

**CITY OF CAMPBELL, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Prepared by**  
**FINANCE DEPARTMENT**  
**JESSE TAKAHASHI, FINANCE DIRECTOR**

**CITY OF CAMPBELL, CALIFORNIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## **INTRODUCTORY SECTION**



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CITY OF CAMPBELL

November 30, 2007

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, 2007, 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, 2007, the City was not required to conduct a Single Audit and, therefore, no such report was issued.

### **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 39,700. 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 per transaction. 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 has recovered significantly from a prolonged economic downturn that began in 2000 and which resulted in reduced output of goods and services as well as employment losses for several years. More recently, the local economy has seen an increase in employment and development both in construction of new office space as well as a corresponding decrease in office and research and development vacancy rates. The technology industry has been a key driver of this recovery and businesses such as Google, Yahoo and Cisco are just a few of the many companies residing in Silicon Valley that have been responsible for the economic revitalization of this region. Also contributing to this region's success is the recent nationwide surge of interest in reducing the effects of global warming. California and Silicon Valley in particular, are at the forefront of promoting the research and development of new technologies to address this multi-billion dollar issue.

Although the region is benefiting from technology growth, it is also dealing with the continuing fallout from the sub-prime loan situation and related decline in the residential housing market which has caused some impact on the local 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. For Campbell, there are 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 September, 2007 was 4.2%, up from 3.7% one year ago. This compares favorably to the County rate of 5.0% and the State rate of 5.4%.

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 ensure the City understands the makeup of its business community and to demonstrate its commitment to maintaining economic growth, the Mayor and key staff visit new and key businesses in the City to learn what attracted them to the City and what issues they might have for them to continue doing business 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. It remains to be seen, however, whether the City will be able to avoid future impacts from State action, especially in light of a projected multi-billion deficit anticipated for its FY 09 budget.

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. 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. The City has designated a Reserve 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 City's financial policies require this reserve to be funded at \$6 million. In addition, there are other reserves set aside for both operating as well as emergency purposes to provide the City a financial cushion in case of known or unknown situations arise.

***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, 2007 was 4.6%. 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, 2006. 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 19 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 2006-07. This is the 14<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.

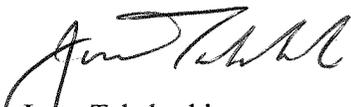
The City of Campbell was also awarded the Certificate of Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the City's CAFR. This award has been received consecutively for the past 19 years with the most recent award being received for the fiscal year ended June 30, 2005. Effective with the fiscal 2005-06 CAFR, the CSMFO changed its award program eligibility criteria to limit participants to those cities that either submit for an award for the first time or do not participate in the GFOA award program. Consequently, the City's CAFR is no longer eligible to participate in the CSMFO program.

## **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, 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

**CITY OF CAMPBELL, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2007**

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, 2006

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.

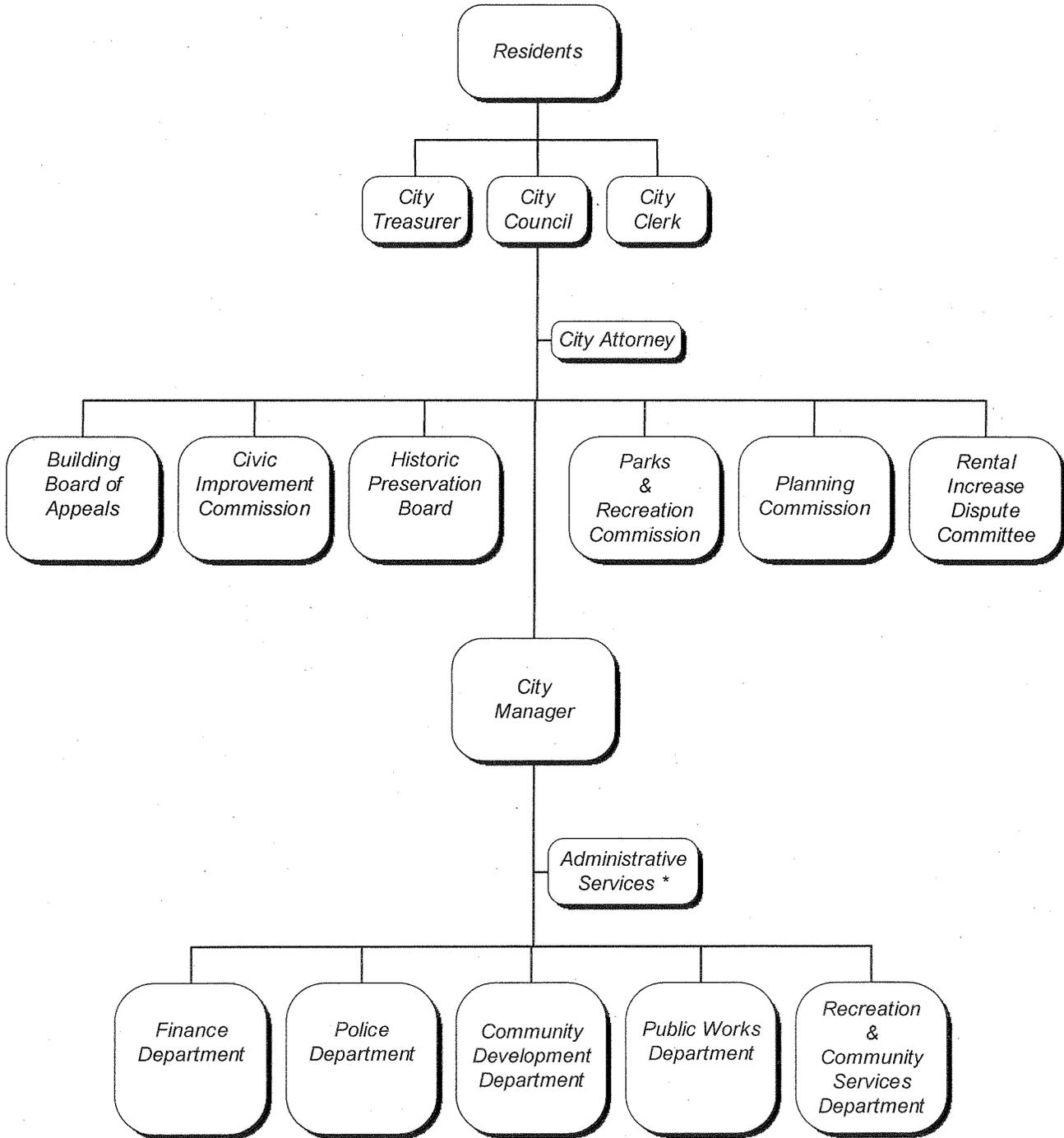


President

Executive Director

**CITY OF CAMPBELL, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**Organization Chart**



\* Frozen Position

**CITY OF CAMPBELL, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2007**

**CITY OFFICIALS**

**CITY COUNCIL & REDEVELOPMENT AGENCY BOARD**

Mayor - Daniel E. Furtado

Vice Mayor - Donald R. Burr

Councilmember - Joseph D. Hernandez

Councilmember - Jane P. Kennedy

Councilmember - Evan Low

Note: Mayor serves an annual term from November to November. Names and positions are as of July 1, 2007.

**CITY OF CAMPBELL, CALIFORNIA  
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**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

**CITY OF CAMPBELL, CALIFORNIA  
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**COMMISSIONS, COMMITTEES AND ADVISORY BOARDS**

**Planning Commission**

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

**Parks & Recreation Commission**

Bruce Baker, Chairperson  
Tim Mason, Vice Chairperson  
Jann Harbor  
Jean La Duc  
John Medalen  
Paul Resnikoff  
Richard Waterman

**Civic Improvement Commission**

Jason T. Baker, Chairperson  
Steven K. Han, Vice Chairperson  
Jacquie Davidson  
Jeff Hofstrand  
Frank Jewett  
Cheryl Blankenship Kupras  
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**

Matthew Minic, Chairperson  
Eric Bracher  
John W. Figueroa  
Patricia Appelquist  
Stanley Raider

Note: Names and positions as of July 1, 2007.

**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, 2007, 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, 2007, 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 26, 2007 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.

*Maze & Associates*

October 26, 2007

## 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, 2007. 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 2006-07 Financial Highlights

The City ended its fiscal year with total revenues of \$44.4 million, a 10.5% increase from the previous fiscal year, and expenses of \$41.6 million, an increase of 4.0% from the previous year. After three consecutive years of significant operating deficits, and essentially a breakeven year in FY 2006, the combination of an improved economy and controlled expenditure increases resulted in an increase in net assets. Higher property tax and transient occupancy tax revenues helped offset the expected decline in construction related building fees from their record high level in FY 2006. Charges for Services revenue and interest income also increased considerably from the prior year. The City recorded a one-time adjustment of \$1.1 million to reduce its accrued liability for employee compensated absences expense in conformance with generally accepted accounting principles.

Significant activity during the past year included the completion of the Campbell Downtown mixed-use project which consists of housing, office and retail sites; opening of a Bed, Bath & Beyond; approval of a large senior-housing project; approval of two significant mixed use projects along major corridors of the City; completion of a master plan for the eastern approach to the City's Downtown; and facilitation of plans for the development a new hotel. Additionally, the City completed the annexation of three County pockets, increasing the community by approximately 800 new residents. A comprehensive library needs assessment was also completed during the year to provide current data on the City's library usage demand relative to its capacity.

Financial highlights of the past year are as follows:

#### *City-wide:*

- Total City assets exceeded its liabilities by \$64.1 million. Of this amount, \$22 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 \$2.8 million. Total assets, principally cash and investments, increased by \$3.5 million while total liabilities dropped slightly.
- Total City revenues increased \$4.2 million to \$44.4 million while total expenses increased by \$1.6 million to \$41.6 million.

#### *Fund level:*

- Total governmental fund balances were \$53.8 million at fiscal year end, an increase of \$3.7 million from the previous year.
- General Fund revenues, including transfers, increased \$2.2 million to \$32.3 million from the previous year; related expenditures increased by \$0.1 million from the previous year to \$30.5 million.
- General Fund balance increased \$1.7 million to \$25.3 million at fiscal year end.

## Overview of the Financial Statements

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

**City-wide financial statements**—These are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They consist of the *statement of net assets* and *statement of activities*. The statements are reported on the full accrual basis of accounting and eliminate any duplicate activity between City funds.

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

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

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

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

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

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

The City maintains 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>2007</u>	<u>2006</u>
Cash & investments	\$ 56.1	\$ 52.5
Capital assets	59.3	60.9
Other assets	8.2	7.6
Total assets	<u>123.6</u>	<u>121.0</u>
Long term debt	47.6	48.7
Other liabilities	11.9	10.9
Total liabilities	<u>59.5</u>	<u>59.6</u>
Net assets:		
Invested in capital assets, net of debt	15.3	16.1
Restricted	26.9	22.0
Unrestricted	<u>22.0</u>	<u>23.2</u>
<b>Total net assets</b>	<b><u>\$ 64.1</u></b>	<b><u>\$ 61.3</u></b>

Net assets increased during the year by \$2.8 million, comprised of the following elements:

- Cash and investments increased by \$3.6 million due to higher revenues coupled with a decrease in funding required for capital projects.
- Capital assets added during the year were \$1.3 million offset by depreciation charges of \$2.9 million for a net decrease of \$1.6 million.
- Other assets had a net increase of \$0.6 million consisting primarily of increases in receivables at fiscal year end.
- Long term debt decreased \$1.1 million due to repayment of debt principal during the year.
- Other liabilities increased by \$1.0 million due principally to higher accounts payable occurring at fiscal year end.

- Net assets invested in capital assets, net of debt decreased \$0.8 million from the previous year, due to the GASB 34 adjustment related to infrastructure depreciation 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 \$4.9 million, due primarily to higher Redevelopment Agency revenues and a reduction in capital project expenses.
- 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 \$1.2 million resulting from the excess of operating revenues over expenses.

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>2007</u>	<u>2006</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 9.5	\$ 10.2
Operating grants and contributions	2.7	1.9
Capital grants and contributions	2.4	1.7
General revenues		
Property taxes	14.1	12.3
Sales and use taxes	10.0	9.5
Other taxes	4.1	3.3
Other	1.6	1.3
	<u>44.4</u>	<u>40.2</u>
Total revenues		
<b>Expenses:</b>		
General Government	3.6	3.6
Recreation	5.6	5.5
Community Development	1.8	1.8
Redevelopment	3.2	2.1
Public Safety	16.1	16.5
Public Works	8.9	8.2
Interest on long term debt	2.3	2.3
	<u>41.6</u>	<u>40.0</u>
Total expenses		
<b>Change in net assets</b>	<u><b>\$ 2.8</b></u>	<u><b>\$ 0.2</b></u>

Net assets increased \$2.8 million. Key elements of activity are as follows:

- Within program revenues, charges for services decreased \$0.7 million due to reduced building permit fees; operating and capital grants and contributions increased \$1.5 million due to additional capital project funding by the Santa Clara Valley Water District for the water well relocation project and \$0.5 million in additional private funding for development related projects.
- Within general revenues, property tax revenue increased by \$1.8 million due to continued strong activity in housing transactions and the elimination of the State mandated payment of \$0.6 million into the Educational Revenue Augmentation Fund (ERAF) from property taxes in fiscal 2005-06.
- Sales and use tax revenues increased a net \$0.5 million over FY 06 due to the elimination of the over estimate in the sales tax back fill amount in the current year. In FY 06, the State reduced the City's normal sales tax backfill amounts by \$0.6 million due to a one-time true-up. Sales tax revenue for FY 06 was reduced from its normal level. Excluding this one-time adjustment, sales tax revenue was essentially flat compared to the prior year.
- Other taxes increased \$0.8 million due primarily to a \$0.3 million increase in Transient Occupancy Tax from the first full year of operation for the City's new hotel and higher revenues from all lodging facilities compared to the prior year. In addition, the City negotiated a new garbage franchise fee agreement resulting in higher revenues of \$0.2 million.
- Redevelopment expenses increased \$1.1 million due to increases in operating expenses related to the Redevelopment Agency's additional pass-through costs of approximately \$0.5 million and development expenses related to the Charities Housing Project.
- Public Safety expenses, which include contracted fire protection services, decreased \$0.4 million due primarily to a one-time accounting adjustment for compensated absences which reduced the accrued liability that was previously recorded in prior years.
- Public Works expenses increased \$0.7 million due primarily to an increase in non-capitalized capital outlay for deferred street maintenance projects and an increase in depreciation charges related to capital infrastructure. Base operating expenses were down \$0.3 million from the prior year.

