiscal 2006-07. The actual to final variance was a negative \$0.2 million which is attributable to a \$0.3 million unbudgeted unrealized loss on investments.

The primary reason for changes in expenditure budgets from adopted is due to open encumbrances that are carried forward and re-appropriated in the following fiscal year. This amounted to \$0.6 million which was approved for re-appropriation during the year. The City had a combined positive expenditure variance of \$2.1 million. The positive variance is attributable to wage and benefit savings realized from the City's policy of budgeting at top step, savings realized from budgeting for increased retirement costs that did not require payment this year, having several positions vacant during the year and reducing departmental outlays as much as possible.

Redevelopment Agency Housing Fund

This fund accounts for the 20% set aside requirement of increased property tax revenues received from the County to be used solely to provide for low and moderate income housing. Revenues deposited into the fund were \$1.1 million during the year. The fund has loans outstanding of \$2.5 million and fund balance of \$7.0 million, up from \$6.1 million in the previous year.

RDA Capital Projects Fund

The RDA capital projects fund accounts for activities in the redevelopment project area. Expenditures of \$7.2 million were made on a variety of capital and non-capital expenditures in the project area, the largest of which were the Campbell Community Center and Heritage Theatre improvements. Also included in this amount was a \$1.2 million valuation adjustment to reflect land held for resale in the Campbell Downtown at its net realizable value based upon a disposition and development agreement the Agency has with a developer. Under this agreement, the land will be developed as "mixed use" property that will combine commercial/retail on the ground floor and residential living above. The Agency will realize one time parking in-lieu fee revenue and collect future ongoing property tax increment generated from this project. The City will also benefit from through collection of development fee revenue as well as new ongoing sales tax revenue.

Capital Projects Fund

This fund accounts for City capital projects. Principal components of expenditures made from this fund of \$3.2 million were ongoing deferred street maintenance, extension of the Vasona light rail line and upgrades to stations, various bicycle and pedestrian safety enhancements, curb cuts to improve handicap accessibility, and bicycle and pedestrian trail improvements. Funding for these projects comes from both internal and external sources.

COP Debt Service Fund

The principal asset of this fund is represented by \$8.9 million in advances receivable from the RDA representing the portion of debt service it is obligated to repay to the City based on an agreement between the two entities. The receivable is offset with an advance payable to the City in the RDA debt service fund. Payment to the City is made with annual collections of RDA tax increment revenue.

RDA Debt service Fund

This is the principal debt service fund of the RDA, and it receives most of the tax increment receipts from which it also makes debt service payments and funds the RDA's capital projects. Property tax revenues remained flat with the previous year due to vacancies and/or lower valuations of commercial properties in the redevelopment area, most notably office space. This has been offset by increased valuations, and related tax revenue from residential properties.

The State of California mandated all redevelopment agencies in the State to make payments to the Education Revenue Augmentation Fund (ERAF) during the year, essentially reducing the amount of net property tax revenue available to the Agency. This payment amounted to \$0.3 million.

The deficit balance of \$2.7 million at fiscal year-end is the result of reflecting the total amount of advances payable to the City as a liability at year end pursuant to an agreement between the City and Agency. The agreement specifies the advance is scheduled to be repaid over the next 28 years. Accordingly, this deficit will be eliminated over time through receipt of annual tax revenue.

Other Governmental Funds

These funds are not separately presented in the basic financial statements, but are individually presented as supplemental information.

Capital Assets

The City had net capital assets of \$48.3 million as of June 30, 2004. As allowed under GASB 34, the City has up to four years to record the historical costs and related depreciation on infrastructure assets acquired prior to fiscal 2003. Accordingly, only current year infrastructure additions have been recorded to-date. The following is a summary of the City's capital assets for the fiscal year ended June 30:

**Capital Assets
(in millions)**

	2004	2003
Land	\$ 13.2	\$ 13.2
Construction in progress	2.3	12.5
Building & improvements	27.3	18.6
Other improvements	16.6	9.1
Machinery & equipment	6.6	6.6
Infrastructure	0.5	0.5
Less: Accumulated depreciation	(18.2)	(16.7)
Net capital assets	\$ 48.3	\$ 43.8

Total additions to capital assets were \$6.3 million during the year of which \$5.4 million was for the Campbell Community Center and Heritage Theatre improvements. The net \$10.2 million reduction in construction in progress represented transfers of completed assets related to these two projects into their respective categories. Additional detail on capital assets activity can be found in note 5 in the notes to financial statements.

Debt Administration

During the fiscal year, the City and its redevelopment agency made regular debt service payments on their respective outstanding debt issues. No other debt activity occurred during the year. Additional detail regarding the City's long term debt can be found at Note 7 in the notes to financial statements.

At June 30, the City had the following outstanding debt (in millions):

	2004	2003
Certificates of participation	\$ 24.2	\$ 24.7
Tax allocation bonds	24.9	25.3
Total debt	\$ 49.1	\$ 50.0

Economic Outlook and Next Year's Budget

The City, while fiscally stable, has a number of issues it is continuing to address in the future which are dependent, in large part, upon how the economy fares over the next couple of years. Among the issues taken into account in developing the fiscal 2004-05 budget were:

- Ensure recurring expenditures are funded by recurring revenues.
- Significantly higher retirement costs for current and past employees, especially public safety employees.
- Uncertainty related to the impact on revenues of the “Triple Flip” revenue realignment by the State; the Education Revenue Augmentation Fund (ERAF III) agreement and the Vehicle License Fee swap and related distribution to local governments.
- Increased cost of employee health care benefits.
- Securing continued and ongoing source of street maintenance funding in order to maintain desired condition of streets and roadways

The economic outlook for the Silicon Valley remains transient. While inflation figures appear stable, unemployment and general economic conditions are still tenuous. It is expected that any recovery for this area will be slow. In developing the fiscal 2005 budget, nine permanent positions have not been funded, thereby allowing the budget to balance. Additionally, the general fund designation for economic fluctuations is contemplated to be drawn upon in the amount of \$0.8 million to cover anticipated revenue shortfalls. General fund appropriations for fiscal 2005 are \$31.9 million, an increase of \$1.2 million from the previous year.

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 can be directed to the City’s Finance department at 70 North First Street, Campbell, California 95008.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities are statements required by Government Accounting Standards Board Statement 34. Their purpose is to 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 and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets 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, Capital Projects and Debt Service 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 assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

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 Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, Campbell Lighting and Landscape District* and the Campbell Redevelopment Agency, which are legally separate but are blended component units of the City because they are controlled by the City, which is financially accountable for their activities.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.

CITY OF CAMPBELL
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$54,898,551
Restricted cash and investments (Note 2)	1,912,284
Receivables:	
Taxes	1,736,835
Accrued interest	286,296
Accounts	1,120,350
Notes and loans (Note 4)	3,725,153
Deposits	210,776
Land held for resale (Note 6)	700,000
Capital assets (Note 5):	
Land and construction in progress	15,539,807
Depreciable capital assets, net	32,808,103
Total assets	112,938,155
LIABILITIES	
Accounts payable	1,508,804
Accrued vacation and sick leave (Note 1G)	2,608,649
Claims and judgments payable (Note 12)	2,209,692
Accrued payroll and payroll taxes	1,009,458
Deposits payable	686,790
Interest payable	627,261
Unearned revenue	652,556
Long term liabilities (Note 7)	
Due within one year	940,000
Due in more than one year	48,110,844
Total liabilities	58,354,054
NET ASSETS (Note 10)	
Invested in capital assets, net of related debt	5,703,594
Restricted for:	
Capital projects	2,300,687
Debt service	5,537,110
Redevelopment projects	6,983,877
Special revenue projects	4,833,270
Total restricted net assets	19,654,944
Unrestricted net assets	29,225,563
Total net assets	\$54,584,101

See accompanying notes to financial statements

CITY OF CAMPBELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General government	\$14,617,890	\$4,598,577	\$885,207	\$118,778	(\$9,015,328)
Public safety	14,952,689	709,551	168,419		(14,074,719)
Public works	8,167,400	2,063,541	1,623,698	504,540	(3,975,621)
Interest on long term debt	2,523,859				(2,523,859)
Total Governmental Activities	\$40,261,838	\$7,371,669	\$2,677,324	\$623,318	(\$29,589,527)
General revenues:					
Taxes:					
Property					9,736,712
Sales and use					10,684,234
Other					4,450,428
Educational revenue augmentation fund payment (Note 13)					(299,715)
Investment earnings					831,311
Decrease in fair value of investments					(504,627)
Miscellaneous					91,080
Total general revenues					24,989,423
Change in Net Assets					(4,600,104)
Net Assets-Beginning					59,184,205
Net Assets-Ending					\$54,584,101

See accompanying notes to financial statements

CITY OF CAMPBELL, CALIFORNIA

FUND FINANCIAL STATEMENTS

GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Groups of Accounts.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City for fiscal 2004. Individual non-major 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.

Redevelopment Agency Housing Fund– Accounts for twenty percent of the increased property tax revenues from the County of Santa Clara legally required to be set aside for low and moderate income housing.

RDA Capital Projects Fund – Accounts for expenditures of Redevelopment Agency projects.

Capital Projects Fund – Accounts for the expenditures and financing of the City's capital projects.

COP Debt Service Fund - Accounts for the City's share of proceeds from and repayments of the 1997 and 2002 C.O.P. re-financing, which were utilized chiefly for the City's Community Center and deferred street maintenance projects.

RDA Debt Service Fund – Accounts for payment of interest and principal on the Redevelopment Agency's debt obligations including the 1999 and 2002 Tax Allocation Bonds.

CITY OF CAMPBELL
GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2004

	<u>General</u>	<u>Redevelopment Agency Housing</u>	<u>RDA Capital Projects Fund</u>	<u>Capital Projects Fund</u>
ASSETS				
Cash and investments (Note 2)	\$27,860,692	\$4,525,006	\$1,725,424	\$1,023,492
Restricted cash and investments (Note 2)				
Receivables:				
Taxes	1,730,288	830		
Accrued interest	273,253			
Accounts	428,378			4,615
Notes and loans (Note 4)		2,462,560	16,316	
Due from other funds (Note 3B)	230,780			
Advances to other funds (Note 3C)				
Prepays and deposits	35,846			
Land held for resale (Note 6)			700,000	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$30,559,237</u>	<u>\$6,988,396</u>	<u>\$2,441,740</u>	<u>\$1,028,107</u>
LIABILITIES				
Accounts payable	\$810,408	\$4,519		\$415,196
Accrued vacation and sick leave (Note 1G)	840,156		12,822	
Claims and judgments payable	134,000			
Accrued payroll and payroll taxes	899,915		13,726	
Deposits payable	572,285		114,505	
Due to other funds (Note 3B)				
Deferred revenue	18,068			450,000
Other accrued liabilities	3,500			
Advances from other funds (Note 3C)				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>3,278,332</u>	<u>4,519</u>	<u>141,053</u>	<u>865,196</u>
FUND BALANCES				
Fund balance (Note 10B)				
Reserved for encumbrances	324,760	5,633	3,265	2,503,616
Reserved for capital projects			2,281,106	
Reserved for debt service				
Reserved for advances				
Reserved for notes receivable		2,462,560	16,316	
Reserved for vacation and sick leave	1,561,508			
Reserved for LID maintenance	357,917			
Unreserved				
Designated (Note 10C)	25,036,720			
Unreserved, undesignated, reported in:				
Special Revenue funds		4,515,684		
Capital Project funds				(2,340,705)
Debt Service funds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>27,280,905</u>	<u>6,983,877</u>	<u>2,300,687</u>	<u>162,911</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$30,559,237</u>	<u>\$6,988,396</u>	<u>\$2,441,740</u>	<u>\$1,028,107</u>

See accompanying notes to financial statements

<u>COP Debt Service Fund</u>	<u>RDA Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$4,430,945	\$9,847,052	\$49,412,611
	1,733,358	178,926	1,912,284
	3,322	2,395	1,736,835
	13,043		286,296
		687,357	1,120,350
		1,246,277	3,725,153
			230,780
\$8,894,790			8,894,790
			35,846
			700,000
<u>\$8,894,790</u>	<u>\$6,180,668</u>	<u>\$11,962,007</u>	<u>\$68,054,945</u>
	\$16,297	\$159,593	\$1,406,013
		62,369	915,347
			134,000
		84,979	998,620
			686,790
		230,780	230,780
		184,488	652,556
			3,500
	8,894,790		8,894,790
	8,911,087	722,209	13,922,396
		19,964	2,857,238
		6,539,081	8,820,187
\$8,894,790			8,894,790
		1,246,277	3,725,153
			1,561,508
			357,917
			25,036,720
		3,434,476	7,950,160
	(2,730,419)		(2,340,705)
			(2,730,419)
8,894,790	(2,730,419)	11,239,798	54,132,549
<u>\$8,894,790</u>	<u>\$6,180,668</u>	<u>\$11,962,007</u>	<u>\$68,054,945</u>

CITY OF CAMPBELL
 Reconciliation of
 GOVERNMENTAL FUND - BALANCE SHEET
 with
 STATEMENT OF NET ASSETS
 AT JUNE 30, 2004

Governmental Funds Fund Balance reported on the governmental funds balance sheet \$54,132,549

Amounts reported for Governmental Activities in the Statement of
 Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources
 and therefore are not reported in the Governmental Funds. 46,182,051

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds.
 However, they are used by management to charge the costs of certain activities, such as insurance and
 central services and maintenance, to individual governmental funds.
 The net current assets of the Internal Service Funds are therefore included
 in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	5,485,940
Prepays and deposits	174,930
Capital assets net of accumulated depreciation	2,165,859
Accounts payable	(99,291)
Accrued payroll and payroll taxes	(10,838)
Accrued vacation and sick leave	(13,347)
Accrued workers compensation	(2,075,692)

