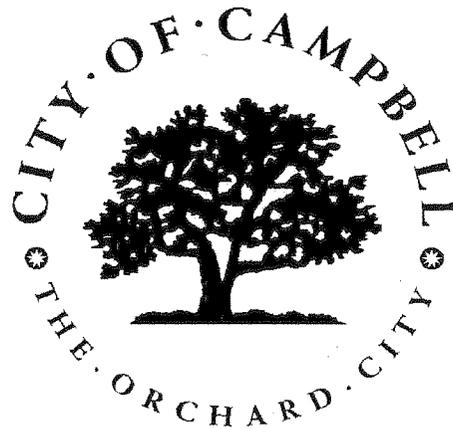


# *City of Campbell, California*



## *Comprehensive Annual Financial Report*

*For Year Ended June 30, 2006  
with  
Report of Independent Auditors*

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

## INTRODUCTORY SECTION

**CITY OF CAMPBELL, CALIFORNIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Year Ended June 30, 2006**

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## CITY OF CAMPBELL

Finance Department

December 4, 2006

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 the fiscal year ended June 30, 2006, prepared by the City's Finance Department.

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

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

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

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

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

In addition to meeting the requirements set forth by State law, the audit was also designed to meet the requirement of the Single Audit Act of 1984 as amended in 1996 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. For the fiscal year ended June 30, 2006, the City was not required to conduct a Single Audit and, therefore, no such report was issued.

The CAFR is presented in three basic sections as follows:

1. **INTRODUCTORY SECTION:** This 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:** This section includes the independent auditors' report, management's discussion and analysis, basic financial statements, notes to financial statements and supplemental information.
3. **STATISTICAL SECTION:** In fiscal 2005/06, the City implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, to improve the understandability and usefulness of this section and to report on trend information at the entity-wide level. This section contains a broad range of financial trend data covering key indicators for the past 3-10 fiscal years, including the City's net assets and changes in net assets, revenue capacity, debt capacity, demographic and operating information, all of which should be useful in assessing the City's economic 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. The City is comprised of a combination of residential, office and commercial retail businesses. The City is also home to a number of community festivals and celebrations throughout the year, and it prides itself on fostering a "small town" feel while located in the midst of a major metropolitan region. The City's central geographic setting within Silicon Valley makes it a desirable place to live and work.

The City was incorporated March 28, 1952, as a general law city and operates under a Council-Manager form of government that includes five council members elected at-large for a term of four years. The Mayor is selected each year by majority vote of the other Council members. The Council appoints the City Manager and City Attorney. The City Council members also serve as the governing board members of the 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 the City's jurisdiction.

The annual budget serves as the foundation for the City of Campbell's financial planning and control. The budget process begins in December with each City department receiving a budget packet. Initial appropriation requests are made in mid-February; a study session is later held with the City Council in March or April 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 takes place 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 region is continuing its recovery from a prolonged economic downturn that began in 2000 and which resulted in reduced output of goods and services as well as employment for the past five years. For the past couple of years, the local economy has been improving although at a somewhat slower pace than the rest of the State and nationally. Of concern lately is a nationwide cooling down of the residential housing market which has some potential to negatively impact the economy. In Silicon Valley, housing sales have slowed down considerably from the rapid pace of the past couple of years, although price reductions have been modest and are viewed as temporary rather than as long-term losses in value. This is predominantly due to the fact that housing demand in this region continues to exceed the supply despite the relatively high cost of housing. Other signs of economic improvement for the City came in the form of increased construction activity during the year. Revenues from this source reached an all time peak in fiscal year 2005-06 due to several large commercial and residential development projects that occurred during the year. There are still a number of new construction projects spanning both residential and commercial segments in the pipeline for the next year signaling continued growth for at least the short term.

Another measure of economic health is the unemployment rate. Unemployment for the City as of October, 2006 was 3.9%, down from 4.6% one year ago, and compares favorably to the County rate of 4.5% and the State rate of 4.8%. Looking at this measure, the City's economy has continued to improve in the past year.

Campbell enjoys a diversified economic base of various business segments located throughout the community. There are approximately 4,600 businesses in the City that generated over \$9 million in sales tax revenue. The largest categories of sales tax producers comprise general retail, construction, food products, transportation and business-to-business with the largest percentage increase over the previous year being in the business-to-business category. To show its commitment to further expand and diversify its economic base, the City updated its economic development strategy during the year to further focus its efforts on attracting and retaining the right mix of businesses to the community. Included in the strategy was the formation of an economic advisory panel, consisting of two council members, business industry experts and community members, that now serves as a pulse to monitor the local economy, where it might be heading and what the City can do to strengthen and promote its growth. The strategy also includes welcome meetings with new businesses as well as with existing ones to help understand what attracted them and what issues, if any, need addressing for them to remain in the City.

The City is also affected by the actions of the State of California. In just the past several 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 an annual loss of nearly \$1.1 million in property tax revenue during fiscal 2004-05 and 2005-06. However, beginning in fiscal 2006-07, the State’s ability to divert local revenues is 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 million as of June 30, 2006.

**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, 2006 was 3.8%. 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 11 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. In fiscal 2004-05, the City's required contribution increased significantly, primarily the result of several consecutive years of large investment losses by PERS caused by the economic downturn of the early 2000s. Since that time, PERS enacted measures to smooth employer rate fluctuations caused by significant swings in investment earnings. Consequently, the City's required contribution rates in future years are now expected to be more stable and subject to less volatility from year-to-year. Additional detail and trend information is explained in Note 10 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, 2005. 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 18 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 2005-06. This is the 13<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.

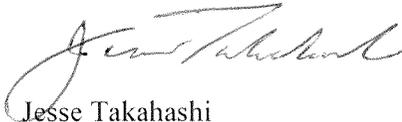
The City of Campbell was also awarded the Certificate of Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the City's CAFR. This award has been received consecutively for the past 19 fiscal years with the most recent award being received for the fiscal year ended June 30, 2005. For the last ten 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 Michael Wright, Interim Finance Manager, Mark Gaeta and Sophie Kao, Accountants, and Sherrie Doherty, Executive Assistant, for all of their hard work in producing 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  
Finance Director

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# 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, 2005

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



President

Executive Director

*California Society of  
Municipal Finance Officers*

**Certificate of Award**

***Outstanding Financial Reporting 2004-05***

Presented to the

***City of Campbell***

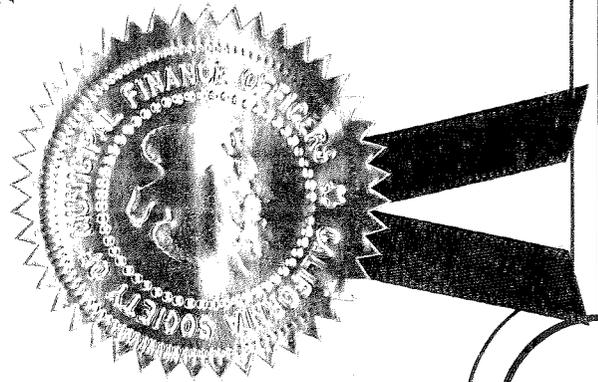
*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

***February 24, 2006***

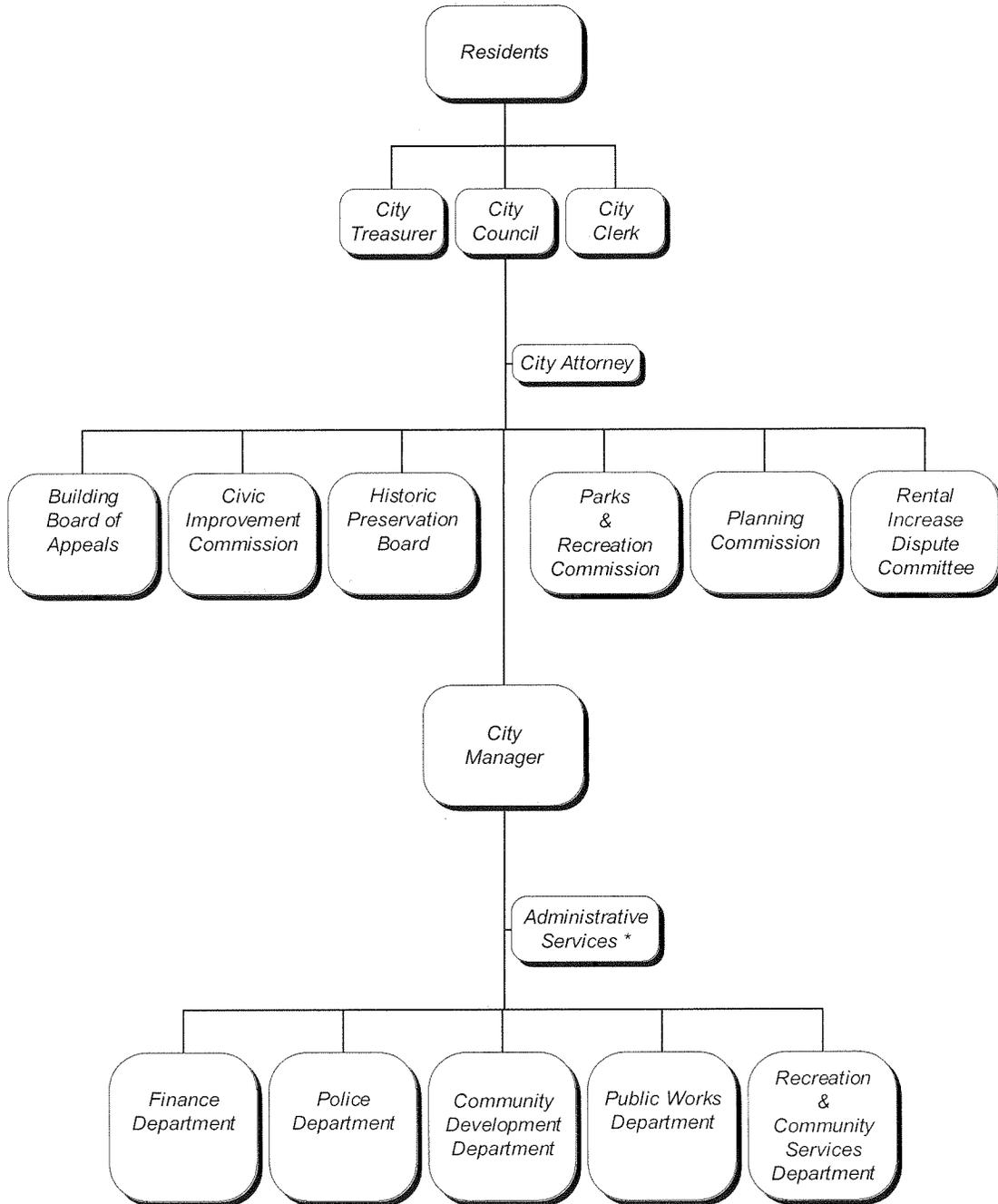
*William A. Stumpf*

Bill Thomas, Chair  
Professional & Technical Standards Committee

***Dedicated to Excellence in Municipal Financial Management***



# General Organization



\* Frozen Position

## **CITY OFFICIALS**

### **CITY COUNCIL & REDEVELOPMENT AGENCY BOARD**

Mayor - Jeanette Watson

Vice-Mayor - Daniel E. Furtado

Councilmember - Donald R. Burr

Councilmember - Joseph D. Hernandez

Councilmember - Jane P. Kennedy

Note: Mayor serves an annual term from November to November. Names and positions are as of June 30, 2006.

## **CITY ADMINISTRATIVE STAFF**

City Manager - Daniel Rich

City Clerk - Anne Bybee (Elected)

City Treasurer - Gerald Kennedy (Elected)

City Attorney - William Seligmann

Administrative Services Director - (Frozen)

Community Development Director - Sharon Fierro

Finance Director - Jesse Takahashi

Recreation & Community Services Director - Claudia Cauthorn

Police Chief - David Gullo

Public Works Director - Robert Kass

## **COMMISSIONS, COMMITTEES AND ADVISORY BOARDS**

### **Planning Commission**

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

### **Parks & Recreation Commission**

Jean LaDuc, Chairperson  
Bruce Baker, Vice Chairperson  
Jann Harbor  
Erik Kiehle  
Tim Mason  
John Medalen  
Susan Osorio

### **Civic Improvement Commission**

Frank Jewett, Chairperson  
Jeff Hofstrand, Vice Chairperson  
Jason T. Baker  
Jacquie Davidson  
Steven K. Han  
Burch Harper  
Art Ring

### **Building Board of Appeals**

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

### **Historical Preservation Board**

JoElle Hernandez, Chairperson  
Susan Blake, Vice Chairperson  
Jule Heinzler  
Joanna Herz  
Micky Lutz

### **Rental Increase Dispute Fact Finding Committee**

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

Note: Names and positions as of June 30, 2006.

**ACCOUNTANCY CORPORATION**  
3478 Buskirk Ave. - Suite 215  
Pleasant Hill, California 94523  
(925) 930-0902 • FAX (925) 930-0135  
maze@mazeassociates.com  
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, 2006, 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.

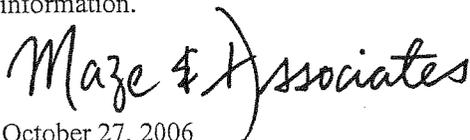
In our opinion, the financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell, California, as of June 30, 2006, and the respective changes in the financial position thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated October 27, 2006 on our consideration of the City of Campbell internal control structure and on its compliance with laws and regulations.

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

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

The introductory section and statistical section listed in the Table of Contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on this information.



October 27, 2006

## 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, 2006. 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 2005-06 Financial Highlights

The City ended its fiscal year with total revenues of \$40.2 million, a 5.0% increase from the previous fiscal year, and expenses of \$40.0 million, a decrease of 5.2% from the previous year. After two consecutive years incurring significant operating deficits, a combination of an improving economy and reduced expenses resulted in a small but positive change in net assets. Building activity was up considerably resulting in fee related revenues reaching their highest levels ever.

A number of significant projects were completed during the year including the opening of three light rail stations in Campbell, which are part of a 6.8 mile route extension connecting the City with downtown San Jose. A 95-room Marriott Townplace Suites also opened during the year in response to growing demand for hotel space. Other notable projects included the opening of a Kohl's department store, significant progress on several mixed-use projects in and around the Downtown area and approval of a 40-unit affordable housing partnership with another jurisdiction.

Financial highlights of the past year are as follows:

#### *City-wide:*

- Total City assets exceeded its liabilities by \$61.3 million. Of this amount, \$23.2 million represents unrestricted net assets that the City has designated for various purposes including reserves for emergencies, operations, economic uncertainty and approved capital projects.
- Total net assets increased from the previous year by \$10.7 million, almost all of which resulted from the City implementing the infrastructure portion of GASB Statement No. 34. The increased value represents the approximate infrastructure cost of assets acquired from the fiscal year ending June 30, 1981 through June 30, 2002. Total assets, principally cash and investments, and total liabilities were essentially unchanged.
- Total City revenues increased \$1.9 million to \$40.2 million while total expenses decreased by \$2.2 million to \$40.0 million.

#### *Fund level:*

- Total governmental fund balances were \$50.1 million at fiscal year end, unchanged from the previous year.
- General Fund revenues, including transfers, increased \$1.1 million to \$30.1 million from the previous year; related expenditures decreased \$2.0 million from previous year to \$30.4 million.
- General Fund balance decreased \$0.3 million to \$23.5 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 annually appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the City-wide financial statements because the resources of those funds are not available to support the City's own programs. Accordingly, only assets and liabilities are reported for these funds. The City reports 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 (millions)

|   | <u>Governmental Activities</u> |                       |
|---|--------------------------------|-----------------------|
|   | <u>2006</u>                    | <u>2005</u>           |
| Cash & investments                      | \$ 52.5                        | \$ 52.2               |
| Capital assets                          | 60.9                           | 50.2                  |
| Other assets                            | 7.6                            | 7.8                   |
| Total assets                            | <u>121.0</u>                   | <u>110.2</u>          |
| Long term debt                          | 48.7                           | 49.8                  |
| Other liabilities                       | 10.9                           | 9.8                   |
| Total liabilities                       | <u>59.6</u>                    | <u>59.6</u>           |
| Net assets:                             |                                |                       |
| Invested in capital assets, net of debt | 16.1                           | 4.4                   |
| Restricted                              | 22.0                           | 21.6                  |
| Unrestricted                            | <u>23.2</u>                    | <u>24.6</u>           |
| <b>Total net assets</b>                 | <b><u>\$ 61.3</u></b>          | <b><u>\$ 50.6</u></b> |

Net assets increased during the year by \$10.7 million, comprised of the following elements:

- Cash and investments increased by \$0.3 million due to reduced funding required for capital projects and improvements in operating conditions which reduced the need for draws to fund operating expenses.
- Capital assets added during the year were \$18.3 million offset by depreciation charges of \$7.6 million for a net increase of \$10.7 million. The majority of capital asset additions were related to the GASB 34 infrastructure adjustment of \$15.8 million.
- Other assets had a net decrease of \$0.2 million consisting primarily of a \$0.7 million reduction due to the sale of land previously held by the Redevelopment Agency offset by increases in receivables and amounts due from other funds.
- Long term debt decreased \$1.1 million due to repayment of debt principal during the year.

- Net assets invested in capital assets, net of debt increased \$11.7 million from the previous year, due to the GASB 34 adjustment and normal debt service activity.
- Restricted net assets have external limitations placed upon them regarding how they may be spent. During the year, these assets increased by \$0.4 million, due primarily to higher Redevelopment Agency revenues and a reduction in capital projects expenditures.
- 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 \$1.4 million resulting from a combination of excess operating expenses over revenues in addition to 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>2006</u>                    | <u>2005</u>            |
| <b>Revenues:</b>                   |                                |                        |
| Program revenues:                  |                                |                        |
| Charges for services               | \$ 10.2                        | \$ 9.0                 |
| Operating grants and contributions | 1.9                            | 1.8                    |
| Capital grants and contributions   | 1.7                            | 1.5                    |
| General revenues                   |                                |                        |
| Property taxes                     | 12.3                           | 11.1                   |
| Sales and use taxes                | 9.5                            | 10.0                   |
| Other taxes                        | 3.3                            | 3.7                    |
| Other                              | 1.3                            | 1.2                    |
| Total revenues                     | <u>40.2</u>                    | <u>38.3</u>            |
| <b>Expenses:</b>                   |                                |                        |
| General Government                 | 3.6                            | 3.7                    |
| Recreation                         | 5.5                            | 6.0                    |
| Community Development              | 1.8                            | 1.8                    |
| Redevelopment                      | 2.1                            | 2.2                    |
| Public Safety                      | 16.5                           | 16.9                   |
| Public Works                       | 8.2                            | 7.5                    |
| Interest on long term debt         | 2.3                            | 4.1                    |
| Total expenses                     | <u>40.0</u>                    | <u>42.2</u>            |
| <b>Change in net assets</b>        | <u><u>\$ 0.2</u></u>           | <u><u>\$ (3.9)</u></u> |

Net assets increased a minimal \$0.2 million. Key elements of activity are as follows:

- Within program revenues, charges for services increased \$1.2 million due to additional building permit fees generated by increased development activity; operating and capital grants and contributions increased \$0.3 million due to an additional capital project funded by the Santa Clara Valley Water District.
- Within general revenues, property tax revenue increased by \$1.2 million due to continued strong activity in housing transactions and building activity. Under separate State legislation, the City was required to pay \$0.6 million into the Educational Revenue Augmentation Fund (ERAF) from property taxes in fiscal 2005-06, effectively reducing the net amount of this revenue source. This is the last year the City is required to make this payment.
- Sales and use tax revenues decreased a net \$0.5 million due to a one-time true-up by the State, in which payments for the sales tax backfill had been over estimated in the prior fiscal year, then recovered directly through a reduction in current year sales tax backfill payments to the City. Excluding this one-time adjustment, sales tax revenue increased 1% from the prior year.
- Other taxes decreased \$0.4 million due primarily to a reduction in the Vehicle License Fees Taxes received. In fiscal year 2004-05, the City sold its VLF receivable to the State, resulting in a one-time receipt of \$0.6 million.
- Total expenses decreased \$2.2 million due to reductions in operating expenses including a reduction in interest expense of \$1.7 million. General government expenses, comprising legislative and administrative support functions, decreased \$0.1 million attributable to operating expense reductions.
- Recreation expenses decreased \$0.5 million due to a general reduction in operating expenses related to professional and special services contracts as well as maintenance and operations expenses including freezing an additional vacant position.
- Public Safety expenses, which include contracted fire protection services, decreased \$0.4 million due predominantly to lower salary costs resulting from freezing vacant positions. These were offset by higher employer retirement contributions. There was also an additional \$0.2 million in general operating expense reductions.
- Public Works expenses increased \$0.7 million due primarily to an increase in allocated infrastructure depreciation expense and \$0.9 million in non-capitalized capital outlay. Base operating expenses were down \$0.5 million from the prior year.
- Interest on long-term debt decreased \$1.8 million related primarily to the reduction of \$1.6 million in costs related to the prior fiscal year recognition of an accounting loss and various one-time costs associated with refunding tax allocation bonds.

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

Combined governmental fund balances at fiscal year end were \$50.1 million, unchanged from the previous year. The City has reserved fund balance of \$21.4 million at year end, a decrease of \$3.0 million from the previous year. Unreserved fund balance was \$28.7 million compared to \$25.6 million in the previous year, an increase of \$3.1 million.

Governmental fund revenues, excluding transfers, were \$40.1 million, an increase of \$1.8 million from the previous year. Comprising this increase were higher charges for service revenue of about \$1.2 million due primarily to increased development fees and continued increases in development activity during the year. Additionally, investment income picked up in fiscal 2005-06 as interest rates continued to rise compared to the prior year. The reported interest earnings also include unrealized portfolio market losses approximating \$0.1 million. The City will not realize this loss as it intends to hold all investments until maturity.

Lastly, property tax revenue, net of payments to the ERAF of \$1.1 million (including \$0.5 million in Redevelopment Agency payments), continued to show strong growth due to a residential real estate market that experienced continued appreciation during the year.

Governmental fund expenditures, excluding transfers, decreased from the prior year by \$2.8 million to \$40.3 million. This decrease is due to reduced capital outlay (\$0.4 million), interest (\$0.8 million), and general operating expenditure reductions (\$1.1 million).