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

Combined governmental fund balances at fiscal year end were \$53.8 million, an increase of \$3.7 million from the previous year. The City has reserved fund balance of \$23.7 million at year end, an increase of \$2.3 million from the previous year. Unreserved fund balance was \$30.1 million compared to \$28.7 million in the previous year, an increase of \$1.4 million.

Governmental fund revenues, excluding transfers, were \$44.3 million, an increase of \$4.2 million from the previous year. Included in this increase were higher sales taxes of about \$0.5 million; higher transient occupancy taxes of \$0.3 million due primarily to increased business travel; increases in fee based program activity of \$0.3 million; and a one-time administrative fee of \$0.3 million received for a third party project refinancing oversight. Additionally, investment income increased by \$1.0 million as interest rates improved compared to the prior year. The reported interest earnings also include unrealized portfolio market gains approximating \$0.1 million. The City may not realize this gain as it intends to hold all investments until maturity.

Lastly, property tax revenue increased \$1.2 million demonstrating the results of a residential real estate market that continued to see valuation increases as projects were completed and from ongoing real estate sales transactions. While the residential market sales volume slowed considerably, the commercial sector saw increased activity, thus, offsetting whatever value reductions might have been realized in that sector.

Governmental fund expenditures, excluding transfers, increased from the prior year by a net amount of \$0.4 million to \$40.7 million. This increase was due to higher general operating costs but was offset by a onetime accounting adjustment which reduced the City's accrued liability for compensated absences by \$1.1 million.

## **Analysis of Major Governmental Funds**

### ***General Fund***

General Fund revenues, excluding transfers, increased \$ 2.4 million from the previous year to \$31.2 million. Contributing to the growth were increases in, property tax, sales tax, investment income, rents and leases revenues, transient occupancy taxes, and program charges for service.

General Fund expenditures, excluding transfers, were \$28.1 million, a decrease of \$0.5 million from the previous year. A significant portion of the decrease is attributable to a one-time reduction in the liability for compensated absences. The City continues to monitor its expenditures closely and has strived to minimize spending where possible.

General Fund balance at fiscal year-end was \$25.3 million, an increase of \$1.7 million 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. Unreserved, designated fund balance at year end was \$24.1million, a \$1.9 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, capital projects and other operating and contingency funds.

Significant original-to-final revenue budget adjustments were made to transient occupancy tax revenue due to anticipated increases in hotel occupancy and franchise fees as a result of renegotiated contracts.

Significant final revenue budget-to-actual variances consisted of an increase in Other Taxes revenue due to higher solid waste franchise fees related to new contracts with providers and an increase in transient occupancy (hotel) taxes related to a general improvement in business

related travel activity. Charges for services revenue exceeded budget by nearly 18% as a result of an overall increase in utilization of recreation programs and unanticipated increases in zoning and subdivision filing fees related to development activity.

There were positive original-to-final budget variances for all General Fund expenditures. Final budget-to-actual variances for expenditures were a combined positive variance of \$1.4 million. This resulted primarily from the reduction of the City's liability for compensated absences as required by GASB 34.

***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 \$1.5 million during the year. The fund has loans outstanding of \$2.9 million and fund balance of \$9.4 million, an increase of \$0.6 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 \$0.5 million for capital projects. The fund had \$1.8 million in fund balance at fiscal year end, down \$0.2 million from the prior year.

***Capital Projects Fund***

This fund accounts for City capital projects. Approximately \$2.7 million was expended during the year compared with \$3.0 million in the previous year. Some of the more significant projects included the Ainsley House Roof, Deferred Street Maintenance, Charities Housing, Hacienda/Winchester Percolation Pond, and the City Hall Chiller Replacement.

***COP Debt Service Fund***

The principal asset of this fund is represented by \$8.2 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 significant increase from the previous year due to the elimination of the supplemental ERAF payment of \$0.5 million which was required by the State of California in the previous fiscal year.

The deficit balance of \$0.6 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 \$59.3 million as of June 30, 2007. The following is a summary of the City's capital assets for the fiscal year ended June 30:

<b>Capital Assets (in millions)</b>		
	<b>2007</b>	<b>2006</b>
Land	\$ 13.9	\$ 13.9
Construction in progress	.8	1.8
Building & improvements	29.0	27.4
Other improvements	18.5	18.4
Machinery & equipment	7.5	7.1
Infrastructure	19.8	19.8
Less: Accumulated depreciation	(30.2)	(27.5)
<b>Net capital assets</b>	<b>\$ 59.3</b>	<b>\$ 60.9</b>

Total additions to capital assets were \$1.3 million during the year consisting primarily of project improvements, vehicles, and technology equipment. 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>2007</b>	<b>2006</b>
Certificates of participation	\$ 22.5	\$ 23.0
Tax allocation bonds	25.1	25.7
<b>Total debt</b>	<b>\$ 47.6</b>	<b>\$ 48.7</b>

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

The City continues to maintain prudent reserve levels in fiscal 2007-08. To preserve and maintain its fiscal stability, the City is required to address a number of issues that create an ongoing challenge to the City's fiscal health. Among the issues taken into account in developing the FY 08 budget were as follows:

- Sales tax revenue growth is expected to be minimal during the year
- Ongoing expenditures should be funded with ongoing revenues and reserves should be 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
- Funding for identified capital projects, which has traditionally come from budgetary surplus, is limited and may require a new revenue source as future years' projections indicate a lack of available surplus

The economic outlook for the local Silicon Valley region is positive overall. There are, however, many uncertainties that may alter future results, especially for the City. Consequently, the City is continuing to explore alternatives to expand its revenue funding base. General Fund operating appropriations for fiscal 2007-08 are \$33.7 million, an increase of \$2.5 million from the previous fiscal year adopted budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Campbell's finances for residents, taxpayers, investors, creditors and any other interested parties. Questions about this report 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, 2007

	Governmental Activities
<b>ASSETS</b>	
Cash and investments (Note 2)	\$53,809,409
Restricted cash and investments (Note 2)	2,252,210
Receivables:	
Taxes	1,914,203
Accrued interest	549,413
Accounts	1,487,541
Notes and loans (Note 4)	4,167,052
Deposits	120,000
Capital assets (Note 5):	
Land and construction in progress	14,714,952
Depreciable capital assets, net	44,578,470
Total assets	123,593,250
<b>LIABILITIES</b>	
Accounts payable	3,514,619
Accrued vacation and sick leave (Note 1G):	
Due within one year	1,231,241
Due in more than one year	1,687,971
Claims and judgments payable (Note 11)	2,600,880
Accrued payroll and payroll taxes	903,132
Deposits payable	646,805
Interest payable	573,172
Unearned revenue	720,803
Long-term liabilities (Note 6):	
Due within one year	1,105,000
Due in more than one year	46,500,844
Total liabilities	59,484,467
<b>NET ASSETS (Note 9A)</b>	
Invested in capital assets, net of related debt	11,721,948
Restricted for:	
Capital projects	5,539,174
Debt service	9,878,117
Redevelopment projects	9,425,176
Special revenue projects	5,573,536
Total restricted net assets	30,416,003
Unrestricted net assets	21,970,832
Total net assets	\$64,108,783

See accompanying notes to financial statements

CITY OF CAMPBELL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities:</b>					
General government	\$3,641,210	\$131,485	\$294,616	\$1,910	(\$3,213,199)
Recreation	5,605,958	4,520,452	50,531	4,168	(1,030,807)
Community development	1,783,301	1,661,005	158,187		35,891
Redevelopment	3,174,617	239,664	767,076		(2,167,877)
Public safety	16,118,809	699,626	185,804		(15,233,379)
Public works	8,938,539	2,194,640	1,230,679	2,432,146	(3,081,074)
Interest on long-term debt	2,313,092				(2,313,092)
<b>Total Governmental Activities</b>	<b>\$41,575,526</b>	<b>\$9,446,872</b>	<b>\$2,686,893</b>	<b>\$2,438,224</b>	<b>(\$27,003,537)</b>
<b>General revenues:</b>					
<b>Taxes:</b>					
Property					14,062,514
Sales and use					10,049,829
Transient occupancy					1,463,140
Franchise					1,685,456
Other					837,522
Investment earnings					1,537,612
Miscellaneous					145,615
<b>Total general revenues</b>					<b>29,781,688</b>
Change in Net Assets					2,778,151
Net Assets-Beginning					61,330,632
Net Assets-Ending					<b>\$64,108,783</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 2007. 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 Special Revenue 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, 2007

	General	Redevelopment Agency Housing Special Revenue Fund	RDA Capital Projects Fund	Capital Projects Fund
<b>ASSETS</b>				
Cash and investments (Note 2)	\$24,590,108	\$6,446,354	\$1,815,284	\$1,924,971
Restricted cash and investments (Note 2)				
Receivables:				
Taxes	1,724,040	37,128		
Accrued interest	549,413			
Accounts	451,309			4,992
Notes and loans (Note 4)		2,907,542		
Due from other funds (Note 3B)	897,377	62,183	19,295	
Advances to other funds (Note 3C)				
	<u>\$28,212,247</u>	<u>\$9,453,207</u>	<u>\$1,834,579</u>	<u>\$1,929,963</u>
<b>LIABILITIES</b>				
Accounts payable	\$819,757	\$6,706	\$797	\$1,058,295
Claims and judgments payable (Note 11)	134,000			
Accrued payroll and payroll taxes	842,511		6,756	
Deposits payable	646,805			
Due to other funds (Note 3B)	402,723	21,325	6,617	13,167
Unearned revenues	91,277			501,508
Advances from other funds (Note 3C)				
	<u>2,937,073</u>	<u>28,031</u>	<u>14,170</u>	<u>1,572,970</u>
<b>FUND BALANCES</b>				
Fund balance (Note 9B)				
Reserved for:				
Encumbrances	95,177	1,066,036	18,255	1,261,879
Capital projects			1,802,154	
Debt service				
Advances				
Notes receivable		2,907,542		
Long-term vacation and sick leave	844,000			
LID maintenance	192,756			
Unreserved				
Designated (Note 9C)	24,143,241			
Unreserved, undesignated, reported in:				
General Fund				
Special Revenue Funds		5,451,598		
Capital Project Funds				(904,886)
Debt Service Funds				
	<u>25,275,174</u>	<u>9,425,176</u>	<u>1,820,409</u>	<u>356,993</u>
Total Fund Balances	<u>\$28,212,247</u>	<u>\$9,453,207</u>	<u>\$1,834,579</u>	<u>\$1,929,963</u>
Total Liabilities and Fund Balances	<u>\$28,212,247</u>	<u>\$9,453,207</u>	<u>\$1,834,579</u>	<u>\$1,929,963</u>

See accompanying notes to financial statements

<u>COP Debt Service Fund</u>	<u>RDA Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$6,019	\$6,258,530 2,252,210	\$8,158,174	\$49,199,440 2,252,210
	148,513	4,522	1,914,203 549,413
		1,015,440	1,471,741
		1,259,510	4,167,052
	254,733	66,512	1,300,100
<u>8,193,060</u>			<u>8,193,060</u>
<u>\$8,199,079</u>	<u>\$8,913,986</u>	<u>\$10,504,158</u>	<u>\$69,047,219</u>
	\$1,299,504	\$164,109	\$3,349,168 134,000
		47,863	897,130
	18,771	837,497	646,805
		128,018	1,300,100
	<u>8,193,060</u>		<u>720,803</u> <u>8,193,060</u>
	<u>9,511,335</u>	<u>1,177,487</u>	<u>15,241,066</u>
		15,438	2,456,785
\$6,019	2,252,210	3,743,294	5,545,448
8,193,060			2,258,229
		1,259,510	8,193,060
			4,167,052
			844,000
			192,756
			24,143,241
	(2,849,559)	4,308,429	9,760,027 (904,886)
			<u>(2,849,559)</u>
<u>8,199,079</u>	<u>(597,349)</u>	<u>9,326,671</u>	<u>53,806,153</u>
<u>\$8,199,079</u>	<u>\$8,913,986</u>	<u>\$10,504,158</u>	<u>\$69,047,219</u>

CITY OF CAMPBELL  
 Reconciliation of  
 GOVERNMENTAL FUND - BALANCE SHEET  
 with  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2007

Governmental Funds Fund Balance reported on the governmental funds balance sheet	\$53,806,153
<p>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:</p>	
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	57,702,672
<b>ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS</b>	
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	4,609,969
Accounts receivable	15,800
Deposits	120,000
Capital assets, net of accumulated depreciation	1,590,750
Accounts payable	(165,451)
Accrued vacation and sick leave	(14,593)
Claims and judgments payable	(2,466,880)
Accrued payroll and payroll taxes	(6,002)
<b>LONG-TERM ASSETS AND LIABILITIES</b>	
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	(47,605,844)
Interest payable	(573,172)
Non-current portion of accrued vacation and sick leave	<u>(2,904,619)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><b>\$64,108,783</b></u>

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, 2007

	General	Redevelopment Agency Housing Special Revenue Fund	RDA Capital Projects Fund	Capital Projects Fund
<b>REVENUES</b>				
Property taxes	\$7,568,750	\$1,169,930		
Sales and use taxes	10,049,829			
Other taxes	3,717,147			
Special assessments				
Licenses and permits	1,193,393			
Fines and forfeitures	314,432			
Investment income	1,520,111	307,564	\$103,220	
Rents and leases (Note 13)	2,051,194			
Intergovernmental revenues	551,581			
Charges for services	4,045,777			
Assets seizure				
Project revenues				\$27,092
Donations	12,393			
Parkland dedication fees				
Miscellaneous revenues	166,944		245,088	
<b>Total Revenues</b>	<b>31,191,551</b>	<b>1,477,494</b>	<b>348,308</b>	<b>27,092</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,387,977			
Recreation	5,238,988			
Community development	1,465,877			
Redevelopment		639,235	329,431	
Public safety	15,725,461			
Public works	2,259,540			640,873
Pass-through payments				
Capital outlay			470,831	2,043,307
Debt service:				
Principal payments				
Interest and fiscal fees				
<b>Total Expenditures</b>	<b>28,077,843</b>	<b>639,235</b>	<b>800,262</b>	<b>2,684,180</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,113,708</b>	<b>838,259</b>	<b>(451,954)</b>	<b>(2,657,088)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 3A)	1,062,259		470,831	3,380,711
Transfers (out) (Note 3A)	(2,430,204)	(170,861)	(187,382)	(470,831)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,367,945)</b>	<b>(170,861)</b>	<b>283,449</b>	<b>2,909,880</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,745,763</b>	<b>667,398</b>	<b>(168,505)</b>	<b>252,792</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>23,529,411</b>	<b>8,757,778</b>	<b>1,988,914</b>	<b>104,201</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$25,275,174</b>	<b>\$9,425,176</b>	<b>\$1,820,409</b>	<b>\$356,993</b>