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(49,050,844)
Interest payable	(627,261)
Non-current portion of accrued vacation and sick leave	(1,679,955)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$54,584,101

See accompanying notes to financial statements

CITY OF CAMPBELL
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	General	Redevelopment Agency Housing	RDA Capital Projects Fund	Capital Projects Fund	COP Debt Service Fund
REVENUES					
Property taxes	\$3,798,505	\$1,081,348			
Less: educational revenue augmentation fund payment (Note 13)					
Sales and use taxes	10,684,234				
Other taxes	2,649,461				
Special assessments					
Licenses and permits	1,240,806				
Fines and forfeitures	315,813				
Investment income	709,113	93,977	\$33,438		
Decrease in fair value of investments	(299,188)	(29,922)	(14,293)		
Rents and leases (Note 15)	1,501,832				
Intergovernmental revenues	1,957,953				
Charges for services	2,639,184				
Asset seizure					
Project revenues				\$117,340	
Donations	193,571				
Parkland dedication fees					
Miscellaneous revenues	44,770				
Total Revenues	25,436,054	1,145,403	19,145	117,340	
EXPENDITURES					
Current:					
General government	10,023,620	192,191	331,837	376,900	
Public safety	14,028,823			646,360	
Public works	2,674,459			1,877,394	
Estimated reduction in value of land held for resale (Note 6)			1,240,793		
Pass-thru payments					
Capital outlay	63,614		5,662,542	328,283	
Debt service					
Principal payments					\$535,000
Interest and fiscal fees					1,076,227
Total Expenditures	26,790,516	192,191	7,235,172	3,228,937	1,611,227
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,354,462)	953,212	(7,216,027)	(3,111,597)	(1,611,227)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3A)	1,170,181		6,186,110	8,082,079	1,389,718
Transfers (out) (Note 3A)	(2,921,713)	(44,534)	(216,705)	(5,688,633)	
Total Other Financing Sources (Uses)	(1,751,532)	(44,534)	5,969,405	2,393,446	1,389,718
NET CHANGE IN FUND BALANCES	(3,105,994)	908,678	(1,246,622)	(718,151)	(221,509)
BEGINNING FUND BALANCES (DEFICITS)	30,386,899	6,075,199	3,547,309	881,062	9,116,299
ENDING FUND BALANCES (DEFICITS)	<u>\$27,280,905</u>	<u>\$6,983,877</u>	<u>\$2,300,687</u>	<u>\$162,911</u>	<u>\$8,894,790</u>

See accompanying notes to financial statements

RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$4,325,391	\$467,482	\$9,672,726
(299,715)		(299,715)
		10,684,234
		2,649,461
	1,105,777	1,105,777
		1,240,806
		315,813
134,538	239,770	1,210,836
(30,040)	(131,184)	(504,627)
		1,501,832
	1,983,062	3,941,015
30,000	547,826	3,217,010
	836	836
		117,340
	321,583	515,154
	193,339	193,339
	55,127	99,897
<u>4,160,174</u>	<u>4,783,618</u>	<u>35,661,734</u>
255,376	288,913	11,468,837
	103,093	14,778,276
	3,080,085	7,631,938
		1,240,793
582,831		582,831
	21,478	6,075,917
380,000		915,000
1,453,999		2,530,226
<u>2,672,206</u>	<u>3,493,569</u>	<u>45,223,818</u>
<u>1,487,968</u>	<u>1,290,049</u>	<u>(9,562,084)</u>
200,000	1,323,322	18,351,410
(1,342,291)	(8,066,859)	(18,280,735)
<u>(1,142,291)</u>	<u>(6,743,537)</u>	<u>70,675</u>
345,677	(5,453,488)	(9,491,409)
(3,076,096)	16,693,286	63,623,958
<u>(\$2,730,419)</u>	<u>\$11,239,798</u>	<u>\$54,132,549</u>

CITY OF CAMPBELL
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2004

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$9,491,409)

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of assets capitalized is allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures representing capital assets are therefore added back to fund balance 6,075,917

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation of \$693,052 which has already been allocated to serviced funds.) (1,024,814)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 915,000

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Non-current portion of compensated absences (72,972)
 Interest payable 6,367

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds (1,008,193)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$4,600,104)

CITY OF CAMPBELL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$4,090,000	\$4,090,000	\$3,798,505	(\$291,495)
Sales and use taxes	11,100,000	11,100,000	10,684,234	(415,766)
Other taxes	3,130,308	2,695,308	2,649,461	(45,847)
Licenses and permits	846,092	846,092	1,240,806	394,714
Fines and forfeitures	290,000	290,000	315,813	25,813
Investment income	1,250,000	780,000	709,113	(70,887)
Decrease in fair value of investments			(299,188)	(299,188)
Rents and leases	1,522,644	1,503,644	1,501,832	(1,812)
Intergovernmental revenues ¹	2,459,585	1,673,585	1,957,953	284,368
Charges for services	2,597,454	2,618,904	2,639,184	20,280
Donations	13,680	26,263	193,571	167,308
Miscellaneous revenues	21,160	20,160	44,770	24,610
Total Revenues	<u>27,320,923</u>	<u>25,643,956</u>	<u>25,436,054</u>	<u>(207,902)</u>
EXPENDITURES				
Current:				
General government	10,593,312	11,015,835	10,023,620	992,215
Public safety	14,785,511	14,776,504	14,028,823	747,681
Public works	2,897,145	3,046,425	2,674,459	371,966
Capital outlay	6,060	63,853	63,614	239
Total Expenditures	<u>28,282,028</u>	<u>28,902,617</u>	<u>26,790,516</u>	<u>2,112,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(961,105)</u>	<u>(3,258,661)</u>	<u>(1,354,462)</u>	<u>(1,904,199)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,174,543	1,174,370	1,170,181	(4,189)
Transfers (out)	(2,436,104)	(9,214,682)	(2,921,713)	6,292,969
Total Other Financing Sources (Uses)	<u>(1,261,561)</u>	<u>(8,040,312)</u>	<u>(1,751,532)</u>	<u>6,288,780</u>
NET CHANGE IN FUND BALANCE	<u>(\$2,222,666)</u>	<u>(\$11,298,973)</u>	<u>(3,105,994)</u>	<u>\$8,192,979</u>
Fund Balances at Beginning of Year			<u>30,386,899</u>	
Fund Balances at End of Year			<u>\$27,280,905</u>	

See Accompanying Notes to Financial Statements

CITY OF CAMPBELL
REDEVELOPMENT AGENCY HOUSING
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$1,030,892	\$1,030,892	\$1,081,348	\$50,456
Investment income	103,750	90,000	93,977	3,977
Decrease in fair value of investments			(29,922)	(29,922)
Total Revenues	<u>1,134,642</u>	<u>1,120,892</u>	<u>1,145,403</u>	<u>24,511</u>
EXPENDITURES				
Current:				
General government	<u>3,306,425</u>	<u>3,643,481</u>	<u>192,191</u>	<u>3,451,290</u>
Total Expenditures	<u>3,306,425</u>	<u>3,643,481</u>	<u>192,191</u>	<u>\$3,451,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,171,783)</u>	<u>(2,522,589)</u>	<u>953,212</u>	<u>(3,475,801)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(365,534)</u>	<u>(365,534)</u>	<u>(44,534)</u>	<u>321,000</u>
Total Other Financing Sources (Uses)	<u>(365,534)</u>	<u>(365,534)</u>	<u>(44,534)</u>	<u>321,000</u>
NET CHANGE IN FUND BALANCE	<u>(\$2,537,317)</u>	<u>(\$2,888,123)</u>	<u>908,678</u>	<u>\$3,796,801</u>
Fund Balance at Beginning of Year			<u>6,075,199</u>	
Fund Balance at End of Year			<u>\$6,983,877</u>	

See Accompanying Notes to Financial Statements

CITY OF CAMPBELL
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2004

	Governmental Activities - Internal Service Funds
	<u> </u>
ASSETS	
Current assets:	
Cash and investments (Note 2)	\$5,485,940
Deposits	<u>174,930</u>
Total current assets	<u>5,660,870</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation: (Note 5)	<u>2,165,859</u>
Total assets	<u>7,826,729</u>
LIABILITIES	
Accounts payable	99,291
Accrued vacation and sick leave (Note 1G)	13,347
Claims and judgments payable (Note 12)	2,075,692
Accrued payroll and payroll taxes	<u>10,838</u>
Total current liabilities	<u>2,199,168</u>
Total liabilities	<u>2,199,168</u>
NET ASSETS (Note 10)	
Invested in capital assets, net of related debt	2,165,859
Unrestricted	<u>3,461,702</u>
Total net assets	<u><u>\$5,627,561</u></u>
See accompanying notes to financial statements	

CITY OF CAMPBELL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Governmental Activities - Internal Service Funds</u>
OPERATING REVENUES	
Charges to operating departments	\$2,407,431
Other	<u>7,793</u>
Total Operating Revenues	<u>2,415,224</u>
OPERATING EXPENSES	
Personnel services	274,860
Services and supplies	2,506,094
Depreciation (Note 5C)	<u>693,052</u>
Total Operating Expenses	<u>3,474,006</u>
Operating Loss	(1,058,782)
NONOPERATING REVENUES	
Gain on sale of capital assets	<u>13,465</u>
Total Nonoperating Revenues	<u>13,465</u>
Loss Before Contributions and Transfers	(1,045,317)
Capital contributions	107,799
Transfers out (Note 3A)	<u>(70,675)</u>
Transfers and contributions	<u>37,124</u>
Change in net assets	(1,008,193)
Total net assets-beginning	<u>6,635,754</u>
Total net assets-ending	<u><u>\$5,627,561</u></u>

See accompanying notes to financial statements

CITY OF CAMPBELL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$2,412,224
Payments to suppliers	(1,941,813)
Payments to employees	(271,694)
	198,717
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (out)	(70,675)
	(70,675)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	25,884
Capital contributions	107,799
Acquisition of capital assets	(199,903)
	(66,220)
Net increase in cash and cash equivalents	
	61,822
Cash and investments at beginning of period	5,424,118
Cash and investments at end of period	\$5,485,940
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	(\$1,058,782)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	693,052
Change in assets and liabilities:	
Accounts and other receivables	(114,930)
Accounts and other payables	13,109
Accrued payroll and payroll taxes	1,353
Accrued vacation and sick leave (Note 8)	1,813
Claims and judgments payable	666,102
Deferred revenue	(3,000)
	\$198,717

See accompanying notes to financial statements

CITY OF CAMPBELL, CALIFORNIA

FIDUCIARY FUNDS

FIDUCIARY 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
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

ASSETS

Restricted cash and investments (Note 2)	\$195,208
Accounts receivable	<u>482,390</u>
Total Assets	<u><u>\$677,598</u></u>

LIABILITIES

Accounts payable	\$3,675
Payable to West Valley Solid Waste JPA	87,744
Due to bond holders	<u>586,179</u>
Total Liabilities	<u><u>\$677,598</u></u>

See accompanying notes to financial statements

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's significant accounting policies are summarized below to assist the reader in interpreting the financial statements and other data in this report.

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 component units, entities for which the City is financially accountable.

The **City of Campbell Redevelopment Agency** is a tax-increment redevelopment agency, the Board of which is composed of City Council Members. The Agency's purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. Although legally separate, this Agency 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. Separate Agency financial statements may be obtained from the City of Campbell at 70 North First Street, Campbell, CA 95008.

City of Campbell Lighting and Landscape 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. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

City-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) capital grants and contributions, all of which are capital grants under California law. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the 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 and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

GASB Statement 34 defines major funds and requires that the City's major governmental funds be identified and presented separately in the Fund financial statements. All other governmental funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as governmental funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds, although no such funds were selected in fiscal 2004.

The City reported the following major governmental funds in the accompanying financial statements:

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

Redevelopment Agency Housing Fund Accounts for twenty percent of the increased property tax revenues from the County of Santa Clara legally required to be set aside for low and moderate income housing.

RDA Capital Projects Fund accounts for expenditures of Redevelopment Agency projects.

Capital Projects Fund accounts for expenditures and financing of miscellaneous capital projects.

COP Debt Service Fund accounts for the City's share of proceeds from and repayments of the 1997 and 2002 C.O.P. re-financing, which were utilized chiefly for the City's Community Center and deferred street maintenance projects.

RDA Debt Service Fund is used to account for payments of interest and principal on Redevelopment Agency debt, including the 1999 and 2002 Tax Allocation Bonds.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fiduciary fund type:

Agency Funds. These funds account for assets held by the City as an agent for an assessment district and a joint powers authority. Agency funds cannot be major funds.

Internal Service Funds. The funds account for motor vehicle pool, workers' compensation self-insurance, and information technology services; all of which are provided to other departments on a cost-reimbursement basis.

D. Basis of Accounting

The **City-wide and fiduciary fund financial statements** required by GASB 34 are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures when they are paid. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from general long-term debt and capital leases are reported as *other financing sources*.

Accrued revenues include sales, property, motor vehicle license, and highway users taxes, interest earnings on investments, and state and federal grants.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property Tax

All property taxes and special assessments are levied and collected by the County of Santa Clara and paid upon collection to the various taxing entities including the City, 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.

F. Budgets

The City adopts a budget annually for General Fund, Special Revenue, Capital Projects 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 at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budgeted amounts between departments and line items within the adopted budget or from reserves up to \$5,000; however, any revisions which increase the total expenditures of any fund must be approved by the City Council. All appropriations lapse at year end. 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 Capital Project Funds which budget on a project length basis and therefore are not comparable on an annual basis. Accordingly, no budgetary comparisons are presented in the financial statements.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies 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.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Supplemental Law Enforcement Special Revenue Fund had expenditures in excess of appropriations of \$3,093. Sufficient funds were available to fund these expenditures.

