

City of Campbell California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2012

Prepared by

Finance Department

Jesse Takahashi, Finance Director

(This page intentionally left blank.)

CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended June 30, 2012

T A B L E O F C O N T E N T S

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
GFOA Certificate of Achievement	v
General Organization Chart	vi
List of Officials and City Administrative Staff	vii
List of Commissions, Committees, and Advisory Boards	viii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds:	
Statement of Net Assets	22
Statement of Revenues, Expenses and Changes in Fund Net Assets	23
Statement of Cash Flows	24
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	27
Statement of Changes in Fiduciary Net Assets	28
Notes to the Basic Financial Statements	29

CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended June 30, 2012

T A B L E O F C O N T E N T S
(C O N T I N U E D)

	<u>Page</u>
Required Supplementary Information:	
Schedule of Revenues and Expenditures – Budget and Actual:	
General Fund	60
Notes to Required Supplementary Information	61
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
COP Debt Service Fund	66
Capital Projects Fund	67
Non-major Governmental Funds:	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	69
Combining Balance Sheet – Special Revenue Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds	72
Schedule of Revenues and Expenditures and Changes in Fund Balances – Budget and Actual:	
Gas Tax	74
Vehicle Impact Fees	75
Parkland Dedication Fees	76
Lighting and Landscaping District	77
Community Development Block Grant	78
Other Grants	79
Drug Enforcement Revenue	80
Environmental Services	81
Supplemental Law Enforcement	82
Museum and Adult Center Fund	83
Redevelopment Agency Housing Fund	84
RDA Debt Service Fund	85
Combining Balance Sheet – Capital Projects Funds	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Capital Projects Funds	87

CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended June 30, 2012

T A B L E O F C O N T E N T S
(C O N T I N U E D)

	<u>Page</u>
Internal Service Funds:	
Combining Statement of Net Assets	89
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	90
Combining Statement of Cash Flows	91
Agency Funds:	
Combining Balance Sheet	93
Statement of Changes in Assets and Liabilities	94
STATISTICAL SECTION	
Net Assets by Component	97
Changes in Net Assets	98
Fund Balances of Governmental Funds	101
Changes in Fund Balances of Governmental Funds	102
Assessed and Estimated Actual Value of Taxable Property	104
Property Tax Rates – All Overlapping Governments	105
Principal Property Taxpayers	106
Property Tax Levies and Collections	107
Ratio of Outstanding Debt by Type	108
Computation of Direct and Overlapping Debt	109
Computation of Legal Bonded Debt Margin	110
Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds	111
Demographic and Economic Statistics	112
Top Ten Principal Employers	113
Full-Time Equivalent City Government Employees by Function	114
Operating Indicators by Function/Program	115
Capital Asset Statistics by Function/Program	116

(This page intentionally left blank.)

INTRODUCTORY SECTION

(This page intentionally left blank.)



CITY OF CAMPBELL
FINANCE DEPARTMENT

December 20, 2012

Honorable Mayor, Members of the
City Council, and Residents of Campbell

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) for the City of Campbell, California for the fiscal year ended June 30, 2012, 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 Burr Pilger Mayer, Inc., 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. These reports are available in the City's separately issued Single Audit Report.

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 6.5 square miles, is largely built out, and serves a population of approximately 39,882. 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 despite being 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 Campbell Lighting and Landscape District, which are both included in the financial reporting entity as blended component units of the City.

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; study sessions are later held with the City Council between March and May 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 under \$10,000 or requiring transfers from reserves under \$5,000 per transaction. Requests for increases in appropriations over these amounts or any adjustments to capital projects require approval by the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

National, State, Regional and 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 much of the past two decades. 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.

Nationally, the country has been continuing to recover from one of its deepest and longest recessions in history since the Great Depression. The economy has slowly improved with GDP growth in the 2-3% range and unemployment still relatively high by historical standards but slowly coming down.

The National unemployment rate did see a decline from 9.0% in October, 2011 to 7.9% as of October, 2012 which shows some measure of progress in recovery. Unemployment for the City of Campbell as of October, 2012 was 6.7%, down from 8.2% one year ago, again reflecting continued improvement from the past year. This also compares favorably to the County rate of 7.9% and the State rate of 10.1%.

The Federal Reserve Bank has continued to maintain interest rate levels near zero percent during the past two years in order to stimulate economic activity. This strategy has seen some success with modest economic growth the past year. However, it has also kept the City's investment earnings at historic lows.

With respect to the local region, Silicon Valley, the housing market continued to improve considerably with foreclosures down and sales transactions and median prices up considerably from the previous year. Because of the unique setting of this region, and the fact that many of the surrounding cities have limited capacity for new housing, real estate values are continuing to stabilize and improve slowly. This is predominantly due to the fact that demand in this region continues to exceed the supply despite the relatively high cost of housing. Private development activity in the City improved during the year reflecting the positive outlook of the region.

Campbell is home to a diversified economic base of business segments located throughout the community. There are approximately 5,000 businesses in the City that generated approximately \$11.8 million in sales tax revenue, an increase of 12% over last year, the largest year-over-year increase in many years. The largest categories of sales tax producers comprise general retail, construction, food products, transportation and business-to-business. The economic picture has brightened significantly over the past year.

Despite the good news on the revenue front, the City continues to be affected by the actions of the State of California. Over the past decade, 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. As has been the case for most of the past decade, the State continues to face multi-billion dollar budget deficits, and continues to find ways to divert City funds for addressing its own budget problems. The latest action by the State was the elimination of Redevelopment Agencies in California as of January 31, 2012. The resulting loss of tax increment funds, diverted to the State, resulted in additional burden placed on the City's General Fund. Fortunately, much of this loss was offset by the growth in other revenues.

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. The City incorporates long-term financial planning into its budget process. For example, it 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 also 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 target funding of \$6 million. The replenishment of that reserve has been incorporated into the City's 5-year financial projections. Additionally, the City's 5-year projections include anticipated increases in retirement costs over the next two years due to changes in actuarial assumptions. 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 economic times. The City was able to replenish its Economic Fluctuations Reserve by \$0.5 million during FY 12 increasing its balance to \$5.5 million and expects to fully replenish the reserve within the next two years.

AWARDS (Financial and Budgetary)

The Government Finance Officers Association (GFOA) of the United States and Canada 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, 2011. 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 CAFR 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 24 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 2011-12. This is the 19th 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.

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; Ana Rios, Accounting Clerk II; and Sherrie Doherty, Executive Assistant to the City Manager, 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, 2011

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.



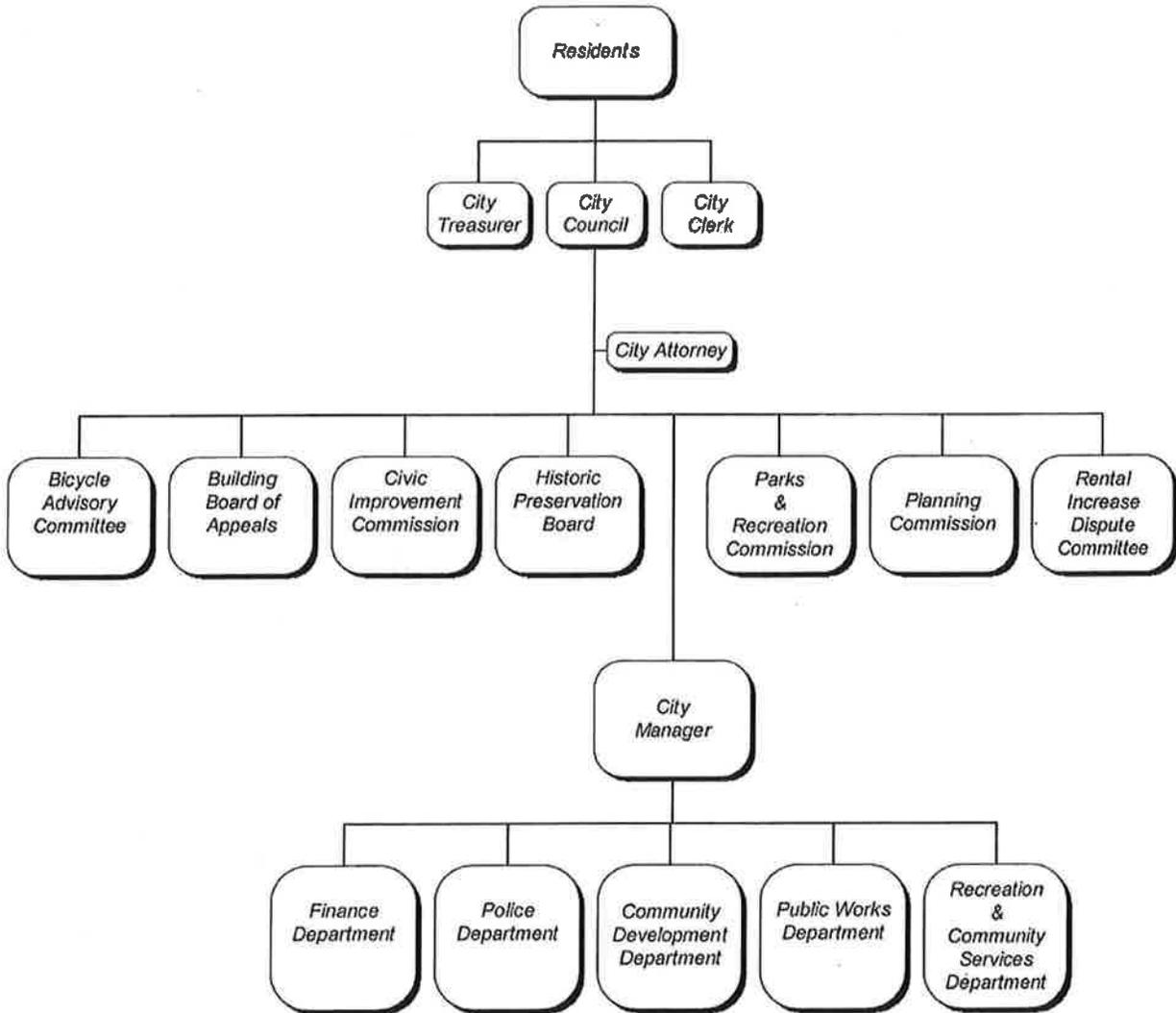
Linda C. Danison

President

Jeffrey R. Egan

Executive Director

General Organization 2011 - 2012



CITY OFFICIALS

City Council & Redevelopment Agency Board

Mayor – Michael F. Kotowski

Vice Mayor – Evan D. Low

Councilmember – Jason T. Baker

Councilmember – Jeffrey R. Cristina

Councilmember – Richard M. Waterman

Note: Mayor serves an annual term from December to December. Names and positions are as of July 1, 2012.

City Administrative Staff

City Manager – Amy Brown

City Clerk – Anne Bybee (Elected)

City Treasurer – Gerald Kennedy (Elected)

City Attorney – William Seligmann

Interim Community Development Director – Paul Kermoyan

Finance Director – Jesse Takahashi

Human Resources Manager – Jill Lopez

Police Chief – Gregory Finch

Public Works - City Engineer – Michelle Quinney

Interim Public Works Superintendent – John Iaquinto

Recreation & Community Services Director – Cynthia Bojorquez

COMMISSIONS, COMMITTEES AND ADVISORY BOARDS

Planning Commission

Philip Reynolds, Jr., Chairperson
Paul Resnikoff, Vice Chairperson
Brian Brennan
Pamela Finch
Elizabeth Gibbons
John Razumich
Robert A. Roseberry

Parks & Recreation Commission

Scott Hughes, Chairperson
Charles Gibson, Vice Chairperson
Jacquie Davidson
Jann Harbor
Rich Ptaszynski
Vacant
Vacant

Civic Improvement Commission

Madalyn Perrine, Chairperson
Ann Herosy, Vice Chairperson
Jill Brewer
Toby Cheng
Traci Mitchell
Michael Rich
Alan Zisser

Building Board of Appeals

Bruno Marcelic
Jim Morelan
Jay Perrine
Kevin Salazar
Todd Zeman

Historical Preservation Board

Susan Blake, Chairperson
Todd Walter, Vice Chairperson
JoElle Hernandez
Masel Sheehan
Laura Taylor Moore

Rental Increase Dispute Fact Finding Committee

Eric Bracher
Phil Doetsch
John W. Figueroa
Karla Prince
Vacant

Bicycle Committee

Herman Wadler, Chairperson
Laura Smith, Vice Chairperson
Brian Conroy
David Pasfield
Paul Tuttle

Note: Names and positions as of 07/1/12

FINANCIAL SECTION

(This page intentionally left blank.)

INDEPENDENT AUDITORS' REPORT

City Council
City of Campbell, California

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 (the City), as of and for the year ended June 30, 2012, 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 standards 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, 2012, 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.

As discussed in Note 18 to the basic financial statements, the California State Legislature enacted legislation ABx1 26 that dissolved redevelopment agencies in the State of California as of February 1, 2012. On February 1, 2012, the City, as the Successor Agency to the Redevelopment Agency of the City of Campbell, became responsible for overseeing the dissolution process and the wind down of redevelopment activity.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Campbell, California's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2012 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.

Burr Pilger Mayer, Inc.

San Jose, California
December 20, 2012

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, 2012. 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 2011-12 Financial Highlights

The City ended its fiscal year with total revenues of \$47.0 million, an increase of \$0.5 million (1.1%) from the previous year, and expenses of \$46.2 million, an increase of \$0.7 million (1.5%) from the previous year. Property tax revenue saw a sizeable decrease due to the State of California's dissolution of redevelopment agencies state-wide, resulting in a loss of approximately \$2.1 million. This was offset by increases in charges for services, operating and capital grants, sales and use tax, transient occupancy tax, and permit fee revenue.