## **Analysis of Major Governmental Funds**

### ***General fund***

General Fund revenues, excluding transfers, increased \$1.0 million from the previous year to \$28.8 million. Contributing to the growth were increases in licenses and permit fees, property tax, investment income, rents and leases revenues, and transient occupancy taxes. These increases were partially offset by a decrease in sales tax revenue that resulted from a one-time recovery of overestimated sales tax by the State of \$0.6 million.

General Fund expenditures, excluding transfers, were \$28.6 million, a decrease of \$0.9 million from the previous year. The decrease is attributable to a city-wide general reduction in operating expenses which included zero salary increases and an increase of 6.1 FTE in frozen permanent positions during the year.

General Fund balance at fiscal year-end was \$23.5 million, a slight decrease from the previous year. The combination of increased General Fund revenues and decreased expenditures allowed the City to preserve fund balance while continuing a modest capital expenditure program. Use of reserves and beginning fund balances to fund operating expenditures was limited to just \$0.3 million. Unreserved, designated fund balance at year end was \$22.2 million, a \$1.8 million

increase from the prior year, and is utilized to fund various emergency and operating funds, including a \$6.0 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 higher than anticipated assessed valuations. The sales and use tax revenue budget was revised downward to reflect the recovery of overestimated sales tax by the State. Licenses and permits revenue was revised upward to reflect the actual increase in activity which occurred during the fiscal year. Investment income was increased to reflect the rising interest rate trend.

Combined final budget-to-actual variance with respect to revenues was a positive \$1.6 million. The largest component of this variance was \$0.6 million in licenses and permits resulting from increased construction activity and higher fees. Charges for services had a \$0.3 million positive variance due to higher fees and additional charges for recreation programs and higher than anticipated zoning and subdivision filing fees. Other taxes also had a \$0.5 million positive variance due, in large part, to higher than anticipated construction tax revenues related to building activity.

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 \$0.9 million. This resulted primarily from savings realized from a concerted effort on the part of all City departments to minimize expenditures as much as possible in the supplies and services categories. There were also savings attributed to positions that vacated during the year and not filled.

### ***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 \$8.8 million, an increase of \$0.8 million from the previous year.

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

The RDA Capital Projects Fund accounts for activities in the redevelopment project area. Expenditures of \$0.3 million were made for a number of non-capital expenditures in the project area and \$0.6 million for capital projects. The fund had \$2.0 million in fund balance at fiscal year end, up \$0.2 million from the prior year.

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

This fund accounts for City capital projects. Approximately \$3.0 million was expended during the year compared with \$4.2 million in the previous year. Some of the more significant projects included street and storm drain infrastructure, improvements to the police department, various bicycle and pedestrian safety enhancements, and the joint Silicon Valley Animal Shelter. Funding for these projects comes from both internal and external sources.

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

The principal asset of this fund is represented by \$8.4 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 third 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, only slightly lower than the previous year.

The deficit balance of \$1.7 million at fiscal year-end is the result of reflecting the total amount of advances payable to the City as a liability at year end pursuant to an agreement between the City and Agency. The agreement specifies the advance is scheduled to be repaid over the next 26 years. Accordingly, this deficit will be eliminated over time through receipt of annual tax revenue.

### ***Other Governmental Funds***

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

### **Capital Assets**

The City had net capital assets of \$60.9 million as of June 30, 2006. As allowed under GASB 34, the City had up to four years to record the historical costs and related depreciation on infrastructure assets acquired prior to fiscal 2003. The City chose to record those costs during this fiscal year. The following is a summary of the City's capital assets for the fiscal year ended June 30:

**Capital Assets  
(in millions)**

|                                | <b>2006</b>    | <b>2005</b>    |
|--------------------------------|----------------|----------------|
| Land                           | \$ 13.9        | \$ 13.2        |
| Construction in progress       | 1.8            | 2.7            |
| Building & improvements        | 27.4           | 27.4           |
| Other improvements             | 18.4           | 17.1           |
| Machinery & equipment          | 7.1            | 7.2            |
| Infrastructure                 | 19.8           | 2.9            |
| Less: Accumulated depreciation | (27.5)         | (20.3)         |
| <b>Net capital assets</b>      | <b>\$ 60.9</b> | <b>\$ 50.2</b> |

Total additions to capital assets were \$18.3 million during the year consisting primarily of the GASB 34 infrastructure adjustment, 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. Additional detail regarding the City's long term debt can be found at Note 6 in the notes to financial statements.

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

|                               | <b>2006</b>    | <b>2005</b>    |
|-------------------------------|----------------|----------------|
| Certificates of participation | \$ 23.0        | \$ 23.6        |
| Tax allocation bonds          | 25.7           | 26.2           |
| <b>Total debt</b>             | <b>\$ 48.7</b> | <b>\$ 49.8</b> |

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

The City continues to maintain healthy reserve levels in fiscal 2006-07. To preserve and maintain its fiscal stability, the City had to address a number of issues that posed a formidable challenge to the City's fiscal health. Among the issues taken into account in developing the FY 07 budget were as follows:

- Resolve a \$2 million structural budget deficit.
- Ensure that ongoing expenditures are funded with ongoing revenues and that reserves are used for one-time or short-term needs in future years.

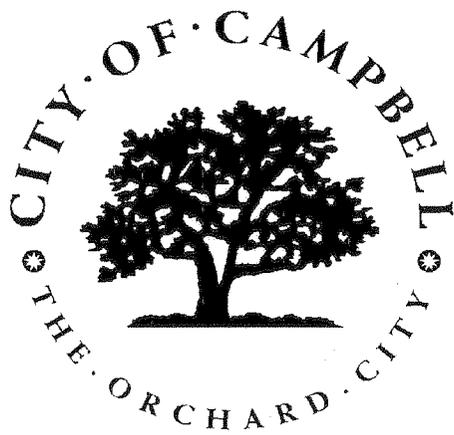
- Retirement costs for current and past employees will continue at elevated levels for the next several years
- Employee health care benefits will continue to increase in the foreseeable future
- Funding for basic infrastructure needs, such as street and sidewalk maintenance, should be provided on a continuous basis to maintain in 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 is positive overall. Economic recovery continues to progress slowly with most market segments seeing positive results. The City has seen an increase in commercial and retail development over the past couple of years which appears will continue for at least another year. The unemployment rate in the region is low and inflation has been modest thus far.

In developing the fiscal 2006-07 budget, over \$1.9 million in budget correction strategies were approved including adding an additional 3.75 FTE to the list of frozen positions and making further reductions to the operating budget. Taking into consideration these correction strategies the City's multi-year projections indicate the budget deficit essentially has been resolved beyond 2006-07. There are, however, many uncertainties that may alter future results. Consequently, the City is continuing to explore alternatives to expand its revenue funding base. General Fund operating appropriations for fiscal 2006-07 are \$31.2 million, an increase of \$0.4 million from the previous fiscal year. General Fund reserves of \$0.6 million are contemplated to be drawn upon to cover a modest revenue shortfall and one-time expenditures.

### **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. It 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, 2006

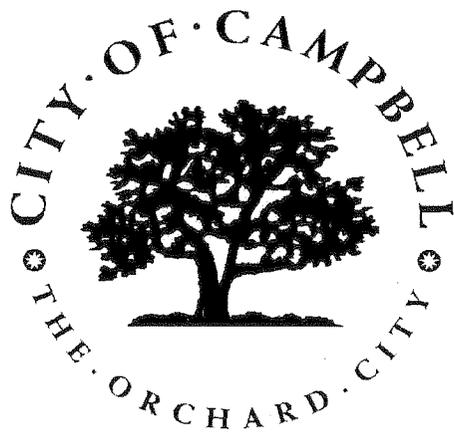
|   | Governmental<br>Activities |
|---|----------------------------|
| <b>ASSETS</b>                                   |                            |
| Cash and investments (Note 2)                   | \$50,443,778               |
| Restricted cash and investments (Note 2)        | 2,090,354                  |
| Receivables:                                    |                            |
| Taxes   | 1,655,808                  |
| Accrued interest                                | 519,201                    |
| Accounts  | 1,202,672                  |
| Notes and loans (Note 4)                        | 4,025,940                  |
| Deposits  | 120,000                    |
| Capital assets (Note 5):                        |                            |
| Land and construction in progress               | 15,707,587                 |
| Depreciable capital assets, net                 | 45,210,534                 |
| Total assets                                    | 120,975,874                |
| <b>LIABILITIES</b>                              |                            |
| Accounts payable                                | 1,705,181                  |
| Accrued vacation and sick leave (Note 1G)       | 2,886,381                  |
| Claims and judgments payable (Note 11)          | 3,244,347                  |
| Accrued payroll and payroll taxes               | 648,303                    |
| Deposits payable                                | 1,015,712                  |
| Interest payable                                | 581,885                    |
| Unearned revenue                                | 882,589                    |
| Long-term liabilities (Note 6)                  |                            |
| Due within one year                             | 1,075,000                  |
| Due in more than one year                       | 47,605,844                 |
| Total liabilities                               | 59,645,242                 |
| <b>NET ASSETS (Note 9)</b>                      |                            |
| Invested in capital assets, net of related debt | 16,051,887                 |
| Restricted for:                                 |                            |
| Capital projects                                | 2,072,516                  |
| Debt service                                    | 6,104,357                  |
| Redevelopment projects                          | 8,757,778                  |
| Special revenue projects                        | 5,096,134                  |
| Total restricted net assets                     | 22,030,785                 |
| Unrestricted net assets                         | 23,247,960                 |
| Total net assets                                | \$61,330,632               |

See accompanying notes to financial statements

CITY OF CAMPBELL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

| Functions/Programs                          | Expenses            | Program Revenues        |  | Capital<br>Grants and<br>Contributions | Net (Expense)<br>Revenue and Changes<br>in Net Assets |
|---|---------------------|-------------------------|--|--|---|
|   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |   |
| <b>Governmental Activities:</b>             |                     |                         |  |  |   |
| General government                          | \$3,649,906         | \$95,281                | \$32,510                                 | \$994                                  | (\$3,521,121)   |
| Recreation                                  | 5,525,298           | 4,155,863               | 92,057                                   | 4,007                                  | (1,273,371)   |
| Community development                       | 1,801,240           | 2,530,310               | 171,882                                  |  | 900,952   |
| Redevelopment                               | 2,058,747           | 275,000                 | 237,124                                  |  | (1,546,623)   |
| Public safety                               | 16,465,886          | 636,931                 | 181,667                                  |  | (15,647,288)  |
| Public works                                | 8,156,637           | 2,490,332               | 1,205,049                                | 1,702,721                              | (2,758,535)   |
| Interest on long-term debt                  | 2,319,021           |                         |  |  | (2,319,021)   |
| <b>Total Governmental Activities</b>        | <b>\$39,976,735</b> | <b>\$10,183,717</b>     | <b>\$1,920,289</b>                       | <b>\$1,707,722</b>                     | <b>(\$26,165,007)</b>                                 |
| <b>General revenues:</b>                    |                     |                         |  |  |   |
| Taxes:                                      |                     |                         |  |  |   |
| Property                                    |                     |                         |  |  | 12,253,830  |
| Sales and use                               |                     |                         |  |  | 9,519,970   |
| Other                                       |                     |                         |  |  | 3,260,119   |
| Investment earnings                         |                     |                         |  |  | 1,011,270   |
| Miscellaneous                               |                     |                         |  |  | 271,779   |
| <b>Total general revenues</b>               |                     |                         |  |  | <b>26,316,968</b>                                     |
| Change in Net Assets                        |                     |                         |  |  | 151,961   |
| Net Assets-Beginning                        |                     |                         |  |  | 50,646,478  |
| GASB 34 Implementation Adjustment (Note 5B) |                     |                         |  |  | 10,532,193  |
| Net Assets-Ending                           |                     |                         |  |  | <b>\$61,330,632</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 2006. 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 COP 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, 2006

|  | General                    | Redevelopment<br>Agency Housing<br>Special Revenue<br>Fund | RDA Capital<br>Projects<br>Fund | Capital<br>Projects<br>Fund |
|--|----------------------------|--|---------------------------------|-----------------------------|
| ASSETS                                     |                            |  |                                 |                             |
| Cash and investments (Note 2)              | \$23,679,542               | \$6,001,822  | \$2,026,562                     | \$470,794                   |
| Restricted cash and investments (Note 2)   |                            |  |                                 |                             |
| Receivables:                               |                            |  |                                 |                             |
| Taxes                                      | 1,629,468                  | 4,516  |                                 |                             |
| Accrued interest                           | 519,201                    |  |                                 |                             |
| Accounts                                   | 253,458                    |  |                                 | 4,814                       |
| Notes and loans (Note 4)                   |                            | 2,795,425  |                                 |                             |
| Due from other funds (Note 3B)             | 1,317,427                  | 55,321   | 14,792                          |                             |
| Advances to other funds (Note 3C)          |                            |  |                                 |                             |
| <b>Total Assets</b>                        | <b><u>\$27,399,096</u></b> | <b><u>\$8,857,084</u></b>                                  | <b><u>\$2,041,354</u></b>       | <b><u>\$475,608</u></b>     |
| LIABILITIES                                |                            |  |                                 |                             |
| Accounts payable                           | \$792,518                  | \$58,247   | \$2,653                         | \$125,595                   |
| Accrued vacation and sick leave (Note 1G)  | 1,093,396                  |  | 23,976                          |                             |
| Claims and judgments payable (Note 11)     | 134,000                    |  |                                 |                             |
| Accrued payroll and payroll taxes          | 578,124                    |  | 9,224                           |                             |
| Deposits payable                           | 1,010,104                  |  | 5,608                           |                             |
| Due to other funds (Note 3B)               | 194,238                    | 41,059   | 10,979                          |                             |
| Unearned revenues                          | 67,305                     |  |                                 | 245,812                     |
| Advances from other funds (Note 3C)        |                            |  |                                 |                             |
| <b>Total Liabilities</b>                   | <b><u>3,869,685</u></b>    | <b><u>99,306</u></b>                                       | <b><u>52,440</u></b>            | <b><u>371,407</u></b>       |
| FUND BALANCES                              |                            |  |                                 |                             |
| Fund balance (Note 9B)                     |                            |  |                                 |                             |
| Reserved for:                              |                            |  |                                 |                             |
| Encumbrances                               | 175,731                    | 1,411,586  | 12,699                          | 1,256,932                   |
| Capital projects                           |                            |  | 1,976,215                       |                             |
| Debt service                               |                            |  |                                 |                             |
| Advances                                   |                            |  |                                 |                             |
| Notes receivable                           |                            | 2,795,425  |                                 |                             |
| Unreserved                                 |                            |  |                                 |                             |
| Designated (Note 9C)                       | 22,246,177                 |  |                                 |                             |
| Unreserved, undesignated, reported in:     |                            |  |                                 |                             |
| General Fund                               | 1,107,503                  |  |                                 |                             |
| Special Revenue Funds                      |                            | 4,550,767  |                                 |                             |
| Capital Project Funds                      |                            |  |                                 | (1,152,731)                 |
| Debt Service Funds                         |                            |  |                                 |                             |
| <b>Total Fund Balances</b>                 | <b><u>23,529,411</u></b>   | <b><u>8,757,778</u></b>                                    | <b><u>1,988,914</u></b>         | <b><u>104,201</u></b>       |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$27,399,096</u></b> | <b><u>\$8,857,084</u></b>                                  | <b><u>\$2,041,354</u></b>       | <b><u>\$475,608</u></b>     |

See accompanying notes to financial statements

| <u>COP<br/>Debt Service<br/>Fund</u> | <u>RDA<br/>Debt Service<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------|--------------------------------------|---|---|
| \$1,107                              | \$4,992,362<br>2,090,354             | \$8,799,471                             | \$45,971,660<br>2,090,354               |
|                                      | 18,073                               | 3,751                                   | 1,655,808<br>519,201                    |
|                                      |                                      | 944,400                                 | 1,202,672                               |
|                                      |                                      | 1,230,515                               | 4,025,940                               |
|                                      | 52,818                               | 71,307                                  | 1,511,665                               |
| <u>8,433,180</u>                     |                                      |   | <u>8,433,180</u>                        |
| <u>\$8,434,287</u>                   | <u>\$7,153,607</u>                   | <u>\$11,049,444</u>                     | <u>\$65,410,480</u>                     |
|                                      | \$429,270                            | \$126,980                               | \$1,535,263                             |
|                                      |                                      | 78,964                                  | 1,196,336                               |
|                                      |                                      |   | 134,000                                 |
|                                      |                                      | 53,495                                  | 640,843                                 |
|                                      | 39,202                               | 1,226,187                               | 1,015,712                               |
|                                      |                                      | 569,472                                 | 1,511,665                               |
|                                      | <u>8,433,180</u>                     |   | <u>882,589</u><br><u>8,433,180</u>      |
|                                      | <u>8,901,652</u>                     | <u>2,055,098</u>                        | <u>15,349,588</u>                       |
|                                      |                                      | 23,391                                  | 2,880,339                               |
|                                      |                                      | 4,049,835                               | 6,026,050                               |
| \$1,107                              |                                      |   | 1,107                                   |
| 8,433,180                            |                                      |   | 8,433,180                               |
|                                      |                                      | 1,230,515                               | 4,025,940                               |
|                                      |                                      |   | 22,246,177                              |
|                                      |                                      |   | 1,107,503                               |
|                                      |                                      | 3,690,605                               | 8,241,372                               |
|                                      | (1,748,045)                          |   | (1,152,731)                             |
|                                      | <u>(1,748,045)</u>                   |   | <u>(1,748,045)</u>                      |
| <u>8,434,287</u>                     | <u>(1,748,045)</u>                   | <u>8,994,346</u>                        | <u>50,060,892</u>                       |
| <u>\$8,434,287</u>                   | <u>\$7,153,607</u>                   | <u>\$11,049,444</u>                     | <u>\$65,410,480</u>                     |

CITY OF CAMPBELL  
 Reconciliation of  
 GOVERNMENTAL FUND - BALANCE SHEET  
 with  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

Governmental Funds Fund Balance reported on the governmental funds balance sheet \$50,060,892

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. 58,986,420

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, 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                           | 4,472,118   |
| Prepays and deposits                           | 120,000     |
| Capital assets net of accumulated depreciation | 1,931,701   |
| Accounts payable                               | (169,918)   |
| Accrued payroll and payroll taxes              | (7,460)     |
| Accrued vacation and sick leave                | (14,397)    |
| Claims and judgments payable                   | (3,110,347) |

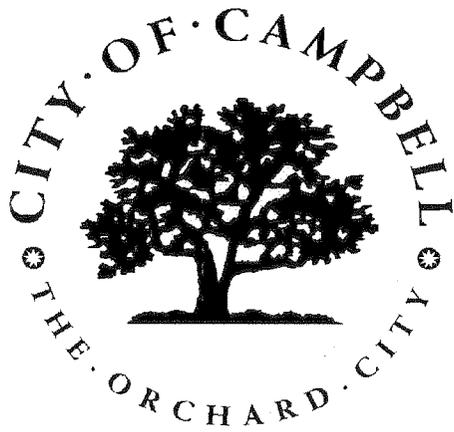
LONG TERM ASSETS AND LIABILITIES

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   | (48,680,844)       |
| Interest payable                                       | (581,885)          |
| Non-current portion of accrued vacation and sick leave | (1,675,648)        |
|  | <u>(2,936,377)</u> |

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$61,330,632

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, 2006

|  | General             | Redevelopment<br>Agency Housing<br>Special Revenue<br>Fund | RDA Capital<br>Projects<br>Fund | Capital<br>Projects<br>Fund | COP<br>Debt Service<br>Fund |
|--|---------------------|--|---------------------------------|-----------------------------|-----------------------------|
| <b>REVENUES</b>  |                     |  |                                 |                             |                             |
| Property taxes   | \$7,075,554         | \$1,037,965  |                                 |                             |                             |
| Less: educational revenue augmentation<br>fund payment (Note 12) | (557,992)           |  |                                 |                             |                             |
| Sales and use taxes  | 9,346,984           |  |                                 |                             |                             |
| Other taxes  | 3,338,042           |  |                                 |                             |                             |
| Special assessments  |                     |  |                                 |                             |                             |
| Licenses and permits   | 2,169,838           |  |                                 |                             |                             |
| Fines and forfeitures  | 297,357             |  |                                 |                             |                             |
| Investment income  | 939,985             | 194,775  | \$42,350                        |                             | \$2,034                     |
| Rents and leases (Note 14)                                       | 1,996,204           |  |                                 |                             |                             |
| Intergovernmental revenues                                       | 480,306             |  |                                 |                             |                             |
| Charges for services   | 3,468,623           |  | 150,000                         |                             |                             |
| Asset seizure  |                     |  |                                 |                             |                             |
| Project revenues   | 3,000               |  |                                 | \$297,558                   |                             |
| Donations  | 46,015              |  |                                 |                             |                             |
| Parkland dedication fees   |                     |  |                                 |                             |                             |
| Miscellaneous revenues   | 142,954             |  |                                 |                             |                             |
| <b>Total Revenues</b>  | <u>28,746,870</u>   | <u>1,232,740</u>   | <u>192,350</u>                  | <u>297,558</u>              | <u>2,034</u>                |
| <b>EXPENDITURES</b>  |                     |  |                                 |                             |                             |
| Current:   |                     |  |                                 |                             |                             |
| General government   | 3,453,208           |  |                                 |                             |                             |
| Recreation   | 5,139,196           |  |                                 |                             |                             |
| Community development  | 1,482,237           |  |                                 |                             |                             |
| Redevelopment  |                     | 232,104  | 332,163                         |                             |                             |
| Public safety  | 15,765,192          |  |                                 |                             |                             |
| Public works   | 2,732,608           |  |                                 | 565,491                     |                             |
| Pass-through payments  |                     |  |                                 |                             |                             |
| Capital outlay   |                     |  | 569,315                         | 2,451,226                   |                             |
| Debt service:  |                     |  |                                 |                             |                             |
| Principal payments   |                     |  |                                 |                             | 565,000                     |
| Interest and fiscal fees   |                     |  |                                 |                             | 1,047,149                   |
| <b>Total Expenditures</b>  | <u>28,572,441</u>   | <u>232,104</u>   | <u>901,478</u>                  | <u>3,016,717</u>            | <u>1,612,149</u>            |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b>     | <u>174,429</u>      | <u>1,000,636</u>   | <u>(709,128)</u>                | <u>(2,719,159)</u>          | <u>(1,610,115)</u>          |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                     |  |                                 |                             |                             |
| Transfers in (Note 3A)   | 1,373,697           |  | 1,051,357                       | 3,307,177                   | 1,377,312                   |
| Transfers (out) (Note 3A)  | (1,812,681)         | (172,609)  | (192,229)                       | (569,315)                   |                             |
| <b>Total Other Financing Sources (Uses)</b>                      | <u>(438,984)</u>    | <u>(172,609)</u>   | <u>859,128</u>                  | <u>2,737,862</u>            | <u>1,377,312</u>            |
| <b>NET CHANGE IN FUND BALANCES</b>                               | (264,555)           | 828,027  | 150,000                         | 18,703                      | (232,803)                   |
| <b>BEGINNING FUND BALANCES (DEFICITS)</b>                        | <u>23,793,966</u>   | <u>7,929,751</u>   | <u>1,838,914</u>                | <u>85,498</u>               | <u>8,667,090</u>            |
| <b>ENDING FUND BALANCES (DEFICITS)</b>                           | <u>\$23,529,411</u> | <u>\$8,757,778</u>   | <u>\$1,988,914</u>              | <u>\$104,201</u>            | <u>\$8,434,287</u>          |