G. *Accrued Vacation and Sick Leave*

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.

Vacation and sick leave payable from current available resources are recorded as expenditures and liabilities of the Governmental Funds. Unpaid accrued vacation and sick leave in Internal Service Funds are recorded as expenses and liabilities of those Funds.

Compensated absences are accrued as earned by employees, and consist of accrued vacation and sick leave. The City measures vacation accruals annually; however, vacation payments are not distinguished from regular payroll paid during the year, nor are accruals made other than annually.

The accrual for compensated absences comprised the following at June 30, 2004:

	<u>Governmental- Type Activities</u>
Beginning Balance	\$2,448,199
Additions	1,659,170
Payments	(1,498,720)
Ending Balance	\$2,608,649
Current Portion	\$928,694

H. *Closed Fund*

The RDA-COP Projects Capital Projects Fund was closed as of June 30, 2004.

NOTE 2 - CASH AND INVESTMENTS

A. *Categorization of Credit Risk of Securities Instruments*

The City invests in individual investments and in the State's Local Agency Investment Fund (LAIF) as allowed under California Government Code. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. Categorization does not measure Market Risk, which is the risk that investments will fluctuate in market value. The three levels of risk prescribed by generally accepted accounting principles are described below:

Category 1 - Securities instruments in this category are in the City's name and are in the possession of the Trust Department of the bank employed by the City solely for this purpose. The City is the registered owner of securities held in book entry form by the bank's Trust Department. Insured certificates of deposit are included in this category.

Category 2 - Securities instruments and book entry form securities in this category are in the bank's name as agent for the City, but are held by its Trust Department in the City's name.

Category 3 - Investments in this category include only City-owned securities instruments or book entry form securities which are not in the City's name or not held by the bank's Trust Department.

Pooled Investments - Pooled investments are not categorized because of their pooled, rather than individual, nature.

Investments are carried at fair value, which is the same as fair market value and are categorized as follows at June 30:

	City Funds		Fiduciary Funds	
	Available for Operations	Restricted	Restricted	Total
Category 1:				
U.S. Government Agency Securities	\$13,875,820			\$13,875,820
Non-categorized investments:				
Guaranteed Investment Contracts		\$833,500		833,500
Money Market	3,102,207	213,070		3,315,277
Local Agency Investment Fund	37,508,363	686,789		38,195,152
Total Investments	54,486,390	1,733,359		56,219,749
Cash Deposits with Banks	409,111	178,925	\$195,208	783,244
Cash on hand at City	3,050			3,050
Total Cash and Investments	\$54,898,551	\$1,912,284	\$195,208	\$57,006,043

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

	2004
Governmental Funds	
Cash and investments available for operations	\$54,898,551
Restricted cash in investments	1,912,284
Total City cash and Investments	56,810,835
Cash and investments in Fiduciary Funds (separate statement)	
Restricted cash in investments	195,208
Total Cash and Investments	\$57,006,043

Cash and investments available for City operations are used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

B. *Cash Deposits and Certificates of Deposit*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the City's name and places the City ahead of general creditors of the institution. This collateral is held in safekeeping by an authorized Agent of Depository recognized by the California State Department of Banking Division, and is physically held in an undivided pool for all California public agency depositors, including the City. The City has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

Cash in banks is entirely insured (Category 1) or collateralized by the institution holding the deposit (Category 2), as discussed above.

The carrying amount of the City's cash deposits was \$783,244 at June 30, 2004. Bank balances before reconciling items were \$1,187,452 of which \$100,000 was insured (Category 1) and \$1,087,452 was collateralized (Category 2) as discussed above.

C. *Authorized Investments*

The California Government Code specifies certain allowable investments for municipalities. Annually, the City Council reviews and updates its investment policy to ensure it is meeting the needs of the City and is in compliance with State statutes. The City's policy limits investments to the following types: the State Local Agency Investment Fund (LAIF) (\$40 million per account), U.S. Treasury bills, notes and bonds (75%), U.S. Government Agency issues (75%), commercial paper (25%), bankers acceptances (30%), repurchase agreements with collateralization (10%), certificates of deposit with banks or savings and loans (25% and \$1 million per institution), and certain mutual funds (15%). All of the City's investments complied with these policies during the year.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 3 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With City Manager approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers, is to reimburse a fund which has made an expenditure on behalf of another fund.

Transfers between funds during the fiscal year ended June 30, 2004 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount
General Fund	RDA Capital Projects Fund	\$154,136 (A)
	Redevelopment Agency Housing	
	Special Revenue Fund	38,534 (A)
	Non-Major Governmental Funds	906,836 (A)
	Motor Vehicle Pool Internal Service Fund	50,000 (A)
RDA Capital Projects Fund	Information Technology Internal Service Fund	20,675 (A)
	Capital Projects Fund	5,688,633 (B)
	RDA Debt Service Fund	497,477 (A)
Capital Projects Fund	General Fund	1,064,487 (B)
	RDA Capital Projects Fund	62,569 (B)
	Non-Major Governmental Funds	6,955,023 (B)
COP Debt Service Fund	General Fund	544,904 (C)
	RDA Debt Service Fund	400,000 (A)
	RDA Debt Service Fund	444,814 (C)
RDA Debt Service Fund	General Fund	200,000 (D)
Non-Major Governmental Funds	General Fund	1,112,322 (A)
	Redevelopment Agency Housing	
	Special Revenue Fund	6,000 (A)
	Non-Major Governmental Funds	205,000 (A)
		<u>\$18,351,410</u>

- (A) Recurring transfers
- (B) To fund capital projects
- (C) To fund debt service payments
- (D) To reimburse program expenditure

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

B. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2004, the General Fund had \$230,780 due from the CDBG and Other Grants Special Revenue Fund.

C. *Long-Term Interfund Advance*

The City has advanced funds to the Redevelopment Agency under the terms of a Second Amended and Restated Indebtedness Agreement. Principal is payable out of the excess of Agency tax increment revenues over other similar Agency liabilities and agreements. During the fiscal year ended June 30, 2004, the Agency paid \$221,490 in principal and \$444,814 in interest on these advances. As of June 30, 2004, the outstanding balance was \$8,894,790.

NOTE 4 - LOANS RECEIVABLE

A. *First-Time Homebuyer Loan Program*

The Redevelopment Agency engages in a first-time homebuyer down payment assistance program designed to encourage home ownership among low and moderate income households. Under this program, an interest free loan up to \$50,000 is provided to eligible households to be used as part of the down payment for the purchase of 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 balance of the notes receivable arising from this program at June 30, 2004 was \$625,000.

B. *Housing Rehabilitation and Affordable Housing Loans*

The Redevelopment Agency 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 home-owners 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, 2004 was \$1,837,560.

C. *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, 2004, the City had outstanding rehabilitation loans of \$1,246,277 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2004, the City received \$276,469 from all participants, and made new loans totaling \$181,276.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 4 - LOANS RECEIVABLE (Continued)

D. Bruno Marcelic Loan

During fiscal 2004, the Redevelopment Agency agreed to loan \$25,000 at 4% interest to Bruno Marcelic to restore the exterior of the historic Farley Building at Campbell Avenue. The loan is secured by a deed of trust and interest and principal payments are made at the beginning of each month starting June 1, 2003. At June 30, 2004, the outstanding balance was \$16,316.

NOTE 5 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

The City has chosen to defer the recording of historical costs of infrastructure assets; GASB Statement 34 allows the City up to four years to record the costs and depreciation on these assets. With the implementation of GASB Statement 34, the City has begun recording costs and depreciation of current infrastructure additions.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Capital assets with a value of \$1,000 or more are capitalized. The City has assigned the useful lives listed below to capital assets:

Building and Improvements	40 Years
Other Improvements	20 Years
Machinery and Equipment	3-7 Years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2003	Additions	Retirements	Transfers	Balance at June 30, 2004
Capital assets not being depreciated:					
Land	\$13,220,889				\$13,220,889
Construction in progress	12,519,685	\$388,510		(\$10,589,277)	2,318,918
Total capital assets not being depreciated	<u>\$25,740,574</u>	<u>\$388,510</u>		<u>(\$10,589,277)</u>	<u>\$15,539,807</u>
Capital assets being depreciated:					
Buildings and improvements	18,636,528	2,367,061		6,337,604	27,341,193
Other improvements	9,144,884	3,283,243		4,279,725	16,707,852
Machinery and equipment	6,539,606	218,896	(\$214,197)	36,073	6,580,378
Infrastructure	512,257	18,110			530,367
Total capital assets being depreciated	<u>34,833,275</u>	<u>5,887,310</u>	<u>(214,197)</u>	<u>10,653,402</u>	<u>51,159,790</u>
Less accumulated depreciation for:					
Buildings and improvements	8,938,573	465,913			9,404,486
Other improvements	4,272,838	454,038		64,125	4,662,751
Machinery and equipment	3,560,063	780,840	(201,778)		4,139,125
Infrastructure		17,075			17,075
Total accumulated depreciation	<u>16,771,474</u>	<u>1,717,866</u>	<u>(201,778)</u>	<u>64,125</u>	<u>18,223,437</u>
Net book value of capital assets being depreciated	<u>\$18,061,801</u>	<u>\$4,169,444</u>	<u>(\$12,419)</u>		<u>\$32,936,353</u>

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as City-wide revenues at the time the capital assets are contributed.

C. Depreciation Allocation

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

Governmental Activities:

General government	\$734,128
Public safety	23,296
Public works	267,390
Capital assets held by the City's Internal Service Funds	<u>693,052</u>
Total	<u>\$1,717,866</u>

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 6 – LAND HELD FOR RESALE

The Redevelopment Agency owns one parcel of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. On November 18, 2003, the Agency signed a Disposition and Development Agreement with Sand Hill Property Company for the sale of that parcel in the amount of \$700,000 cash and other future consideration. The Agency has accordingly adjusted the carrying value of the parcel to reflect its cash market value. The sale and redevelopment of this property is expected to result in the construction of a three story, mixed use residential over retail development.

NOTE 7 - LONG-TERM DEBT

The City's debt issues and transactions are listed below and discussed in detail thereafter.

	<u>Original Issue Amount</u>	<u>Balance June 30, 2003</u>	<u>Retirements</u>	<u>Balance June 30, 2004</u>	<u>Current Portion</u>
Governmental Activity Debt					
General Long Term Debt					
1997 Certificates of Participation					
Civic Center Project, 4.0- 5.25%, due 10/01/28	\$13,480,000	\$13,270,000	\$40,000	\$13,230,000	\$45,000
2002 Refundings Certificates of Participation					
Civic Center Project, 2.5- 5.83%, due 10/01/32	11,930,844	11,420,844	495,000	10,925,844	505,000
1999 RDA Tax Allocation Bonds, Series A&B					
Central Campbell Redevelopment Project, 6.55-6.6%, due 10/01/32	10,690,000	10,690,000	25,000	10,665,000	30,000
2002 RDA Tax Allocation Bonds					
Central Campbell Redevelopment Project, 2.75-6.0%, due 10/01/33	<u>15,300,000</u>	<u>14,585,000</u>	<u>355,000</u>	<u>14,230,000</u>	<u>360,000</u>
Total Long-Term Debt	<u>\$51,400,844</u>	<u>\$49,965,844</u>	<u>\$915,000</u>	<u>\$49,050,844</u>	<u>\$940,000</u>

A. 1997 Certificates of Participation

The City's 1997 Refunding Certificates of Participation are due in 2029 and bear interest at rates of 4.0% to 5.25%. The proceeds from the 1997 Certificates of Participation were used to advance refund the remaining outstanding balance on the City's 1991 Certificates of Participation and to fund the City's deferred street maintenance project. Certificates maturing on or after October 1, 2008 are subject to optional prepayment by the City after this date. Under an agreement with the City, the Redevelopment Agency reimburses the City for approximately 42% of the City's debt service from these COPs. Interest payments are due on April 1 and October 1 of each year commencing on October 1, 1998 through October 1, 2015. Principal and interest payments are guaranteed under an insurance policy issued by MBIA Insurance Corporation.

B. 2002 Refunding Certificates of Participation

The City's 2002 Refunding Certificates of Participation are due in October 2032 and bear interest at rates of 2.5% to 5.83%. Net proceeds of \$9,678,751 from this issue were used to prepay and refund the City's 1993 Certificates of Participation with interest rates ranging from 3.0% to 6.0%. An additional \$1,830,975 was used to provide partial funding for renovation and expansion of the City's Police Department and construction of an animal shelter. Interest payments are due on April 1 and October 1 of each year commencing on October 1, 2002 through October 1, 2032.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 7—LONG-TERM DEBT (Continued)

Certificates from the 2002 issue in the amount of \$5,195,000 maturing between October 1, 2012 and 2018 are subject to optional prepayment by the City after this date only on interest payment dates. The City has an agreement with the Campbell Redevelopment Agency for reimbursement of approximately 42% of the City's lease payment obligation from pledged property tax increment. Principal and interest payments are guaranteed under an insurance policy issued by Ambac Assurance Corporation.

C. 1999 Redevelopment Agency Tax Allocation Bonds, Series A and B

On October 26, 1999 the Redevelopment Agency issued \$10,690,000 due in October 2032, consisting of Series A bonds of \$8,335,000 bearing an interest rate of 6.55% and Series B bonds of \$2,355,000 bearing an interest rate of 6.60%. Net proceeds from this issue were used to finance acquisition and construction of a downtown public parking facility. The Bonds are payable from and secured principally by tax increment revenues generated in the redevelopment project area. The Bonds are subject to optional redemption in whole or in part by the Agency anytime after October 1, 2009. The Series B Bonds are subject to a mandatory special redemption in part on October 1, 2002 or on specified interest payments dates thereafter. Interest payments are due on April 1 and October 1 of each year commencing on April 1, 2002 through October 1, 2032.