Other financial highlights of the past year are as follows:

City-wide:

- Total City assets exceeded its liabilities by \$50.7 million. Of this amount, \$37.7 million represents unrestricted net assets that the City has designated for various purposes including reserves for emergencies, operations, economic uncertainty and approved capital projects.
- Total net assets decreased from the previous year by \$13.4 million which is attributable to the dissolution of the Redevelopment Agency (RDA). An extraordinary loss of \$14.2 million is recorded in the financial statements to reflect the net transfer of the former RDA's assets and liabilities to a Private Purpose Trust effective February 1, 2012. Excluding this extraordinary item, net assets would have increased by \$0.8 million. Total assets increased by \$13.8 million, excluding RDA transfers of \$46.5 million, while total liabilities increased \$9.9 million, excluding RDA transfers of \$29.2 million. Capital assets increased by \$1.6 million, net of \$30.2 million from the RDA, while Other Assets increased by \$9.0 million, reflecting an advance to the former RDA of \$7.5 million now recorded as an amount due from the Private Purpose Trust.

Fund level:

- Total governmental fund balances were \$40.2 million at fiscal year end, a decrease of \$5.8 million from the previous year.
- General Fund revenues, excluding transfers, increased \$2.5 million to \$35.6 million from the previous year. Related expenditures increased by \$1.6 million from the previous year to \$33.1 million.
- General Fund fund balance increased \$0.5 million to \$22.2 million at fiscal year end.
- Because the City realized a General Fund surplus, no draw from its Reserve for Economic Fluctuations was necessary.

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 basic 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 seven months of activity of the Campbell RDA, which was dissolved by legislation on February 1, 2012, and the Campbell Lighting and Landscape District, both 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 individual governmental funds. Information for the General Fund, Housing Assets Special Revenue Fund, Capital Projects Fund, and COP 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 is 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 two agency funds representing a joint powers authority and a local improvement district, as well as a Private Purpose Trust Fund which consists of the Successor Agency to the former Campbell RDA, which was dissolved by State legislation on February 1, 2012.

Notes to financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the City-wide and fund financial statements. They can be found immediately following the financial statements.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information in the form of budget and actual schedules for major governmental funds other than the general fund; combining statements for non-major governmental funds and the City’s internal service funds; and a statement of changes in assets and liabilities for the City’s agency funds.

City-wide Financial Analysis

This analysis focuses on the net assets and changes in net assets at the City-wide level as presented in the statement of net assets and statement of activities. Net assets for the City are summarized below as of June 30 and an analysis follows:

Governmental Net Assets		
(in millions)		
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Cash & investments	\$30.8	\$43.8
Capital assets	32.8	61.5
Other assets	22.5	13.5
Total assets	86.1	118.8
Long term liabilities	25.0	46.7
Other liabilities	10.4	8.1
Total liabilities	35.4	54.8

	<u>2012</u>	<u>2011</u>
Net assets:		
Invested in capital assets, net of debt	11.0	20.0
Restricted	2.0	15.5
Unrestricted	<u>37.7</u>	<u>28.6</u>
Total net assets	<u>\$ 50.7</u>	<u>\$ 64.1</u>

The changes in net assets were comprised of the following elements:

- Cash and investments decreased by a net of \$13.0 million due largely to the dissolution of the RDA. Cash held by the RDA as of February 1, 2012 was transferred to a Private Purpose Trust, including \$6.4 million in Low and Moderate Income Housing cash, \$2.1 million in restricted Debt Service Reserve investments held by a fiscal agent, and \$3.8 million in cash designated for debt service payments. Excluding the RDA items, cash decreased by \$0.6 million.
- Capital assets added during the year were \$4.4 million offset by depreciation charges of \$2.9 million for a net increase of \$1.5 million, excluding net capital asset transfers of \$30.2 million from the former RDA to the Private Purpose Trust. That transfer included land valued at \$7.2 million and buildings and improvements valued at \$23.0 million.
- Other assets increased a total of \$9.0 million consisting primarily of increases in receivables related to a housing development project of \$4.0 million, transfer of land previously held for resale to capital assets in the amount of \$4.8 million and the addition of an amount due from the Private Purpose Trust of \$7.5 million previously advanced to the former RDA.
- Long term liabilities decreased a net of \$21.7 million due to transfer of the long term debt of the former RDA to the Private Purpose Trust in the amount of \$20.7 million. There was also repayment of \$1.8 million in debt principal during the year which was offset by a \$0.3 million increase in OPEB liabilities.
- Other liabilities increased by \$2.3 million due principally to increases in unearned revenues of \$4.3 million. This amount represents primarily the deferred revenue of \$4.0 million related to the Housing Development project mentioned above.
- Net assets invested in capital assets, net of related debt, decreased \$9.0 million from the previous year due primarily to normal debt service activity of \$1.8 million and the transfer of the capital assets and related debt of the former RDA to the Private Purpose Trust which totaled \$13.4 million.

Restricted net assets have external limitations placed upon them regarding how they may be spent. During the year, these assets decreased by \$13.5 million due primarily to the dissolution of the RDA and the elimination of all RDA related project funding sources.

Unrestricted net assets increased by \$9.1 million due to the removal of the restriction related to previously identified RDA projects combined with a reduction in total capital projects expenditures.

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>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 8.9	\$ 9.1
Operating grants and contributions	4.4	2.1
Capital grants and contributions	3.1	3.2
General revenues:		
Property taxes	11.9	15.8
Sales and use taxes	11.8	10.5
Other taxes	6.2	5.4
Investment Income	0.2	0.3
Other	0.5	0.1
	<u>47.0</u>	<u>46.5</u>
Expenses:		
General Government	4.8	4.5
Recreation	3.9	4.7
Community Development	4.3	1.5
Public Safety	19.8	18.6
Public Works	9.8	8.6
Redevelopment	1.8	5.4
Interest on long term debt	1.8	2.2
	<u>46.2</u>	<u>45.5</u>
	<u>(14.2)</u>	<u>-</u>
	<u>\$ (13.4)</u>	<u>\$ 1.0</u>

Net assets decreased \$13.4 million. Key elements of activity are as follows:

- Within program revenues, charges for services decreased \$0.2 million due primarily to decreases in commercial and residential building activity. Operating grants and contributions increased \$2.3 million as a result of a one-time housing grant received from a State of California housing loan program.

- Within general revenues, property tax revenue decreased by a total of \$3.9 million. The dissolution of the RDA on February 1, 2012 accounted for a \$4.3 million reduction in property tax revenue, while general property tax revenue showed a modest increase of \$0.4 million as assessed valuations began to stabilize and commercial property valuation reductions due to appeals began to taper off.
- Sales and Use Tax and Other Taxes increased a combined \$2.1 million due to an improving local economy.
- General Government expenses increased \$0.3 million due to a \$0.2 million payment of a sales tax rebate previously funded by the RDA that was disallowed by the State Department of Finance.
- Recreation Services expenses decreased \$0.8 million due to reductions in program related activity and the transfer of costs of the Building Maintenance Division (\$1.1 million) to Public Works.
- Community Development expenditures increased \$2.8 million primarily due to a one-time charge of \$2.2 million to fund a housing loan program and a loss on the sale of property of \$0.2 million.
- Public Safety expenses increased \$1.2 million due to increased police department personnel costs and a \$0.2 million increase in contracted fire protection services.
- Public Works expenses increased \$1.1 million due to the transfer of maintenance expenses mention above.
- Redevelopment expenses decreased a net of \$3.5 million due primarily to the closing of the Agency in February 2012 and the elimination of the pass-through payment obligation which was \$3.6 million in FY11 along with the elimination of five months operating costs.

Financial Analysis of Fund Financial Statements

Combined governmental fund balances at fiscal year end were \$40.2 million, a decrease of \$5.8 million from the previous year. The City has Non-Spendable, Restricted, Committed, Assigned and Unassigned fund balances of \$12.0 million; \$6.0 million; \$19.8 million; \$1.5 million and \$0.9 million, respectively, at year end.

Governmental fund revenues, excluding transfers, were \$47.1 million, an overall increase of \$0.2 million from the previous year. Property taxes were lower by a net amount of \$3.9 million due to the elimination of \$4.3 million in property tax revenue from the RDA which was dissolved on February 1, 2012. Intergovernmental revenues were lower by \$0.4 million due principally to completion of capital projects begun in the prior year that received funding from other governmental sources. Offsetting these decreases were increases in sales and use tax of \$1.2 million; other taxes of \$0.9 million; licenses and permits of \$0.4 million; and receipt of \$2.2 million in grant funds for a housing project that were used to assist homebuyers.

Governmental fund expenditures, excluding transfers, decreased from the prior year by a net amount of \$0.8 million, to \$48.4 million. This decrease was due to the elimination of RDA pass-through costs of \$3.6 million and \$0.8 million in RDA debt service costs; and reduced capital project expenditures in Recreation Services of \$2.4 million. These reductions were offset by a one-time expenditure of \$2.2 million for a housing loan program; an increase in Public Safety personnel related expenses of \$1.1 million; and a \$2.7 million increase in Public Works capital project expenditures.

Analysis of Major Governmental Funds

General Fund

The General Fund realized an excess of revenues over expenditures of \$2.4 million, excluding transfers. General Fund revenues, excluding transfers, increased \$2.5 million from the previous year to \$35.6 million. Contributing to the increase were increases in sales taxes of \$1.2 million, transient occupancy taxes of \$0.5 million, property taxes of \$ 0.2 million, and building permits of \$0.2 million.

General Fund expenditures, excluding transfers, were \$33.1 million, an increase of \$1.6 million from the previous year. Contributing to the increase were \$1.0 million in personnel related costs, including salaries and benefits, and \$0.6 million in general operating expenditures. The City continued to require employee furloughs and monitor its expenditures closely in an effort to minimize spending where possible.

General Fund fund balance at fiscal year-end was \$22.2 million, an increase of \$0.5 million from the previous year. The resulting surplus enabled the Reserve for Economic Fluctuations to be increased by \$0.5 million, to \$5.5 million, based on a policy target of \$6.0 million. Committed and Assigned fund balances at year end were \$21.2 million. These balances are utilized to fund various emergency and operating funds, including a \$5.5 million reserve for economic fluctuations, \$4.3 million for capital projects and \$3.6 million for emergencies.

Significant original-to-final revenue budget adjustments were made to property taxes, sales taxes, transient occupancy taxes, investment income and motor vehicle license taxes. The property tax budget was increased slightly as the significant downward adjustments made by the County assessor's office during the previous year stabilized. Sales and use tax and transient occupancy tax were increased as the first six months sales tax receipts indicated continued improvement in the economy. The Transient Occupancy Tax (TOT) increased as the result of a voter approved ballot measure in November of 2010 that became effective January 1, 2011, as well as an improvement in business activity over what was anticipated. Investment income revenue projections were further reduced to reflect the continued declining interest rate environment and the Motor Vehicle License Tax budget was reduced by \$120,000 to reflect State legislation that reallocated this funding source for its own use.

Significant final revenue budget-to-actual variances consisted of a positive variance in Sales and Use Tax due to better than expected receipts; a positive variance in Other Taxes due to the TOT improvement; and a positive variance in Licenses and Permits due to additional construction activity. There was a negative variance in Investment Income as interest rates continued to fall below expected levels.

There was a small negative original-to-final budget variance for total General Fund expenditures. Positive variances in Recreation and Public Works resulted from continued efforts to conserve budget, helped to offset negative variances in General Government, Public Safety and Community Development.

Housing Assets Special Revenue Fund

Loans outstanding of \$3.0 million and other receivables in the amount of \$6.2 million were transferred to a new Housing Assets Special Revenue Fund with a fund balance of \$6.2 million on February 1, 2012. The balance of the RDA Housing Fund assets will be transferred to the County for distribution to other taxing entities during FY13.

COP Debt Service Fund

The principal asset of this fund is represented by \$7.5 million due from other governments from the former RDA representing the portion of debt service it is obligated to repay to the City based on an agreement between the two entities. Payment to the City will be made with annual collections of RDA tax increment revenue from the County of Santa Clara subject to a Recognized Obligation Payment Schedule approved by a Successor Agency Oversight Board. The net change in fund balance in the current year is due to normal debt service activity.

Capital Projects Fund

The Capital Projects Fund accounts for all City-wide Capital Improvement Program expenditures. Total expenditures of \$4.5 million were made for capital projects during the year, a decrease of \$1.0 million from the prior year. The decrease in expenditures is the result of the completion of two major projects that started in previous years. Projects were funded from capital improvement reserves, intergovernmental revenues, grants, and former RDA funds.

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 \$32.8 million as of June 30, 2012. The following is a summary of the City's capital assets for the fiscal year ended June 30:

	<u>2012</u>	<u>2011</u>
Land	\$9.1	\$16.3
Construction in progress	2.6	7.1
Building & improvements	13.6	29.1
Other improvements	9.4	19.8
Machinery & equipment	8.6	8.4
Infrastructure	25.9	22.1
Less: Accumulated depreciation	<u>(36.4)</u>	<u>(41.3)</u>
Net capital assets	<u>\$ 32.8</u>	<u>\$ 61.5</u>

Total additions to capital assets were \$4.4 million during the year consisting primarily of capital project improvements, vehicles, and technology equipment. Additional detail on capital assets can be found in Note 5 of the notes to the basic financial statements. Major deletions of Capital Assets consisted of the transfer of the former RDA properties and their associated accumulated depreciation to the Successor Agency. These included Buildings and Improvements valued at \$30.6 million and Land valued at \$7.2 million.

