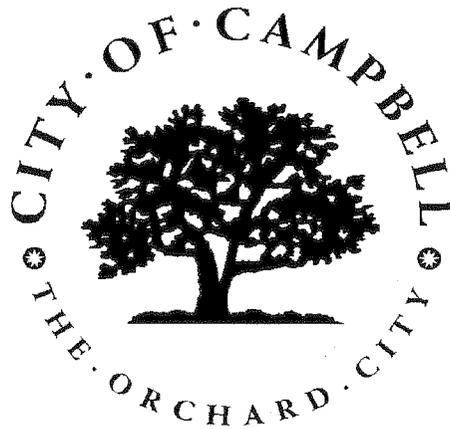


# *City of Campbell, California*



## *Comprehensive Annual Financial Report*

*Fiscal Year Ended June 30, 2005  
with  
Report of Independent Auditors*

*Prepared by the Finance Department  
Under the Direction of  
Jesse Takahashi, Interim Finance Director*

**CITY OF CAMPBELL, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2005**

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# *Introductory Section*



October 14, 2005

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, 2005, 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 38,400. 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 Council's preliminary consideration. Adoption of the operating and capital 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, this region has experienced cycles of expansion and contraction and has led the nation in productivity, innovation and economic growth for a good portion of the 1990s and early 2000s. 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 economic downturn over the past five years have had significant impacts on the region resulting in reduced output of goods and services as well as employment. More recent data indicates the local economy is improving although at a slower pace than the rest of the State and nationally. A bright spot has been the continued strength in the residential housing market which has helped buffer the overall economic weakness. Within the City, approval of a number of large development projects resulted in an increase in construction related revenue during the year. Unemployment for the City as of September, 2005 was 4.6%, down from 5.2% one year ago, and compares favorably to the County rate of 5.3% and the State rate of 5.1%. It is expected these rates will improve slightly over the next couple of years as economic activity continues to improve.

Campbell is fortunate to enjoy a diversified economic base with businesses located throughout the community. There are approximately 4,600 businesses in the City generating nearly \$10 million in sales tax revenue. The largest categories of sales tax producers comprise general retail, construction, food products, business to business and transportation. This diversity within the local economic base has and should continue to help mitigate economic swings that traditionally impact a city's revenue base.

The City is also affected by the actions of the State of California. In just the past couple of years alone, the State realigned local revenue allocations to cities that significantly changed the composition of certain city revenues including: vehicle license, sales tax, and property tax revenues. In addition, the State imposed a two year "take-away" from local governments in the form of ERAF III (Education Revenue Augmentation Fund) in which the local agencies were required to forego a certain amount of property tax funds to the State in order to help the State balance its budget. The impact to the City of Campbell, including its redevelopment agency, was a loss of nearly \$1.1 million in property tax revenue during FY 05. There will be a similar

impact in FY 06. However, beginning in FY 07, the State's ability to divert local revenues will be restricted to a greater degree, thereby, improving the reliability and stability of local governments' most significant revenue sources currently controlled by the State and mitigating the impact on service levels that were common during the past several years.

To address the financial impacts created by these issues, the City has taken necessary steps to preserve its fiscal health in times of economic uncertainty such as has been the case in recent times. As an example, the City has established financial and budgetary policies monitored by the City Council that ensure operating revenues are available to fund operating expenditures resulting in a balanced budget. Additionally, during 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 be 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 \$6.9 million as of June 30, 2005.

**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 average portfolio yield for the fiscal year ended June, 2005 was 2.81%. 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 continue to be impacted by significant annual contributions 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, 2004. 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 17 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 2004-05. This is the 12<sup>th</sup> 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.

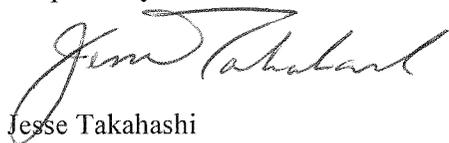
The City of Campbell was also awarded the Certificate of Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the City's CAFR. This award has been received consecutively for the past 18 fiscal years with the most recent award being received for the fiscal year ended June 30, 2004. For the last nine 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 the many contributions made in the preparation of this report. In addition, I wish to extend a special thanks to Sherrie Doherty, Executive Assistant, for her diligent efforts in the production of this document.

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,



Jesse Takahashi  
Interim Finance Director

CITY OF CAMPBELL, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2005

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, 2004

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. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF CAMPBELL, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2005**

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2003-04*

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.*

*February 24, 2005*

*William A. Shank*

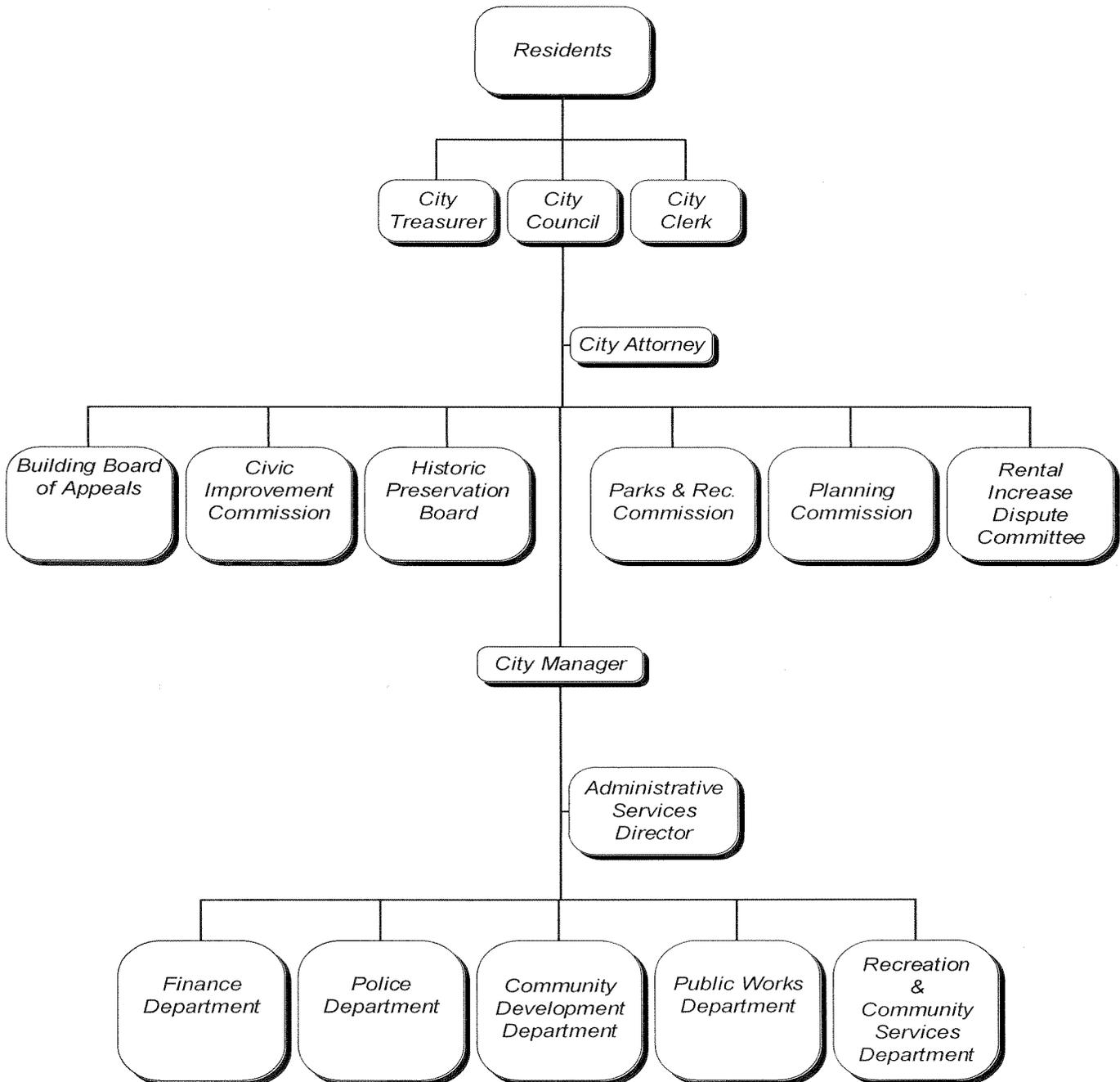
Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



**CITY OF CAMPBELL, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2005**

**General Organization**  
**2004 - 2005**



**CITY OF CAMPBELL, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2005**

**CITY OFFICIALS**

**CITY COUNCIL & REDEVELOPMENT AGENCY BOARD**

Mayor - Jane P. Kennedy

Vice-Mayor - Jeanette Watson

Councilmember - Donald R. Burr

Councilmember - Daniel E. Furtado

Councilmember - Joseph D. Hernandez

Note: Mayor serves an annual term from November to November. Names and positions are as of July 1, 2005.

**CITY OF CAMPBELL, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2005**

**CITY ADMINISTRATIVE STAFF**

City Manager - Daniel Rich

City Clerk - Anne Bybee (Elected)

City Treasurer - Gerald Kennedy (Elected)

City Attorney - William Seligmann

Administrative Services Director - (Vacant)

Community Development Director - Sharon Fierro

Finance Director - Jesse Takahashi (Interim)

Recreation & Community Services Director - Claudia Cauthorn

Police Chief - David Gullo

Public Works Director - Robert Kass

**CITY OF CAMPBELL, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2005**

**COMMISSIONS, COMMITTEES AND ADVISORY BOARDS**

**Planning Commission**

Elizabeth Gibbons, Chairperson  
Bob Alderete, Vice Chairperson  
George P. Doorley  
Mark A. Ebner  
Tom Francois  
Michael Rocha  
Robert A. Roseberry

**Parks & Recreation Commission**

John Medalen, Chairperson  
Jean LaDuc, Vice Chairperson  
Bruce Baker  
Jim Cramer  
Joseph R. Kilmer  
Tim Mason  
Susan Osorio

**Civic Improvement Commission**

Jacquie Davidson, Chairperson  
Frank Jewett, Vice Chairperson  
Kurt Arends  
Joan Goldstein  
Burch Harper  
Jeff Hofstrand  
Art Ring

**Building Board of Appeals**

Dietrich VonDohlen, Chairperson  
Jeff Bowsby  
James C. Malone  
Jim Morelan  
Todd Zeman

**Historical Preservation Board**

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

**Rental Increase Dispute Fact Finding Committee**

Stanley Raider, Chairperson  
Eric Bracher  
John W. Figueroa  
Miriam Robinson  
Vacant

Note: Names and positions as of July 1, 2005.

# *Financial Section*

**ACCOUNTANCY CORPORATION**  
1931 San Miguel Drive - Suite 100  
Walnut Creek, California 94596  
(925) 930-0902 • FAX (925) 930-0135  
E-Mail: [maze@mazeassociates.com](mailto:maze@mazeassociates.com)  
Website: [www.mazeassociates.com](http://www.mazeassociates.com)

## **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, 2005, 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, 2005, 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.

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 14, 2005

## 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, 2005. 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 2004-05 Financial Highlights

The City ended its fiscal year with total revenues of \$38.3 million, a 7.3% increase from the previous fiscal year, and expenses of \$42.2 million, an increase of 4.7% from the previous year. A significant component of the increase was an increase in mandatory pension contributions. While significant budget reductions were made during the year, the City still faces a structural budget gap that has largely been funded with reserves.

During the year, several infrastructure projects were completed including the Westmont Avenue street reconstruction, storm drain improvements and collector street overlays. In addition, a number of significant development projects began construction during the year including a new 95-room hotel, a significant retail development site, a retail/residential project in the Downtown, and several other significant mixed use projects. Highlights of the past year include the following:

#### *City-wide:*

- Total City assets exceeded liabilities by \$50.6 million. Of this amount, \$24.6 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 \$4.0 million. Approximately \$2.8 million represented a reduction in total assets, principally cash and investments, while total liabilities increased by \$1.2 million.
- Total City revenues increased \$2.6 million to \$38.3 million while total expenses increased by \$1.9 million to \$42.2 million.

#### *Fund level:*

- Total governmental fund balances were \$50.1 million at fiscal year end, a decrease of \$4.0 million from the previous year.
- General fund revenues, including transfers, increased \$2.3 million to \$29.0 million from the previous year; related expenditures increased \$2.7 million from previous year to \$32.4 million.
- General fund balance decreased \$3.5 million to \$23.8 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 18 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	
	2005	2004
Cash & investments	\$ 52.2	\$ 56.8
Capital assets	50.2	48.3
Other assets	7.8	7.9
Total assets	110.2	113.0
Long term debt	49.8	49.1
Other liabilities	9.8	9.3
Total liabilities	59.6	58.4
Net assets:		
Invested in capital assets, net of debt	4.4	5.7
Restricted	21.6	19.7
Unrestricted	24.6	29.2
<b>Total net assets</b>	<b>\$ 50.6</b>	<b>\$ 54.6</b>

Net assets decreased during the year by \$4.0 million, comprised of the following elements:

- Cash and investments decreased by \$4.6 million due to funding of capital projects in addition to required draws from reserves necessary to fund operating expenditures.
- Capital assets added during the year were \$4.1 million offset by depreciation charges of \$2.2 million for a net increase of \$1.9 million. The majority of capital asset additions were related to street infrastructure and facility improvements.
- Other assets had a net decrease of \$0.1 million consisting primarily of a reduction in accrued taxes receivable.
- Long term debt increased \$0.7 million from the defeasance of outstanding Redevelopment Agency tax allocation bonds that were replaced with lower interest refunding bonds resulting in lower future debt service payments.
- Net assets invested in capital assets, net of debt decreased \$1.3 million from the previous year, resulting from the use of unspent bond proceeds for capital assets.
- Restricted net assets have external limitations placed upon them regarding how they may be spent. During the year, these assets increased by \$1.9 million, due primarily to

Redevelopment Agency revenues. More than half of this increase relates to low and moderate income housing.