D. 2002 Redevelopment Agency Tax Allocation Bonds

On July 10, 2002, the 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 are 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. The bonds are subject to optional redemption in whole or in part by the Agency anytime after October 1, 2011. Interest payments are due on April 1 and October 1 of each year commencing on October 1, 2002 through October 1, 2033.

E. Debt Service Requirements

Annual debt service requirements for all the City's debt issues are shown below:

For The Year Ending June 30	Governmental Activities	
	Principal	Interest
2005	\$940,000	\$2,495,822
2006	970,000	2,468,029
2007	995,000	2,436,691
2008	1,025,000	2,398,965
2009	1,470,000	2,355,285
2010-2014	6,670,000	10,839,776
2015-2019	5,570,000	9,540,067
2020-2024	8,060,000	7,825,315
2025-2029	12,060,000	4,951,472
2030-2034	11,290,844	6,780,162
Total payments due	<u>\$49,050,844</u>	<u>\$52,091,584</u>

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 7—LONG-TERM DEBT (Continued)

F. Debt Service Reserves

At June 30, 2004, the City had \$1,912,284 available in Debt Service and Capital Projects funds to service outstanding long-term debt obligations. There are various limitations and restrictions related to the debt, and the City believes it is in compliance with all such limitations and restrictions.

NOTE 8 - DEBT WITH NO CITY COMMITMENT

A. Special Assessment Debt

The City acts as agent for property owners of the Dillon-Gillman Local Improvement District, which is a special assessment district. The City collects assessments, forwards the collections to bond holders and initiates foreclosure proceedings. However, the City is not directly liable for the repayment of special assessment district bonds, as such bonds and interest are secured by fixed lien assessments on real property in the special assessment district. The outstanding balance of special assessment debt at June 30, 2004 was \$335,000 and matures in 2012.

B. Housing Facility Revenue Bonds

In 1994 the City of Campbell assisted in the issue of \$11,195,000 Housing Facility Revenue Bonds by Catholic Charities, a charitable organization. The City has no legal liability for this debt, and made no indication nor representation that it would assume any obligation in the event of a default. However, its name is associated with these bonds as "Issuer", and the City directs the trustee regarding debt service and reserve requirements.

NOTE 9 – DEVELOPMENT AGREEMENTS

In prior years, the Agency purchased and resold real property on which Home Depot built and operates a 120,000 square foot retail store. The Agency also agreed to refund Home Depot up to \$200,000 annually of sales tax revenue collected on Home Depot sales, beginning in 1994 and extending through 2014, in order to make it economically feasible to locate the store in Campbell. Such refunds amounted to \$200,000 during the fiscal year ended June 30, 2004.

NOTE 10 – NET ASSETS AND FUND BALANCES

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, redevelopment funds restricted to low and moderate income purposes. *Unrestricted* describes the portion of Net Assets which is not restricted as to use.

B. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves. At June 30, 2004, reservations included:

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserves for **capital projects** represents the portion of fund balance set aside for outstanding capital projects.

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

Reserves for **advances** and notes payable are the portions of fund balance set aside to indicate this item does not represent available, spendable resources even though they are an asset of this fund.

Reserves for **notes receivable** are the portions of fund balance set aside to indicate this item do not represent available, spendable resources even though they are an asset of the Fund.

Reserve for **vacation and sick leave** is the portion of fund balance legally restricted for the payment of such liabilities.

Reserve for **LID Maintenance** is the portion of fund balance legally restricted for the payment of the maintenance in the City of Campbell pursuant to various improvement agreements.

C. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action. At June 30, 2004 designations included designated for **approved projects**, representing the portion of fund balance set aside for authorized capital improvement projects.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

At June 30, 2004, General fund balance designations included:

Designated for:

Operations	\$1,269,026
Capital improvements	1,570,475
Emergencies	2,538,051
Community Center - operations	665,000
Construction tax	353,770
Future advances to RDA	2,000,000
Liability insurance	489,714
Economic fluctuations	8,950,000
Street maintenance	1,000,000
Carryover capital projects	3,405,459
Heritage Theater Operations	892,347
PERS	1,757,000
Unemployment self-insurance	145,878
	\$25,036,720

D. Fund Equity Deficit

The RDA Debt Service Fund had a deficit of \$2,730,419 as of June 30, 2004. The deficit in the RDA Debt Service Fund is expected to be eliminated by future tax increment from development in the area.

NOTE 11 - PENSION PLAN

A. CALPERS Safety and Miscellaneous Employees Plans

All qualified permanent and probationary employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2004, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 year service	5 year service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3.000%	2.500%
Required employee contribution rates	9.000%	8.000%
Required employer contribution rates	0.000%	2.291%

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 11 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly as due.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 8.25% is assumed, including inflation at 3.5%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30:

Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	\$44,404,776	\$54,153,577	(\$9,748,801)	122.0%	\$3,438,417	(283.5%)
2001	48,242,371	55,195,083	(6,952,712)	114.4%	3,610,812	(192.6%)
2002	31,901,447	27,729,528	4,171,919	86.9%	3,701,065	112.7%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	\$25,488,250	\$34,993,114	(\$9,504,864)	137.3%	\$6,117,496	(155.4%)
2001	29,624,212	36,351,865	(6,727,653)	122.7%	6,854,052	(98.2%)
2002	31,906,268	34,335,345	(2,429,077)	107.6%	7,687,217	(31.6%)

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 11 - PENSION PLAN (Continued)

PERS has reported that the value of the net assets in the Plan held for pension benefits changed as follows during the year ended June 30, 2002:

	<u>Safety</u>	<u>Miscellaneous</u>
Beginning Balance 6/30/01	\$29,752,683	\$36,351,865
Contributions received	341,184	595,148
Benefits and Refunds Paid	(1,062,590)	(1,476,165)
Investment Earnings Credited	<u>2,425,428</u>	<u>2,963,407</u>
Expected Actuarial Value of Assets 6/30/02	<u>\$31,456,705</u>	<u>\$38,434,255</u>
Market Value of Assets 6/30/02	<u>\$25,208,662</u>	<u>\$31,213,950</u>
Actuarial Value of Assets 6/30/02	<u>\$27,729,528</u>	<u>\$34,335,345</u>

Additional disclosures will be included when made available by PERS.

Actuarially required employer contributions for both plans for fiscal years 2003, 2002, and 2001 were zero.

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 Section 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.

C. *Retired Employees' Health Benefits*

The City, through its memorandums of understanding with employee bargaining units, provides post-retirement health care to all employees who retire from the City with a minimum of twenty years of service. Currently, 16 retirees meet eligibility requirements. The City provides up to \$190 per month towards each retired employees' health insurance premium. Expenditures for post-retirement health care benefits are recorded on a pay-as you-go basis. During the fiscal year ended June 30, 2004, the City incurred \$36,631 in costs related to providing this benefit.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 12 - RISK MANAGEMENT

A. General Liability

Risk management activity for City exposure to torts (general liability) is accounted for in the City's General Fund. The City is self-insured for the first \$100,000 of liability for each occurrence, and the excess (up to \$10,000,000) is covered through the City's participation in the Association of Bay Area Governments (ABAG) general liability risk pool.

The pool consists of seventeen agencies within the San Francisco Bay area. The stated purpose of the ABAG 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.

B. 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 provides excess Workers' Compensation insurance through a policy for \$25,000,000. 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.

C. The City's Claims Liabilities

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

	2004		Total	2003
	Worker's Compensation	General Liability		
Beginning claims payable balance	\$1,409,590	\$134,000	\$1,543,590	\$1,571,858
Liability for current fiscal year claims	179,187	22,100	201,287	124,058
Increase (decrease) in estimated liability for prior fiscal year claims	800,943	173,783	974,726	(648,408)
Claims paid	(314,028)	(195,883)	(509,911)	496,082
Ending claims payable balance	<u>\$2,075,692</u>	<u>\$134,000</u>	<u>\$2,209,692</u>	<u>\$1,543,590</u>

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

**NOTE 13 – TAX INCREMENT SHIFT TO EDUCATIONAL REVENUE AUGMENTATION
FUND (ERAF)**

In fiscal year 2004, the State of California directed that a portion of the incremental property received in fiscal year 2003 by redevelopment agencies be shifted to local educational agencies. During the fiscal year ended June 30, 2004, the Agency paid \$299,715 as a result of the State directive.

NOTE 14 - JOINT POWERS AGREEMENT

A. *Congestion Management Agency*

The Congestion Management Agency 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 Agency assets, liabilities, and fund equity is approximately 2.10%.

The Agency 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, CA 95134-1927.

B. *Silicon Valley Animal Control Authority*

The City is a member of Silicon Valley Animal Control Authority, (the Authority), established in 2000 to deliver animal control services. The Authority 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. The Authority is governed by a Board of Directors consisting of representatives from member Cities.

During the fiscal year ended June 30, 2004 the City contributed \$201,240 to the Authority for field services and sheltering costs. The City also contributed \$613,043 toward the acquisition and improvement of a building that will take over sheltering services from the Humane Society in 2006. Audited financial statements are available from the Authority at 2340-A Walsh Avenue, Santa Clara, CA 95051.

NOTE 15 – RENTAL INCOME FROM USE OF CITY PROPERTY

The City leases a portion of the space at its Community Center, which cost \$21,568,781 and had a net book value of \$15,942,213 at June 30, 2004. Rental income from leases during the fiscal year ended June 30, 2004 amounted to \$1,019,564. Major tenants include John F. Kennedy University College and Magpie Internet Communications.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2004

NOTE 15 – RENTAL INCOME FROM USE OF CITY PROPERTY (Continued)

Minimum future lease rentals in excess of one year was as follows at June 30, 2004:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$575,336
2006	344,690
2007	<u>49,514</u>
Total minimum future lease rentals	<u><u>\$969,540</u></u>

NOTE 16 – CONTINGENT LIABILITIES

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.

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS
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COP DEBT SERVICE FUND

This fund accounts for the City's share of proceeds from and repayments of the 1997 and 2002 C.O.P. re-financing, which were utilized chiefly for the City's Community Center and deferred street maintenance projects.

RDA DEBT SERVICE FUND

This fund accounts for payment of interest and principal on the Redevelopment Agency's long-term obligations including the 1999 and 2002 Tax Allocation Bonds.

CITY OF CAMPBELL
COP DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES			
Debt service			
Principal payments	\$535,000	\$535,000	
Interest and fiscal fees	1,077,830	1,076,227	\$1,603
Total Expenditures	1,612,830	1,611,227	1,603
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,612,830)	(1,611,227)	1,603
OTHER FINANCING SOURCES (USES)			
Transfers in	1,391,340	1,389,718	(1,622)
Total Other Financing Sources (Uses)	1,391,340	1,389,718	(1,622)
NET CHANGE IN FUND BALANCE	(\$221,490)	(221,509)	(\$19)
BEGINNING FUND BALANCE		9,116,299	
ENDING FUND BALANCE		\$8,894,790	

See Accompanying Notes to Financial Statements

CITY OF CAMPBELL
RDA DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$4,123,570	\$4,325,391	\$201,821
Less: educational revenue augmentation fund payment	(462,000)	(299,715)	162,285
Investment income	90,000	134,538	44,538
Decrease in fair value of investments		(30,040)	(30,040)
Parking in lieu fees		30,000	30,000
	<u>3,751,570</u>	<u>4,160,174</u>	<u>408,604</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	200,000	255,376	(55,376)
Pass-thru payments	600,000	582,831	17,169
Debt Service			
Principal payments	380,000	380,000	
Interest and fiscal fees	1,455,647	1,453,999	1,648
	<u>2,635,647</u>	<u>2,672,206</u>	<u>(36,559)</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,115,923</u>	<u>1,487,968</u>	<u>372,045</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	521,000	200,000	(321,000)
Transfers (out)	(1,342,291)	(1,342,291)	
	<u>(821,291)</u>	<u>(1,142,291)</u>	<u>(321,000)</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCE	<u>\$294,632</u>	345,677	<u>\$51,045</u>
BEGINNING FUND BALANCE		<u>(3,076,096)</u>	
ENDING FUND BALANCE		<u>(\$2,730,419)</u>	

See Accompanying Notes to Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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-moderate home rehabilitation grants and loans.

Other Grants – Accounts for federal, state and local grant funds which are provided for specific purposes.

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 for enhancing law enforcement services.

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

Heritage Theater – Accounts for donations received for the renovation of the Heritage Theatre.

CAPITAL PROJECTS FUNDS:

COP Projects – Accounts for City share of remaining proceeds from the 1993/1997 C.O.P. refinancing to be used for City Community Center projects.

RDA-COP Projects– Accounted for Redevelopment Agency remaining share of proceeds related to the 1991/1993 C.O.P. refinancing, used for improvements at the Community Center. The Fund was closed as of June 30, 2004.

2002 RDA TAB Capital Projects – Accounts for proceeds related to the 2002 Tax Allocation Bonds used for the acquisition and construction of various redevelopment projects including the Community Center and Heritage Theater renovations.