See accompanying notes to financial statements

COP Debt Service Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	\$4,679,722	\$597,012	\$14,015,414
			10,049,829
		1,102,798	3,717,147
			1,102,798
			1,193,393
			314,432
\$3,397	368,373	377,538	2,680,203
			2,051,194
		3,018,898	3,570,479
		626,501	4,672,278
		21,091	21,091
			27,092
		111,698	124,091
		301,601	301,601
		80,638	492,670
<u>3,397</u>	<u>5,048,095</u>	<u>6,237,775</u>	<u>44,333,712</u>
			3,387,977
			5,238,988
		211,183	1,677,060
	260,982		1,229,648
		103,046	15,828,507
		3,385,015	6,285,428
	1,097,959		1,097,959
			2,514,138
580,000	495,000		1,075,000
<u>1,030,709</u>	<u>1,291,096</u>		<u>2,321,805</u>
<u>1,610,709</u>	<u>3,145,037</u>	<u>3,699,244</u>	<u>40,656,510</u>
<u>(1,607,312)</u>	<u>1,903,058</u>	<u>2,538,531</u>	<u>3,677,202</u>
1,372,104	200,000	1,272,382	7,758,287
	(952,362)	(3,478,588)	(7,690,228)
<u>1,372,104</u>	<u>(752,362)</u>	<u>(2,206,206)</u>	<u>68,059</u>
(235,208)	1,150,696	332,325	3,745,261
<u>8,434,287</u>	<u>(1,748,045)</u>	<u>8,994,346</u>	<u>50,060,892</u>
<u>\$8,199,079</u>	<u>(\$597,349)</u>	<u>\$9,326,671</u>	<u>\$53,806,153</u>

CITY OF CAMPBELL  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 Statement of Activities  
 with the  
 CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2007

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 \$3,745,261

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 additions are therefore  
 added back to fund balance 1,069,827

Depreciation expense is deducted from the fund balance  
 (Depreciation expense is net of internal service fund depreciation of \$588,312  
 which has already been allocated to serviced funds.) (2,353,575)

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 1,075,000

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 (1,228,971)  
 Interest payable 8,713

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 461,896

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$2,778,151

CITY OF CAMPBELL  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$7,269,000	\$7,269,000	\$7,568,750	\$299,750
Sales and use taxes	10,368,000	10,288,000	10,049,829	(238,171)
Other taxes	3,020,000	3,317,000	3,717,147	400,147
Licenses and permits	1,329,000	1,329,000	1,193,393	(135,607)
Fines and forfeitures	322,000	313,000	314,432	1,432
Investment income	1,200,000	1,350,000	1,520,111	170,111
Rents and leases	2,045,040	2,090,845	2,051,194	(39,651)
Intergovernmental revenues	519,096	464,096	551,581	87,485
Charges for services	3,386,436	3,319,656	4,045,777	726,121
Donations		11,100	12,393	1,293
Miscellaneous revenues	124,885	141,000	166,944	25,944
<b>Total Revenues</b>	<b>29,583,457</b>	<b>29,892,697</b>	<b>31,191,551</b>	<b>1,298,854</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,553,034	3,521,334	3,387,977	133,357
Recreation	5,636,697	5,635,681	5,238,988	396,693
Community development	1,610,289	1,628,289	1,465,877	162,412
Public safety	16,289,794	16,110,894	15,725,461	385,433
Public works	2,548,073	2,548,073	2,259,540	288,533
<b>Total Expenditures</b>	<b>29,637,887</b>	<b>29,444,271</b>	<b>28,077,843</b>	<b>1,366,428</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(54,430)</b>	<b>448,426</b>	<b>3,113,708</b>	<b>2,665,282</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,069,473	1,069,473	1,062,259	(7,214)
Transfers (out)	(3,623,154)	(6,992,062)	(2,430,204)	4,561,858
<b>Total Other Financing Sources (Uses)</b>	<b>(2,553,681)</b>	<b>(5,922,589)</b>	<b>(1,367,945)</b>	<b>4,554,644</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$2,608,111)</b>	<b>(\$5,474,163)</b>	<b>1,745,763</b>	<b>\$7,219,926</b>
Fund Balance at Beginning of Year			23,529,411	
Fund Balance at End of Year			<u>\$25,275,174</u>	

See Accompanying Notes to Financial Statements

CITY OF CAMPBELL  
REDEVELOPMENT AGENCY HOUSING  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$1,027,950	\$1,027,950	\$1,169,930	\$141,980
Investment income	125,000	125,000	307,564	182,564
Charges for services	13,750	13,750		(13,750)
<b>Total Revenues</b>	<b>1,166,700</b>	<b>1,166,700</b>	<b>1,477,494</b>	<b>310,794</b>
EXPENDITURES				
Current:				
Redevelopment housing	556,742	1,268,253	639,235	629,018
<b>Total Expenditures</b>	<b>556,742</b>	<b>1,268,253</b>	<b>639,235</b>	<b>\$629,018</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	609,958	(101,553)	838,259	939,812
OTHER FINANCING SOURCES (USES)				
Transfers (out)		(279,839)	(170,861)	108,978
<b>Total Other Financing Sources (Uses)</b>		<b>(279,839)</b>	<b>(170,861)</b>	<b>108,978</b>
NET CHANGE IN FUND BALANCE	<u>\$609,958</u>	<u>(\$381,392)</u>	667,398	<u>\$1,048,790</u>
Fund Balance at Beginning of Year			<u>8,757,778</u>	
Fund Balance at End of Year			<u>\$9,425,176</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, 2007

	<u>Governmental Activities - Internal Service Funds</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments (Note 2)	\$4,609,969
Accounts receivable	15,800
Deposits	<u>120,000</u>
Total current assets	<u>4,745,769</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation: (Note 5)	<u>1,590,750</u>
Total assets	<u>6,336,519</u>
<b>LIABILITIES</b>	
Accounts payable	165,451
Accrued vacation and sick leave (Note 1G)	14,593
Claims and judgments payable (Note 11)	2,466,880
Accrued payroll and payroll taxes	<u>6,002</u>
Total current liabilities	<u>2,652,926</u>
Total liabilities	<u>2,652,926</u>
<b>NET ASSETS (Note 9A)</b>	
Invested in capital assets	1,590,750
Unrestricted	<u>2,092,843</u>
Total net assets	<u>\$3,683,593</u>

See accompanying notes to financial statements

CITY OF CAMPBELL  
 PROPRIETARY FUNDS  
 STATEMENTS OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Activities - Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges to operating departments	\$2,536,164
Other	<u>144,901</u>
Total Operating Revenues	<u>2,681,065</u>
<b>OPERATING EXPENSES</b>	
Personnel services	321,209
Services and supplies	1,261,554
Depreciation (Note 5C)	<u>588,312</u>
Total Operating Expenses	<u>2,171,075</u>
Operating Loss	<u>509,990</u>
Net gain on sale of capital assets	10,947
Contributions	9,018
Transfers in (Note 3A)	2,616
Transfers out (Note 3A)	<u>(70,675)</u>
Transfers and contributions	<u>(48,094)</u>
Change in net assets	461,896
Total net assets-beginning	<u>3,221,697</u>
Total net assets-ending	<u><u>\$3,683,593</u></u>

See accompanying notes to financial statements

CITY OF CAMPBELL  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$2,681,065
Payments to suppliers	(1,909,488)
Payments to employees	(322,471)
	449,106
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in	2,616
Transfers (out)	(70,675)
	(68,059)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(252,214)
Contributions	9,018
	(243,196)
Cash Flows from Capital and Related Financing Activities	(243,196)
Net increase in cash and cash equivalents	137,851
Cash and investments at beginning of period	4,472,118
Cash and investments at end of period	\$4,609,969
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$509,990
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	588,312
Change in assets and liabilities:	
Accounts and other payables	(4,467)
Accrued payroll and payroll taxes	(1,458)
Accrued vacation and sick leave	196
Claims and judgments payable	(643,467)
	(643,467)
Net cash provided by operating activities	\$449,106
<b>NONCASH TRANSACTION</b>	
Loss on disposal of capital assets	\$4,853

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, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Restricted cash and investments (Note 2)	<u>\$168,690</u>
Total Assets	<u><u>\$168,690</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$51,328
Payable to West Valley Solid Waste JPA	5,211
Due to bond holders	<u>112,151</u>
Total Liabilities	<u><u>\$168,690</u></u>

See accompanying notes to financial statements

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2007**

**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**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

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 Special Revenue 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, 2007**

**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 government-wide and proprietary fund financial statements 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, 2007**

**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 within the adopted budget, or from reserves up to \$5,000 per transaction during the fiscal year. All budget adjustments that increase the total appropriations or any adjustments to capital projects must be approved by the City Council. All appropriations lapse at year end. During the fiscal year ended June 30, 2007, 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 for Capital Project Funds are presented in the financial statements.

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

The RDA Debt Service Fund's redevelopment, and debt service interest and fiscal fees, had expenditures in excess of its budget in the amount of \$97,780 and \$1,509, respectively. Sufficient resources were available within the funds to finance its excesses.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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**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.

For all governmental funds, a liability of these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. The remaining portion is recorded as a liability in the Statement of Net Assets. For Internal Service Funds, liabilities of these amounts are recorded 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, 2007:

Beginning Balance	\$2,886,381
Additions	1,713,050
Payments	<u>(1,680,219)</u>
Ending Balance	<u><u>\$2,919,212</u></u>
Current Portion	<u><u>\$1,231,241</u></u>

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

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

**A. *Policies***

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the trust department of a bank as the custodian of certain City managed investments, regardless of their forms.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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

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

**B. Classification**

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

Governmental Activities:	
Cash and investments available for operations	\$53,809,409
Restricted cash and investments	2,252,210
Total cash and investments in primary government	<u>56,061,619</u>
Cash and investments in Fiduciary Funds (separate statement)	
Restricted cash and investments	168,690
Total cash and investments	<u><u>\$56,230,309</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, 2007**

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

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	75%	None
Federal Instrumentality (government sponsored enterprise)	5 years	None	75%	None
Repurchase Agreements	1 year	*	10%	None
Commercial Paper	270 days	Highest ranking	25%	10%
Bankers' Acceptances	180 days	A-1 or P-1 or F-1	30%	10%
Medium-Term Notes	5 years	AA or Aa2	10%	None
Non-negotiable Time Certificates of Deposits	5 years	None	25%	\$1 million
California Local Agency Investment Fund	N/A	None	None	\$40 million per account
Mutual Funds	Upon demand	AAAm or Aaa or AAA/V1+	15%	10%
Money Market Mutual Funds	Upon demand	AAAm or Aaa or AAA/V1+	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, 2007**

**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 Obligations	5 -7 Years	AAA	No Limit	No Limit
Time Certificates of Deposit – Banks or Savings and Loans	1 Year	A1/P1	No Limit	No Limit
Bankers' Acceptances	360 Days	A1/P1	No Limit	No Limit
Commercial Paper	270 Days	A1/P1	No Limit	No Limit
Repurchase Agreements	30 days-7 Years	A	No Limit	No Limit
State of California Local Agency Investment Fund (LAIF)	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, 2007**

**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 \$2,375,558 as of June 30, 2007, available for withdrawal on demand. At June 30, 2007 the average maturity date of investments for the Government Obligation Money Market Fund and the Treasury Obligation Money Market Fund were 23 and 8 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 or less	13 to 24 Months	25 to 60 Months	Total
<b><i>Cash and Investments</i></b>				
<b><i>Available for Operations:</i></b>				
U.S. Government				
Sponsored Enterprise Securities	\$11,945,520	\$5,880,320	\$2,988,430	\$20,814,270
California Local Agency Investment Fund	32,223,913			32,223,913
<b><i>Restricted Cash and Investments</i></b>				
<b><i>Money Market Funds:</i></b>				
Government Obligations Fund	1,309,833			1,309,833
Treasury Obligations Fund	1,065,725			1,065,725
 Total Investments	 <u>\$46,544,991</u>	 <u>\$5,880,320</u>	 <u>\$2,988,430</u>	 55,413,741
<b><i>Demand Deposits and Cash on Hand</i></b>				816,568
		<b><i>Total Cash and Investments</i></b>		<u><u>\$56,230,309</u></u>

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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 Year End
Federal Home Loan Bank, debt security 3.45% coupon, callable on any day after 3/28/2005	\$1,990,620
Federal National Mortgage Association, debt security 3.21% coupon, callable on any day after 1/23/05	978,750
Federal Farm Credit Bank, debt security 3.88% debt security, callable on any day after 2/18/05	1,958,120
Federal Farm Credit Bank, debt security 3.60% callable on any day after 3/16/05	1,947,500
Federal Home Loan Bank, debt security 5.63% security coupon, callable 4/25/08	1,000,310

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, 2007, these investments matured in an average of 176 days.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2007 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 Securities	\$20,814,270
<i>Restricted:</i>	
Money Market Funds:	
Government Obligations Fund	1,309,833
Treasury Obligations Fund	1,065,725
Totals	23,189,828
<i>Not rated:</i>	
California Local Agency Investment Fund	32,223,913
<i>Exempt from credit rate disclosure:</i>	
Demand Deposits	816,568
Total Cash and Investments	\$56,230,309

**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	Amount
Government Activities	Federal Home Loan Bank	\$6,968,430
	Federal National Mortgage Association	6,961,270
	Federal Farm Credit Bank	3,905,620
	Federal Home Loan Mortgage Association	2,978,950

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2007 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount
General Fund	RDA Capital Projects Fund	\$167,839 (A)
	RDA Debt Service Fund	22,013 (D)
	Redevelopment Agency Housing Special Revenue Fund	50,489 (A)
	Non-Major Governmental Funds	751,243 (A)
	Motor Vehicle Pool Internal Service Fund	50,000 (A)
	Information Technology Services Internal Service Fund	20,675 (A)
	RDA Capital Projects Fund	470,831 (B)
	Capital Projects Fund	870,395 (B)
		RDA Capital Projects Fund 19,543 (B)
		Redevelopment Agency Housing Special Revenue Fund 74,372 (B)
COP Debt Service Fund	Non-Major Governmental Funds	2,416,401 (B)
	General Fund	546,171 (C)
	RDA Debt Service Fund	825,933 (C)
RDA Debt Service Fund	General Fund	200,000 (D)
	Non-Major Governmental Funds	811,022 (A)
Non-Major Governmental Funds	RDA Debt Service Fund	104,416 (A)
	Redevelopment Agency Housing Special Revenue Fund	46,000 (A)
	Non-Major Governmental Funds	310,944 (A)
	Motor Vehicle Pool Fund	General Fund 2,000 (D)
	Information Technology Services Internal Service Fund	General Fund 616 (D)
		\$7,760,903

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

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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

**B. Current Interfund Balances**

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

Current interfund balances are as follows:

Due to Fund:	Due from fund:	Amount
General Fund	Capital Projects Fund	\$13,167
	Redevelopment Agency Housing	
	Special Revenue Fund	21,325
	RDA Debt Service Fund	18,771
	RDA Capital Projects Fund	6,617
	Non-Major Governmental Funds	837,497
Redevelopment Agency Housing Fund	General Fund	62,183
RDA Debt Service Fund		254,733
RDA Capital Projects Fund		19,295
Non-Major Governmental Funds		66,512
		\$1,300,100

**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, 2007, the Agency paid \$240,120 in principal and \$425,934 in interest on these advances. As of June 30, 2007, the outstanding balance was \$8,193,060.

