



City of Campbell California



*Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008*

CITY OF CAMPBELL, CALIFORNIA
Comprehensive Annual Financial Report
Fiscal year ended June 30, 2008

Prepared by
Finance Department
Jesse Takahashi, Finance Director

CITY OF CAMPBELL
Comprehensive Annual Financial Report
Year ended June 30, 2008

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INTRODUCTORY SECTION



CITY OF CAMPBELL
FINANCE DEPARTMENT

December 22, 2008

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, 2008, 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 Mayer, Hoffman, McCann, P.C., 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, 2008, 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 40,200. 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 late May or early June for Council's preliminary consideration. Adoption of the operating and capital budget document takes place in June. The City's financial policies authorize the City Manager to administratively approve budget adjustments within the adopted budget 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 research, development and manufacturing, the area also supports a wide variety of retail, office and personal services industries. Historically, this region has experienced cycles of expansion and contraction and has led the nation in productivity, innovation and economic growth for 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 National Bureau of Economic Research announced just this month that the nation has been in recession since December, 2007 citing various indicators including gross domestic output, employment, consumer spending and retail spending, among other factors that all point to the fact that the economy has been contracting for the past 11 months. Adding to an already difficult environment of housing and mortgage failures, more recent failures of large investment and banking institutions and impending troubles with the American automobile manufacturers has spurred an unprecedented move by the federal government to “bail out” many of the largest organizations and industries, teetering on the verge of bankruptcy, providing trillions of dollars in loans, programs and direct investments to maintain the stability of the nation’s financial and economic infrastructure. Because of the ongoing crisis in the credit markets, combined with a reduction in consumer demand for housing and retail spending, development and construction has slowed down significantly awaiting better times. Economists anticipate it will be another 12-18 months before things begin to turn around.

Being closely linked to many of these issues, the unemployment rate increased during the past year. It should be noted, however, that Campbell continues to fare better than the county and statewide averages. Unemployment for the City as of October, 2008 was 5.9%, up from 4.1% one year ago. This compares favorably to the Santa Clara County rate of 6.9% and the State rate of 8.2%. It is anticipated these rates will climb further during the upcoming year until a “bottom” is more clearly established that indicates a recovery in on its way.

With respect to the local region, Silicon Valley, housing sales have seen declines for most of the past year along with the median sales price. However, because of the unique setting of this region, and the fact that many of the surrounding cities have limited capacity for new housing, it is expected that real estate values will eventually stabilize within a couple of years and recover over time. 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. While some private development senior and low-income housing projects in the City have been delayed due to the ongoing financial and economic troubles, it is expected that this activity level will ultimately improve over time. As an example, construction of a 162 room hotel is currently in process and expected to be completed in late 2009. The new property is anticipated to bring in significant new revenues to the City’s tax base.

Despite the challenging economic environment, the City was successful in establishing a new long-term revenue source to help fund ongoing operating costs. In November, 2008, 70% of the voting citizens passed Measure O, a ¼ cent transactions and use tax. This measure will provide additional funding to maintain General Fund services including police and fire, street maintenance, parks and recreation maintenance and programs. This measure was approved after five years of budget belt tightening approximating more than \$4 million and including a 10% reduction in permanent staffing.

Campbell is home to a diversified economic base of business segments located throughout the community. There are approximately 4,600 businesses in the City that generated approximately \$10 million in sales tax revenue. The largest categories of sales tax producers comprise general retail, construction, food products, transportation and business-to-business. 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 throughout the year 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 continues to be 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. Beginning in fiscal 2006-07, the State’s ability to divert local revenues was 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. However, once again, the State is facing a multi-billion dollar budget deficit, and it is widely expected that local governments will again be financially impacted from this seemingly never ending situation.

Because of the many economic and fiscal uncertainties that confront the City almost routinely, and to address the financial impacts created by these issues, the City has taken necessary steps to preserve its fiscal health during these difficult times. As an example, the City has established financial and budgetary policies monitored by the City Council that ensure operating revenues are available to fund operating expenditures resulting in a balanced budget. The City has designated a Reserve for Economic Fluctuations the purpose of which is to serve as a reserve for those revenue sources most significantly impacted by downturns in the economy, thereby, enabling the City to better withstand an economic downturn. The City’s financial policies specify this reserve 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 during difficult times.

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, 2008 was 4.3%. 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 13 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 for non-sworn safety employees and a cost sharing multiple-employer plan for its sworn safety personnel. 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. However, as a result of losses in PERS' investment assets caused by the significant decline in the stock market and lower interest rate environment, the risk of modest employer rate increases beginning in fiscal 2011-12, has increased considerably. 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, 2007. 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 20 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 2007-08. This is the 15th 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.

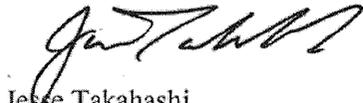
The City of Campbell was also awarded the Certificate of Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the City's CAFR. This award was received consecutively for 19 years with the most recent award being received for the fiscal year ended June 30, 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 Sandy Terpko, 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

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, 2007

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.

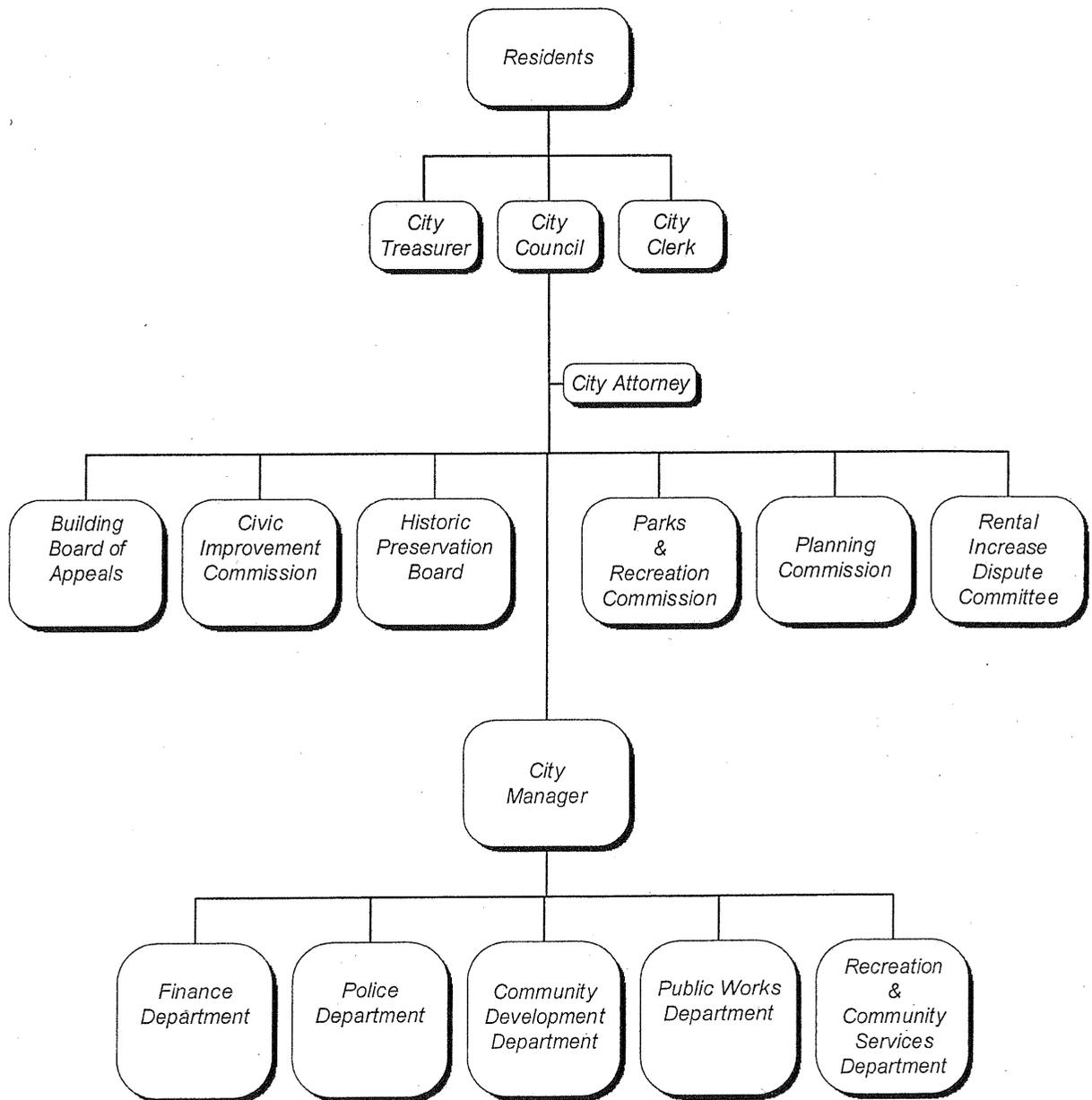


Oliver S. Cox

President

Jeffrey R. Emery

Executive Director



CITY OFFICIALS
CITY COUNCIL & REDEVELOPMENT AGENCY BOARD

Mayor - Donald R. Burr

Vice Mayor - Joseph D. Hernandez

Councilmember - Daniel E. Furtado

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, 2008.

CITY ADMINISTRATIVE STAFF

City Manager - Daniel Rich

City Clerk - Anne Bybee (Elected)

City Treasurer - Gerald Kennedy (Elected)

City Attorney - William Seligmann

Community Development Director - Sharon Fierro

Finance Director - Jesse Takahashi

Recreation & Community Services Director - Claudia Cauthorn

Police Chief - David Gullo

Public Works Director - Robert Kass

COMMISSIONS, COMMITTEES AND ADVISORY BOARDS

Planning Commission

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

Parks & Recreation Commission

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

Civic Improvement Commission

Jeff Hofstrand, Chairperson
Cheryl Kupras, Vice Chairperson
Emily Ah Sing
Jason T. Baker
Jacquie Davidson
Frank Jewett
Art Ring
Vacant

Building Board of Appeals

Vacant, Chairperson
James C. Malone
Bruno Marcelic
Jim Morelan
Todd Zeman

Historical Preservation Board

JoElle Hernandez, Chairperson
Susan Blake, Vice Chairpreson
Jule Heinzler
Masel Sheehan
Vacant

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, 2008.

FINANCIAL SECTION



Mayer Hoffman McCann P.C.

An Independent CPA Firm

84 South First Street, Third Floor
San Jose, CA 95113
408-794-3545 ph
408-295-3818 fx
www.mhm-pc.com

City Council
City of Campbell, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Campbell. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the 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, 2008, and the respective changes in financial position and cash flows, where applicable, of the City of Campbell, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Campbell's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

City Council
City of Campbell, California
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2008 on our consideration of the City of Campbell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman Mc Cann P.C.

San Jose, California
December 22, 2008

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, 2008. 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 2007-08 Financial Highlights

Despite several challenging years, the City ended the year with a General Fund surplus on higher than anticipated revenues and some budget savings. The City ended its fiscal year with total revenues of \$45.9 million, an increase of \$1.5 million from the previous fiscal year, and expenses of \$43.7 million, an increase of 5.0% from the previous year. Increases in revenues from higher property tax, transient occupancy tax, franchise fees, and development fees helped offset declines in operating and capital grants and contributions from their FY 2007 levels. Charges for Services revenue increased from the prior year and several large construction projects enabled permit revenues to increase by \$0.8 million.

Significant accomplishments and activity during the past year included the entitlement of a 7-story 162 room hotel currently under construction, several mixed use (housing and retail combination) projects and a medical building; the opening of a Pet Food Express; completion of construction of the Hacienda Percolation Pond Project; completion of the East Campbell Avenue Master Plan; completion of a major upgrade to the City's Community Center HVAC system and Main Gym; and completion of the acquisition of major vacant parcel of land for development of a new City Park. The City also implemented a new emergency community notification system and negotiated a new fire services contract. The City took steps to further improve its role in becoming a sustainable community by receiving a Certified Green Business designation.

Financial highlights of the past year are as follows:

City-wide:

- Total City assets exceeded its liabilities by \$66.3 million. Of this amount, \$37.6 million represents unrestricted net assets that the City has designated for various purposes including reserves for emergencies, operations, economic uncertainty and approved capital projects.
- Total net assets increased from the previous year by \$2.2 million. Total assets, principally cash and investments, increased by \$1.1 million while total liabilities dropped \$1.1 million.
- Total City revenues increased \$1.5 million to \$45.9 million while total expenses increased by \$2.1 million to \$43.7 million.

Fund level:

- Total governmental fund balances were \$54.8 million at fiscal year end, an increase of \$1.0 million from the previous year.
- General Fund revenues, excluding transfers, increased \$2.2 million to \$33.4 million from the previous year; related expenditures increased by \$2.7 million from the previous year to \$30.7 million. A portion of the increase was the result of a one-time accounting adjustment

in FY 2007 which reduced the City's liability for accrued vacation and sick leave pay by \$1.1 million.

- General Fund balance increased \$0.9 million to \$26.1 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, 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>2008</u>	<u>2007</u>
Cash & investments	\$58.6	\$ 56.1
Capital assets	58.9	59.3
Other assets	7.2	8.2
Total assets	<u>124.7</u>	<u>123.6</u>
Long term debt	47.0	47.6
Other liabilities	11.4	11.9
Total liabilities	<u>58.4</u>	<u>59.5</u>
Net assets:		
Invested in capital assets, net of debt	14.1	13.9
Restricted	14.6	20.0
Unrestricted	<u>37.6</u>	<u>30.2</u>
Total net assets	<u>66.3</u>	<u>\$ 64.1</u>

Net assets increased during the year by \$2.2 million, comprised of the following elements:

- Cash and investments increased by \$2.5 million due to higher revenues coupled with a decrease in funding required for capital projects.
- Capital assets added during the year were \$2.5 million offset by depreciation charges of \$2.9 million for a net decrease of \$0.4 million.
- Other assets had a net decrease of \$1.0 million consisting primarily of decreases in receivables at fiscal year end.
- Long term debt decreased \$0.6 million due to repayment of debt principal during the year.
- Other liabilities decreased by \$0.5 million due principally to a reduction in claims payable at fiscal year end.
- Net assets invested in capital assets, net of debt increased \$0.2 million from the previous year due primarily to normal debt service activity.

- Restricted net assets have external limitations placed upon them regarding how they may be spent. During the year, these assets decreased by \$5.4 million due to a refinement of classifications of net assets between restricted and unrestricted.
- Unrestricted net assets increased by \$7.4 million due to a refinement of classifications of net assets between restricted and unrestricted and also due to the current year excess of revenues over expenses of \$2.2 million.

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>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 9.7	\$ 9.5
Operating grants and contributions	2.2	2.7
Capital grants and contributions	1.0	2.4
General revenues:		
Property taxes	15.8	14.1
Sales and use taxes	10.3	10.0
Other taxes	4.8	4.1
Investment Income	1.5	1.5
Other	0.6	0.1
Total revenues	<u>45.9</u>	<u>44.4</u>
Expenses:		
General Government	3.8	3.6
Recreation	6.1	5.6
Community Development	1.8	1.8
Public Safety	16.7	16.1
Public Works	8.1	8.9
Redevelopment	4.4	3.2
Interest on long term debt	2.8	2.3
Total expenses	<u>43.7</u>	<u>41.6</u>
Change in net assets	<u>\$ 2.2</u>	<u>\$ 2.8</u>

Net assets increased \$2.2 million. Key elements of activity are as follows:

- Within program revenues, charges for services increased \$0.2 million due to several large commercial building projects and a new hotel project that were started in the fourth quarter of the fiscal year; operating and capital grants and contributions decreased \$2.8 million due to the completion of projects that were started in the prior fiscal year.

- Within general revenues, property tax revenue, increased by \$1.7 million due to increases in assessed valuation, real estate transactions, and the annexation of several pockets of unincorporated properties from the County.
- The sales and use tax revenues increase of \$0.3 million was less than anticipated due to the general slowdown in retail sales caused by a sluggish economy that has limited growth.
- Other taxes increased \$0.7 million due primarily to a \$0.2 million increase in Transient Occupancy Tax and higher revenues from all lodging facilities compared to the prior year. In addition, the City's recently negotiated solid waste collection agreement resulted in higher franchise fee revenues.
- Other revenue increased \$0.5 million due primarily to the one-time collection of in-lieu parking fees from a development project.
- Recreation and Community Services expenses increased primarily as a result of increases in employee services costs..
- Public Safety expenses, which include contracted fire protection services, increased \$0.6 million due primarily to higher staffing and benefit costs.
- Public Works expenses decreased \$0.8 million due primarily to lower operating expenses related to slow local economic activity and reduced funding availability for streets maintenance and capital improvement programs.
- Redevelopment expenses increased \$1.2 million due to increases in operating expenses related to the Redevelopment Agency's additional pass-through costs of approximately \$0.4 million and development expenses related to the Charities Housing Project and a senior housing project.
- Interest on long-term debt increased \$0.5 million due to a one-time charge for accretion costs on certain capital appreciation bonds included in the Redevelopment Agency's 2002 Tax Allocation Bond issue.