CITY OF CAMPBELL
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Other Grants
ASSETS					
Cash and investments	\$21,636	\$1,759,448	\$145,545		
Restricted cash and investments				\$178,926	
Receivables:					
Taxes			2,395		
Accounts	71,305		5,229	61,127	\$444,070
Notes and loans				1,246,277	
Total Assets	<u>\$92,941</u>	<u>\$1,759,448</u>	<u>\$153,169</u>	<u>\$1,486,330</u>	<u>\$444,070</u>
LIABILITIES					
Accounts payable	\$43,318		\$63,361	\$52,914	
Accrued payroll	26,954		55,007	3,018	
Due to other funds				69,435	\$161,345
Deferred revenue					84,702
Accrued vacation and sick leave	22,669		34,801	4,899	
Total Liabilities	<u>92,941</u>		<u>153,169</u>	<u>130,266</u>	<u>246,047</u>
FUND BALANCES					
Fund balance					
Reserved for encumbrances	3,129		16,245	590	
Reserved for capital projects					
Reserved for notes receivable				1,246,277	
Unreserved					
Undesignated	(3,129)	\$1,759,448	(16,245)	109,197	198,023
TOTAL FUND BALANCES		<u>1,759,448</u>		<u>1,356,064</u>	<u>198,023</u>
Total Liabilities and Fund Balances	<u>\$92,941</u>	<u>\$1,759,448</u>	<u>\$153,169</u>	<u>\$1,486,330</u>	<u>\$444,070</u>

SPECIAL REVENUE FUNDS

Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	Heritage Theater
\$8,910	\$1,118,556	\$100,240	\$153,636	\$132,553
	105,626			
<u>\$8,910</u>	<u>\$1,224,182</u>	<u>\$100,240</u>	<u>\$153,636</u>	<u>\$132,553</u>
		\$99,786		
		<u>99,786</u>		
				\$132,553
<u>\$8,910</u>	<u>\$1,224,182</u>	<u>454</u>	<u>\$153,636</u>	
<u>8,910</u>	<u>1,224,182</u>	<u>454</u>	<u>153,636</u>	<u>132,553</u>
<u>\$8,910</u>	<u>\$1,224,182</u>	<u>\$100,240</u>	<u>\$153,636</u>	<u>\$132,553</u>

(Continued)

CITY OF CAMPBELL
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2004

	<u>CAPITAL PROJECTS FUNDS</u>			Total Non-major Governmental Funds
	<u>COP Projects</u>	<u>RDA-COP Projects</u>	<u>2002 RDA TAB Capital Projects</u>	
ASSETS				
Cash and investments	\$1,530,088		\$4,876,440	\$9,847,052
Restricted cash and investments				178,926
Receivables:				
Taxes				2,395
Accounts				687,357
Notes and loans				1,246,277
	<u>\$1,530,088</u>		<u>\$4,876,440</u>	<u>\$11,962,007</u>
LIABILITIES				
Accounts payable				\$159,593
Accrued payroll				84,979
Due to other funds				230,780
Deferred revenue				184,488
Accrued vacation and sick leave				62,369
				<u>722,209</u>
FUND BALANCES				
Fund balance				
Reserved for encumbrances				19,964
Reserved for capital projects	\$1,530,088		\$4,876,440	6,539,081
Reserved for notes receivable				1,246,277
Unreserved				
Undesignated				3,434,476
	<u>1,530,088</u>		<u>4,876,440</u>	<u>11,239,798</u>
TOTAL FUND BALANCES	<u>1,530,088</u>		<u>4,876,440</u>	<u>11,239,798</u>
Total Liabilities and Fund Balances	<u>\$1,530,088</u>		<u>\$4,876,440</u>	<u>\$11,962,007</u>

CITY OF CAMPBELL
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Other Grants
REVENUES					
Property taxes			\$467,482		
Special assessments			1,105,777		
Investment income	\$313	\$52,214		\$26,615	\$5,746
Decrease in fair value of investments		(29,350)			(2,455)
Intergovernmental revenues	757,211		4,902	172,200	947,913
Charges for services				36,974	
Asset seizure					
Donations					
Parkland dedication fees		193,339			
Miscellaneous revenues	(1,505)		9,351	2,627	
Total Revenues	<u>756,019</u>	<u>216,203</u>	<u>1,587,512</u>	<u>238,416</u>	<u>951,204</u>
EXPENDITURES					
Current:					
General government				288,913	
Public safety					
Public works	975,149		2,104,936		
Capital outlay			21,478		
Total Expenditures	<u>975,149</u>		<u>2,126,414</u>	<u>288,913</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(219,130)</u>	<u>216,203</u>	<u>(538,902)</u>	<u>(50,497)</u>	<u>951,204</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	264,232		1,053,090	6,000	
Transfers (out)	(63,651)	(2,075,781)	(400,247)		(944,438)
Total Other Financing Sources (Uses)	<u>200,581</u>	<u>(2,075,781)</u>	<u>652,843</u>	<u>6,000</u>	<u>(944,438)</u>
NET CHANGE IN FUND BALANCES	(18,549)	(1,859,578)	113,941	(44,497)	6,766
BEGINNING FUND BALANCES (DEFICITS)	<u>18,549</u>	<u>3,619,026</u>	<u>(113,941)</u>	<u>1,400,561</u>	<u>191,257</u>
ENDING FUND BALANCES (DEFICITS)		<u><u>\$1,759,448</u></u>		<u><u>\$1,356,064</u></u>	<u><u>\$198,023</u></u>

SPECIAL REVENUE FUNDS

<u>Drug Enforcement Revenue</u>	<u>Environmental Services</u>	<u>Supplemental Law Enforcement</u>	<u>Museum and Adult Center</u>	<u>Heritage Theater</u>
	\$8,582	\$2,941	\$2,732	\$14,749
	(3,820)	(1,386)	(1,203)	(9,728)
	836	100,000		
\$836	510,852			
			45,293	276,290
	<u>44,654</u>			
<u>836</u>	<u>561,104</u>	<u>101,555</u>	<u>46,822</u>	<u>281,311</u>
		103,093		
		<u>103,093</u>		
<u>836</u>	<u>561,104</u>	<u>(1,538)</u>	<u>46,822</u>	<u>281,311</u>
<u>(6,926)</u>	<u>(682,000)</u>		<u>(20,541)</u>	<u>(1,517,448)</u>
<u>(6,926)</u>	<u>(682,000)</u>		<u>(20,541)</u>	<u>(1,517,448)</u>
(6,090)	(120,896)	(1,538)	26,281	(1,236,137)
<u>15,000</u>	<u>1,345,078</u>	<u>1,992</u>	<u>127,355</u>	<u>1,368,690</u>
<u>\$8,910</u>	<u>\$1,224,182</u>	<u>\$454</u>	<u>\$153,636</u>	<u>\$132,553</u>

(Continued)

CITY OF CAMPBELL
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>CAPITAL PROJECTS FUNDS</u>			Total Nonmajor Governmental Funds
	<u>COP Projects</u>	<u>RDA-COP Projects</u>	<u>2002 RDA TAB Capital Projects</u>	
REVENUES				
Property taxes				\$467,482
Special assessments				1,105,777
Investment income	\$12,120	\$477	\$113,281	239,770
Decrease in fair value of investments			(83,242)	(131,184)
Intergovernmental revenues				1,983,062
Charges for services				547,826
Asset seizure				836
Donations				321,583
Parkland dedication fees				193,339
Miscellaneous revenues				55,127
	<u>12,120</u>	<u>477</u>	<u>30,039</u>	<u>4,783,618</u>
EXPENDITURES				
Current:				
General government				288,913
Public safety				103,093
Public works				3,080,085
Capital outlay				21,478
				<u>3,493,569</u>
				<u>3,493,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>12,120</u>	<u>477</u>	<u>30,039</u>	<u>1,290,049</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				1,323,322
Transfers (out)	(339,145)	(3,485)	(2,013,197)	(8,066,859)
	<u>(339,145)</u>	<u>(3,485)</u>	<u>(2,013,197)</u>	<u>(6,743,537)</u>
	<u>(339,145)</u>	<u>(3,485)</u>	<u>(2,013,197)</u>	<u>(6,743,537)</u>
NET CHANGE IN FUND BALANCES				
	(327,025)	(3,008)	(1,983,158)	(5,453,488)
BEGINNING FUND BALANCES (DEFICITS)				
	<u>1,857,113</u>	<u>3,008</u>	<u>6,859,598</u>	<u>16,693,286</u>
ENDING FUND BALANCES (DEFICITS)				
	<u>\$1,530,088</u>	<u>3,008</u>	<u>\$4,876,440</u>	<u>\$11,239,798</u>

CITY OF CAMPBELL
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	GAS TAX			PARKLAND DEDICATION FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property tax						
Special assessments						
Investment income	\$3,000	\$313	(\$2,687)		\$52,214	\$52,214
Decrease in fair value of investments					(29,350)	(29,350)
Intergovernmental revenues	863,033	757,211	(105,822)			
Charges for services						
Asset seizures						
Donations						
Parkland dedication fees					193,339	193,339
Miscellaneous revenue		(1,505)	(1,505)			
Total Revenues	866,033	756,019	(110,014)	-	216,203	216,203
EXPENDITURES						
Current						
General government						
Public safety						
Public works	1,099,621	975,149	124,472			
Capital outlay						
Total Expenditures	1,099,621	975,149	124,472	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(233,588)	(219,130)	14,458	-	216,203	216,203
OTHER FINANCING SOURCES (USES)						
Transfers in	333,243	264,232	(69,011)			
Transfers (out)	(134,807)	(63,651)	71,156	(\$3,409,713)	(2,075,781)	1,333,932
Total Other Financing Sources (Uses)	198,436	200,581	2,145	(3,409,713)	(2,075,781)	1,333,932
NET CHANGE IN FUND BALANCE	(\$35,152)	(18,549)	\$16,603	(\$3,409,713)	(1,859,578)	\$1,550,135
BEGINNING FUND BALANCES		18,549			3,619,026	
ENDING FUND BALANCES					\$1,759,448	

LIGHTING AND LANDSCAPING DISTRICT			COMMUNITY DEVELOPMENT BLOCK GRANT			OTHER GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$460,000	\$467,482	\$7,482						
1,125,000	1,105,777	(19,223)	\$10,000	\$26,615	\$16,615		\$5,746	\$5,746
	4,902	4,902	172,200	172,200		\$2,187,964	947,913	(1,240,051)
			45,500	36,974	(8,526)		(2,455)	(2,455)
<u>15,000</u>	<u>9,351</u>	<u>(5,649)</u>	<u>75,000</u>	<u>2,627</u>	<u>(72,373)</u>			
<u>1,600,000</u>	<u>1,587,512</u>	<u>(12,488)</u>	<u>302,700</u>	<u>238,416</u>	<u>(64,284)</u>	<u>2,187,964</u>	<u>951,204</u>	<u>(1,236,760)</u>
			400,215	288,913	111,302			
2,234,813	2,104,936	129,877						
21,500	21,478	22						
<u>2,256,313</u>	<u>2,126,414</u>	<u>129,899</u>	<u>400,215</u>	<u>288,913</u>	<u>111,302</u>			
<u>(656,313)</u>	<u>(538,902)</u>	<u>117,411</u>	<u>(97,515)</u>	<u>(50,497)</u>	<u>47,018</u>	<u>2,187,964</u>	<u>951,204</u>	<u>(1,236,760)</u>
1,046,335	1,053,090	6,755	6,000	6,000				
(550,000)	(400,247)	149,753				(2,970,591)	(944,438)	2,026,153
<u>496,335</u>	<u>652,843</u>	<u>156,508</u>	<u>6,000</u>	<u>6,000</u>		<u>(2,970,591)</u>	<u>(944,438)</u>	<u>2,026,153</u>
<u>(\$159,978)</u>	113,941	<u>\$273,919</u>	<u>(\$91,515)</u>	(44,497)	<u>\$47,018</u>	<u>(\$782,627)</u>	6,766	<u>\$789,393</u>
	<u>(113,941)</u>			<u>1,400,561</u>			<u>191,257</u>	
				<u>\$1,356,064</u>			<u>\$198,023</u>	

(Continued)

CITY OF CAMPBELL
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	DRUG ENFORCEMENT REVENUE			ENVIRONMENTAL SERVICES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property tax						
Special assessments						
Investment income				\$10,000	\$8,582	(\$1,418)
Decrease in fair value of investments					(3,820)	(3,820)
Intergovernmental revenues				4,600	836	(3,764)
Charges for services				492,500	510,852	18,352
Asset seizures	\$5,000	\$836	(\$4,164)			
Donations						
Parkland dedication fees						
Miscellaneous revenue				52,000	44,654	(7,346)
Total Revenues	5,000	836	(4,164)	559,100	561,104	2,004
EXPENDITURES						
Current						
General government						
Public safety						
Public works						
Capital outlay						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,000	836	(4,164)	559,100	561,104	2,004
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(5,000)	(6,926)	(1,926)	(981,527)	(682,000)	299,527
Total Other Financing Sources (Uses)	(5,000)	(6,926)	(1,926)	(981,527)	(682,000)	299,527
NET CHANGE IN FUND BALANCE		(6,090)	(\$6,090)	(\$422,427)	(120,896)	\$301,531
BEGINNING FUND BALANCES		15,000			1,345,078	
ENDING FUND BALANCES		\$8,910			\$1,224,182	

SUPPLEMENTAL LAW ENFORCEMENT			MUSEUM AND ADULT CENTER			HERITAGE THEATER		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$2,941	\$2,941	\$2,500	\$2,732	\$232		\$14,749	\$14,749
	(1,386)	(1,386)		(1,203)	(1,203)		(9,728)	(9,728)
\$100,000	100,000							
			22,500	45,293	22,793		276,290	276,290
<u>100,000</u>	<u>101,555</u>	<u>1,555</u>	<u>25,000</u>	<u>46,822</u>	<u>21,822</u>		<u>281,311</u>	<u>281,311</u>
100,000	103,093	(3,093)						
<u>100,000</u>	<u>103,093</u>	<u>(3,093)</u>						
	(1,538)	(1,538)	25,000	46,822	21,822		281,311	281,311
			(42,558)	(20,541)	22,017	(\$1,450,841)	(1,517,448)	(66,607)
			(42,558)	(20,541)	22,017	(1,450,841)	(1,517,448)	(66,607)
	(1,538)	(\$1,538)	(\$17,558)	26,281	\$43,839	(\$1,450,841)	(1,236,137)	\$214,704
	1,992			127,355			1,368,690	
	\$454			\$153,636			\$132,553	