- 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 \$4.6 million resulting from a combination of excess expenses over revenues and funding of capital projects.

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)**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 9.0	\$ 7.4
Operating grants and contributions	1.8	2.7
Capital grants and contributions	1.5	0.6
General revenues		
Property taxes	11.1	9.4
Sales and use taxes	10.0	10.7
Other taxes	3.7	4.5
Other	1.2	0.4
	<u>38.3</u>	<u>35.7</u>
<b>Expenses:</b>		
General Government	3.7	4.5
Recreation	6.0	5.5
Community Development	1.8	2.0
Redevelopment	2.2	2.6
Public Safety	16.9	15.0
Public Works	7.5	8.2
Interest on long term debt	4.1	2.5
	<u>42.2</u>	<u>40.3</u>
<b>Total revenues</b>	<u>38.3</u>	<u>35.7</u>
<b>Total expenses</b>	<u>42.2</u>	<u>40.3</u>
<b>Change in net assets</b>	<u>\$ (3.9)</u>	<u>\$ (4.6)</u>

Net assets decreased by \$3.9 million. Key elements of this decrease are as follows:

- Within program revenues, charges for services increased \$1.6 million due to increased recreation revenues, increased theatre ticket sales, implementation of a new business license processing fee and increased engineering and subdivision filing fees from increased development activity; operating grants and contributions decreased

\$0.9 million due to several significant one-time grants and donations received in the prior year to renovate the Heritage Theatre; capital grants and contributions increased \$0.9 million related to street infrastructure projects as well as park dedication revenues from increased development activity.

- Within general revenues, property tax revenue increased by \$1.7 million due to recent State legislation that provided for additional property tax revenue to permanently backfill for loss of a portion of the vehicle license fees that the City used to receive from the State. Under separate State legislation, the City was required to pay \$0.6 million to the State from property taxes in FY 05 and 06, effectively reducing the net amount of this revenue source.
- Sales and use tax revenues decreased \$0.7 million due to one-time receipt, in the prior year, of back taxes owed by a single taxpayer of \$1.3 million offset by a 6% increase in the overall sales tax base which was higher than projected; other taxes decreased \$0.8 million due primarily to the loss of a portion of vehicle license fees as previously discussed.
- Other revenue increased \$0.8 million due to increased investment earnings that resulted from a higher interest rate environment during the past year. Also contributing to the increase was a reversal of unrealized market value losses recognized in FY 04 pursuant to governmental accounting requirements.
- Total expenses increased \$1.9 million due to a significant increase in the City's required contribution to the employees' retirement system as well as increased health benefits. Offsetting these increases were Citywide reductions in operating expenses including freezing nine full-time positions. General government expenses, comprising legislative and administrative support functions, decreased \$0.8 million attributable to these factors.
- Recreation expenses increased \$0.5 million due to expanding a number of programs and classes that required additional staffing and related costs. The Heritage Theatre also had a full season of shows compared to the prior year which represented only a partial season.
- Public Safety expenses, which include contracted fire protection services, increased \$1.9 million due predominantly to higher employer retirement contributions. Public Works decreased \$0.7 million due primarily to one-time costs incurred in the prior year for storm drain improvements and contributions to the Valley Transportation Agency for the extension of its light rail system into the City.
- Interest on long-term debt increased \$1.6 million related primarily to recognition of an accounting loss and various one-time costs associated with refunding tax allocation bonds during the year.

## **Financial Analysis of Fund Financial Statements**

Combined governmental fund balances at fiscal year end were \$50.1 million, a decrease of \$4.0 million from the previous year. The decrease is due to incurring an excess of expenditures over revenues, primarily in the General Fund, as well as spending \$4.4 million on capital projects. The City has reserved fund balance of \$24.4 million at year end, a decrease of \$1.8 million from the previous year. Unreserved fund balance was \$25.6 million compared to \$27.9 million in the previous year.

Governmental fund revenues, excluding transfers, were \$38.3 million, an increase of \$2.6 million from the previous year. Comprising this increase were higher charges for service revenue of about \$1 million due to expanded recreation programs, increases in class fees, increased development fees and a higher than normal level of development activity during the year. Additionally, investment income picked up in FY 05 as interest rates came off of historically low levels in the prior year. This also reversed unrealized portfolio market losses approximating \$0.5 million.

Lastly, property tax revenue, net of payments to the Education Revenue Augmentation Fund (ERAF) of \$1.1 million, continued to show strong growth due to a residential real estate market that experienced record levels of appreciation despite a still struggling economic recovery. Property tax revenues also reflected a restructuring by the State of approximately \$2 million in vehicle license fee revenue that was permanently replaced by property tax dollars. Accordingly, intergovernmental revenues are significantly lower than the previous year and property tax revenue higher by a like amount.

Governmental fund expenditures, excluding transfers, decreased from the prior year by \$2.1 million to \$43.1 million. This decrease is due to reduced capital outlay (\$3.4 million compared to \$6.1 million in FY 04) that was partially offset by increased retirement and health expenditures.

### **Analysis of Major Governmental Funds**

#### ***General fund***

General fund revenues, excluding transfers, increased \$2.4 million from the previous year to \$27.8 million. Contributing to the growth were increases in charges for service, property tax, investment income and rents and lease revenues. These increases were partially offset by a decrease in sales tax revenue that resulted from a one-time receipt of \$1.3 million in FY 04 for previously misallocated sales taxes by a single taxpayer.

General fund expenditures, excluding transfers, were \$29.5 million, an increase of \$2.7 million from the previous year. The increase is attributable to increased employer retirement contributions as well as previously negotiated wage increases.

General fund balance at fiscal year-end was \$23.8 million, a decrease of \$3.5 million from the previous year. Approximately \$1.4 million is related to capital project spending while the

remaining difference is due to an excess of operating expenditures over revenues. Funding for this portion is 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 \$21.4 million and is utilized to fund various emergency operating funds, including a \$6.8 million designation for economic fluctuations, and other contingency funds.

Significant original-to-final revenue budget variances consisted of an increase to property tax revenue due to State action that permanently replaced a portion of lost vehicle license fee revenue with property tax revenue. The sales and use tax revenue budget was revised downward to more closely match the anticipated results of an economy that has continued to languish significantly longer than expected. Other taxes were revised downward; primarily for transient occupancy tax revenue that also did not recover to anticipated levels. Investment income was reduced accordingly as it became apparent some of the major revenue sources would be significantly lower than originally budgeted. Intergovernmental revenue was reduced in conjunction with the increase in property taxes due to the State's restructuring of these two revenue sources.

Combined final budget to actual variance with respect to revenues was a positive \$1.4 million. The largest component of this variance was \$0.5 million for intergovernmental revenue due to the City selling its vehicle license fee receivable owed by the State to a third party for proceeds of almost \$0.6 million which was not part of the final budget. Charges for services had a \$0.3 million positive variance due to a surge in development permit revenue in the last half of the year, and sales and use taxes also had a \$0.3 million positive variance due, in large part, to being conservative in revising the original budget.

There were no significant original-to-final budget variances for General Fund expenditures. Final budget to actual variances for expenditures were a combined positive variance of \$0.7 million. This is due to wage and benefit savings realized from the City's policy of budgeting at top step, having various positions become vacant during the year--and not replacing them--and from a concerted effort on the part of all City departments to minimize expenditures 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 \$1.2 million during the year. The fund has loans outstanding of \$2.8 million and fund balance of \$7.9 million, an increase of \$0.9 million from the previous year.

#### ***RDA Capital Projects Fund***

The RDA capital projects fund accounts for activities in the redevelopment project area. Expenditures of \$0.7 million were made on a number of capital and non-capital expenditures

in the project area. The fund had \$1.8 million in fund balance at fiscal year end, a decrease of \$0.5 million from the previous year.

### ***Capital Projects Fund***

This fund accounts for City capital projects. Approximately \$4.2 million was expended during the year compared with \$3.2 million in the previous year. Some of the more significant projects included street and storm drain infrastructure, improvements to the police department, community center improvements, and various bicycle and pedestrian safety enhancements. Funding for these projects comes from both internal and external sources.

### ***COP Debt Service Fund***

The principal asset of this fund is represented by \$8.7 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 revenue from the project area saw a slight decline from the previous year due to a reduction in assessment of a large commercial property that resulted from an appeal to the County.

For the second consecutive year, the State of California mandated all redevelopment agencies in the State to make payments to the Education Revenue Augmentation Fund (ERAF) resulting in lower net property tax revenue. The payment for this year was \$0.5 million compared to \$0.3 million in the previous year.

The deficit balance of \$2.1 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 27 years. Accordingly, this deficit will be eliminated over time through receipt of annual tax revenue.

During the year, the RDA refunded \$10.7 million in outstanding tax allocation bonds by issuing \$12.3 million refunding tax allocation bonds to take advantage of lower interest rates. The transaction resulted in aggregate debt service savings of \$1.7 million compared to the old debt and an economic gain of \$0.9 million.

### ***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 \$50.2 million as of June 30, 2005. 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 and prior 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:

	<u>2005</u>	<u>2004</u>
Land	\$ 13.2	\$ 13.2
Construction in progress	2.7	2.3
Building & improvements	27.4	27.3
Other improvements	17.1	16.6
Machinery & equipment	7.2	6.6
Infrastructure	2.9	0.5
Less: Accumulated depreciation	<u>(20.3)</u>	<u>(18.2)</u>
<b>Net capital assets</b>	<b><u>\$ 50.2</u></b>	<b><u>\$ 48.3</u></b>

Total additions to capital assets were \$4.1 million during the year consisting primarily of street and storm drain infrastructure as well as Police department facility improvements. Additional detail on capital assets can be found in note 5 of 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. As previously mentioned, the RDA refunded one of its outstanding tax allocation bond issues and replaced it with lower interest bonds to realize \$1.7 million in cash savings. 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):

	<u>2005</u>	<u>2004</u>
Certificates of participation	\$ 23.6	\$ 24.2
Tax allocation bonds	<u>26.2</u>	<u>24.9</u>
<b>Total debt</b>	<b><u>\$ 49.8</u></b>	<b><u>\$ 49.1</u></b>

## **Economic Outlook and Next Year's Budget**

The City continues to have healthy reserves; however, to preserve and maintain its fiscal stability, the City has to address a number of issues in the future. Among the issues taken into account in developing the FY 06 budget were the following:

- Ensure that ongoing expenditures are funded with ongoing revenues and that reserves are used for one-time or short-term needs
- Retirement costs for current and past employees will continue at elevated levels for the next several years
- Employee health care benefits will continue to increase in the foreseeable future
- Funding for basic infrastructure needs, such as street and sidewalk maintenance, should be provided on a continuous basis to maintain satisfactory condition
- Capital projects, which have traditionally been funded from budgetary surplus, are becoming fewer as available funds are used up

The economic outlook for the local Silicon Valley region remains mixed. The economic recovery continues to progress slowly with some market segments seeing positive results while others are still struggling. The increase in on-line shopping continues to erode local revenue growth. While inflation remains relatively low, a number of factors could alter this during the upcoming year and have related impacts to the City.

In developing the fiscal 2006 budget, over \$1.6 million in budget reductions were made which included freezing and unfunding 16 permanent positions. When developing the budget, the City's multi-year projections indicated it would take several more years to close the current budget gap through a combination of revenue growth, further cost reductions and use of reserves. General fund operating appropriations for fiscal 2006 are \$30.8 million, a decrease of \$1.1 million from the previous fiscal year. General Fund reserves of \$2.7 million, including \$0.8 million from the economic fluctuations reserve, are contemplated to be drawn upon to cover anticipated revenue shortfalls.

### **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 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.

CITY OF CAMPBELL  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities
<b>ASSETS</b>	
Cash and investments (Note 2)	\$49,887,864
Restricted cash and investments (Note 2)	2,263,609
Receivables:	
Taxes	1,537,724
Accrued interest	344,614
Accounts	1,084,906
Notes and loans (Note 4)	4,020,690
Deposits	186,783
Land held for resale (Note 6)	700,000
Capital assets (Note 5):	
Land and construction in progress	15,953,245
Depreciable capital assets, net	34,237,958
Total assets	110,217,393
<b>LIABILITIES</b>	
Accounts payable	1,703,412
Accrued vacation and sick leave (Note 1G)	2,777,296
Claims and judgments payable (Note 12)	2,793,795
Accrued payroll and payroll taxes	590,061
Deposits payable	691,400
Interest payable	546,751
Unearned revenue	692,356
Long term liabilities (Note 7)	
Due within one year	1,095,000
Due in more than one year	48,680,844
Total liabilities	59,570,915
<b>NET ASSETS (Note 10)</b>	
Invested in capital assets, net of related debt	4,418,382
Restricted for:	
Capital projects	2,765,971
Debt service	6,056,030
Redevelopment projects	7,929,751
Special revenue projects	4,881,229
Total restricted net assets	21,632,981
Unrestricted net assets	24,595,115
Total net assets	\$50,646,478

See accompanying notes to financial statements

CITY OF CAMPBELL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

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
<b>Governmental Activities:</b>					
General government	\$3,731,831	\$197,856			(\$3,533,975)
Recreation	6,034,563	4,030,805	\$103,363	\$4,707	(1,895,688)
Community development	1,830,811	1,738,884	192,828		100,901
Redevelopment	2,219,017	11,671	191,231		(2,016,115)
Public safety	16,870,357	646,445	177,974		(16,045,938)
Public works	7,511,459	2,362,049	1,111,077	1,528,463	(2,509,870)
Interest on long term debt	4,065,244				(4,065,244)
<b>Total Governmental Activities</b>	<b>\$42,263,282</b>	<b>\$8,987,710</b>	<b>\$1,776,473</b>	<b>\$1,533,170</b>	<b>(\$29,965,929)</b>
<b>General revenues:</b>					
Taxes:					
Property					12,171,170
Sales and use					9,973,506
Other					3,706,530
Educational revenue augmentation fund payment (Note 13)					(1,071,683)
Investment earnings					1,124,889
Miscellaneous					123,894
<b>Total general revenues</b>					<b>26,028,306</b>
Change in Net Assets					(3,937,623)
Net Assets-Beginning					54,584,101
Net Assets-Ending					<b>\$50,646,478</b>

See accompanying notes to financial statements

# CITY OF CAMPBELL, CALIFORNIA

## FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City in fiscal 2005. 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 2002 and 2005 Tax Allocation Bonds.