Financial Analysis of Fund Financial Statements

Combined governmental fund balances at fiscal year end were \$54.8 million, an increase of \$1.0 million from the previous year. The City has reserved fund balance of \$18.1 million at year end, a decrease of \$5.5 million from the previous year. Unreserved fund balance was \$36.7 million compared to \$30.1 million in the previous year, an increase of \$6.6 million.

Governmental fund revenues, excluding transfers, were \$45.7 million, an increase of \$1.4 million from the previous year. Included in this increase were higher sales taxes of \$0.3 million; higher transient occupancy taxes of \$0.2 million due to higher occupancy and room rates; \$0.6 million due to increased franchise fee revenues; a \$1.3 million increase in licenses and permit revenue due to the start of several large commercial projects including a major new hotel. Offsetting these increases were reductions in other miscellaneous income from FY 2007 and a \$2.0 million decrease in intergovernmental revenues as a result of completing certain grant-funded projects started in prior fiscal years.

Lastly, property tax revenue increased \$1.7 million based on an increase in assessed valuation attributable to annexations and roll changes from completed projects as well as ongoing real estate sales transactions.

Governmental fund expenditures, excluding transfers, increased from the prior year by a net amount of \$4.0 million to \$44.6 million. This increase was due to higher general operating costs, compared to the previous year but also includes an increase in Redevelopment Agency pass-through costs of \$0.3 million and the effect of a one-time \$1.1 million accounting adjustment recorded in FY 2007 which reduced the City's book liability for compensated absences. Excluding these two items, the increase was approximately 6.1%.

Analysis of Major Governmental Funds

General fund

General Fund revenues, excluding transfers, increased \$2.2 million from the previous year to \$33.4 million. Contributing to the growth were increases in property taxes, sales taxes, transient occupancy taxes; franchise fees and building permits.

General Fund expenditures, excluding transfers, were \$30.7 million, an increase of \$2.7 million from the previous year. A significant portion of the increase is attributable to a one-time reduction in the liability for compensated absences recorded in FY 2007 and the implementation of new labor agreements. The City continues to monitor its expenditures closely and has strived to minimize spending where possible.

General Fund balance at fiscal year-end was \$26.1 million, an increase of \$0.8 million from the previous year. While General Fund revenues and expenditures both increased, the City was still able to preserve fund balance while continuing a modest capital expenditure program. Unreserved and designated fund balance at year end was \$25.0 million, a \$0.9 million increase from the prior year, and is utilized to fund various emergency and operating funds, including a \$7.0 million designation for economic fluctuations, capital projects and other operating and contingency funds.

Significant original-to-final revenue budget adjustments were made to property taxes and sales taxes. Property tax budget was increased as assessed values held up better than anticipated while sales and use tax revenue projections were further reduced as the first six months receipts indicated a continued deterioration in the retail segment of the local economy.

Significant final revenue budget-to-actual variances consisted of an increase in property taxes due to higher than expected receipts; Other Taxes revenue due to higher solid waste franchise fees related to new contracts with providers; an increase in transient occupancy (hotel) taxes; and; an increase in licenses and permits due to the new hotel and other large commercial projects currently in process. Charges for Services revenue exceeded budget as a result of the inclusion of hazardous waste cleanup fees for which no budgeted revenue was projected.

There were positive original-to-final budget variances for total General Fund expenditures. Positive variances in general government, recreation and public works resulted from continued efforts to conserve the budget, while a negative variance in public safety was due to unbudgeted compensated absences payouts.

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 \$1.6 million during the year. The fund has loans outstanding of \$3.0 million and fund balance of \$9.5 million, an increase of \$0.1 million from the previous year.

COP Debt Service Fund

The principal asset of this fund is represented by \$7.9 million in advances receivable from the RDA representing the portion of debt service it is obligated to repay to the City based on an agreement between the two entities. The receivable is offset with an advance payable to the City in the RDA debt service fund. Payment to the City is made with annual collections of RDA tax increment revenue.

RDA Debt Service Fund

This is the principal debt service fund of the RDA, and it receives most of the tax increment receipts from which it also makes debt service payments and funds the RDA's capital projects. Property tax revenue from the project area saw an increase in revenue of \$0.7 million from the previous year which was offset by increases in the required pass-through payments to other taxing entities of \$0.4 million.

The balance of \$1.0 represents an increase of \$1.6 million from the prior fiscal year. The fiscal year-end balance is reserved for debt service.

RDA Capital Projects Fund

The RDA Capital Projects Fund accounts for activities in the redevelopment project area. Expenditures of \$0.4 million were made for capital projects. The fund had \$3.4 million in fund balance at fiscal year end, \$0.2 million from the prior year.

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 \$58.9 million as of June 30, 2008. The following is a summary of the City's capital assets for the fiscal year ended June 30:

	Capital Assets (in millions)	
	<u>2008</u>	<u>2007</u>
Land	\$ 14.9	\$ 13.9
Construction in progress	.7	.8
Building & improvements	29.0	29.0
Other improvements	19.0	18.5
Machinery & equipment	7.8	7.5
Infrastructure	20.4	19.8
Less: Accumulated depreciation	<u>(32.9)</u>	<u>(30.2)</u>
Net capital assets	<u>\$ 58.9</u>	<u>\$ 59.3</u>

Total additions to capital assets were \$2.5 million during the year consisting primarily of project improvements, vehicles, technology equipment, and land. 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):

	<u>2008</u>	<u>2007</u>
Certificates of participation	\$ 22.4	\$ 22.5
Tax allocation bonds	<u>24.6</u>	<u>25.1</u>
Total debt	<u>\$ 47.0</u>	<u>\$ 47.6</u>

Economic Outlook and Next Year's Budget

The City continues to maintain prudent reserve levels in fiscal 2008-09. 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 09 budget were as follows:

- Sales tax revenue is expected to decline slightly during the year due to continued economic weakness. A local sales tax ballot measure was approved in November, 2008 but will not become effective until April, 2009.
- 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.
- Pursuant to GASB Statement No. 45, accrued retiree health benefit costs will be phased in over a five-year period beginning in FY09.
- 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 that projects be delayed until adequate funding becomes available.

The economic outlook for the local Silicon Valley region is mixed. Continued fallout from the mortgage and housing crisis is expected. However, the region is also a prominent leader in the green technology sector which is currently experiencing significant growth and is offsetting an otherwise weak economy. There are, however, many uncertainties that may alter future results, especially for the City. Consequently, the City is continuing to closely monitor primary revenue sources and find ways to minimize expenditure growth from year to year. General Fund operating appropriations for fiscal 2008-09 are \$35.6 million, an increase of \$1.9 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, 2008

	<u>Governmental Activities</u>
Assets:	
Cash and investments (Note 2)	\$ 56,403,844
Restricted cash and investments (Note 2)	2,222,592
Receivables:	
Taxes	2,133,425
Accounts	378,996
Interest	484,702
Notes and loans (Note 4)	4,133,051
Deposits	120,000
Capital assets, not depreciated (Note 5)	15,644,572
Capital assets, depreciated, net (Note 5)	<u>43,211,981</u>
Total assets	<u>124,733,163</u>
Liabilities:	
Accounts payable and accrued expenses	3,825,741
Claims and judgements payable (Note 12)	2,188,860
Deposits payable	935,694
Interest payable	563,906
Unearned revenue	1,061,926
Noncurrent liabilities (Note 6):	
Due within one year	2,843,995
Due in more than one year	<u>46,975,071</u>
Total liabilities	<u>58,395,193</u>
Net Assets:	
Invested in capital assets, net of related debt	14,093,995
Restricted for:	
Community Development	1,445,450
Public Works	269,908
Public Safety	3,976
Redevelopment projects	12,918,092
Unrestricted	<u>37,606,549</u>
Total net assets	<u>\$ 66,337,970</u>

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL
Statement of Activities
Fiscal year ended June 30, 2008

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities
Governmental activities:					
General Government	\$ 3,830,038	81,648	14,257	-	(3,734,133)
Recreation	6,130,130	4,607,406	79,212	-	(1,443,512)
Community Development	1,837,750	2,273,914	142,757	-	578,921
Public Safety	16,695,849	690,054	138,034	-	(15,867,761)
Public Works	8,075,236	2,096,814	981,694	959,566	(4,037,162)
Redevelopment	4,396,175	-	827,553	-	(3,568,622)
Interest expense and other charges	2,766,915	-	-	-	(2,766,915)
Total governmental activities	\$ 43,732,093	9,749,836	2,183,507	959,566	(30,839,184)
General revenues:					
Taxes:					
Property					15,718,642
Sales and use					10,334,831
Transient occupancy					1,619,111
Franchise					2,323,063
Other					659,196
Motor vehicle in lieu, unrestricted					219,538
Investment income					1,531,949
Miscellaneous					662,041
Total general revenues					33,068,371
Change in net assets					2,229,187
Net assets at beginning of year					64,108,783
Net assets at end of year					\$ 66,337,970

See accompanying notes to the basic 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 2008. 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.

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

Redevelopment Agency 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.

Redevelopment Agency Capital Project Fund – 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
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	RDA Housing Special Revenue Fund	COP Debt Service Fund	RDA Debt Service Fund	RDA Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>							
Cash and investments	\$ 26,098,217	6,486,034	9,268	8,089,986	3,351,339	7,349,194	51,384,038
Restricted cash and investments	-	-	-	2,187,840	34,752	-	2,222,592
Receivables:							
Taxes	1,711,772	8,288	-	33,153	-	380,212	2,133,425
Accounts	374,141	-	-	-	-	4,855	378,996
Interest	484,702	-	-	-	-	-	484,702
Notes and loans (Note 4)	-	2,985,897	-	-	-	1,147,154	4,133,051
Due from other funds (Note 3)	266,349	57,423	-	62,410	30,691	41,690	458,563
Advances to other funds (Note 3)	-	-	7,946,730	-	-	-	7,946,730
Total assets	<u>\$ 28,935,181</u>	<u>9,537,642</u>	<u>7,955,998</u>	<u>10,373,389</u>	<u>3,416,782</u>	<u>8,923,105</u>	<u>69,142,097</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 739,639	98	-	1,410,240	-	646,629	2,796,606
Accrued payroll	705,528	-	-	-	-	55,212	760,740
Claims and judgements payable	134,000	-	-	-	-	-	134,000
Deposits payable	935,694	-	-	-	-	-	935,694
Due to other funds (Note 3)	192,214	19,457	-	21,145	10,398	215,349	458,563
Deferred revenue	96,003	-	-	-	-	1,212,031	1,308,034
Advances from other funds (Note 3)	-	-	-	7,946,730	-	-	7,946,730
Total liabilities	<u>2,803,078</u>	<u>19,555</u>	<u>-</u>	<u>9,378,115</u>	<u>10,398</u>	<u>2,129,221</u>	<u>14,340,367</u>
Fund balances:							
Reserved:							
Encumbrances	109,115	408,956	-	-	-	122,688	640,759
Debt service	-	-	-	995,274	-	-	995,274
Capital projects	-	-	-	-	-	3,419,182	3,419,182
Advances	-	-	7,946,730	-	-	-	7,946,730
Notes receivable	-	2,985,897	-	-	-	1,147,154	4,133,051
Long-term vacation and sick leave	844,000	-	-	-	-	-	844,000
LID maintenance	152,755	-	-	-	-	-	152,755
Unreserved:							
Designated for special projects and programs	25,026,233	-	-	-	-	-	25,026,233
Undesignated, reported in:							
General fund	-	-	-	-	-	-	-
Special revenue	-	6,123,234	-	-	-	224,334	6,347,568
Debt service	-	-	9,268	-	-	-	9,268
Capital projects	-	-	-	-	3,406,384	1,880,526	5,286,910
Total fund balances	<u>26,132,103</u>	<u>9,518,087</u>	<u>7,955,998</u>	<u>995,274</u>	<u>3,406,384</u>	<u>6,793,884</u>	<u>54,801,730</u>
Total liabilities and fund balances	<u>\$ 28,935,181</u>	<u>9,537,642</u>	<u>7,955,998</u>	<u>10,373,389</u>	<u>3,416,782</u>	<u>8,923,105</u>	<u>69,142,097</u>

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL
 Governmental Funds
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2008

Fund balances of governmental funds \$ 54,801,730

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets have not been included as financial resources in governmental fund activity:

Capital assets	85,327,754
Accumulated depreciation	(28,046,344)

Long term debt and compensated absences that have not been included in governmental fund activity:

Bonds payable	(46,985,150)
Compensated absences	(2,799,474)

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(563,906)
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Deferred revenue balances relating to certain receivables are not reported as liabilities in the Statement of Net Assets since revenue recognition is not based upon measurable and available criteria.	246,108
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Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	4,357,252
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Net assets of governmental activities	\$ 66,337,970
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CITY OF CAMPBELL
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal year ended June 30, 2008

	General Fund	RDA Housing Special Revenue Fund	COP Debt Service Fund	RDA Debt Service Fund	RDA Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 8,366,004	1,337,353	-	5,349,414	-	665,871	15,718,642
Sales and use taxes	10,334,831	-	-	-	-	-	10,334,831
Other taxes	4,601,370	-	-	-	-	-	4,601,370
Special assessments	-	-	-	-	-	1,136,457	1,136,457
License and permits	2,522,921	-	-	-	-	-	2,522,921
Fines and forfeitures	344,844	-	-	-	-	-	344,844
Investment income	1,357,262	286,427	2,573	377,577	141,843	280,078	2,445,760
Rents and leases	2,060,934	-	-	-	-	-	2,060,934
Intergovernmental revenues	439,010	-	-	-	-	1,543,693	1,982,703
Charges for services	3,109,064	-	-	-	-	350,595	3,459,659
Project revenues	-	-	-	-	-	91,268	91,268
Donations	75,155	-	-	-	-	33,884	109,039
Parkland dedication fees	-	-	-	-	-	413,131	413,131
Miscellaneous	220,949	-	-	-	-	272,664	493,613
Total revenues	33,432,344	1,623,780	2,573	5,726,991	141,843	4,787,641	45,715,172
Expenditures							
Current:							
General Government	3,819,217	-	-	-	-	-	3,819,217
Recreation	5,840,659	-	-	-	-	453,749	6,294,408
Community Development	1,603,048	-	-	-	-	231,334	1,834,382
Redevelopment	-	1,395,920	-	265,796	-	827,752	2,489,468
Public Safety	16,987,652	-	-	-	-	105,225	17,092,877
Public Works	2,493,102	-	-	-	-	5,812,054	8,305,156
Pass-through payments	-	-	-	1,410,240	-	-	1,410,240
Debt service:							
Principal	-	-	595,000	510,000	-	-	1,105,000
Interest	-	-	596,055	1,695,820	-	-	2,291,875
Total expenditures	30,743,678	1,395,920	1,191,055	3,881,856	-	7,430,114	44,642,623
Excess (deficiency) of revenues over (under) expenditures	2,688,666	227,860	(1,188,482)	1,845,135	141,843	(2,642,473)	1,072,549
Other financing sources (uses):							
Transfers in (Note 3)	1,040,033	-	945,401	200,000	-	4,555,368	6,740,802
Transfers out (Note 3)	(2,871,770)	(134,949)	-	(452,512)	(353,845)	(3,004,698)	(6,817,774)
Total other financing sources (uses)	(1,831,737)	(134,949)	945,401	(252,512)	(353,845)	1,550,670	(76,972)
Net change in fund balances:	856,929	92,911	(243,081)	1,592,623	(212,002)	(1,091,803)	995,577
Fund balances (deficit) at beginning of year	25,275,174	9,425,176	8,199,079	(597,349)	3,618,386	7,885,687	53,806,153
Fund balances at end of year	\$ 26,132,103	9,518,087	7,955,998	995,274	3,406,384	6,793,884	54,801,730

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to Statement of Activities
 Year ended June 30, 2008

Changes in fund balances of governmental funds \$ 995,577

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

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

Capital outlay	1,949,305
Depreciation expense	(2,370,567)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,105,000
--	-----------