(Continued)

CITY OF CAMPBELL
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	TOTALS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property tax	\$460,000	\$467,482	\$7,482
Special assessments	1,125,000	1,105,777	(19,223)
Investment income	25,500	113,892	88,392
Decrease in fair value of investments		(47,942)	(47,942)
Intergovernmental revenues	3,327,797	1,983,062	(1,344,735)
Charges for services	538,000	547,826	9,826
Asset seizures	5,000	836	(4,164)
Donations	22,500	321,583	299,083
Parkland dedication fees		193,339	193,339
Miscellaneous revenue	142,000	55,127	(86,873)
Total Revenues	<u>5,645,797</u>	<u>4,740,982</u>	<u>(904,815)</u>
EXPENDITURES			
Current			
General government	400,215	288,913	111,302
Public safety	100,000	103,093	(3,093)
Public works	3,334,434	3,080,085	254,349
Capital outlay	21,500	21,478	22
Total Expenditures	<u>3,856,149</u>	<u>3,493,569</u>	<u>362,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,789,648</u>	<u>1,247,413</u>	<u>(542,235)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,385,578	1,323,322	(62,256)
Transfers (out)	(9,545,037)	(5,711,032)	3,834,005
Total Other Financing Sources (Uses)	<u>(8,159,459)</u>	<u>(4,387,710)</u>	<u>3,771,749</u>
NET CHANGE IN FUND BALANCE	<u>(\$6,369,811)</u>	<u>(3,140,297)</u>	<u>\$3,229,514</u>
BEGINNING FUND BALANCES		<u>7,973,567</u>	
ENDING FUND BALANCES		<u>\$4,833,270</u>	

INTERNAL SERVICE FUNDS

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
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2004

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
ASSETS				
Current assets:				
Cash and investments	\$1,221,841	\$2,133,956	\$2,130,143	\$5,485,940
Deposits		174,930		174,930
Total current assets	<u>1,221,841</u>	<u>2,308,886</u>	<u>2,130,143</u>	<u>5,660,870</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:	<u>1,100,839</u>		<u>1,065,020</u>	<u>2,165,859</u>
Total assets	<u>2,322,680</u>	<u>2,308,886</u>	<u>3,195,163</u>	<u>7,826,729</u>
LIABILITIES				
Accounts payable	14,036	17,988	67,267	99,291
Accrued vacation and sick leave	13,347			13,347
Claims and judgments payable		2,075,692		2,075,692
Accrued payroll and payroll taxes	<u>10,838</u>			<u>10,838</u>
Total current liabilities	<u>38,221</u>	<u>2,093,680</u>	<u>67,267</u>	<u>2,199,168</u>
Total liabilities	<u>38,221</u>	<u>2,093,680</u>	<u>67,267</u>	<u>2,199,168</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,100,839		1,065,020	2,165,859
Unrestricted	<u>1,183,620</u>	<u>215,206</u>	<u>2,062,876</u>	<u>3,461,702</u>
Total net assets	<u>\$2,284,459</u>	<u>\$215,206</u>	<u>\$3,127,896</u>	<u>\$5,627,561</u>

CITY OF CAMPBELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
OPERATING REVENUES				
Charges to operating department	\$802,391	\$521,613	\$1,083,427	\$2,407,431
Other	7,793			7,793
Total Operating Revenues	810,184	521,613	1,083,427	2,415,224
OPERATING EXPENSES				
Personnel services	250,633	24,227		274,860
Services and supplies	383,165	1,216,779	906,150	2,506,094
Depreciation	306,085		386,967	693,052
Total Operating Expenses	939,883	1,241,006	1,293,117	3,474,006
Operating (Loss)	(129,699)	(719,393)	(209,690)	(1,058,782)
NONOPERATING REVENUES:				
Gain on sale of capital assets	13,465			13,465
Total Nonoperating (Expenses)	13,465			13,465
Contributed capital	20,177		87,622	107,799
Transfers (out)	(50,000)		(20,675)	(70,675)
Net Transfer and Contribution	(29,823)		66,947	37,124
Change in net assets	(146,057)	(719,393)	(142,743)	(1,008,193)
Total net assets-beginning	2,430,516	934,599	3,270,639	6,635,754
Total net assets-ending	\$2,284,459	\$215,206	\$3,127,896	\$5,627,561

CITY OF CAMPBELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$807,184	\$521,613	\$1,083,427	\$2,412,224
Payments to suppliers	(380,391)	(702,966)	(858,456)	(1,941,813)
Payments to employees	(247,467)	(24,227)		(271,694)
Net cash provided (used) by operating activities	<u>179,326</u>	<u>(205,580)</u>	<u>224,971</u>	<u>198,717</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (out)	(50,000)		(20,675)	(70,675)
Cash Flows from Noncapital Financing Activities	<u>(50,000)</u>		<u>(20,675)</u>	<u>(70,675)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	25,884			25,884
Capital contributions	20,177		87,622	107,799
Acquisition of capital assets	(99,619)		(100,284)	(199,903)
Cash Flows from Capital and Related Financing Activities	<u>(53,558)</u>		<u>(12,662)</u>	<u>(66,220)</u>
Net increase (decrease) in cash and cash equivalents	75,768	(205,580)	191,634	61,822
Cash and investments at beginning of period	<u>1,146,073</u>	<u>2,339,536</u>	<u>1,938,509</u>	<u>5,424,118</u>
Cash and investments at end of period	<u>\$1,221,841</u>	<u>\$2,133,956</u>	<u>\$2,130,143</u>	<u>\$5,485,940</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	(\$129,699)	(\$719,393)	(\$209,690)	(1,058,782)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	306,085		386,967	693,052
Change in assets and liabilities:				
Accounts and other receivables		(114,930)		(114,930)
Accounts and other payables	2,774	(37,359)	47,694	13,109
Accrued payroll and payroll taxes	1,353			1,353
Accrued vacation and sick leave	1,813			1,813
Claims and judgments payable		666,102		666,102
Deferred revenue	(3,000)			(3,000)
Net cash provided by operating activities	<u>\$179,326</u>	<u>(\$205,580)</u>	<u>\$224,971</u>	<u>\$198,717</u>

FIDUCIARY FUNDS

AGENCY FUNDS:

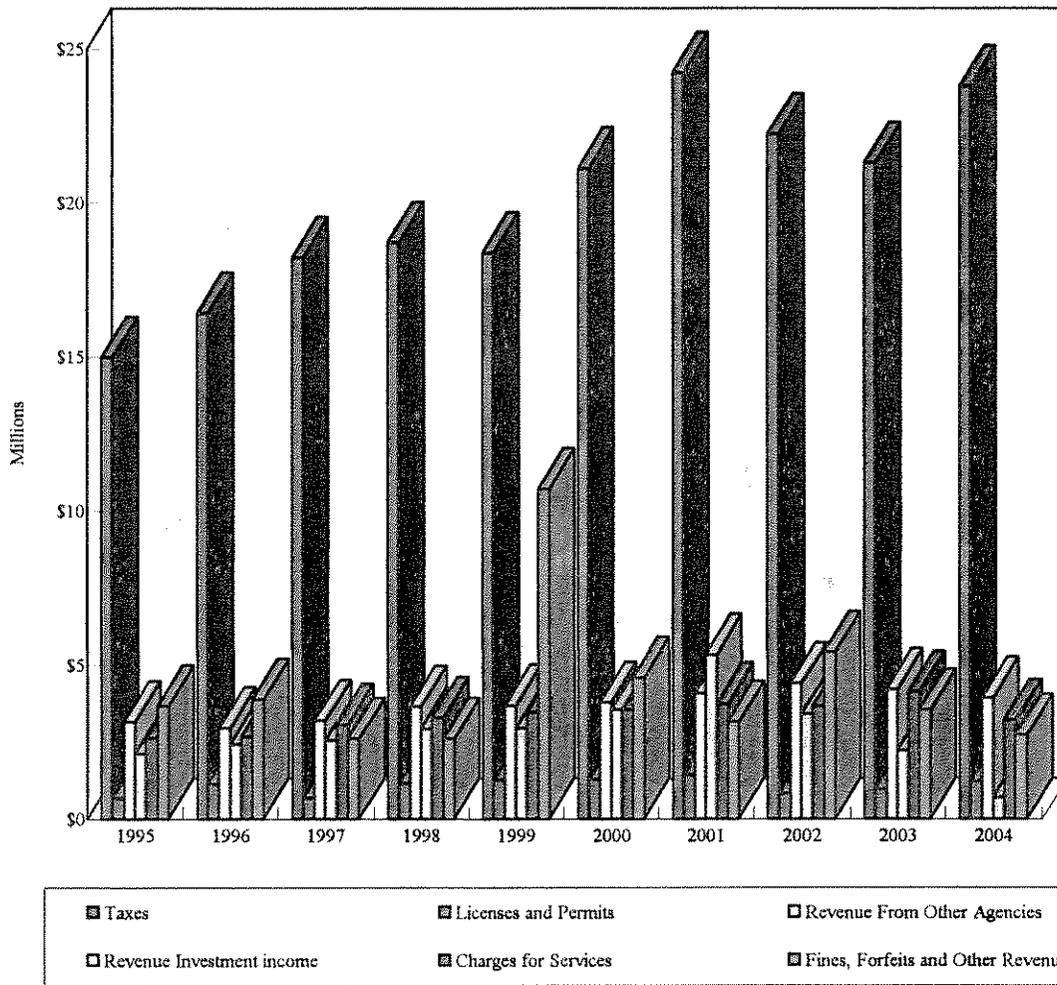
West Valley Solid Waste Management Authority – Accounts for the monies of the West Valley Solid Waste Management Authority. The City acts as custodian for the operating resources of the entity.

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

CITY OF CAMPBELL
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<hr/> <u>West Valley Solid Waste Management Authority</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$84,820	\$91,419	\$84,820	\$91,419
Total Assets	<u>\$84,820</u>	<u>\$91,419</u>	<u>\$84,820</u>	<u>\$91,419</u>
<u>Liabilities</u>				
Accounts payable	\$3,179	\$3,675	\$3,179	\$3,675
Payable to West Valley Solid Waste JPA	81,641	87,744	81,641	87,744
Total Liabilities	<u>\$84,820</u>	<u>\$91,419</u>	<u>\$84,820</u>	<u>\$91,419</u>
<hr/> <u>1915 Act Bonds</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$97,072	\$103,789	\$97,072	\$103,789
Accounts receivable	543,558	543,558	604,726	482,390
Total Assets	<u>\$640,630</u>	<u>\$647,347</u>	<u>\$701,798</u>	<u>\$586,179</u>
<u>Liabilities</u>				
Due to bondholders	640,630	647,347	701,798	586,179
Total Liabilities	<u>\$640,630</u>	<u>\$647,347</u>	<u>\$701,798</u>	<u>\$586,179</u>
<hr/> <u>Total Agency Funds</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$181,892	\$195,208	\$181,892	\$195,208
Accounts receivable	543,558	543,558	604,726	482,390
Total Assets	<u>\$725,450</u>	<u>\$738,766</u>	<u>\$786,618</u>	<u>\$677,598</u>
<u>Liabilities</u>				
Accounts payable	\$3,179	\$3,675	\$3,179	\$3,675
Payable to West Valley Solid Waste JPA	81,641	87,744	81,641	87,744
Due to bondholders	640,630	647,347	701,798	586,179
Total Liabilities	<u>\$725,450</u>	<u>\$738,766</u>	<u>\$786,618</u>	<u>\$677,598</u>

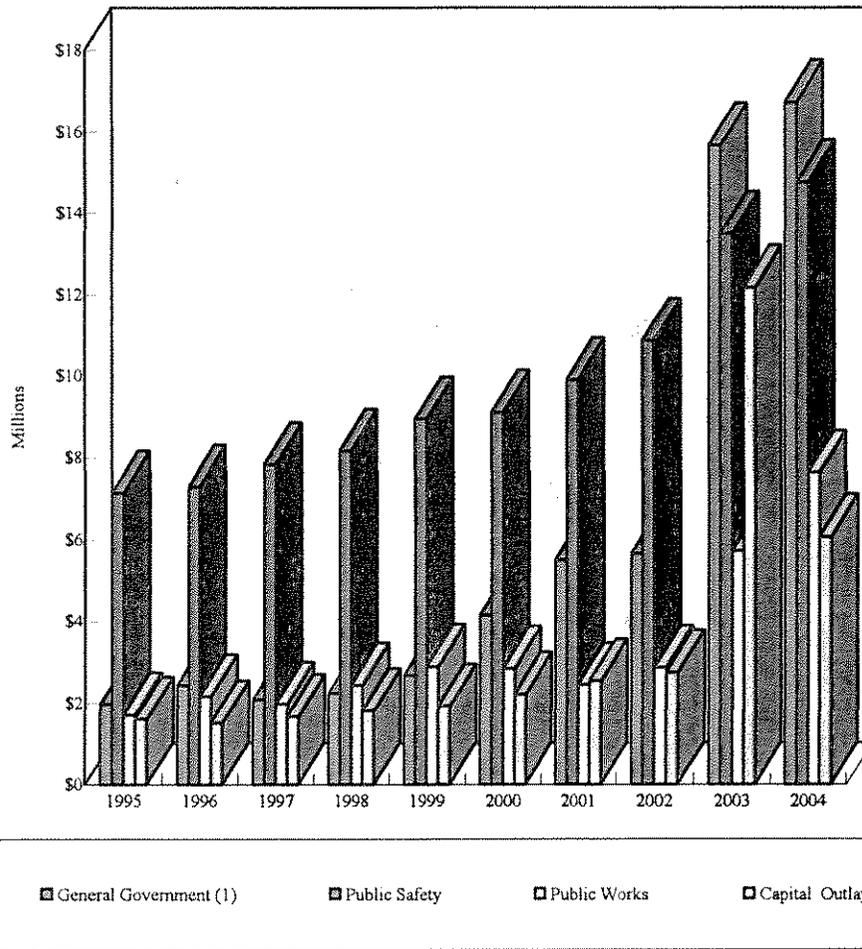
**CITY OF CAMPBELL
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Licenses and Permits	Revenue From Other Agencies	Investment income	Charges for Services	Fines, Forfeits and Other Revenue	Total
1995	\$14,996,424	\$685,818	\$3,154,632	\$2,117,378	\$2,650,665	\$3,680,226	\$27,285,143
1996	16,416,593	1,158,014	2,966,697	2,434,205	2,694,163	3,896,610	29,566,282
1997	18,238,134	685,163	3,208,261	2,562,338	3,083,536	2,625,274	30,402,706
1998	18,721,673	1,162,895	3,669,403	2,944,380	3,301,198	2,617,184	32,416,733
1999	18,399,608	1,269,742	3,692,521	2,949,487	3,469,280	10,718,273	40,498,911
2000	21,141,527	1,295,767	3,777,514	3,558,189	3,557,942	4,599,132	37,930,071
2001	24,246,392	1,436,496	4,068,461	5,331,375	3,753,570	3,160,139	41,996,433
2002	22,259,199	836,081	4,401,325	3,406,827	3,690,189	5,430,442	40,024,063
2003	21,324,868	988,483	4,212,137	2,230,744	4,140,042	3,561,957	36,458,231
2004	23,812,483	1,240,806	3,941,015	706,209	3,217,010	2,744,211	35,661,734