CITY OF CAMPBELL  
GOVERNMENTAL FUNDS  
BALANCE SHEETS  
JUNE 30, 2005

	General	Redevelopment Agency Housing	RDA Capital Projects Fund	Capital Projects Fund
ASSETS				
Cash and investments (Note 2)	\$24,477,330	\$5,229,269	\$1,263,126	\$855,551
Restricted cash and investments (Note 2)				
Receivables:				
Taxes	1,509,962	4,894		
Accrued interest	344,614			
Accounts	224,223			19,694
Notes and loans (Note 4)		2,757,927	7,959	
Due from other funds (Note 3B)	482,551			
Advances to other funds (Note 3C)				
Prepays and deposits	14,167			
Land held for resale (Note 6)			700,000	
<b>Total Assets</b>	<b><u>\$27,052,847</u></b>	<b><u>\$7,992,090</u></b>	<b><u>\$1,971,085</u></b>	<b><u>\$875,245</u></b>
LIABILITIES				
Accounts payable	\$880,532	\$62,339	\$216	\$339,747
Accrued vacation and sick leave (Note 1G)	1,048,623		20,493	
Claims and judgments payable	134,000			
Accrued payroll and payroll taxes	528,935		8,628	
Deposits payable	588,566		102,834	
Due to other funds (Note 3B)				
Unearned revenues	78,225			450,000
Advances from other funds (Note 3C)				
<b>Total Liabilities</b>	<b><u>3,258,881</u></b>	<b><u>62,339</u></b>	<b><u>132,171</u></b>	<b><u>789,747</u></b>
FUND BALANCES				
Fund balance (Note 10B)				
Reserved for encumbrances	289,930	1,781,061	11,871	625,699
Reserved for land held for resale			700,000	
Reserved for capital projects			1,092,499	
Reserved for debt service				
Reserved for advances				
Reserved for notes receivable		2,757,927	7,959	
Reserved for vacation and sick leave	1,769,975		26,585	
Reserved for LID maintenance	342,756			
Unreserved				
Designated (Note 10C)	21,391,305			
Unreserved, undesignated, reported in:				
Special Revenue funds		3,390,763		
Capital Project funds				(540,201)
Debt Service funds				
<b>Total Fund Balances</b>	<b><u>23,793,966</u></b>	<b><u>7,929,751</u></b>	<b><u>1,838,914</u></b>	<b><u>85,498</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$27,052,847</u></b>	<b><u>\$7,992,090</u></b>	<b><u>\$1,971,085</u></b>	<b><u>\$875,245</u></b>

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>
	\$4,503,723	\$8,605,801	\$44,934,800
	2,263,609		2,263,609
	19,577	3,291	1,537,724
			344,614
		840,989	1,084,906
		1,254,804	4,020,690
\$8,667,090			482,551
			8,667,090
			14,167
			700,000
<u>\$8,667,090</u>	<u>\$6,786,909</u>	<u>\$10,704,885</u>	<u>\$64,050,151</u>
	\$210,713	\$98,817	\$1,592,364
		75,675	1,144,791
			134,000
		45,817	583,380
			691,400
		482,551	482,551
		164,131	692,356
	8,667,090		8,667,090
	8,877,803	866,991	13,987,932
		20,405	2,728,966
			700,000
		5,078,315	6,170,814
\$8,667,090			8,667,090
		1,254,804	4,020,690
			1,796,560
			342,756
			21,391,305
		3,484,370	6,875,133
	(2,090,894)		(540,201)
			(2,090,894)
<u>8,667,090</u>	<u>(2,090,894)</u>	<u>9,837,894</u>	<u>50,062,219</u>
<u>\$8,667,090</u>	<u>\$6,786,909</u>	<u>\$10,704,885</u>	<u>\$64,050,151</u>

CITY OF CAMPBELL  
 Reconciliation of  
 GOVERNMENTAL FUND - BALANCE SHEET  
 with  
 STATEMENT OF NET ASSETS  
 AT JUNE 30, 2005

Governmental Funds Fund Balance reported on the governmental funds balance sheet \$50,062,219

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. 48,014,792

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	4,953,064
Prepays and deposits	172,616
Capital assets net of accumulated depreciation	2,176,411
Accounts payable	(111,048)
Accrued payroll and payroll taxes	(6,681)
Accrued vacation and sick leave	(14,732)
Accrued workers compensation	(2,659,795)

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	(49,775,844)
Interest payable	(546,751)
Non-current portion of accrued vacation and sick leave	(1,617,773)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$50,646,478

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, 2005

	General	Redevelopment Agency Housing	RDA Capital Projects Fund	Capital Projects Fund	COP Debt Service Fund
<b>REVENUES</b>					
Property taxes	\$6,215,668	\$1,067,138			
Less: educational revenue augmentation fund payment (Note 13)	(557,992)				
Sales and use taxes	9,973,506				
Other taxes	2,857,976				
Special assessments					
Licenses and permits	1,529,633				
Fines and forfeitures	272,670				
Investment income	821,576	152,328	\$38,904		
Rents and leases (Note 15)	1,736,196				
Intergovernmental revenues	998,563				
Charges for services	3,596,656				
Asset seizure					
Project revenues	6,134			\$132,963	
Donations	18,229				
Parkland dedication fees					
Miscellaneous revenues	289,799		\$11,671		
<b>Total Revenues</b>	<b>27,758,614</b>	<b>1,219,466</b>	<b>50,575</b>	<b>132,963</b>	
<b>EXPENDITURES</b>					
Current:					
General government	3,511,782			4,424	
Recreation	5,641,237			7,000	
Community development	1,514,515				
Redevelopment		228,672	305,290	43,004	
Public safety	16,037,686			150,788	
Public works	2,720,285			1,037,610	
Pass-thru payments					
Capital outlay	38,649		374,230	2,991,746	
Debt service					
Principal payments					\$550,000
Interest and fiscal fees					1,063,695
<b>Total Expenditures</b>	<b>29,464,154</b>	<b>228,672</b>	<b>679,520</b>	<b>4,234,572</b>	<b>1,613,695</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,705,540)</b>	<b>990,794</b>	<b>(628,945)</b>	<b>(4,101,609)</b>	<b>(1,613,695)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from long-term debt issue (Note 7)					
Bond issuance premium (Note 7)					
Payment to refunded bond escrow agent (Note 7)					
Transfers in (Note 3A)	1,197,107		374,230	4,398,426	1,385,995
Transfers (out) (Note 3A)	(2,978,506)	(44,920)	(207,058)	(374,230)	
<b>Total Other Financing Sources (Uses)</b>	<b>(1,781,399)</b>	<b>(44,920)</b>	<b>167,172</b>	<b>4,024,196</b>	<b>1,385,995</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,486,939)</b>	<b>945,874</b>	<b>(461,773)</b>	<b>(77,413)</b>	<b>(227,700)</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>27,280,905</b>	<b>6,983,877</b>	<b>2,300,687</b>	<b>162,911</b>	<b>8,894,790</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$23,793,966</b>	<b>\$7,929,751</b>	<b>\$1,838,914</b>	<b>\$85,498</b>	<b>\$8,667,090</b>

See accompanying notes to financial statements

RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$4,268,551	\$573,823	\$12,125,180
(513,691)		(1,071,683)
		9,973,506
		2,857,976
	1,098,021	1,098,021
		1,529,633
		272,670
187,327	241,420	1,441,555
		1,736,196
	1,805,841	2,804,404
	598,853	4,195,509
	20,000	20,000
		139,097
	121,752	139,981
	637,022	637,022
	125,122	426,592
<u>3,942,187</u>	<u>5,221,854</u>	<u>38,325,659</u>
		3,516,206
		5,648,237
	268,658	1,783,173
260,682		837,648
	102,741	16,291,215
	3,178,154	6,936,049
596,030		596,030
	32,727	3,437,352
390,000		940,000
<u>2,004,917</u>		<u>3,068,612</u>
<u>3,251,629</u>	<u>3,582,280</u>	<u>43,054,522</u>
<u>690,558</u>	<u>1,639,574</u>	<u>(4,728,863)</u>
12,300,000		12,300,000
325,712		325,712
(12,037,854)		(12,037,854)
200,000	1,197,582	8,753,340
(838,891)	(4,239,060)	(8,682,665)
<u>(51,033)</u>	<u>(3,041,478)</u>	<u>658,533</u>
639,525	(1,401,904)	(4,070,330)
<u>(2,730,419)</u>	<u>11,239,798</u>	<u>54,132,549</u>
<u>(\$2,090,894)</u>	<u>\$9,837,894</u>	<u>\$50,062,219</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, 2005

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 (\$4,070,330)

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 3,437,352

Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$618,421 which has already been allocated to serviced funds.) (1,604,611)

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 940,000  
 Payment to bond escrow agent is added back to fund balance 12,037,854  
 Loss on refunding (1,402,854)  
 Proceeds from the issuance of debt are deducted from fund balance (12,300,000)

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 62,182  
 Interest payable 80,510

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 (1,117,726)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$3,937,623)

CITY OF CAMPBELL  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$4,748,400	\$6,250,400	\$6,215,668	(\$34,732)
Less: educational revenue augmentation fund payment	(560,000)	(560,000)	(557,992)	2,008
Sales and use taxes	11,590,000	9,700,000	9,973,506	273,506
Other taxes	3,322,800	2,815,800	2,857,976	42,176
Licenses and permits	1,429,692	1,429,692	1,529,633	99,941
Fines and forfeitures	300,000	300,000	272,670	(27,330)
Investment income	950,000	780,000	821,576	41,576
Rents and leases	1,744,535	1,731,835	1,736,196	4,361
Intergovernmental revenues	2,511,022	511,022	998,563	487,541
Charges for services	3,167,857	3,266,657	3,596,656	329,999
Donations	10,355	14,362	18,229	3,867
Miscellaneous revenues	20,100	97,100	295,933	198,833
<b>Total Revenues</b>	<b>29,234,761</b>	<b>26,336,868</b>	<b>27,758,614</b>	<b>1,421,746</b>
EXPENDITURES				
Current:				
General government	3,570,791	3,575,291	3,511,782	63,509
Recreation	5,878,711	5,945,211	5,641,237	303,974
Community development	1,498,437	1,516,937	1,514,515	2,422
Public safety	16,300,299	16,238,556	16,037,686	200,870
Public works	2,883,339	2,883,339	2,720,285	163,054
Capital outlay	66,110	49,110	38,649	10,461
<b>Total Expenditures</b>	<b>30,197,687</b>	<b>30,208,444</b>	<b>29,464,154</b>	<b>744,290</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(962,926)	(3,871,576)	(1,705,540)	2,166,036
OTHER FINANCING SOURCES (USES)				
Transfers in	1,188,700	1,197,064	1,197,107	43
Transfers (out)	(2,829,481)	(6,535,358)	(2,978,506)	3,556,852
<b>Total Other Financing Sources (Uses)</b>	<b>(1,640,781)</b>	<b>(5,338,294)</b>	<b>(1,781,399)</b>	<b>3,556,895</b>
NET CHANGE IN FUND BALANCE	(\$2,603,707)	(\$9,209,870)	(3,486,939)	\$5,722,931
Fund Balances at Beginning of Year			27,280,905	
Fund Balances at End of Year			\$23,793,966	

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$1,030,892	\$1,030,892	\$1,067,138	\$36,246
Investment income	103,750	90,000	152,328	62,328
Total Revenues	<u>1,134,642</u>	<u>1,120,892</u>	<u>1,219,466</u>	<u>98,574</u>
EXPENDITURES				
Current:				
Redevelopment	<u>3,733,426</u>	<u>3,983,426</u>	<u>228,672</u>	<u>3,754,754</u>
Total Expenditures	<u>3,733,426</u>	<u>3,983,426</u>	<u>228,672</u>	<u>\$3,754,754</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,598,784)</u>	<u>(2,862,534)</u>	<u>990,794</u>	<u>3,853,328</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(44,920)</u>	<u>(44,920)</u>	<u>(44,920)</u>	
Total Other Financing Sources (Uses)	<u>(44,920)</u>	<u>(44,920)</u>	<u>(44,920)</u>	
NET CHANGE IN FUND BALANCE	<u><u>(\$2,643,704)</u></u>	<u><u>(\$2,907,454)</u></u>	<u>945,874</u>	<u><u>\$3,853,328</u></u>
Fund Balance at Beginning of Year			<u>6,983,877</u>	
Fund Balance at End of Year			<u><u>\$7,929,751</u></u>	