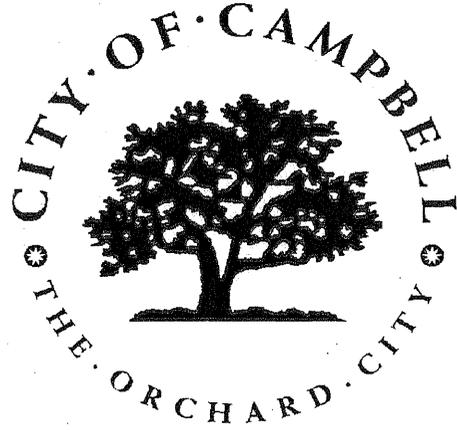
Accrued interest expense related to the long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities.	(475,040)
--	-----------

To record as an expense the net change in compensated absences in the Statement of Activities.	105,145
--	---------

Revenues that are measurable but not available are recorded as deferred revenue under the modified accrual basis of accounting.	246,108
---	---------

Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal services funds is reported with governmental activities.	<u>673,659</u>
--	----------------

Changes in net assets of governmental activities	<u>\$ 2,229,187</u>
--	---------------------



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, 2008

	Governmental Activities Internal Service <u>Funds</u>
Assets:	
Current assets:	
Cash and investments	\$ 5,019,806
Deposits	<u>120,000</u>
Total current assets	<u>5,139,806</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	<u>1,575,143</u>
Total assets	<u>6,714,949</u>
Liabilities:	
Current liabilities:	
Accounts payable	252,171
Accrued payroll	16,224
Compensated absences	34,442
Claims and judgements payable	<u>2,054,860</u>
Total liabilities	<u>2,357,697</u>
Net assets:	
Invested in capital assets, net of related debt	1,575,143
Unrestricted	<u>2,782,109</u>
Total net assets	<u>\$ 4,357,252</u>

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL
Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

Fiscal year ended June 30, 2008

	Governmental Activities Internal Service Funds
Operating revenues:	
Charges for services	\$ 2,002,980
Other	<u>925,497</u>
Total operating revenues	<u>2,928,477</u>
Operating expenses:	
Operations	712,176
Service and supplies	1,069,282
Depreciation	<u>550,332</u>
Total operating expenses	<u>2,331,790</u>
Operating income (loss) before transfers and contributions	<u>596,687</u>
Transfers:	
Transfers in (note 3)	147,646
Transfers out (note 3)	<u>(70,674)</u>
Total transfers	<u>76,972</u>
Change in net assets	673,659
Net assets at beginning of year	<u>3,683,593</u>
Net assets at end of year	<u>\$ 4,357,252</u>

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL
Proprietary Funds

Statement of Cash Flows

Fiscal year ended June 30, 2008

	<u>Governmental Activities Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from department users	\$ 2,928,477
Cash payments to suppliers for goods and services	(1,378,783)
Cash payments to employees for services	<u>(682,105)</u>
Net cash provided by (used for) operating activities	<u>867,589</u>
Cash flows from non-capital and related financing activities:	
Cash received from other funds	147,646
Cash paid to other funds	<u>(70,674)</u>
Net cash provided by (used for) non-capital and related financing activities	<u>76,972</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(534,724)</u>
Net cash provided by (used for) capital and related financing activities	<u>(534,724)</u>
Net increase (decrease) in cash and cash equivalents	409,837
Cash and cash equivalents at beginning of year	<u>4,609,969</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,019,806</u></u>

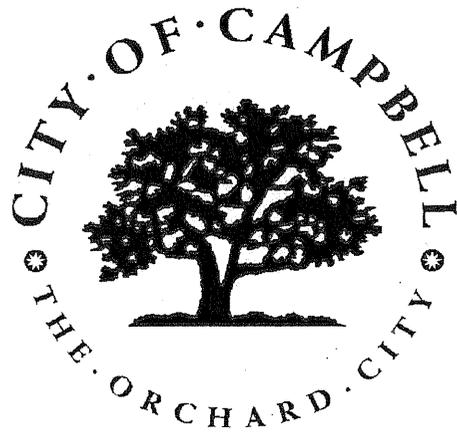
See accompanying notes to the basic financial statements.

CITY OF CAMPBELL
Proprietary Funds
Statement of Cash Flows
(Continued)

	Governmental Activities Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 596,687
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	550,332
(Increase) decrease in accounts receivable	15,800
Increase (decrease) in accounts payable	86,718
Increase (decrease) in accrued payroll	10,223
Increase (decrease) in vacation and sick leave	19,849
Increase (decrease) in claims and judgments payable	(412,020)
Net cash provided by (used for) operating activities	\$ 867,589

There were no significant noncash investing or financing activities for the year ended June 30, 2008.

See accompanying notes to the basic financial statements.



CITY OF CAMPBELL, CALIFORNIA

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 Funds

Statement of Fiduciary Assets and Liabilities

June 30, 2008

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and investments (Note 2)	\$ 184,956
Accounts receivable	246,108
Taxes receivable	<u>1,106</u>
Total assets	<u>\$ 432,170</u>
<u>Liabilities</u>	
Accounts payable	\$ 16,730
Due to West Valley Solid Waste JPA	52,554
Due to bondholders	<u>362,886</u>
Total liabilities	<u>\$ 432,170</u>

See accompanying notes to the basic financial statements.

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(1) **Summary of Significant Accounting Policies**

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

(a) **Reporting Entity**

The **City of Campbell** was incorporated March 28, 1952, under the general laws of the State 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) **Measurement Focus and Basis of Accounting**

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

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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research.

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(1) **Summary of Significant Accounting Policies, (Continued)**

(b) Measurement Focus and Basis of Accounting, (Continued)

Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The City of Campbell has no discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

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

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(1) **Summary of Significant Accounting Policies, (Continued)**

(b) Measurement Focus and Basis of Accounting, (Continued)

Fund Financial Statements

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

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and proprietary funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

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

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

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(1) **Summary of Significant Accounting Policies, (Continued)**

(b) **Measurement Focus and Basis of Accounting, (Continued)**

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

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

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

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets.

Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of long-term receivables are offset by fund balance reserve accounts.

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

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

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(1) **Summary of Significant Accounting Policies, (Continued)**

(b) **Measurement Focus and Basis of Accounting, (Continued)**

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expenditure. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

(c) **Fund Classifications**

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34.

The City reports the following major governmental funds:

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.

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(1) **Summary of Significant Accounting Policies, (Continued)**

(c) **Fund Classifications**

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.

Redevelopment Agency 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.

Redevelopment Agency Capital Project Fund – 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.

(d) **Property Taxes**

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

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

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

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

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(1) **Summary of Significant Accounting Policies, (Continued)**

(e) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value.

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

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

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

(f) Capital Assets

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

The following schedule summarizes capital asset useful lives:

Buildings and improvements	40 years
Other improvements	20 years
Machinery and equipment	3-7 years
Infrastructure	15-40 years

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(1) **Summary of Significant Accounting Policies, (Continued)**

(f) Capital Assets (Continued)

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

(g) Compensated Absences

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

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

Compensated absences are typically liquidated by the General Fund.

(h) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(2) **Cash and Investments**

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and investments	\$ 56,403,844
Cash with fiscal agent	2,222,592
Fiduciary funds:	
Cash and investments	<u>184,956</u>
Total cash and investments	<u>\$ 58,811,392</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 2,250
Deposits with financial institutions	644,185
Investments	<u>58,129,877</u>
Total cash and investments	<u>\$ 58,811,392</u>

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(2) Cash and Investments, (Continued)

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

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	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%

* Must be rated A or better and have assets in excess of \$500,000,000.

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(2) **Cash and Investments, (Continued)**

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bonds, Notes and Bills	5-7 Years	No Limit	No Limit	No Limit
US. Government Agency Obligations	5-7 Years	AAA	No Limit	No Limit
Time Certificates of Deposit - Banks or Savings and Loans	1 Year	None	No Limit	No Limit
Bankers' Acceptances	360 days	A1/P1	No Limit	No Limit
Commercial Paper	270 days		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
Notes to the Basic Financial Statements
Year ended June 30, 2008

(2) **Cash and Investments, (Continued)**

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				<u>Total</u>
	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>	
<i>Available for Operations</i>					
U.S. Government					
Agency Obligations	\$ 2,134,380	3,009,680	25,286,002	-	30,430,062
California Local Agency					
Investment Fund	23,445,523	-	-	-	23,445,523
Corporate Notes	-	-	2,066,780	-	2,066,780
<i>Restricted Cash and Investments</i>					
Money Market Funds	<u>2,222,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,222,592</u>
 Total Investments	 <u>\$27,802,495</u>	 <u>3,009,680</u>	 <u>27,352,782</u>	 <u>-</u>	 <u>58,164,957</u>
 <i>Demand Deposits and Cash on Hand</i>					 646,435
				 <i>Total Cash and Investments</i>	 <u><u>\$58,811,392</u></u>

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(2) **Cash and Investments, (Continued)**

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>
<i>AAA rated:</i>	
<i>Available for Operations:</i>	
U.S. Government Agency Obligations	\$ 30,430,062
Corporate Note	2,066,780
<i>Restricted:</i>	
Money Market Funds	2,222,592
<i>Not rated:</i>	
California Local Agency Investment Fund	23,445,523
<i>Exempt from credit rate disclosure:</i>	
Demand Deposits	646,435
Total Cash and Investments	<u>\$ 58,811,392</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Reporting Unit</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Government Activities	\$ 14,273,673
Federal National Mortgage Association		5,991,470
Federal Home Loan Mortgage Association		10,038,780
GE Capital Corporation		2,066,780

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(3) Interfund Transactions

(a) 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) transactions 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	RDA Housing Special Revenue Fund	\$ 19,457
	RDA Debt Service Fund	21,145
	RDA Capital Project Fund	10,398
	Other Governmental Funds	215,349
		<u>266,349</u>
RDA Housing Special Revenue Fund	General Fund	57,423
RDA Debt Service Fund	General Fund	62,410
RDA Capital Project Fund	General Fund	30,691
Other Governmental Funds	General Fund	41,690
		<u>192,214</u>
Total		<u>\$ 458,563</u>

(b) Long-Term Interfund Advances

The 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, 2008, the Agency paid \$246,330 in principal and \$418,341 in interest on these advances. As of June 30, 2008, the outstanding balance was \$7,946,730.

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(3) Interfund Transactions (Continued)

(c) Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 894,033 (a)
	Internal Service Fund	70,674 (a)
	RDA Housing Special Revenue Fund	51,497 (a)
	RDA Debt Service Fund	23,829 (b)
		<u>1,040,033</u>
RDA Capital Projects Fund	General Fund	<u>200,000 (b)</u>
Debt Service Fund	General Fund	545,401 (d)
	RDA Debt Service Fund	<u>400,000 (c)</u>
		945,401
Other Governmental Funds	General Fund	1,978,723 (b)
	Other Governmental Funds	2,110,665 (a) (b)
	RDA Housing Special Revenue Fund	83,452 (b) (e)
	RDA Debt Service Fund	28,683 (b)
	RDA Capital Project Fund	<u>353,845 (e)</u>
	4,555,368	
Internal Service Fund	General Fund	<u>147,646 (c)</u>
		<u>\$ 6,888,448</u>

Interfund transfers were principally used for the following purposes:

- (a) Administrative Salaries & Overhead
- (b) Reimburse Program Expenditure
- (c) Reimburse Equipment Replacement Expenditure
- (d) Reimburse Debt Service Expenditure
- (e) Capital Project Funding

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(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, 2008 was \$1,225,000.

(b) Housing Rehabilitation and Affordable Housing Loans

The Redevelopment Agency engages in programs designed to encourage construction or improvement in low- to moderate-income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs at June 30, 2008 was \$1,760,897.

(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, 2008, the City had outstanding rehabilitation loans of \$1,147,154 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2008, the City received \$164,400 from participants of this program, and made new loans totaling \$52,045.

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(5) Capital Assets

Capital asset activity for the year ended June 30, 2008 is as follows:

Governmental Activities:

	Balances at July 1, 2007	Additions	Deletions	Transfers	Balances at June 30, 2008
Buildings and improvements	\$ 28,980,818	-	-	-	28,980,818
Other improvements	18,540,166	-	-	448,109	18,988,275
Machinery and equipment	7,479,790	579,193	(238,730)	-	7,820,253
Infrastructure	19,799,174	-	-	556,073	20,355,247
 Total cost of depreciable assets	 <u>74,799,948</u>	 <u>579,193</u>	 <u>(238,730)</u>	 <u>1,004,182</u>	 <u>76,144,593</u>
 Less accumulated depreciation:					
Buildings and improvements	11,456,084	724,520	-	-	12,180,604
Other improvements	7,269,601	931,395	-	-	8,200,996
Machinery and equipment	5,402,181	633,177	(237,670)	-	5,797,688
Infrastructure	6,093,612	659,712	-	-	6,753,324
 Total accumulated depreciation	 <u>30,221,478</u>	 <u>2,948,804</u>	 <u>(237,670)</u>	 <u>-</u>	 <u>32,932,612</u>
 Net depreciable assets	 44,578,470	 (2,369,611)	 (1,060)	 1,004,182	 43,211,981
 Capital assets, not depreciated:					
Land	13,915,607	1,006,988	-	-	14,922,595
Construction in progress	799,345	926,814	-	(1,004,182)	721,977
 Capital assets, net	 <u>\$ 59,293,422</u>	 <u>(435,809)</u>	 <u>(1,060)</u>	 <u>-</u>	 <u>58,856,553</u>

Depreciation expense, including \$550,332 relating to the internal service funds, was charged in the following functions in the Statement of Activities:

General government	\$ 330,704
Recreation	311,043
Community development	16,343
Redevelopment	853,528
Public safety	279,584
Public works	<u>1,157,602</u>
	<u>\$ 2,948,804</u>

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(6) **Long-Term Liabilities**

The following is a summary of the changes in the City's long-term liabilities for the year ended June 30, 2008:

	<u>Balance at July 1, 2007</u>	<u>Additions/ Accretion</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
1997 Certificates of Participation Civic Center Project	\$13,095,000	-	(50,000)	13,045,000	50,000
2002 Refunding Certificates of Participation; Civic Center Project	9,753,702	96,448	(545,000)	9,305,150	565,000
2002 RDA Tax Allocation Project Central Campbell Redevelopment Project	13,110,000	-	(395,000)	12,715,000	820,000
2005 RDA Tax Allocation Bonds, Series A; Central Campbell Redevelopment Project	12,035,000	-	(115,000)	11,920,000	115,000
Compensated Absences	<u>2,919,212</u>	<u>1,905,408</u>	<u>(1,990,704)</u>	<u>2,833,916</u>	<u>1,293,995</u>
Total	<u>\$50,912,914</u>	<u>2,001,856</u>	<u>(3,095,704)</u>	<u>49,819,066</u>	<u>2,843,995</u>

(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.

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(6) **Long-Term Liabilities (Continued)**

(b) 2002 Refunding Certificates of Participation

The City's 2002 Refunding Certificates of Participation are due in October 2032 and bear interest at rates of 2.5% to 5.83%. Net proceeds of \$9,678,751 from this issue were used to prepay and refund the City's 1993 Certificates of Participation with interest rates ranging from 3.0% to 6.0%. An additional \$1,830,975 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. Serial bonds in the amount of \$2,865,000 are subject to optional redemption in whole or in part by the Agency anytime after October 1, 2011. Capital Appreciation Bonds in the amount of \$5,000,000 is subject to optional redemption in whole or in part by the Agency anytime after October 1, 2022. Interest payments are due on April 1 and October 1 of each year through October 1, 2033. The unaccreted balance of the capital appreciation bonds is \$4,792,851 at June 30, 2008.

(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.

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(6) **Long-Term Liabilities (Continued)**

(e) Debt Service Requirements

Annual debt service requirements (excluding unamortized accretion and compensated absences) are shown below:

Certificates of Participation

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 615,000	1,001,186
2010	635,000	979,676
2011	660,000	956,266
2012	685,000	930,939
2013	715,000	933,624
2014-2019	4,980,000	4,718,266
2020-2024	5,385,000	2,698,863
2025-2029	6,945,000	1,131,366
2030-2034	<u>1,730,150</u>	<u>5,214,157</u>
Total	<u>\$ 22,350,150</u>	<u>18,564,343</u>

Tax Allocation Bonds

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 935,000	1,254,439
2010	970,000	1,217,369
2011	1,015,000	1,176,581
2012	1,060,000	1,131,891
2013	300,000	1,083,956
2014-2019	2,095,000	6,209,336
2020-2024	3,025,000	4,677,308
2025-2029	5,365,000	3,591,690
2030-2034	<u>9,870,000</u>	<u>1,629,600</u>
Total	<u>\$ 24,635,000</u>	<u>21,972,170</u>

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(6) **Long-Term Liabilities (Continued)**

(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, 2008 the remaining balance of the defeased debt was \$10,540,000.