**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, a 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 notes require a payback of principal plus an eight percent fee or an equity share payment, whichever is lower. The balance of the notes receivable arising from this program at June 30, 2007 was \$1,100,000.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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

**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, 2007 was \$1,807,542.

**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, 2007, the City had outstanding rehabilitation loans of \$1,259,510 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2007, the City received \$151,307 from participants of this program, and made new loans totaling \$180,302.

**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
Machinery and Equipment	3 - 7 Years
Infrastructure	15 - 40 Years

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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

**A. Capital Asset Additions and Retirements**

Capital assets at June 30 comprise:

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$13,915,607				\$13,915,607
Construction in progress	1,791,980	\$590,494		(\$1,583,129)	799,345
Total capital assets not being depreciated	<u>15,707,587</u>	<u>590,494</u>		<u>(1,583,129)</u>	<u>14,714,952</u>
Capital assets being depreciated:					
Buildings and improvements	27,369,605	272,966		1,338,247	28,980,818
Other improvements	18,419,639	87,725		32,802	18,540,166
Machinery and equipment	7,128,533	370,856	(\$223,163)	203,564	7,479,790
Infrastructure	19,790,658			8,516	19,799,174
Total capital assets being depreciated	<u>72,708,435</u>	<u>731,547</u>	<u>(223,163)</u>	<u>1,583,129</u>	<u>74,799,948</u>
Less accumulated depreciation for:					
Buildings and improvements	10,771,844	684,240			11,456,084
Other improvements	6,348,619	920,982			7,269,601
Machinery and equipment	4,943,254	677,237	(218,310)		5,402,181
Infrastructure	5,434,184	659,428			6,093,612
Total accumulated depreciation	<u>27,497,901</u>	<u>2,941,887</u>	<u>(218,310)</u>		<u>30,221,478</u>
Net book value of capital assets being depreciated	<u>45,210,534</u>	<u>(2,210,340)</u>	<u>(4,853)</u>	<u>1,583,129</u>	<u>44,578,470</u>
Governmental activity capital assets, net	<u>\$60,918,121</u>	<u>(\$1,619,846)</u>	<u>(\$4,853)</u>		<u>\$59,293,422</u>

**B. Capital Asset Contributions**

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. 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, 2007**

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

**C. Depreciation Allocation**

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

General government	\$108,344
Recreation	280,261
Redevelopment	825,064
Public safety	26,001
Public works	1,113,905
Capital assets held by the City's Internal Service Funds	<u>588,312</u>
Total	<u><u>\$2,941,887</u></u>

**NOTE 6 - LONG-TERM DEBT**

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

	Original Issue Amount	Balance June 30, 2006	Retirements	Balance June 30, 2007	Current Portion
<b>Governmental Activity Debt</b>					
1997 Certificates of Participation					
Civic Center Project, 4.0- 5.25%, due 10/01/28	\$13,480,000	\$13,140,000	\$45,000	\$13,095,000	\$50,000
2002 Refunding Certificates of Participation					
Civic Center Project, 2.5- 5.83%, due 10/01/32	11,930,844	9,900,844	535,000	9,365,844	545,000
2002 RDA Tax Allocation Bonds					
Central Campbell Redevelopment Project, 2.75-6.0%, due 10/01/33	15,300,000	13,495,000	385,000	13,110,000	395,000
2005 RDA Tax Allocation Bonds, Series A					
Central Campbell Redevelopment Project, 3.0-5.0%, due 10/01/32	<u>12,300,000</u>	<u>12,145,000</u>	<u>110,000</u>	<u>12,035,000</u>	<u>115,000</u>
Total Long-Term Debt	<u><u>\$53,010,844</u></u>	<u><u>\$48,680,844</u></u>	<u><u>\$1,075,000</u></u>	<u><u>\$47,605,844</u></u>	<u><u>\$1,105,000</u></u>

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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

**A. 1997 Certificates of Participation**

The City's 1997 Refunding Certificates of Participation are due in October 2028 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. Principal and interest payments are guaranteed under an insurance policy issued by MBIA Insurance Corporation. Interest payments are due on April 1 and October 1 of each year. Under an agreement with the City, the Redevelopment Agency reimburses the City for approximately 42% of the City's debt service from these COPs.

**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 of bond proceeds 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, 2007**

**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. As a result, \$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 Ending June 30	Governmental Activities	
	Principal	Interest
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	1,745,000	2,025,204
2013-2017	5,515,000	9,364,781
2018-2022	6,890,000	7,923,690
2023-2027	11,095,000	5,637,948
2028-2032	12,226,507	6,394,055
2033-2034	4,199,337	1,543,713
Total payments due	<u>\$47,605,844</u>	<u>\$41,649,662</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, 2007 the remaining balance of the defeased debt was \$8,335,000.

**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, 2007 was \$230,000 and matures in 2012.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2007.

**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 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, 2007, the Agency had given Campbell Avenue, LLC, \$338,972 for pre-development costs.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

<b>NOTE 9 – NET ASSETS AND FUND BALANCES</b>
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**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, 2007, reservations included:

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

Reserves for **capital projects, and LID maintenance**, represent 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, and long-term vacation and sick leave**, 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, 2007**

**NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)**

**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, 2007 designations included designated for approved projects, representing the portion of fund balance set aside for authorized capital improvement projects.

At June 30, 2007, General fund balance designations included:

Operations	\$1,000,000
Capital improvements	5,169,732
Emergencies	3,119,155
Construction tax	568,703
Future advances to RDA	1,600,000
Liability insurance	320,383
Carryover capital projects	4,165,393
Economic fluctuations	6,000,000
Market value adjustment	122,287
Heritage Theater operations	298,610
Heritage Theater preservation	170,968
Unemployment self-insurance	108,010
PERS	1,000,000
Workers' compensation	500,000
	\$24,143,241
	\$24,143,241

**D. Fund Equity Deficit**

The RDA Debt Service Fund had a deficit of \$597,349 as of June 30, 2007. This deficit is expected to be eliminated by future tax increment from development in the area.

The Heritage Theater Special Revenue Fund and Workers' Compensation Self Insurance Internal Service Fund had deficits of \$9,841 and \$202,239, respectively, as of June 30, 2007. These deficits are expected to be eliminated by future charges to operating departments.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2007, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 year service	5 year service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3.000%	2.500%
Required employee contribution rates	9.000%	8.000%
Required employer contribution rates	33.124%	12.101%

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 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 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 \$7,912,343 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the following 13 years.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**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, 2006. Actuarial values for the Miscellaneous Plan were as follows:

Valuation Date	Actuarial		Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets				
2004	\$41,139,433	\$37,580,159	\$3,559,274	91.30%	\$8,966,957	39.7%
2005	44,884,140	40,593,982	4,290,158	90.40%	8,809,865	48.7%
2006	47,150,345	44,139,411	3,010,934	93.60%	8,734,406	34.5%

The latest available actuarial value and funding progress for the State-wide Safety pool, 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 2007, 2006, and 2005 were \$2,913,474, \$2,653,602 and \$2,097,474, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of payment of other additional employee compensation.

**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, 2007, total contributions of \$109,580 were made based on covered compensation of \$1,461,100.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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

**C. *Deferred Compensation Plan***

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

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

**D. *Retired Employees' Health Benefits***

The City, through its memorandums of understanding with employee bargaining units, provides post-retirement health care to all employees who retire from the City with a minimum of seventeen years of service. Currently, 28 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, 2007, the City incurred \$46,871 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 \$15,000,000) is covered through the City's participation in the Association of Bay Area Governments (ABAG) general liability risk pool. ABAG Plan also provides \$1,000,000 of employee theft coverage in the excess of the City's \$5,000 deductible.

The ABAG 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.

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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

**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 up to statutory limits. A premium is charged to each fund and program that budgets for part-time or full-time employees. The total charge allocated is based upon the percentage of each fund's current-year payroll as it relates to total payroll of the City.

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

**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:

	2007			2006
	Workers' Compensation	General Liability	Total	
Beginning claims payable balance	\$3,110,347	\$134,000	\$3,244,347	\$2,793,795
Liability for current fiscal year claims	318,620	13,373	331,993	480,017
Increase (decrease) in estimated liability for prior fiscal year claims	(433,556)	23,873	(409,683)	667,196
Claims paid	(528,531)	(37,246)	(565,777)	(696,661)
Ending claims payable balance	<u>\$2,466,880</u>	<u>\$134,000</u>	<u>\$2,600,880</u>	<u>\$3,244,347</u>

**NOTE 12 - JOINT POWERS AGREEMENT**

**A. Congestion Management Agency**

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

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

**CITY OF CAMPBELL, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**NOTE 12 - JOINT POWERS AGREEMENT (Continued)**

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

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

During the fiscal year ended June 30, 2007 the City contributed \$344,904 to the Authority for field services and sheltering costs. Audited financial statements are available from the Authority at 2340-A Walsh Avenue, Santa Clara, CA 95051.

**NOTE 13 – 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, 2007 amounted to \$1,966,359. Major tenants include John F. Kennedy University College and Old Orchard School.

Minimum future lease rentals were as follows at June 30, 2007:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$1,198,913
2009	713,315
2010	575,577
2011	520,444
2012	243,822
Total minimum future lease rentals	\$3,252,071

**NOTE 14 – CONTINGENT LIABILITIES**

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

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

**MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL  
REVENUE FUNDS**

**COP DEBT SERVICE FUND**

This 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**

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

CITY OF CAMPBELL  
COP DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment income		\$3,397	\$3,397
Total Revenues		<u>3,397</u>	<u>3,397</u>
EXPENDITURES			
Debt service:			
Principal payments	\$580,000	580,000	
Interest and fiscal fees	<u>1,032,224</u>	<u>1,030,709</u>	<u>1,515</u>
Total Expenditures	<u>1,612,224</u>	<u>1,610,709</u>	<u>1,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,612,224)</u>	<u>(1,607,312)</u>	<u>4,912</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,612,539</u>	<u>1,372,104</u>	<u>(240,435)</u>
Total Other Financing Sources (Uses)	<u>1,612,539</u>	<u>1,372,104</u>	<u>(240,435)</u>
NET CHANGE IN FUND BALANCE	<u>\$315</u>	<u>(235,208)</u>	<u>(\$235,523)</u>
BEGINNING FUND BALANCE		<u>8,434,287</u>	
ENDING FUND BALANCE		<u>\$8,199,079</u>	

CITY OF CAMPBELL  
 RDA DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$4,230,627	\$4,679,722	\$449,095
Investment income	125,000	368,373	243,373
Total Revenues	<u>4,355,627</u>	<u>5,048,095</u>	<u>692,468</u>
EXPENDITURES			
Current:			
Redevelopment	163,202	260,982	(97,780)
Pass-through payments	1,097,959	1,097,959	
Debt service:			
Principal payments	735,120	495,000	240,120
Interest and fiscal fees	1,289,587	1,291,096	(1,509)
Total Expenditures	<u>3,285,868</u>	<u>3,145,037</u>	<u>140,831</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,069,759</u>	<u>1,903,058</u>	<u>833,299</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	200,000	200,000	
Transfers (out)	(1,073,357)	(952,362)	120,995
Total Other Financing Sources (Uses)	<u>(873,357)</u>	<u>(752,362)</u>	<u>120,995</u>
NET CHANGE IN FUND BALANCE	<u>\$196,402</u>	1,150,696	<u>\$954,294</u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(1,748,045)</u>	
ENDING FUND BALANCE (DEFICIT)		<u>(\$597,349)</u>	

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

**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 SHEET  
JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Other Grants
ASSETS					
Cash and investments	\$341,578	\$2,291,683	\$230,013	\$261,538	\$224,845
Receivables:					
Taxes			4,522		
Accounts	125,546		2,080	55,384	807,430
Notes and loans				1,259,510	
Due from other funds		22,372			1,560
Total Assets	<u>\$467,124</u>	<u>\$2,314,055</u>	<u>\$236,615</u>	<u>\$1,576,432</u>	<u>\$1,033,835</u>
LIABILITIES					
Accounts payable	\$53,099		\$74,531	\$35,882	
Accrued payroll	11,712		34,513	1,638	
Due to other funds	25,598	\$7,672		97,014	\$682,211
Deferred revenue					13,156
Total Liabilities	<u>90,409</u>	<u>7,672</u>	<u>109,044</u>	<u>134,534</u>	<u>695,367</u>
FUND BALANCES					
Fund balance:					
Reserved for encumbrances			6,313	9,125	
Reserved for capital projects					
Reserved for notes receivable				1,259,510	
Unreserved:					
Undesignated	376,715	2,306,383	121,258	173,263	338,468
TOTAL FUND BALANCES (DEFICIT)	<u>376,715</u>	<u>2,306,383</u>	<u>127,571</u>	<u>1,441,898</u>	<u>338,468</u>
Total Liabilities and Fund Balances	<u>\$467,124</u>	<u>\$2,314,055</u>	<u>\$236,615</u>	<u>\$1,576,432</u>	<u>\$1,033,835</u>