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 in Note 6 in the notes to financial statements. The former RDA debt obligations were transferred to the Successor Agency Private Purpose Trust and, therefore, are eliminated from the City's financial statements. The debt obligations appear on the Statement of Fiduciary Assets, Liabilities and Net Assets on page 27 of the CAFR. Total outstanding debt of the Successor Agency for the tax allocation bonds was \$20.7 million at June 30, 2012.

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

	<u>2012</u>	<u>2011</u>
Certificates of participation	\$20.2	\$20.8
Tax allocation bonds	<u>0.0</u>	<u>21.7</u>
Total debt	<u>\$ 20.2</u>	<u>\$ 42.5</u>

Economic Outlook and Next Year's Budget

The City continues to replenish its reserves back to their target levels. In developing the FY13 budget, the following information was used:

- Property tax revenues are expected to be slightly (2%) higher than in FY12 due to expected improvement in the commercial and residential real estate markets.
- Sales tax revenue is expected to be slightly (2%) higher during the year due to the expected modest growth in retail sales.
- The State decision to close Redevelopment Agencies statewide effective February 1, 2012 will result in an additional burden placed on the City's General Fund to absorb some of the expenditures previously funded by the RDA.
- Retirement costs for current and past employees will continue at elevated levels for the next several years.
- Premiums for employee health care will continue to increase in the foreseeable future.
- Pursuant to GASB Statement No. 45, accrued retiree health benefit costs (OPEB) will be funded over a ten-year phase-in period which began in FY09 and escalates each year.
- A modest surplus was built into the General Fund so as to continue replenishing the Reserve for Economic Fluctuations to its targeted level of \$6.0 million over the next two years.

The economic outlook for the local Silicon Valley region is generally positive. The unemployment rate was down to 8.7% (from 10.3%) in June 2012 and is expected to stabilize or trend slowly downward in the coming months. The Silicon Valley region is also a prominent leader in the "green" technology sector which is continuing to experience modest growth. This growth is expected to continue in the near term.

Despite the positive outlook overall, there are still many uncertainties facing 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 2012-13 are \$37.6 million, an increase of \$2.6 million (7.4%) from the previous 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 may be directed to the City's Finance Department at 70 N. First Street, Campbell, CA 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 District, and the Campbell Redevelopment Agency through January 31, 2012, 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, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities
Assets:	
Cash and investments (Note 2)	\$ 30,790,836
Receivables:	
Taxes	1,866,291
Accounts	7,875,424
Interest	90,541
Notes and loans (Note 4)	4,534,369
Deposits	90,000
Due from other governments	7,462,350
Land held for resale	623,073
Capital assets, not depreciated (Note 5)	11,692,503
Capital assets, depreciated, net (Note 5)	21,084,780
Total assets	86,110,167
Liabilities:	
Accounts payable	1,973,819
Accrued expenses	725,138
Claims and judgments payable (Note 13)	2,198,644
Deposits payable	751,125
Interest payable	496,895
Unearned revenue	4,275,829
Due to other governments	57,462
Noncurrent liabilities (Note 6):	
Due within one year	2,031,801
Due in more than one year	22,921,480
Total liabilities	35,432,193
Net assets:	
Invested in capital assets, net of related debt	11,036,245
Restricted for:	
Community development	445,832
Public works	1,530,099
Public safety	1,168
Unrestricted	37,664,630
Total net assets	\$ 50,677,974

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF ACTIVITIES

For the fiscal year ending June 30, 2012

		Program Revenues			Net (Expenses) Revenues and Change in Net Assets
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities
Governmental activities:					
General government	\$ 4,768,207	\$ -	\$ 5,410	\$ -	\$ (4,762,797)
Recreation	3,938,036	4,918,137	161,636	-	1,141,737
Community development	4,285,630	2,090,710	2,212,511	-	17,591
Public safety	19,808,247	789,476	177,506	-	(18,841,265)
Public works	9,756,513	1,150,645	1,769,696	3,117,438	(3,718,734)
Redevelopment	1,838,787	-	91,617	-	(1,747,170)
Interest expense and other charges	1,791,038	-	-	-	(1,791,038)
Total governmental activities	\$ 46,186,458	\$ 8,948,968	\$ 4,418,376	\$ 3,117,438	(29,701,676)
General revenues:					
Taxes:					
Property					11,893,082
Sales and use					11,777,407
Transient occupancy					2,578,323
Franchise					2,657,964
Other					897,835
Motor vehicle in lieu, unrestricted					20,214
Investment income					221,274
Miscellaneous					459,447
Total general revenues					30,505,546
Extraordinary loss (Note 18)					(14,186,917)
Change in net assets					(13,383,047)
Net assets at beginning of year					64,061,021
Net assets at end of year					\$ 50,677,974

The accompanying notes are an integral part of these 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 year 2012. 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.

Housing Assets Special Revenue Fund

Accounts for assets of the City's Successor Housing Agency, formed to take over certain housing assets from the former Redevelopment Agency Low-Moderate Income Housing Fund upon its dissolution by the State of California.

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.

Capital Projects Fund

Accounts for the expenditures and financing of the City's capital projects.

CITY OF CAMPBELL, CALIFORNIA

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2012

	General Fund	Housing Assets Special Revenue Fund	COP Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
<u>Assets</u>						
Cash and investments	\$ 21,631,422	\$ 190,224	\$ -	\$ 1,071,673	\$ 2,601,898	\$ 25,495,217
Receivables:						
Accounts	499,633	6,220,404	-	-	1,155,387	7,875,424
Taxes	1,862,859	-	-	-	3,432	1,866,291
Interest	90,541	-	-	-	-	90,541
Notes and loans	-	3,021,700	-	-	1,512,669	4,534,369
Due from other funds (Note 3)	744,556	-	-	-	12,930	757,486
Due from other governments	-	-	7,462,350	-	-	7,462,350
Land held for resale	-	623,073	-	-	-	623,073
Total assets	<u>\$ 24,829,011</u>	<u>\$ 10,055,401</u>	<u>\$ 7,462,350</u>	<u>\$ 1,071,673</u>	<u>\$ 5,286,316</u>	<u>\$ 48,704,751</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 1,081,216	\$ 952	\$ -	\$ 649,933	\$ 169,678	\$ 1,901,779
Accrued payroll	664,497	-	-	-	46,835	711,332
Deposits payable	751,125	-	-	-	-	751,125
Due to other funds (Note 3)	12,930	-	-	13,167	731,389	757,486
Due to other governments	57,462	-	-	-	-	57,462
Deferred revenue	17,864	3,836,500	-	314,974	106,491	4,275,829
Total liabilities	<u>2,585,094</u>	<u>3,837,452</u>	<u>-</u>	<u>978,074</u>	<u>1,054,393</u>	<u>8,455,013</u>
Fund balances (Note 9):						
Nonspendable	-	3,021,700	7,462,350	-	1,512,669	11,996,719
Restricted	-	3,196,249	-	-	2,790,209	5,986,458
Committed	19,816,774	-	-	-	-	19,816,774
Assigned	1,414,030	-	-	93,599	-	1,507,629
Unassigned	1,013,113	-	-	-	(70,955)	942,158
Total fund balances	<u>22,243,917</u>	<u>6,217,949</u>	<u>7,462,350</u>	<u>93,599</u>	<u>4,231,923</u>	<u>40,249,738</u>
Total liabilities and fund balances	<u>\$ 24,829,011</u>	<u>\$ 10,055,401</u>	<u>\$ 7,462,350</u>	<u>\$ 1,071,673</u>	<u>\$ 5,286,316</u>	<u>\$ 48,704,751</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Fund balances of governmental funds \$ 40,249,738

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 62,256,815
Accumulated depreciation (30,281,349)

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

Bonds payable (20,201,391)
Compensated absences (3,175,352)
Claims payable (42,281)

Accrued interest payable for the current portion of interest due on
bonds payable has not been reported in the governmental funds. (496,895)

Other post employment benefit obligation liability has not been
reported in the governmental fund activity. (1,539,647)

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.

3,908,336

Net assets of governmental activities \$ 50,677,974

CITY OF CAMPBELL, CALIFORNIA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2012

	General Fund	Housing Assets Special Revenue Fund	COP Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Revenues:						
Property taxes	\$ 8,780,697	\$ -	\$ -	\$ -	\$ 3,112,385	\$ 11,893,082
Sales and use taxes	11,777,407	-	-	-	-	11,777,407
Other taxes	6,134,122	-	-	-	-	6,134,122
Special assessments	-	-	-	-	1,135,465	1,135,465
Licenses and permits	2,229,222	-	-	-	-	2,229,222
Fines and forfeitures	354,359	-	-	-	-	354,359
Investment income	191,924	2,179	-	-	147,202	341,305
Rents and leases	2,074,445	5,266	-	-	15,724	2,095,435
Intergovernmental revenues	231,040	-	-	-	3,492,489	3,723,529
Charges for services	3,682,536	-	-	-	377,195	4,059,731
Project revenues	-	-	-	43,609	-	43,609
Donations	66,447	-	-	-	86,600	153,047
Parkland dedication fees	-	-	-	-	447,462	447,462
Miscellaneous revenues	70,073	2,251,520	379,755	-	7,322	2,708,670
Total revenues	35,592,272	2,258,965	379,755	43,609	8,821,844	47,096,445
Expenditures:						
Current:						
General government	4,380,461	-	-	-	-	4,380,461
Recreation	4,569,693	-	-	151,407	-	4,721,100
Community development	1,601,352	2,485,483	-	-	174,637	4,261,472
Redevelopment	-	-	-	886,820	942,631	1,829,451
Public safety	19,284,849	-	-	-	99,999	19,384,848
Public works	3,312,177	-	-	3,250,470	3,593,409	10,156,056
Capital outlay	-	-	-	201,883	-	201,883
Debt service:						
Principal	-	-	685,000	-	1,060,000	1,745,000
Interest	-	-	920,650	-	767,881	1,688,531
Total expenditures	33,148,532	2,485,483	1,605,650	4,490,580	6,638,557	48,368,802
Excess (deficiency) of revenues over (under) expenditures	2,443,740	(226,518)	(1,225,895)	(4,446,971)	2,183,287	(1,272,357)
Other financing sources (uses):						
Transfers in (Note 3)	1,150,671	6,444,467	942,305	4,446,971	1,796,543	14,780,957
Transfers out (Note 3)	(3,058,010)	-	-	-	(11,653,047)	(14,711,057)
Total other financing sources (uses)	(1,907,339)	6,444,467	942,305	4,446,971	(9,856,504)	69,900
Extraordinary loss (Note 18)	-	-	-	-	(4,593,067)	(4,593,067)
Net change in fund balances	536,401	6,217,949	(283,590)	-	(12,266,284)	(5,795,524)
Fund balances at beginning of year	21,707,516	-	7,745,940	93,599	16,498,207	46,045,262
Fund balances at end of year	\$ 22,243,917	\$ 6,217,949	\$ 7,462,350	\$ 93,599	\$ 4,231,923	\$ 40,249,738

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES**

Fiscal year ended June 30, 2012

Changes in fund balances of governmental funds \$ (5,795,524)

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 expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay 4,030,969
Depreciation expense (2,504,949)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,745,000

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. (102,507)

To record as an expense the net change in compensated absences in the Statement of Activities. (209,182)

To record as an expense the claims payable amount in the Statement of Activities. 189,026

To record as an expense the City's other post employment benefit obligation in the Statement of Activities. (307,888)

Revenues that are measurable but not available are recorded as deferred revenue under the modified accrual basis of accounting. (106,117)

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. (728,025)

Extraordinary gain/(loss) in the Statement of Activities resulted from the increase and decrease of long term assets and liabilities which were not reported in the governmental funds. This was caused by the dissolution of the Campbell Redevelopment Agency, see Note 18 for more details. (9,593,850)

Changes in net assets of governmental activities \$ (13,383,047)

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA

INTERNAL SERVICE FUNDS

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

CITY OF CAMPBELL, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Assets:	
Current assets:	
Cash and investments	\$ 5,295,619
Deposits	90,000
	<hr/>
Total current assets	5,385,619
Non-current assets:	
Capital assets, net of accumulated depreciation	801,817
	<hr/>
Total assets	6,187,436
	<hr/>
Liabilities:	
Current liabilities:	
Accounts payable	72,040
Accrued payroll	13,806
Compensated absences	36,891
Claims and judgments payable	2,156,363
	<hr/>
Total liabilities	2,279,100
	<hr/>
Net assets:	
Invested in capital assets	801,817
Unrestricted	3,106,519
	<hr/>
Total net assets	\$ 3,908,336
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Fiscal year ended June 30, 2012

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 2,230,915
Other	<u>22,959</u>
Total operating revenues	<u>2,253,874</u>
Operating expenses:	
Operations	835,863
Service and supplies	1,796,448
Depreciation	<u>279,688</u>
Total operating expenses	<u>2,911,999</u>
Operating loss before transfers	<u>(658,125)</u>
Transfers:	
Transfers out (Note 3)	<u>(69,900)</u>
Total transfers	<u>(69,900)</u>
Change in net assets	(728,025)
Net assets at beginning of year	<u>4,636,361</u>
Net assets at end of year	<u><u>\$ 3,908,336</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Fiscal year ended June 30, 2012

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from department users	\$ 2,306,216
Cash payments to suppliers for goods and services	(941,786)
Cash payments to employees for services	(1,078,954)
	<u>285,476</u>
Cash flows from non-capital and related financing activities:	
Cash paid to other funds	(69,900)
	<u>(69,900)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(245,770)
	<u>(245,770)</u>
Net decrease in cash and cash equivalents	(30,194)
Cash and cash equivalents at beginning of year	<u>5,325,813</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,295,619</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
Fiscal year ended June 30, 2012

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (658,125)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	279,688
Increase (decrease) in accounts payable	11,471
Increase (decrease) in accrued payroll	(895)
Increase (decrease) in compensated absences	8,472
Increase (decrease) in claims and judgments payable	644,865
Net cash provided by operating activities	<u>\$ 285,476</u>

There were no significant noncash investing or financing activities for the year ended June 30, 2012.