(7) **Debt With No Government 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, 2008 was \$195,000 and matures in 2012.

(b) Housing Facility Revenue Bonds

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

(8) **Development Agreements**

(a) Home Depot Sales Tax Sharing

In the 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, 2008.

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(8) Development Agreements (Continued)

(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, 2008, the Agency had given Campbell Avenue, LLC, \$702,723 for pre-development costs.

(9) Fund Balances

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, 2008 designations included designated for approved projects, representing the portion of fund balance set aside for authorized capital improvement projects.

CITY OF CAMPBELL
Notes to the Basic Financial Statements
Year ended June 30, 2008

(9) Fund Balances (Continued)

At June 30, 2008, General fund balance designations included:

Operations	\$	1,000,000
Capital improvements		4,889,766
Emergencies		3,446,093
Construction tax		826,754
Future advances to RDA		1,400,000
Liability insurance		299,088
Carryover capital projects		3,860,597
Economic fluctuations		7,000,000
Post retirement medical		350,000
Heritage Theater operations		148,379
Heritage Theater preservation		214,726
Unemployment self-insurance		90,830
PERS		1,000,000
Workers' compensation		500,000
		500,000
		\$ 25,026,233

(10) Defined Benefit Pension Plan (PERS)

The City of Campbell contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer public employee defined benefit plan for safety employees. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Miscellaneous and safety participants are required to contribute 8% to 9%, respectively, of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(10) Defined Benefit Pension Plan (PERS), (Continued)

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate indicated for the period is 33.124% of payroll for the safety plan and 12.101% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

A summary of principle assumptions and methods used to determine the ARC is shown below.

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2005	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date	16 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(10) Defined Benefit Pension Plan (PERS) (Continued)

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The schedule of funding progress, presented below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information – Miscellaneous

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL) (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/05	\$44,884,140	40,593,982	4,290,158	90.40%	8,809,865	48.7%
6/30/06	47,150,345	44,139,411	3,010,934	93.60%	8,734,406	34.5%
6/30/07	50,277,666	48,243,889	2,033,777	96.00%	9,051,075	22.5%

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$1,536,182	1,061,417	100%	-
6/30/07	1,619,442	1,095,371	100%	-
6/30/08	1,620,874	1,146,559	100%	-

(11) 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.

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(11) Other Retirement System (Continued)

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, 2008, total contributions of \$114,459 were made based on covered compensation of \$1,526,120.

(12) 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, 2008, the City incurred \$57,105 in costs related to providing this benefit.

(13) 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 AEAG 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
Notes to the Basic Financial Statements
Year ended June 30, 2008

(13) **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.

(b) Workers' Compensation (Continued)

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

(c) The City's Claims Liabilities

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

	2008			2007
	Workers' Compensation	General Liability	Total	
Beginning claims payable	\$ 2,466,880	134,000	2,600,880	3,244,347
Liability for current year fiscal claims	258,000	18,301	276,301	331,993
Increase (decrease) in estimated liability	(327,488)	77,995	(249,493)	(409,683)
Claims paid	(342,532)	(96,296)	(438,828)	(565,777)
Ending claims payable balance	<u>\$ 2,054,860</u>	<u>134,000</u>	<u>2,188,860</u>	<u>2,600,880</u>

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(14) **Joint Powers Agreement**

(a) Congestion Management Agency

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

The Agency financial statements are included as part of the Special Fund of the Santa Clara Valley Transportation Authority. Audited financial statements may be obtained at 333 1 N First Street Building B-2 San Jose, CA 95 134-1927.

(b) Silicon Valley Animal Control Authority

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

During the fiscal year ended June 30, 2008 the City contributed \$354,018 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.

(c) West Valley Solid Waste Management Authority

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

The Authority includes the cities of Campbell, Monte Sereno, Saratoga, and the Town of Los Gatos. The City of Campbell maintains the financial records and provides accounting services for the Authority.

CITY OF CAMPBELL

Notes to the Basic Financial Statements

Year ended June 30, 2008

(15) 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, 2008 amounted to \$2,060,934. Major tenants include John F. Kennedy University College and Old Orchard School.

Minimum future lease rentals were as follows at June 30, 2008:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 713,315
2010	575,577
2011	520,444
2012	<u>243,822</u>
Total minimum future lease rentals	<u><u>\$ 2,053,158</u></u>

(16) Excess Expenditures over Appropriations

Expenditures exceeded budgeted appropriations in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Supplemental Law Enforcement	100,000	105,225	(5,225)

(17) 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAMPBELL
General Fund
Schedule of Revenues and Expenditures
Budget and Actual

Fiscal year ended June 30, 2008

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes	\$ 7,776,000	8,076,000	8,366,004	290,004
Sales and use tax	10,597,000	10,247,000	10,334,831	87,831
Other taxes	4,160,000	4,185,000	4,601,370	416,370
Licenses and permits	2,033,320	2,174,622	2,522,921	348,299
Fines and forfeitures	415,100	415,100	344,844	(70,256)
Investment income	1,400,000	1,400,000	1,357,262	(42,738)
Rents and leases	2,145,050	2,145,050	2,060,934	(84,116)
Intergovernmental revenues, unrestricted	350,311	379,511	439,010	59,499
Charges for services	2,753,282	2,797,982	3,109,064	311,082
Donations	82,250	103,250	75,155	(28,095)
Miscellaneous revenues	62,400	62,400	220,949	158,549
Total revenues	<u>31,774,713</u>	<u>31,985,915</u>	<u>33,432,344</u>	<u>1,446,429</u>
Expenditures:				
General Government	3,698,224	3,817,679	3,819,217	(1,538)
Recreation	6,033,228	6,164,708	5,840,659	324,049
Community Development	1,667,106	1,708,477	1,603,048	105,429
Public Safety	16,751,282	16,735,325	16,987,652	(252,327)
Public Works	2,656,102	2,692,468	2,493,102	199,366
Total expenditures	<u>30,805,942</u>	<u>31,118,657</u>	<u>30,743,678</u>	<u>374,979</u>
Excess (deficiency) of revenue over expenditures	<u>968,771</u>	<u>867,258</u>	<u>2,688,666</u>	<u>1,821,408</u>
Other financing sources (uses):				
Transfers in	1,066,782	1,096,782	1,040,033	(56,749)
Transfers out	(3,474,596)	(3,474,596)	(2,871,770)	602,826
Total other financing sources (uses):	<u>(2,407,814)</u>	<u>(2,377,814)</u>	<u>(1,831,737)</u>	<u>546,077</u>
Net change in fund balance	(1,439,043)	(1,510,556)	856,929	2,367,485
Fund balance at beginning of year	<u>25,275,174</u>	<u>25,275,174</u>	<u>25,275,174</u>	<u>-</u>
Fund balance at end of year	<u>\$ 23,836,131</u>	<u>23,764,618</u>	<u>26,132,103</u>	<u>2,367,485</u>

CITY OF CAMPBELL
Redevelopment Agency Housing Fund

Schedule of Revenues and Expenditures
Budget and Actual

Fiscal year ended June 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,119,540	1,119,540	1,337,353	217,813
Investment income	125,000	125,000	286,427	161,427
Total revenues	<u>1,244,540</u>	<u>1,244,540</u>	<u>1,623,780</u>	<u>379,240</u>
Expenditures:				
Community Development	<u>3,056,364</u>	<u>3,656,364</u>	<u>1,395,920</u>	<u>2,260,444</u>
Total expenditures	<u>3,056,364</u>	<u>3,656,364</u>	<u>1,395,920</u>	<u>2,260,444</u>
Excess (deficiency) of revenues over expenditures	<u>(1,811,824)</u>	<u>(2,411,824)</u>	<u>227,860</u>	<u>(2,639,684)</u>
Other financing sources (uses):				
Transfers out	<u>(204,475)</u>	<u>(204,475)</u>	<u>(134,949)</u>	<u>69,526</u>
Total other financing sources (uses)	<u>(204,475)</u>	<u>(204,475)</u>	<u>(134,949)</u>	<u>69,526</u>
Net change in fund balance	(2,016,299)	(2,616,299)	92,911	2,709,210
Fund balance at beginning of year	<u>9,425,176</u>	<u>9,425,176</u>	<u>9,425,176</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,408,877</u>	<u>6,808,877</u>	<u>9,518,087</u>	<u>2,709,210</u>

CITY OF CAMPBELL
COP Debt Service Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 437,857	<u>2,573</u>	<u>(435,284)</u>
Total revenues	<u>437,857</u>	<u>2,573</u>	<u>(435,284)</u>
Expenditures:			
Debt service:			
Principal	595,000	595,000	-
Interest	<u>1,013,888</u>	<u>596,055</u>	<u>417,833</u>
Total expenditures	<u>1,608,888</u>	<u>1,191,055</u>	<u>417,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,171,031)</u>	<u>(1,188,482)</u>	<u>(17,451)</u>
Other financing sources (uses):			
Transfers in	<u>1,171,031</u>	<u>945,401</u>	<u>(225,630)</u>
Total other financing sources (uses)	<u>1,171,031</u>	<u>945,401</u>	<u>(225,630)</u>
Net change in fund balance	-	(243,081)	(243,081)
Fund balance at beginning of year	<u>8,199,079</u>	<u>8,199,079</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,199,079</u>	<u>7,955,998</u>	<u>(243,081)</u>

CITY OF CAMPBELL
RDA Debt Service Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 4,503,962	5,349,414	845,452
Investment income	<u>125,000</u>	<u>377,577</u>	<u>252,577</u>
Total revenues	<u>4,628,962</u>	<u>5,726,991</u>	<u>1,098,029</u>
Expenditures:			
Community Development	-	265,796	(265,796)
Pass-through payments	1,800,000	1,410,240	389,760
Debt service:			
Principal	756,330	510,000	246,330
Interest	<u>1,690,309</u>	<u>1,695,820</u>	<u>(5,511)</u>
Total expenditures	<u>4,246,639</u>	<u>3,881,856</u>	<u>364,783</u>
Excess (deficiency) of revenues over (under) expenditures	<u>382,323</u>	<u>1,845,135</u>	<u>1,462,812</u>
Other financing sources (uses):			
Transfers in	200,000	200,000	-
Transfers out	<u>527,585</u>	<u>(452,512)</u>	<u>(980,097)</u>
Total other financing sources (uses)	<u>727,585</u>	<u>(252,512)</u>	<u>(980,097)</u>
Net change in fund balance	1,109,908	1,592,623	482,715
Fund balance at beginning of year	<u>(597,349)</u>	<u>(597,349)</u>	<u>-</u>
Fund balance at end of year	<u>\$ 512,559</u>	<u>995,274</u>	<u>482,715</u>

CITY OF CAMPBELL
Redevelopment Capital Projects Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 58,000	141,843	83,843
Total revenues	<u>58,000</u>	<u>141,843</u>	<u>83,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,000</u>	<u>141,843</u>	<u>83,843</u>
Other financing sources (uses):			
Transfers out	<u>(1,980,326)</u>	<u>(353,845)</u>	<u>1,626,481</u>
Total other financing sources (uses)	<u>(1,980,326)</u>	<u>(353,845)</u>	<u>1,626,481</u>
Net change in fund balance	(1,922,326)	(212,002)	1,710,324
Fund balance at beginning of year	<u>3,618,386</u>	<u>3,618,386</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,696,060</u>	<u>3,406,384</u>	<u>1,710,324</u>

CITY OF CAMPBELL

Notes to the Required Supplementary Information

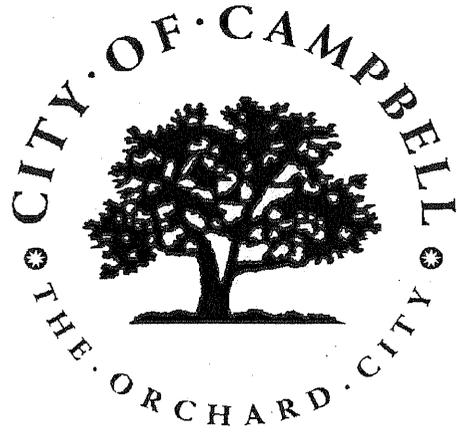
Year ended June 30, 2008

(1) **Budgets and Budgetary Data**

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. The legal level of expenditure control is at the fund level. All appropriations lapse at year end. During the fiscal year ended June 30, 2008, 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.



SUPPLEMENTARY SCHEDULES

MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS

NON-MAJOR 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.

MAJOR DEBT SERVICE FUNDS:

Debt Service Fund – This fund accounts for the City's share of proceeds from and repayments of the 1997 and 2002 COP refinancing, 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.

MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

MAJOR AND NON-MAJOR 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.

RDA 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.

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.

CITY OF CAMPBELL
Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total
<u>Assets</u>			
Cash and investments	\$ 4,576,178	2,773,016	7,349,194
Accounts receivable	4,005	850	4,855
Taxes receivable	380,212	-	380,212
Notes and loans	1,147,154	-	1,147,154
Due from other funds	26,281	15,409	41,690
Total assets	\$ 6,133,830	2,789,275	8,923,105
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 216,323	430,306	646,629
Accrued payroll	48,004	7,208	55,212
Due to other funds	196,961	18,388	215,349
Deferred revenue	759,184	452,847	1,212,031
Total liabilities	1,220,472	908,749	2,129,221
Fund balances:			
Reserved:			
Encumbrances	122,688	-	122,688
Capital projects	3,419,182	-	3,419,182
Notes receivable	1,147,154	-	1,147,154
Unreserved:			
Undesignated, reported in:			
Special revenue	224,334	-	224,334
Capital projects	-	1,880,526	1,880,526
Total fund balances	4,913,358	1,880,526	6,793,884
Total liabilities and fund balances	\$ 6,133,830	2,789,275	8,923,105

CITY OF CAMPBELL
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal year ended June 30, 2008

	Special Revenue Funds	Capital Projects Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ 665,871	-	665,871
Special assessments	1,136,457	-	1,136,457
Investment income	144,875	135,203	280,078
Intergovernmental income	1,543,693	-	1,543,693
Charges for services	350,595	-	350,595
Project revenues	-	91,268	91,268
Donations	33,884	-	33,884
Parkland dedication fees	413,131	-	413,131
Miscellaneous revenues	23,292	249,372	272,664
	<u>4,311,798</u>	<u>475,843</u>	<u>4,787,641</u>
Total revenues			
Expenditures			
Current:			
Recreation	-	453,749	453,749
Community Development	231,334	-	231,334
Redevelopment	-	827,752	827,752
Public Safety	105,225	-	105,225
Public Works	3,683,367	2,128,687	5,812,054
	<u>4,019,926</u>	<u>3,410,188</u>	<u>7,430,114</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>291,872</u>	<u>(2,934,345)</u>	<u>(2,642,473)</u>
Other financing sources (uses):			
Transfers in	1,832,507	2,722,861	4,555,368
Transfers out	(2,784,557)	(220,141)	(3,004,698)
	<u>(952,050)</u>	<u>2,502,720</u>	<u>1,550,670</u>
Total other financing sources (uses)			
Net change in fund balances	(660,178)	(431,625)	(1,091,803)
Fund balances at beginning of year	<u>5,573,536</u>	<u>2,312,151</u>	<u>7,885,687</u>
Fund balances at end of year	<u>\$ 4,913,358</u>	<u>1,880,526</u>	<u>6,793,884</u>

CITY OF CAMPBELL
Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2008

	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant
<u>Assets</u>				
Cash and investments	\$ 78,374	1,764,946	172,819	386,798
Taxes receivable	237,229	-	1,200	48,062
Accounts receivable	-	-	4,005	-
Notes and loans	-	-	-	1,147,154
Due from other funds	1,600	19,141	-	-
 Total assets	 \$ 317,203	 1,784,087	 178,024	 1,582,014
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 33,645	-	144,692	37,986
Accrued payroll	13,621	-	32,819	1,564
Due to other funds	542	6,485	-	97,014
Deferred revenue	-	-	-	-
 Total liabilities	 47,808	 6,485	 177,511	 136,564
 Fund balances:				
Reserved for:				
Encumbrances	48,726	-	73,962	-
Capital projects	220,669	1,777,602	513	-
Notes receivable	-	-	-	1,147,154
Unreserved:				
Undesignated	-	-	(73,962)	298,296
 Total fund balances (deficits)	 269,395	 1,777,602	 513	 1,445,450
 Total liabilities and fund balances (deficits)	 \$ 317,203	 1,784,087	 178,024	 1,582,014