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS		Total
Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	Heritage Theater	COP Projects	2002 RDA TAB Capital Projects	Non-major Governmental Funds
\$11,592	\$836,087	\$104,181	\$127,768		\$134,749	\$3,594,140	\$8,158,174
10,000			15,000				4,522
	2,126	1,044	1,659	\$852		36,899	1,015,440
							1,259,510
<u>\$21,592</u>	<u>\$838,213</u>	<u>\$105,225</u>	<u>\$144,427</u>	<u>\$852</u>	<u>\$134,749</u>	<u>\$3,631,039</u>	<u>\$10,504,158</u>
	\$597						\$164,109
	730	\$357	\$569	\$10,693		\$12,653	47,863
		99,862	15,000				837,497
	1,327	100,219	15,569	10,693		12,653	128,018
							1,177,487
				(9,841)	\$134,749	3,618,386	15,438
\$21,592	836,886	5,006	128,858				3,743,294
21,592	836,886	5,006	128,858	(9,841)	134,749	3,618,386	1,259,510
<u>\$21,592</u>	<u>\$838,213</u>	<u>\$105,225</u>	<u>\$144,427</u>	<u>\$852</u>	<u>\$134,749</u>	<u>\$3,631,039</u>	<u>\$10,504,158</u>

CITY OF CAMPBELL  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS				
	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Other Grants
REVENUES					
Property taxes			\$597,012		
Special assessments			1,102,798		
Investment income		\$98,302	5,735	\$13,114	\$7,204
Intergovernmental revenues	\$998,260		5,021	145,067	1,760,242
Charges for services			6,500	59,515	
Assets seizure					
Donations					
Parkland dedication fees		301,601			
Miscellaneous revenues	1,000		15,653	867	
<b>Total Revenues</b>	<b>999,260</b>	<b>399,903</b>	<b>1,732,719</b>	<b>218,563</b>	<b>1,767,446</b>
EXPENDITURES					
Current:					
Community development				211,183	
Public safety					
Public works	1,049,054		2,335,961		
<b>Total Expenditures</b>	<b>1,049,054</b>		<b>2,335,961</b>	<b>211,183</b>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(49,794)	399,903	(603,242)	7,380	1,767,446
OTHER FINANCING SOURCES (USES)					
Transfers in	289,640		936,742	46,000	
Transfers (out)	(48,878)	(221,679)	(281,745)		(1,466,426)
<b>Total Other Financing Sources (Uses)</b>	<b>240,762</b>	<b>(221,679)</b>	<b>654,997</b>	<b>46,000</b>	<b>(1,466,426)</b>
NET CHANGE IN FUND BALANCES	190,968	178,224	51,755	53,380	301,020
BEGINNING FUND BALANCES	185,747	2,128,159	75,816	1,388,518	37,448
ENDING FUND BALANCES (DEFICIT)	<u>\$376,715</u>	<u>\$2,306,383</u>	<u>\$127,571</u>	<u>\$1,441,898</u>	<u>\$338,468</u>

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds
Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	Heritage Theater	COP Projects	2002 RDA TAB Capital Projects	
							\$597,012
							1,102,798
	\$9,049	\$4,597	\$7,622	\$4,169	\$61,570	\$166,176	377,538
	10,308	100,000					3,018,898
	560,486						626,501
\$21,091							21,091
			111,698				111,698
							301,601
	63,118						80,638
21,091	642,961	104,597	119,320	4,169	61,570	166,176	6,237,775
							211,183
		103,046					103,046
							3,385,015
		103,046					3,699,244
21,091	642,961	1,551	119,320	4,169	61,570	166,176	2,538,531
(5,000)	(723,000)		(193,404)	(165,633)		(372,823)	1,272,382
(5,000)	(723,000)		(193,404)	(165,633)		(372,823)	(3,478,588)
16,091	(80,039)	1,551	(74,084)	(161,464)	61,570	(206,647)	332,325
5,501	916,925	3,455	202,942	151,623	73,179	3,825,033	8,994,346
\$21,592	\$836,886	\$5,006	\$128,858	(\$9,841)	\$134,749	\$3,618,386	\$9,326,671

CITY OF CAMPBELL  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2007

	GAS TAX			PARKLAND DEDICATION FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property tax						
Sales tax and use taxes	\$160,000		(\$160,000)			
Special assessments						
Investment income					\$98,302	\$98,302
Intergovernmental revenues	731,000	\$998,260	267,260			
Charges for services						
Assets seizures						
Donations						
Parkland dedication fees					301,601	301,601
Miscellaneous revenue		1,000	1,000			
Total Revenues	891,000	999,260	108,260		399,903	399,903
EXPENDITURES						
Current:						
Community development						
Public safety						
Public works	1,131,762	1,049,054	82,708			
Total Expenditures	1,131,762	1,049,054	82,708			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(240,762)	(49,794)	190,968		399,903	399,903
OTHER FINANCING SOURCES (USES)						
Transfers in	289,640	289,640				
Transfers (out)	(48,878)	(48,878)		(\$353,152)	(221,679)	131,473
Total Other Financing Sources (Uses)	240,762	240,762		(353,152)	(221,679)	131,473
NET CHANGE IN FUND BALANCE		190,968	\$190,968	(\$353,152)	178,224	\$531,376
BEGINNING FUND BALANCES		185,747			2,128,159	
ENDING FUND BALANCES (DEFICIT)		\$376,715			\$2,306,383	

LIGHTING AND LANDSCAPING DISTRICT			COMMUNITY DEVELOPMENT BLOCK GRANT			OTHER GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$550,000	\$597,012	\$47,012						
1,120,000	1,102,798	(17,202)						
	5,735	5,735	\$10,000	\$13,114	\$3,114		\$7,204	\$7,204
	5,021	5,021	148,070	145,067	(3,003)	\$7,422,407	1,760,242	(5,662,165)
	6,500	6,500	50,884	59,515	8,631			
<u>15,000</u>	<u>15,653</u>	<u>653</u>	<u>75,000</u>	<u>867</u>	<u>(74,133)</u>			
<u>1,685,000</u>	<u>1,732,719</u>	<u>47,719</u>	<u>283,954</u>	<u>218,563</u>	<u>(65,391)</u>	<u>7,422,407</u>	<u>1,767,446</u>	<u>(5,654,961)</u>
			411,482	211,183	200,299			
<u>2,382,438</u>	<u>2,335,961</u>	<u>46,477</u>						
<u>2,382,438</u>	<u>2,335,961</u>	<u>46,477</u>	<u>411,482</u>	<u>211,183</u>	<u>200,299</u>			
<u>(697,438)</u>	<u>(603,242)</u>	<u>94,196</u>	<u>(127,528)</u>	<u>7,380</u>	<u>134,908</u>	<u>7,422,407</u>	<u>1,767,446</u>	<u>(5,654,961)</u>
929,183	936,742	7,559	46,000	46,000				
<u>(281,745)</u>	<u>(281,745)</u>					<u>(8,384,799)</u>	<u>(1,466,426)</u>	<u>6,918,373</u>
<u>647,438</u>	<u>654,997</u>	<u>7,559</u>	<u>46,000</u>	<u>46,000</u>		<u>(8,384,799)</u>	<u>(1,466,426)</u>	<u>6,918,373</u>
<u>(\$50,000)</u>	51,755	<u>\$101,755</u>	<u>(\$81,528)</u>	53,380	<u>\$134,908</u>	<u>(\$962,392)</u>	301,020	<u>\$1,263,412</u>
	<u>75,816</u>			<u>1,388,518</u>			<u>37,448</u>	
	<u>\$127,571</u>			<u>\$1,441,898</u>			<u>\$338,468</u>	

(Continued)

CITY OF CAMPBELL  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2007

	DRUG ENFORCEMENT REVENUE			ENVIRONMENTAL SERVICES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property tax						
Sales tax and use taxes						
Special assessments						
Investment income					\$9,049	\$9,049
Intergovernmental revenues					10,308	10,308
Charges for services				\$663,000	560,486	(102,514)
Assets seizures	\$5,000	\$21,091	\$16,091			
Donations						
Parkland dedication fees						
Miscellaneous revenue				60,000	63,118	3,118
<b>Total Revenues</b>	<b>5,000</b>	<b>21,091</b>	<b>16,091</b>	<b>723,000</b>	<b>642,961</b>	<b>(80,039)</b>
EXPENDITURES						
Current:						
Community development						
Public safety						
Public works						
<b>Total Expenditures</b>						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,000	21,091	16,091	723,000	642,961	(80,039)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(5,000)	(5,000)		(778,646)	(723,000)	55,646
<b>Total Other Financing Sources (Uses)</b>	<b>(5,000)</b>	<b>(5,000)</b>		<b>(778,646)</b>	<b>(723,000)</b>	<b>55,646</b>
NET CHANGE IN FUND BALANCE		16,091	\$16,091	(\$55,646)	(80,039)	(\$24,393)
BEGINNING FUND BALANCES		5,501			916,925	
ENDING FUND BALANCES (DEFICIT)		\$21,592			\$836,886	

SUPPLEMENTAL LAW ENFORCEMENT			MUSEUM AND ADULT CENTER			HERITAGE THEATER		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$100,000	\$4,597 100,000	\$4,597	\$1,450	\$7,622	\$6,172		\$4,169	\$4,169
			121,000	111,698	(9,302)			
<u>100,000</u>	<u>104,597</u>	<u>4,597</u>	<u>122,450</u>	<u>119,320</u>	<u>(3,130)</u>		<u>4,169</u>	<u>4,169</u>
100,000	103,046	(3,046)						
<u>100,000</u>	<u>103,046</u>	<u>(3,046)</u>						
	<u>1,551</u>	<u>1,551</u>	<u>122,450</u>	<u>119,320</u>	<u>(3,130)</u>		<u>4,169</u>	<u>4,169</u>
			<u>(192,600)</u>	<u>(193,404)</u>	<u>(804)</u>	<u>(\$90,127)</u>	<u>(165,633)</u>	<u>(75,506)</u>
			<u>(192,600)</u>	<u>(193,404)</u>	<u>(804)</u>	<u>(90,127)</u>	<u>(165,633)</u>	<u>(75,506)</u>
	<u>1,551</u>	<u>\$1,551</u>	<u>(\$70,150)</u>	<u>(74,084)</u>	<u>(\$3,934)</u>	<u>(\$90,127)</u>	<u>(161,464)</u>	<u>(\$71,337)</u>
	<u>3,455</u>			<u>202,942</u>			<u>151,623</u>	
	<u>\$5,006</u>			<u>\$128,858</u>			<u>(\$9,841)</u>	

## INTERNAL SERVICE FUNDS

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

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

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

CITY OF CAMPBELL  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$1,038,513	\$2,195,939	\$1,375,517	\$4,609,969
Accounts receivable	15,800			15,800
Deposits		120,000		120,000
Total current assets	<u>1,054,313</u>	<u>2,315,939</u>	<u>1,375,517</u>	<u>4,745,769</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:	<u>902,874</u>		<u>687,876</u>	<u>1,590,750</u>
Total assets	<u>1,957,187</u>	<u>2,315,939</u>	<u>2,063,393</u>	<u>6,336,519</u>
<b>LIABILITIES</b>				
Accounts payable	42,367	51,298	71,786	165,451
Accrued vacation and sick leave	14,593			14,593
Claims and judgments payable		2,466,880		2,466,880
Accrued payroll and payroll taxes	<u>6,002</u>			<u>6,002</u>
Total current liabilities	<u>62,962</u>	<u>2,518,178</u>	<u>71,786</u>	<u>2,652,926</u>
Total liabilities	<u>62,962</u>	<u>2,518,178</u>	<u>71,786</u>	<u>2,652,926</u>
<b>NET ASSETS</b>				
Invested in capital assets	902,874		687,876	1,590,750
Unrestricted	<u>991,351</u>	<u>(202,239)</u>	<u>1,303,731</u>	<u>2,092,843</u>
Total net assets	<u>\$1,894,225</u>	<u>(\$202,239)</u>	<u>\$1,991,607</u>	<u>\$3,683,593</u>

CITY OF CAMPBELL  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
<b>OPERATING REVENUES</b>				
Charges to operating department	\$868,817	\$722,445	\$944,902	\$2,536,164
Other	9,589	135,312		144,901
<b>Total Operating Revenues</b>	<b>878,406</b>	<b>857,757</b>	<b>944,902</b>	<b>2,681,065</b>
<b>OPERATING EXPENSES</b>				
Personnel services	290,384	30,825		321,209
Services and supplies	413,807	(64,804)	912,551	1,261,554
Depreciation	232,334		355,978	588,312
<b>Total Operating Expenses</b>	<b>936,525</b>	<b>(33,979)</b>	<b>1,268,529</b>	<b>2,171,075</b>
<b>Operating Income (Loss)</b>	<b>(58,119)</b>	<b>891,736</b>	<b>(323,627)</b>	<b>509,990</b>
Gain (Loss) on sale of capital assets	15,800		(4,853)	10,947
Contributions			9,018	9,018
Transfers in			2,616	2,616
Transfers (out)	(50,000)		(20,675)	(70,675)
<b>Net Transfer and Contribution</b>	<b>(34,200)</b>		<b>(13,894)</b>	<b>(48,094)</b>
<b>Change in net assets</b>	<b>(92,319)</b>	<b>891,736</b>	<b>(337,521)</b>	<b>461,896</b>
<b>Total net assets-beginning</b>	<b>1,986,544</b>	<b>(1,093,975)</b>	<b>2,329,128</b>	<b>3,221,697</b>
<b>Total net assets-ending</b>	<b>\$1,894,225</b>	<b>(\$202,239)</b>	<b>\$1,991,607</b>	<b>\$3,683,593</b>