CITY OF CAMPBELL, CALIFORNIA

FIDUCIARY FUNDS

Private-purpose Trust Funds

The private-purpose trust fund was created to account for the assets and liabilities of the Campbell Successor Agency, effective February 1, 2012. These amounts represent the assets and liabilities of the former Campbell Redevelopment Agency.

Agency 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, CALIFORNIA

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY ASSETS, LIABILITIES AND NET ASSETS

June 30, 2012

<u>Assets</u>	<u>Private-purpose Trust Fund</u>	<u>Agency Funds</u>
Cash and investments (Note 2)	\$ 10,301,254	\$ 259,593
Cash held with fiscal agent (Note 2)	2,056,700	-
Taxes receivable	-	66
Due from other governments	57,462	-
Capital assets, net	29,839,475	-
	<hr/>	<hr/>
Total assets	\$ 42,254,891	\$ 259,659
	<hr/> <hr/>	<hr/> <hr/>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	\$ 1,082,540	\$ 70,661
Advances from the City of Campbell (Note 3)	7,462,350	-
Due to West Valley Solid Waste JPA	-	158,779
Due to bondholders	-	30,219
Long-term debt	20,655,000	-
	<hr/>	<hr/>
Total liabilities	29,199,890	\$ 259,659
	<hr/> <hr/>	<hr/> <hr/>
Net assets:		
Held in trust for other governments	13,055,001	
	<hr/>	
Total liabilities and net assets	\$ 42,254,891	
	<hr/> <hr/>	

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiscal year ended June 30, 2012

	Private-purpose Trust Fund
Additions:	
Investment earnings	\$ 14,819
Total additions	14,819
Deductions:	
Program expenses of former redevelopment agency	8,334
Depreciation expense	409,375
Interest and fiscal agency expenses of former redevelopment agency	729,026
Total deductions	1,146,735
Extraordinary gain from dissolution of redevelopment agency	14,186,917
Change in net assets	13,055,001
Net assets at beginning of year	-
Net assets at end of year	\$ 13,055,001

The accompanying notes are an integral part of these financial statements.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

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

The **City of Campbell Redevelopment Agency** was a tax-increment redevelopment agency, the Board of which is composed of City Council Members. The Agency's purpose was 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 through January 31, 2012. Pursuant to the provisions of the Redevelopment Restructuring Bill, the Campbell Redevelopment Successor Agency (Successor Agency) was created and all of the assets, liabilities and obligations of the former Redevelopment Agency were transferred to the Successor Agency on February 1, 2012 and is no longer reported as part of the City's reporting entity.

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. 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.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(b) Measurement Focus and Basis of Accounting, continued

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, *Accounting and Financial Reporting for Nonexchange Transactions*.

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 expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another 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.

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 non-major 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.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(b) Measurement Focus and Basis of Accounting, continued

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 they 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.

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. However, special reporting treatments are used to indicate 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.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(b) Measurement Focus and Basis of Accounting, continued

Governmental Funds, continued

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 *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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 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, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. **Summary of Significant Accounting Policies, continued**

(c) Fund Classifications, continued

Housing Assets Trust Fund – Accounts for assets of the City’s Successor Housing Agency, formed to take over certain housing assets from the former Redevelopment Agency Low-Moderate Income Housing Fund upon its dissolution by the State of California.

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

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

Additionally, the City reports the following fund types:

Internal Service Funds – These funds are used to account for motor vehicle pool, workers’ compensation self-funded insurance and information technology services. Departments of the City are charged for the services provided or benefits received from these funds.

Fiduciary Funds – The City maintains two types of Fiduciary Funds – Trust Funds and Agency Funds. Trust Funds account for activities of individual private trust funds for the benefit of the Campbell Successor Agency. Agency Funds are used to account for monies held for the West Valley Solid Waste Management Authority and for the 1915 Act Bonds.

(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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(e) Cash and Investments

Investments are reported in the accompanying Balance Sheet and Statement of Net Assets 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 quarterly 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.

(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 capital 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

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.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(g) Compensated Absences, continued

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.

2. Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 30,790,836
Fiduciary funds:	
Cash and investments	10,560,847
Restricted cash and investments	<u>2,056,700</u>
Total cash and investments	<u><u>\$ 43,408,383</u></u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 2,250
Deposits with financial institutions	480,128
Investments	<u>42,926,005</u>
Total cash and investments	<u><u>\$ 43,408,383</u></u>

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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	A/A-1	10%	None
Commercial Paper	270 days	*	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%
Municipal and State Obligations	Upon demand	A/A-1	10%	None

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment in One Issuer
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	A	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
California Asset Management Program (CAMP)	No Limit	No Limit	No Limit	No Limit

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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.

Investment Type	Remaining Maturity (in Months)				Total
	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months	
<i>Available for Operations</i>					
U.S. Government					
Agency Obligations	\$ 2,049,085	\$ -	\$ 11,036,920	\$ -	\$ 13,086,005
California Local Agency					
Investment Fund	26,766,450	-	-	-	26,766,450
Corporate Note	-	-	1,016,850	-	1,016,850
<i>Restricted Cash and Investments</i>					
Money Market Funds	2,056,700	-	-	-	2,056,700
Total Investments	<u>\$ 30,872,235</u>	<u>\$ -</u>	<u>\$ 12,053,770</u>	<u>\$ -</u>	42,926,005
<i>Demand Deposits and Cash on Hand</i>					<u>482,378</u>
<i>Total Cash and Investments</i>					<u><u>\$ 43,408,383</u></u>

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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.

Investment Type	Amount
<i>AAA rated:</i>	
Available for Operations:	
U.S. Government Agency Obligations	\$ 13,086,005
<i>Restricted:</i>	
Money Market Funds	2,056,700
<i>AA+ rated:</i>	
Available for Operations:	
Corporate Note	1,016,850
<i>Not rated:</i>	
California Local Agency Investment Fund	26,766,450
<i>Exempt from credit rate disclosure:</i>	
Demand Deposits and Cash on Hand	482,378
Total Cash and Investments	\$ 43,408,383

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:

Issuer	Reporting Unit	Reported Amount
Federal Home Loan Bank	Governmental Activities	\$ 4,034,434
Federal National Mortgage Association	Governmental Activities	6,039,321
Federal Farm Credit Bank	Governmental Activities	2,006,900

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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.

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 from Fund	Due to Fund	Amount
General Fund	Capital Projects Fund	\$ 13,167
	Non-major Governmental Funds	673,928
		687,095
Non-major Governmental Funds	General Fund	70,391
Total		\$ 757,486

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

3. Interfund Transactions, continued

(b) Due to/from Other Governments

The Debt Service Fund has advanced funds to the RDA Debt Service Fund under the terms of a Third 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, 2012, the Agency paid \$283,590 in principal and \$379,755 in interest on these advances. The Campbell Redevelopment Agency was dissolved on January 31, 2012 and the advance was transferred to the Successor Agency to be paid. As of June 30, 2012, the outstanding balance was \$7,462,350.

(c) Transfers Between Funds

Transfers between funds during the fiscal year ended June 30, 2012 were as follows:

Transfer To	Transfer From	Amount
General Fund	Other Governmental Funds	\$ 1,080,771 (a) (b)
	Internal Service Funds	69,900 (a)
		1,150,671
Housing Assets Special Revenue Fund	Other Governmental Funds	6,444,467 (d)
COP Debt Service Fund	General Fund	708,972 (c)
	Other Governmental Funds	233,333 (c)
		942,305
Capital Projects Fund	General Fund	1,157,930 (b)
	Other Governmental Funds	3,289,041 (b)
		4,446,971
Other Governmental Funds	General Fund	1,191,108 (b)
	Other Governmental Funds	605,435 (a) (b)
		1,796,543
		\$ 14,780,957

Interfund transfers were principally used for the following purposes:

- (a) Administrative Salaries & Overhead
- (b) Reimburse Program Expenditures
- (c) Reimburse Debt Service Expenditures
- (d) Assume Former Redevelopment Housing Functions

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

4. Loans Receivable

(a) First-Time Homebuyer Loan Program

The City's Housing Assets Fund 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 a 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 8 % fee or an equity share payment, whichever is lower. The balance of the notes receivable arising from this program at June 30, 2012 was \$1,378,500.

(b) Housing Rehabilitation and Affordable Housing Loans

The City's Housing Assets Fund 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, 2012 was \$1,643,200.

(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.

During the year ended June 30, 2012, the City received \$96,662 from participants of this program, and made new loans totaling \$132,706. At June 30, 2012, the City had outstanding rehabilitation loans of \$1,512,669 in its Community Development Block Grant Special Revenue Fund.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

5. Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

Governmental Activities

	Balances at July 1, 2011	Additions	Deletions	Transfers	Balances at June 30, 2012
Buildings and improvements	\$ 29,123,569	\$ -	\$ 15,481,414	\$ -	\$ 13,642,155
Other improvements	19,807,226	-	11,805,911	1,398,317	9,399,632
Machinery and equipment	8,380,979	248,161	90,096	-	8,539,044
Infrastructure	22,099,119	-	-	3,819,237	25,918,356
Total cost of depreciable assets	79,410,893	248,161	27,377,421	5,217,554	57,499,187
Less accumulated depreciation:					
Buildings and improvements	14,354,164	728,089	3,071,993	-	12,010,260
Other improvements	11,146,201	1,014,537	4,601,090	-	7,559,648
Machinery and equipment	7,009,912	388,830	87,705	-	7,311,037
Infrastructure	8,792,576	740,886	-	-	9,533,462
Total accumulated depreciation	41,302,853	2,872,342	7,760,788	-	36,414,407
Net depreciable assets	38,108,040	(2,624,181)	19,616,633	5,217,554	21,084,780
Capital assets, not depreciated:					
Land	16,285,095	-	7,176,061	-	9,109,034
Construction in progress	7,140,896	4,118,674	3,458,547	(5,217,554)	2,583,469
Capital assets, net	\$ 61,534,031	\$ 1,494,493	\$ 30,251,241	\$ -	\$ 32,777,283

Depreciation expense, including \$279,688 relating to the internal service funds, was charged in the following functions in the Statement of Activities:

General Government	\$ 221,678
Recreation	332,582
Community Development	2,261
Redevelopment	893,789
Public Safety	133,969
Public Works	1,288,063
	<u>\$ 2,872,342</u>

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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, 2012:

	Balance at July 1, 2011	Additions/ Accretion	Deletions	Balance at June 30, 2012	Due Within One Year
1997 Certificates of Participation Civic Center Project	\$ 12,890,000	\$ -	\$ (60,000)	\$ 12,830,000	\$ 65,000
2002 Refunding Certificates of Participation; Civic Center Project	7,875,072	121,319	(625,000)	7,371,391	650,000
2002 RDA Tax Allocation Project Central Campbell Redevelopment Project	10,155,000	-	(10,155,000)	-	-
2005 RDA Tax Allocation Bonds, Series A; Central Campbell Redevelopment Project	11,560,000	-	(11,560,000)	-	-
Compensated Absences	2,994,589	2,071,917	(1,854,263)	3,212,243	1,316,801
Other Post Employment Benefits	1,231,759	647,000	(339,112)	1,539,647	-
Total	<u>\$ 46,706,420</u>	<u>\$ 2,840,236</u>	<u>\$ (24,593,375)</u>	<u>\$ 24,953,281</u>	<u>\$ 2,031,801</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 (COP) 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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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. 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 unaccrued balance of the capital appreciation bonds is \$4,283,610 at June 30, 2012.

(c) Debt Service Requirements

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

Certificates of Participation

Year ending June 30,	Principal	Interest
2013	\$ 715,000	\$ 903,624
2014	740,000	874,374
2015	775,000	842,774
2016	810,000	808,913
2017	845,000	770,175
2018 - 2022	4,875,000	3,207,394
2023 - 2027	6,270,000	1,807,050
2028 - 2032	3,956,506	4,121,319
2033 - 2035	1,214,885	1,330,663
Total	<u>\$ 20,201,391</u>	<u>\$ 14,666,286</u>

(d) 2002 and 2005 Tax Allocation Bonds

On January 31, 2012, the Campbell Redevelopment Agency was dissolved and the outstanding debt of \$20,655,000 was transferred from the Agency to the Successor Agency and reported in the fiduciary funds at June 30, 2012.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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 special assessment debt matured in 2012 and at June 30, 2012 was \$0.

(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 or 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 former Redevelopment Agency purchased and resold real property on which Home Depot built and operates a 120,000 square-foot retail store. The former Redevelopment 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 2013, 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, 2012.