See Accompanying Notes to Financial Statements

CITY OF CAMPBELL  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2005

	Governmental Activities - Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Cash and investments (Note 2)	\$4,953,064
Deposits	172,616
Total current assets	5,125,680
Noncurrent assets:	
Capital assets, net of accumulated depreciation: (Note 5)	2,176,411
Total assets	7,302,091
<b>LIABILITIES</b>	
Accounts payable	111,048
Accrued vacation and sick leave (Note 1G)	14,732
Claims and judgments payable (Note 12)	2,659,795
Accrued payroll and payroll taxes	6,681
Total current liabilities	2,792,256
Total liabilities	2,792,256
<b>NET ASSETS (Note 10)</b>	
Invested in capital assets, net of related debt	2,176,411
Unrestricted	2,333,424
Total net assets	\$4,509,835

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, 2005

	<u>Governmental Activities - Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges to operating departments	\$2,396,241
Other	<u>32,495</u>
Total Operating Revenues	<u>2,428,736</u>
<b>OPERATING EXPENSES</b>	
Personnel services	299,356
Services and supplies	2,577,495
Depreciation (Note 5C)	<u>618,421</u>
Total Operating Expenses	<u>3,495,272</u>
Operating Loss	(1,066,536)
<b>NONOPERATING REVENUES</b>	
Gain on sale of capital assets	<u>(9,698)</u>
Total Nonoperating Revenues	<u>(9,698)</u>
Loss Before Contributions and Transfers	(1,076,234)
Capital contributions	29,183
Transfers out (Note 3A)	<u>(70,675)</u>
Transfers and contributions	<u>(41,492)</u>
Change in net assets	(1,117,726)
Total net assets-beginning	<u>5,627,561</u>
Total net assets-ending	<u><u>\$4,509,835</u></u>

See accompanying notes to financial statements

CITY OF CAMPBELL  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Governmental Activities - Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$2,428,736
Payments to suppliers	(1,979,321)
Payments to employees	<u>(302,128)</u>
Net cash provided by operating activities	<u>147,287</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers (out)	<u>(70,675)</u>
Cash Flows from Noncapital Financing Activities	<u>(70,675)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from sale of capital assets	
Capital contributions	29,183
Acquisition of capital assets	<u>(638,671)</u>
Cash Flows from Capital and Related Financing Activities	<u>(609,488)</u>
Net increase in cash and cash equivalents	(532,876)
Cash and investments at beginning of period	<u>5,485,940</u>
Cash and investments at end of period	<u><u>\$4,953,064</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	(\$1,066,536)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	618,421
Change in assets and liabilities:	
Accounts and other receivables	2,314
Accounts and other payables	11,757
Accrued payroll and payroll taxes	(4,157)
Accrued vacation and sick leave (Note 8)	1,385
Claims and judgments payable	<u>584,103</u>
Net cash provided by operating activities	<u><u>\$147,287</u></u>

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, 2005

ASSETS

Restricted cash and investments (Note 2)	\$232,791
Accounts receivable	<u>401,843</u>
Total Assets	<u><u>\$634,634</u></u>

LIABILITIES

Accounts payable	\$41,867
Payable to West Valley Solid Waste JPA	70,021
Due to bond holders	<u>522,746</u>
Total Liabilities	<u><u>\$634,634</u></u>

See accompanying notes to financial statements

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**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

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

capital grants under California law. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**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 2005.

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 2002 and 2005 Tax Allocation Bonds.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**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, 2005**

**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, 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, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The RDA and COP Debt Service Funds had expenditures in excess of appropriations of \$24,494 and \$173, respectively. The Supplemental Law Enforcement Special Revenue Fund had expenditures in excess of appropriations of \$2,741. 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.

Accrued vacation and sick leave 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, 2005:

Beginning Balance	\$2,608,649
Additions	1,841,425
Payments	<u>(1,672,778)</u>
Ending Balance	<u>\$2,777,296</u>
Current Portion	<u>\$1,159,523</u>

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

<b>NOTE 2 - CASH AND INVESTMENTS</b>
--------------------------------------

The City pools cash from all sources and all funds except Cash and Investments held by Trustees so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

**A. Policies**

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 market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *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 increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**B. Classification**

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.

Governmental Funds	
Cash and investments available for operations	\$49,887,864
Restricted cash and investments	2,263,609
Total City cash and Investments	52,151,473
Cash and investments in Fiduciary Funds (separate statement)	
Restricted cash and investments	232,791
Total Cash and investments	\$52,384,264

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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	75%	None
U.S. Agency Securities (government sponsored enterprise)	5 years	None	75%	None
Repurchase Agreements	1 year	None	10%	None
Commercial Paper	270 days	A	25%	10%
Bankers Acceptances	180 days	A-1	30%	10%
Medium Term Notes	5 years	AA	10%	None
Non-negotiable Time Certificates of Deposits	5 years	None	25%	\$1 million
California Local Agency Investment Fund	N/A	None	None	None
Mutual Funds	Upon demand	AAAm	15%	10%
Money Market Mutual Funds	Upon demand	AAAm	15%	10%

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**D. Investments Authorized by Debt Agreements**

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 -7 Years	No Limit	No Limit	No Limit
U.S. Government Agency	5 -7 Years	AAA	No Limit	No Limit
Time Certificates of Deposit – Banks or Savings and Loans	1 Year	A1/P1	No Limit	No Limit
Bankers Acceptances	360 Days	A1/P1	No Limit	No Limit
Commercial Paper	270 Days	A1/P1	No Limit	No Limit
Repurchase Agreements	30 days-7 Years	A	No Limit	No Limit
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand	No Limit	No Limit	\$40,000,000 per account
Money Market Funds	Upon Demand	A	No Limit	10%
Investment Agreements	5-7 Years	A	No Limit	No Limit
Other Tax Exempt Obligations	7 years	A	No Limit	No Limit
CAMP (California Asset Management Program)	No Limit	No Limit	No Limit	No Limit

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**E. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity date:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
<b><i>Cash and Investments</i></b>				
<b><i>Available for Operations:</i></b>				
U.S. Government Agency Issues	\$7,901,680	\$2,977,360	\$14,850,330	\$25,729,370
California Local Agency Investment Fund	22,165,307			22,165,307
<b><i>Restricted Cash and Investments</i></b>				
Money Market Funds	4,221,433			4,221,433
Total Investments	<u>\$34,288,420</u>	<u>\$2,977,360</u>	<u>\$14,850,330</u>	52,116,110
<b><i>Demand Deposits</i></b>				
				<u>268,154</u>
				<u>\$52,384,264</u>

The City's investments include the following investments with callable features that make them more sensitive to interest rate fluctuations:

	<u>Fair Value at Year End</u>
FNMA debt security 3% coupon, callable 9/14/05 and 12/14/05; if not called, coupon steps to 4.5% to maturity	\$1,995,620
FNMA debt security 4% coupon, callable 5/9/06	1,000,940

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and 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 obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

**F. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2005 for each investment type as provided by Standard and Poor's investment rating system.

Investment Type	Total
<i>Available for Operations:</i>	
U.S. Government Agency issues (AAA rated)	\$25,729,370
<i>Restricted:</i>	
Money Market (AAA rated)	4,221,433
Totals	29,950,803
<i>Not rated:</i>	
California Local Agency Investment Fund	22,165,307
<i>Exempt From credit rate disclosure</i>	
Demand Deposits	268,154
Total Investments	\$52,384,264

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**G. Concentration of Credit Risk**

The limits contained in the investment policy of the City regarding the amount that can be invested in any one issuer are as stipulated by the California Government Code. Included in the table below are the following significant investments that represent a concentration of 5% or more of investments in any one issuer, other than U. S. Treasury securities, mutual funds and external investment pools at the entity-wide:

Issuer	Amount
Federal National Mortgage Association	\$10,914,651
Federal Home Loan Mortgage Corp	6,919,700
Federal Home Loan Bank	3,963,760
Federal Farm Credit Bank	3,931,260

**H. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

Highly Sensitive Investments	Fair Value at Year End
Fannie Mae debt security 3% coupon, callable 9/14/05 and 12/14/05; if not called, coupon steps to 4.5% to maturity	\$1,995,620
Fannie Mae debt security 4% coupon, callable 5/9/06	1,000,940

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**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, 2005 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount
General Fund	RDA Capital Projects Fund	\$159,956 (A)
	Redevelopment Agency Housing	
	Special Revenue Fund	38,920 (A)
	Non-Major Governmental Funds	927,556 (A)
	Motor Vehicle Pool Internal Service Fund	50,000 (A)
	Information Technology Internal Service Fund	20,675 (A)
RDA Capital Projects Fund	Capital Projects Fund	374,230 (B)
Capital Projects Fund	General Fund	1,391,871 (B)
	RDA Capital Projects Fund	29,502 (B)
	Non-Major Governmental Funds	2,977,053 (B)
COP Debt Service Fund	General Fund	547,104 (C)
	RDA Debt Service Fund	838,891 (A)
RDA Debt Service Fund	General Fund	200,000 (D)
Non-Major Governmental Funds	General Fund	839,531 (A)
	RDA Capital Projects Fund	17,600 (B)
	Redevelopment Agency Housing	
	Special Revenue Fund	6,000 (A)
	Non-Major Governmental Funds	334,451 (A)
		\$8,753,340

- (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, 2005**

**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, 2005, the General Fund had \$482,551 due from 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, 2005, the Agency paid \$227,700 in principal and \$438,890 in interest on these advances. As of June 30, 2005, the outstanding balance was \$8,667,090.

**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, 2005 was \$925,000.

**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, 2005 was \$1,832,927.

**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, 2005, the City had outstanding rehabilitation loans of \$1,254,804 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2005, the City received \$201,684 from all participants, and made new loans totaling \$210,211.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**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. At June 30, 2005, the outstanding balance was \$7,959.

**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

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 5 – CAPITAL ASSETS (Continued)**

**A. Capital Asset Additions and Retirements**

Capital assets at June 30 comprise:

	Balance at June 30, 2004	Additions	Retirements	Transfers	Balance at June 30, 2005
Capital assets not being depreciated:					
Land	\$13,220,889				\$13,220,889
Construction in progress	2,318,918	\$913,128		(\$499,690)	2,732,356
Total capital assets not being depreciated	<u>\$15,539,807</u>	<u>\$913,128</u>		<u>(\$499,690)</u>	<u>\$15,953,245</u>
Capital assets being depreciated:					
Buildings and improvements	\$27,341,193	12,878			\$27,354,071
Other improvements	16,707,852	233,957	(\$128,250)	324,200	17,137,759
Machinery and equipment	6,580,378	690,977	(90,569)		7,180,786
Infrastructure	530,367	2,225,085		175,490	2,930,942
Total capital assets being depreciated	<u>51,159,790</u>	<u>3,162,897</u>	<u>(218,819)</u>	<u>499,690</u>	<u>54,603,558</u>
Less accumulated depreciation for:					
Buildings and improvements	9,404,486	683,530			10,088,016
Other improvements	4,662,751	828,980			5,491,731
Machinery and equipment	4,139,125	692,541	(80,869)		4,750,797
Infrastructure	17,075	17,981			35,056
Total accumulated depreciation	<u>18,223,437</u>	<u>2,223,032</u>	<u>(80,869)</u>		<u>20,365,600</u>
Net book value of capital assets being depreciated	<u>32,936,353</u>	<u>939,865</u>	<u>(137,950)</u>		<u>34,237,958</u>
Governmental activity capital assets, net	<u>\$48,476,160</u>	<u>\$1,852,993</u>	<u>(\$137,950)</u>		<u>\$50,191,203</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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 5 – CAPITAL ASSETS (Continued)**

*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:

General government	\$179,893
Recreation	270,636
Redevelopment	781,110
Public safety	25,974
Public works	346,998
Capital assets held by the City's	
Internal Service Funds	<u>618,421</u>
Total	<u><u>\$2,223,032</u></u>

**NOTE 6 – LAND HELD FOR RESALE**

The Redevelopment Agency owned 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 sale and redevelopment of this property is expected to result in the construction of a three story, mixed use residential over retail development. This transaction was completed on August 26, 2005.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 7 - LONG-TERM DEBT**

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

	Original Issue Amount	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005	Current Portion
<b>Governmental Activity Debt</b>						
General Long Term Debt						
1997 Certificates of Participation						
Civic Center Project, 4.0- 5.25%, due 10/01/28	\$13,480,000	\$13,230,000		\$45,000	\$13,185,000	\$45,000
2002 Refunding Certificates of Participation						
Civic Center Project, 2.5- 5.83%, due 10/01/32	11,930,844	10,925,844		505,000	10,420,844	520,000
1999 RDA Tax Allocation Bonds, Series A&B						
Central Campbell Redevelopment Project, 6.55-6.6%, due 10/01/32	10,690,000	10,665,000		10,665,000		
2002 RDA Tax Allocation Bonds						
Central Campbell Redevelopment Project, 2.75-6.0%, due 10/01/33	15,300,000	14,230,000		360,000	13,870,000	375,000
2005 RDA Tax Allocation Bonds, Series A						
Central Campbell Redevelopment Project, 3.0-5.0%, due 10/01/32	12,300,000		\$12,300,000		12,300,000	155,000
Total Long-Term Debt	<u>\$63,700,844</u>	<u>\$49,050,844</u>	<u>\$12,300,000</u>	<u>\$11,575,000</u>	<u>\$49,775,844</u>	<u>\$1,095,000</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 projects. 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. Principal and interest payments are guaranteed under an insurance policy issued by MBIA Insurance Corporation.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 7—LONG-TERM DEBT (Continued)**

**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 through October 1, 2032.

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. On May 10, 2005, the Bonds were defeased by the Tax Allocation Bonds, Series 2005A as discussed in E below. As of June 30, 2005, the Bond's outstanding balances were \$8,335,000 and \$2,300,000 respectively.