CITY OF CAMPBELL  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Motor Vehicle Pool</u>	<u>Workers' Compensation Self-Insurance</u>	<u>Information Technology Services</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$878,406	\$857,757	\$944,902	\$2,681,065
Payments to suppliers	(398,185)	(586,142)	(925,161)	(1,909,488)
Payments to employees	(291,646)	(30,825)		(322,471)
	<u>188,575</u>	<u>240,790</u>	<u>19,741</u>	<u>449,106</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in			2,616	2,616
Transfers (out)	(50,000)		(20,675)	(70,675)
	<u>(50,000)</u>		<u>(18,059)</u>	<u>(68,059)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(177,904)		(74,310)	(252,214)
Contributions			9,018	9,018
	<u>(177,904)</u>		<u>(65,292)</u>	<u>(243,196)</u>
Net increase (decrease) in cash and cash equivalents	(39,329)	240,790	(63,610)	137,851
Cash and investments at beginning of period	<u>1,077,842</u>	<u>1,955,149</u>	<u>1,439,127</u>	<u>4,472,118</u>
Cash and investments at end of period	<u>\$1,038,513</u>	<u>\$2,195,939</u>	<u>\$1,375,517</u>	<u>\$4,609,969</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	(\$58,119)	\$891,736	(\$323,627)	509,990
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	232,334		355,978	588,312
Change in assets and liabilities:				
Accounts and other payables	15,622	(7,479)	(12,610)	(4,467)
Accrued payroll and payroll taxes	(1,458)			(1,458)
Accrued vacation and sick leave	196			196
Claims and judgments payable		(643,467)		(643,467)
Net cash provided by operating activities	<u>\$188,575</u>	<u>\$240,790</u>	<u>\$19,741</u>	<u>\$449,106</u>
<b>NONCASH TRANSACTION</b>				
Loss on disposal of capital assets			<u>(\$4,853)</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, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<u>West Valley Solid Waste Management Authority</u>				
<u>Assets</u>				
Restricted cash and investments	\$5,876	\$184,270	\$133,607	\$56,539
Total Assets	<u>\$5,876</u>	<u>\$184,270</u>	<u>\$133,607</u>	<u>\$56,539</u>
<u>Liabilities</u>				
Accounts payable	\$12,327	\$51,328	\$12,327	\$51,328
Payable to West Valley Solid Waste JPA	(6,451)	132,942	121,280	5,211
Total Liabilities	<u>\$5,876</u>	<u>\$184,270</u>	<u>\$133,607</u>	<u>\$56,539</u>
<u>1915 Act Bonds</u>				
<u>Assets</u>				
Restricted cash and investments	\$107,458	\$56,692	\$51,999	\$112,151
Total Assets	<u>\$107,458</u>	<u>\$56,692</u>	<u>\$51,999</u>	<u>\$112,151</u>
<u>Liabilities</u>				
Due to bondholders	\$107,458	\$56,692	\$51,999	\$112,151
Total Liabilities	<u>\$107,458</u>	<u>\$56,692</u>	<u>\$51,999</u>	<u>\$112,151</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$113,334	\$240,962	\$185,606	\$168,690
Total Assets	<u>\$113,334</u>	<u>\$240,962</u>	<u>\$185,606</u>	<u>\$168,690</u>
<u>Liabilities</u>				
Accounts payable	\$12,327	\$51,328	\$12,327	\$51,328
Payable to West Valley Solid Waste JPA	(6,451)	132,942	121,280	5,211
Due to bondholders	107,458	56,692	51,999	112,151
Total Liabilities	<u>\$113,334</u>	<u>\$240,962</u>	<u>\$185,606</u>	<u>\$168,690</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***

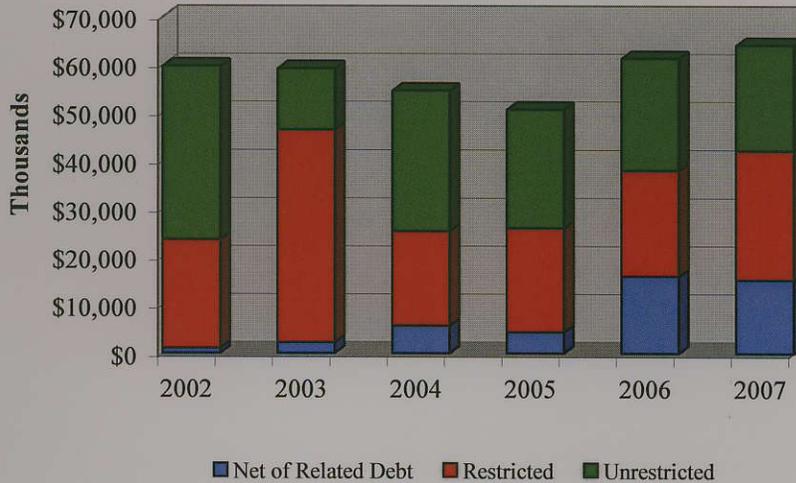
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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 Six Fiscal Years**  
**(Accrual Basis of Accounting)**



	Fiscal Year Ended June 30,					
	2002	2003	2004	2005	2006	2007
<i>Governmental activities</i>					(A)	
Invested in capital assets, net of related debt	\$1,083,197	\$2,291,074	\$5,703,594	\$4,418,382	\$16,051,887	\$15,281,718
Restricted	22,531,107	44,115,595	19,654,944	21,632,981	22,030,785	26,856,233
Unrestricted	36,046,470	12,777,536	29,225,563	24,595,115	23,247,960	21,970,832
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>	<u>\$64,108,783</u>
<i>Primary government</i>						
Invested in capital assets, net of related debt	\$1,083,197	\$2,291,074	\$5,703,594	\$4,418,382	\$16,051,887	\$15,281,718
Restricted	22,531,107	44,115,595	19,654,944	21,632,981	22,030,785	26,856,233
Unrestricted	36,046,470	12,777,536	29,225,563	24,595,115	23,247,960	21,970,832
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>	<u>\$64,108,783</u>

The City of Campbell has elected to show only six 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 Five Fiscal Years**  
**(Accrual Basis of Accounting)**

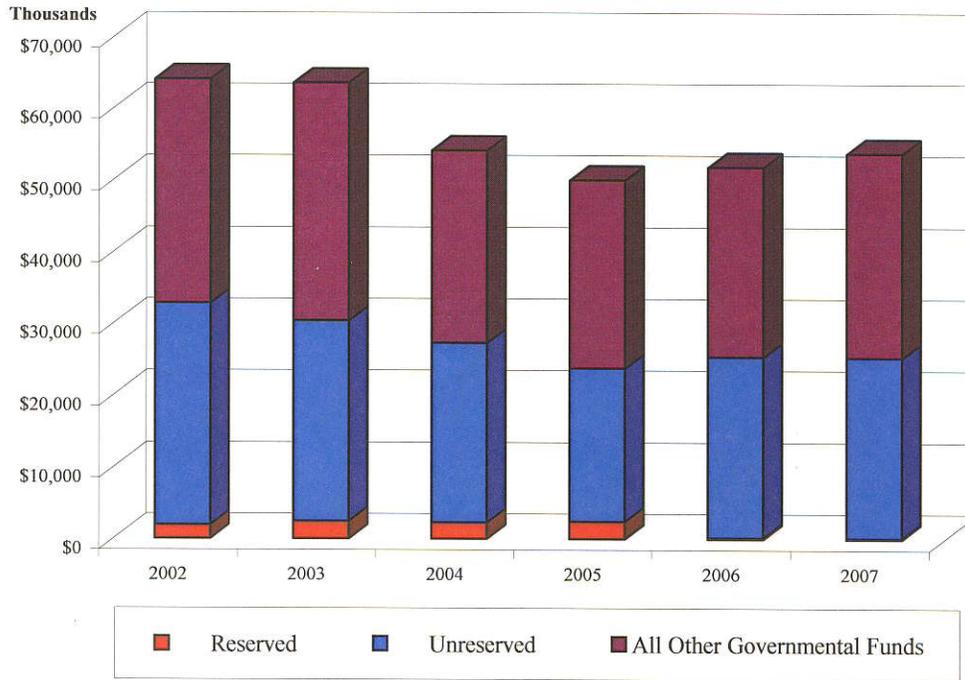
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
Governmental Activities:					
General Government	\$3,375,084	\$6,491,138	\$3,731,831	\$3,649,906	\$3,641,210
Public Safety	14,115,306	14,952,689	16,870,357	16,465,886	16,118,809
Public Works	6,684,364	8,167,400	7,511,459	8,156,637	8,938,539
Community Development	3,564,044	3,022,482	4,049,828	3,859,987	4,957,918
Recreation and Community Services	4,343,175	5,104,270	6,034,563	5,525,298	5,605,958
Interest on Long Term Debt	4,158,370	2,523,859	4,065,244	2,319,021	2,313,092
Total Governmental Activities Expenses	<u>36,240,343</u>	<u>40,261,838</u>	<u>42,263,282</u>	<u>39,976,735</u>	<u>41,575,526</u>
Total Primary Government Expenses	<u>\$36,240,343</u>	<u>\$40,261,838</u>	<u>\$42,263,282</u>	<u>\$39,976,735</u>	<u>\$41,575,526</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General Government	\$204,483	\$203,328	\$197,856	\$95,281	\$131,485
Public Safety	655,705	709,551	646,445	636,931	699,626
Public Works	1,886,801	2,063,541	2,362,049	2,490,332	2,194,640
Community Development	1,039,612	1,121,879	1,750,555	2,805,310	1,900,669
Recreation and Community Services	2,865,565	3,273,370	4,030,805	4,155,863	4,520,452
Operating Grants and Contributions	1,818,575	2,677,324	1,776,473	1,920,289	2,686,893
Capital Grants and Contributions	1,518,686	623,318	1,533,170	1,707,722	2,438,224
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>	<u>14,571,989</u>
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>	<u>\$14,571,989</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	<u>(\$26,250,916)</u>	<u>(\$29,589,527)</u>	<u>(\$29,965,929)</u>	<u>(\$26,165,007)</u>	<u>(\$27,003,537)</u>
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>	<u>(\$27,003,537)</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</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	\$14,062,514
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	10,049,829
Transient Occupancy Tax	970,000	882,464	894,179	1,132,495	1,463,140
Franchise Fees	1,199,011	1,237,222	1,262,319	1,346,968	1,685,455
Business License Taxes	195,549	203,520	201,655	202,101	203,145
Property Transfer Taxes	186,876	271,203	401,468	352,535	344,991
Construction Taxes	74,727	55,052	98,355	303,943	20,415
Motor Vehicle In Lieu	2,198,971	1,768,570	847,109	283,919	268,973
Interest Earnings	1,794,891	326,684	1,124,889	1,011,270	1,537,612
Other General Revenues	522,197	123,477	125,339	82,923	145,614
Total Government Activities	<u>25,774,347</u>	<u>24,989,423</u>	<u>26,028,306</u>	<u>26,316,968</u>	<u>29,781,688</u>
Total Primary Government	<u>\$25,774,347</u>	<u>\$24,989,423</u>	<u>\$26,028,306</u>	<u>\$26,316,968</u>	<u>\$29,781,688</u>
<b>Change in Net Assets</b>					
Governmental Activities	<u>(\$476,569)</u>	<u>(\$4,600,104)</u>	<u>(\$3,937,623)</u>	<u>\$151,961</u>	<u>\$2,778,151</u>
Total Primary Government	<u>(\$476,569)</u>	<u>(\$4,600,104)</u>	<u>(\$3,937,623)</u>	<u>\$151,961</u>	<u>\$2,778,151</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 Six Fiscal Years**  
**(Modified Accrual Basis of Accounting)**



	Fiscal Year Ended June 30,					
	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$1,898,526	\$2,439,856	\$2,244,185	\$2,402,661	\$175,731	\$95,177
Unreserved	30,955,859	27,947,043	25,036,720	21,391,305	23,353,680	25,179,997
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>	<u>\$25,275,174</u>
All Other Governmental Funds						
Reserved	\$22,531,107	\$33,036,430	\$23,972,608	\$22,024,215	\$21,190,885	\$22,525,397
Unreserved, reported in:						
Special revenue funds	8,249,676	8,820,747	7,950,160	6,875,133	8,241,372	9,760,027
Capital project funds	(5,623,336)	(5,544,022)	(2,340,705)	(540,201)	(1,152,731)	(904,886)
Debt service funds	6,126,430	(3,076,096)	(2,730,419)	(2,090,894)	(1,748,045)	(2,849,559)
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>	<u>\$28,530,979</u>

(a) 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 six years of data for this schedule.

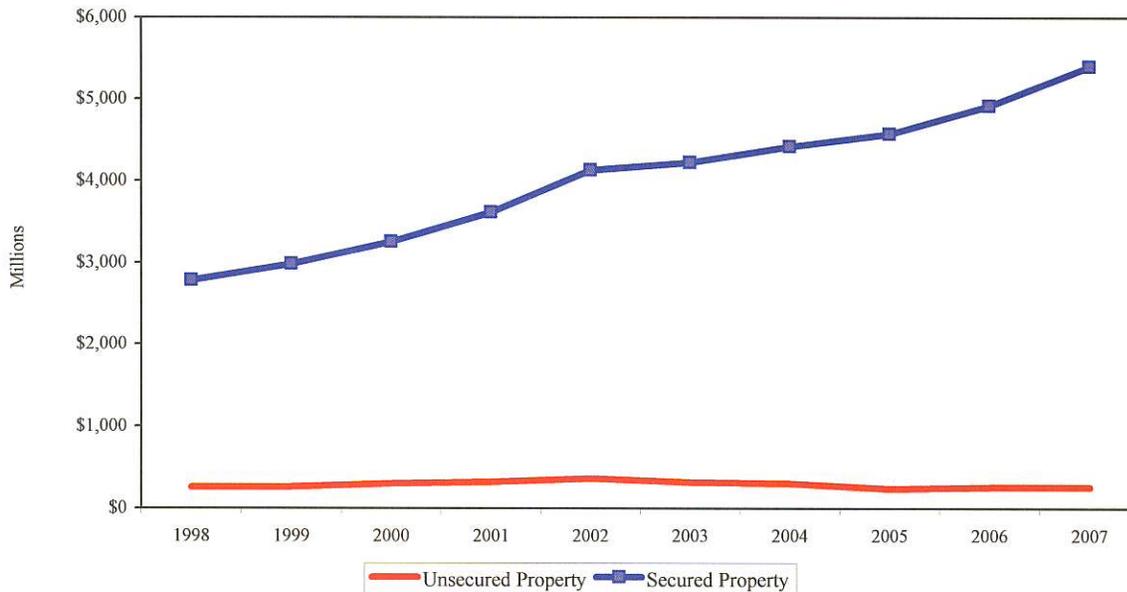
**CITY OF CAMPBELL**  
**Changes in Fund Balance of Governmental Funds**  
**Last Five Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>					
Taxes	\$21,258,288	\$22,706,706	\$23,884,979	\$24,648,545	\$27,782,390
Licenses, permits and fees	988,483	1,240,806	1,529,633	2,169,838	1,193,393
Special Assessments			1,098,021	1,101,438	1,102,798
Fines and forfeitures	303,221	315,813	272,670	297,357	314,432
Use of money and property	3,590,818	2,208,041	3,177,751	3,704,058	4,731,397
Intergovernmental revenues	4,211,957	3,941,015	2,804,404	2,737,196	3,570,479
Charges for services	4,072,962	4,322,787	4,195,509	4,480,001	4,672,278
Other	1,738,045	926,566	1,362,692	990,263	966,545
<b>Total Revenues</b>	<u>36,163,774</u>	<u>35,661,734</u>	<u>38,325,659</u>	<u>40,128,696</u>	<u>44,333,712</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	3,400,172	3,886,382	3,516,206	3,453,208	3,387,977
Public safety	13,468,695	14,778,276	16,291,215	15,865,192	15,828,507
Public works	5,680,329	7,631,938	6,936,049	6,483,216	6,285,428
Community development	3,321,995	3,067,016	3,216,851	2,960,088	4,004,667
Recreation and Community Services	4,328,302	5,098,270	5,648,237	5,139,196	5,238,988
Capital outlay	11,527,062	7,316,710	3,437,352	3,020,541	2,514,138
<b>Debt service:</b>					
Principal repayment	1,265,000	915,000	940,000	1,095,000	1,075,000
Interest and fiscal charges	3,454,673	2,530,226	3,068,612	2,283,887	2,321,805
<b>Total Expenditures</b>	<u>46,446,228</u>	<u>45,223,818</u>	<u>43,054,522</u>	<u>40,300,328</u>	<u>40,656,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,282,454)</u>	<u>(9,562,084)</u>	<u>(4,728,863)</u>	<u>(171,632)</u>	<u>3,677,202</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	38,270,589	18,351,410	8,753,340	8,501,967	7,758,287
Transfers (out)	(37,890,734)	(18,280,735)	(8,682,665)	(8,331,662)	(7,690,228)
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)		
<b>Total other financing sources (uses)</b>	<u>17,931,948</u>	<u>70,675</u>	<u>658,533</u>	<u>170,305</u>	<u>68,059</u>
<b>Net Change in fund balances</b>	<u>\$7,649,494</u>	<u>(\$9,491,409)</u>	<u>(\$4,070,330)</u>	<u>(\$1,327)</u>	<u>\$3,745,261</u>
 Debt service as a percentage of noncapital expenditures	 14.5%	 9.6%	 11.3%	 9.7%	 9.4%