9. Net Assets and Fund Balances

(a) Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* reflects net assets that are subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

9. Net Assets and Fund Balances, continued

(a) Net Assets, continued

- *Unrestricted Net Assets* represents net assets of the City that are not restricted for any project or purpose.

(b) Fund Balances

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balances for government funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by a City Council resolution taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the City Council or (b) a body (for example: a budget or finance committee) or the City Manager to whom the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

9. Net Assets and Fund Balances, continued

(c) Fund Balances, continued

Fund balances for all the major and non-major governmental funds as of June 30, 2012, were distributed as follows:

	General Fund	Housing Assets Special Revenue Fund	COP Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable						
Due to other governments	\$ -	\$ -	\$ 7,462,350	\$ -	\$ -	\$ 7,462,350
Notes and loans receivable	-	3,021,700	-	-	1,512,669	4,534,369
Total nonspendable	<u>-</u>	<u>3,021,700</u>	<u>7,462,350</u>	<u>-</u>	<u>1,512,669</u>	<u>11,996,719</u>
Restricted						
Streets and roads	-	-	-	-	2,301,497	2,301,497
Recreation services	-	-	-	-	297,145	297,145
Capital projects	-	-	-	-	191,567	191,567
Housing	-	3,196,249	-	-	-	3,196,249
Total restricted	<u>-</u>	<u>3,196,249</u>	<u>-</u>	<u>-</u>	<u>2,790,209</u>	<u>5,986,458</u>
Committed						
General plan update	325,108	-	-	-	-	325,108
Advance to Successor Agency	200,000	-	-	-	-	200,000
Compensated absences	947,721	-	-	-	-	947,721
Economic fluctuations	5,500,000	-	-	-	-	5,500,000
Liability insurance	100,000	-	-	-	-	100,000
Capital improvements reserve	4,257,603	-	-	-	-	4,257,603
Capital projects	4,105,230	-	-	-	-	4,105,230
Workers compensation	500,000	-	-	-	-	500,000
Heritage Theater	321,420	-	-	-	-	321,420
Emergency	3,559,692	-	-	-	-	3,559,692
Total committed	<u>19,816,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,816,774</u>
Assigned						
Encumbrances	99,267	-	-	-	-	99,267
Capital projects	151,763	-	-	93,599	-	245,362
Unemployment insurance	60,000	-	-	-	-	60,000
PERS/OPEB	1,103,000	-	-	-	-	1,103,000
Total assigned	<u>1,414,030</u>	<u>-</u>	<u>-</u>	<u>93,599</u>	<u>-</u>	<u>1,507,629</u>
Unassigned						
	<u>1,013,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,955)</u>	<u>942,158</u>
Total fund balances	<u>\$ 22,243,917</u>	<u>\$ 6,217,949</u>	<u>\$ 7,462,350</u>	<u>\$ 93,599</u>	<u>\$ 4,231,923</u>	<u>\$ 40,249,738</u>

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

9. Net Assets and Fund Balances, continued

(d) Fund Balance Classifications

In the fund financial statements, governmental funds report the following classifications: nonspendable, restricted, committed, assigned, and unassigned. The City Council, as the highest level of decision making authority for the City, has the ability to *commit* fund balances through the adoption of a formal resolution. The same action must be taken to modify or rescind the commitment. The City Council has approved a policy authorizing the City Manager to *assign* fund balances.

(e) Policies

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available.

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 participants are required to contribute 7% or 8% of their annual covered salary, while safety participants contribute 9% of 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.

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, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 41.592% of payroll for the safety plan, and 14.472% 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, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

10. Defined Benefit Pension Plan (PERS), continued

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, 2009	June 30, 2009
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	24 Years as of the Valuation Date	18 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	3.55% to 14.45% depending on Age, Service, and type of employment	3.55% 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.

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 also 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		Unfunded Liability (UAAL) (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
	Normal Accrued Liability	Actuarial Value of Assets				
6/30/2009	\$ 63,022,309	\$ 55,693,090	\$ 7,329,219	88.40%	\$ 9,952,462	73.6%
6/30/2010	65,761,816	58,729,586	7,032,230	89.30%	10,054,919	69.9%
6/30/2011	71,594,598	62,189,567	9,405,031	86.90%	9,415,000	99.9%

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

10. Defined Benefit Pension Plan (PERS), continued

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)				
Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$1,700,099	\$1,022,824	100%	\$ -
6/30/2011	1,790,257	1,159,400	100%	-
6/30/2012	2,029,733	1,338,477	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.

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, 2012, total contributions of \$123,057 were made based on covered compensation of \$1,640,697.

12. Post Employment Benefits Plan

Plan Description: The City administers a single-employer Retiree Award Program which provides medical insurance benefits on a reimbursement basis to eligible retirees in accordance with various labor agreements. The City pays up to \$325 per month for retiree only medical insurance premiums or the actual cost of the retiree premium, whichever is less. Eligible retirees must be retired from the City with at least 17 years of service with the City and be at least 50 years of age.

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on the most recent actuarial study using a 10-year phase-in option.

The City has established a trust with the California Employers Retiree Benefit Trust for the purpose of holding assets accumulated for plan benefits. Copies of PERS' annual financial reports for its OPEB Trust may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

12. Post Employment Benefits Plan, continued

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$ 664,000
Interest on net OPEB obligation	70,000
Adjustment to annual required contribution	(87,000)
Annual OPEB cost (expense)	647,000
Contributions made (including premiums paid)	(339,112)
Increase in net OPEB obligation	307,888
Net OPEB obligation—beginning of year	1,231,759
Net OPEB obligation—end of year	\$ 1,539,647

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$697,000	30%	\$490,780
6/30/2011	578,000	47%	305,837
6/30/2012	647,000	52%	307,888

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2012 was as follows:

Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
1/1/2008	\$ 6,167,000	\$ 117,991	\$ 6,049,009	2%	\$ 15,034,000	40%
1/1/2010	6,169,000	244,000	5,925,000	4%	14,965,000	40%
1/1/2011	6,492,000	426,000	6,066,000	7%	14,993,000	40%

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

12. Post Employment Benefits Plan, continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.75 % investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 % initially, reduced by decrements of .8 % per year to an ultimate rate of 4.5 % after the seventh year. Both rates included a 3.0 % inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3.25 % per year.

13. Risk Management

(a) General Liability

Risk management activity for City exposure to torts (general liability) is accounted for as a liability on the Statement of Net Assets. The City is self-insured for the first \$100,000 of liability for each occurrence, and the excess (up to \$20,000,000) is covered through the City's participation in the Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN) 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.

ABAG PLAN pool consists of thirty-one member agencies within the San Francisco Bay Area. The stated purpose of the ABAG pool is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to each participating city within the pool.

Each city was required to make an initial deposit premium based on an actuarial study of each City's risk exposure. The premium consists of a risk portion and administrative portion. The premium is revised each year based on claims experience and risk exposure.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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.

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:

	Workers' Compensation	General Liability	Total
Balance as of July 1, 2010	\$ 1,376,223	\$ 159,154	\$ 1,535,377
Liability for current year fiscal claims	277,000	59,050	336,050
Increase (decrease) in estimated liability	198,387	170,594	368,981
Claims paid	(340,112)	(157,491)	(497,603)
Balance as of June 30, 2011	<u>\$ 1,511,498</u>	<u>\$ 231,307</u>	<u>\$ 1,742,805</u>
Balance as of July 1, 2011	\$ 1,511,498	\$ 231,307	\$ 1,742,805
Liability for current year fiscal claims	578,000	29,616	607,616
Increase (decrease) in estimated liability	340,527	(202,153)	138,374
Claims paid	(273,662)	(16,489)	(290,151)
Balance as of June 30, 2012	<u>\$ 2,156,363</u>	<u>\$ 42,281</u>	<u>\$ 2,198,644</u>

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

14. Joint Powers Agreement

(a) Congestion Management Agency

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

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

(b) Silicon Valley Animal Control Authority

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

During the fiscal year ended June 30, 2012, the City contributed \$318,794 to the Authority for field services and sheltering costs. Audited financial statements are available from the Authority at 2340-A Walsh Avenue, Santa Clara, California 95051.

(c) West Valley Solid Waste Management Authority

The West Valley Solid Waste Management Authority (the 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 member's 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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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, 2012 amounted to \$2,042,989. Major tenants include Delphi Academy and Old Orchard School.

Minimum future lease rental commitments at June 30, 2012 are as follows:

Year Ending June 30,	Amount
2013	\$ 1,295,306
2014	978,394
2015	796,523
2016	665,637
2017	681,441
Total minimum future lease rentals	\$ 4,417,301

16. Excess Expenditures over Appropriations

Expenditures exceeded budgeted appropriations in the following funds:

	Budget	Actual	Variance
General Fund	\$ 32,927,192	\$ 33,148,532	\$ (221,340)
Lighting and Landscaping District	2,591,402	2,623,221	(31,819)

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.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

17. Contingent Liabilities, continued

Campbell Redevelopment Successor Agency

In accordance with Assembly Bill 1X 26 and AB 1434, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012 (see Note 18 for further disclosure and information regarding the dissolution). Prior to that date, the final seven months of activity for the Redevelopment Agency (RDA) are reported in the governmental funds of the City. After the date of dissolution, the assets, liabilities, and activities of the dissolved RDA, except for those of the Successor Agency Housing Assets special revenue fund, are reported in the Successor Agency fiduciary fund (private-purpose trust fund) in the financial statements of the City. It is reasonably possible that the State Controller's Office audit could invalidate any of the obligations reported on the Successor Agency's Recognized Obligations Payment Schedule, although the obligations have been previously approved by State Department of Finance.

18. Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Campbell that previously had included a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "Successor Agency" to hold the assets until they are distributed to other units of state and local government. On August 2, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 11321.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

18. Successor Agency Trust for Assets of Former Redevelopment Agency, continued

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the Other Governmental Funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds -		
increase to net assets of the Successor Agency Trust Fund	\$	4,593,067
Capital assets recorded in the government-wide financial statements -		
increase to net assets of the Successor Agency Trust Fund		30,248,850
Long-term debt reported in the government-wide financial statements -		
decrease to net assets of the Successor Agency Trust Fund		<u>(20,655,000)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the City)	\$	<u><u>14,186,917</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAMPBELL, CALIFORNIA

GENERAL FUND

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 8,709,000	\$ 8,759,000	\$ 8,780,697	\$ 21,697
Sales and use tax	10,098,000	10,975,000	11,777,407	802,407
Other taxes	5,222,000	5,683,000	6,134,122	451,122
Licenses and permits	1,583,500	1,643,500	2,229,222	585,722
Fines and forfeitures	396,500	347,500	354,359	6,859
Investment income	438,000	388,000	191,924	(196,076)
Rents and leases	2,134,301	2,050,381	2,074,445	24,064
Intergovernmental	404,895	236,895	231,040	(5,855)
Charges for services	3,553,498	3,516,598	3,682,536	165,938
Donations	88,600	83,100	66,447	(16,653)
Miscellaneous revenues	88,100	88,100	70,073	(18,027)
Total revenues	32,716,394	33,771,074	35,592,272	1,821,198
Expenditures:				
General government	4,284,424	4,342,981	4,380,461	(37,480)
Recreation	4,699,530	4,678,513	4,569,693	108,820
Community development	1,288,718	1,516,939	1,601,352	(84,413)
Public safety	18,877,267	18,854,853	19,284,849	(429,996)
Public works	3,458,725	3,533,906	3,312,177	221,729
Total expenditures	32,608,664	32,927,192	33,148,532	(221,340)
Excess of revenues over expenditures	107,730	843,882	2,443,740	1,599,858
Other financing sources (uses):				
Transfers in	1,379,072	1,394,772	1,150,671	(244,101)
Transfers out	(2,400,046)	(7,139,524)	(3,058,010)	4,081,514
Total other financing sources (uses):	(1,020,974)	(5,744,752)	(1,907,339)	3,837,413
Net change in fund balance	(913,244)	(4,900,870)	536,401	5,437,271
Fund balance at beginning of year	21,707,516	21,707,516	21,707,516	-
Fund balance at end of year	\$ 20,794,272	\$ 16,806,646	\$ 22,243,917	\$ 5,437,271

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Fiscal year ended June 30, 2012

1. Budgets and Budgetary Data

The City adopts a budget annually for General, 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 by each department head, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. Budget adjustments within the adopted budget of less than \$10,000, or requiring a transfer from reserves of less than \$5,000, may be approved by the City Manager; otherwise, City Council approval is required. All budget adjustments to capital projects must be approved by the City Council. Thus, the legal level of expenditure control is, effectively, at the department level. For the General Fund, budgetary comparisons for line operating departments are presented and supporting departments, Finance and City Manager are combined as General Government. All appropriations lapse at year end. During the fiscal year, 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 the Housing Assets Special Revenue Fund which was a fund created on February 1, 2012 from the dissolution of the former redevelopment agency and the Capital Project Funds which budget on a project length basis and, therefore, are not comparable on an annual basis. Accordingly, no budgetary comparisons for these 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.

(This page intentionally left blank.)

SUPPLEMENTARY SCHEDULES

CITY OF CAMPBELL, CALIFORNIA
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.

Vehicle Impact Fees – Accounts for revenues and expenditures pertaining to street maintenance.

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.

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. This fund was dissolved by State Legislation, effective February 1, 2012.

Major and Non-Major Debt Service Funds:

COP 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. This fund was dissolved by State Legislation, effective February 1, 2012.