Source: City Operating Budget and City Annual Financial Report

**CITY OF CAMPBELL
GENERAL EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

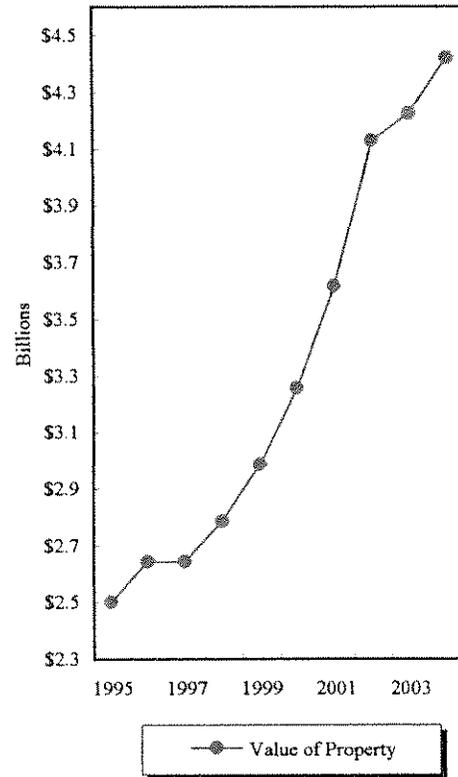
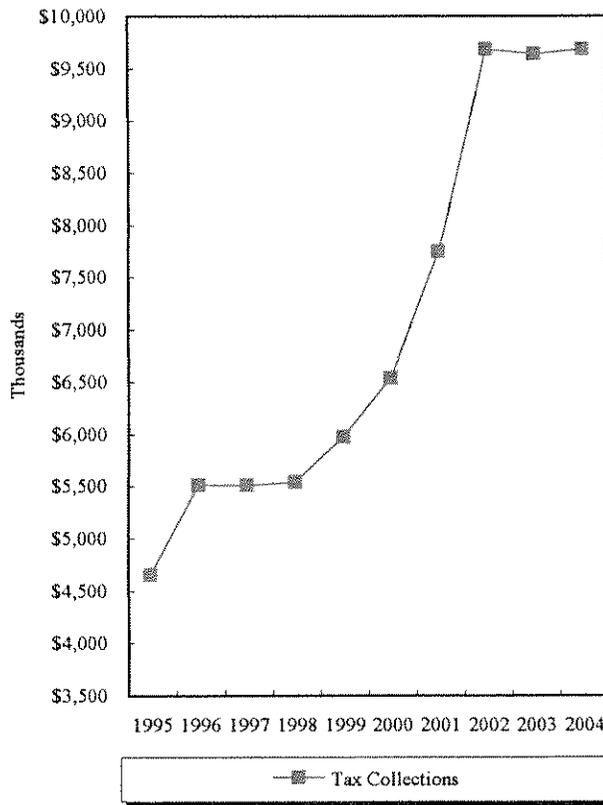


Fiscal Year	General Government	Public Safety	Public Works	Capital Outlay	Total
1995	\$10,472,426	\$8,888,674	\$3,762,552	\$2,497,649	\$25,621,301
1996	10,433,989	9,094,666	4,334,411	2,172,312	26,035,378
1997	11,279,734	9,423,769	4,652,254	3,814,828	29,170,585
1998	11,491,279	10,007,787	4,863,339	3,665,824	30,028,229
1999	15,394,984	11,202,763	4,741,223	7,374,652	38,713,622
2000	11,922,823	11,186,434	4,275,635	7,528,592	34,913,484
2001	13,068,062	11,745,820	4,971,203	8,770,934	38,556,019
2002	15,529,391	12,874,201	5,792,531	13,725,493	47,921,616
2003	15,685,312	13,516,360	5,725,897	12,193,768	47,121,337
2004	16,737,687	14,778,276	7,631,938	6,075,917	45,223,818

Source: City Annual Financial Report

Includes General, Special Revenue, Debt Service, Expendable Trust and Capital Projects funds

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



Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Collections of Prior Years' Taxes During Year (2)	Total Tax Collections	Value of City Property Subject to Local Tax Rate (1)
1995	N/A	\$4,696,496	N/A	\$18,945	\$4,715,441	\$2,442,365,218
1996	\$4,642,829	4,642,829	100%	-	4,642,829	2,497,686,163
1997	5,476,597	5,476,597	100%	24,859	5,501,456	2,640,117,872
1998	5,516,477	5,516,476	100%	14,212	5,530,688	2,782,180,854
1999	5,969,093	5,969,092	100%	-	5,969,092	2,983,422,243
2000	6,532,239	6,532,239	100%	-	6,532,239	3,254,522,496
2001	7,742,112	7,742,112	100%	-	7,742,112	3,613,869,475
2002	9,677,453	9,677,453	100%	-	9,677,453	4,126,805,525
2003	9,632,347	9,632,347	100%	-	9,632,347	4,220,907,226
2004	9,672,727	9,672,727	100%	-	9,672,727	4,416,725,080

N/A - Not Available

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.

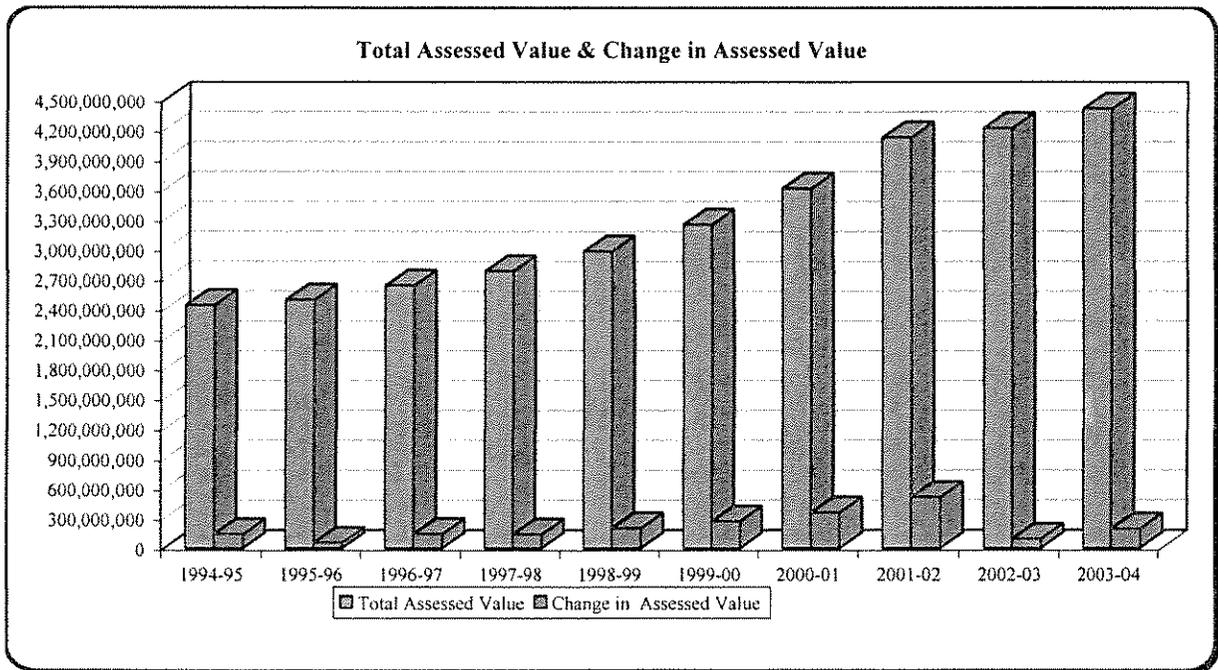
Source (1) County of Santa Clara, Department of Finance
(2) City of Campbell, Finance Department

CITY OF CAMPBELL
Assessed Value - All Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Secured</u>	<u>HOPTR Exemptions</u>	<u>SBE Utilities (1)</u>	<u>Unsecured Roll</u>	<u>Total Assessed Value</u>	<u>% Change in Assessed Value</u>
1994-95	\$2,187,202,482	\$43,785,000	\$2,103,980	\$209,273,756	\$2,442,365,218	2.26%
1995-96	2,239,531,169	43,811,600	2,573,066	211,770,328	2,497,686,163	2.27%
1996-97	2,329,187,716	44,011,800	2,618,188	264,300,168	2,640,117,872	5.70%
1997-98	2,472,381,428	45,126,200	2,653,461	262,019,765	2,782,180,854	5.38%
1998-99	2,670,888,645	45,738,000	2,690,154	264,105,444	2,983,422,243	7.23%
1999-00	2,903,306,192	45,995,600	2,455,048	302,765,656	3,254,522,496	9.09%
2000-01	3,245,902,330	45,728,200	225,968	322,012,977	3,613,869,475	11.04%
2001-02	3,712,714,024	46,449,200	1,751,083	365,891,218	4,126,805,525	14.19%
2002-03	3,855,036,928	46,215,400	2,292,470	317,362,428	4,220,907,226	2.28%
2003-04	4,068,964,576	45,444,000	269,185	302,047,319	4,416,725,080	4.64%

Source: County of Santa Clara, Department of Finance

(1) Beginning FY 88-89, the state required the establishment of a single countywide tax rate area for the assignment of the assessed value of certain types of state assessed utility property.



Unaudited - See Accompanying Report of Independent Auditors

CITY OF CAMPBELL
Property Tax Rates - All Overlapping Governments
Last Ten Fiscal Years

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
County retirement	\$0.033	\$0.034	\$0.034	\$0.039	\$0.039	\$0.032	\$0.036	\$0.036	\$0.039	\$0.039
County	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
County bond										
Library retirement	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
City of Campbell debt service										
Elementary and/or unified school bonds		0.011	0.123	0.005	0.036	0.033	0.055	0.052	0.076	0.111
High school bonds							0.009	0.016	0.017	0.022
County Sanitation District 4 bonds	0.004	0.003								
Loan repay - Moreland	0.066	0.037		0.058	0.055	0.058				
SCVWD - state water project	0.009	0.007	0.008	0.008	0.006	0.007	0.006	0.005	0.006	0.008
SCVWD - District Zone W-1	0.002	0.003	0.003	0.002	0.002	0.002	0.002	0.001	0.001	0.001
Tax rate per \$100 of assessed value	<u>\$1.116</u>	<u>\$1.097</u>	<u>\$1.170</u>	<u>\$1.114</u>	<u>\$1.140</u>	<u>\$1.134</u>	<u>\$1.110</u>	<u>\$1.113</u>	<u>\$1.141</u>	<u>\$1.183</u>