**NOTE:**

(a) The City implemented GASB Statement 34 in fiscal year 2003. 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**

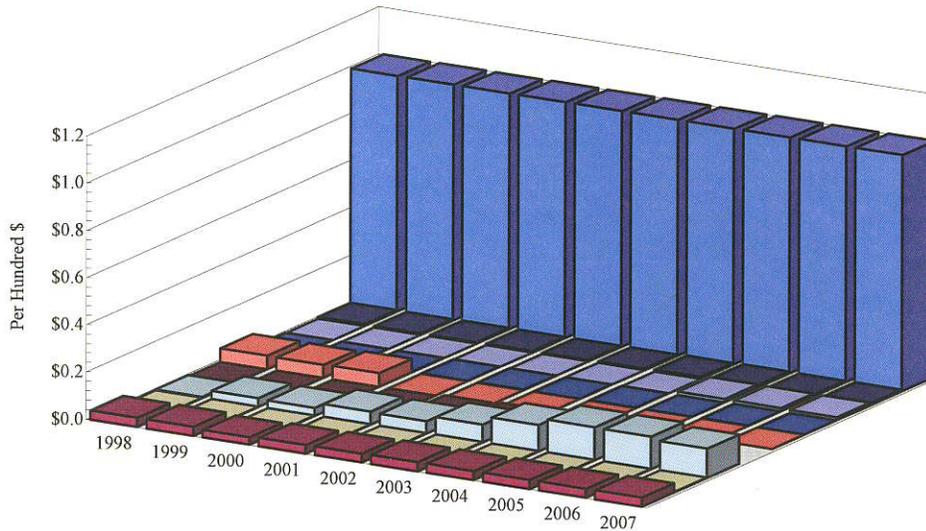


Fiscal Year	Secured Property	HOPTR Exemptions	SBE Utilities	Total Secured Value	Unsecured Property	Total Assessed (a)	Total Direct Tax Rate (b)
1998	\$ 2,472,381,428	\$45,126,200	\$2,653,461	\$2,520,161,089	\$262,019,765	\$2,782,180,854	1%
1999	2,670,888,645	45,738,000	2,690,154	2,719,316,799	264,105,444	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%
2007	5,095,738,554	44,870,000	259,874	5,140,868,428	260,075,849	5,400,944,277	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**



■ County SCC Retirement	□ County 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
1998	\$1.0000	\$0.039	\$0.002	\$0.005		\$0.058	\$0.008	\$0.002		\$1.1140
1999	1.0000	0.039	0.002	0.036		0.055	0.006	0.002		1.1400
2000	1.0000	0.032	0.002	0.033		0.058	0.007	0.002		1.1339
2001	1.0000	0.036	0.002	0.055	\$0.009		0.006	0.002		1.1096
2002	1.0000	0.036	0.002	0.052	0.016		0.005	0.001		1.1125
2003	1.0000	0.039	0.002	0.076	0.017		0.006	0.001		1.1410
2004	1.0000	0.039	0.002	0.111	0.022		0.008	0.001		1.1826
2005	1.0000	0.039	0.002	0.140	0.020		0.009	0.001	\$0.014	1.2236
2006	1.0000	0.039	0.002	0.137	0.022		0.007	0.001	0.014	1.2224
2007	1.0000	0.039	0.002	0.123	0.020		0.007	0.000	0.013	1.2041

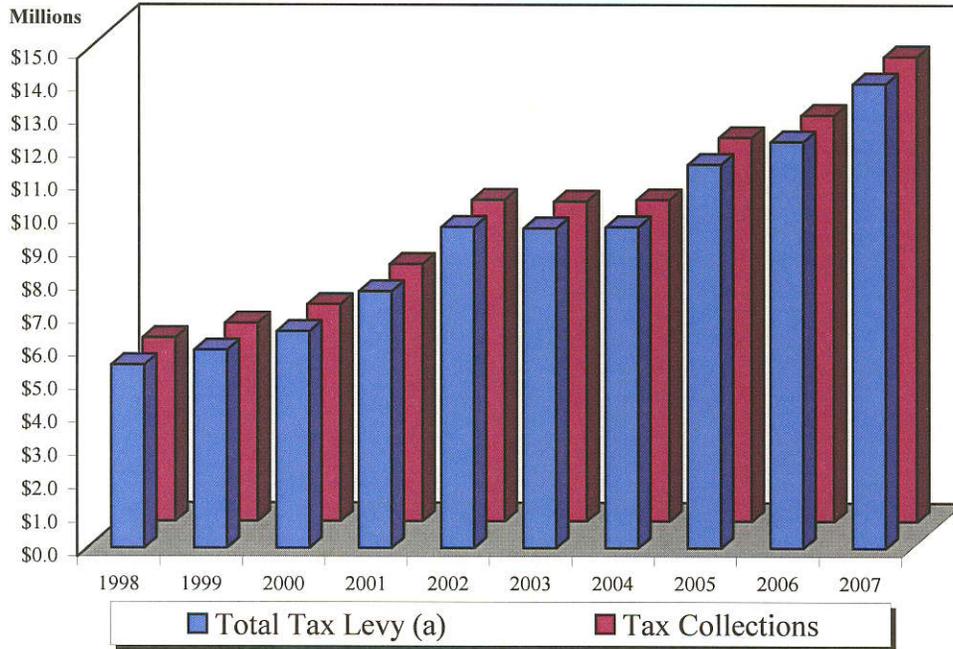
Source: Santa Clara County Assessors Office

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

Taxpayer	2006-07			1997-98		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Pruneyard Associates LP	\$ 155,711,255	1	2.883%	\$ 49,834,034	2	1.791%
State Teachers Retirement Board	92,674,415	2	1.716%			
Campbell Technology Park LLC	69,360,000	3	1.284%			
Hines Vaf No Cal Porperties LP	68,100,000	4	1.261%			
Buzolich Lynn A Etal.	54,321,700	5	1.006%			
Lyon The Commons Apts. LLC	50,795,526	6	0.940%			
Bay Apartment Communities, Inc.	45,020,402	7	0.834%	43,804,989	3	1.574%
EQR-Connor, LLC	23,465,556	8	0.434%			
Hamilton Plaza Investors, LLC	22,479,590	9	0.416%			
Kirkorian Partnership	18,902,669	10	0.350%			
Carr Armeridal Realty Corp.				67,125,663	1	2.413%
MP Hacienda Inc.				24,174,185	4	0.869%
Aetna Life Insurance				18,569,448	5	0.667%
Lincoln Bascom Office Center				16,500,000	6	0.593%
Avery Brian Trustee & Et Al				14,555,960	7	0.523%
LaValencia Apartments LTD				14,324,883	8	0.515%
Sovereign Group 1984-16				14,118,726	9	0.507%
Heritage Apartments Assoc.				12,681,341	10	0.456%
Subtotal	<u>\$600,831,113</u>		<u>11.1%</u>	<u>\$275,689,229</u>		<u>9.9%</u>
Total Net Assessed Valuation:						
Fiscal Year 2006-2007	\$5,400,944,277					
Fiscal Year 1997-1998	\$2,782,180,854					

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**

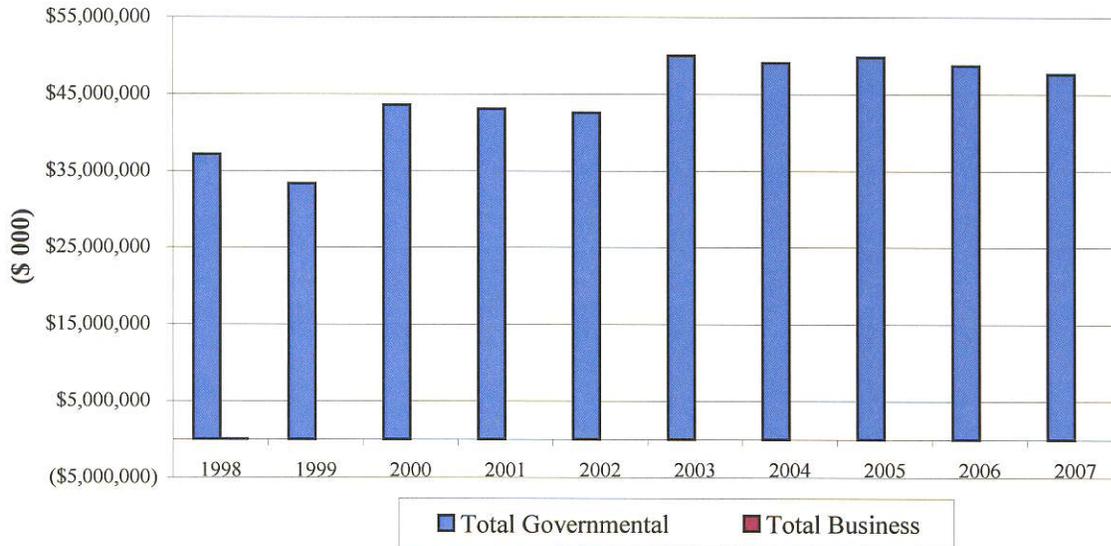


Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1998	\$5,516,477	\$5,516,476	100.0000%	\$14,212	\$5,530,688	100.2576%
1999	5,969,093	5,969,092	100.0000%		5,969,092	100.0000%
2000	6,532,239	6,532,239	100.0000%		6,532,239	100.0000%
2001	7,742,112	7,742,112	100.0000%		7,742,112	100.0000%
2002	9,677,453	9,677,453	100.0000%		9,677,453	100.0000%
2003	9,632,347	9,632,347	100.0000%		9,632,347	100.0000%
2004	9,672,727	9,672,727	100.0000%		9,672,727	100.0000%
2005	11,567,188	11,567,188	100.0000%		11,567,188	100.0000%
2006	12,253,830	12,253,830	100.0000%		12,253,830	100.0000%
2007	14,015,414	14,015,414	100.0000%		14,015,414	100.0000%

Source: City of Campbell Records

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

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



Fiscal Year	Governmental Activities				Total
	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Other Indebtedness	
1998		\$23,915,000	-	\$13,240,810	\$37,155,810
1999		23,580,000	-	9,762,120	33,342,120
2000	\$10,690,000	23,260,000	-	9,629,640	43,579,640
2001	10,690,000	22,925,000	-	9,490,950	43,105,950
2002	10,690,000	22,570,000	-	9,343,980	42,603,980
2003	25,275,000	24,690,844	-		49,965,844
2004	24,895,000	24,155,844	-		49,050,844
2005	26,170,000	23,605,844	-		49,775,844
2006	25,640,000	23,040,844	-		48,680,844
2007	25,145,000	22,460,843	-		47,605,843

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, 2007**

2006-07 Assessed Valuation	\$5,400,944,277
Redevelopment Incremental Valuation	527,380,385
Adjusted Assessed Valuation	<u>\$4,873,563,892</u>

	Net Debt Outstanding	%	Amount Applicable To City of Campbell
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
Santa Clara County Flood Control and Water Conservation District, Zone W-1	\$173,070,000	2.070%	\$3,582,549
Campbell Union High School District	115,790,000	17.893%	20,718,305
Cambrian School District	20,209,944	23.906%	4,831,389
Campbell Union School District	105,737,674	27.937%	29,539,934
Moreland School District	103,473,266	10.890%	11,268,239
West Valley -Mission Community College District	91,585,000	7.813%	7,155,536
City of Campbell 1915 Act Bonds	230,000	100.000%	<u>230,000</u>
 TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			 <u>\$77,325,952</u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Sanat Clara County General Fund Obligations	\$831,605,000	2.070%	\$17,214,224
Santa Clara County Board of Education Certificates of Participation	16,325,000	2.070%	337,928
Santa Clara County Vector Control District Certificates of Participation	4,420,000	2.070%	91,494
West Valley-Mission Community College District Certificates of Participation	33,920,000	7.813%	2,650,170
City of Campbell Certificates of Participation	22,460,843	100.000%	22,460,843
Midpeninsula Regional Open Space District General Fund Obligations	108,465,193	0.005%	5,423
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>\$42,760,081</u>
 GROSS COMBINED TOTAL DEBT			 <u>\$120,086,033</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 2006-07 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	1.43%
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RATIOS TO ADJUSTED 2006-07 ASSESSED VALUATION:

Combined Direct Debt (\$22,460,843)	0.46%
Combined Total Debt	2.46%

<u>State School Building Aid Repayable as of 6/30/07 :</u>	<u>\$0</u>
--	------------