**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 through October 1, 2033.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 7—LONG-TERM DEBT (Continued)**

**E. 2005 Redevelopment Agency Tax Allocation Bonds, Series A**

On May 10, 2005, the Agency issued the Central Campbell Redevelopment Project Tax Allocation Bonds, Series A of \$12,300,000 with interest rates ranging from 3.0% to 5.0%, due October 1, 2032. The Bonds are payable from and secured principally by tax increment revenues generated in the redevelopment area. Net proceeds of the Bonds were used to advance refund the remaining outstanding balance of the City's 1999 Redevelopment Agency Tax Allocation Bonds, Series A and B. Proceeds of \$12,037,854 were placed in an irrevocable trust to provide for future debt service payments of the defeased 1999 Bonds. As a result of the refunding, the aggregate debt service was decreased by \$1,713,703 and an economic gain of \$882,506 was realized. Annual principal payments are due October and semi-annual interest payments are due April 1 and October 1 of each year commencing on October 1, 2005 through October 1, 2032.

**F. 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
2006	\$1,095,000	\$2,257,269
2007	1,075,000	2,310,110
2008	1,105,000	2,271,154
2009	1,550,000	2,226,334
2010	1,605,000	2,164,945
2011-2015	6,585,000	9,890,482
2016-2020	6,295,000	8,553,582
2021-2025	9,255,000	6,706,287
2026-2030	12,320,523	5,023,921
2031-2034	8,890,321	4,812,954
Total payments due	<u>\$49,775,844</u>	<u>\$46,217,039</u>

**G. Debt Service Reserves**

At June 30, 2005, the City had \$7,053,109 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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**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, 2005 was \$305,000 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**

**A.     *Home Depot Sales Tax Sharing***

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. As a result, refunds of \$200,000 were made during the fiscal year ended June 30, 2005.

**B.     *Campbell Avenue LLC***

On February 1, 2005 the Agency entered into a Purchase and Sale Agreement with the Santa Clara Valley Water District (the "Water District") to purchase two parcels totaling 2.84 acres at the northeast corner of W. Campbell Avenue and San Tomas Expressway. The terms of the sale are that the Water District will have developed three water supply wells on the property and sell the balance of the site to Agency for affordable housing. The Agency will leverage its Housing Set-Aside fund to help create low-and-moderate income housing. The agreed-upon purchase price is \$4.5 million.

As a condition of sale, the Agency must manage the design and construction of the water supply wells. On June 21, 2005, the Agency entered into a Project Management Agreement with the Water District to manage the development of the water supply wells.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 9 – DEVELOPMENT AGREEMENTS (Continued)**

On May 1, 2005 the Agency entered into a Disposition, Development and Loan Agreement (the “DDLA”) with Campbell Avenue, LLC, a subsidiary of Charities Housing, a non-profit affordable housing developer. The DDLA outlines the terms and conditions under which the Agency will sell the 2.84 acre parcel mentioned above to Campbell Avenue, LLC, for the development of 40 affordable housing units. The parties have agreed that Campbell Avenue, LLC, will acquire the property from the Agency for the same price the Agency pays the Water District for the land. However, the Agency will loan Campbell Avenue, LLC, \$3,872,187 to help subsidize the land acquisition and development costs. Under the terms of the promissory note, the loan will be forgiven upon the sale of the homes at below market rates. As of June 30, 2005, the Agency has given Campbell Avenue, LLC, \$100,454 for pre-development costs.

**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.

*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, 2005, reservations included:

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

Reserve for **land held for resale** represents the portion of fund balance set aside for carrying value of property held by the Redevelopment Agency, which is reserved since it is not an available spendable resource.

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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)**

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, 2005 designations included designated for **approved projects**, representing the portion of fund balance set aside for authorized capital improvement projects.

At June 30, 2005, General fund balance designations included:

<b>Designated for:</b>	
Operations	\$1,387,931
Capital improvements	2,055,493
Emergencies	2,775,861
Community Center - operations	64,331
Construction tax	414,180
Future advances to RDA	2,000,000
Liability insurance	427,824
Carryover capital projects	3,428,985
Economic fluctuations	6,850,000
Heritage Theater operations	644,099
Unemployment self-insurance	135,601
PERS	1,207,000
	\$21,391,305
	\$21,391,305

**D. Fund Equity Deficit**

The RDA Debt Service Fund had a deficit of \$2,090,894 as of June 30, 2005. This deficit is expected to be eliminated by future tax increment from development in the area.

The Workers' Compensation Self Insurance Internal Service Fund had a deficit of \$488,319 as of June 30, 2005. This deficit is expected to be eliminated by future charges to operating departments.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**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 others) 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, 2005, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
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	29.515%	7.671%

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 7.75% is assumed, including inflation at 3.00%. 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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 11 - PENSION PLAN (Continued)**

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
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%
2003	34,674,752	27,987,116	6,687,636	80.7%	4,227,855	158.2%

*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
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%)
2003	36,878,676	35,160,192	1,718,484	95.3%	8,522,995	20.2%

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, 2005**

**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, 2003:

	Safety	Miscellaneous
Beginning Balance 6/30/02	\$27,729,528	\$34,335,345
Contributions received	394,597	639,953
Benefits and Refunds Paid	(1,024,694)	(1,002,523)
Investment Earnings Credited	2,262,210	2,818,006
Expected Actuarial Value of Assets 6/30/03	\$29,361,641	\$36,790,781
Market Value of Assets 6/30/03	\$25,442,833	\$31,963,811
Actuarial Value of Assets 6/30/03	\$27,987,116	\$35,160,192

Additional disclosures will be included when made available by PERS.

Actuarially required employer contributions for both plans for fiscal years 2005, 2004, and 2003 were \$2,097,474, \$200,959 and \$0, respectively.

As required by new State law, effective July 1, 2005, the City's Safety Plan was terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its Safety Plan's liability of \$6,687,636 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 16 years.

**B. Other Retirement System**

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

Under PARS, employees contribute 6.2% and the City contributes 1.3% of the employees' salary each pay period. For the fiscal year ending June 30, 2005, total contributions of \$113,157 were made based on covered compensation of \$1,508,708.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 11 - PENSION PLAN (Continued)**

**C. *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.

**D. *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, 20 retirees meet eligibility requirements. The City provides up to \$220 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, 2005, the City incurred \$41,596 in costs related to providing this benefit.

**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 obtains 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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 12 - RISK MANAGEMENT (Continued)**

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:

	2005			2004
	Worker's Compensation	General Liability	Total	
Beginning claims payable balance	\$2,075,692	\$134,000	\$2,209,692	\$1,543,590
Liability for current fiscal year claims	404,888	5,053	409,941	201,287
Increase (decrease) in estimated liability for prior fiscal year claims	615,890	56,837	672,727	974,726
Claims paid	(436,675)	(61,890)	(498,565)	(509,911)
Ending claims payable balance	<u>\$2,659,795</u>	<u>\$134,000</u>	<u>\$2,793,795</u>	<u>\$2,209,692</u>

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

In fiscal year 2005, the State of California directed that a portion of the incremental property received in fiscal year 2004 by redevelopment agencies be shifted to local educational agencies. During the fiscal year ended June 30, 2005, the General Fund and the Redevelopment Agency paid \$557,992 and \$513,691, respectively, 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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2005**

**NOTE 14 - JOINT POWERS AGREEMENT (Continued)**

**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, 2005 the City contributed \$293,933 to the Authority for field services and sheltering costs. The City also contributed \$81,363 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 \$21,737,590 and had a net book value of \$15,494,781 at June 30, 2005. Rental income from leases during the fiscal year ended June 30, 2005 amounted to \$1,146,785. Major tenants include John F. Kennedy University College and Magpie Internet Communications.

Minimum future lease rentals in excess of one year were as follows at June 30, 2005:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$808,504
2007	515,007
2008	200,994
2009	135,088
2010	88,448
Total minimum future lease rentals	\$1,748,041

**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.

<b>MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS</b>
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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 2002 and 2005 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, 2005

	Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES			
Debt service			
Principal payments	\$550,000	\$550,000	
Interest and fiscal fees	1,063,522	1,063,695	(\$173)
Total Expenditures	1,613,522	1,613,695	(173)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,613,522)	(1,613,695)	(173)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,613,522	1,385,995	(227,527)
Total Other Financing Sources (Uses)	1,613,522	1,385,995	(227,527)
NET CHANGE IN FUND BALANCE	(227,700)	(227,700)	(227,700)
BEGINNING FUND BALANCE		8,894,790	
ENDING FUND BALANCE		\$8,667,090	

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, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$4,228,000	\$4,268,551	\$40,551
Less: educational revenue augmentation fund payment	(513,691)	(513,691)	
Investment income	98,000	187,327	89,327
<b>Total Revenues</b>	<u>3,812,309</u>	<u>3,942,187</u>	<u>129,878</u>
EXPENDITURES			
Current:			
Redevelopment	203,971	260,682	(56,711)
Pass-thru payments	596,030	596,030	
Debt Service			
Principal payments	390,000	390,000	
Interest and fiscal fees	2,476,025	2,004,917	471,108
<b>Total Expenditures</b>	<u>3,666,026</u>	<u>3,251,629</u>	<u>414,397</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>146,283</u>	<u>690,558</u>	<u>544,275</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt issue	12,300,000	12,300,000	
Bond issuance premium	325,712	325,712	
Payment to refunded bond escrow agent	(12,037,854)	(12,037,854)	
Transfers in	200,000	200,000	
Transfers (out)	(888,983)	(838,891)	50,092
<b>Total Other Financing Sources (Uses)</b>	<u>(101,125)</u>	<u>(51,033)</u>	<u>50,092</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$45,158</u>	639,525	<u>\$594,367</u>
BEGINNING FUND BALANCE		(2,730,419)	
ENDING FUND BALANCE		<u>(\$2,090,894)</u>	

See Accompanying Notes to Financial Statements

<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**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.

***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, 2005

	SPECIAL REVENUE FUNDS				
	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Other Grants
ASSETS					
Cash and investments		\$2,152,733	\$198,453	\$49,550	
Restricted cash and investments					
Receivables:					
Taxes			3,291		
Accounts	\$67,842		5,229	53,929	\$678,556
Notes and loans				1,254,804	
Total Assets	<u>\$67,842</u>	<u>\$2,152,733</u>	<u>\$206,973</u>	<u>\$1,358,283</u>	<u>\$678,556</u>
LIABILITIES					
Accounts payable	\$14,161		\$61,849	\$22,807	
Accrued payroll	12,827		31,032	1,958	
Due to other funds					\$482,551
Deferred revenue					64,269
Accrued vacation and sick leave	23,181		44,636	7,858	
Total Liabilities	<u>50,169</u>		<u>137,517</u>	<u>32,623</u>	<u>546,820</u>
FUND BALANCES					
Fund balance					
Reserved for encumbrances	4,826		15,579		
Reserved for capital projects					
Reserved for notes receivable				1,254,804	
Unreserved					
Undesignated	12,847	\$2,152,733	53,877	70,856	131,736
TOTAL FUND BALANCES	<u>17,673</u>	<u>2,152,733</u>	<u>69,456</u>	<u>1,325,660</u>	<u>131,736</u>
Total Liabilities and Fund Balances	<u>\$67,842</u>	<u>\$2,152,733</u>	<u>\$206,973</u>	<u>\$1,358,283</u>	<u>\$678,556</u>

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS		Total Non-major Governmental Funds
Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	Heritage Theater	COP Projects	2002 RDA TAB Capital Projects	
\$3,910	\$835,041	\$100,315	\$187,484	\$121,650	\$953,642	\$4,003,023	\$8,605,801
20,000	15,433						3,291
							840,989
							1,254,804
<u>\$23,910</u>	<u>\$850,474</u>	<u>\$100,315</u>	<u>\$187,484</u>	<u>\$121,650</u>	<u>\$953,642</u>	<u>\$4,003,023</u>	<u>\$10,704,885</u>
							\$98,817
							45,817
		\$99,862					482,551
							164,131
							75,675
		<u>99,862</u>					<u>866,991</u>
							20,405
				\$121,650	\$953,642	\$4,003,023	5,078,315
							1,254,804
<u>\$23,910</u>	<u>\$850,474</u>	<u>453</u>	<u>\$187,484</u>				<u>3,484,370</u>
<u>23,910</u>	<u>850,474</u>	<u>453</u>	<u>187,484</u>	<u>121,650</u>	<u>953,642</u>	<u>4,003,023</u>	<u>9,837,894</u>
<u>\$23,910</u>	<u>\$850,474</u>	<u>\$100,315</u>	<u>\$187,484</u>	<u>\$121,650</u>	<u>\$953,642</u>	<u>\$4,003,023</u>	<u>\$10,704,885</u>

CITY OF CAMPBELL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Other Grants
<b>REVENUES</b>					
Property taxes			\$573,823		
Special assessments			1,098,021		
Investment income		\$51,877	2,108	\$18,328	\$6,385
Intergovernmental revenues	\$729,066		4,912	174,500	797,363
Charges for services				38,657	
Asset seizure					
Donations					
Parkland dedication fees		637,022			
Miscellaneous revenues			44,122	769	
<b>Total Revenues</b>	<u>729,066</u>	<u>688,899</u>	<u>1,722,986</u>	<u>232,254</u>	<u>803,748</u>
<b>EXPENDITURES</b>					
Current:					
Community development				268,658	
Public safety					
Public works	964,442		2,213,712		
Capital outlay			32,727		
<b>Total Expenditures</b>	<u>964,442</u>		<u>2,246,439</u>	<u>268,658</u>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(235,376)</u>	<u>688,899</u>	<u>(523,453)</u>	<u>(36,404)</u>	<u>803,748</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	298,673		892,909	6,000	
Transfers (out)	(45,624)	(295,614)	(300,000)		(870,035)
<b>Total Other Financing Sources (Uses)</b>	<u>253,049</u>	<u>(295,614)</u>	<u>592,909</u>	<u>6,000</u>	<u>(870,035)</u>
<b>NET CHANGE IN FUND BALANCES</b>	17,673	393,285	69,456	(30,404)	(66,287)
<b>BEGINNING FUND BALANCES (DEFICITS)</b>		<u>1,759,448</u>		<u>1,356,064</u>	<u>198,023</u>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<u>\$17,673</u>	<u>\$2,152,733</u>	<u>\$69,456</u>	<u>\$1,325,660</u>	<u>\$131,736</u>