Other Grants	Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	Heritage Theater	Total
1,088,957	11,592	834,722	103,229	134,741	-	4,576,178
65,411	-	13,310	-	15,000	-	380,212
-	-	-	-	-	-	4,005
-	-	-	-	-	-	1,147,154
1,260	-	2,196	921	1,163	-	26,281
<u>1,155,628</u>	<u>11,592</u>	<u>850,228</u>	<u>104,150</u>	<u>150,904</u>	<u>-</u>	<u>6,133,830</u>
-	-	-	-	-	-	216,323
-	-	-	-	-	-	48,004
91,468	-	744	312	396	-	196,961
644,322	-	-	99,862	15,000	-	759,184
<u>735,790</u>	<u>-</u>	<u>744</u>	<u>100,174</u>	<u>15,396</u>	<u>-</u>	<u>1,220,472</u>
-	-	-	-	-	-	122,688
419,838	11,592	849,484	3,976	135,508	-	3,419,182
-	-	-	-	-	-	1,147,154
-	-	-	-	-	-	224,334
<u>419,838</u>	<u>11,592</u>	<u>849,484</u>	<u>3,976</u>	<u>135,508</u>	<u>-</u>	<u>4,913,358</u>
<u>1,155,628</u>	<u>11,592</u>	<u>850,228</u>	<u>104,150</u>	<u>150,904</u>	<u>-</u>	<u>6,133,830</u>

CITY OF CAMPBELL
Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Fiscal year ended June 30, 2008

	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant
Revenues:				
Property taxes	\$ -	-	665,871	-
Special assessments	-	-	1,136,457	-
Investment income	6,666	87,445	6,574	18,622
Intergovernmental	709,967	-	-	142,757
Charges for services	-	-	-	59,140
Donations	-	-	-	-
Parkland dedication fees	-	413,131	-	-
Miscellaneous	2,422	-	20,503	367
	<u>719,055</u>	<u>500,576</u>	<u>1,829,405</u>	<u>220,886</u>
Total revenues				
Expenditures:				
Current:				
Community Development	-	-	-	231,334
Public Safety	-	-	-	-
Public Works	973,526	-	2,709,841	-
	<u>973,526</u>	<u>-</u>	<u>2,709,841</u>	<u>231,334</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(254,471)</u>	<u>500,576</u>	<u>(880,436)</u>	<u>(10,448)</u>
Other financing sources (uses):				
Transfers in	356,000	-	893,378	14,000
Transfers out	<u>(208,849)</u>	<u>(1,029,357)</u>	<u>(140,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>147,151</u>	<u>(1,029,357)</u>	<u>753,378</u>	<u>14,000</u>
Net change in fund balances	(107,320)	(528,781)	(127,058)	3,552
Fund balances (deficits) at beginning of year	<u>376,715</u>	<u>2,306,383</u>	<u>127,571</u>	<u>1,441,898</u>
Fund balances (deficits) at end of year	<u>\$ 269,395</u>	<u>1,777,602</u>	<u>513</u>	<u>1,445,450</u>

Other Grants	Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	Heritage Theatre	Total
-	-	-	-	-	-	665,871
-	-	-	-	-	-	1,136,457
5,787	-	9,880	4,195	5,416	290	144,875
590,969	-	-	100,000	-	-	1,543,693
-	-	291,455	-	-	-	350,595
-	-	-	-	33,884	-	33,884
-	-	-	-	-	-	413,131
-	-	-	-	-	-	23,292
<u>596,756</u>	<u>-</u>	<u>301,335</u>	<u>104,195</u>	<u>39,300</u>	<u>290</u>	<u>4,311,798</u>
-	-	-	-	-	-	231,334
-	-	-	105,225	-	-	105,225
-	-	-	-	-	-	3,683,367
<u>-</u>	<u>-</u>	<u>-</u>	<u>105,225</u>	<u>-</u>	<u>-</u>	<u>4,019,926</u>
<u>596,756</u>	<u>-</u>	<u>301,335</u>	<u>(1,030)</u>	<u>39,300</u>	<u>290</u>	<u>291,872</u>
-	-	555,000	-	-	14,129	1,832,507
(515,386)	(10,000)	(843,737)	-	(32,650)	(4,578)	(2,784,557)
(515,386)	(10,000)	(288,737)	-	(32,650)	9,551	(952,050)
81,370	(10,000)	12,598	(1,030)	6,650	9,841	(660,178)
338,468	21,592	836,886	5,006	128,858	(9,841)	5,573,536
<u>419,838</u>	<u>11,592</u>	<u>849,484</u>	<u>3,976</u>	<u>135,508</u>	<u>-</u>	<u>4,913,358</u>

CITY OF CAMPBELL
Gas Tax

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	6,666	6,666
Intergovernmental revenues	731,000	709,967	(21,033)
Miscellaneous revenues	-	2,422	2,422
Total revenues	731,000	719,055	(11,945)
Expenditures:			
Current:			
Public Works	1,172,348	973,526	198,822
Total expenditures	1,172,348	973,526	198,822
Excess (deficiency) of revenues over (under) expenditures	(441,348)	(254,471)	186,877
Other financing sources (uses):			
Transfers in	366,000	356,000	(10,000)
Transfers out	(50,590)	(208,849)	(158,259)
Total other financing sources (uses)	315,410	147,151	(158,259)
Net change in fund balance	(125,938)	(107,320)	28,618
Fund balance at beginning of year	376,715	376,715	-
Fund balance at end of year	\$ 250,777	269,395	28,618

CITY OF CAMPBELL
Parkland Dedication Fees

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
Revenues:			
Investment income	\$ 94,000	87,445	(6,555)
Parkland dedication fees	<u>-</u>	<u>413,131</u>	<u>413,131</u>
Total revenues	<u>94,000</u>	<u>500,576</u>	<u>406,576</u>
Other financing sources (uses):			
Transfers out	<u>(71,000)</u>	<u>(1,029,357)</u>	<u>(958,357)</u>
Total other financing sources (uses)	<u>(71,000)</u>	<u>(1,029,357)</u>	<u>(958,357)</u>
Net change in fund balance	23,000	(528,781)	(551,781)
Fund balance at beginning of year	<u>2,306,383</u>	<u>2,306,383</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,329,383</u>	<u>1,777,602</u>	<u>(551,781)</u>

CITY OF CAMPBELL
Lighting and Landscaping District

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Property taxes	\$ 610,000	665,871	55,871
Special assessments	1,110,000	1,136,457	26,457
Investment income	-	6,574	6,574
Miscellaneous revenues	<u>33,000</u>	<u>20,503</u>	<u>(12,497)</u>
Total revenues	<u>1,753,000</u>	<u>1,829,405</u>	<u>76,405</u>
Expenditures:			
Current:			
Public Works	<u>2,739,008</u>	<u>2,709,841</u>	<u>29,167</u>
Total expenditures	<u>2,739,008</u>	<u>2,709,841</u>	<u>29,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(986,008)</u>	<u>(880,436)</u>	<u>105,572</u>
Other financing sources (uses):			
Transfers in	1,079,695	893,378	(186,317)
Transfers out	<u>(100,000)</u>	<u>(140,000)</u>	<u>(40,000)</u>
Total other financing sources (uses)	<u>979,695</u>	<u>753,378</u>	<u>(226,317)</u>
Net change in fund balance	(6,313)	(127,058)	(120,745)
Fund balance at beginning of year	<u>127,571</u>	<u>127,571</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 121,258</u>	<u>513</u>	<u>(120,745)</u>

CITY OF CAMPBELL
Community Development Block Grant Special Revenue Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	10,000	18,622	8,622
Intergovernmental revenues	148,070	142,757	(5,313)
Charges for services	-	59,140	59,140
Miscellaneous revenues	\$ 125,884	367	(125,517)
Total revenues	283,954	220,886	(63,068)
Expenditures:			
Current:			
Community Development	402,978	231,334	171,644
Total expenditures	402,978	231,334	171,644
Excess (deficiency) of revenues over (under) expenditures	(119,024)	(10,448)	108,576
Other financing sources (uses):			
Transfers in	44,000	14,000	(30,000)
Total other financing sources (uses)	44,000	14,000	(30,000)
Net change in fund balance	(75,024)	3,552	78,576
Fund balance at beginning of year	1,441,898	1,441,898	-
Fund balance at end of year	\$ 1,366,874	1,445,450	78,576

CITY OF CAMPBELL
Other Grants

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	5,787	5,787
Intergovernmental revenues	<u>8,070,100</u>	<u>590,969</u>	<u>(7,479,131)</u>
Total revenues	<u>8,070,100</u>	<u>596,756</u>	<u>(7,473,344)</u>
Other financing sources (uses):			
Transfers out	<u>(1,404,000)</u>	<u>(515,386)</u>	<u>888,614</u>
Total other financing sources (uses)	<u>(1,404,000)</u>	<u>(515,386)</u>	<u>888,614</u>
Net change in fund balance	6,666,100	81,370	(6,584,730)
Fund balance at beginning of year	<u>338,468</u>	<u>338,468</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,004,568</u>	<u>419,838</u>	<u>(6,584,730)</u>

CITY OF CAMPBELL
Drug Enforcement Revenue

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total revenues	\$ 10,100	-	(10,100)
Expenditures:			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	10,100	-	(10,100)
Other financing sources (uses):			
Transfers out	(10,000)	(10,000)	-
Total other financing sources (uses)	(10,000)	(10,000)	-
Net change in fund balance	100	(10,000)	(10,100)
Fund balance at beginning of year	21,592	21,592	-
Fund balance at end of year	<u>\$ 21,692</u>	<u>11,592</u>	<u>(10,100)</u>

CITY OF CAMPBELL
Environmental Services

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	9,880	9,880
Charges for services	208,000	291,455	83,455
Miscellaneous revenues	<u>60,000</u>	<u>-</u>	<u>(60,000)</u>
 Total revenues	 <u>268,000</u>	 <u>301,335</u>	 <u>33,335</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>268,000</u>	 <u>301,335</u>	 <u>33,335</u>
Other financing sources (uses):			
Transfers in	555,000	555,000	-
Transfers out	<u>(873,000)</u>	<u>(843,737)</u>	<u>29,263</u>
 Total expenditures	 <u>(318,000)</u>	 <u>(288,737)</u>	 <u>29,263</u>
 Net change in fund balance	 (50,000)	 12,598	 62,598
 Fund balance at beginning of year	 <u>836,886</u>	 <u>836,886</u>	 <u>-</u>
 Fund balance at end of year	 <u>\$ 786,886</u>	 <u>849,484</u>	 <u>62,598</u>

CITY OF CAMPBELL
Supplemental Law Enforcement

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	4,195	4,195
Intergovernmental revenues	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total revenues	<u>100,000</u>	<u>104,195</u>	<u>4,195</u>
Expenditures:			
Current:			
Public Safety	<u>100,000</u>	<u>105,225</u>	<u>(5,225)</u>
Total expenditures	<u>100,000</u>	<u>105,225</u>	<u>(5,225)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,030)</u>	<u>(1,030)</u>
Fund balance at beginning of year	<u>5,006</u>	<u>5,006</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,006</u>	<u>3,976</u>	<u>(1,030)</u>

CITY OF CAMPBELL
Museum and Adult Center

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	5,416	5,416
Donations	<u>57,680</u>	<u>33,884</u>	<u>(23,796)</u>
Total revenues	<u>57,680</u>	<u>39,300</u>	<u>(18,380)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,680</u>	<u>39,300</u>	<u>(18,380)</u>
Other financing sources (uses):			
Transfers out	<u>(57,680)</u>	<u>(32,650)</u>	<u>25,030</u>
Total other financing sources (uses)	<u>(57,680)</u>	<u>(32,650)</u>	<u>25,030</u>
Net change in fund balance	-	6,650	6,650
Fund balance at beginning of year	<u>128,858</u>	<u>128,858</u>	<u>-</u>
Fund balance at end of year	<u>\$ 128,858</u>	<u>135,508</u>	<u>6,650</u>

CITY OF CAMPBELL
Heritage Theater

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	290	290
Total revenues	-	290	290
Excess (deficiency) of revenues over (under) expenditures	-	290	290
Other financing sources (uses):			
Transfers in	-	14,129	14,129
Transfers out	-	(4,578)	(4,578)
Total other financing sources (uses)	-	9,551	9,551
Net change in fund balance	-	9,841	9,841
Fund balance (deficit) at beginning of year	(9,841)	(9,841)	-
Fund balance (deficit) at end of year	\$ (9,841)	-	9,841

CITY OF CAMPBELL
Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2008

	Capital Projects	COP Projects	RDA Capital Projects	Total
<u>Assets</u>				
Cash and investments	\$ 966,376	139,305	1,667,335	2,773,016
Restricted cash and investments			-	-
Accounts receivable	850	-	-	850
Due from other funds	-	-	15,409	15,409
Total assets	\$ 967,226	139,305	1,682,744	2,789,275
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 365,328	-	64,978	430,306
Accrued payroll	-	-	7,208	7,208
Due to other funds	13,167	-	5,221	18,388
Deferred revenue	452,847	-	-	452,847
Total liabilities	831,342	-	77,407	908,749
Fund balances:				
Reserved:				
Capital projects	135,884	139,305	1,605,337	1,880,526
Total fund balances	135,884	139,305	1,605,337	1,880,526
Total liabilities and fund balances	\$ 967,226	139,305	1,682,744	2,789,275

CITY OF CAMPBELL
Nonmajor Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Fiscal year ended June 30, 2008

	Capital Projects	COP Projects	RDA Capital Projects	Total
Revenues:				
Investment income	\$ -	4,556	130,647	135,203
Project revenues	91,268	-	-	91,268
Miscellaneous revenues	<u>-</u>	<u>-</u>	<u>249,372</u>	<u>249,372</u>
Total revenues	<u>91,268</u>	<u>4,556</u>	<u>380,019</u>	<u>340,640</u>
Expenditures:				
Recreation	453,749	-	-	453,749
Community Development	-	-	-	-
Public Works	2,128,687	-	-	2,128,687
Redevelopment	<u>449,672</u>	<u>-</u>	<u>378,080</u>	<u>827,752</u>
Total expenditures	<u>3,032,108</u>	<u>-</u>	<u>378,080</u>	<u>3,410,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,940,840)</u>	<u>4,556</u>	<u>1,939</u>	<u>(2,934,345)</u>
Other financing sources (uses):				
Transfers in	2,722,861	-	-	2,722,861
Transfers out	<u>(3,130)</u>	<u>-</u>	<u>(217,011)</u>	<u>(220,141)</u>
Total other financing sources (uses)	<u>2,719,731</u>	<u>-</u>	<u>(217,011)</u>	<u>2,502,720</u>
Net change in fund balance	(221,109)	4,556	(215,072)	(431,625)
Fund balances at beginning of year	<u>356,993</u>	<u>134,749</u>	<u>1,820,409</u>	<u>2,312,151</u>
Fund balances at end of year	<u>\$ 135,884</u>	<u>139,305</u>	<u>1,605,337</u>	<u>1,880,526</u>

CITY OF CAMPBELL
Capital Projects Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Project revenues	\$ 899,189	91,268	(807,921)
Total revenues	<u>899,189</u>	<u>91,268</u>	<u>(807,921)</u>
Expenditures:			
Recreation	-	453,749	(453,749)
Redevelopment	-	449,672	(449,672)
Public Works	<u>2,296,500</u>	<u>2,128,687</u>	<u>167,813</u>
Total expenditures	<u>2,296,500</u>	<u>3,032,108</u>	<u>(735,608)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,397,311)</u>	<u>(2,940,840)</u>	<u>(1,543,529)</u>
Other financing sources (uses):			
Transfers in	1,946,500	2,722,861	776,361
Transfers out	<u>-</u>	<u>(3,130)</u>	<u>(3,130)</u>
Total other financing sources (uses)	<u>1,946,500</u>	<u>2,719,731</u>	<u>773,231</u>
Net change in fund balance	549,189	(221,109)	(770,298)
Fund balance at beginning of year	<u>356,993</u>	<u>356,993</u>	<u>-</u>
Fund balance at end of year	<u>\$ 906,182</u>	<u>135,884</u>	<u>(770,298)</u>

CITY OF CAMPBELL
COP Projects

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	4,556	4,556
Total revenues	<u>-</u>	<u>4,556</u>	<u>4,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>4,556</u>	<u>4,556</u>
Net change in fund balance	-	4,556	4,556
Fund balance at beginning of year	<u>134,749</u>	<u>134,749</u>	<u>-</u>
Fund balance at end of year	<u>\$ 134,749</u>	<u>139,305</u>	<u>4,556</u>