See accompanying notes to financial statements

| RDA<br>Debt Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------|--------------------------------|--------------------------------|
| \$4,151,860                 | \$546,443                      | \$12,811,822                   |
| (462,725)                   |                                | (1,020,717)                    |
|                             | 172,414                        | 9,519,398                      |
|                             | 1,101,438                      | 3,338,042                      |
|                             |                                | 1,101,438                      |
|                             |                                | 2,169,838                      |
|                             |                                | 297,357                        |
| 238,873                     | 289,837                        | 1,707,854                      |
|                             |                                | 1,996,204                      |
|                             | 2,256,890                      | 2,737,196                      |
|                             | 861,378                        | 4,480,001                      |
|                             | 901                            | 901                            |
|                             |                                | 300,558                        |
|                             | 100,757                        | 146,772                        |
|                             | 322,825                        | 322,825                        |
|                             | 76,253                         | 219,207                        |
| <u>3,928,008</u>            | <u>5,729,136</u>               | <u>40,128,696</u>              |
|                             |                                | 3,453,208                      |
|                             |                                | 5,139,196                      |
|                             | 230,212                        | 1,712,449                      |
| 254,104                     |                                | 818,371                        |
|                             | 100,000                        | 15,865,192                     |
|                             | 3,185,117                      | 6,483,216                      |
| 429,268                     |                                | 429,268                        |
|                             |                                | 3,020,541                      |
| 530,000                     |                                | 1,095,000                      |
| <u>1,236,738</u>            |                                | <u>2,283,887</u>               |
| <u>2,450,110</u>            | <u>3,515,329</u>               | <u>40,300,328</u>              |
| <u>1,477,898</u>            | <u>2,213,807</u>               | <u>(171,632)</u>               |
| 200,000                     | 1,192,424                      | 8,501,967                      |
| <u>(1,335,049)</u>          | <u>(4,249,779)</u>             | <u>(8,331,662)</u>             |
| <u>(1,135,049)</u>          | <u>(3,057,355)</u>             | <u>170,305</u>                 |
| 342,849                     | (843,548)                      | (1,327)                        |
| <u>(2,090,894)</u>          | <u>9,837,894</u>               | <u>50,062,219</u>              |
| <u>(\$1,748,045)</u>        | <u>\$8,994,346</u>             | <u>\$50,060,892</u>            |

CITY OF CAMPBELL  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 Statement of Activities  
 with the  
 FOR THE YEAR ENDED JUNE 30, 2006

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 (\$1,327)

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 2,078,151

Depreciation expense is deducted from the fund balance  
 (Depreciation expense is net of internal service fund depreciation \$617,306 which has already been allocated to serviced funds.) (1,638,716)

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 1,095,000

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 (57,875)

Interest payable (35,134)

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 (1,288,138)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$151,961

CITY OF CAMPBELL  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

|  | Budgeted Amounts  |                    | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|--------------------|-------------------|---|
|  | Original          | Final              |                   |   |
| REVENUES   |                   |                    |                   |   |
| Property taxes   | \$6,500,000       | \$6,950,000        | \$7,075,554       | \$125,554   |
| Less: educational revenue augmentation<br>fund payment | (560,000)         | (560,000)          | (557,992)         | 2,008   |
| Sales and use taxes                                    | 10,000,000        | 9,300,000          | 9,346,984         | 46,984  |
| Other taxes  | 2,890,000         | 2,940,000          | 3,338,042         | 398,042   |
| Licenses and permits                                   | 1,257,200         | 1,599,700          | 2,169,838         | 570,138   |
| Fines and forfeitures                                  | 300,000           | 300,000            | 297,357           | (2,643)   |
| Investment income                                      | 850,000           | 1,000,000          | 939,985           | (60,015)  |
| Rents and leases                                       | 1,952,230         | 1,887,230          | 1,996,204         | 108,974   |
| Intergovernmental revenues                             | 529,096           | 429,096            | 480,306           | 51,210  |
| Charges for services                                   | 3,173,607         | 3,137,267          | 3,468,623         | 331,356   |
| Donations  | 11,000            | 47,519             | 46,015            | (1,504)   |
| Miscellaneous revenues                                 | 41,350            | 82,350             | 145,954           | 63,604  |
| <b>Total Revenues</b>                                  | <b>26,944,483</b> | <b>27,113,162</b>  | <b>28,746,870</b> | <b>1,633,708</b>  |
| EXPENDITURES   |                   |                    |                   |   |
| Current:   |                   |                    |                   |   |
| General government                                     | 3,462,548         | 3,483,177          | 3,453,208         | 29,969  |
| Recreation   | 5,478,919         | 5,499,948          | 5,139,196         | 360,752   |
| Community development                                  | 1,593,449         | 1,636,334          | 1,482,237         | 154,097   |
| Public safety  | 15,969,277        | 15,831,989         | 15,765,192        | 66,797  |
| Public works   | 2,750,752         | 3,019,205          | 2,732,608         | 286,597   |
| <b>Total Expenditures</b>                              | <b>29,254,945</b> | <b>29,470,653</b>  | <b>28,572,441</b> | <b>898,212</b>  |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES   | (2,310,462)       | (2,357,491)        | 174,429           | 2,531,920   |
| OTHER FINANCING SOURCES (USES)                         |                   |                    |                   |   |
| Transfers in   | 1,292,667         | 1,396,367          | 1,373,697         | (22,670)  |
| Transfers (out)  | (1,670,578)       | (5,153,443)        | (1,812,681)       | 3,340,762   |
| <b>Total Other Financing Sources (Uses)</b>            | <b>(377,911)</b>  | <b>(3,757,076)</b> | <b>(438,984)</b>  | <b>3,318,092</b>  |
| NET CHANGE IN FUND BALANCE                             | (\$2,688,373)     | (\$6,114,567)      | (264,555)         | \$5,850,012   |
| Fund Balances at Beginning of Year                     |                   |                    | 23,793,966        |   |
| Fund Balances at End of Year                           |                   |                    | \$23,529,411      |   |

See Accompanying Notes to Financial Statements

CITY OF CAMPBELL  
REDEVELOPMENT AGENCY HOUSING  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

|  | Budgeted Amounts   |                      | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|----------------------|--------------------|---|
|  | Original           | Final                |                    |   |
| REVENUES   |                    |                      |                    |   |
| Property taxes                                       | \$1,055,981        | \$1,055,981          | \$1,037,965        | (\$18,016)  |
| Investment income                                    | 115,000            | 115,000              | 194,775            | 79,775  |
| Charges for services                                 | 13,750             | 13,750               |                    | (13,750)  |
| Total Revenues                                       | <u>1,184,731</u>   | <u>1,184,731</u>     | <u>1,232,740</u>   | <u>48,009</u>   |
| EXPENDITURES   |                    |                      |                    |   |
| Current:   |                    |                      |                    |   |
| Redevelopment housing                                | 1,251,422          | 2,782,483            | 232,104            | 2,550,379   |
| Total Expenditures                                   | <u>1,251,422</u>   | <u>2,782,483</u>     | <u>232,104</u>     | <u>\$2,550,379</u>                                      |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>(66,691)</u>    | <u>(1,597,752)</u>   | <u>1,000,636</u>   | <u>2,598,388</u>  |
| OTHER FINANCING SOURCES (USES)                       |                    |                      |                    |   |
| Transfers (out)                                      | (45,696)           | (395,696)            | (172,609)          | 223,087   |
| Total Other Financing Sources (Uses)                 | <u>(45,696)</u>    | <u>(395,696)</u>     | <u>(172,609)</u>   | <u>223,087</u>  |
| NET CHANGE IN FUND BALANCE                           | <u>(\$112,387)</u> | <u>(\$1,993,448)</u> | 828,027            | <u>\$2,821,475</u>                                      |
| Fund Balance at Beginning of Year                    |                    |                      | <u>7,929,751</u>   |   |
| Fund Balance at End of Year                          |                    |                      | <u>\$8,757,778</u> |   |

See Accompanying Notes to Financial Statements

**CITY OF CAMPBELL, CALIFORNIA**

**INTERNAL SERVICE FUNDS**

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

CITY OF CAMPBELL  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006

|   | Governmental<br>Activities -<br>Internal Service<br>Funds |
|---|---|
|   | <u>        </u>   |
| <b>ASSETS</b>   |   |
| Current assets:   |   |
| Cash and investments (Note 2)                             | \$4,472,118   |
| Deposits  | <u>120,000</u>  |
| Total current assets                                      | <u>4,592,118</u>  |
| Noncurrent assets:  |   |
| Capital assets, net of accumulated depreciation: (Note 5) | <u>1,931,701</u>  |
| Total assets  | <u>6,523,819</u>  |
| <b>LIABILITIES</b>  |   |
| Accounts payable  | 169,918   |
| Accrued vacation and sick leave (Note 1G)                 | 14,397  |
| Claims and judgments payable (Note 11)                    | 3,110,347   |
| Accrued payroll and payroll taxes                         | <u>7,460</u>  |
| Total current liabilities                                 | <u>3,302,122</u>  |
| Total liabilities   | <u>3,302,122</u>  |
| <b>NET ASSETS (Note 9)</b>                                |   |
| Invested in capital assets, net of related debt           | 1,931,701   |
| Unrestricted  | <u>1,289,996</u>  |
| Total net assets  | <u>\$3,221,697</u>  |

See accompanying notes to financial statements

CITY OF CAMPBELL  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2006

|                                  | Governmental<br>Activities -<br>Internal Service<br>Funds |
|----------------------------------|---|
|                                  |   |
| OPERATING REVENUES               |   |
| Charges to operating departments | \$1,947,235   |
| Other                            | 261,268   |
|                                  | 2,208,503   |
| OPERATING EXPENSES               |   |
| Personnel services               | 316,858   |
| Services and supplies            | 2,392,172   |
| Depreciation (Note 5D)           | 617,306   |
|                                  | 3,326,336   |
| Operating Loss                   | (1,117,833)   |
| Transfers in (Note 3A)           | 370   |
| Transfers out (Note 3A)          | (170,675)   |
|                                  | (170,305)   |
| Change in net assets             | (1,288,138)   |
| Total net assets-beginning       | 4,509,835   |
| Total net assets-ending          | \$3,221,697   |

See accompanying notes to financial statements

CITY OF CAMPBELL  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2006

|  | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</u> |
|--|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |
| Receipts from customers  | \$2,208,503   |
| Payments to suppliers  | (1,830,134)   |
| Payments to employees  | <u>(316,414)</u>  |
| Net cash provided by operating activities  | <u>61,955</u>   |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>                                 |   |
| Transfers in   | 370   |
| Transfers (out)  | <u>(170,675)</u>  |
| Cash Flows from Noncapital Financing Activities  | <u>(170,305)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                        |   |
| Acquisition of capital assets  | <u>(372,596)</u>  |
| Cash Flows from Capital and Related<br>Financing Activities                                | <u>(372,596)</u>  |
| Net increase in cash and cash equivalents  | (480,946)   |
| Cash and investments at beginning of period  | <u>4,953,064</u>  |
| Cash and investments at end of period  | <u><u>\$4,472,118</u></u>   |
| Reconciliation of operating income (loss) to net cash provided by<br>operating activities: |   |
| Operating income (loss)  | (\$1,117,833)   |
| Adjustments to reconcile operating income to net cash provided<br>by operating activities: |   |
| Depreciation   | 617,306   |
| Change in assets and liabilities:  |   |
| Accounts and other receivables   | 52,616  |
| Accounts and other payables  | 58,870  |
| Accrued payroll and payroll taxes  | 779   |
| Accrued vacation and sick leave  | (335)   |
| Claims and judgments payable   | <u>450,552</u>  |
| Net cash provided by operating activities  | <u><u>\$61,955</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, 2006

|  | <u>Agency<br/>Funds</u> |
|--|-------------------------|
| ASSETS                                   |                         |
| Restricted cash and investments (Note 2) | \$113,334               |
| Accounts receivable                      | <u>6,451</u>            |
| Total Assets                             | <u><u>\$119,785</u></u> |
| LIABILITIES                              |                         |
| Accounts payable                         | \$12,327                |
| Due to bond holders                      | <u>107,458</u>          |
| Total Liabilities                        | <u><u>\$119,785</u></u> |

See accompanying notes to financial statements

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**B. Basis of Presentation**

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

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

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

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary* 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 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 COP 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's debt, including the 2002 and 2005 Tax Allocation Bonds.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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

The City also reports the following fiduciary and proprietary fund types:

**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 long-term debt and compensated absences, which are recognized as expenditures when they are paid. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from 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 entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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

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. During the fiscal year ended June 30, 2006, 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 of the expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end lapse and must be reappropriated as part of the following year budget.

**G. *Accrued Vacation and Sick Leave***

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

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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

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.

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, 2006:

|                   |                    |
|-------------------|--------------------|
| Beginning Balance | \$2,777,296        |
| Additions         | 1,753,289          |
| Payments          | <u>(1,644,204)</u> |
| Ending Balance    | <u>\$2,886,381</u> |
| Current Portion   | <u>\$1,210,733</u> |

**NOTE 2 - CASH AND INVESTMENTS**

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 forms.

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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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

**B. Classification**

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

|  |                            |
|--|----------------------------|
| Governmental Activities:                                     |                            |
| Cash and investments available for operations                | \$50,443,778               |
| Restricted cash and investments                              | <u>2,090,354</u>           |
| Total cash and investments in primary government             | 52,534,132                 |
| Cash and investments in Fiduciary Funds (separate statement) |                            |
| Restricted cash and investments                              | <u>113,334</u>             |
| Total cash and investments                                   | <u><u>\$52,647,466</u></u> |

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, 2006**

**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<br>Type                                   | Maximum<br>Maturity | Minimum<br>Credit<br>Quality | Maximum<br>Percentage<br>of<br>Portfolio | Maximum<br>Investment<br>In One Issuer |
|---|---------------------|------------------------------|--|--|
| U.S. Treasury Obligations                                       | 5 years             | None                         | None                                     | None                                   |
| U.S. Agency Securities  | 5 years             | None                         | 75%                                      | None                                   |
| Federal Instrumentality<br>(government sponsored<br>enterprise) | 5 years             | None                         | 75%                                      | None                                   |
| Repurchase Agreements   | 1 year              | *                            | 10%                                      | None                                   |
| Commercial Papers   | 270 days            | Highest<br>ranking           | 25%                                      | 10%                                    |
| Bankers' Acceptances  | 180 days            | A-1 or P-1 or<br>F-1         | 30%                                      | 10%                                    |
| Medium-Term Notes   | 5 years             | AA or Aa2                    | 10%                                      | None                                   |
| Non-negotiable Time<br>Certificates of Deposits                 | 5 years             | None                         | 25%                                      | \$1 million                            |
| California Local Agency<br>Investment Fund                      | N/A                 | None                         | None                                     | \$40 million<br>per account            |
| Mutual Funds  | Upon<br>demand      | AAAm or Aaa<br>or AAA/VI+    | 15%                                      | 10%                                    |
| Money Market Mutual<br>Funds                                    | Upon<br>demand      | AAAm or Aaa<br>or AAA/VI+    | 15%                                      | 10%                                    |

\* Counterparties must have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or equivalent

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**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 Papers   | 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)   | 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, 2006**

**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. The City had money market investments in the amount of \$4,305,885 as of June 30, 2006, available for withdrawal on demand. At June 30, 2006 the average maturity date of investments for the Government Obligation Money Market Fund and the Treasury Obligation Money Market Fund were 22 and 3 days, respectively.

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<br>or less | 13 to 24<br>Months  | 25 to 60<br>Months         | Total               |
|--|----------------------|---------------------|----------------------------|---------------------|
| <i>Cash and Investments</i>                |                      |                     |                            |                     |
| <i>Available for Operations:</i>           |                      |                     |                            |                     |
| U.S. Government                            |                      |                     |                            |                     |
| Sponsored Enterprise Issues                | \$11,779,580         | \$11,752,840        | \$7,757,344                | \$31,289,764        |
| California Local Agency<br>Investment Fund | 16,484,208           |                     |                            | 16,484,208          |
| <i>Restricted Cash and Investments</i>     |                      |                     |                            |                     |
| <i>Money Market Funds:</i>                 |                      |                     |                            |                     |
| Government Obligation Fund                 | 3,246,407            |                     |                            | 3,246,407           |
| Treasury Obligation Fund                   | 1,059,478            |                     |                            | 1,059,478           |
| Total Investments                          | <u>\$32,569,673</u>  | <u>\$11,752,840</u> | <u>\$7,757,344</u>         | 52,079,857          |
| <i>Demand Deposits and Cash on Hand</i>    |                      |                     |                            | 567,609             |
|  |                      |                     | Total Cash and Investments | <u>\$52,647,466</u> |

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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

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

|   | Fair Value at<br>Year End |
|---|---------------------------|
| Federal Home Loan Bank, debt security 3.45% coupon,<br>callable on any day after 3/28/2005        | \$1,951,260               |
| Federal Farm Credit Bank, debt security 3.88% debt<br>security, callable on any day after 2/18/05 | 1,924,380                 |
| Federal Farm Credit Bank, debt security 3.88% debt<br>security, callable on any day after 3/16/05 | 1,908,760                 |
| Federal Home Loan Bank, debt security 5.63% coupon,<br>callable 5/25/08                           | 993,130                   |
| Federal Home Loan Mortgage Corp, debt<br>security 5.05% coupon, callable 12/8/06                  | 990,160                   |
| Federal Home Loan Mortgage Corp, debt<br>security 4.90% coupon, callable 11/3/06                  | 984,380                   |
| Federal National Mortgage Association, debt<br>security 3.21% coupon, callable 7/23/06            | 956,560                   |

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, United States Treasury Notes and Bills, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2006, these investments matured in an average of 152 days.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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

**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, 2006 for each investment type as provided by Standard and Poor's investment rating system.

| Investment Type                             | Amount       |
|---|--------------|
| <i>AAA rated:</i>                           |              |
| <i>Available for Operations:</i>            |              |
| U.S. Government Sponsored Enterprise Issues | \$31,289,764 |
| <i>Restricted:</i>                          |              |
| Money Market Funds:                         |              |
| Government Obligation Fund                  | 3,246,407    |
| Treasury Obligation Funds                   | 1,059,478    |
| Totals                                      | 35,595,649   |
| <i>Not rated:</i>                           |              |
| California Local Agency Investment Fund     | 16,484,208   |
| <i>Exempt from credit rate disclosure:</i>  |              |
| Demand Deposits                             | 567,609      |
| Total Cash and Investments                  | \$52,647,466 |

**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:

| Reporting Unit        | Issuer                                 | Reported Amount |
|-----------------------|--|-----------------|
| Government Activities | Federal Home Loan Mortgage Association | \$11,838,954    |
|                       | Federal National Mortgage Association  | 10,724,520      |
|                       | Federal Home Loan Bank                 | 4,893,150       |
|                       | Federal Farm Credit Bank               | 3,833,140       |

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 3 - INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

With City Manager approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2006 were as follows:

| Fund Receiving Transfers                              | Fund Making Transfers                                     | Amount        |
|---|---|---------------|
| General Fund  | RDA Capital Projects Fund                                 | \$162,439 (A) |
|   | RDA Debt Service Fund                                     | 20,232 (D)    |
|   | Redevelopment Agency Housing                              |               |
|   | Special Revenue Fund                                      | 39,696 (A)    |
|   | Non-Major Governmental Funds                              | 980,655 (A)   |
|   | Motor Vehicle Pool Internal Service Fund                  | 50,000 (A)    |
|   | Workers Compensation Self Insurance Internal Service Fund | 100,000 (A)   |
|   | Information Technology Services Internal Service Fund     | 20,675 (A)    |
| RDA Capital Projects Fund                             | Capital Projects Fund                                     | 569,315 (B)   |
|   | RDA Debt Service Fund                                     | 482,042 (B)   |
| Capital Projects Fund                                 | General Fund  | 261,971 (B)   |
|   | RDA Capital Projects Fund                                 | 29,790 (B)    |
|   | Redevelopment Agency Housing                              |               |
|   | Special Revenue Fund                                      | 66,650 (B)    |
| COP Debt Service Fund                                 | Non-Major Governmental Funds                              | 2,948,766 (B) |
|   | General Fund  | 544,537 (C)   |
|   | RDA Debt Service Fund                                     | 832,775 (C)   |
| RDA Debt Service Fund                                 | General Fund  | 200,000 (D)   |
| Non-Major Governmental Funds                          | General Fund  | 805,803 (A)   |
|   | Redevelopment Agency Housing                              |               |
|   | Special Revenue Fund                                      | 66,263 (A)    |
|   | Non-Major Governmental Funds                              | 320,358 (A)   |
| Information Technology Services Internal Service Fund | General Fund  | 370 (D)       |
|   |   | \$8,502,337   |

- (A) Recurring transfers
- (B) To fund capital projects
- (C) To fund debt service payments

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

**B. Current Interfund Balances**

In the normal course of business, transactions occur between funds which give rise to interfund balances. These balances are normally repaid as they arise.