CITY OF CAMPBELL, CALIFORNIA
MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

Major and Non-Major Capital Projects Funds:

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

2002 TAB RDA Capital Projects 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. This fund was dissolved by State Legislation, effective February 1, 2012.

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 expenditures of Redevelopment Agency projects.

CITY OF CAMPBELL, CALIFORNIA
COP DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Miscellaneous revenues	\$ 400,000	\$ 379,755	\$ (20,245)
Total revenues	<u>400,000</u>	<u>379,755</u>	<u>(20,245)</u>
Expenditures:			
Debt service:			
Principal	685,000	685,000	-
Interest	920,681	920,650	31
Total expenditures	<u>1,605,681</u>	<u>1,605,650</u>	<u>31</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,205,681)</u>	<u>(1,225,895)</u>	<u>(20,214)</u>
Other financing sources (uses):			
Transfers in	542,336	942,305	399,969
Total other financing sources (uses)	<u>542,336</u>	<u>942,305</u>	<u>399,969</u>
Net change in fund balance	(663,345)	(283,590)	379,755
Fund balance at beginning of year	<u>7,745,940</u>	<u>7,745,940</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 7,082,595</u></u>	<u><u>\$ 7,462,350</u></u>	<u><u>\$ 379,755</u></u>

CITY OF CAMPBELL, CALIFORNIA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Project revenues	\$ 757,814	\$ 43,609	\$ (714,205)
	<u>757,814</u>	<u>43,609</u>	<u>(714,205)</u>
Total revenues			
Expenditures:			
Current:			
General government	155,127	-	155,127
Recreation	155,534	151,407	4,127
Redevelopment	1,462,909	886,820	576,089
Public works	12,448,575	3,250,470	9,198,105
Capital outlay	2,604,444	201,883	2,402,561
	<u>16,826,589</u>	<u>4,490,580</u>	<u>12,336,009</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(16,068,775)</u>	<u>(4,446,971)</u>	<u>11,621,804</u>
Other financing sources (uses):			
Transfers in	16,179,216	4,446,971	(11,732,245)
	<u>16,179,216</u>	<u>4,446,971</u>	<u>(11,732,245)</u>
Total other financing sources (uses)			
Net change in fund balance	110,441	-	(110,441)
Fund balance at beginning of year	<u>93,599</u>	<u>93,599</u>	<u>-</u>
Fund balance at end of year	<u>\$ 204,040</u>	<u>\$ 93,599</u>	<u>\$ (110,441)</u>

CITY OF CAMPBELL, CALIFORNIA

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEETS

June 30, 2012

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total
<u>Assets</u>				
Cash and investments	\$ 2,461,486	\$ -	\$ 140,412	\$ 2,601,898
Taxes receivable	3,432	-	-	3,432
Accounts receivable	1,155,387	-	-	1,155,387
Notes and loans	1,512,669	-	-	1,512,669
Due from other funds	12,930	-	-	12,930
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 5,145,904</u>	<u>\$ -</u>	<u>\$ 140,412</u>	<u>\$ 5,286,316</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 169,678	\$ -	\$ -	\$ 169,678
Accrued payroll	46,835	-	-	46,835
Due to other funds	731,389	-	-	731,389
Deferred revenue	106,491	-	-	106,491
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,054,393</u>	<u>-</u>	<u>-</u>	<u>1,054,393</u>
 Fund balances:				
Nonspendable	1,512,669	-	-	1,512,669
Restricted	2,649,797	-	140,412	2,790,209
Unassigned	(70,955)	-	-	(70,955)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>4,091,511</u>	<u>-</u>	<u>140,412</u>	<u>4,231,923</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 5,145,904</u>	<u>\$ -</u>	<u>\$ 140,412</u>	<u>\$ 5,286,316</u>

CITY OF CAMPBELL, CALIFORNIA

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Fiscal Year Ended June 30, 2012

	Special Revenue Funds	RDA Debt Service Fund	Capital Projects Funds	Total
Revenues:				
Property taxes	\$ 1,473,911	\$ 1,638,474	\$ -	\$ 3,112,385
Special assessments	1,135,465	-	-	1,135,465
Investment income	114,748	31,512	942	147,202
Rents and leases	15,724	-	-	15,724
Intergovernmental	3,492,489	-	-	3,492,489
Charges for services	377,195	-	-	377,195
Donations	86,600	-	-	86,600
Parkland dedication fees	447,462	-	-	447,462
Miscellaneous revenues	7,322	-	-	7,322
Total revenues	7,150,916	1,669,986	942	8,821,844
Expenditures				
Current:				
Community development	174,637	-	-	174,637
Redevelopment	773,760	-	168,871	942,631
Public safety	99,999	-	-	99,999
Public works	3,593,409	-	-	3,593,409
Debt service:				
Principal	-	1,060,000	-	1,060,000
Interest expense	-	767,881	-	767,881
Total expenditures	4,641,805	1,827,881	168,871	6,638,557
Excess (deficiency) of revenues over (under) expenditures	2,509,111	(157,895)	(167,929)	2,183,287
Other financing sources (uses):				
Transfers in	1,561,850	-	234,693	1,796,543
Transfers out	(10,965,923)	(468,026)	(219,098)	(11,653,047)
Total other financing sources (uses)	(9,404,073)	(468,026)	15,595	(9,856,504)
Extraordinary loss	(6,483,343)	1,974,232	(83,956)	(4,593,067)
Net change in fund balances	(13,378,305)	1,348,311	(236,290)	(12,266,284)
Fund balances (deficit) at beginning of year	17,469,816	(1,348,311)	376,702	16,498,207
Fund balances at end of year	\$ 4,091,511	\$ -	\$ 140,412	\$ 4,231,923

CITY OF CAMPBELL, CALIFORNIA
NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2012

	Gas Tax	Vehicle Impact Fees	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant
<u>Assets</u>					
Cash and investments	\$ 543,894	\$ 736,528	\$ 294,075	\$ 114,195	\$ 44,623
Taxes receivable	-	-	-	3,432	-
Accounts receivable	117,999	8,383	-	14,693	8,463
Notes and loans	-	-	-	-	1,512,669
Due from other funds	6,154	-	3,070	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 668,047</u>	<u>\$ 744,911</u>	<u>\$ 297,145</u>	<u>\$ 132,320</u>	<u>\$ 1,565,755</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 43,424	\$ -	\$ -	\$ 99,227	\$ 27,027
Accrued payroll	13,742	-	-	33,093	-
Due to other funds	-	-	-	-	97,014
Deferred revenue	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>57,166</u>	<u>-</u>	<u>-</u>	<u>132,320</u>	<u>124,041</u>
Fund balances (deficit):					
Nonspendable	-	-	-	-	1,512,669
Restricted	610,881	744,911	297,145	-	-
Unassigned	-	-	-	-	(70,955)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>610,881</u>	<u>744,911</u>	<u>297,145</u>	<u>-</u>	<u>1,441,714</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 668,047</u>	<u>\$ 744,911</u>	<u>\$ 297,145</u>	<u>\$ 132,320</u>	<u>\$ 1,565,755</u>

Other Grants	Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	RDA Housing Special Revenue Fund	Total
\$ 109,265	\$ 10,470	\$ 361,857	\$ 75,768	\$ 170,811	\$ -	\$ 2,461,486
-	-	-	-	-	-	3,432
711,727	-	269,122	25,000	-	-	1,155,387
-	-	-	-	-	-	1,512,669
971	-	1,484	400	851	-	12,930
<u>\$ 821,963</u>	<u>\$ 10,470</u>	<u>\$ 632,463</u>	<u>\$ 101,168</u>	<u>\$ 171,662</u>		<u>\$ 5,145,904</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,678
-	-	-	-	-	-	46,835
634,375	-	-	-	-	-	731,389
6,491	-	-	100,000	-	-	106,491
640,866	-	-	100,000	-	-	1,054,393
-	-	-	-	-	-	1,512,669
181,097	10,470	632,463	1,168	171,662	-	2,649,797
-	-	-	-	-	-	(70,955)
181,097	10,470	632,463	1,168	171,662	-	4,091,511
<u>\$ 821,963</u>	<u>\$ 10,470</u>	<u>\$ 632,463</u>	<u>\$ 101,168</u>	<u>\$ 171,662</u>	<u>\$ -</u>	<u>\$ 5,145,904</u>

CITY OF CAMPBELL, CALIFORNIA
NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal Year Ended June 30, 2012

	Gas Tax	Vehicle Impact Fees	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ 794,663	\$ -
Special assessments	-	-	-	1,135,465	-
Investment income	12,952	-	6,131	-	19,550
Rents and leases	-	-	-	-	-
Intergovernmental	1,146,084	358,529	-	2,406	62,688
Charges for services	-	-	-	-	54,014
Donations	-	-	-	-	-
Parkland dedication fees	-	-	447,462	-	-
Miscellaneous revenues	1,695	-	-	5,479	148
Total revenues	<u>1,160,731</u>	<u>358,529</u>	<u>453,593</u>	<u>1,938,013</u>	<u>136,400</u>
Expenditures:					
Current:					
Community development	-	-	-	-	174,637
Redevelopment	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	970,188	-	-	2,623,221	-
Total expenditures	<u>970,188</u>	<u>-</u>	<u>-</u>	<u>2,623,221</u>	<u>174,637</u>
Excess (deficiency) of revenues over (under) expenditures	<u>190,543</u>	<u>358,529</u>	<u>453,593</u>	<u>(685,208)</u>	<u>(38,237)</u>
Other financing sources (uses):					
Transfers in	305,609	-	-	791,508	12,733
Transfers out	(303,225)	(139,067)	(1,023,635)	(106,300)	-
Total other financing sources (uses)	<u>2,384</u>	<u>(139,067)</u>	<u>(1,023,635)</u>	<u>685,208</u>	<u>12,733</u>
Extraordinary loss	-	-	-	-	-
Net change in fund balances	192,927	219,462	(570,042)	-	(25,504)
Fund balances at beginning of year	417,954	525,449	867,187	-	1,467,218
Fund balances at end of year	<u>\$ 610,881</u>	<u>\$ 744,911</u>	<u>\$ 297,145</u>	<u>\$ -</u>	<u>\$ 1,441,714</u>

Other Grants	Drug Enforcement Revenue	Environmental Services	Supplemental Law Enforcement	Museum and Adult Center	RDA Housing Special Revenue Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 679,248	\$ 1,473,911
-	-	-	-	-	-	1,135,465
2,484	-	3,060	827	1,829	67,915	114,748
-	-	-	-	-	15,724	15,724
1,807,220	4,628	10,934	100,000	-	-	3,492,489
-	-	323,181	-	-	-	377,195
-	-	-	-	86,600	-	86,600
-	-	-	-	-	-	447,462
-	-	-	-	-	-	7,322
<u>1,809,704</u>	<u>4,628</u>	<u>337,175</u>	<u>100,827</u>	<u>88,429</u>	<u>762,887</u>	<u>7,150,916</u>
-	-	-	-	-	-	174,637
-	-	-	-	-	773,760	773,760
-	-	-	99,999	-	-	99,999
-	-	-	-	-	-	3,593,409
-	-	-	99,999	-	773,760	4,641,805
<u>1,809,704</u>	<u>4,628</u>	<u>337,175</u>	<u>828</u>	<u>88,429</u>	<u>(10,873)</u>	<u>2,509,111</u>
-	-	452,000	-	-	-	1,561,850
<u>(1,989,612)</u>	<u>(3,500)</u>	<u>(847,569)</u>	<u>-</u>	<u>(59,880)</u>	<u>(6,493,135)</u>	<u>(10,965,923)</u>
<u>(1,989,612)</u>	<u>(3,500)</u>	<u>(395,569)</u>	<u>-</u>	<u>(59,880)</u>	<u>(6,493,135)</u>	<u>(9,404,073)</u>
-	-	-	-	-	(6,483,343)	(6,483,343)
(179,908)	1,128	(58,394)	828	28,549	(12,987,351)	(13,378,305)
361,005	9,342	690,857	340	143,113	12,987,351	17,469,816
<u>\$ 181,097</u>	<u>\$ 10,470</u>	<u>\$ 632,463</u>	<u>\$ 1,168</u>	<u>\$ 171,662</u>	<u>\$ -</u>	<u>\$ 4,091,511</u>

CITY OF CAMPBELL, CALIFORNIA

GAS TAX

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment income	\$ -	\$ 12,952	\$ 12,952
Intergovernmental	1,105,000	1,146,084	41,084
Miscellaneous revenues	2,500	1,695	(805)
	<u>1,107,500</u>	<u>1,160,731</u>	<u>53,231</u>
Total revenues			
Expenditures:			
Current:			
Public works	1,077,695	970,188	107,507
	<u>1,077,695</u>	<u>970,188</u>	<u>107,507</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	29,805	190,543	160,738
	<u>29,805</u>	<u>190,543</u>	<u>160,738</u>
Other financing sources (uses):			
Transfers in	305,300	305,609	309
Transfers out	(541,525)	(303,225)	238,300
	<u>(236,225)</u>	<u>2,384</u>	<u>238,609</u>
Total other financing sources (uses)			
Net change in fund balance	(206,420)	192,927	399,347
	<u>(206,420)</u>	<u>192,927</u>	<u>399,347</u>
Fund balance at beginning of year	417,954	417,954	-
	<u>417,954</u>	<u>417,954</u>	<u>-</u>
Fund balance at end of year	\$ 211,534	\$ 610,881	\$ 399,347
	<u>\$ 211,534</u>	<u>\$ 610,881</u>	<u>\$ 399,347</u>