CITY OF CAMPBELL
RDA Capital Projects Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Fiscal year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 25,000	130,647	105,647
Miscellaneous income	<u>51,875</u>	<u>249,372</u>	<u>197,497</u>
Total revenues	<u>76,875</u>	<u>380,019</u>	<u>303,144</u>
Expenditures:			
Redevelopment	<u>407,620</u>	<u>378,080</u>	<u>29,540</u>
Total expenditures	<u>407,620</u>	<u>378,080</u>	<u>29,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(330,745)</u>	<u>1,939</u>	<u>332,684</u>
Other financing sources (uses):			
Transfers in	503,756	-	(503,756)
Transfers out	<u>(172,011)</u>	<u>(217,011)</u>	<u>(45,000)</u>
Total other financing sources (uses)	<u>331,745</u>	<u>(217,011)</u>	<u>(548,756)</u>
Net change in fund balance	1,000	(215,072)	(216,072)
Fund balance at beginning of year	<u>1,820,409</u>	<u>1,820,409</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,821,409</u>	<u>1,605,337</u>	<u>(216,072)</u>

INTERNAL SERVICE FUNDS

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

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

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

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

CITY OF CAMPBELL
Internal Service Funds

Combining Statement of Net Assets

June 30, 2008

	<u>Motor Vehicle Pool</u>	<u>Workers' Compensation Self-Insurance</u>	<u>Information Technology Services</u>	<u>Total</u>
Assets:				
Current assets:				
Cash and investments	\$ 1,051,941	2,635,024	1,332,841	5,019,806
Deposits	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Total current assets	<u>1,051,941</u>	<u>2,755,024</u>	<u>1,332,841</u>	<u>5,139,806</u>
Noncurrent assets				
Capital assets, net of accumulated depreciation	<u>976,732</u>	<u>-</u>	<u>598,411</u>	<u>1,575,143</u>
Total assets	<u>2,028,673</u>	<u>2,755,024</u>	<u>1,931,252</u>	<u>6,714,949</u>
Liabilities:				
Current liabilities:				
Accounts payable	182,125	53,420	16,626	252,171
Accrued payroll	6,397	-	9,827	16,224
Noncurrent liabilities:				
Compensated absences	16,885	-	17,557	34,442
Claims and judgements payable	<u>-</u>	<u>2,054,860</u>	<u>-</u>	<u>2,054,860</u>
Total liabilities	<u>205,407</u>	<u>2,108,280</u>	<u>44,010</u>	<u>2,357,697</u>
Net assets:				
Invested in capital assets	976,732	-	598,411	1,575,143
Unrestricted	<u>846,534</u>	<u>646,744</u>	<u>1,288,831</u>	<u>2,782,109</u>
Total net assets	<u>\$ 1,823,266</u>	<u>646,744</u>	<u>1,887,242</u>	<u>4,357,252</u>

CITY OF CAMPBELL
Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Asset

Fiscal year ended June 30, 2008

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
Operating revenues:				
Charges for services	\$ 952,980	-	1,050,000	2,002,980
Other	<u>6,476</u>	<u>910,471</u>	<u>8,550</u>	<u>925,497</u>
Total operating revenues	<u>959,456</u>	<u>910,471</u>	<u>1,058,550</u>	<u>2,928,477</u>
Operating expenses:				
Personnel services	328,385	33,326	350,465	712,176
Services and supplies	488,384	28,162	552,736	1,069,282
Depreciation	<u>268,646</u>	<u>-</u>	<u>281,686</u>	<u>550,332</u>
Total operating expenses	<u>1,085,415</u>	<u>61,488</u>	<u>1,184,887</u>	<u>2,331,790</u>
Operating income (loss)	<u>(125,959)</u>	<u>848,983</u>	<u>(126,337)</u>	<u>596,687</u>
Transfers and capital contributions:				
Transfers in	105,000	-	42,646	147,646
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>(20,674)</u>	<u>(70,674)</u>
Total transfers and capital contributions	<u>55,000</u>	<u>-</u>	<u>21,972</u>	<u>76,972</u>
Change in net assets	(70,959)	848,983	(104,365)	673,659
Net assets (deficit) at beginning of year	<u>1,894,225</u>	<u>(202,239)</u>	<u>1,991,607</u>	<u>3,683,593</u>
Net assets at end of year	<u>\$ 1,823,266</u>	<u>646,744</u>	<u>1,887,242</u>	<u>4,357,252</u>

CITY OF CAMPBELL
Internal Service Funds

Combining Statement of Cash Flows

Fiscal year ended June 30, 2008

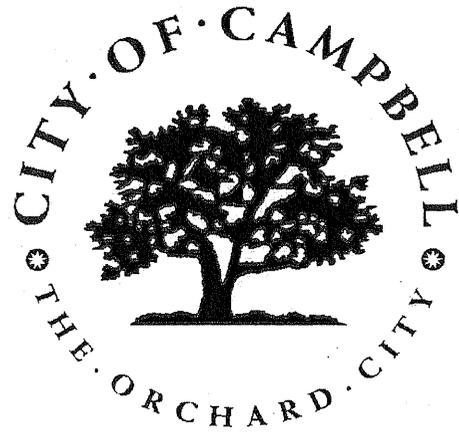
	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
Cash flows from operating activities:				
Cash received from department users	\$ 959,456	910,471	1,058,550	2,928,477
Cash payments to suppliers of goods and services	(332,826)	(438,060)	(607,897)	(1,378,783)
Cash payments to employees for services	(325,698)	(33,326)	(323,081)	(682,105)
Net cash provided by (used for) operating activities	<u>300,932</u>	<u>439,085</u>	<u>127,572</u>	<u>867,589</u>
Cash flows from non-capital financing activities:				
Cash received from other funds	105,000	-	42,646	147,646
Cash paid to other funds	(50,000)	-	(20,674)	(70,674)
Net cash provided by (used for) non-capital and related activities	<u>55,000</u>	<u>-</u>	<u>21,972</u>	<u>76,972</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(342,504)	-	(192,220)	(534,724)
Net cash provided by (used for) capital and related financing activities	<u>(342,504)</u>	<u>-</u>	<u>(192,220)</u>	<u>(534,724)</u>
Net increase (decrease) in cash and cash equivalents	13,428	439,085	(42,676)	409,837
Cash and cash equivalents at beginning of year	<u>1,038,513</u>	<u>2,195,939</u>	<u>1,375,517</u>	<u>4,609,969</u>
Cash and cash equivalents at end of year	<u>\$ 1,051,941</u>	<u>2,635,024</u>	<u>1,332,841</u>	<u>5,019,806</u>

CITY OF CAMPBELL
Internal Service Funds

Combining Statement of Cash Flows

(Continued)

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (125,959)	848,983	(126,337)	596,687
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	268,646	-	281,686	550,332
(Increase) decrease in accounts receivable	15,800	-	-	15,800
Increase (decrease) in accounts payable	139,758	2,122	(55,162)	86,718
Increase (decrease) in accrued payroll	395	-	9,828	10,223
Increase (decrease) in compensated absences	2,292	-	17,557	19,849
Increase (decrease) in claims and judgments payable	-	(412,020)	-	(412,020)
	<u>\$ 300,932</u>	<u>439,085</u>	<u>127,572</u>	<u>867,589</u>
Net cash provided by (used for) operating activities	<u>\$ 300,932</u>	<u>439,085</u>	<u>127,572</u>	<u>867,589</u>



FIDUCIARY FUNDS

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

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

1915 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

Combining Balance Sheet

June 30, 2008

	West Valley Solid Waste Management Authority	1915 Act Bonds	Total
Assets:			
Cash and investments	\$ 69,249	115,707	184,956
Accounts receivable	-	246,108	246,108
Taxes receivable	-	1,106	1,106
Total assets	\$ 69,249	362,921	432,170
Liabilities:			
Accounts payable	\$ 16,695	35	16,730
Due to West Valley Solid Waste JPA	52,554	-	52,554
Due to bondholders	-	362,886	362,886
Total liabilities	\$ 69,249	362,921	432,170

CITY OF CAMPBELL
Agency Fund

Statement of Changes in Assets and Liabilities

Fiscal year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
<u>West Valley Solid Waste Management Authority</u>				
<u>Assets</u>				
Restricted cash and investments	\$ 56,539	125,071	112,361	69,249
Total assets	<u>\$ 56,539</u>	<u>125,071</u>	<u>112,361</u>	<u>69,249</u>
<u>Liabilities</u>				
Accounts payable	\$ 51,328	71,348	105,981	16,695
Due to West Valley Solid Waste JPA	<u>5,211</u>	<u>53,723</u>	<u>6,380</u>	<u>52,554</u>
Total liabilities	<u>\$ 56,539</u>	<u>125,071</u>	<u>112,361</u>	<u>69,249</u>
<u>1915 Act Bonds</u>				
<u>Assets</u>				
Restricted cash and investments	\$ 112,151	57,970	54,414	115,707
Accounts receivable	-	296,247	50,139	246,108
Taxes receivable	<u>-</u>	<u>1,106</u>	<u>-</u>	<u>1,106</u>
Total Assets	<u>\$ 112,151</u>	<u>355,323</u>	<u>104,553</u>	<u>362,921</u>
<u>Liabilities</u>				
Accounts payable	\$ -	3,311	3,276	35
Due to bondholders	<u>112,151</u>	<u>296,247</u>	<u>45,512</u>	<u>362,886</u>
Total liabilities	<u>\$ 112,151</u>	<u>299,558</u>	<u>48,788</u>	<u>362,921</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$ 168,690	183,041	218,342	184,956
Accounts receivable	-	296,247	50,139	246,108
Taxes receivable	<u>-</u>	<u>1,106</u>	<u>-</u>	<u>1,106</u>
Total Assets	<u>\$ 168,690</u>	<u>480,394</u>	<u>216,914</u>	<u>432,170</u>
<u>Liabilities</u>				
Accounts payable	\$ 51,328	74,659	109,257	16,731
Payable to West Valley Solid Waste JPA	<u>5,211</u>	<u>53,723</u>	<u>6,380</u>	<u>52,553</u>
Due to bondholders	<u>112,151</u>	<u>296,247</u>	<u>45,512</u>	<u>362,886</u>
Total Liabilities	<u>\$ 168,690</u>	<u>424,629</u>	<u>161,149</u>	<u>432,170</u>

STATISTICAL SECTION

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, AU 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

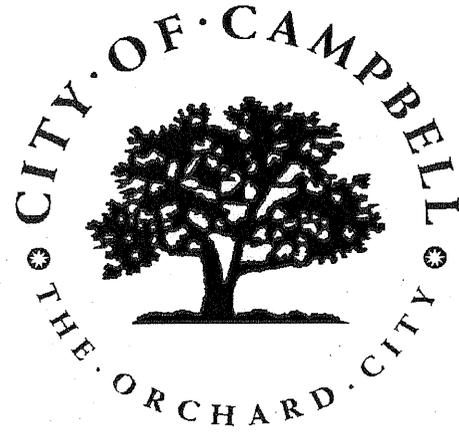
Operating Information

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:

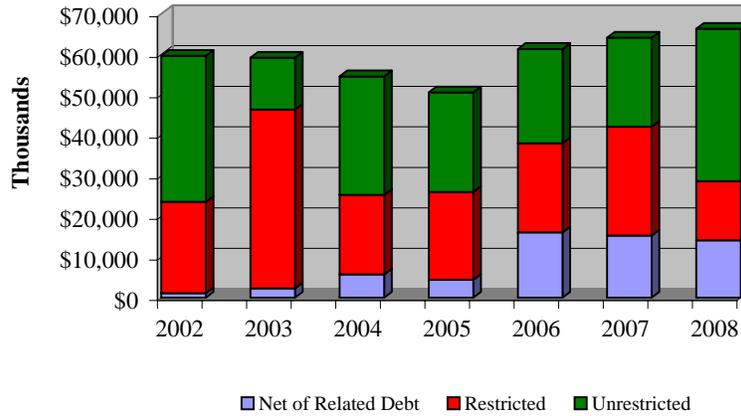
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

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 Seven Fiscal Years
(Accrual Basis of Accounting)



	Fiscal Year Ended June 30,						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities					(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	\$14,093,995
Restricted	22,531,107	44,115,595	19,654,944	21,632,981	22,030,785	26,856,233	14,637,426
Unrestricted	36,046,470	12,777,536	29,225,563	24,595,115	23,247,960	21,970,832	37,606,549
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>	<u>\$66,337,970</u>
Primary government							
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	\$14,093,995
Restricted	22,531,107	44,115,595	19,654,944	21,632,981	22,030,785	26,856,233	14,637,426
Unrestricted	36,046,470	12,777,536	29,225,563	24,595,115	23,247,960	21,970,832	37,606,549
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>	<u>\$66,337,970</u>

The City of Campbell has elected to show only seven 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 Six Fiscal Years
(Accrual Basis of Accounting)

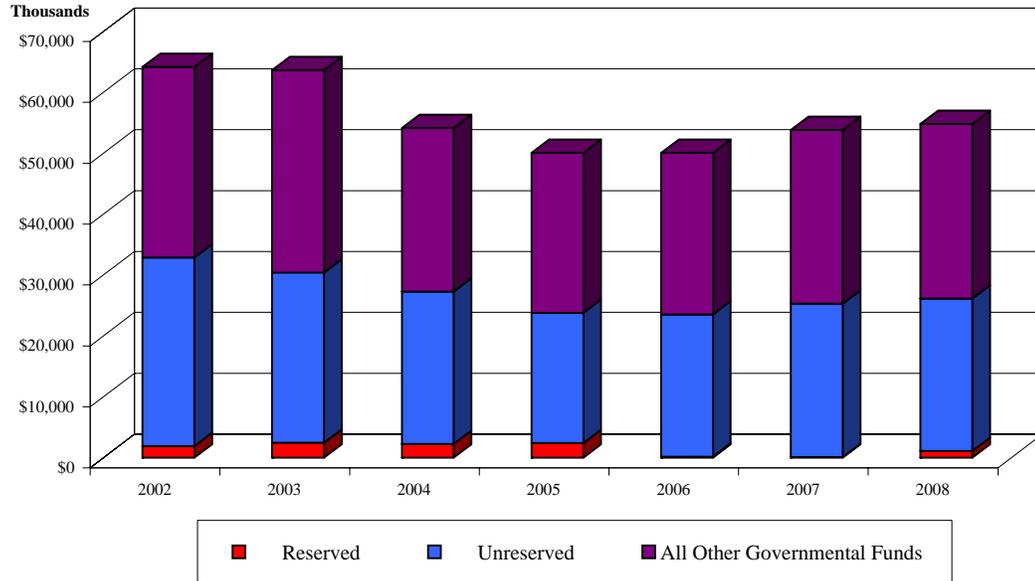
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses						
Governmental Activities:						
General Government	\$3,375,084	\$6,491,138	\$3,731,831	\$3,649,906	\$3,641,210	\$3,830,038
Public Safety	14,115,306	14,952,689	16,870,357	16,465,886	16,118,809	16,695,849
Public Works	6,684,364	8,167,400	7,511,459	8,156,637	8,938,539	8,075,236
Community Development	3,564,044	3,022,482	4,049,828	3,859,987	4,957,918	6,233,925
Recreation and Community Services	4,343,175	5,104,270	6,034,563	5,525,298	5,605,958	6,130,130
Interest on Long Term Debt	4,158,370	2,523,859	4,065,244	2,319,021	2,313,092	2,766,915
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>	<u>43,732,093</u>
Total Business-Type Activities Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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>	<u>\$43,732,093</u>
Program Revenues						
Governmental Activities:						
Charges for Services:						
General Government	\$204,483	\$203,328	\$197,856	\$95,281	\$131,485	\$81,648
Public Safety	655,705	709,551	646,445	636,931	699,626	690,054
Public Works	1,886,801	2,063,541	2,362,049	2,490,332	2,194,640	2,096,814
Community Development	1,039,612	1,121,879	1,750,555	2,805,310	1,900,669	2,273,914
Recreation and Community Services	2,865,565	3,273,370	4,030,805	4,155,863	4,520,452	4,607,406
Operating Grants and Contributions	1,818,575	2,677,324	1,776,473	1,920,289	2,686,893	2,183,507
Capital Grants and Contributions	1,518,686	623,318	1,533,170	1,707,722	2,438,224	959,566
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>	<u>12,892,909</u>
Total Business-Type Activities Program Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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>	<u>\$12,892,909</u>
Net (Expense)/Revenue						
Governmental Activities	(\$26,250,916)	(\$29,589,527)	(\$29,965,929)	(\$26,165,007)	(\$27,003,537)	#####
Business-Type Activities	0	0	0	0	0	0
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 Six Fiscal Years
(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes:						
Property Taxes	\$9,634,744	\$9,736,712	\$12,171,170	\$12,811,822	\$14,062,514	\$15,718,642
Education Revenue Augmentation Payment	0	(299,715)	(1,071,683)	(557,992)	0	0
Sales Taxes	8,997,381	10,684,234	9,973,506	9,346,984	10,049,829	10,334,831
Transient Occupancy Tax	970,000	882,464	894,179	1,132,495	1,463,140	1,619,111
Franchise Fees	1,199,011	1,237,222	1,262,319	1,346,968	1,685,455	2,323,063
Business License Taxes	195,549	203,520	201,655	202,101	203,145	240,133
Property Transfer Taxes	186,876	271,203	401,468	352,535	344,991	290,036
Construction Taxes	74,727	55,052	98,355	303,943	20,415	129,027
Motor Vehicle In Lieu	2,198,971	1,768,570	847,109	283,919	268,973	219,538
Interest Earnings	1,794,891	326,684	1,124,889	1,011,270	1,537,612	1,531,949
Other General Revenues	522,197	123,477	125,339	82,923	145,614	662,041
Transfers						
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>	<u>33,068,371</u>
Total Business-Type Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</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>	<u>\$33,068,371</u>
Change in Net Assets						
Governmental Activities	(\$476,569)	(\$4,600,104)	(\$3,937,623)	\$151,961	\$2,778,151	\$2,229,187
Business-Type Activities	0	0	0	0	0	0
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>	<u>\$2,229,187</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 Seven Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund							
Reserved	\$1,898,526	\$2,439,856	\$2,244,185	\$2,402,661	\$175,731	\$95,177	\$1,105,870
Unreserved	30,955,859	27,947,043	25,036,720	21,391,305	23,353,680	25,179,997	25,026,233
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>	<u>\$26,132,103</u>
All Other Governmental Funds							
Reserved	\$22,531,107	\$33,036,430	\$23,972,608	\$22,024,215	\$21,190,885	\$20,273,187	\$17,025,881
Unreserved, reported in:							
Special revenue funds	8,249,676	8,820,747	7,950,160	6,875,133	8,241,372	9,760,027	6,347,568
Capital project funds	(5,623,336)	(5,544,022)	(2,340,705)	(540,201)	(1,152,731)	(904,886)	5,286,910
Debt service funds	6,126,430	(3,076,096)	(2,730,419)	(2,090,894)	(1,748,045)	(597,349)	9,268
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>	<u>\$28,669,627</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 seven years of data for this schedule.