Source: County of Santa Clara, Department of Finance

Unaudited - See Accompanying Report of Independent Auditors

CITY OF CAMPBELL
Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

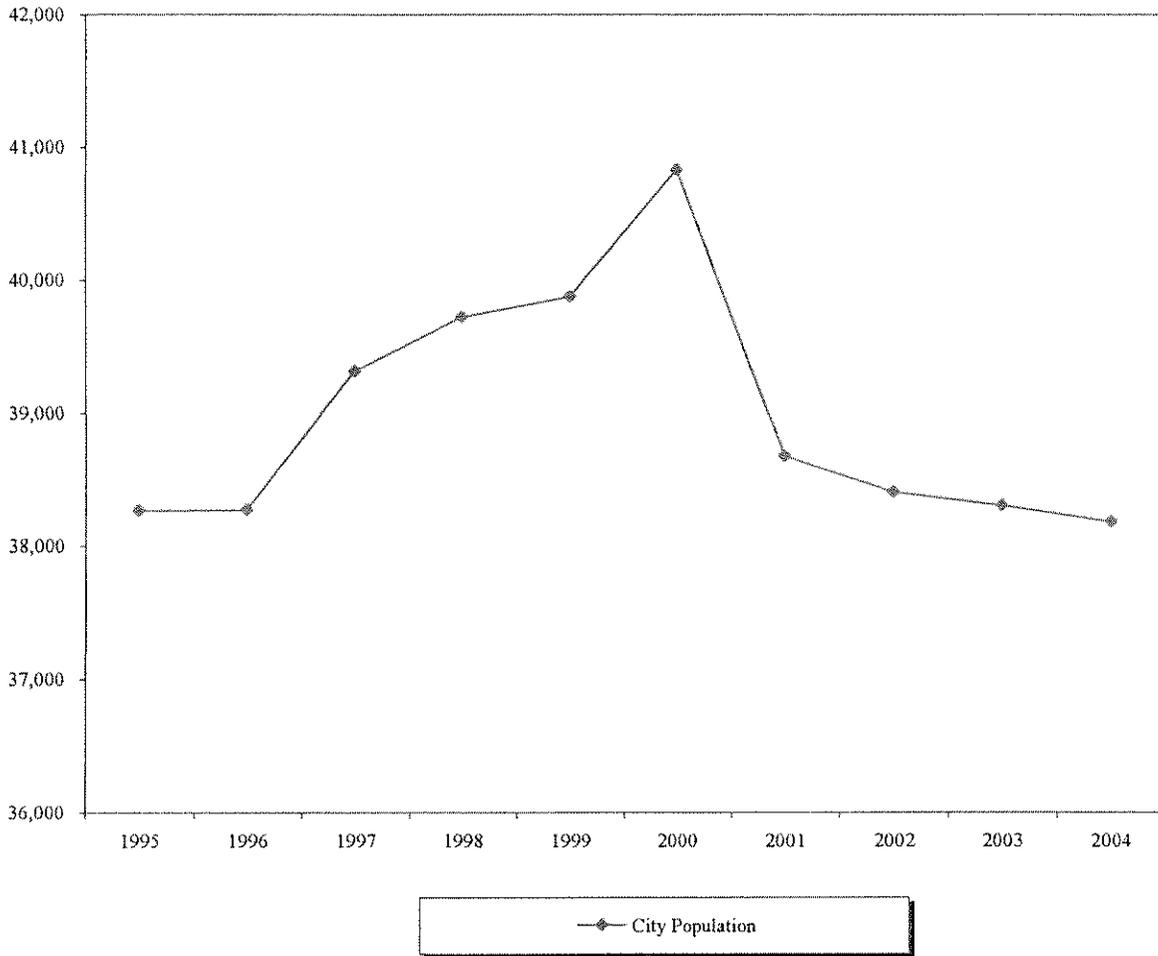
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Service to Total General Expenditures</u>
1995	-	\$8,130	\$8,130	\$25,621,302	0.03%
1996	-	-	-	26,035,378	-
1997	-	-	-	29,170,585	-
1998	-	-	-	30,028,229	-
1999	-	-	-	38,713,622	-
2000	-	-	-	34,913,484	-
2001	-	-	-	38,969,834	-
2002	-	-	-	47,921,616	-
2003	-	-	-	47,121,337	-
2004	-	-	-	45,223,818	-

* Includes General, Special Revenue, Debt Service Funds, and Capital Project Funds

Source: City of Campbell, Finance Department

Unaudited - See Accompanying Report of Independent Auditors

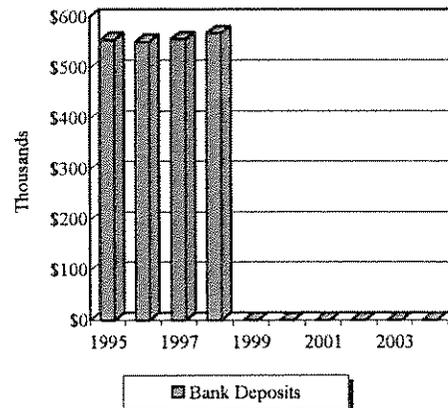
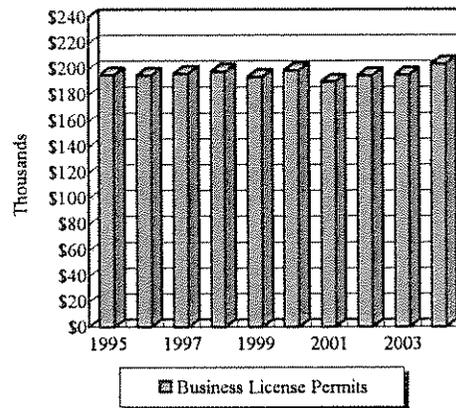
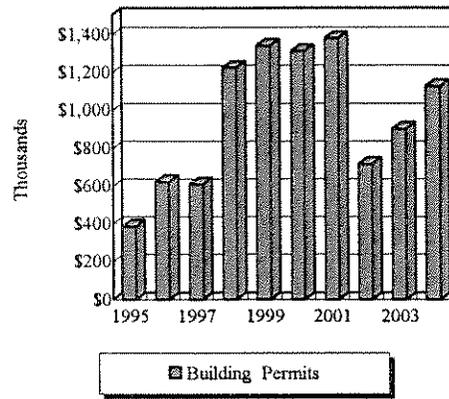
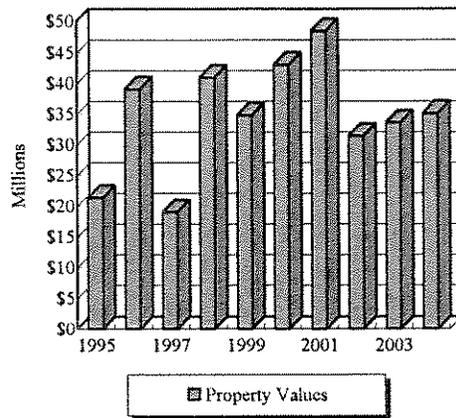
**CITY OF CAMPBELL
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**



Fiscal Year	City Population	Santa Clara County Population	City Population % of County	Number of Housing Units *
1995	38,263	1,606,908	2.4%	15,936
1996	38,267	1,612,258	2.4%	15,982
1997	39,312	1,653,061	2.4%	16,088
1998	39,720	1,689,900	2.4%	16,111
1999	39,871	1,715,374	2.3%	16,159
2000	40,826	1,736,722	2.4%	16,552
2001	38,672	1,723,680	2.2%	16,302
2002	38,401	1,719,565	2.2%	16,365
2003	38,300	1,729,917	2.2%	16,384
2004	38,179	1,731,422	2.2%	16,444

Source: State of California Department of Finance

**CITY OF CAMPBELL
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**



Fiscal Year	Estimated Valuation (2)	Value of Building Permits Issued (1)	Value of Business Licenses Issued (3)	Bank Deposits in Thousands (4)
1995	\$21,334,606	\$382,657	\$195,345	\$554,267
1996	39,059,374	618,992	194,758	550,911
1997	19,028,482	608,447	196,222	556,656
1998	40,887,260	1,222,768	197,525	567,505
1999	34,752,025	1,338,379	193,844	n/a
2000	43,018,499	1,310,188	198,501	n/a
2001	48,453,049	1,377,798	189,903	n/a
2002	31,396,804	713,702	194,663	n/a
2003	33,586,048	899,509	195,219	n/a
2004	35,104,086	1,125,744	203,520	n/a

Source: (1) City of Campbell, Building Department Valuation/Revenue Report
 (2) Building Standards Monthly
 (3) City of Campbell, Finance Department
 (4) The Findley Reports

CITY OF CAMPBELL
Miscellaneous Statistical Facts
For the Fiscal Year Ended June 30, 2004

Date of Incorporation: March 28, 1952						Election: Registered Voters:	20,774
Form of Government: General Law City Council - Manager, City Council Consists of Five Members Elected for Four-Year Terms						Number of Votes Cast Last General Election:	14,267
						Percentage of Voters Voting:	68.70%
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>		
Population (January 1) ⁽¹⁾⁽⁸⁾⁽⁹⁾	38,179	38,300	38,401	38,138	40,826		
Area - Square Miles ⁽²⁾	6.5	6.5	6.5	6.5	6.5		
Public Safety:							
Number of Police Stations	1	1	1	1	1		
Number of Police Employees	65	65	65	65	65		
Number of Fire Stations ⁽³⁾	2	2	2	2	2		
Miles of Streets (Major / Secondary)	14.3 / 74.0	14.3 / 74.0	14.3 / 74.0	14.3 / 74.0	14.3 / 74.0		
Miles of Sewers (Storm / Sanitary) ⁽⁴⁾	41.5 / 484.0	41.5 / 484.0	41.5 / 484.0	41.5 / 484.0	41.5 / 484.0		
Miles of Sidewalks	74.5	74.5	74.5	74.5	74.5		
Street Lights	2,362	2,362	2,325	2,241	2,241		
Parks - Number of Acres	85.95	85.95	85.95	85.95	85.95		
Number of Households ⁽¹⁾⁽⁵⁾⁽⁸⁾	16,384	16,384	16,381	15,920	16,552		
Average Household Size ⁽⁵⁾⁽⁸⁾⁽⁹⁾	2.38	2.37	2.38	2.38	2.54		
Jobs per Household ⁽²⁾⁽⁵⁾⁽⁸⁾	1.35	1.48	1.35	1.75	1.77		
Employed Residents ⁽⁵⁾	27,840	24,180	25,053	25,500	27,840		
Mean Household Income ⁽⁵⁾	\$97,400	\$96,000	\$97,400	\$74,200	\$74,200		
Median Home Value ⁽⁷⁾	\$575,000	\$617,500	\$617,500	\$470,000	\$504,250		
% of Adults over 25 with Bachelor's Degree or Higher⁽⁶⁾⁽⁹⁾	48.00%	42.20%	42.20%	42.00%	30.80%		

⁽¹⁾ California Department of Finance

⁽²⁾ Campbell Community Development Dept.

⁽³⁾ Contracted Services

⁽⁴⁾ West Valley Sanitation District

⁽⁵⁾ ABAG Projections

⁽⁶⁾ CACI, Inc.

⁽⁷⁾ Santa Clara County Association of Realtors

⁽⁸⁾ 2000 Census

⁽⁹⁾ Claritas Inc. Report - 4/2/03

CITY OF CAMPBELL
Special Assessment Billings and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Current Assessment Billings</u>	<u>Current Assessment Collections</u>	<u>Ratio of Collections to Amount Due</u>
1994-95	\$298,701	\$298,494	99.9%
1995-96	291,468	285,085	97.8%
1996-97	243,725	243,977	100.1%
1997-98	246,307	246,307	100.0%
1998-99	231,374	236,736	102.3%
1999-00	222,972	545,825	244.8%
2000-01	102,067	126,348	123.8%
2001-02	107,509	72,243	67.2%
2002-03	68,513	68,171	99.5%
2003-04	54,623	60,126	110.1%

Source: City of Campbell, Department of Finance

Unaudited - See Accompanying Report of Independent Auditors

CITY OF CAMPBELL
Computation of Direct and Overlapping Debt
June 30, 2004

2003-04 Assessed Valuation	\$4,416,725,080
Less: Redevelopment Incremental Valuation	(499,655,074)
Total Adjusted Assessed Valuation	\$3,917,070,006

Description	% Applicable	Debt June 30, 2003
<u>Overlapping Tax and Assessment Debt:</u>		
Santa Clara Valley Water District, Zone W-1	2.446%	\$142,724
Campbell Union High School District	18.250%	13,459,375
Cambrian School District	24.198%	3,756,718
Campbell Union School District	28.200%	22,264,833
Moreland School District	11.450%	5,790,183
City of Campbell 1915 Act Bonds	100.000%	335,000
Santa Clara Valley Water District Benefit Assessment District	2.046%	4,032,871
Total Gross Overlapping Tax and Assessment Debt		\$49,781,704
<u>Direct and Overlapping General Fund Obligation Debt:</u>		
Santa Clara County General Fund Obligations	2.046%	12,890,618
Santa Clara County Board of Education Certificates of Participation	2.046%	378,715
West Valley Community College District Certificates of Participation	7.552%	1,806,061
Moreland School District Certificates of Participation	11.450%	646,353
City of Campbell Certificates of Participation	100.000%	24,155,843
Total Direct and Overlapping General Fund Obligation Debt		\$39,877,590
Gross Combined Total Debt		\$89,659,294 (1)

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

Ratios to 2003-04 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.13%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$24,155,843) 0.66%
 Combined Total Debt 2.29%

State School Building Aid Repayable as of June 30, 2004:

Note: Prepared for the City of Campbell by California Municipal Statistics, Inc.

**CITY OF CAMPBELL
PRINCIPAL SALES TAXPAYERS
YEAR ENDED JUNE 30, 2004**

Taxpayer	Type of Business
Arco AM/PM Mini-Mart	Service Station
Argonanut Windows	Building Materials
Barnes & Nobel Bookstore	Stationery/Books
Beacon Service Station	Service Station
Camstar Systems	Computer Software
Chevron Station	Service Station
Economy Lumber	Building Materials
Elephant Bar	Restaurant
E-Plus Technology	Office Equipment
Fry's Electronics	Appliance Store
Gardenland Power Equipment	Business Services
Home Depot	Building Materials
Huffman Koos (dba Breuner's)	Home Furnishings
Jack-In-The Box	Restaurant
Joe Escobar Diamonds	Jewelry Store
Longs Drugs Stores	Drug Store
Marshall's Department Store	Department Store
Mervyn's Department Store	Department Store
Nob Hill Foods	Grocery Store
Nova	Chemical Products
Officemax	Office Equipment Store
Outback Steakhouse	Restaurant
Pentech Financial Service	Business Services
Petsmart	Specialty Store
Railway Distributing	Building Materials
Rasputin Records	Music Store
Rock Bottom Brewery	Restaurant
Ross Dress for Less	Department Store
Rotten Robbie	Service Station
RV Cloud Company	Building Materials
Safeway Stores	Grocery Store
San Jose Camera Shop	Camera Store
Sierra Pacific Turf Supply	Wholesale Nursery
Staples	Office Equipment
Summerwinds Garden Center	Nursery
Tower Records & Video	Music Store
Trader Joe's	Grocery Store
Trudy's	Women's Apparel
Tesoro West Coast Company	Nursery
Walgreens Drug Store	Drug Store
Whole Foods Market	Grocery Store