Current interfund balances are as follows:

| Due to Fund:                      | Due from fund:                    | Amount      |
|-----------------------------------|-----------------------------------|-------------|
| General Fund                      | Redevelopment Agency Housing Fund | \$41,059    |
|                                   | RDA Debt Service Fund             | 39,202      |
|                                   | RDA Capital Projects Fund         | 10,979      |
|                                   | Non-Major Governmental Funds      | 1,226,187   |
| Redevelopment Agency Housing Fund | General Fund                      | 55,321      |
| RDA Debt Service Fund             |                                   | 52,818      |
| RDA Capital Projects Fund         |                                   | 14,792      |
| Non-Major Governmental Funds      |                                   | 71,307      |
|                                   |                                   | \$1,511,665 |

**C. Long-Term Interfund Advance**

The COP Debt Service Fund has advanced funds to the RDA Debt Service Fund 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, 2006, the Agency paid \$233,910 in principal and \$432,776 in interest on these advances. As of June 30, 2006, the outstanding balance was \$8,433,180.

**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, 2006 was \$975,000.

**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 homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs at June 30, 2006 was \$1,820,425.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 4 - LOANS RECEIVABLE (Continued)**

**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, 2006, the City had outstanding rehabilitation loans of \$1,230,515 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2006, the City received \$182,136 from participants of this program, and made new loans totaling \$159,643.

**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.

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. The City capitalizes all infrastructures with a value greater than \$25,000. For all other capital assets, the capitalization threshold is \$5,000. The City has assigned the useful lives listed below to capital assets:

|                           |               |
|---------------------------|---------------|
| Building and Improvements | 40 Years      |
| Other Improvements        | 20 Years      |
| Infrastructure            | 15 - 40 Years |
| Machinery and Equipment   | 3 - 7 Years   |

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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

**A. Capital Asset Additions and Retirements**

Capital assets at June 30 comprise:

|  | Balance at<br>June 30, 2005 | GASB 34<br>Adjustments | Additions          | Retirements      | Transfers            | Balance at<br>June 30, 2006 |
|--|-----------------------------|------------------------|--------------------|------------------|----------------------|-----------------------------|
| <i>Governmental activities</i>                     |                             |                        |                    |                  |                      |                             |
| Capital assets not being depreciated:              |                             |                        |                    |                  |                      |                             |
| Land   | \$13,220,889                |                        |                    |                  | \$694,718            | \$13,915,607                |
| Construction in progress                           | 2,732,356                   |                        | \$1,403,393        |                  | (2,343,769)          | 1,791,980                   |
| Total capital assets not being depreciated         | <u>\$15,953,245</u>         |                        | <u>\$1,403,393</u> |                  | <u>(\$1,649,051)</u> | <u>15,707,587</u>           |
| Capital assets being depreciated:                  |                             |                        |                    |                  |                      |                             |
| Buildings and improvements                         | \$27,354,071                |                        | 15,534             |                  |                      | 27,369,605                  |
| Other improvements                                 | 17,137,759                  |                        | 659,224            |                  | 622,656              | 18,419,639                  |
| Machinery and equipment                            | 7,180,786                   |                        | 372,596            | (\$424,849)      |                      | 7,128,533                   |
| Infrastructure                                     | 2,930,942                   | \$15,833,321           |                    |                  | 1,026,395            | 19,790,658                  |
| Total capital assets being depreciated             | <u>54,603,558</u>           | <u>15,833,321</u>      | <u>1,047,354</u>   | <u>(424,849)</u> | <u>1,649,051</u>     | <u>72,708,435</u>           |
| Less accumulated depreciation for:                 |                             |                        |                    |                  |                      |                             |
| Buildings and improvements                         | 10,088,016                  |                        | 683,828            |                  |                      | 10,771,844                  |
| Other improvements                                 | 5,491,731                   |                        | 856,888            |                  |                      | 6,348,619                   |
| Machinery and equipment                            | 4,750,797                   |                        | 617,306            | (424,849)        |                      | 4,943,254                   |
| Infrastructure                                     | 35,056                      | 5,301,128              | 98,000             |                  |                      | 5,434,184                   |
| Total accumulated depreciation                     | <u>20,365,600</u>           | <u>5,301,128</u>       | <u>2,256,022</u>   | <u>(424,849)</u> |                      | <u>27,497,901</u>           |
| Net book value of capital assets being depreciated | <u>34,237,958</u>           | <u>10,532,193</u>      | <u>(1,208,668)</u> |                  |                      | <u>45,210,534</u>           |
| Governmental activity capital assets, net          | <u>\$50,191,203</u>         | <u>\$10,532,193</u>    | <u>\$194,725</u>   |                  |                      | <u>\$60,918,121</u>         |

**B. GASB 34 Implementation**

During the fiscal year ended June 30, 2006 the City recorded the historical costs and depreciation of infrastructure assets to comply with the requirements of GASB 34. The results of this study were included in the City's financial reports for the fiscal year ended June 30, 2006, and resulted in accounting adjustments in governmental activities. The results of these accounting adjustments are reported as GASB 34 Implementation Adjustments.

**C. 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. These contributions are 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, 2006**

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

**D. 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  | \$106,566                 |
| Recreation  | 272,923                   |
| Redevelopment   | 795,419                   |
| Public safety   | 25,986                    |
| Public works  | 437,822                   |
| Capital assets held by the City's<br>Internal Service Funds | <u>617,306</u>            |
| Total   | <u><u>\$2,256,022</u></u> |

**NOTE 6 - LONG-TERM DEBT**

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

|  | Original<br>Issue<br>Amount | Balance<br>June 30, 2005   | Retirements               | Balance<br>June 30, 2006   | Current<br>Portion        |
|--|-----------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| <b>Governmental Activity Debt</b>                                  |                             |                            |                           |                            |                           |
| 1997 Certificates of Participation                                 |                             |                            |                           |                            |                           |
| Civic Center Project, 4.0- 5.25%, due 10/01/28                     | \$13,480,000                | \$13,185,000               | \$45,000                  | \$13,140,000               | \$45,000                  |
| 2002 Refunding Certificates of Participation                       |                             |                            |                           |                            |                           |
| Civic Center Project, 2.5- 4.75%, due 10/01/32                     | 11,930,844                  | 10,420,844                 | 520,000                   | 9,900,844                  | 535,000                   |
| 2002 RDA Tax Allocation Bonds                                      |                             |                            |                           |                            |                           |
| Central Campbell Redevelopment Project,<br>2.75-6.0%, due 10/01/33 | 15,300,000                  | 13,870,000                 | 375,000                   | 13,495,000                 | 385,000                   |
| 2005 RDA Tax Allocation Bonds, Series A                            |                             |                            |                           |                            |                           |
| Central Campbell Redevelopment Project,<br>3.0-5.0%, due 10/01/32  | <u>12,300,000</u>           | <u>12,300,000</u>          | <u>155,000</u>            | <u>12,145,000</u>          | <u>110,000</u>            |
| Total Long-Term Debt   | <u><u>\$53,010,844</u></u>  | <u><u>\$49,775,844</u></u> | <u><u>\$1,095,000</u></u> | <u><u>\$48,680,844</u></u> | <u><u>\$1,075,000</u></u> |

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (Continued)**

**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.

**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 on or after October 1, 2011 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. 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, 2006**

**NOTE 6 - LONG-TERM DEBT (Continued)**

**D. 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. Annual principal payments are due October 1 and semi-annual interest payments are due April 1 and October 1 of each year through October 1, 2032.

**E. Debt Service Requirements**

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

| For The Year<br>Ending June 30 | Governmental Activities |                     |
|--------------------------------|-------------------------|---------------------|
|                                | Principal               | Interest            |
| 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                           | 1,675,000               | 2,097,838           |
| 2012-2016                      | 6,060,000               | 9,618,570           |
| 2017-2021                      | 6,580,000               | 8,247,810           |
| 2022-2026                      | 10,150,000              | 6,199,209           |
| 2027-2031                      | 12,295,358              | 5,690,363           |
| 2031-2034                      | 6,585,486               | 3,133,439           |
| Total payments due             | <u>\$48,680,844</u>     | <u>\$43,959,772</u> |

**F. Defeased Debt**

In 2005 the City defeased its 1999 Redevelopment Agency Tax Allocation Bonds, Series A and B by establishing an irrevocable trust to provide for all future debt service payments. As of June 30, 2006 the remaining balance of the defeased debt was \$10,605,000.

**NOTE 7 - 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, 2006 was \$260,000 and matures in 2012.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 7 - DEBT WITH NO CITY COMMITMENT (Continued)**

**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 8 – 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, 2006.

**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 West Campbell Avenue and San Tomas Expressway. The terms of the sale are that the Water District would develop 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.

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, 2006, the Agency had given Campbell Avenue, LLC, \$155,637 for pre-development costs.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

|  |
|--|
| <b>NOTE 9 – NET ASSETS AND FUND BALANCES</b> |
|--|

**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, 2006, reservations included:

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

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

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

Reserves for **advances and notes receivable** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are assets of this fund.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

|  |
|--|
| <b>NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)</b> |
|--|

**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, 2006 designations included designated for **approved projects**, representing the portion of fund balance set aside for authorized capital improvement projects.

At June 30, 2006, General fund balance designations included:

|                               |              |
|-------------------------------|--------------|
| Operations                    | \$1,000,000  |
| Capital improvements          | 3,843,535    |
| Emergencies                   | 3,097,998    |
| Construction tax              | 712,788      |
| Future advances to RDA        | 1,800,000    |
| Liability insurance           | 265,508      |
| Carryover capital projects    | 2,986,133    |
| Economic fluctuations         | 6,000,000    |
| Heritage Theater operations   | 423,429      |
| Heritage Theater preservation | 91,656       |
| Unemployment self-insurance   | 125,130      |
| PERS                          | 1,000,000    |
| Workers compensation          | 900,000      |
|                               | \$22,246,177 |
|                               | \$22,246,177 |

**D. Fund Equity Deficit**

The RDA Debt Service Fund had a deficit of \$1,748,045 as of June 30, 2006. 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 \$1,093,975 as of June 30, 2006. 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, 2006**

**NOTE 10 - 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, 2006, are summarized as follows:

|   | Safety           | Miscellaneous    |
|---|------------------|------------------|
| Benefit vesting schedule                  | 5 year service   | 5 year service   |
| Benefit payments                          | Monthly for life | Monthly for life |
| Retirement age                            | 50               | 55               |
| Monthly benefits, as a % of annual salary | 3.000%           | 2.500%           |
| Required employee contribution rates      | 9.000%           | 8.000%           |
| Required employer contribution rates      | 32.224%          | 12.302%          |

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%. 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 over a rolling thirty-year period.

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 Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The City satisfied its unfunded liability of \$7,981,680 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 15 years.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 10 - PENSION PLAN (Continued)**

CALPERS' latest available actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation date of June 30, 2004. Actuarial values for 2002 are not available for the State-wide Safety pool as they are based on a fresh start valuation as of June 30, 2003:

*Safety Plan:*

| Actuarial - Statewide |                                |                 |                                 |              |                        |   |
|-----------------------|--------------------------------|-----------------|---------------------------------|--------------|------------------------|---|
| Valuation Date        | Entry Age<br>Accrued Liability | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) Liability as % of Payroll |
| 2003                  | \$4,270,573,982                | \$3,577,742,166 | \$692,831,816                   | 83.8%        | \$476,089,674          | 145.5%  |
| 2004                  | 5,383,921,942                  | 4,424,586,846   | 959,335,096                     | 82.2%        | 575,296,434            | 166.8%  |

*Miscellaneous Plan:*

| Actuarial      |                                |                 |                                 |              |                        |   |
|----------------|--------------------------------|-----------------|---------------------------------|--------------|------------------------|---|
| Valuation Date | Entry Age<br>Accrued Liability | Value of Assets | Unfunded (Overfunded) Liability | Funded Ratio | Annual Covered Payroll | Unfunded (Overfunded) Liability as % of Payroll |
| 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%   |
| 2004           | 41,139,433                     | 37,580,159      | 3,559,274                       | 91.3%        | 8,966,957              | 39.7%   |

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709. CALPERS reports this information approximately seventeen months after the end of its June 30 fiscal year.

Actuarially required employer contributions for both plans for fiscal years 2006, 2005, and 2004 were \$2,653,602, \$2,097,474 and \$200,959, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 10 - PENSION PLAN (Continued)**

**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, 2006, total contributions of \$114,028 were made based on covered compensation of \$1,520,337.

**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 seventeen years of service. Currently, 24 retirees meet eligibility requirements. The City provides up to \$250 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, 2006, the City incurred \$43,127 in costs related to providing this benefit.

**NOTE 11 - 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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 11 - RISK MANAGEMENT (Continued)**

The pool consists of thirty-one member 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.

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:

|  | 2006                     |                      |             | 2005        |
|--|--------------------------|----------------------|-------------|-------------|
|  | Worker's<br>Compensation | General<br>Liability | Total       |             |
| Beginning claims payable balance           | \$2,659,795              | \$134,000            | \$2,793,795 | \$2,209,692 |
| Liability for current fiscal year claims   | 450,230                  | 29,787               | 480,017     | 409,941     |
| Increase (decrease) in estimated liability |                          |                      |             |             |
| for prior fiscal year claims               | 545,138                  | 122,058              | 667,196     | 672,727     |
| Claims paid                                | (544,816)                | (151,845)            | (696,661)   | (498,565)   |
| Ending claims payable balance              | \$3,110,347              | \$134,000            | \$3,244,347 | \$2,793,795 |

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

|  |
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| <b>NOTE 12 – TAX INCREMENT SHIFT TO EDUCATIONAL REVENUE AUGMENTATION FUND (ERAF)</b> |
|--|

The State of California has directed that a portion of the incremental property taxes which had been received in prior years by cities and redevelopment agencies be paid instead to local educational agencies. During the fiscal year ended June 30, 2006, the General Fund and the Redevelopment Agency paid \$557,992 and \$462,725, respectively, as a result of the State directive.

|   |
|---|
| <b>NOTE 13 - JOINT POWERS AGREEMENT</b> |
|---|

**A.     *Congestion Management Agency***

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

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

**B.     *Silicon Valley Animal Control Authority***

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

During the fiscal year ended June 30, 2006 the City contributed \$287,656 to the Authority for field services and sheltering costs. The City also contributed \$767,261 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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 14 – RENTAL INCOME FROM USE OF CITY PROPERTY**

The City leases a portion of the space at its Community Center. Rental income from leases and facility rentals during the fiscal year ended June 30, 2006 amounted to \$1,996,204. Major tenants include John F. Kennedy University College and Magpie Internet Communications.

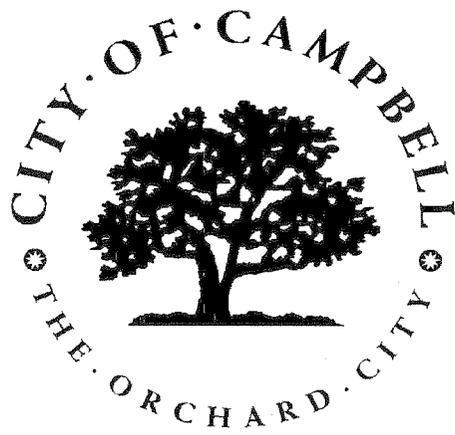
Minimum future lease rentals were as follows at June 30, 2006:

| <u>Year Ending June 30,</u>        | <u>Amount</u>           |
|------------------------------------|-------------------------|
| 2007                               | \$321,974               |
| 2008                               | 269,158                 |
| 2009                               | 220,591                 |
| 2010                               | <u>88,448</u>           |
| Total minimum future lease rentals | <u><u>\$900,171</u></u> |

**NOTE 15 – 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.



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| <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**

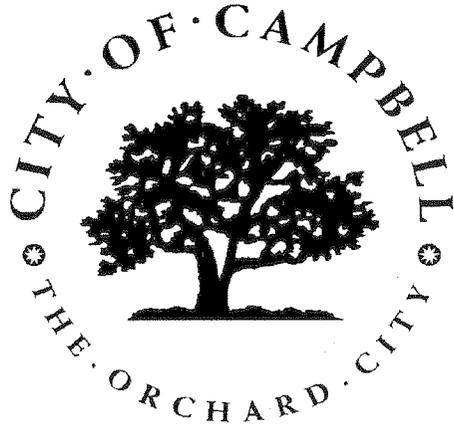
This fund accounts for payment of interest and principal on the Redevelopment Agency's long-term obligations including the 2002 and 2005 Tax Allocation Bonds.

CITY OF CAMPBELL  
COP DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

|  | <u>Budget</u>      | <u>Actual</u>             | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|--------------------|---------------------------|---|
| REVENUES   |                    |                           |   |
| Investment income                                    |                    | \$2,034                   | \$2,034   |
| Total Revenues                                       |                    | 2,034                     | 2,034   |
| EXPENDITURES   |                    |                           |   |
| Debt service:  |                    |                           |   |
| Principal payments                                   | \$565,000          | 565,000                   |   |
| Interest and fiscal fees                             | 1,048,752          | 1,047,149                 | 1,603   |
| Total Expenditures                                   | 1,613,752          | 1,612,149                 | 1,603   |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | (1,613,752)        | (1,610,115)               | 1,603   |
| OTHER FINANCING SOURCES (USES)                       |                    |                           |   |
| Transfers in   | 1,379,841          | 1,377,312                 | (2,529)   |
| Total Other Financing Sources (Uses)                 | 1,379,841          | 1,377,312                 | (2,529)   |
| NET CHANGE IN FUND BALANCE                           | <u>(\$233,911)</u> | (232,803)                 | <u>\$1,108</u>  |
| BEGINNING FUND BALANCE                               |                    | <u>8,667,090</u>          |   |
| ENDING FUND BALANCE                                  |                    | <u><u>\$8,434,287</u></u> |   |

CITY OF CAMPBELL  
RDA DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

|  | Budget      | Actual        | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------|---------------|---|
| REVENUES   |             |               |   |
| Property taxes   | \$4,223,926 | \$4,151,860   | (\$72,066)  |
| Less: educational revenue augmentation<br>fund payment | (462,725)   | (462,725)     |   |
| Investment income                                      | 108,000     | 238,873       | 130,873   |
|  | 3,869,201   | 3,928,008     | 58,807  |
| Total Revenues   |             |               |   |
| EXPENDITURES   |             |               |   |
| Current:   |             |               |   |
| Redevelopment  | 423,007     | 254,104       | 168,903   |
| Pass-through payments                                  | 429,268     | 429,268       |   |
| Debt service:  |             |               |   |
| Principal payments                                     | 530,000     | 530,000       |   |
| Interest and fiscal fees                               | 1,220,218   | 1,236,738     | (16,520)  |
|  | 2,602,493   | 2,450,110     | 152,383   |
| Total Expenditures                                     |             |               |   |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES   | 1,266,708   | 1,477,898     | 211,190   |
| OTHER FINANCING SOURCES (USES)                         |             |               |   |
| Transfers in   | 200,000     | 200,000       |   |
| Transfers (out)  | (1,330,056) | (1,335,049)   | (4,993)   |
|  | (1,130,056) | (1,135,049)   | (4,993)   |
| Total Other Financing Sources (Uses)                   |             |               |   |
| NET CHANGE IN FUND BALANCE                             | \$136,652   | 342,849       | \$206,197   |
| BEGINNING FUND BALANCE                                 |             | (2,090,894)   |   |
| ENDING FUND BALANCE                                    |             | (\$1,748,045) |   |



## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS:

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

*Parkland Dedication Fees* – Accounts for Quimby Act monies received from developers and records expenditures related to development of designated areas.

*Lighting and Landscaping District* – Accounts for revenues and expenditures providing for City street lighting and landscaping.