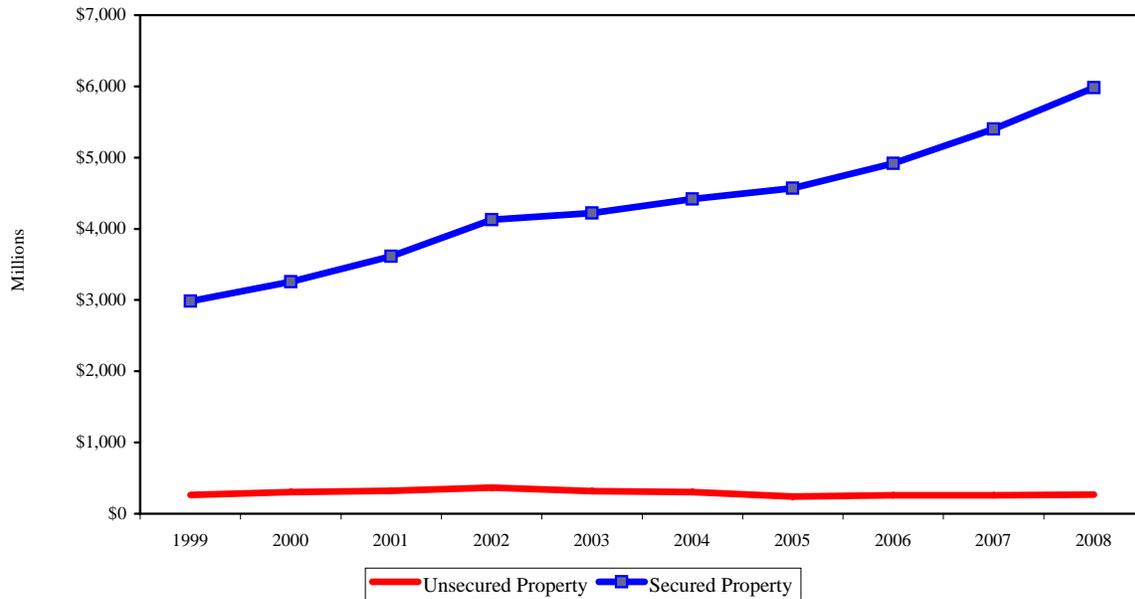
CITY OF CAMPBELL
Changes in Fund Balance of Governmental Funds
Last Six Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues						
Taxes	\$21,258,288	\$22,706,706	\$23,884,979	\$24,648,545	\$27,782,390	\$30,654,843
Licenses, permits and fees	988,483	1,240,806	1,529,633	2,169,838	1,193,393	2,522,921
Special Assessments			1,098,021	1,101,438	1,102,798	1,136,457
Fines and forfeitures	303,221	315,813	272,670	297,357	314,432	344,844
Use of money and property	3,590,818	2,208,041	3,177,751	3,704,058	4,731,397	4,506,694
Intergovernmental revenues	4,211,957	3,941,015	2,804,404	2,737,196	3,570,479	1,982,703
Charges for services	4,072,962	4,322,787	4,195,509	4,480,001	4,672,278	3,459,659
Other	1,738,045	926,566	1,362,692	990,263	966,545	1,107,051
Total Revenues	<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>	<u>45,715,172</u>
Expenditures						
Current:						
General government	3,400,172	3,886,382	3,516,206	3,453,208	3,387,977	3,819,217
Public safety	13,468,695	14,778,276	16,291,215	15,865,192	15,828,507	17,092,877
Public works	5,680,329	7,631,938	6,936,049	6,483,216	6,285,428	6,989,785
Community development	3,321,995	3,067,016	3,216,851	2,960,088	4,004,667	5,284,418
Recreation and Community Services	4,328,302	5,098,270	5,648,237	5,139,196	5,238,988	5,840,659
Capital outlay	11,527,062	7,316,710	3,437,352	3,020,541	2,514,138	2,218,792
Debt service:						
Principal repayment	1,265,000	915,000	940,000	1,095,000	1,075,000	1,105,000
Interest and fiscal charges	3,454,673	2,530,226	3,068,612	2,283,887	2,321,805	2,291,875
Total Expenditures	<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>	<u>44,642,623</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>	<u>1,072,549</u>
Other Financing Sources (Uses)						
Transfers in	38,270,589	18,351,410	8,753,340	8,501,967	7,758,287	6,740,802
Transfers (out)	(37,890,734)	(18,280,735)	(8,682,665)	(8,331,662)	(7,690,228)	(6,817,774)
Refunding certificates of participation						
Refunding tax allocation bonds	27,230,844		12,300,000			
Premium on bonds			325,712			
Payments to refunded bond escrow	(9,678,751)		(12,037,854)			
Sale of capital assets						
Total other financing sources (uses)	<u>17,931,948</u>	<u>70,675</u>	<u>658,533</u>	<u>170,305</u>	<u>68,059</u>	<u>(76,972)</u>
Net Change in fund balances	<u>\$7,649,494</u>	<u>(\$9,491,409)</u>	<u>(\$4,070,330)</u>	<u>(\$1,327)</u>	<u>\$3,745,261</u>	<u>\$995,577</u>
Debt service as a percentage of noncapital expenditures	14.5%	9.6%	11.3%	9.7%	9.4%	8.5%

NOTE:

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

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

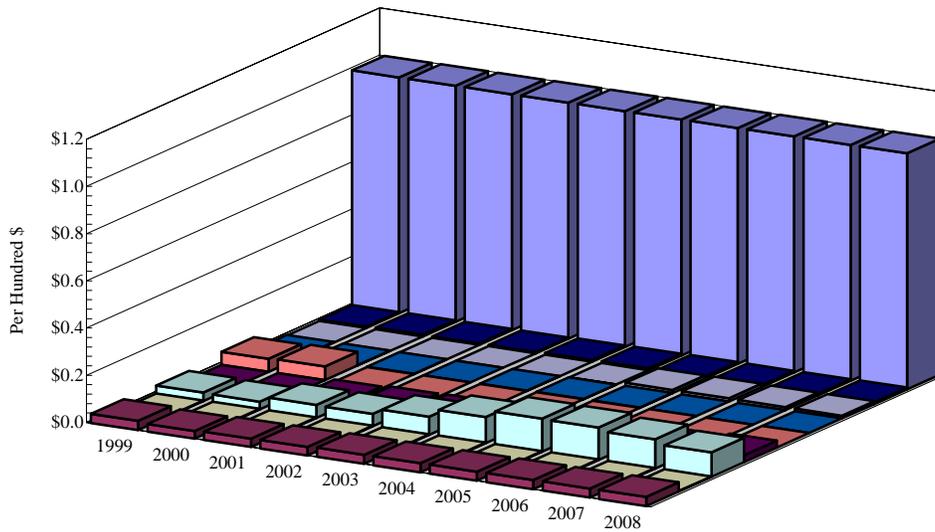


<u>Fiscal Year</u>	<u>Secured Property</u>	<u>HOPTR Exemptions</u>	<u>SBE Utilities</u>	<u>Total Secured Value</u>	<u>Unsecured Property</u>	<u>Total Assessed (a)</u>	<u>Total Direct Tax Rate (b)</u>
1999	\$2,670,888,645	\$45,738,000	\$2,690,154	\$2,719,316,799	\$264,105,444	\$2,983,422,243	1%
2000	2,903,306,192	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%
2008	5,668,447,696	46,579,400	53,000	5,715,080,096	268,438,860	5,983,518,956	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
1999	\$1.0000	\$0.039	\$0.002	\$0.036	\$0.000	\$0.055	\$0.006	\$0.002	\$0.000	\$1.1400
2000	1.0000	0.032	0.002	0.033	0.000	0.058	0.007	0.002	0.000	1.1339
2001	1.0000	0.036	0.002	0.055	0.009	0.000	0.006	0.002	0.000	1.1096
2002	1.0000	0.036	0.002	0.052	0.016	0.000	0.005	0.001	0.000	1.1125
2003	1.0000	0.039	0.002	0.076	0.017	0.000	0.006	0.001	0.000	1.1410
2004	1.0000	0.039	0.002	0.111	0.022	0.000	0.008	0.001	0.000	1.1826
2005	1.0000	0.039	0.002	0.140	0.020	0.000	0.009	0.001	0.014	1.2236
2006	1.0000	0.039	0.002	0.137	0.022	0.000	0.007	0.001	0.014	1.2224
2007	1.0000	0.039	0.002	0.123	0.020	0.000	0.007	0.000	0.013	1.2041
2008	1.0000	0.039	0.002	0.104	0.030	0.000	0.007	0.000	0.012	1.1940

Source: Santa Clara County Assessors Office

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

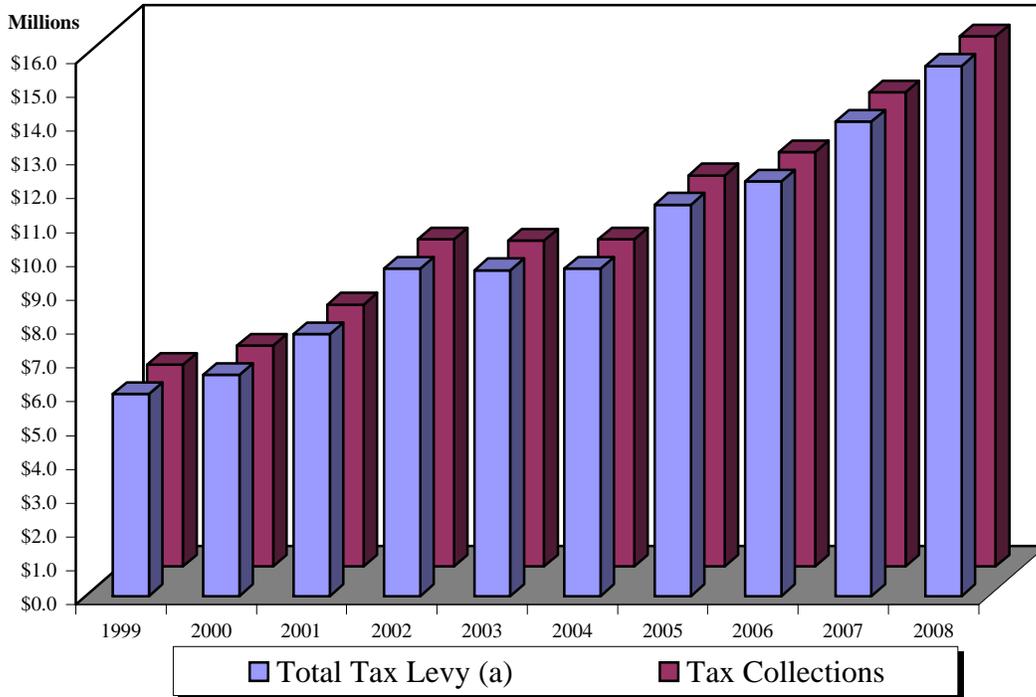
<u>Taxpayer</u>	<u>2007-08</u>			<u>1998-99</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Blackhawk Parent LLC	\$ 236,371,422	1	3.950%	\$ 42,951,997	3	1.440%
Legacy III Campbell LLC	103,121,342	2	1.723%			
Bay Apartment Communities, Inc.	80,796,058	3	1.350%			
Campbell Technology Parkway LLC	70,747,200	4	1.182%			
Hamilton Plaza Investors, LLC	69,597,730	5	1.163%			
Hines Vaf No Cal Properties LP	69,462,000	6	1.161%			
Buzolich Lynn A Etal.	56,081,876	7	0.937%	58,396,373	2	1.957%
Lyon The Commons Apartments LLC	31,468,740	8	0.526%	14,419,528	10	0.483%
EQR-Connor LLC	23,940,959	9	0.400%			
Kirkorian Partnership	23,385,335	10	0.391%			
OTR Trust				73,400,000	1	2.460%
MP Hacienda, Inc.				24,657,668	4	0.826%
P COM, Inc				23,450,758	5	0.786%
Aetna Life Insurance				19,528,135	6	0.655%
Lincoln Bascom Office Center				16,715,730	7	0.560%
Brian Avery Trustee, et. al.				14,831,733	8	0.497%
La Valencia Apartments LTD				14,599,204	9	0.489%
Total	<u><u>\$764,972,662</u></u>		<u><u>12.8%</u></u>	<u><u>\$302,951,126</u></u>		<u><u>10.2%</u></u>

Total Net Assessed Valuation:

Fiscal Year 2007-2008	\$5,983,518,956
Fiscal Year 1998-1999	\$2,983,422,243

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**

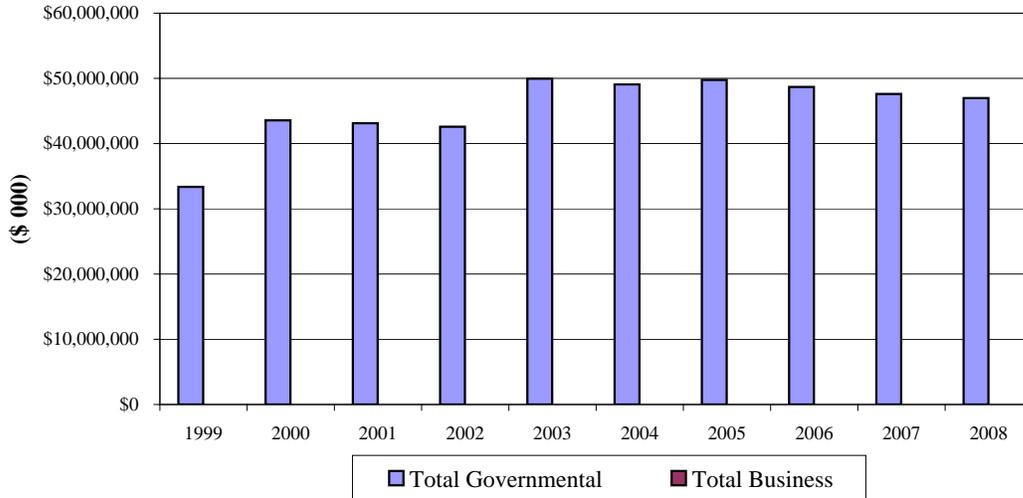


Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1999	\$5,969,093	\$5,969,092	100.0000%		\$5,969,092	100.0000%
2000	6,532,239	6,532,239	100.0000%		6,532,239	100.0000%
2001	7,742,112	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%
2008	15,669,700	15,669,700	100.0000%		15,669,700	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