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds
Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	Heritage Theater	COP Projects	2002 RDA TAB Capital Projects	
							\$573,823
							1,098,021
	\$7,235	\$2,740	\$4,553	\$4,704	\$26,994	\$116,496	241,420
		100,000					1,805,841
	560,196						598,853
\$20,000							20,000
			70,752	51,000			121,752
							637,022
	80,231						125,122
<u>20,000</u>	<u>647,662</u>	<u>102,740</u>	<u>75,305</u>	<u>55,704</u>	<u>26,994</u>	<u>116,496</u>	<u>5,221,854</u>
							268,658
		102,741					102,741
							3,178,154
							32,727
							3,582,280
<u>20,000</u>	<u>647,662</u>	<u>(1)</u>	<u>75,305</u>	<u>55,704</u>	<u>26,994</u>	<u>116,496</u>	<u>1,639,574</u>
							1,197,582
<u>(5,000)</u>	<u>(1,021,370)</u>		<u>(41,457)</u>	<u>(66,607)</u>	<u>(603,440)</u>	<u>(989,913)</u>	<u>(4,239,060)</u>
<u>(5,000)</u>	<u>(1,021,370)</u>		<u>(41,457)</u>	<u>(66,607)</u>	<u>(603,440)</u>	<u>(989,913)</u>	<u>(3,041,478)</u>
15,000	(373,708)	(1)	33,848	(10,903)	(576,446)	(873,417)	(1,401,904)
8,910	1,224,182	454	153,636	132,553	1,530,088	4,876,440	11,239,798
<u>\$23,910</u>	<u>\$850,474</u>	<u>\$453</u>	<u>\$187,484</u>	<u>\$121,650</u>	<u>\$953,642</u>	<u>\$4,003,023</u>	<u>\$9,837,894</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, 2005

	GAS TAX			PARKLAND DEDICATION FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property tax						
Special assessments						
Investment income					\$51,877	\$51,877
Intergovernmental revenues	\$776,000	\$729,066	(\$46,934)			
Charges for services						
Asset seizures						
Donations						
Parkland dedication fees					637,022	637,022
Miscellaneous revenue						
Total Revenues	776,000	729,066	(46,934)		688,899	688,899
EXPENDITURES						
Current						
Community development						
Public safety						
Public works	1,033,171	964,442	68,729			
Capital outlay						
Total Expenditures	1,033,171	964,442	68,729			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(257,171)	(235,376)	21,795		688,899	688,899
OTHER FINANCING SOURCES (USES)						
Transfers in	302,795	298,673	(4,122)			
Transfers (out)	(45,624)	(45,624)		(\$840,509)	(295,614)	544,895
Total Other Financing Sources (Uses)	257,171	253,049	(4,122)	(840,509)	(295,614)	544,895
NET CHANGE IN FUND BALANCE		17,673	\$17,673	(\$840,509)	393,285	\$1,233,794
BEGINNING FUND BALANCES					1,759,448	
ENDING FUND BALANCES		\$17,673			\$2,152,733	

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)
\$500,000	\$573,823	\$73,823						
1,125,000	1,098,021	(26,979)						
	2,108	2,108	\$10,000	\$18,328	\$8,328		\$6,385	\$6,385
	4,912	4,912	166,445	174,500	8,055	\$3,039,197	797,363	(2,241,834)
			47,250	38,657	(8,593)			
<u>15,000</u>	<u>44,122</u>	<u>29,122</u>	<u>75,000</u>	<u>769</u>	<u>(74,231)</u>			
<u>1,640,000</u>	<u>1,722,986</u>	<u>82,986</u>	<u>298,695</u>	<u>232,254</u>	<u>(66,441)</u>	<u>3,039,197</u>	<u>803,748</u>	<u>(2,235,449)</u>
			401,267	268,658	132,609			
2,380,055	2,213,712	166,343						
34,000	32,727	1,273						
<u>2,414,055</u>	<u>2,246,439</u>	<u>167,616</u>	<u>401,267</u>	<u>268,658</u>	<u>132,609</u>			
<u>(774,055)</u>	<u>(523,453)</u>	<u>250,602</u>	<u>(102,572)</u>	<u>(36,404)</u>	<u>66,168</u>	<u>3,039,197</u>	<u>803,748</u>	<u>(2,235,449)</u>
1,074,055	892,909	(181,146)	6,000	6,000				
(450,000)	(300,000)	150,000				(4,354,197)	(870,035)	3,484,162
<u>624,055</u>	<u>592,909</u>	<u>(31,146)</u>	<u>6,000</u>	<u>6,000</u>		<u>(4,354,197)</u>	<u>(870,035)</u>	<u>3,484,162</u>
<u>(\$150,000)</u>	<u>69,456</u>	<u>\$219,456</u>	<u>(\$96,572)</u>	<u>(30,404)</u>	<u>\$66,168</u>	<u>(\$1,315,000)</u>	<u>(66,287)</u>	<u>\$1,248,713</u>
				1,356,064			198,023	
	<u>\$69,456</u>			<u>\$1,325,660</u>			<u>\$131,736</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, 2005

	DRUG ENFORCEMENT REVENUE			ENVIRONMENTAL SERVICES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property tax						
Special assessments						
Investment income				\$10,000	\$7,235	(\$2,765)
Intergovernmental revenues				2,500		(2,500)
Charges for services				500,900	560,196	59,296
Asset seizures	\$5,000	\$20,000	\$15,000			
Donations						
Parkland dedication fees						
Miscellaneous revenue				52,000	80,231	28,231
<b>Total Revenues</b>	<b>5,000</b>	<b>20,000</b>	<b>15,000</b>	<b>565,400</b>	<b>647,662</b>	<b>82,262</b>
EXPENDITURES						
Current						
Community development						
Public safety						
Public works						
Capital outlay						
<b>Total Expenditures</b>						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,000	20,000	15,000	565,400	647,662	82,262
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(5,000)	(5,000)		(1,042,827)	(1,021,370)	21,457
<b>Total Other Financing Sources (Uses)</b>	<b>(5,000)</b>	<b>(5,000)</b>		<b>(1,042,827)</b>	<b>(1,021,370)</b>	<b>21,457</b>
NET CHANGE IN FUND BALANCE		15,000	\$15,000	(\$477,427)	(373,708)	\$103,719
BEGINNING FUND BALANCES		8,910			1,224,182	
ENDING FUND BALANCES		\$23,910			\$850,474	

SUPPLEMENTAL LAW ENFORCEMENT			MUSEUM AND ADULT CENTER			TOTALS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$500,000	\$573,823	\$73,823
						1,125,000	1,098,021	(26,979)
\$100,000	\$2,740 100,000	\$2,740	\$2,000	\$4,553	\$2,553	22,000	93,226	71,226
						4,084,142	1,805,841	(2,278,301)
						548,150	598,853	50,703
						5,000	20,000	15,000
			22,200	70,752	48,552	22,200	70,752	48,552
							637,022	637,022
						142,000	125,122	(16,878)
100,000	102,740	2,740	24,200	75,305	51,105	6,448,492	5,022,660	(1,425,832)
100,000	102,741	(2,741)				401,267	268,658	132,609
						100,000	102,741	(2,741)
						3,413,226	3,178,154	235,072
						34,000	32,727	1,273
100,000	102,741	(2,741)				3,948,493	3,582,280	366,213
	(1)	(1)	24,200	75,305	51,105	2,499,999	1,440,380	(1,059,619)
			(43,930)	(41,457)	2,473	1,382,850	1,197,582	(185,268)
						(6,782,087)	(2,579,100)	4,202,987
			(43,930)	(41,457)	2,473	(5,399,237)	(1,381,518)	4,017,719
	(1)	(\$1)	(\$19,730)	33,848	\$53,578	(\$2,899,238)	58,862	\$2,958,100
	454			153,636			4,700,717	
	\$453			\$187,484			\$4,759,579	

## 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, 2005

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$1,122,137	\$2,052,028	\$1,778,899	\$4,953,064
Deposits		152,816	19,800	172,616
Total current assets	<u>1,122,137</u>	<u>2,204,844</u>	<u>1,798,699</u>	<u>5,125,680</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:	<u>1,107,931</u>		<u>1,068,480</u>	<u>2,176,411</u>
Total assets	<u>2,230,068</u>	<u>2,204,844</u>	<u>2,867,179</u>	<u>7,302,091</u>
<b>LIABILITIES</b>				
Accounts payable	21,232	33,368	56,448	111,048
Accrued vacation and sick leave	14,732			14,732
Claims and judgments payable		2,659,795		2,659,795
Accrued payroll and payroll taxes	<u>6,681</u>			<u>6,681</u>
Total current liabilities	<u>42,645</u>	<u>2,693,163</u>	<u>56,448</u>	<u>2,792,256</u>
Total liabilities	<u>42,645</u>	<u>2,693,163</u>	<u>56,448</u>	<u>2,792,256</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,107,931		1,068,480	2,176,411
Unrestricted	<u>1,079,492</u>	<u>(488,319)</u>	<u>1,742,251</u>	<u>2,333,424</u>
Total net assets	<u>\$2,187,423</u>	<u>(\$488,319)</u>	<u>\$2,810,731</u>	<u>\$4,509,835</u>

CITY OF CAMPBELL  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2005

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
<b>OPERATING REVENUES</b>				
Charges to operating department	\$841,341	\$511,429	\$1,043,471	\$2,396,241
Other	23,190		9,305	32,495
<b>Total Operating Revenues</b>	<b>864,531</b>	<b>511,429</b>	<b>1,052,776</b>	<b>2,428,736</b>
<b>OPERATING EXPENSES</b>				
Personnel services	271,535	27,821		299,356
Services and supplies	391,479	1,187,133	998,883	2,577,495
Depreciation	249,881		368,540	618,421
<b>Total Operating Expenses</b>	<b>912,895</b>	<b>1,214,954</b>	<b>1,367,423</b>	<b>3,495,272</b>
<b>Operating (Loss)</b>	<b>(48,364)</b>	<b>(703,525)</b>	<b>(314,647)</b>	<b>(1,066,536)</b>
<b>NONOPERATING REVENUES:</b>				
Loss on sale of capital assets	(9,698)			(9,698)
<b>Total Nonoperating (Expenses)</b>	<b>(9,698)</b>			<b>(9,698)</b>
Contributed capital	11,026		18,157	29,183
Transfers (out)	(50,000)		(20,675)	(70,675)
<b>Net Transfer and Contribution</b>	<b>(38,974)</b>		<b>(2,518)</b>	<b>(41,492)</b>
<b>Change in net assets</b>	<b>(97,036)</b>	<b>(703,525)</b>	<b>(317,165)</b>	<b>(1,117,726)</b>
<b>Total net assets-beginning</b>	<b>2,284,459</b>	<b>215,206</b>	<b>3,127,896</b>	<b>5,627,561</b>
<b>Total net assets-ending</b>	<b>\$2,187,423</b>	<b>(\$488,319)</b>	<b>\$2,810,731</b>	<b>\$4,509,835</b>

CITY OF CAMPBELL  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$864,531	\$511,429	\$1,052,776	\$2,428,736
Payments to suppliers	(384,283)	(565,536)	(1,029,502)	(1,979,321)
Payments to employees	(274,307)	(27,821)		(302,128)
Net cash provided (used) by operating activities	<u>205,941</u>	<u>(81,928)</u>	<u>23,274</u>	<u>147,287</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
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>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	11,026		18,157	29,183
Acquisition of capital assets	(266,671)		(372,000)	(638,671)
Cash Flows from Capital and Related Financing Activities	<u>(255,645)</u>		<u>(353,843)</u>	<u>(609,488)</u>
Net increase (decrease) in cash and cash equivalents	(99,704)	(81,928)	(351,244)	(532,876)
Cash and investments at beginning of period	<u>1,221,841</u>	<u>2,133,956</u>	<u>2,130,143</u>	<u>5,485,940</u>
Cash and investments at end of period	<u><u>\$1,122,137</u></u>	<u><u>\$2,052,028</u></u>	<u><u>\$1,778,899</u></u>	<u><u>\$4,953,064</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	(\$48,364)	(\$703,525)	(\$314,647)	(1,066,536)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	249,881		368,540	618,421
Change in assets and liabilities:				
Accounts and other receivables		22,114	(19,800)	2,314
Accounts and other payables	7,196	15,380	(10,819)	11,757
Accrued payroll and payroll taxes	(4,157)			(4,157)
Accrued vacation and sick leave	1,385			1,385
Claims and judgments payable		584,103		584,103
Net cash provided by operating activities	<u><u>\$205,941</u></u>	<u><u>(\$81,928)</u></u>	<u><u>\$23,274</u></u>	<u><u>\$147,287</u></u>

<b>FIDUCIARY FUNDS</b>
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**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.