*Community Development Block Grant* – Accounts for Federal Block Grant Funds used for community development, such as low-and-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 and 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 and 1997 COP 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, 2006

|                                     | SPECIAL REVENUE FUNDS |                                |   |   |                    |
|-------------------------------------|-----------------------|--------------------------------|---|---|--------------------|
|                                     | Gas Tax               | Parkland<br>Dedication<br>Fees | Lighting and<br>Landscaping<br>District | Community<br>Development<br>Block Grant | Other<br>Grants    |
| ASSETS                              |                       |                                |   |   |                    |
| Cash and investments                | \$119,651             | \$2,122,358                    | \$209,016                               | \$235,865                               | \$897,092          |
| Receivables:                        |                       |                                |   |   |                    |
| Taxes                               |                       |                                | 3,751                                   |   |                    |
| Accounts                            | 173,586               |                                |   | 59,748                                  | 660,096            |
| Notes and loans                     |                       |                                |   | 1,230,515                               |                    |
| Due from other funds                |                       | 22,493                         |   |   | 2,040              |
| Total Assets                        | <u>\$293,237</u>      | <u>\$2,144,851</u>             | <u>\$212,767</u>                        | <u>\$1,526,128</u>                      | <u>\$1,559,228</u> |
| LIABILITIES                         |                       |                                |   |   |                    |
| Accounts payable                    | \$40,064              |                                | \$56,513                                | \$30,403                                |                    |
| Accrued payroll                     | 14,830                |                                | 36,444                                  | 2,221                                   |                    |
| Due to other funds                  | 25,598                | \$16,692                       |   | 97,014                                  | \$1,052,170        |
| Deferred revenue                    |                       |                                |   |   | 469,610            |
| Accrued vacation and sick leave     | 26,998                |                                | 43,994                                  | 7,972                                   |                    |
| Total Liabilities                   | <u>107,490</u>        | <u>16,692</u>                  | <u>136,951</u>                          | <u>137,610</u>                          | <u>1,521,780</u>   |
| FUND BALANCES                       |                       |                                |   |   |                    |
| Fund balance:                       |                       |                                |   |   |                    |
| Reserved for encumbrances           | 810                   |                                | 22,581                                  |   |                    |
| Reserved for capital projects       |                       |                                |   |   |                    |
| Reserved for notes receivable       |                       |                                |   | 1,230,515                               |                    |
| Unreserved                          |                       |                                |   |   |                    |
| Undesignated                        | 184,937               | 2,128,159                      | 53,235                                  | 158,003                                 | 37,448             |
| TOTAL FUND BALANCES                 | <u>185,747</u>        | <u>2,128,159</u>               | <u>75,816</u>                           | <u>1,388,518</u>                        | <u>37,448</u>      |
| Total Liabilities and Fund Balances | <u>\$293,237</u>      | <u>\$2,144,851</u>             | <u>\$212,767</u>                        | <u>\$1,526,128</u>                      | <u>\$1,559,228</u> |

| SPECIAL REVENUE FUNDS          |                           |                                    |                               |                     | CAPITAL PROJECTS FUNDS |                                     | Total<br>Non-major<br>Governmental<br>Funds |
|--------------------------------|---------------------------|------------------------------------|-------------------------------|---------------------|------------------------|-------------------------------------|---|
| Drug<br>Enforcement<br>Revenue | Environmental<br>Services | Supplemental<br>Law<br>Enforcement | Museum<br>and<br>Adult Center | Heritage<br>Theater | COP<br>Projects        | 2002 RDA<br>TAB Capital<br>Projects |   |
| \$5,501                        | \$865,504                 | \$103,046                          | \$202,393                     | \$151,256           | \$73,179               | \$3,814,610                         | \$8,799,471                                 |
|                                | 50,970                    |                                    |                               |                     |                        |                                     | 3,751                                       |
|                                | 1,745                     | 1,058                              | 2,118                         | 1,428               |                        | 40,425                              | 944,400                                     |
|                                |                           |                                    |                               |                     |                        |                                     | 1,230,515                                   |
| <u>\$5,501</u>                 | <u>\$918,219</u>          | <u>\$104,104</u>                   | <u>\$204,511</u>              | <u>\$152,684</u>    | <u>\$73,179</u>        | <u>\$3,855,035</u>                  | <u>71,307</u>                               |
|                                |                           |                                    |                               |                     |                        |                                     | \$126,980                                   |
|                                | \$1,294                   | \$787                              | \$1,569                       | \$1,061             |                        | \$30,002                            | 53,495                                      |
|                                |                           | 99,862                             |                               |                     |                        |                                     | 1,226,187                                   |
|                                |                           |                                    |                               |                     |                        |                                     | 569,472                                     |
|                                |                           |                                    |                               |                     |                        |                                     | 78,964                                      |
|                                | <u>1,294</u>              | <u>100,649</u>                     | <u>1,569</u>                  | <u>1,061</u>        |                        | <u>30,002</u>                       | <u>2,055,098</u>                            |
|                                |                           |                                    |                               |                     |                        |                                     | 23,391                                      |
|                                |                           |                                    |                               | 151,623             | \$73,179               | 3,825,033                           | 4,049,835                                   |
| \$5,501                        | 916,925                   | 3,455                              | 202,942                       |                     |                        |                                     | 1,230,515                                   |
| <u>5,501</u>                   | <u>916,925</u>            | <u>3,455</u>                       | <u>202,942</u>                | <u>151,623</u>      | <u>73,179</u>          | <u>3,825,033</u>                    | <u>3,690,605</u>                            |
| <u>\$5,501</u>                 | <u>\$918,219</u>          | <u>\$104,104</u>                   | <u>\$204,511</u>              | <u>\$152,684</u>    | <u>\$73,179</u>        | <u>\$3,855,035</u>                  | <u>\$11,049,444</u>                         |

CITY OF CAMPBELL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2006

|  | SPECIAL REVENUE FUNDS |                                |   |   |                    |
|--|-----------------------|--------------------------------|---|---|--------------------|
|  | Gas Tax               | Parkland<br>Dedication<br>Fees | Lighting and<br>Landscaping<br>District | Community<br>Development<br>Block Grant | Other<br>Grants    |
| REVENUES   |                       |                                |   |   |                    |
| Property taxes                                       |                       |                                | \$546,443                               |   |                    |
| Sales and use taxes                                  | \$172,414             |                                |   |   |                    |
| Special assessments                                  |                       |                                | 1,101,438                               |   |                    |
| Investment income                                    |                       | \$63,032                       | 3,106                                   | \$16,504                                | \$5,975            |
| Intergovernmental revenues                           | 712,306               |                                | 4,913                                   | 155,378                                 | 1,273,859          |
| Charges for services                                 |                       |                                |   | 54,019                                  |                    |
| Asset seizure  |                       |                                |   |   |                    |
| Donations  |                       |                                |   |   |                    |
| Parkland dedication fees                             |                       | 322,825                        |   |   |                    |
| Miscellaneous revenues                               | 1,000                 |                                | 8,835                                   | 906                                     |                    |
| Total Revenues                                       | <u>885,720</u>        | <u>385,857</u>                 | <u>1,664,735</u>                        | <u>226,807</u>                          | <u>1,279,834</u>   |
| EXPENDITURES   |                       |                                |   |   |                    |
| Current:   |                       |                                |   |   |                    |
| Community development                                |                       |                                |   | 230,212                                 |                    |
| Public safety  |                       |                                |   |   |                    |
| Public works   | 950,762               |                                | 2,234,355                               |   |                    |
| Total Expenditures                                   | <u>950,762</u>        |                                | <u>2,234,355</u>                        | <u>230,212</u>                          |                    |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>(65,042)</u>       | <u>385,857</u>                 | <u>(569,620)</u>                        | <u>(3,405)</u>                          | <u>1,279,834</u>   |
| OTHER FINANCING SOURCES (USES)                       |                       |                                |   |   |                    |
| Transfers in   | 284,681               |                                | 841,480                                 | 66,263                                  |                    |
| Transfers (out)                                      | <u>(51,565)</u>       | <u>(410,431)</u>               | <u>(265,500)</u>                        |   | <u>(1,374,122)</u> |
| Total Other Financing Sources (Uses)                 | <u>233,116</u>        | <u>(410,431)</u>               | <u>575,980</u>                          | <u>66,263</u>                           | <u>(1,374,122)</u> |
| NET CHANGE IN FUND BALANCES                          | 168,074               | (24,574)                       | 6,360                                   | 62,858                                  | (94,288)           |
| BEGINNING FUND BALANCES                              | <u>17,673</u>         | <u>2,152,733</u>               | <u>69,456</u>                           | <u>1,325,660</u>                        | <u>131,736</u>     |
| ENDING FUND BALANCES                                 | <u>\$185,747</u>      | <u>\$2,128,159</u>             | <u>\$75,816</u>                         | <u>\$1,388,518</u>                      | <u>\$37,448</u>    |

| SPECIAL REVENUE FUNDS          |                           |                                    |                               |                     | CAPITAL PROJECTS FUNDS |                                     | Total<br>Nonmajor<br>Governmental<br>Funds |
|--------------------------------|---------------------------|------------------------------------|-------------------------------|---------------------|------------------------|-------------------------------------|--|
| Drug<br>Enforcement<br>Revenue | Environmental<br>Services | Supplemental<br>Law<br>Enforcement | Museum<br>and<br>Adult Center | Heritage<br>Theater | COP<br>Projects        | 2002 RDA<br>TAB Capital<br>Projects |  |
|                                |                           |                                    |                               |                     |                        |                                     | \$546,443                                  |
|                                |                           |                                    |                               |                     |                        |                                     | 172,414                                    |
|                                |                           |                                    |                               |                     |                        |                                     | 1,101,438                                  |
|                                | \$5,326                   | \$3,002                            | \$5,929                       | \$4,007             | \$66,096               | \$116,860                           | 289,837                                    |
|                                | 10,434                    | 100,000                            |                               |                     |                        |                                     | 2,256,890                                  |
| \$901                          | 807,359                   |                                    |                               |                     |                        |                                     | 861,378                                    |
|                                |                           |                                    | 59,257                        | 41,500              |                        |                                     | 901  |
|                                |                           |                                    |                               |                     |                        |                                     | 100,757                                    |
|                                |                           |                                    |                               |                     |                        |                                     | 322,825                                    |
|                                | 65,512                    |                                    |                               |                     |                        |                                     | 76,253                                     |
| 901                            | 888,631                   | 103,002                            | 65,186                        | 45,507              | 66,096                 | 116,860                             | 5,729,136                                  |
|                                |                           |                                    |                               |                     |                        |                                     | 230,212                                    |
|                                |                           | 100,000                            |                               |                     |                        |                                     | 100,000                                    |
|                                |                           |                                    |                               |                     |                        |                                     | 3,185,117                                  |
|                                |                           | 100,000                            |                               |                     |                        |                                     | 3,515,329                                  |
| 901                            | 888,631                   | 3,002                              | 65,186                        | 45,507              | 66,096                 | 116,860                             | 2,213,807                                  |
| (19,310)                       | (822,180)                 |                                    | (49,728)                      | (15,534)            | (946,559)              | (294,850)                           | 1,192,424                                  |
| (19,310)                       | (822,180)                 |                                    | (49,728)                      | (15,534)            | (946,559)              | (294,850)                           | (4,249,779)                                |
| (18,409)                       | 66,451                    | 3,002                              | 15,458                        | 29,973              | (880,463)              | (177,990)                           | (3,057,355)                                |
| 23,910                         | 850,474                   | 453                                | 187,484                       | 121,650             | 953,642                | 4,003,023                           | (843,548)                                  |
| \$5,501                        | \$916,925                 | \$3,455                            | \$202,942                     | \$151,623           | \$73,179               | \$3,825,033                         | 9,837,894                                  |
|                                |                           |                                    |                               |                     |                        |                                     | \$8,994,346                                |

CITY OF CAMPBELL  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2006

|  | GAS TAX          |                  |                                    | PARKLAND DEDICATION FEES |                    |                                    |
|--|------------------|------------------|------------------------------------|--------------------------|--------------------|------------------------------------|
|  | Budget           | Actual           | Variance<br>Positive<br>(Negative) | Budget                   | Actual             | Variance<br>Positive<br>(Negative) |
| REVENUES   |                  |                  |                                    |                          |                    |                                    |
| Property tax   |                  |                  |                                    |                          |                    |                                    |
| Sales tax and use taxes                              | \$162,600        | \$172,414        | \$9,814                            |                          |                    |                                    |
| Special assessments                                  |                  |                  |                                    |                          |                    |                                    |
| Investment income                                    |                  |                  |                                    |                          | \$63,032           | \$63,032                           |
| Intergovernmental revenues                           | 776,000          | 712,306          | (63,694)                           |                          |                    |                                    |
| Charges for services                                 |                  |                  |                                    |                          |                    |                                    |
| Asset seizures                                       |                  |                  |                                    |                          |                    |                                    |
| Donations  |                  |                  |                                    |                          |                    |                                    |
| Parkland dedication fees                             |                  |                  |                                    |                          | 322,825            | 322,825                            |
| Miscellaneous revenue                                |                  | 1,000            | 1,000                              |                          |                    |                                    |
| Total Revenues                                       | <u>938,600</u>   | <u>885,720</u>   | <u>(52,880)</u>                    |                          | <u>385,857</u>     | <u>385,857</u>                     |
| EXPENDITURES   |                  |                  |                                    |                          |                    |                                    |
| Current  |                  |                  |                                    |                          |                    |                                    |
| Community development                                |                  |                  |                                    |                          |                    |                                    |
| Public safety  |                  |                  |                                    |                          |                    |                                    |
| Public works   | <u>1,107,763</u> | <u>950,762</u>   | <u>157,001</u>                     |                          |                    |                                    |
| Total Expenditures                                   | <u>1,107,763</u> | <u>950,762</u>   | <u>157,001</u>                     |                          |                    |                                    |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>(169,163)</u> | <u>(65,042)</u>  | <u>104,121</u>                     |                          | <u>385,857</u>     | <u>385,857</u>                     |
| OTHER FINANCING SOURCES (USES)                       |                  |                  |                                    |                          |                    |                                    |
| Transfers in   | 377,438          | 284,681          | (92,757)                           |                          |                    |                                    |
| Transfers (out)                                      | <u>(208,275)</u> | <u>(51,565)</u>  | <u>156,710</u>                     | <u>(\$797,726)</u>       | <u>(410,431)</u>   | <u>387,295</u>                     |
| Total Other Financing Sources (Uses)                 | <u>169,163</u>   | <u>233,116</u>   | <u>63,953</u>                      | <u>(797,726)</u>         | <u>(410,431)</u>   | <u>387,295</u>                     |
| NET CHANGE IN FUND BALANCE                           |                  | <u>168,074</u>   | <u>\$168,074</u>                   | <u>(\$797,726)</u>       | <u>(24,574)</u>    | <u>\$773,152</u>                   |
| BEGINNING FUND BALANCES                              |                  | <u>17,673</u>    |                                    |                          | <u>2,152,733</u>   |                                    |
| ENDING FUND BALANCES                                 |                  | <u>\$185,747</u> |                                    |                          | <u>\$2,128,159</u> |                                    |

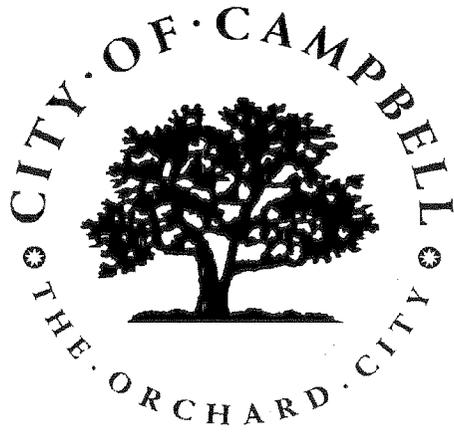
| LIGHTING AND<br>LANDSCAPING DISTRICT |           |                                    | COMMUNITY<br>DEVELOPMENT BLOCK GRANT |             |                                    | OTHER GRANTS |             |                                    |
|--------------------------------------|-----------|------------------------------------|--------------------------------------|-------------|------------------------------------|--------------|-------------|------------------------------------|
| Budget                               | Actual    | Variance<br>Positive<br>(Negative) | Budget                               | Actual      | Variance<br>Positive<br>(Negative) | Budget       | Actual      | Variance<br>Positive<br>(Negative) |
| \$500,000                            | \$546,443 | \$46,443                           |                                      |             |                                    |              |             |                                    |
| 1,109,000                            | 1,101,438 | (7,562)                            | \$10,000                             | \$16,504    | \$6,504                            |              | \$5,975     | \$5,975                            |
|                                      | 3,106     | 3,106                              | 166,447                              | 155,378     | (11,069)                           | \$8,371,331  | 1,273,859   | (7,097,472)                        |
|                                      | 4,913     | 4,913                              | 53,000                               | 54,019      | 1,019                              |              |             |                                    |
| 15,000                               | 8,835     | (6,165)                            | 75,000                               | 906         | (74,094)                           |              |             |                                    |
| 1,624,000                            | 1,664,735 | 40,735                             | 304,447                              | 226,807     | (77,640)                           | 8,371,331    | 1,279,834   | (7,091,497)                        |
|                                      |           |                                    | 510,530                              | 230,212     | 280,318                            |              |             |                                    |
| 2,347,512                            | 2,234,355 | 113,157                            |                                      |             |                                    |              |             |                                    |
| 2,347,512                            | 2,234,355 | 113,157                            | 510,530                              | 230,212     | 280,318                            |              |             |                                    |
| (723,512)                            | (569,620) | 153,892                            | (206,083)                            | (3,405)     | 202,678                            | 8,371,331    | 1,279,834   | (7,091,497)                        |
| 889,012                              | 841,480   | (47,532)                           | 106,000                              | 66,263      | (39,737)                           | (8,510,469)  | (1,374,122) | 7,136,347                          |
| (315,500)                            | (265,500) | 50,000                             |                                      |             |                                    |              |             |                                    |
| 573,512                              | 575,980   | 2,468                              | 106,000                              | 66,263      | (39,737)                           | (8,510,469)  | (1,374,122) | 7,136,347                          |
| (\$150,000)                          | 6,360     | \$156,360                          | (\$100,083)                          | 62,858      | \$162,941                          | (\$139,138)  | (94,288)    | \$44,850                           |
|                                      | 69,456    |                                    |                                      | 1,325,660   |                                    |              | 131,736     |                                    |
|                                      | \$75,816  |                                    |                                      | \$1,388,518 |                                    |              | \$37,448    |                                    |

(Continued)

CITY OF CAMPBELL  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2006

|  | <u>DRUG ENFORCEMENT REVENUE</u> |                        |   | <u>ENVIRONMENTAL SERVICES</u> |                         |   |
|--|---------------------------------|------------------------|---|-------------------------------|-------------------------|---|
|  | <u>Budget</u>                   | <u>Actual</u>          | <u>Variance<br/>Positive<br/>(Negative)</u> | <u>Budget</u>                 | <u>Actual</u>           | <u>Variance<br/>Positive<br/>(Negative)</u> |
| REVENUES   |                                 |                        |   |                               |                         |   |
| Property tax   |                                 |                        |   |                               |                         |   |
| Sales tax and use taxes                              |                                 |                        |   |                               |                         |   |
| Special assessments                                  |                                 |                        |   |                               |                         |   |
| Investment income                                    |                                 |                        |   |                               | \$5,326                 | \$5,326                                     |
| Intergovernmental revenues                           |                                 |                        |   |                               | 10,434                  | 10,434                                      |
| Charges for services                                 |                                 |                        |   | \$640,900                     | 807,359                 | 166,459                                     |
| Asset seizures                                       | \$15,410                        | \$901                  | (\$14,509)                                  |                               |                         |   |
| Donations  |                                 |                        |   |                               |                         |   |
| Parkland dedication fees                             |                                 |                        |   |                               |                         |   |
| Miscellaneous revenue                                |                                 |                        |   | 52,000                        | 65,512                  | 13,512                                      |
| Total Revenues                                       | <u>15,410</u>                   | <u>901</u>             | <u>(14,509)</u>                             | <u>692,900</u>                | <u>888,631</u>          | <u>195,731</u>                              |
| EXPENDITURES   |                                 |                        |   |                               |                         |   |
| Current  |                                 |                        |   |                               |                         |   |
| Community development                                |                                 |                        |   |                               |                         |   |
| Public safety  |                                 |                        |   |                               |                         |   |
| Public works   |                                 |                        |   |                               |                         |   |
| Total Expenditures                                   |                                 |                        |   |                               |                         |   |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES | <u>15,410</u>                   | <u>901</u>             | <u>(14,509)</u>                             | <u>692,900</u>                | <u>888,631</u>          | <u>195,731</u>                              |
| OTHER FINANCING SOURCES (USES)                       |                                 |                        |   |                               |                         |   |
| Transfers in   |                                 |                        |   |                               |                         |   |
| Transfers (out)                                      | (19,310)                        | (19,310)               |   | (819,357)                     | (822,180)               | (2,823)                                     |
| Total Other Financing Sources (Uses)                 | <u>(19,310)</u>                 | <u>(19,310)</u>        |   | <u>(819,357)</u>              | <u>(822,180)</u>        | <u>(2,823)</u>                              |
| NET CHANGE IN FUND BALANCE                           | <u><u>(\$3,900)</u></u>         | <u><u>(18,409)</u></u> | <u><u>(\$14,509)</u></u>                    | <u><u>(\$126,457)</u></u>     | <u><u>66,451</u></u>    | <u><u>\$192,908</u></u>                     |
| BEGINNING FUND BALANCES                              |                                 | <u>23,910</u>          |   |                               | <u>850,474</u>          |   |
| ENDING FUND BALANCES                                 |                                 | <u><u>\$5,501</u></u>  |   |                               | <u><u>\$916,925</u></u> |   |

| SUPPLEMENTAL LAW ENFORCEMENT |                    |                                    | MUSEUM AND ADULT CENTER |           |                                    | HERITAGE THEATER |           |                                    |
|------------------------------|--------------------|------------------------------------|-------------------------|-----------|------------------------------------|------------------|-----------|------------------------------------|
| Budget                       | Actual             | Variance<br>Positive<br>(Negative) | Budget                  | Actual    | Variance<br>Positive<br>(Negative) | Budget           | Actual    | Variance<br>Positive<br>(Negative) |
| \$100,000                    | \$3,002<br>100,000 | \$3,002                            | \$1,450                 | \$5,929   | \$4,479                            |                  | \$4,007   | \$4,007                            |
|                              |                    |                                    | 29,700                  | 59,257    | 29,557                             |                  | 41,500    | 41,500                             |
| 100,000                      | 103,002            | 3,002                              | 31,150                  | 65,186    | 34,036                             |                  | 45,507    | 45,507                             |
| 100,000                      | 100,000            |                                    |                         |           |                                    |                  |           |                                    |
| 100,000                      | 100,000            |                                    |                         |           |                                    |                  |           |                                    |
|                              | 3,002              | 3,002                              | 31,150                  | 65,186    | 34,036                             |                  | 45,507    | 45,507                             |
|                              |                    |                                    | (39,550)                | (49,728)  | (10,178)                           | (\$105,661)      | (15,534)  | 90,127                             |
|                              |                    |                                    | (39,550)                | (49,728)  | (10,178)                           | (105,661)        | (15,534)  | 90,127                             |
|                              | 3,002              | \$3,002                            | (\$8,400)               | 15,458    | \$23,858                           | (\$105,661)      | 29,973    | \$135,634                          |
|                              | 453                |                                    |                         | 187,484   |                                    |                  | 121,650   |                                    |
|                              | \$3,455            |                                    |                         | \$202,942 |                                    |                  | \$151,623 |                                    |



## 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, 2006

|  | Motor<br>Vehicle<br>Pool | Workers'<br>Compensation<br>Self-Insurance | Information<br>Technology<br>Services | Total       |
|--|--------------------------|--|---------------------------------------|-------------|
| <b>ASSETS</b>                                    |                          |  |                                       |             |
| Current assets:                                  |                          |  |                                       |             |
| Cash and investments                             | \$1,077,842              | \$1,955,149                                | \$1,439,127                           | \$4,472,118 |
| Prepays and Deposits                             |                          | 120,000                                    |                                       | 120,000     |
| Total current assets                             | 1,077,842                | 2,075,149                                  | 1,439,127                             | 4,592,118   |
| Noncurrent assets:                               |                          |  |                                       |             |
| Capital assets, net of accumulated depreciation: | 957,304                  |  | 974,397                               | 1,931,701   |
| Total assets                                     | 2,035,146                | 2,075,149                                  | 2,413,524                             | 6,523,819   |
| <b>LIABILITIES</b>                               |                          |  |                                       |             |
| Accounts payable                                 | 26,745                   | 58,777                                     | 84,396                                | 169,918     |
| Accrued vacation and sick leave                  | 14,397                   |  |                                       | 14,397      |
| Claims and judgments payable                     |                          | 3,110,347                                  |                                       | 3,110,347   |
| Accrued payroll and payroll taxes                | 7,460                    |  |                                       | 7,460       |
| Total current liabilities                        | 48,602                   | 3,169,124                                  | 84,396                                | 3,302,122   |
| Total liabilities                                | 48,602                   | 3,169,124                                  | 84,396                                | 3,302,122   |
| <b>NET ASSETS</b>                                |                          |  |                                       |             |
| Invested in capital assets, net of related debt  | 957,304                  |  | 974,397                               | 1,931,701   |
| Unrestricted                                     | 1,029,240                | (1,093,975)                                | 1,354,731                             | 1,289,996   |
| Total net assets                                 | \$1,986,544              | (\$1,093,975)                              | \$2,329,128                           | \$3,221,697 |