CITY OF CAMPBELL, CALIFORNIA

VEHICLE IMPACT FEES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 330,000</u>	<u>\$ 358,529</u>	<u>\$ 28,529</u>
Total revenues	<u>330,000</u>	<u>358,529</u>	<u>28,529</u>
Excess (deficiency) of revenues over (under) expenditures	<u>330,000</u>	<u>358,529</u>	<u>28,529</u>
Other financing sources (uses):			
Transfers out	<u>(753,000)</u>	<u>(139,067)</u>	<u>613,933</u>
Total other financing sources (uses)	<u>(753,000)</u>	<u>(139,067)</u>	<u>613,933</u>
Net change in fund balance	<u>(423,000)</u>	<u>219,462</u>	<u>642,462</u>
Fund balance at beginning of year	<u>525,449</u>	<u>525,449</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 102,449</u></u>	<u><u>\$ 744,911</u></u>	<u><u>\$ 642,462</u></u>

CITY OF CAMPBELL, CALIFORNIA

PARKLAND DEDICATION FEES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 3,000	\$ 6,131	\$ 3,131
Parkland dedication fees	-	447,462	447,462
	<u>3,000</u>	<u>453,593</u>	<u>450,593</u>
Total revenues			
Excess (deficiency) of revenues over (under) expenditures	<u>3,000</u>	<u>453,593</u>	<u>450,593</u>
Other financing sources (uses):			
Transfers out	<u>(1,202,318)</u>	<u>(1,023,635)</u>	<u>178,683</u>
Total other financing sources (uses)	<u>(1,202,318)</u>	<u>(1,023,635)</u>	<u>178,683</u>
Net change in fund balance	(1,199,318)	(570,042)	629,276
Fund balance at beginning of year	<u>867,187</u>	<u>867,187</u>	-
Fund balance (deficit) at end of year	<u><u>\$ (332,131)</u></u>	<u><u>\$ 297,145</u></u>	<u><u>\$ 629,276</u></u>

CITY OF CAMPBELL, CALIFORNIA
LIGHTING AND LANDSCAPING DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 675,000	\$ 794,663	\$ 119,663
Special assessments	1,140,000	1,135,465	(4,535)
Intergovernmental	2,500	2,406	(94)
Miscellaneous revenues	33,000	5,479	(27,521)
Total revenues	<u>1,850,500</u>	<u>1,938,013</u>	<u>87,513</u>
Expenditures:			
Current:			
Public works	<u>2,591,402</u>	<u>2,623,221</u>	<u>(31,819)</u>
Total expenditures	<u>2,591,402</u>	<u>2,623,221</u>	<u>(31,819)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(740,902)</u>	<u>(685,208)</u>	<u>55,694</u>
Other financing sources (uses):			
Transfers in	823,729	791,508	(32,221)
Transfers out	<u>(106,300)</u>	<u>(106,300)</u>	<u>-</u>
Total other financing sources (uses)	<u>717,429</u>	<u>685,208</u>	<u>(32,221)</u>
Net change in fund balance	(23,473)	-	23,473
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (23,473)</u>	<u>\$ -</u>	<u>\$ 23,473</u>

CITY OF CAMPBELL, CALIFORNIA
COMMUNITY DEVELOPMENT BLOCK GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 19,550	\$ 19,550
Intergovernmental	106,808	62,688	(44,120)
Charges for services	54,000	54,014	14
Miscellaneous revenues	-	148	148
Total revenues	160,808	136,400	(24,408)
Expenditures:			
Current:			
Community development	397,111	174,637	222,474
Total expenditures	397,111	174,637	222,474
Excess (deficiency) of revenues over (under) expenditures	(236,303)	(38,237)	198,066
Other financing sources (uses):			
Transfers in	60,695	12,733	(47,962)
Total other financing sources (uses)	60,695	12,733	(47,962)
Net change in fund balance	(175,608)	(25,504)	150,104
Fund balance at beginning of year	1,467,218	1,467,218	-
Fund balance at end of year	\$ 1,291,610	\$ 1,441,714	\$ 150,104

CITY OF CAMPBELL, CALIFORNIA

OTHER GRANTS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 2,484	\$ 2,484
Intergovernmental	8,412,672	1,807,220	(6,605,452)
	<u>8,412,672</u>	<u>1,809,704</u>	<u>(6,602,968)</u>
Total revenues			
	8,412,672	1,809,704	(6,602,968)
Excess (deficiency) of revenues over (under) expenditures	<u>8,412,672</u>	<u>1,809,704</u>	<u>(6,602,968)</u>
Other financing sources (uses):			
Transfers out	<u>(8,402,672)</u>	<u>(1,989,612)</u>	<u>6,413,060</u>
Total other financing sources (uses)	<u>(8,402,672)</u>	<u>(1,989,612)</u>	<u>6,413,060</u>
Net change in fund balance	10,000	(179,908)	(189,908)
Fund balance at beginning of year	<u>361,005</u>	<u>361,005</u>	<u>-</u>
Fund balance at end of year	<u>\$ 371,005</u>	<u>\$ 181,097</u>	<u>\$ (189,908)</u>

CITY OF CAMPBELL, CALIFORNIA

DRUG ENFORCEMENT REVENUE

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	<u>\$ 3,500</u>	<u>\$ 4,628</u>	<u>\$ 1,128</u>
Total revenues	<u>3,500</u>	<u>4,628</u>	<u>1,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,500</u>	<u>4,628</u>	<u>1,128</u>
Other financing sources (uses):			
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Net change in fund balance	-	1,128	1,128
Fund balance at beginning of year	<u>9,342</u>	<u>9,342</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 9,342</u></u>	<u><u>\$ 10,470</u></u>	<u><u>\$ 1,128</u></u>

CITY OF CAMPBELL, CALIFORNIA

ENVIRONMENTAL SERVICES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment income	\$ 2,000	\$ 3,060	\$ 1,060
Intergovernmental	5,000	10,934	5,934
Charges for services	<u> 310,300</u>	<u> 323,181</u>	<u> 12,881</u>
Total revenues	<u> 317,300</u>	<u> 337,175</u>	<u> 19,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u> 317,300</u>	<u> 337,175</u>	<u> 19,875</u>
Other financing sources (uses):			
Transfers in	452,000	452,000	-
Transfers out	<u> (977,247)</u>	<u> (847,569)</u>	<u> 129,678</u>
Total other financing sources and (uses)	<u> (525,247)</u>	<u> (395,569)</u>	<u> 129,678</u>
Net change in fund balance	(207,947)	(58,394)	149,553
Fund balance at beginning of year	<u> 690,857</u>	<u> 690,857</u>	<u> -</u>
Fund balance at end of year	<u><u> \$ 482,910</u></u>	<u><u> \$ 632,463</u></u>	<u><u> \$ 149,553</u></u>

CITY OF CAMPBELL, CALIFORNIA
SUPPLEMENTAL LAW ENFORCEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 827	\$ 827
Intergovernmental	100,000	100,000	-
Total revenues	<u>100,000</u>	<u>100,827</u>	<u>827</u>
Expenditures:			
Current:			
Public safety	<u>100,000</u>	<u>99,999</u>	<u>1</u>
Total expenditures	<u>100,000</u>	<u>99,999</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>828</u>	<u>828</u>
Fund balance at beginning of year	<u>340</u>	<u>340</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 340</u></u>	<u><u>\$ 1,168</u></u>	<u><u>\$ 828</u></u>

CITY OF CAMPBELL, CALIFORNIA
MUSEUM AND ADULT CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	\$ 1,829	\$ 1,829
Donations	62,914	86,600	23,686
Total revenues	<u>62,914</u>	<u>88,429</u>	<u>25,515</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,914</u>	<u>88,429</u>	<u>25,515</u>
Other financing sources (uses):			
Transfers out	<u>(53,914)</u>	<u>(59,880)</u>	<u>(5,966)</u>
Total other financing sources (uses)	<u>(53,914)</u>	<u>(59,880)</u>	<u>(5,966)</u>
Net change in fund balance	9,000	28,549	19,549
Fund balance at beginning of year	<u>143,113</u>	<u>143,113</u>	<u>-</u>
Fund balance at end of year	<u>\$ 152,113</u>	<u>\$ 171,662</u>	<u>\$ 19,549</u>

CITY OF CAMPBELL, CALIFORNIA
REDEVELOPMENT AGENCY HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ 1,288,735	\$ 679,248	\$ (609,487)
Investment income	75,000	-	(75,000)
Intergovernmental revenues	-	67,915	67,915
Rents and leases	-	15,724	15,724
	<u>1,363,735</u>	<u>762,887</u>	<u>(600,848)</u>
Expenditures:			
Current:			
Redevelopment	<u>1,101,143</u>	<u>773,760</u>	<u>327,383</u>
	<u>1,101,143</u>	<u>773,760</u>	<u>327,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>262,592</u>	<u>(10,873)</u>	<u>(273,465)</u>
Other financing sources (uses):			
Transfers out	<u>(118,491)</u>	<u>(6,493,135)</u>	<u>(6,374,644)</u>
	<u>(118,491)</u>	<u>(6,493,135)</u>	<u>(6,374,644)</u>
Extraordinary loss	<u>-</u>	<u>(6,483,343)</u>	<u>(6,483,343)</u>
Net change in fund balance	144,101	(12,987,351)	(13,131,452)
Fund balance at beginning of year	<u>12,987,351</u>	<u>12,987,351</u>	<u>-</u>
Fund balance at end of year	<u>\$ 13,131,452</u>	<u>\$ -</u>	<u>\$ (13,131,452)</u>

CITY OF CAMPBELL, CALIFORNIA

RDA DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ 5,154,940	\$ 1,638,474	\$ (3,516,466)
Intergovernmental revenues	100,000	31,512	(68,488)
	<u>5,254,940</u>	<u>1,669,986</u>	<u>(3,584,954)</u>
Expenditures:			
Debt Service:			
Principal	1,343,590	1,060,000	283,590
Interest expense	1,495,980	767,881	728,099
	<u>2,839,570</u>	<u>1,827,881</u>	<u>1,011,689</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,415,370</u>	<u>(157,895)</u>	<u>(2,573,265)</u>
Other financing sources (uses):			
Transfers in	200,000	-	(200,000)
Transfers out	<u>(595,138)</u>	<u>(468,026)</u>	<u>127,112</u>
	<u>(395,138)</u>	<u>(468,026)</u>	<u>(72,888)</u>
Extraordinary gain	-	1,974,232	1,974,232
Net change in fund balance	2,020,232	1,348,311	(671,921)
Fund balance (deficit) at beginning of year	<u>(1,348,311)</u>	<u>(1,348,311)</u>	<u>-</u>
Fund balance at end of year	<u>\$ 671,921</u>	<u>\$ -</u>	<u>\$ (671,921)</u>

CITY OF CAMPBELL, CALIFORNIA
NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

June 30, 2012

	2002 TAB RDA Capital Projects	COP Projects	RDA Capital Projects	Total
<u>Assets</u>				
Cash and investments	\$ -	\$ 140,412	\$ -	\$ 140,412
Total assets	\$ -	\$ 140,412	\$ -	\$ 140,412
<u>Fund Balances</u>				
Fund balances:				
Restricted	\$ -	\$ 140,412	\$ -	\$ 140,412
Total fund balances	\$ -	\$ 140,412	\$ -	\$ 140,412

CITY OF CAMPBELL, CALIFORNIA

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Fiscal Year Ended June 30, 2012

	2002 TAB RDA Capital Projects	COP Projects	RDA Capital Projects	Total
Revenues:				
Investment income	\$ 864	\$ -	\$ 78	\$ 942
Total revenues	<u>864</u>	<u>-</u>	<u>78</u>	<u>942</u>
Expenditures:				
Redevelopment	<u>-</u>	<u>-</u>	<u>168,871</u>	<u>168,871</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>168,871</u>	<u>168,871</u>
Excess (deficiency) of revenues over (under) expenditures	<u>864</u>	<u>-</u>	<u>(168,793)</u>	<u>(167,929)</u>
Other financing sources (uses):				
Transfers in	-	-	234,693	234,693
Transfers out	<u>(96,350)</u>	<u>-</u>	<u>(122,748)</u>	<u>(219,098)</u>
Total other financing sources (uses)	<u>(96,350)</u>	<u>-</u>	<u>111,945</u>	<u>15,595</u>
Extraordinary gain (loss)	<u>(97,515)</u>	<u>-</u>	<u>13,559</u>	<u>(83,956)</u>
Net change in fund balance	(193,001)	-	(43,289)	(236,290)
Fund balances at beginning of year	<u>193,001</u>	<u>140,412</u>	<u>43,289</u>	<u>376,702</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ 140,412</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 140,412</u></u>

CITY OF CAMPBELL, CALIFORNIA

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, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2012

	<u>Motor Vehicle Pool</u>	<u>Workers' Compensation Self-Insurance</u>	<u>Information Technology Services</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 573,616	\$ 3,256,127	\$ 1,465,876	\$ 5,295,619
Deposits	-	90,000	-	90,000
Total current assets	<u>573,616</u>	<u>3,346,127</u>	<u>1,465,876</u>	<u>5,385,619</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	<u>588,490</u>	-	<u>213,327</u>	<u>801,817</u>
Total assets	<u>1,162,106</u>	<u>3,346,127</u>	<u>1,679,203</u>	<u>6,187,436</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	39,077	28,584	4,379	72,040
Accrued payroll	5,512	-	8,294	13,806
Noncurrent liabilities:				
Compensated absences	13,386	-	23,505	36,891
Claims and judgments payable	-	<u>2,156,363</u>	-	<u>2,156,363</u>
Total liabilities	<u>57,975</u>	<u>2,184,947</u>	<u>36,178</u>	<u>2,279,100</u>
Net assets:				
Invested in capital assets	588,490	-	213,327	801,817
Unrestricted	<u>515,641</u>	<u>1,161,180</u>	<u>1,429,698</u>	<u>3,106,519</u>
Total net assets	<u>\$ 1,104,131</u>	<u>\$ 1,161,180</u>	<u>\$ 1,643,025</u>	<u>\$ 3,908,336</u>