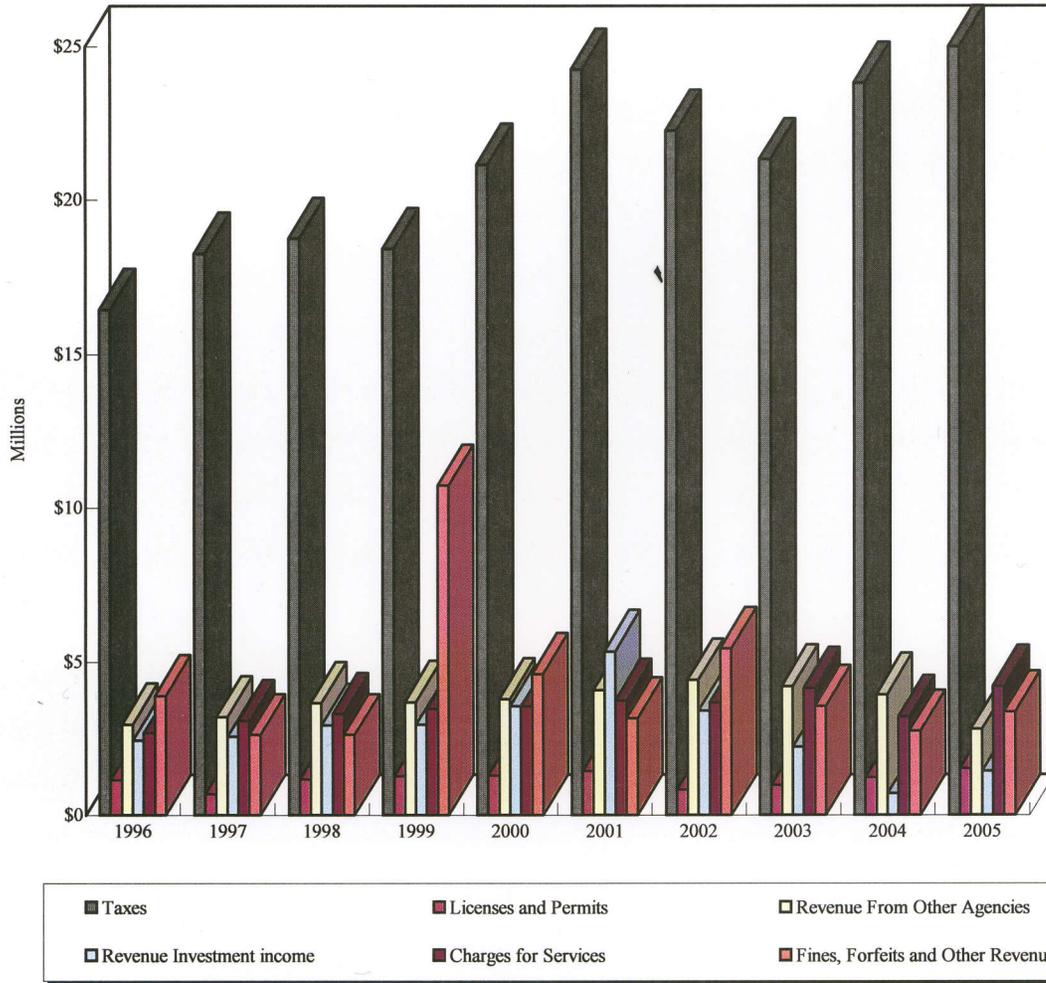
*1915 Act Bond Agency Fund* – Accounts for the assessments received and the payment of principal and interest under the Improvement Bond Act of 1915.

CITY OF CAMPBELL  
 AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
<hr/> <u>West Valley Solid Waste Management Authority</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$91,419	\$68,931	\$48,472	\$111,878
Total Assets	<u>\$91,419</u>	<u>\$68,931</u>	<u>\$48,472</u>	<u>\$111,878</u>
<u>Liabilities</u>				
Accounts payable	\$3,674	\$41,857	\$3,674	\$41,857
Payable to West Valley Sold Waste JPA	87,745	27,074	44,798	70,021
Total Liabilities	<u>\$91,419</u>	<u>\$68,931</u>	<u>\$48,472</u>	<u>\$111,878</u>
<hr/> <u>1915 Act Bonds</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$103,789	\$74,057	\$56,933	\$120,913
Accounts receivable	482,390		80,547	401,843
Total Assets	<u>\$586,179</u>	<u>\$74,057</u>	<u>\$137,480</u>	<u>\$522,756</u>
<u>Liabilities</u>				
Accounts payable		\$10		10
Due to bondholders	586,179	74,047	\$137,480	522,746
Total Liabilities	<u>\$586,179</u>	<u>\$74,057</u>	<u>\$137,480</u>	<u>\$522,756</u>
<hr/> <u>Total Agency Funds</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$195,208	\$142,988	\$105,405	\$232,791
Accounts receivable	482,390		80,547	401,843
Total Assets	<u>\$677,598</u>	<u>\$142,988</u>	<u>\$185,952</u>	<u>\$634,634</u>
<u>Liabilities</u>				
Accounts payable	\$3,674	\$41,867	\$3,674	\$41,867
Payable to West Valley Sold Waste JPA	87,745	27,074	44,798	70,021
Due to bondholders	586,179	74,047	137,480	522,746
Total Liabilities	<u>\$677,598</u>	<u>\$142,988</u>	<u>\$185,952</u>	<u>\$634,634</u>

# *Statistical Section*

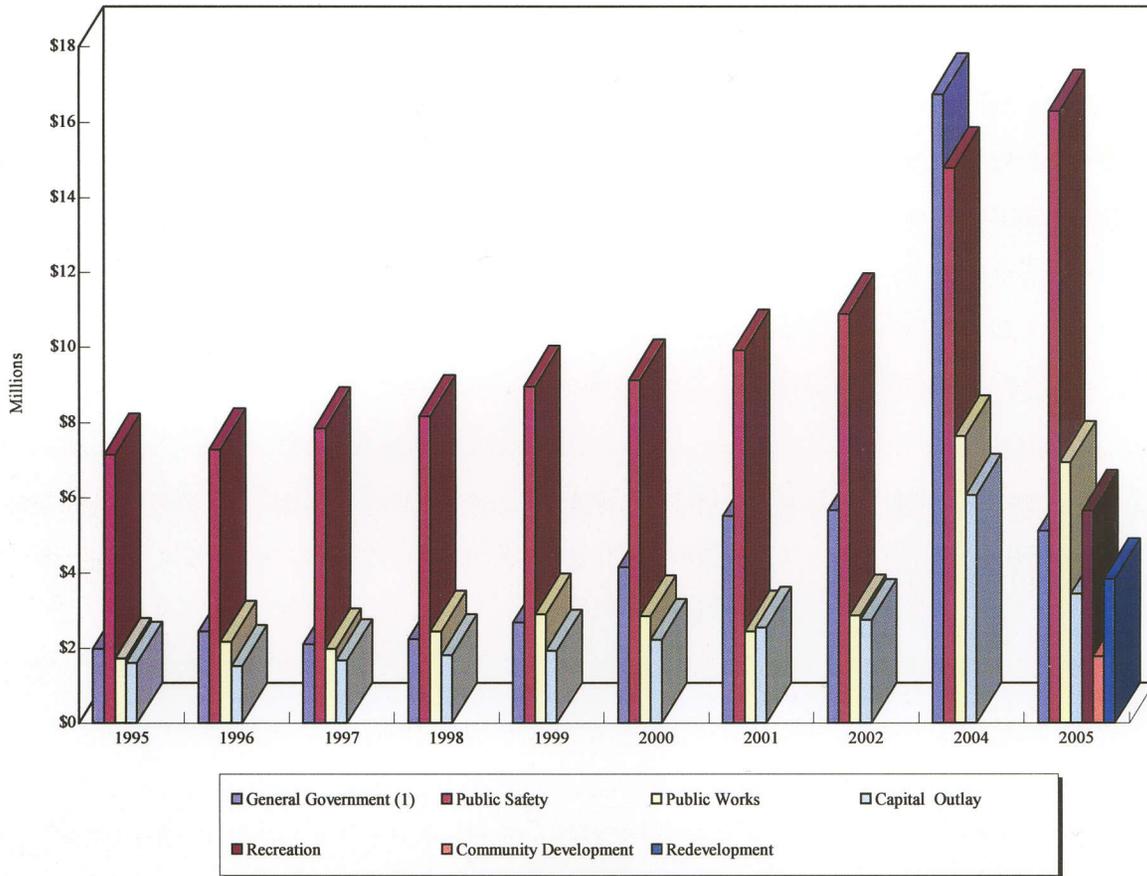
**CITY OF CAMPBELL  
GENERAL REVENUES BY SOURCE  
ALL GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Licenses and Permits	Revenue From Other Agencies	Investment income	Charges for Services	Fines, Forfeits and Other Revenue	Total
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
2005	24,983,000	1,529,633	2,804,404	1,441,555	4,195,509	3,371,558	38,325,659

Source: City Operating Budget and City Annual Financial Report

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



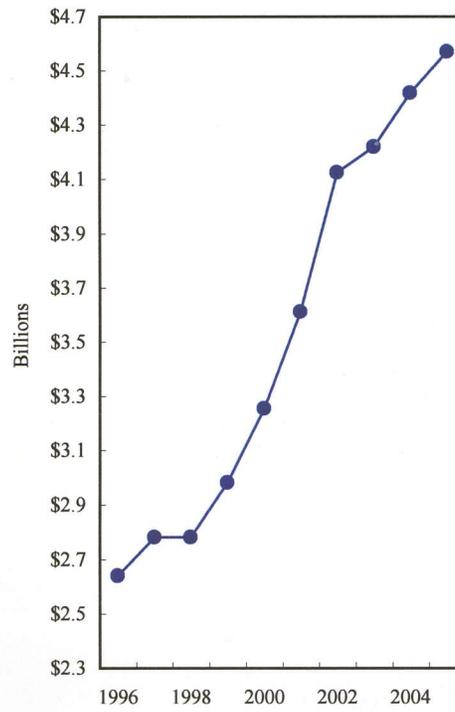
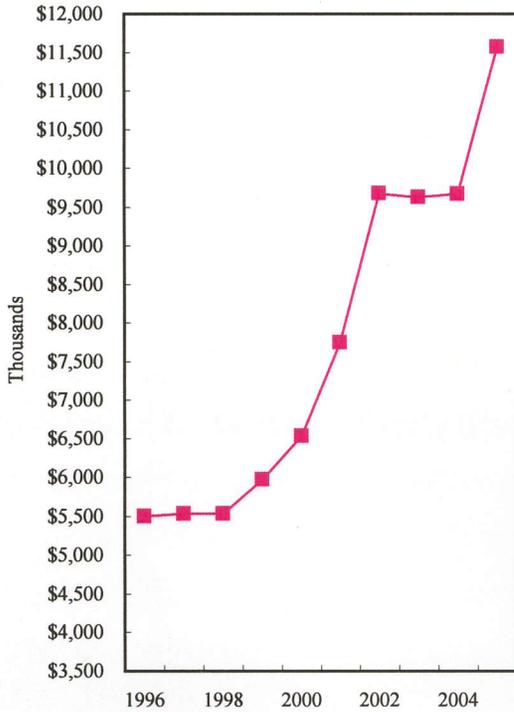
Fiscal Year	General Government	(A) Recreation	(A) Community Development	(A) Redevelopment	Public Safety	Public Works	Capital Outlay	Total
1996	\$10,433,989				\$9,094,666	\$4,334,411	\$2,172,312	\$26,035,378
1997	11,279,734				9,423,769	4,652,254	3,814,828	29,170,585
1998	11,491,279				10,007,787	4,863,339	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
2005	5,129,901	\$5,648,237	\$1,783,173	\$3,828,595	16,291,215	6,936,049	3,437,352	43,054,522

Source: City Annual Financial Report

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

(A) Recreation, Community Development, and Redevelopment Agency were separated from General Government in 2005.

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



■ Tax Collections

● Value of Property

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)
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
2005	11,567,188	11,567,188	100%	-	11,567,188	4,569,795,226

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.

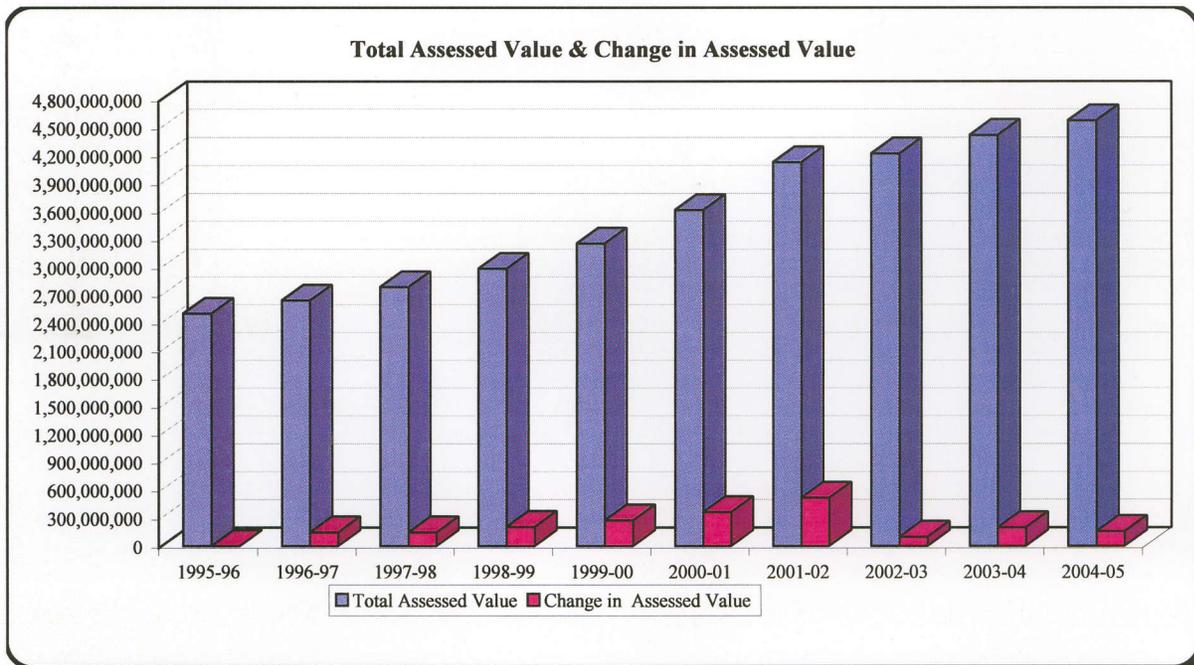
Source (1) County of Santa Clara, Department of Finance  
(2) City of Campbell, Finance Department

**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>
1995-96	\$2,239,531,169	\$43,811,600	\$2,573,066	\$211,770,328	\$2,497,686,163	2.26%
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%
2004-05	4,284,786,207	44,648,800	322,756	240,037,463	4,569,795,226	3.47%

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.