Governmental Activities

Fiscal Year	Governmental Activities				Total
	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Other Indebtedness	
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
2008	24,635,000	22,350,150	-	-	46,985,150

Business-Type Activities

Fiscal Year	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
1999	\$0	\$0	191.36%	\$836.25
2000	0	0	196.96%	1,067.45
2001	0	0	224.66%	1,114.66
2002	0	0	239.60%	1,109.45
2003	0	0	281.39%	1,304.59
2004	0	0	261.49%	1,284.76
2005	0	0	250.55%	1,295.74
2006	0	0	235.74%	1,267.47
2007	0	0	213.34%	1,197.69
2008	0	0	199.82%	1,169.92

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, 2008**

2007-08 Assessed Valuation	\$5,983,518,956
Redevelopment Incremental Valuation	<u>707,659,771</u>
Adjusted Assessed Valuation	<u><u>\$5,275,859,185</u></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	\$165,020,000	2.126%	\$3,508,325
Campbell Union High School District	143,980,000	18.362%	\$26,437,608
Cambrian School District	19,894,944	26.321%	\$5,236,548
Campbell Union School District	104,347,213	27.982%	\$29,198,437
Moreland School District	72,492,206	10.932%	\$7,924,848
West Valley -Mission Community College District	86,325,000	8.034%	\$6,935,351
City of Campbell 1915 Act Bonds	195,000	100.000%	\$195,000
 TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			 <u><u>\$79,436,117</u></u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Santa Clara County General Fund Obligations	\$895,655,000	2.126%	\$19,041,625
Santa Clara County Board of Education Certificates of Participation	15,445,000	2.126%	328,361
Santa Clara County Vector Control District Certificates of Participation	4,275,000	2.126%	90,887
Santa Clara County Pension Obligations	389,484,822	2.126%	8,280,447
City of Campbell Certificates of Participation	22,350,150	100.000%	22,350,150
Midpeninsula Regional Open Space District General Fund Obligations	140,840,193	0.004%	5,634
 TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT			 <u><u>\$50,097,103</u></u>
 GROSS COMBINED TOTAL DEBT			 <u><u>\$129,533,220</u></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 2007-08 ASSESSED VALUATION:

Total Overlapping Tax and Assessment Debt	1.33%
---	-------

RATIOS TO ADJUSTED 2007-08 ASSESSED VALUATION:

Combined Direct Debt (\$22,350,150)	0.42%
Combined Total Debt	2.46%

State School Building Aid Repayable as of 6/30/08 : \$0

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

**CITY OF CAMPBELL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2008**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$5,983,518,956
---	-----------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$224,381,961
---	---------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$46,985,150
-------------------	--------------

Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	46,985,150
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Amount of debt subject to limit	0
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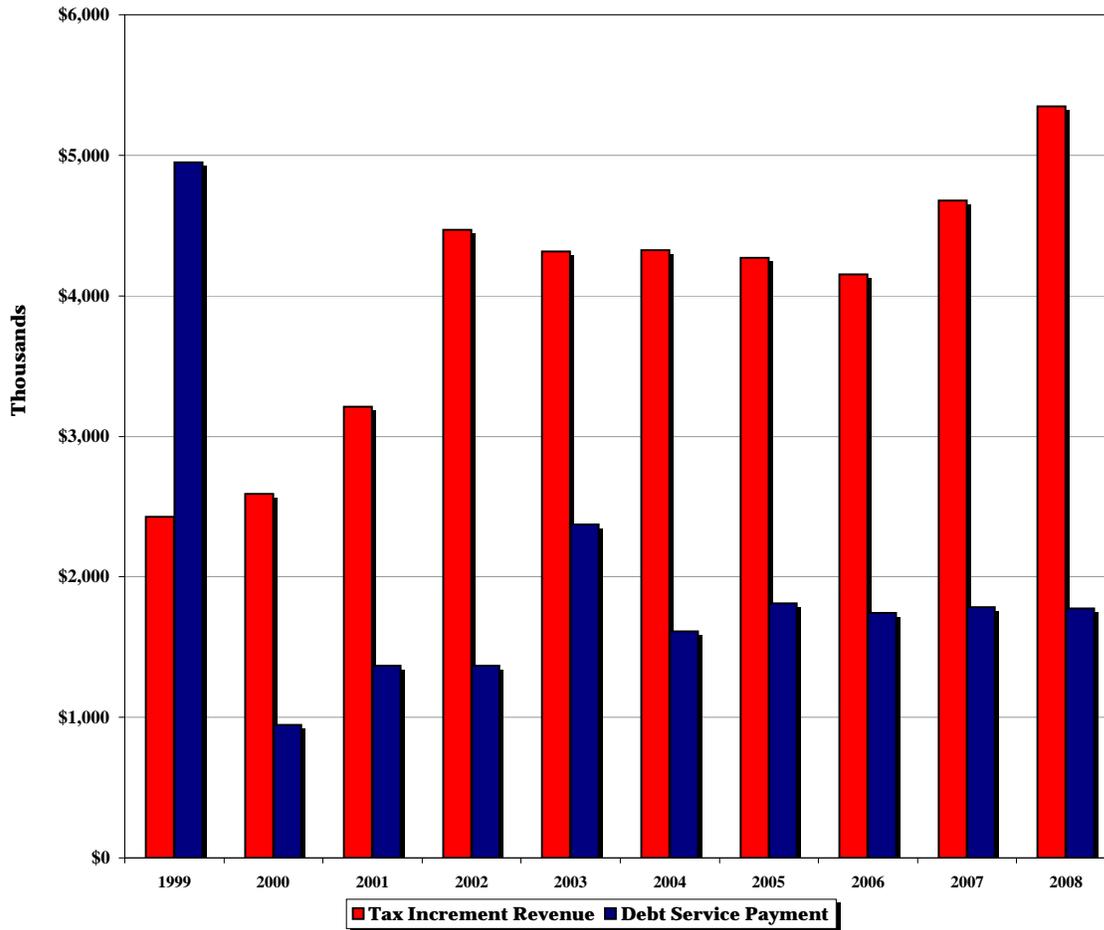
LEGAL BONDED DEBT MARGIN	\$224,381,961
--------------------------	---------------

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
1999	\$111,878,334		\$111,878,334	0.00%
2000	122,044,594		122,044,594	0.00%
2001	135,520,105		135,520,105	0.00%
2002	154,755,207		154,755,207	0.00%
2003	158,284,021		158,284,021	0.00%
2004	165,627,191		165,627,191	0.00%
2005	171,367,321		171,367,321	0.00%
2006	184,364,044		184,364,044	0.00%
2007	202,535,410		202,535,410	0.00%
2008	224,381,961		224,381,961	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**

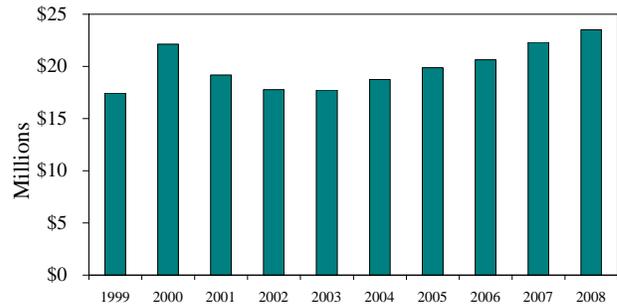
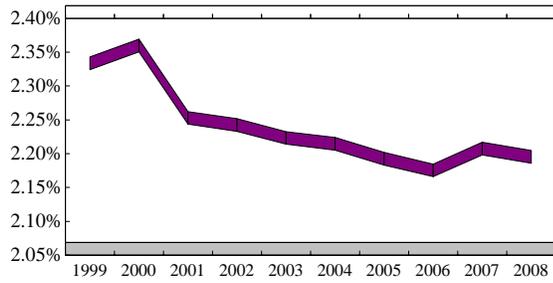


Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
* 1999	\$2,427,353	\$3,907,263	\$1,040,724	\$4,947,987	0.49
2000	2,589,902	132,480	813,242	945,722	2.74
2001	3,210,975	138,690	1,227,635	1,366,325	2.35
2002	4,470,776	146,970	1,222,830	1,369,800	3.26
2003	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
2008	5,349,414	510,000	1,263,668	1,773,668	3.02

* Includes advance refunding and defeased debt principal payment

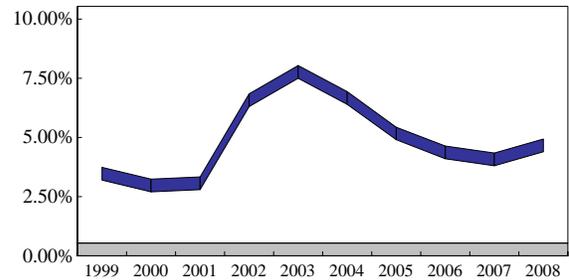
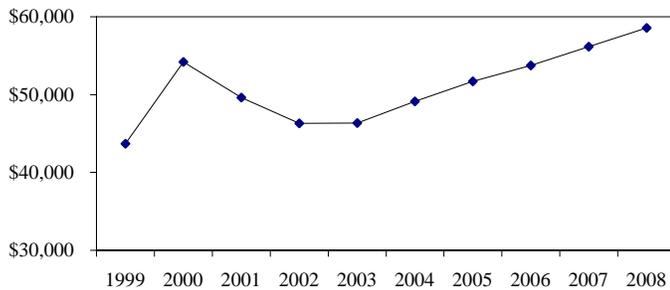
Source: City of Campbell Annual Financial Statements

**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
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%
2008	40,161	23,513,916	58,549	4.4%	1,837,075	2.19%

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

Note: Unemployment rates for FY2001-2008 are FY average; prior to FY 2001 are June 30.

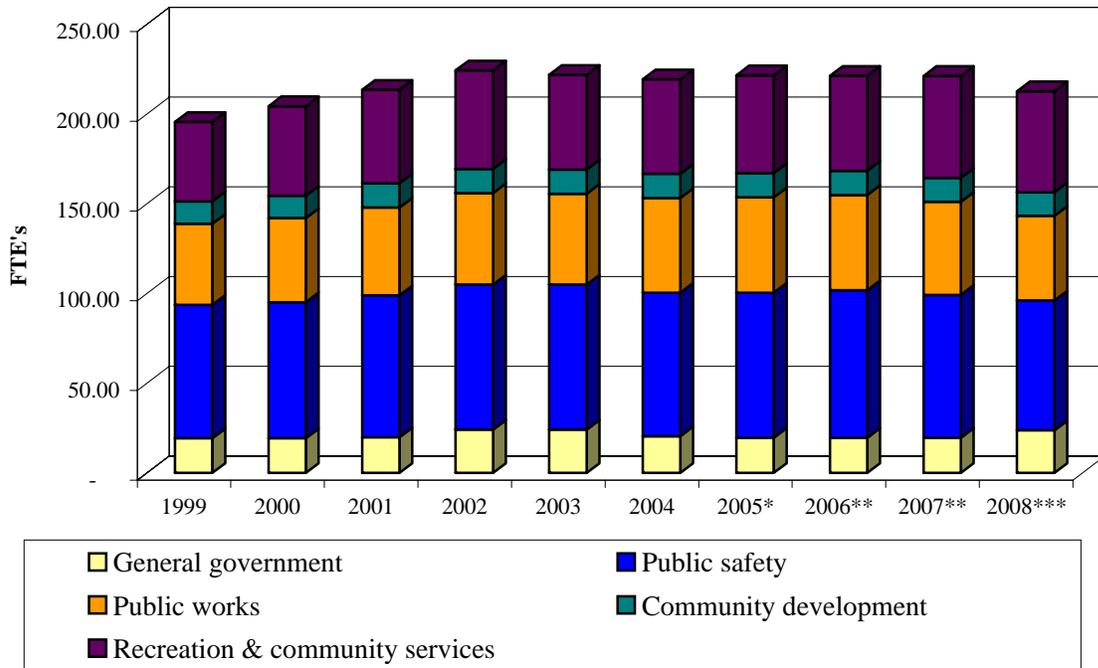
CITY OF CAMPBELL
Top Ten Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2007-08</u>			<u>1998-99</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>
Qualcom Inc.	325	1	1.5%			
JDA Software Group	300	2	1.4%			
Fry's Electronics	287	3	1.4%	244	3	1.0%
Home Depot	257	4	1.2%	287	1	1.2%
Whole Foods	235	5	1.1%	230	4	0.9%
Barracuda Networks Inc	210	6	1.0%			
City of Campbell	161	7	0.8%	154	6	0.6%
Safeway	159	8	0.8%			
Mohler, Nixon & Williams Accountancy	150	9	0.7%	150	7	0.6%
Durham School Services LP	143	10	0.7%	143	8	0.6%
Zilog, Inc.				250	2	1.0%
Mervyn's				195	5	0.8%
Elephant Bar				141	9	0.6%
Pacific Netsoft Inc.				138	10	0.6%
Subtotal	<u>2,227</u>		<u>10.5%</u>	<u>1,932</u>		<u>8.0%</u>
Total City Day Population	<u>21,200</u>			* <u>24,300</u>		

Source: City Campbell - California Employment Development Department

*Data unavailable for FY 98-99. Data shown is from FY 97-98.

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



	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Function					
General government	19.37	19.37	19.86	24.11	24.11
Public safety	74.32	75.73	79.10	80.85	80.85
Public works	45.14	46.88	48.88	50.95	50.59
Community development	12.48	12.48	13.48	13.48	13.47
Recreation & community services	44.19	49.83	52.14	54.87	52.79
Total	<u>195.50</u>	<u>204.29</u>	<u>213.46</u>	<u>224.26</u>	<u>221.81</u>

	<u>2004</u>	<u>2005*</u>	<u>2006**</u>	<u>2007**</u>	<u>2008***</u>
Function					
General government	20.52	19.63	19.63	19.63	23.77
Public safety	79.90	80.85	82.11	79.60	72.39
Public works	52.79	53.07	53.11	51.87	47.10
Community development	13.47	13.47	13.47	13.22	13.23
Recreation & community services	52.62	54.53	52.93	56.82	56.20
Total	<u>219.30</u>	<u>221.55</u>	<u>221.25</u>	<u>221.14</u>	<u>212.69</u>

Source: City of Campbell, CA Budget Documents

* Includes a Total of 10.25 Frozen Positions

** Includes a Total of 16.35 Frozen Positions

***Includes a Total of 11.1 Frozen Positions

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

Function/Program	Fiscal Year				
	2004	2005	2006	2007	2008
Public safety:					
Fire:					
Fire calls for service	70	94	92	100	119
Medical aid calls	1,470	1,798	1,777	1,411	1,801
Police:					
Police calls for Service	22,487	23,685	21,731	22,166	22,961
Law violations:					
Arrests	1,486	1,555	1,455	1,553	1,586
Traffic violations	7,327	6,611	5,871	6,329	6,545
Parking violations	4,432	4,171	4,146	3,457	2,686
Public works:					
Miles of streets (major)	14	14	14	15	15
Miles of Streets (secondary)	74	74	74	77	77
Potholes repaired	150	100	100	145	182
Culture and recreation:					
Community Services:					
Recreation class participants	27,096	28,871	30,096	31,887	31,826
Performing Arts Center performances	5	6	5	6	6
Wastewater					
Miles of sewers (storm)	42	42	42	42	42
Miles of sewers (sanitary - entire district)	484	484	484	484	484
Miles of sewers (sanitary - Campbell only)	125	125	125	125	125
Solid Waste					
Refuse Landfilled (tons per year)	n/a	n/a	40,000	35,432	29,585
Recyclables Processed (tons per year)	n/a	n/a	20,000	17,362	17,702

Source: City of Campbell

Note: n/a denotes information not available.

**Capital Asset Statistics by Function/Program
Last Five Fiscal Years**

	Fiscal Year				
	2004	2005	2006	2007	2008
Function/Program					
Public safety:					
Fire stations	1	1	1	1	1
Police stations	1	1	1	1	1
Police patrol units	12	12	11	11	11
Public works					
Miles of streets	88	88	88	92	92
Street lights	2,312	2,362	2,362	2,362	2,532
Traffic Signals	39	40	42	42	42
Culture and recreation:					
Community services:					
City parks	11	11	11	11	11
City parks acreage	86	86	86	86	86
Playgrounds	5	5	5	5	7
City trails	1	1	1	1	1
City trails miles	3	3	3	3	3
Historic house (museum)	1	1	1	1	1
Community gardens	1	1	1	1	1
Community centers	1	1	1	1	1
Adult centers	1	1	1	1	1
Sports centers	1	1	1	1	1
Performing arts centers	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	8	8	8	8	8
Baseball/softball diamonds	3	3	3	3	3
Soccer/football fields	3	3	3	3	9
Library:					
City Libraries	1	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.