CITY OF CAMPBELL  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006

|                                      | Motor<br>Vehicle<br>Pool | Workers'<br>Compensation<br>Self-Insurance | Information<br>Technology<br>Services | Total              |
|--------------------------------------|--------------------------|--|---------------------------------------|--------------------|
| <b>OPERATING REVENUES</b>            |                          |  |                                       |                    |
| Charges to operating department      | \$718,490                | \$483,845                                  | \$744,900                             | \$1,947,235        |
| Other                                | 22,586                   | 207,992                                    | 30,690                                | 261,268            |
| <b>Total Operating Revenues</b>      | <b>741,076</b>           | <b>691,837</b>                             | <b>775,590</b>                        | <b>2,208,503</b>   |
| <b>OPERATING EXPENSES</b>            |                          |  |                                       |                    |
| Personnel services                   | 287,048                  | 29,810                                     |                                       | 316,858            |
| Services and supplies                | 381,001                  | 1,167,683                                  | 843,488                               | 2,392,172          |
| Depreciation                         | 223,906                  |  | 393,400                               | 617,306            |
| <b>Total Operating Expenses</b>      | <b>891,955</b>           | <b>1,197,493</b>                           | <b>1,236,888</b>                      | <b>3,326,336</b>   |
| Operating (Loss)                     | (150,879)                | (505,656)                                  | (461,298)                             | (1,117,833)        |
| Transfers in                         |                          |  | 370                                   | 370                |
| Transfers (out)                      | (50,000)                 | (100,000)                                  | (20,675)                              | (170,675)          |
| <b>Net Transfer and Contribution</b> | <b>(50,000)</b>          | <b>(100,000)</b>                           | <b>(20,305)</b>                       | <b>(170,305)</b>   |
| Change in net assets                 | (200,879)                | (605,656)                                  | (481,603)                             | (1,288,138)        |
| Total net assets-beginning           | 2,187,423                | (488,319)                                  | 2,810,731                             | 4,509,835          |
| Total net assets-ending              | <u>\$1,986,544</u>       | <u>(\$1,093,975)</u>                       | <u>\$2,329,128</u>                    | <u>\$3,221,697</u> |

CITY OF CAMPBELL  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006

|  | Motor<br>Vehicle<br>Pool | Workers'<br>Compensation<br>Self-Insurance | Information<br>Technology<br>Services | Total              |
|--|--------------------------|--|---------------------------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |  |                                       |                    |
| Receipts from customers  | \$741,076                | \$691,837                                  | \$775,590                             | \$2,208,503        |
| Payments to suppliers  | (375,488)                | (658,906)                                  | (795,740)                             | (1,830,134)        |
| Payments to employees  | (286,604)                | (29,810)                                   |                                       | (316,414)          |
| Net cash provided (used) by operating activities   | <u>78,984</u>            | <u>3,121</u>                               | <u>(20,150)</u>                       | <u>61,955</u>      |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>   |                          |  |                                       |                    |
| Transfers in   |                          |  | 370                                   | 370                |
| Transfers (out)  | (50,000)                 | (100,000)                                  | (20,675)                              | (170,675)          |
| Cash Flows from Noncapital Financing Activities  | <u>(50,000)</u>          | <u>(100,000)</u>                           | <u>(20,305)</u>                       | <u>(170,305)</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                |                          |  |                                       |                    |
| Acquisition of capital assets  | (73,279)                 |  | (299,317)                             | (372,596)          |
| Cash Flows from Capital and Related<br>Financing Activities  | <u>(73,279)</u>          |  | <u>(299,317)</u>                      | <u>(372,596)</u>   |
| Net increase (decrease) in cash and cash equivalents   | (44,295)                 | (96,879)                                   | (339,772)                             | (480,946)          |
| Cash and investments at beginning of period  | <u>1,122,137</u>         | <u>2,052,028</u>                           | <u>1,778,899</u>                      | <u>4,953,064</u>   |
| Cash and investments at end of period  | <u>\$1,077,842</u>       | <u>\$1,955,149</u>                         | <u>\$1,439,127</u>                    | <u>\$4,472,118</u> |
| <b>Reconciliation of operating income (loss) to net cash provided by<br/>operating activities:</b> |                          |  |                                       |                    |
| Operating income (loss)  | (\$150,879)              | (\$505,656)                                | (\$461,298)                           | (1,117,833)        |
| Adjustments to reconcile operating income to net cash provided<br>by operating activities:         |                          |  |                                       |                    |
| Depreciation   | 223,906                  |  | 393,400                               | 617,306            |
| Change in assets and liabilities:  |                          |  |                                       |                    |
| Accounts and other receivables   |                          | 32,816                                     | 19,800                                | 52,616             |
| Accounts and other payables  | 5,513                    | 25,409                                     | 27,948                                | 58,870             |
| Accrued payroll and payroll taxes  | 779                      |  |                                       | 779                |
| Accrued vacation and sick leave  | (335)                    |  |                                       | (335)              |
| Claims and judgments payable   |                          | 450,552                                    |                                       | 450,552            |
| Net cash provided by operating activities  | <u>\$78,984</u>          | <u>\$3,121</u>                             | <u>(\$20,150)</u>                     | <u>\$61,955</u>    |

|                        |
|------------------------|
| <b>FIDUCIARY FUNDS</b> |
|------------------------|

**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 Bonds* – 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, 2006

|  | Balance<br>June 30, 2005 | Additions        | Deductions       | Balance<br>June 30, 2006 |
|--|--------------------------|------------------|------------------|--------------------------|
| <hr/>  |                          |                  |                  |                          |
| West Valley Solid Waste Management Authority |                          |                  |                  |                          |
| <hr/>  |                          |                  |                  |                          |
| <u>Assets</u>                                |                          |                  |                  |                          |
| Restricted cash and investments              | \$111,878                | \$124,449        | \$230,451        | \$5,876                  |
| Total Assets                                 | <u>\$111,878</u>         | <u>\$124,449</u> | <u>\$230,451</u> | <u>\$5,876</u>           |
| <u>Liabilities</u>                           |                          |                  |                  |                          |
| Accounts payable                             | \$41,857                 |                  | \$29,530         | \$12,327                 |
| Payable to West Valley Solid Waste JPA       | 70,021                   | \$124,449        | 200,921          | (6,451)                  |
| Total Liabilities                            | <u>\$111,878</u>         | <u>\$124,449</u> | <u>\$230,451</u> | <u>\$5,876</u>           |
| <hr/>  |                          |                  |                  |                          |
| 1915 Act Bonds                               |                          |                  |                  |                          |
| <hr/>  |                          |                  |                  |                          |
| <u>Assets</u>                                |                          |                  |                  |                          |
| Restricted cash and investments              | \$120,913                | \$56,486         | \$69,941         | \$107,458                |
| Total Assets                                 | <u>\$120,913</u>         | <u>\$56,486</u>  | <u>\$69,941</u>  | <u>\$107,458</u>         |
| <u>Liabilities</u>                           |                          |                  |                  |                          |
| Accounts payable                             | \$10                     |                  | \$10             |                          |
| Due to bondholders                           | 120,903                  | \$56,486         | 69,931           | \$107,458                |
| Total Liabilities                            | <u>\$120,913</u>         | <u>\$56,486</u>  | <u>\$69,941</u>  | <u>\$107,458</u>         |
| <hr/>  |                          |                  |                  |                          |
| Total Agency Funds                           |                          |                  |                  |                          |
| <hr/>  |                          |                  |                  |                          |
| <u>Assets</u>                                |                          |                  |                  |                          |
| Restricted cash and investments              | \$232,791                | \$180,935        | \$300,392        | \$113,334                |
| Total Assets                                 | <u>\$232,791</u>         | <u>\$180,935</u> | <u>\$300,392</u> | <u>\$113,334</u>         |
| <u>Liabilities</u>                           |                          |                  |                  |                          |
| Accounts payable                             | \$41,867                 |                  | \$29,540         | \$12,327                 |
| Payable to West Valley Solid Waste JPA       | 70,021                   | \$124,449        | 200,921          | (6,451)                  |
| Due to bondholders                           | 120,903                  | 56,486           | 69,931           | 107,458                  |
| Total Liabilities                            | <u>\$232,791</u>         | <u>\$180,935</u> | <u>\$300,392</u> | <u>\$113,334</u>         |

## STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### ***Financial Trends***

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

### ***Revenue Capacity***

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds

### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Top Ten Principal Employers

### ***Operating Information***

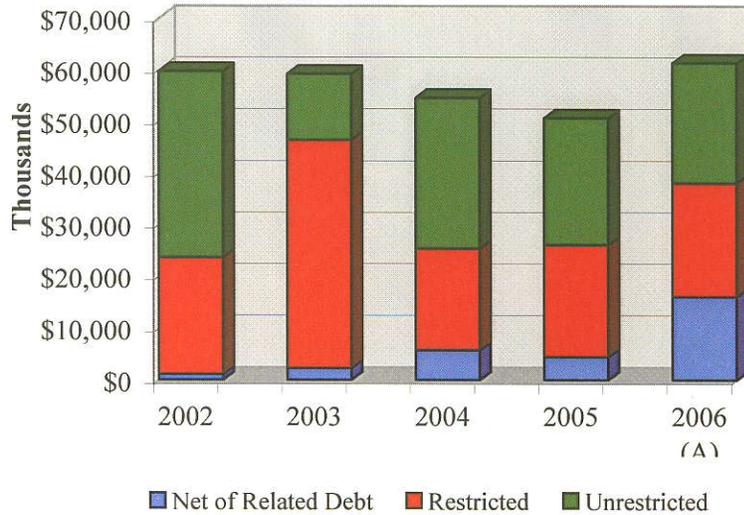
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

### ***Sources***

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF CAMPBELL**  
**Net Assets by Component**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**



|  | Fiscal Year Ended June 30, |                     |                     |                     |                     |
|--|----------------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2002                       | 2003                | 2004                | 2005                | 2006 (A)            |
| <b>Governmental activities</b>                     |                            |                     |                     |                     |                     |
| Invested in capital assets,<br>net of related debt | \$1,083,197                | \$2,291,074         | \$5,703,594         | \$4,418,382         | \$16,051,887        |
| Restricted   | 22,531,107                 | 44,115,595          | 19,654,944          | 21,632,981          | 22,030,785          |
| Unrestricted                                       | 36,046,470                 | 12,777,536          | 29,225,563          | 24,595,115          | 23,247,960          |
| Total governmental activities net assets           | <u>\$59,660,774</u>        | <u>\$59,184,205</u> | <u>\$54,584,101</u> | <u>\$50,646,478</u> | <u>\$61,330,632</u> |
| <b>Primary government</b>                          |                            |                     |                     |                     |                     |
| Invested in capital assets,<br>net of related debt | \$1,083,197                | \$2,291,074         | \$5,703,594         | \$4,418,382         | \$16,051,887        |
| Restricted   | 22,531,107                 | 44,115,595          | 19,654,944          | 21,632,981          | 22,030,785          |
| Unrestricted                                       | 36,046,470                 | 12,777,536          | 29,225,563          | 24,595,115          | 23,247,960          |
| Total primary government net assets                | <u>\$59,660,774</u>        | <u>\$59,184,205</u> | <u>\$54,584,101</u> | <u>\$50,646,478</u> | <u>\$61,330,632</u> |

The City of Campbell has elected to show only five years of data for this schedule.

(A) The City implemented the GASB 34 infrastructure requirement during FY 2006 resulting in a \$10.5 million increase in net capital assets.

**CITY OF CAMPBELL**  
**Changes in Net Assets**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**

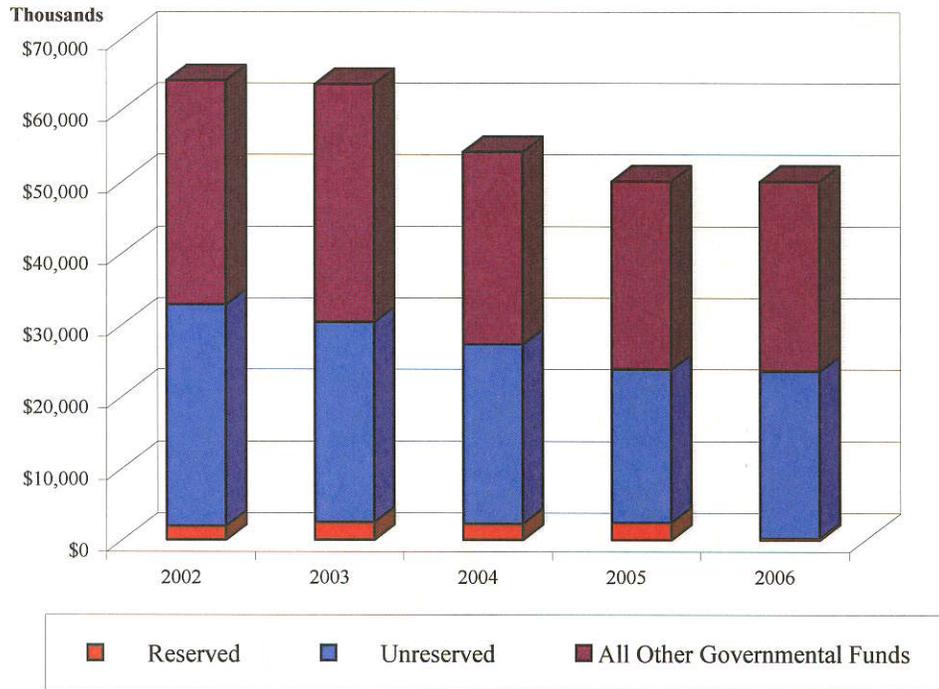
|  | <u>2003</u>           | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenses</b>                                |                       |                       |                       |                       |
| Governmental Activities:                       |                       |                       |                       |                       |
| General Government                             | \$3,375,084           | \$6,491,138           | \$3,731,831           | \$3,649,906           |
| Public Safety                                  | 14,115,306            | 14,952,689            | 16,870,357            | 16,465,886            |
| Public Works                                   | 6,684,364             | 8,167,400             | 7,511,459             | 8,156,637             |
| Community Development                          | 3,564,044             | 3,022,482             | 4,049,828             | 3,859,987             |
| Recreation and Community Services              | 4,343,175             | 5,104,270             | 6,034,563             | 5,525,298             |
| Interest on Long Term Debt                     | <u>4,158,370</u>      | <u>2,523,859</u>      | <u>4,065,244</u>      | <u>2,319,021</u>      |
| Total Governmental Activities Expenses         | <u>36,240,343</u>     | <u>40,261,838</u>     | <u>42,263,282</u>     | <u>39,976,735</u>     |
| Total Business-Type Activities Expenses        |                       |                       |                       |                       |
| Total Primary Government Expenses              | <u>\$36,240,343</u>   | <u>\$40,261,838</u>   | <u>\$42,263,282</u>   | <u>\$39,976,735</u>   |
| <b>Program Revenues</b>                        |                       |                       |                       |                       |
| Governmental Activities:                       |                       |                       |                       |                       |
| Charges for Services:                          |                       |                       |                       |                       |
| General Government                             | \$204,483             | \$203,328             | \$197,856             | \$95,281              |
| Public Safety                                  | 655,705               | 709,551               | 646,445               | 636,931               |
| Public Works                                   | 1,886,801             | 2,063,541             | 2,362,049             | 2,490,332             |
| Community Development                          | 1,039,612             | 1,121,879             | 1,750,555             | 2,805,310             |
| Recreation and Community Services              | 2,865,565             | 3,273,370             | 4,030,805             | 4,155,863             |
| Operating Grants and Contributions             | 1,818,575             | 2,677,324             | 1,776,473             | 1,920,289             |
| Capital Grants and Contributions               | <u>1,518,686</u>      | <u>623,318</u>        | <u>1,533,170</u>      | <u>1,707,722</u>      |
| Total Government Activities Program Revenues   | <u>9,989,427</u>      | <u>10,672,311</u>     | <u>12,297,353</u>     | <u>13,811,728</u>     |
| Total Business-Type Activities Program Revenue |                       |                       |                       |                       |
| Total Primary Government Program Revenues      | <u>\$9,989,427</u>    | <u>\$10,672,311</u>   | <u>\$12,297,353</u>   | <u>\$13,811,728</u>   |
| <b>Net (Expense)/Revenue</b>                   |                       |                       |                       |                       |
| Governmental Activities                        | (\$26,250,916)        | (\$29,589,527)        | (\$29,965,929)        | (\$26,165,007)        |
| Business-Type Activities                       |                       |                       |                       |                       |
| Total Primary Government Net Expense           | <u>(\$26,250,916)</u> | <u>(\$29,589,527)</u> | <u>(\$29,965,929)</u> | <u>(\$26,165,007)</u> |

**CITY OF CAMPBELL**  
**Changes in Net Assets**  
**(continued)**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**

|   | <u>2003</u>         | <u>2004</u>          | <u>2005</u>          | <u>2006</u>         |
|---|---------------------|----------------------|----------------------|---------------------|
| <b>General Revenues and Other Changes in Net Assets</b> |                     |                      |                      |                     |
| Governmental Activities:                                |                     |                      |                      |                     |
| Taxes:  |                     |                      |                      |                     |
| Property Taxes  | \$9,634,744         | \$9,736,712          | \$12,171,170         | \$12,811,822        |
| Education Revenue Augmentation Payment                  |                     | (299,715)            | (1,071,683)          | (557,992)           |
| Sales Taxes   | 8,997,381           | 10,684,234           | 9,973,506            | 9,346,984           |
| Transient Occupancy Tax                                 | 970,000             | 882,464              | 894,179              | 1,132,495           |
| Franchise Fees  | 1,199,011           | 1,237,222            | 1,262,319            | 1,346,968           |
| Business License Taxes                                  | 195,549             | 203,520              | 201,655              | 202,101             |
| Property Transfer Taxes                                 | 186,876             | 271,203              | 401,468              | 352,535             |
| Construction Taxes                                      | 74,727              | 55,052               | 98,355               | 303,943             |
| Motor Vehicle In Lieu                                   | 2,198,971           | 1,768,570            | 847,109              | 283,919             |
| Interest Earnings                                       | 1,794,891           | 326,684              | 1,124,889            | 1,011,270           |
| Other General Revenues                                  | 522,197             | 123,477              | 125,339              | 82,923              |
| Transfers   |                     |                      |                      |                     |
| Total Government Activities                             | <u>25,774,347</u>   | <u>24,989,423</u>    | <u>26,028,306</u>    | <u>26,316,968</u>   |
| Total Business-Type Activities                          |                     |                      |                      |                     |
| Total Primary Government                                | <u>\$25,774,347</u> | <u>\$24,989,423</u>  | <u>\$26,028,306</u>  | <u>\$26,316,968</u> |
| <b>Change in Net Assets</b>                             |                     |                      |                      |                     |
| Governmental Activities                                 | (\$476,569)         | (\$4,600,104)        | (\$3,937,623)        | \$151,961           |
| Business-Type Activities                                |                     |                      |                      |                     |
| Total Primary Government                                | <u>(\$476,569)</u>  | <u>(\$4,600,104)</u> | <u>(\$3,937,623)</u> | <u>\$151,961</u>    |

The City of Campbell has elected to show data from the date of the GASB 34 conversion for this schedule.

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



|                                    | <b>Fiscal Year Ended June 30,</b> |                     |                     |                     |                     |
|------------------------------------|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | <u>2002</u>                       | <u>2003</u>         | <u>2004</u>         | <u>2005</u>         | <u>2006</u>         |
| General Fund                       |                                   |                     |                     |                     |                     |
| Reserved                           | \$1,898,526                       | \$2,439,856         | \$2,244,185         | \$2,402,661         | \$175,731           |
| Unreserved                         | 30,955,859                        | 27,947,043          | 25,036,720          | 21,391,305          | 23,353,680          |
| Total General Fund                 | <u>\$32,854,385</u>               | <u>\$30,386,899</u> | <u>\$27,280,905</u> | <u>\$23,793,966</u> | <u>\$23,529,411</u> |
| All Other Governmental Funds       |                                   |                     |                     |                     |                     |
| Reserved                           | \$22,531,107                      | \$33,036,430        | \$23,972,608        | \$22,024,215        | \$21,190,885        |
| Unreserved, reported in:           |                                   |                     |                     |                     |                     |
| Special revenue funds              | 8,249,676                         | 8,820,747           | 7,950,160           | 6,875,133           | 8,241,372           |
| Capital project funds              | (5,623,336)                       | (5,544,022)         | (2,340,705)         | (540,201)           | (1,152,731)         |
| Debt service funds                 | 6,126,430                         | (3,076,096)         | (2,730,419)         | (2,090,894)         | (1,748,045)         |
| Total all other governmental funds | <u>\$31,283,877</u>               | <u>\$33,237,059</u> | <u>\$26,851,644</u> | <u>\$26,268,253</u> | <u>\$26,531,481</u> |

The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

The City of Campbell has elected to show only five years of data for this schedule.