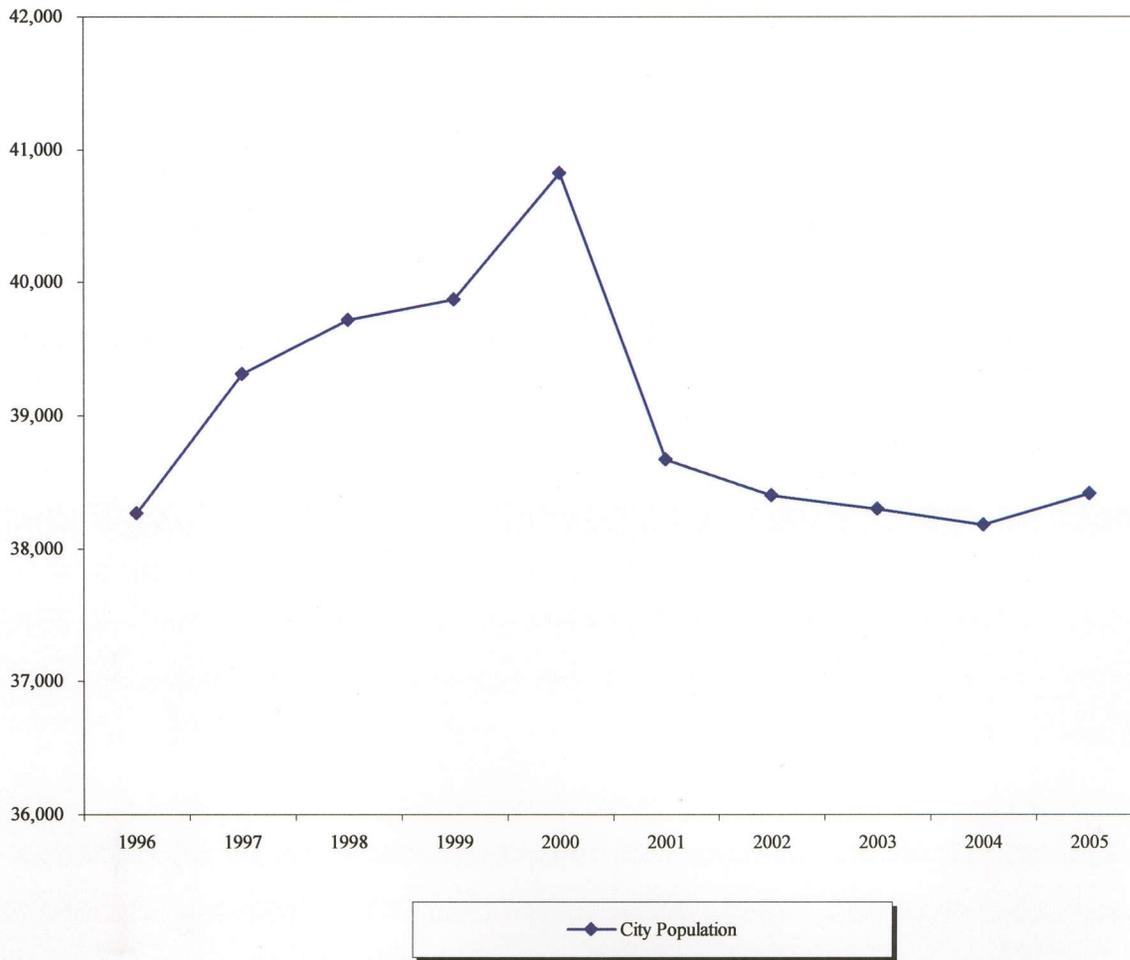


**CITY OF CAMPBELL**  
**Property Tax Rates - All Overlapping Governments**  
**Last Ten Fiscal Years**

	<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>	<u>2005</u>
County retirement	\$0.034	\$0.034	\$0.039	\$0.039	\$0.032	\$0.036	\$0.036	\$0.039	\$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	0.140
High school bonds						0.009	0.016	0.017	0.022	0.020
County Sanitation District 4 bonds	0.003									
Loan repay - Moreland	0.037		0.058	0.055	0.058					
SCVWD - state water project	0.007	0.008	0.008	0.006	0.007	0.006	0.005	0.006	0.008	0.009
SCVWD - District Zone W-1	0.003	0.003	0.002	0.002	0.002	0.002	0.001	0.001	0.001	0.001
<b>Tax rate per \$100 of assessed value</b>	<b><u>\$1.097</u></b>	<b><u>\$1.170</u></b>	<b><u>\$1.114</u></b>	<b><u>\$1.140</u></b>	<b><u>\$1.134</u></b>	<b><u>\$1.110</u></b>	<b><u>\$1.113</u></b>	<b><u>\$1.141</u></b>	<b><u>\$1.183</u></b>	<b><u>\$1.211</u></b>

Source: County of Santa Clara, Department of Finance

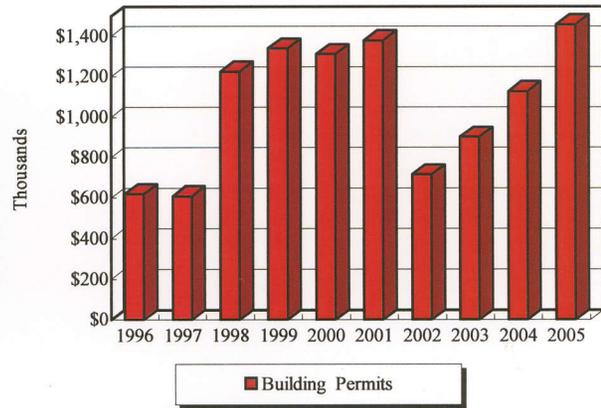
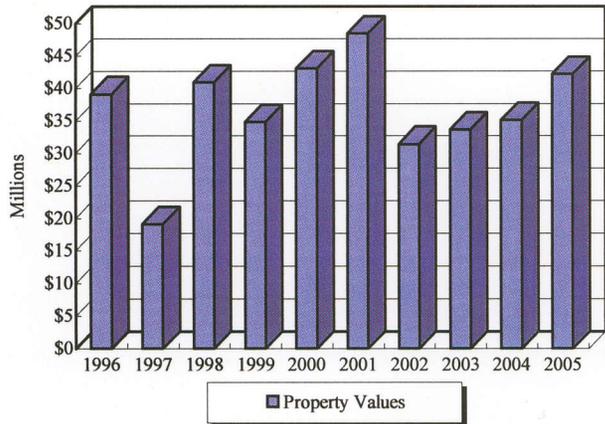
**CITY OF CAMPBELL  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>City Population</u>	<u>Santa Clara County Population</u>	<u>City Population % of County</u>	<u>Number of Housing Units</u>
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
2005	38,415	1,759,585	2.2%	16,459

Source: State of California Department of Finance

**CITY OF CAMPBELL  
PROPERTY VALUES, CONSTRUCTION AND BUSINESS LICENSE PERMITS  
LAST TEN FISCAL YEARS**



Fiscal Year	Estimated Valuation (2)	Value of Building Permits Issued (1)	Value of Business Licenses Issued (3)
1996	\$39,059,374	\$618,992	\$194,758
1997	19,028,482	608,447	196,222
1998	40,887,260	1,222,768	197,525
1999	34,752,025	1,338,379	193,844
2000	43,018,499	1,310,188	198,501
2001	48,453,049	1,377,798	189,903
2002	31,396,804	713,702	194,663
2003	33,586,048	899,509	195,219
2004	35,104,086	1,125,744	203,520
2005	42,173,110	1,456,731	201,655

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, 2005**

**Date of Incorporation:**  
 March 28, 1952

**Election:**  
 Registered Voters: 22,700

**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: 15,715  
  
 Percentage of Voters  
 Voting: 69.00%

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Population (January 1) <sup>(1)(8)(9)</sup>	38,415	38,179	38,300	38,401	38,138	40,826
Area - Square Miles <sup>(2)</sup>	6.5	6.5	6.5	6.5	6.5	6.5
<b>Public Safety:</b>						
Number of Police Stations	1	1	1	1	1	1
Number of Police Employees	65	65	65	65	65	65
Number of Fire Stations <sup>(3)</sup>	2	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	14.3 / 74.0
Miles of Sewers (Storm / Sanitary) <sup>(4)</sup>	41.5 / 484.0	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	74.5
Street Lights	2,362	2,362	2,362	2,325	2,241	2,241
Parks - Number of Acres	85.95	85.95	85.95	85.95	85.95	85.95
Number of Households <sup>(1)(5)(8)</sup>	16,384	16,384	16,384	16,381	15,920	16,552
Average Household Size <sup>(5)(8)(9)</sup>	2.37	2.38	2.37	2.38	2.38	2.54
Jobs per Household <sup>(2)(5)(8)</sup>	1.35	1.35	1.48	1.35	1.75	1.77
Employed Residents <sup>(5)</sup>	27,840	27,840	24,180	25,053	25,500	27,840
Mean Household Income <sup>(5)</sup>	\$97,731	\$97,400	\$96,000	\$97,400	\$74,200	\$74,200
Median Home Value <sup>(7)</sup>	\$740,000	\$575,000	\$617,500	\$617,500	\$470,000	\$504,250
% of Adults over 25 with Bachelor's Degree or Higher <sup>(6)(9)</sup>	48.00%	48.00%	42.20%	42.20%	42.00%	30.80%

<sup>(1)</sup> California Department of Finance

<sup>(2)</sup> Campbell Community Development Dept.

<sup>(3)</sup> Contracted Services

<sup>(4)</sup> West Valley Sanitation District

<sup>(5)</sup> ABAG Projections

<sup>(6)</sup> CACI, Inc.

<sup>(7)</sup> Santa Clara County Association of Realtors

<sup>(8)</sup> 2000 Census

<sup>(9)</sup> 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>
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%
2004-05	57,710	73,952	128.1%

Source: City of Campbell, Department of Finance

**CITY OF CAMPBELL**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2005**

2004-05 Assessed Valuation	\$4,569,795,226
Less: Redevelopment Incremental Valuation	(493,301,419)
Total Adjusted Assessed Valuation	\$4,076,493,807

Description	% Applicable	Debt June 30, 2004
<b><u>Overlapping Tax and Assessment Debt:</u></b>		
Santa Clara County Flood Control and Water Conservation District, Zone W-1	2.497%	\$93,887
Campbell Union High School District	18.022	16,928,966
Campbell Union School District	28.238	24,327,971
Cambrian School District	23.778	4,927,977
Moreland School District	11.217	8,207,396
City of Campbell 1915 Act Bonds	100.000	305,000
Santa Clara Valley Water District Benefit Assessment District	2.056	3,919,970
<b>Total Gross Overlapping Tax and Assessment Debt</b>		<b>\$58,711,167</b>
<b><u>Direct and Overlapping General Fund Obligation Debt:</u></b>		
Santa Clara County General Fund Obligations	2.056%	16,555,529
Santa Clara County Board of Education Certificates of Participation	2.056	369,772
West Valley Community College District Certificates of Participation	7.693	1,730,156
City of Campbell Certificates of Participation	100.000	23,605,843
<b>Total Direct and Overlapping General Fund Obligation Debt</b>		<b>42,261,300</b>
<b>Gross Combined Total Debt</b>		<b>\$100,972,467 (1)</b>

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

**Ratios to 2004-05 Assessed Valuation:**

Total Overlapping Tax and Assessment Debt	1.28%
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**Ratios to Adjusted Assessed Valuation:**

Combined Direct Debt (\$23,605,843)	0.58%
Combined Total Debt	2.48%

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



**CITY OF CAMPBELL  
PRINCIPAL SALES TAXPAYERS  
YEAR ENDED JUNE 30, 2005**

Taxpayer	Type of Business
Arco AM/PM Mini-Mart	Service Station
Barnes & Nobel Bookstore	Stationery/Books
Chevron Station	Service Station
Diversified Fire Products	Services
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
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
Octane Addict	Service Station
Officemax	Office Equipment Store
Outback Steakhouse	Restaurant
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
Shell Service Stations	Service Station
Sierra Pacific Turf Supply	Supplies
Staples	Office Equipment
Summerwinds Garden Center	Nursery
Tower Records & Video	Music Store
Trader Joe's	Grocery Store
Trudy's	Women's Apparel
USA Service Stations	Service Station
Walgreens Drug Store	Drug Store
Whole Foods Market	Grocery Store