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

**CITY OF CAMPBELL  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
June 30, 2007**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	<u>\$5,400,944,277</u>
---	------------------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>\$202,535,410</u>
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$47,605,843
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Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	<u>47,605,843</u>
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Amount of debt subject to limit	<u>0</u>
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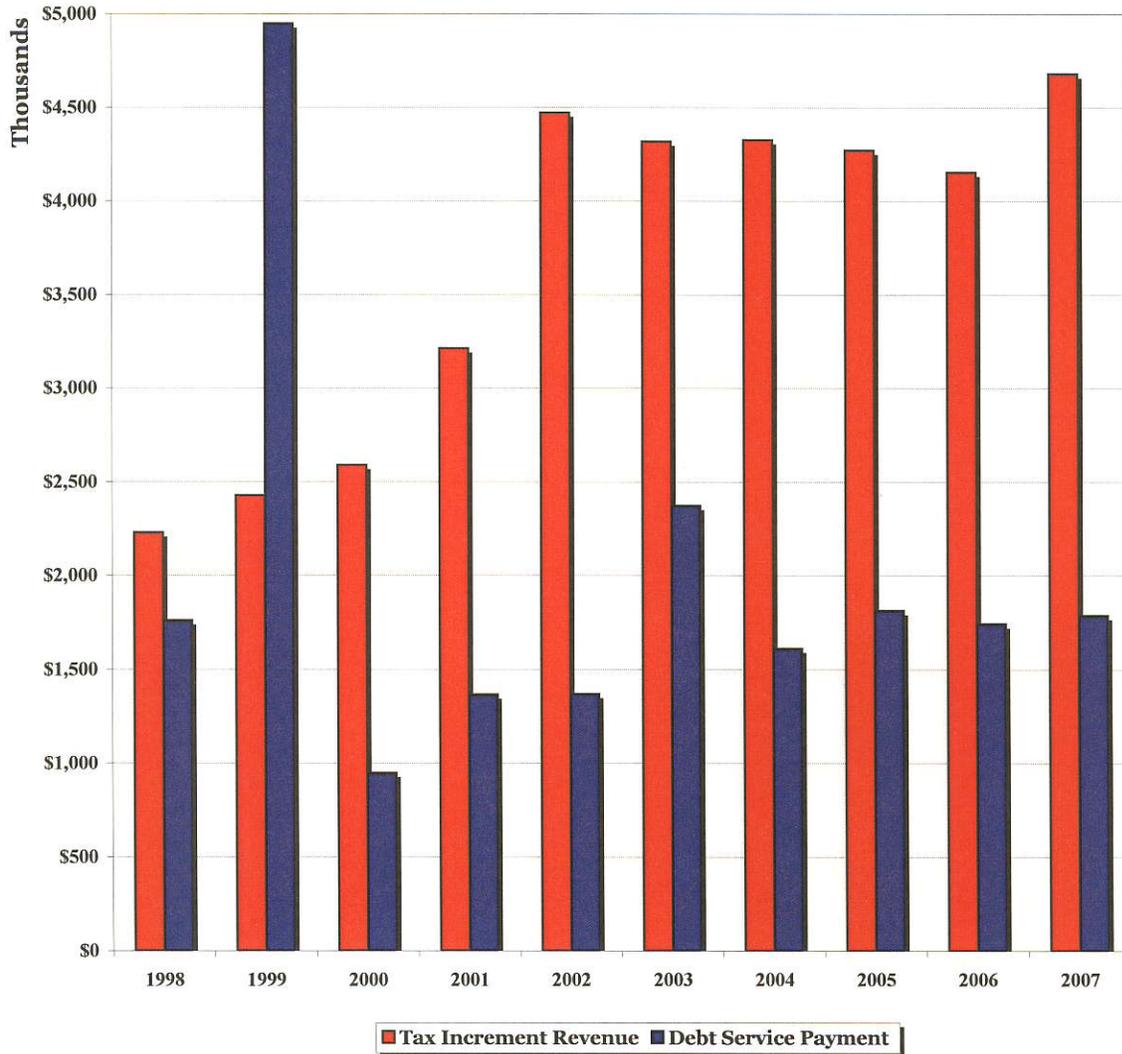
LEGAL BONDED DEBT MARGIN	<u>\$202,535,410</u>
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
1998	\$104,331,782	\$0	\$104,331,782	0.00%
1999	111,878,334	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%
2007	202,535,410	0	202,535,410	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**

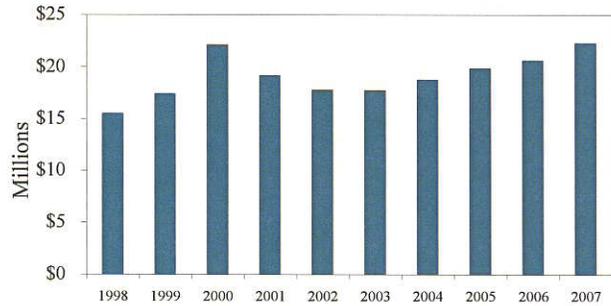
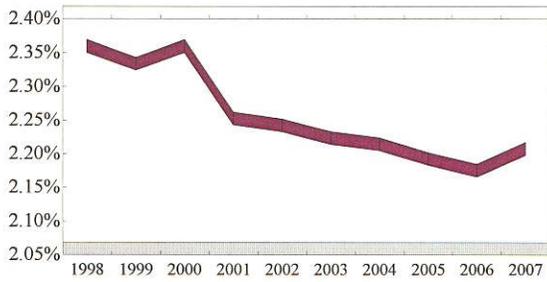


Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1998	\$2,228,287	\$631,463	\$1,127,113	\$1,758,576	1.27
* 1999	2,427,353	3,907,263	1,040,724	4,947,987	0.49
2000	2,589,902	132,480	813,242	945,722	2.74
2001	3,210,975	138,690	1,227,635	1,366,325	2.35
2002	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
2007	4,679,722	495,000	1,291,096	1,786,096	2.62

\* Includes advance refunding and defeased debt principal payments.

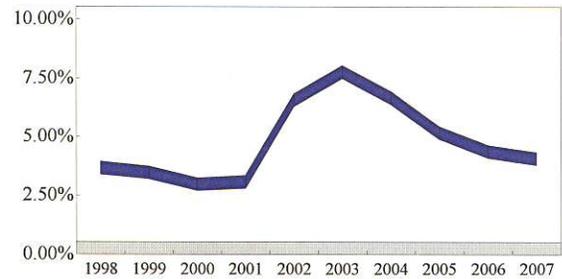
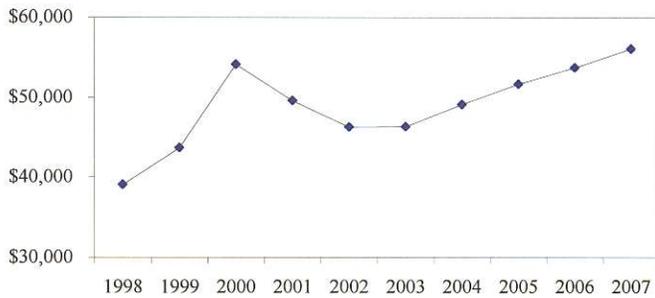
Source: City of Campbell Annual Financial Statements

**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	2.8%	1,723,680	2.24%
2002	38,401	17,781,583	46,305	6.3%	1,719,565	2.23%
2003	38,300	17,757,029	46,363	7.5%	1,729,917	2.21%
2004	38,179	18,758,106	49,132	6.4%	1,731,422	2.21%
2005	38,415	19,866,833	51,716	4.9%	1,759,585	2.18%
2006	38,408	20,649,796	53,764	4.1%	1,773,258	2.17%
2007	39,748	22,314,803	56,141	3.8%	1,808,056	2.20%

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

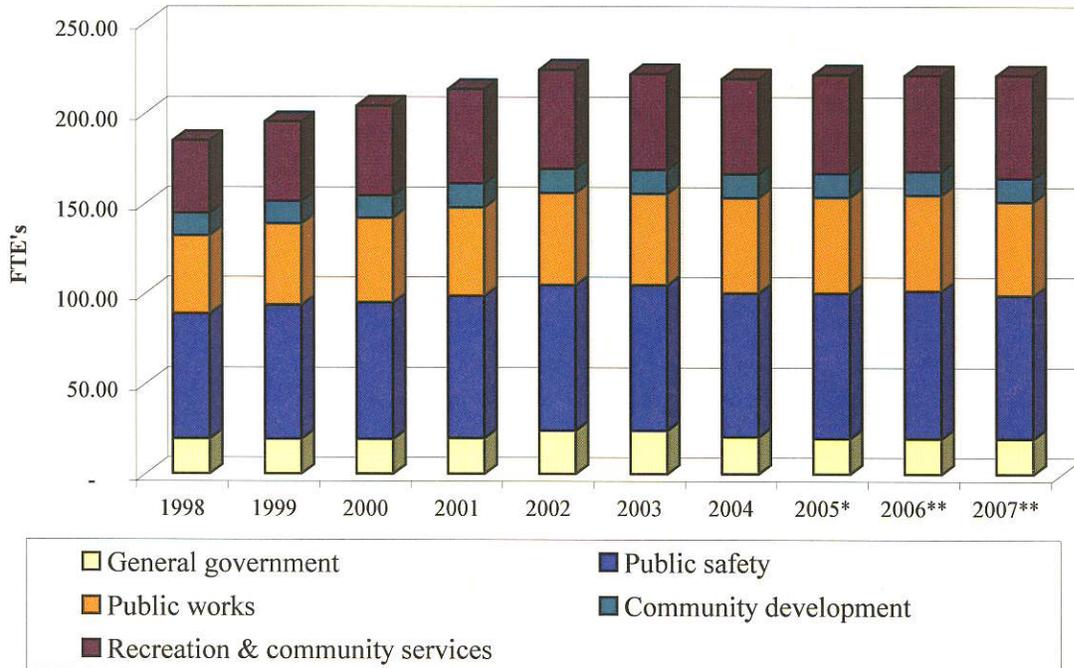
Note: Unemployment rates for FY2001-2007 are FY average; prior to FY 2001 are June 30.

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

<u>Employer</u>	<u>2006-07</u>			<u>1997-98</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	1	1.2%
Fry's Electronics	244	2	1.1%			
Whole Foods	235	3	1.1%			
Barracuda Networks	210	4	1.0%			
City of Campbell	161	5	0.7%	193	5	0.8%
Durham Transportation, Inc.	143	6	0.7%	138	6	0.6%
Safeway, Inc.	140	7	0.6%	133	7	0.5%
Pacific Netsoft, Inc.	138	8	0.6%			
Century 21 Alpha	129	9	0.6%			
Mervyn's	125	10	0.6%	195	4	0.8%
Zilog, Inc.				250	2	0.5%
Pana-Pacific Corporation				235	3	1.0%
Rock Bottom Brewery				110	8	0.5%
Videonics, Inc.				108	9	0.4%
Daley's Drywall & Taping				100	10	0.4%
Subtotal	<u>1,782</u>		<u>8.1%</u>	<u>1,749</u>		<u>7.2%</u>
Total City Day Population	<u>21,900</u>			<u>24,300</u>		

Source: City Campbell - California Employment Development Department

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



	1998	1999	2000	2001	2002
<b>Function</b>					
General government	19.43	19.37	19.37	19.86	24.11
Public safety	69.48	74.32	75.73	79.10	80.85
Public works	43.18	45.14	46.88	48.88	50.95
Community development	12.45	12.48	12.48	13.48	13.48
Recreation & community services	40.48	44.19	49.83	52.14	54.87
<b>Total</b>	<b>185.02</b>	<b>195.50</b>	<b>204.29</b>	<b>213.46</b>	<b>224.26</b>

	2003	2004	2005*	2006**	2007**
<b>Function</b>					
General government	24.11	20.52	19.63	19.63	19.63
Public safety	80.85	79.90	80.85	82.11	79.60
Public works	50.59	52.79	53.07	53.11	51.87
Community development	13.47	13.47	13.47	13.47	13.22
Recreation & community services	52.79	52.62	54.53	52.93	56.82
<b>Total</b>	<b>221.81</b>	<b>219.30</b>	<b>221.55</b>	<b>221.25</b>	<b>221.14</b>

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 Four Fiscal Years**

Function/Program	Fiscal Year			
	2004	2005	2006	2007
Public safety:				
Fire:				
Fire calls for service	70	94	92	100
Medical aid calls	1,470	1,798	1,777	1,411
Police:				
Police calls for Service	22,487	23,685	21,731	22,166
Law violations:				
Arrests	1,486	1,555	1,455	1,553
Traffic violations	7,327	6,611	5,871	6,329
Parking violations	4,432	4,171	4,146	3,457
Public works:				
Miles of streets (major)	14	14	14	15
Miles of Streets (secondary)	74	74	74	77
Potholes repaired	150	100	100	145
Culture and recreation:				
Community Services:				
Recreation class participants	27,096	28,871	30,096	31,887
Performing Arts Center performances	5	6	5	6
Wastewater				
Miles of sewers (storm)	42	42	42	42
Miles of sewers (sanitary)	484	484	484	484
Solid Waste				
Refuse Landfilled (tons per year)	n/a	n/a	40,000	35,432
Recyclables Processed (tons per year)	n/a	n/a	20,000	17,362

Source: City of Campbell

Note: n/a denotes information not available.

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

Function/Program	Fiscal Year			
	2004	2005	2006	2007
<b>Public safety:</b>				
Fire stations	1	1	1	1
Police stations	1	1	1	1
Police patrol units	12	12	11	11
<b>Public works</b>				
Miles of streets	88	88	88	88
Street lights	2,312	2,362	2,362	2,362
Traffic Signals	39	40	42	42
<b>Culture and recreation:</b>				
<b>Community services:</b>				
City parks	11	11	11	11
City parks acreage	86	86	86	86
Playgrounds	5	5	5	5
City trails	1	1	1	1
City trails miles	3	3	3	3
Historic house (museum)	1	1	1	1
Community gardens	1	1	1	1
Community centers	1	1	1	1
Senior centers	1	1	1	1
Sports centers	1	1	1	1
Performing arts centers	1	1	1	1
Swimming pools	1	1	1	1
Tennis courts	8	8	8	8
Baseball/softball diamonds	3	3	3	3
Soccer/football fields	3	3	3	3
<b>Library:</b>				
City Libraries	1	1	1	1

Source: City of Campbell

Note: Data prior to FY 2004 is not displayed due to the lack of consistent source documents.