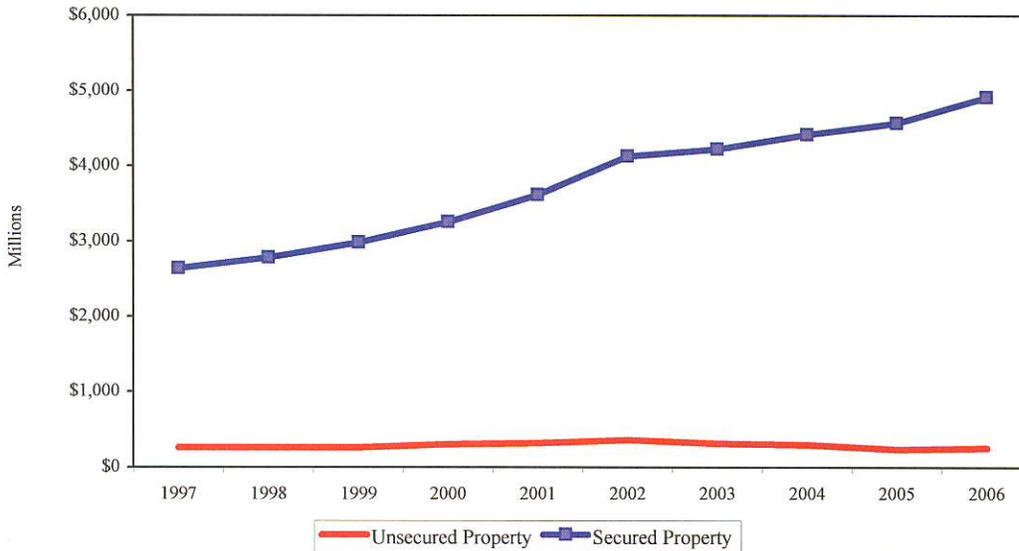
**CITY OF CAMPBELL**  
**Changes in Fund Balance of Governmental Funds**  
**Last Four Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

|  | <u>2003</u>         | <u>2004</u>          | <u>2005</u>          | <u>2006</u>       |
|--|---------------------|----------------------|----------------------|-------------------|
| <b>Revenues</b>  |                     |                      |                      |                   |
| Taxes  | \$21,258,288        | \$22,706,706         | \$23,884,979         | \$24,648,545      |
| Licenses, permits and fees                                   | 988,483             | 1,240,806            | 1,529,633            | 2,169,838         |
| Special Assessments  |                     |                      | 1,098,021            | 1,101,438         |
| Fines and forfeitures  | 303,221             | 315,813              | 272,670              | 297,357           |
| Use of money and property                                    | 3,590,818           | 2,208,041            | 3,177,751            | 3,704,058         |
| Intergovernmental revenues                                   | 4,211,957           | 3,941,015            | 2,804,404            | 2,737,196         |
| Charges for services   | 4,072,962           | 4,322,787            | 5,293,530            | 4,480,001         |
| Other  | 1,738,045           | 926,566              | 1,362,692            | 990,263           |
| <b>Total Revenues</b>  | <u>36,163,774</u>   | <u>35,661,734</u>    | <u>39,423,680</u>    | <u>40,128,696</u> |
| <b>Expenditures</b>  |                     |                      |                      |                   |
| Current:   |                     |                      |                      |                   |
| General government   | 3,400,172           | 3,886,382            | 3,516,206            | 3,453,208         |
| Public safety  | 13,468,695          | 14,778,276           | 16,291,215           | 15,865,192        |
| Public works   | 5,680,329           | 7,631,938            | 6,936,049            | 6,483,216         |
| Community development  | 3,321,995           | 3,067,016            | 3,216,851            | 2,960,088         |
| Recreation and community services                            | 4,328,302           | 5,098,270            | 5,648,237            | 5,139,196         |
| Capital outlay   | 11,527,062          | 7,316,710            | 3,437,352            | 3,020,541         |
| Debt service:  |                     |                      |                      |                   |
| Principal repayment  | 1,265,000           | 915,000              | 940,000              | 1,095,000         |
| Interest and fiscal charges                                  | 3,454,673           | 2,530,226            | 3,068,612            | 2,283,887         |
| <b>Total Expenditures</b>                                    | <u>46,446,228</u>   | <u>45,223,818</u>    | <u>43,054,522</u>    | <u>40,300,328</u> |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(10,282,454)</u> | <u>(9,562,084)</u>   | <u>(3,630,842)</u>   | <u>(171,632)</u>  |
| <b>Other Financing Sources (Uses)</b>                        |                     |                      |                      |                   |
| Transfers in   | 38,270,589          | 18,351,410           | 8,753,340            | 8,501,967         |
| Transfers (out)  | (37,890,734)        | (18,280,735)         | (8,682,665)          | (8,331,662)       |
| Refunding certificates of participation                      |                     |                      |                      |                   |
| Refunding tax allocation bonds                               | 27,230,844          |                      | 12,300,000           |                   |
| Premium on bonds   |                     |                      | 325,712              |                   |
| Payments to refunded bond escrow                             | (9,678,751)         |                      | (12,037,854)         |                   |
| Sale of capital assets                                       |                     |                      |                      |                   |
| <b>Total other financing sources (uses)</b>                  | <u>17,931,948</u>   | <u>70,675</u>        | <u>658,533</u>       | <u>170,305</u>    |
| <b>Net Change in fund balances</b>                           | <u>\$7,649,494</u>  | <u>(\$9,491,409)</u> | <u>(\$2,972,309)</u> | <u>(\$1,327)</u>  |
| Debt service as a percentage of<br>noncapital expenditures   |                     |                      |                      |                   |
|  | 11.3%               | 8.2%                 | 10.3%                | 9.2%              |

**NOTE:**

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

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

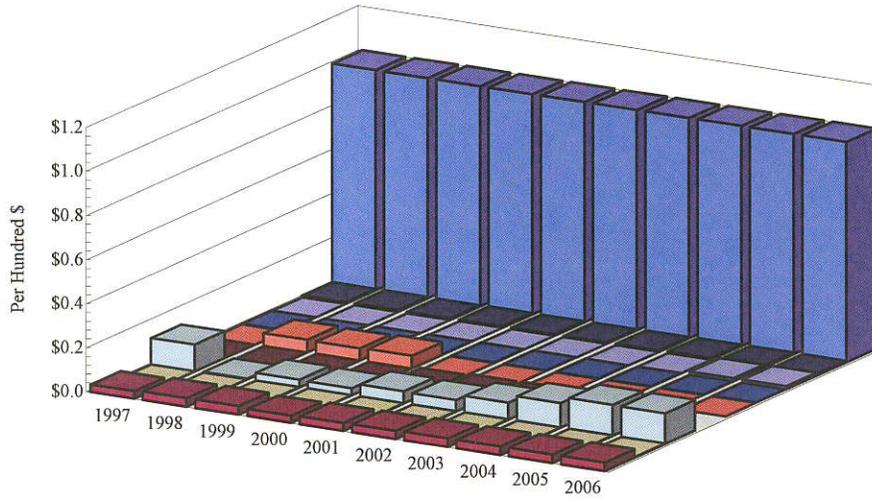


| Fiscal Year | Secured Property | HOPTR Exemptions | SBE Utilities | Total Secured Value | Unsecured Property | Total Assessed (a) | Total Direct Tax Rate (b) |
|-------------|------------------|------------------|---------------|---------------------|--------------------|--------------------|---------------------------|
| 1997        | \$2,329,187,716  | \$ 44,011,800    | \$ 2,618,188  | \$2,375,817,704     | \$ 264,300,165     | \$2,640,117,869    | 1%                        |
| 1998        | 2,472,381,428    | 45,126,200       | 2,653,461     | 2,520,161,089       | 262,019,765        | 2,782,180,854      | 1%                        |
| 1999        | 2,670,888,645    | 45,738,000       | 2,690,154     | 2,719,316,799       | 264,105,444        | 2,983,422,243      | 1%                        |
| 2000        | 2,903,306,192    | 45,995,600       | 2,455,048     | 2,951,756,840       | 302,765,656        | 3,254,522,496      | 1%                        |
| 2001        | 3,245,902,330    | 45,728,200       | 225,968       | 3,291,856,498       | 322,012,977        | 3,613,869,475      | 1%                        |
| 2002        | 3,712,714,024    | 46,449,200       | 1,751,083     | 3,760,914,307       | 365,891,218        | 4,126,805,525      | 1%                        |
| 2003        | 3,855,036,928    | 46,215,400       | 2,292,470     | 3,903,544,798       | 317,362,428        | 4,220,907,226      | 1%                        |
| 2004        | 4,068,964,576    | 45,444,000       | 269,185       | 4,114,677,761       | 302,047,319        | 4,416,725,080      | 1%                        |
| 2005        | 4,284,786,207    | 44,648,800       | 322,756       | 4,329,757,763       | 240,037,463        | 4,569,795,226      | 1%                        |
| 2006        | 4,611,315,721    | 44,664,200       | 304,617       | 4,656,284,538       | 260,089,970        | 4,916,374,508      | 1%                        |

Source: Santa Clara County Assessor's Office

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

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



|                       |                       |                                |
|-----------------------|-----------------------|--------------------------------|
| ■ SCC Retirement      | □ Library Retirement  | □ Elem or Unified School Bonds |
| ■ High School Bonds   | ■ Moreland Loan       | ■ SCVWD Zone W-1               |
| ■ West Valley College | ■ SCVWD State Project | ■ Basic County Wide Levy       |

| Fiscal Year | Basic County Wide Levy | SCC Retirement | Library Retirement | Elem or Unified School Bonds | High School Bonds | Moreland Loan | SCVWD State Project | SCVWD Zone W-1 | West Valley College | Total    |
|-------------|------------------------|----------------|--------------------|------------------------------|-------------------|---------------|---------------------|----------------|---------------------|----------|
| 1997        | \$1.0000               | \$0.034        | \$0.002            | \$0.123                      |                   |               | \$0.008             | \$0.003        |                     | \$1.1670 |
| 1998        | 1.0000                 | \$0.039        | 0.002              | 0.005                        |                   | \$0.058       | 0.008               | 0.002          |                     | 1.1120   |
| 1999        | 1.0000                 | \$0.039        | 0.002              | 0.036                        |                   | 0.055         | 0.006               | 0.002          |                     | 1.1380   |
| 2000        | 1.0000                 | \$0.032        | 0.002              | 0.033                        |                   | 0.058         | 0.007               | 0.002          |                     | 1.1322   |
| 2001        | 1.0000                 | \$0.036        | 0.002              | 0.055                        | \$0.009           |               | 0.006               | 0.002          |                     | 1.1080   |
| 2002        | 1.0000                 | \$0.036        | 0.002              | 0.052                        | 0.016             |               | 0.005               | 0.001          |                     | 1.1116   |
| 2003        | 1.0000                 | \$0.039        | 0.002              | 0.076                        | 0.017             |               | 0.006               | 0.001          |                     | 1.1401   |
| 2004        | 1.0000                 | \$0.039        | 0.002              | 0.111                        | 0.022             |               | 0.008               | 0.001          |                     | 1.1814   |
| 2005        | 1.0000                 | \$0.039        | 0.002              | 0.140                        | 0.020             |               | 0.009               | 0.001          | \$0.014             | 1.2090   |
| 2006        | 1.0000                 | \$0.039        | 0.002              | 0.137                        | 0.022             |               | 0.007               | 0.001          | 0.014               | 1.2074   |

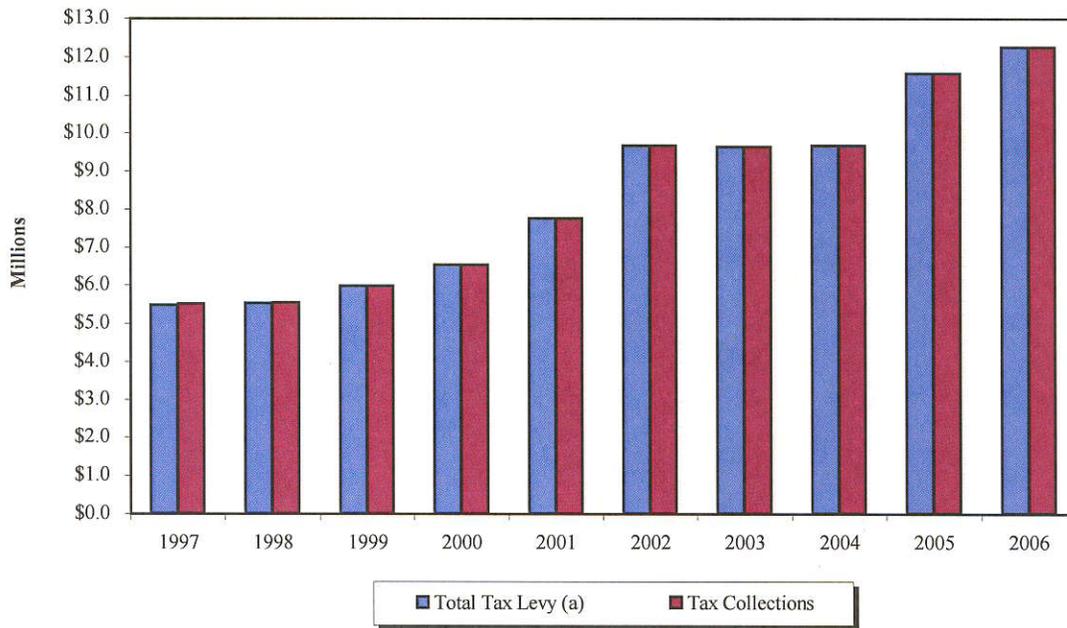
Source: Santa Clara County Assessors Office

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

| <u>Taxpayer</u>                        | <u>2005-06</u>                |             |  | <u>1996-97</u>                |             |  |
|--|-------------------------------|-------------|--|-------------------------------|-------------|--|
|  | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Pruneyard Associates LP                | \$ 121,289,719                | 1           | 2.467%   | \$ 49,354,601                 | 2           | 1.869%   |
| Bay Apartment Communities, Inc.        | 74,933,741                    | 2           | 1.524%   | 42,717,941                    | 3           | 1.618%   |
| State Teachers Retirement Board        | 69,402,207                    | 3           | 1.412%   |                               |             |  |
| Westcore Vasona LLC                    | 52,825,000                    | 4           | 1.074%   |                               |             |  |
| GC Commons LP                          | 30,691,118                    | 5           | 0.624%   |                               |             |  |
| EQR-Connor, LLC                        | 22,488,254                    | 6           | 0.457%   |                               |             |  |
| Hamilton Plaza Investors, LLC          | 22,370,142                    | 7           | 0.455%   |                               |             |  |
| WTA Campbell Technology                | 25,600,000                    | 8           | 0.521%   |                               |             |  |
| Avery Brian Trustee & Et Al            | 17,054,122                    | 9           | 0.347%   | 14,271,746                    | 7           | 0.541%   |
| Hamilton Associates                    |                               |             |  | 65,575,663                    | 1           | 2.484%   |
| MP Hacienda Inc.                       |                               |             |  | 25,533,539                    | 4           | 0.967%   |
| Aetna Life Insurance                   |                               |             |  | 17,564,751                    | 5           | 0.665%   |
| LaValencia Apartments LTD              |                               |             |  | 13,988,034                    | 8           | 0.530%   |
| Sovereign Group 1984-16                |                               |             |  | 12,642,192                    | 9           | 0.479%   |
| Manufacturer's Life Insurance Co., USA |                               |             |  | 12,257,248                    | 10          | 0.464%   |
| Subtotal                               | <u>\$436,654,303</u>          |             | <u>8.9%</u>  | <u>\$253,905,715</u>          |             | <u>9.6%</u>  |
| Total Net Assessed Valuation:          |                               |             |  |                               |             |  |
| Fiscal Year 2005-2006                  | \$4,916,374,508               |             |  |                               |             |  |
| Fiscal Year 1996-1997                  | \$2,640,117,869               |             |  |                               |             |  |

Source: Santa Clara County Assessor Fiscal Year Combined Tax Rolls - County of Santa Clara Metro Scan

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

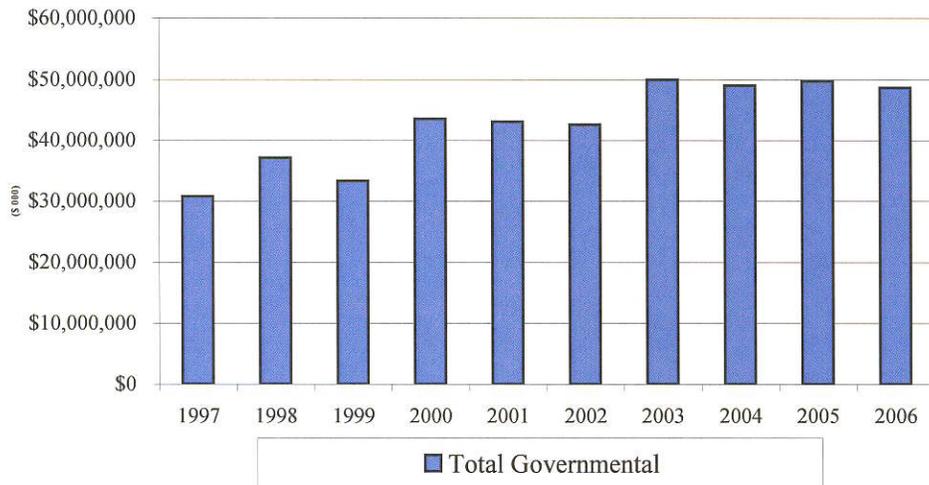


| <u>Fiscal Year</u> | <u>Assessed Valuation\</u> | <u>Total Tax Levy (a)</u> | <u>Current Tax Collections</u> | <u>Percent of Levy Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> | <u>Percent of Total Tax Collections to Tax Levy</u> |
|--------------------|----------------------------|---------------------------|--------------------------------|----------------------------------|-----------------------------------|------------------------------|---|
| 1997               | 2,640,117,872              | \$ 5,476,597              | \$5,476,597                    | 100.0000%                        | \$ 24,859                         | \$ 5,501,456                 | 100.4539%   |
| 1998               | 2,782,180,854              | 5,516,477                 | 5,516,476                      | 100.0000%                        | 14,212                            | 5,530,688                    | 100.2576%   |
| 1999               | 2,983,422,243              | 5,969,093                 | 5,969,092                      | 100.0000%                        |                                   | 5,969,092                    | 100.0000%   |
| 2000               | 3,254,522,496              | 6,532,239                 | 6,532,239                      | 100.0000%                        |                                   | 6,532,239                    | 100.0000%   |
| 2001               | 3,613,869,475              | 7,742,112                 | 7,742,112                      | 100.0000%                        |                                   | 7,742,112                    | 100.0000%   |
| 2002               | 4,126,805,525              | 9,677,453                 | 9,677,453                      | 100.0000%                        |                                   | 9,677,453                    | 100.0000%   |
| 2003               | 4,220,907,226              | 9,632,347                 | 9,632,347                      | 100.0000%                        |                                   | 9,632,347                    | 100.0000%   |
| 2004               | 4,416,725,080              | 9,672,727                 | 9,672,727                      | 100.0000%                        |                                   | 9,672,727                    | 100.0000%   |
| 2005               | 4,569,795,226              | 11,567,188                | 11,567,188                     | 100.0000%                        |                                   | 11,567,188                   | 100.0000%   |
| 2006               | 4,871,710,308              | 12,253,830                | 12,253,830                     | 100.0000%                        |                                   | 12,253,830                   | 100.0000%   |

Source: City of Campbell Records  
County of Santa Clara, Department of Finance

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

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



| Fiscal Year | Governmental Activities |                               |                    | Total Primary Government | Percentage of Personal Income (a) | Per Capita (a) |
|-------------|-------------------------|-------------------------------|--------------------|--------------------------|-----------------------------------|----------------|
|             | Tax Allocation Bonds    | Certificates of Participation | Other Indebtedness |                          |                                   |                |
| 1997        |                         | \$19,665,000                  | \$11,113,540       | \$30,778,540             | 213.65%                           | \$783          |
| 1998        |                         | 23,915,000                    | 13,240,810         | 37,155,810               | 239.30%                           | 935            |
| 1999        |                         | 23,580,000                    | 9,762,120          | 33,342,120               | 191.36%                           | 836            |
| 2000        | 10,690,000              | 23,260,000                    | 9,629,640          | 43,579,640               | 196.96%                           | 1,067          |
| 2001        | 10,690,000              | 22,925,000                    | 9,490,950          | 43,105,950               | 224.66%                           | 1,115          |
| 2002        | 10,690,000              | 22,570,000                    | 9,343,980          | 42,603,980               | 239.60%                           | 1,109          |
| 2003        | 25,275,000              | 24,690,844                    |                    | 49,965,844               | 281.39%                           | 1,305          |
| 2004        | 24,895,000              | 24,155,844                    |                    | 49,050,844               | 261.49%                           | 1,285          |
| 2005        | 26,170,000              | 23,605,844                    |                    | 49,775,844               | 257.23%                           | 1,296          |
| 2006        | 25,640,000              | 23,040,844                    |                    | 48,680,844               | 246.68%                           | 1,267          |

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

RDA tax allocation bonds are included in total debt.

Sources: City of Campbell

State of California, Department of Finance (population)

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

(a) See Page 98 (Demographic Statistics) for personal income and population data.

**CITY OF CAMPBELL  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2006**

|   |                        |
|---|------------------------|
| 2005-06 Assessed Valuation                | \$4,916,374,508        |
| Less: Redevelopment Incremental Valuation | (468,669,787)          |
| Adjusted Assessed Valuation               | <u>\$4,447,704,721</u> |

|  | Net<br>Debt        | %                    | Amount<br>Applicable<br>To City of<br>Campbell |
|--|--------------------|----------------------|--|
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>                                   | <u>Outstanding</u> | <u>Applicable(1)</u> |  |
| Santa Clara County Flood Control and Water Conservation District, Zone W-1   | \$183,850,000      | 2.057%               | \$3,781,795                                    |
| Campbell Union High School District  | 92,240,000         | 17.910%              | 16,520,184                                     |
| Cambrian School District   | 20,424,944         | 23.532%              | 4,806,398                                      |
| Campbell Union High School District  | 92,134,978         | 28.268%              | 26,044,716                                     |
| Moreland School District   | 104,520,566        | 10.934%              | 11,428,279                                     |
| West Valley -Mission Community College District                              | 100,000,000        | 7.722%               | 7,722,000                                      |
| City of Campbell 1915 Act Bonds  | 260,000            | 100.000%             | <u>260,000</u>                                 |
| <br>TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT                          |                    |                      | <br><u>70,563,371</u>                          |
| <br><u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>              |                    |                      |  |
| Sanat Clara County General Fund Obligations                                  | \$920,595,000      | 2.056%               | \$18,936,639                                   |
| Santa Clara County Board of Education Certificates of Participation          | 17,170,000         | 2.057%               | 353,187  |
| West Valley-Mission Community College District Certificates of Participation | 35,910,000         | 7.722%               | 2,772,970                                      |
| City of Campbell Certificates of Participation                               | <u>23,040,843</u>  | 100.000%             | <u>23,040,843</u>                              |
| <br>TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT                           |                    |                      | <br><u>45,103,639</u>                          |
| <br>GROSS COMBINED TOTAL DEBT  |                    |                      | <br><u>\$115,687,011</u>                       |

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City

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

RATIOS TO 2005-06 ASSESSED VALUATION:

|   |       |
|---|-------|
| Total Overlapping Tax and Assessment Debt | 1.44% |
|---|-------|

RATIOS TO ADJUSTED 2005-06 ASSESSED VALUATION:

|                                     |       |
|-------------------------------------|-------|
| Combined Direct Debt (\$23,040,843) | 0.52% |
| Combined Total Debt                 | 2.60% |

State School Building Aid Repayable as of 6/30/06 :

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

**CITY OF CAMPBELL  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
JUNE 30, 2006**

ASSESSED VALUATION:

|   |                        |
|---|------------------------|
| Secured property assessed value, net of<br>exempt real property | <u>\$4,916,374,508</u> |
|---|------------------------|

|   |                      |
|---|----------------------|
| BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a) | <u>\$184,364,044</u> |
|---|----------------------|

AMOUNT OF DEBT SUBJECT TO LIMIT:

|   |                   |
|---|-------------------|
| Total Bonded Debt   | \$48,680,844      |
| Less Tax Allocation Bonds and Sales Tax Revenue<br>Bonds, Certificate of Participation not subject to limit | <u>48,680,844</u> |

|                                 |          |
|---------------------------------|----------|
| Amount of debt subject to limit | <u>0</u> |
|---------------------------------|----------|

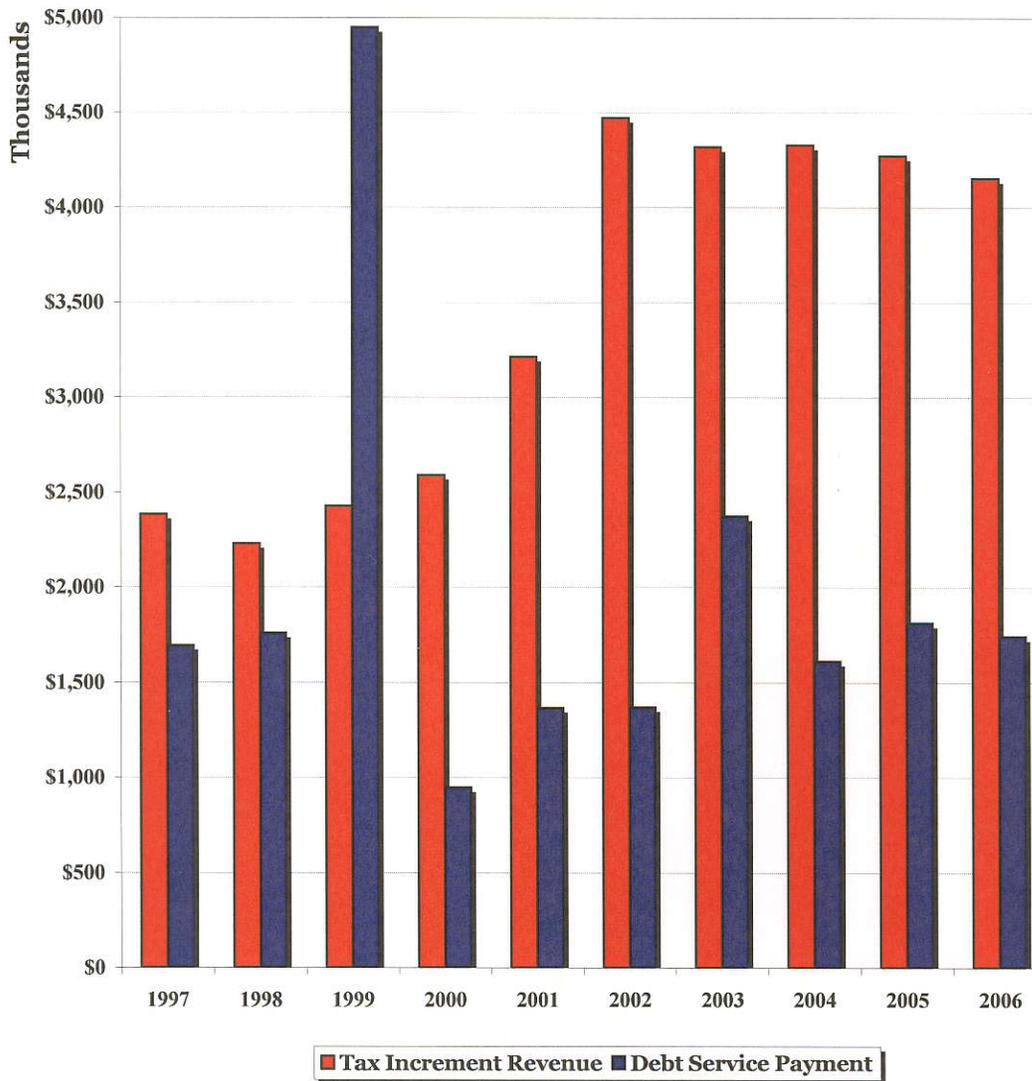
|                          |                             |
|--------------------------|-----------------------------|
| LEGAL BONDED DEBT MARGIN | <u><u>\$184,364,044</u></u> |
|--------------------------|-----------------------------|

| Fiscal<br>Year | Debt<br>Limit | Total Net Debt<br>Applicable to<br>Limit | Legal<br>Debt<br>Margin | Total net debt<br>applicable to the limit<br>as a percentage<br>of debt limit |
|----------------|---------------|--|-------------------------|---|
| 1997           | \$99,004,420  | \$0                                      | \$99,004,420            | 0.00%   |
| 1998           | 104,331,782   | 0  | 104,331,782             | 0.00%   |
| 1999           | 111,878,334   | 0  | 111,878,334             | 0.00%   |
| 2000           | 122,044,594   | 0  | 122,044,594             | 0.00%   |
| 2001           | 135,520,105   | 0  | 135,520,105             | 0.00%   |
| 2002           | 154,755,207   | 0  | 154,755,207             | 0.00%   |
| 2003           | 158,284,021   | 0  | 158,284,021             | 0.00%   |
| 2004           | 165,627,191   | 0  | 165,627,191             | 0.00%   |
| 2005           | 171,367,321   | 0  | 171,367,321             | 0.00%   |
| 2006           | 184,364,044   | 0  | 184,364,044             | 0.00%   |

NOTE:

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

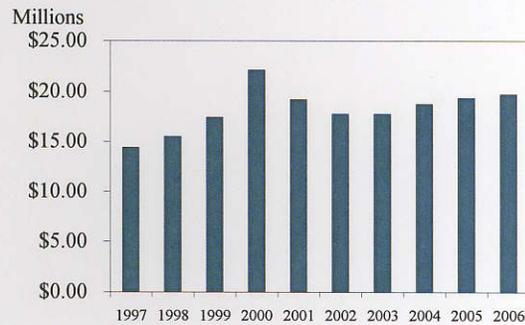
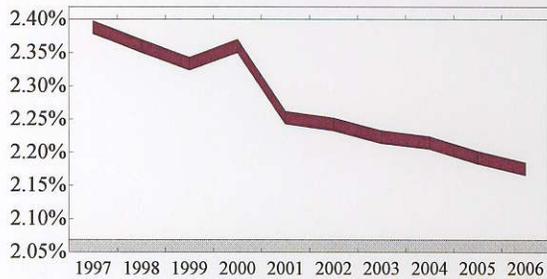
**CITY OF CAMPBELL  
 BONDED DEBT PLEDGED REVENUE COVERAGE  
 REDEVELOPMENT AGENCY TAX ALLOCATION BONDS  
 LAST TEN FISCAL YEARS**



| Fiscal Year | Tax Increment Revenue | Debt Service Requirements |             |             | Coverage |
|-------------|-----------------------|---------------------------|-------------|-------------|----------|
|             |                       | Principal                 | Interest    | Total       |          |
| 1997        | \$2,382,403           | \$598,986                 | \$1,094,564 | \$1,693,550 | 1.41     |
| 1998        | 2,228,287             | 631,463                   | 1,127,113   | 1,758,576   | 1.27     |
| * 1999      | 2,427,353             | 3,907,263                 | 1,040,724   | 4,947,987   | 0.49     |
| 2000        | 2,589,902             | 132,480                   | 813,242     | 945,722     | 2.74     |
| 2001        | 3,210,975             | 138,690                   | 1,227,635   | 1,366,325   | 2.35     |
| 2002        | 4,470,776             | 146,970                   | 1,222,830   | 1,369,800   | 3.26     |
| 2003        | 4,315,786             | 715,000                   | 1,658,472   | 2,373,472   | 1.82     |
| 2004        | 4,325,391             | 535,000                   | 1,076,227   | 1,611,227   | 2.68     |
| 2005        | 4,268,551             | 390,000                   | 1,422,678   | 1,812,678   | 2.35     |
| 2006        | 4,151,860             | 530,000                   | 1,211,918   | 1,741,918   | 2.38     |

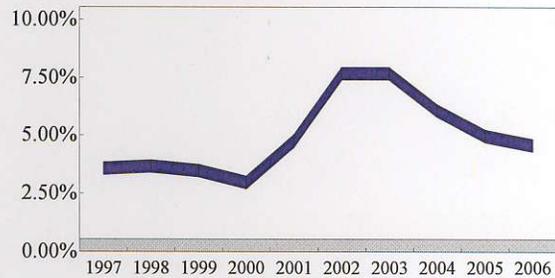
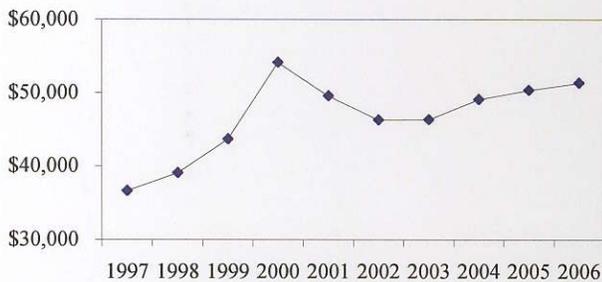
\* Includes advance refunding and defeased debt principal payments

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



■ City Population as a % of County Population

■ Total Personal Income (000's)



◆ Per Capita Personal Income

■ Unemployment Rate (%)

| Fiscal Year | City Population | Total Personal Income (000's) | Per Capita Personal Income | Unemployment Rate (%) | Santa Clara County Population | City Population % of County |
|-------------|-----------------|-------------------------------|----------------------------|-----------------------|-------------------------------|-----------------------------|
| 1997        | 39,312          | \$14,405,882                  | \$36,645                   | 3.3%                  | 1,653,061                     | 2.38%                       |
| 1998        | 39,720          | \$15,526,945                  | \$39,091                   | 3.4%                  | 1,689,900                     | 2.35%                       |
| 1999        | 39,871          | \$17,424,026                  | \$43,701                   | 3.2%                  | 1,715,374                     | 2.32%                       |
| 2000        | 40,826          | \$22,125,651                  | \$54,195                   | 2.7%                  | 1,736,722                     | 2.35%                       |
| 2001        | 38,672          | \$19,187,113                  | \$49,615                   | 4.5%                  | 1,723,680                     | 2.24%                       |
| 2002        | 38,401          | \$17,781,583                  | \$46,305                   | 7.4%                  | 1,719,565                     | 2.23%                       |
| 2003        | 38,300          | \$17,757,029                  | \$46,363                   | 7.4%                  | 1,729,917                     | 2.21%                       |
| 2004        | 38,179          | \$18,758,106                  | \$49,132                   | 5.8%                  | 1,731,422                     | 2.21%                       |
| 2005        | 38,415          | \$19,350,788                  | \$50,373                   | 4.7%                  | 1,759,585                     | 2.18%                       |
| 2006        | 38,408          | \$19,734,030                  | \$51,380                   | 4.3%                  | 1,773,258                     | 2.17%                       |

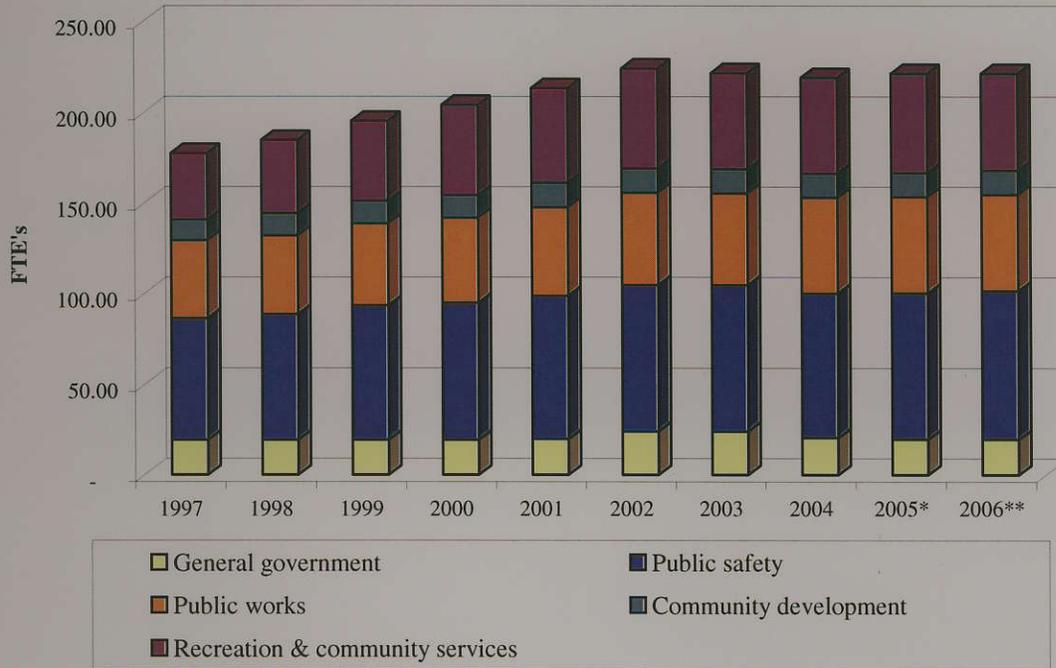
Source: California State Department of Finance  
Bureau of Economic Analysis, U.S. Department of Commerce  
Note: Unemployment rates are as of June 30

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

| <u>Employer</u>                      | <u>2005-06</u>             |             |  | <u>1996-97</u>             |             |  |
|--------------------------------------|----------------------------|-------------|--|----------------------------|-------------|--|
|                                      | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Home Depot                           | 257                        | 1           | 1.2%                                       | 287                        | 3           | 1.2%                                       |
| Fry's Electronics                    | 244                        | 2           | 1.2%                                       |                            |             |  |
| Whole Foods                          | 234                        | 3           | 1.1%                                       |                            |             |  |
| Pacific Netsoft, Inc.                | 185                        | 4           | 0.9%                                       |                            |             |  |
| City of Campbell                     | 161                        | 5           | 0.8%                                       |                            |             |  |
| Mervyn's                             | 151                        | 6           | 0.7%                                       | 160                        | 7           | 0.7%                                       |
| Elephant Bar                         | 141                        | 7           | 0.7%                                       |                            |             |  |
| Mohler, Nixon & Williams Accountancy | 130                        | 8           | 0.6%                                       |                            |             |  |
| Durham Transportation, Inc.          | 125                        | 9           | 0.6%                                       | 130                        | 8           | 0.5%                                       |
| Nova Salon Systems                   | 124                        | 10          | 0.6%                                       |                            |             |  |
| Apple Computer Inc.                  |                            |             |  | 800                        | 1           | 0.7%                                       |
| Hal Computer Systems Inc.            |                            |             |  | 355                        | 2           | 1.5%                                       |
| Deluxe Check Printing                |                            |             |  | 263                        | 4           | 1.1%                                       |
| Pana-Pacific Corporation             |                            |             |  | 235                        | 5           | 1.0%                                       |
| Rock Bottom Brewery                  |                            |             |  | 200                        | 6           | 0.8%                                       |
| Peelle Management Corporation        |                            |             |  | 108                        | 9           | 0.4%                                       |
| Safeway, Inc.                        |                            |             |  | 107                        | 10          | 0.4%                                       |
| Subtotal                             | <u>1,752</u>               |             | <u>8.4%</u>                                | <u>2,645</u>               |             | <u>11.0%</u>                               |
| Total City Day Population            | <u>20,900</u>              |             |  | <u>24,100</u>              |             |  |

Source: City Campbell - California Employment Development Department

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



|                                 | <u>1997</u>   | <u>1998</u>   | <u>1999</u>   | <u>2000</u>   | <u>2001</u>   |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Function</b>                 |               |               |               |               |               |
| General government              | 19.40         | 19.43         | 19.37         | 19.37         | 19.86         |
| Public safety                   | 67.27         | 69.48         | 74.32         | 75.73         | 79.10         |
| Public works                    | 42.81         | 43.18         | 45.14         | 46.88         | 48.88         |
| Community development           | 11.51         | 12.45         | 12.48         | 12.48         | 13.48         |
| Recreation & community services | 36.74         | 40.48         | 44.19         | 49.83         | 52.14         |
| <b>Total</b>                    | <u>177.73</u> | <u>185.02</u> | <u>195.50</u> | <u>204.29</u> | <u>213.46</u> |

|                                 | <u>2002</u>   | <u>2003</u>   | <u>2004</u>   | <u>2005*</u>  | <u>2006**</u> |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Function</b>                 |               |               |               |               |               |
| General government              | 24.11         | 24.11         | 20.52         | 19.63         | 19.63         |
| Public safety                   | 80.85         | 80.85         | 79.90         | 80.85         | 82.11         |
| Public works                    | 50.95         | 50.59         | 52.79         | 53.07         | 53.11         |
| Community development           | 13.48         | 13.47         | 13.47         | 13.47         | 13.47         |
| Recreation & community services | 54.87         | 52.79         | 52.62         | 54.53         | 53.24         |
| <b>Total</b>                    | <u>224.26</u> | <u>221.81</u> | <u>219.30</u> | <u>221.55</u> | <u>221.56</u> |

Source: City of Campbell, CA Budget Documents

\* Includes a Total of 10.25 Frozen Positions

\*\* Includes a Total of 16.35 Frozen Positions

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

| <b>Function/Program</b>               | <b>Fiscal Year</b> |             |             |
|---------------------------------------|--------------------|-------------|-------------|
|                                       | <b>2004</b>        | <b>2005</b> | <b>2006</b> |
| <b>Public safety:</b>                 |                    |             |             |
| <b>Fire:</b>                          |                    |             |             |
| Fire calls for service                | 70                 | 94          | 92          |
| Medical aid calls                     | 1,470              | 1,798       | 1,777       |
| <b>Police:</b>                        |                    |             |             |
| Police calls for Service              | 22,487             | 23,685      | 21,731      |
| <b>Law violations:</b>                |                    |             |             |
| Arrests                               | 1,486              | 1,555       | 1,455       |
| Traffic violations                    | 7,327              | 6,611       | 5,871       |
| Parking violations                    | 4,432              | 4,171       | 4,146       |
| <b>Public works:</b>                  |                    |             |             |
| Miles of streets (major)              | 14                 | 14          | 14          |
| Miles of Streets (secondary)          | 74                 | 74          | 74          |
| Potholes repaired                     | 150                | 100         | 100         |
| <b>Culture and recreation:</b>        |                    |             |             |
| <b>Community Services:</b>            |                    |             |             |
| Recreation class participants         | 27,096             | 28,871      | 30,096      |
| Performing Arts Center performances   | 5                  | 6           | 5           |
| <b>Wastewater</b>                     |                    |             |             |
| Miles of sewers (storm)               | 42                 | 42          | 42          |
| Miles of sewers (sanitary)            | 484                | 484         | 484         |
| <b>Solid Waste</b>                    |                    |             |             |
| Refuse Landfilled (tons per year)     | n/a                | n/a         | 40,000      |
| Recyclables Processed (tons per year) | n/a                | n/a         | 20,000      |

Source: City of Campbell

Note: n/a denotes information not available.

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

| <b>Function/Program</b>        | <b>Fiscal Year</b> |             |             |
|--------------------------------|--------------------|-------------|-------------|
|                                | <b>2004</b>        | <b>2005</b> | <b>2006</b> |
| <b>Public safety:</b>          |                    |             |             |
| Fire stations                  | 1                  | 1           | 1           |
| Police stations                | 1                  | 1           | 1           |
| Police patrol units            | 12                 | 12          | 11          |
| <b>Public works</b>            |                    |             |             |
| Miles of streets               | 88                 | 88          | 88          |
| Street lights                  | 2,312              | 2,362       | 2,362       |
| Traffic Signals                | 39                 | 40          | 42          |
| <b>Culture and recreation:</b> |                    |             |             |
| <b>Community services:</b>     |                    |             |             |
| City parks                     | 11                 | 11          | 11          |
| City parks acreage             | 86                 | 86          | 86          |
| Playgrounds                    | 5                  | 5           | 5           |
| City trails                    | 1                  | 1           | 1           |
| City trails miles              | 3                  | 3           | 3           |
| Historic house (museum)        | 1                  | 1           | 1           |
| Community gardens              | 1                  | 1           | 1           |
| Community centers              | 1                  | 1           | 1           |
| Senior centers                 | 1                  | 1           | 1           |
| Sports centers                 | 1                  | 1           | 1           |
| Performing arts centers        | 1                  | 1           | 1           |
| Swimming pools                 | 1                  | 1           | 1           |
| Tennis courts                  | 8                  | 8           | 8           |
| Baseball/softball diamonds     | 3                  | 3           | 3           |
| Soccer/football fields         | 3                  | 3           | 3           |
| <b>Library:</b>                |                    |             |             |
| City Libraries                 | 1                  | 1           | 1           |

Source: City of Campbell

Note: n/a denotes information is not available.