CITY OF CAMPBELL, CALIFORNIA

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Fiscal Year Ended June 30, 2012

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
Operating revenues:				
Charges for services	\$ 856,178	\$ 577,095	\$ 797,642	\$ 2,230,915
Other	17,499	-	5,460	22,959
Total operating revenues	<u>873,677</u>	<u>577,095</u>	<u>803,102</u>	<u>2,253,874</u>
Operating expenses:				
Personnel services	267,355	37,011	531,497	835,863
Services and supplies	548,791	1,003,664	243,993	1,796,448
Depreciation	173,337	-	106,351	279,688
Total operating expenses	<u>989,483</u>	<u>1,040,675</u>	<u>881,841</u>	<u>2,911,999</u>
Operating loss	<u>(115,806)</u>	<u>(463,580)</u>	<u>(78,739)</u>	<u>(658,125)</u>
Loss before transfers	<u>(115,806)</u>	<u>(463,580)</u>	<u>(78,739)</u>	<u>(658,125)</u>
Transfers:				
Transfers out	<u>(45,000)</u>	<u>-</u>	<u>(24,900)</u>	<u>(69,900)</u>
Total transfers	<u>(45,000)</u>	<u>-</u>	<u>(24,900)</u>	<u>(69,900)</u>
Change in net assets	(160,806)	(463,580)	(103,639)	(728,025)
Net assets at beginning of year	<u>1,264,937</u>	<u>1,624,760</u>	<u>1,746,664</u>	<u>4,636,361</u>
Net assets at end of year	<u><u>\$ 1,104,131</u></u>	<u><u>\$ 1,161,180</u></u>	<u><u>\$ 1,643,025</u></u>	<u><u>\$ 3,908,336</u></u>

CITY OF CAMPBELL, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2012

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
Cash flows from operating activities:				
Cash received from department users	\$ 873,677	\$ 629,437	\$ 803,102	\$ 2,306,216
Cash payments to suppliers of goods and services	(261,970)	(426,569)	(253,247)	(941,786)
Cash payments to employees for services	(512,638)	(37,011)	(529,305)	(1,078,954)
Net cash provided by operating activities	<u>99,069</u>	<u>165,857</u>	<u>20,550</u>	<u>285,476</u>
Cash flows from non-capital financing activities:				
Cash paid to other funds	(45,000)	-	(24,900)	(69,900)
Net cash used for non-capital and financing activities	<u>(45,000)</u>	<u>-</u>	<u>(24,900)</u>	<u>(69,900)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(170,470)	-	(75,300)	(245,770)
Net cash used for capital and related financing activities	<u>(170,470)</u>	<u>-</u>	<u>(75,300)</u>	<u>(245,770)</u>
Net decrease in cash and cash equivalents	(116,401)	165,857	(79,650)	(30,194)
Cash and cash equivalents at beginning of year	<u>690,017</u>	<u>3,090,270</u>	<u>1,545,526</u>	<u>5,325,813</u>
Cash and cash equivalents at end of year	<u>\$ 573,616</u>	<u>\$ 3,256,127</u>	<u>\$ 1,465,876</u>	<u>\$ 5,295,619</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating (loss)	\$ (115,806)	\$ (463,580)	\$ (78,739)	\$ (658,125)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	173,337	-	106,351	279,688
Increase (decrease) in accounts payable	36,153	(15,428)	(9,254)	11,471
Increase (decrease) in accrued payroll	(282)	-	(613)	(895)
Increase (decrease) in compensated absences	5,667	-	2,805	8,472
Increase (decrease) in claims and judgments payable	-	644,865	-	644,865
Net cash provided by (used for) operating activities	<u>\$ 99,069</u>	<u>\$ 165,857</u>	<u>\$ 20,550</u>	<u>\$ 285,476</u>

There were no significant noncash investing or financing activities for the year ended June 30, 2012.

CITY OF CAMPBELL, CALIFORNIA

AGENCY 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, CALIFORNIA

AGENCY FUNDS

COMBINING BALANCE SHEET

June 30, 2012

	West Valley Solid Waste Management Authority	1915 Act Bonds	Total
	<hr/>	<hr/>	<hr/>
<u>Assets</u>			
Cash and investments	\$ 229,440	\$ 30,153	\$ 259,593
Taxes receivable	-	66	66
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 229,440</u>	<u>\$ 30,219</u>	<u>\$ 259,659</u>
 <u>Liabilities</u>			
Accounts payable	\$ 70,661	\$ -	\$ 70,661
Due to West Valley Solid Waste JPA	158,779	-	158,779
Due to bondholders	-	30,219	30,219
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 229,440</u>	<u>\$ 30,219</u>	<u>\$ 259,659</u>

CITY OF CAMPBELL, CALIFORNIA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Fiscal Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<i>West Valley Solid Waste Management Authority</i>				
Assets:				
Restricted cash and investments	\$ 210,331	\$ 173,043	\$ 153,934	\$ 229,440
Accounts receivable	-	53,823	53,823	-
Total assets	<u>\$ 210,331</u>	<u>\$ 226,866</u>	<u>\$ 207,757</u>	<u>\$ 229,440</u>
Liabilities:				
Accounts payable	\$ 3,339	\$ 211,575	\$ 144,253	\$ 70,661
Due to West Valley Solid Waste JPA	206,992	15,291	63,504	158,779
Total liabilities	<u>\$ 210,331</u>	<u>\$ 226,866</u>	<u>\$ 207,757</u>	<u>\$ 229,440</u>
<i>1915 Act Bonds</i>				
Assets:				
Restricted cash and investments	\$ 121,583	\$ 105	\$ 91,535	\$ 30,153
Accounts receivable	106,117	-	106,117	-
Taxes receivable	63	66	63	66
Total assets	<u>\$ 227,763</u>	<u>\$ 171</u>	<u>\$ 197,715</u>	<u>\$ 30,219</u>
Liabilities:				
Due to bondholders	\$ 227,763	\$ 171	\$ 197,715	\$ 30,219
Total liabilities	<u>\$ 227,763</u>	<u>\$ 171</u>	<u>\$ 197,715</u>	<u>\$ 30,219</u>
<i>Total Agency Funds</i>				
Assets:				
Restricted cash and investments	\$ 331,914	\$ 173,148	\$ 245,469	\$ 259,593
Accounts receivable	106,117	53,823	159,940	-
Taxes receivable	63	66	63	66
Total assets	<u>\$ 438,094</u>	<u>\$ 227,037</u>	<u>\$ 405,472</u>	<u>\$ 259,659</u>
Liabilities:				
Accounts payable	\$ 3,339	\$ 211,575	\$ 144,253	\$ 70,661
Due to West Valley Solid Waste JPA	206,992	15,291	63,504	158,779
Due to bondholders	227,763	171	197,715	30,219
Total liabilities	<u>\$ 438,094</u>	<u>\$ 227,037</u>	<u>\$ 405,472</u>	<u>\$ 259,659</u>

CITY OF CAMPBELL

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

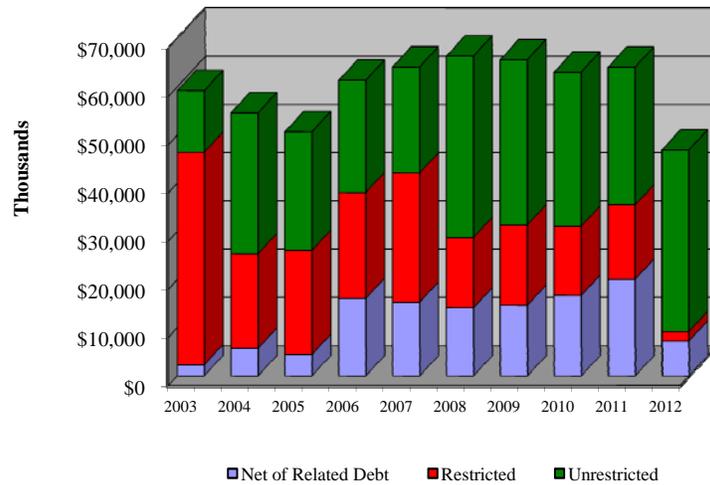
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

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

(This page intentionally left blank.)

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



	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Governmental activities				(A)	
Invested in capital assets, net of related debt	\$2,291,074	\$5,703,594	\$4,418,382	\$16,051,887	\$15,281,718
Restricted	44,115,595	19,654,944	21,632,981	22,030,785	26,856,233
Unrestricted	12,777,536	29,225,563	24,595,115	23,247,960	21,970,832
Total governmental activities net assets	<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>

Primary government					
Invested in capital assets, net of related debt	\$2,291,074	\$5,703,594	\$4,418,382	\$16,051,887	\$15,281,718
Restricted	44,115,595	19,654,944	21,632,981	22,030,785	26,856,233
Unrestricted	12,777,536	29,225,563	24,595,115	23,247,960	21,970,832
Total primary government net assets	<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>

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Governmental activities					(B)
Invested in capital assets, net of related debt	\$14,093,995	\$14,625,860	\$16,661,364	\$20,021,321	\$7,217,008
Restricted	14,637,426	16,706,585	14,402,444	15,439,033	1,977,099
Unrestricted	37,606,549	34,276,409	31,978,555	28,600,667	37,664,630
Total governmental activities net assets	<u>\$66,337,970</u>	<u>\$65,608,854</u>	<u>\$63,042,363</u>	<u>\$64,061,021</u>	<u>\$46,858,737</u>

Primary government					
Invested in capital assets, net of related debt	\$14,093,995	\$14,625,860	\$16,661,364	\$20,021,321	\$7,217,008
Restricted	14,637,426	16,706,585	14,402,444	15,439,033	1,977,099
Unrestricted	37,606,549	34,276,409	31,978,555	28,600,667	37,664,630
Total primary government net assets	<u>\$66,337,970</u>	<u>\$65,608,854</u>	<u>\$63,042,363</u>	<u>\$64,061,021</u>	<u>\$46,858,737</u>

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

(B) Dissolution of the Redevelopment Agency on 1/31/2012 resulted in a \$17.2 million reduction in net assets.

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

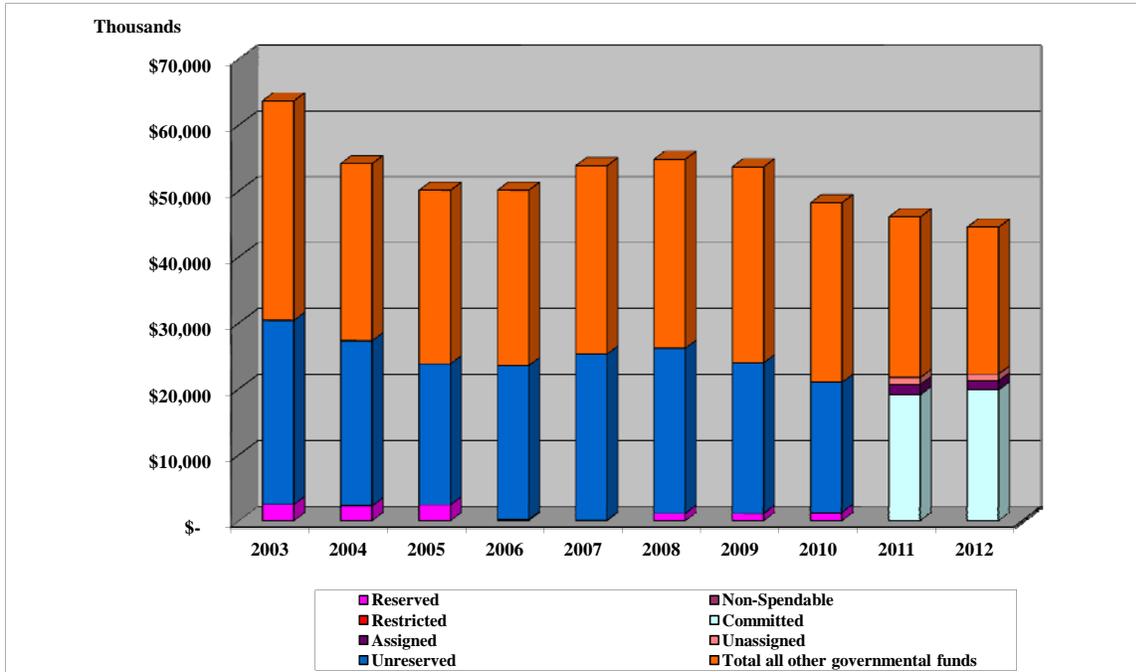
	June 30,				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General Government	\$ 3,375,084	\$ 6,491,138	\$ 3,731,831	\$ 3,649,906	\$ 3,641,210
Public Safety	14,115,306	14,952,689	16,870,357	16,465,886	16,118,809
Public Works	6,684,364	8,167,400	7,511,459	8,156,637	8,938,539
Community Development	3,564,044	3,022,482	4,049,828	3,859,987	4,957,918
Recreation and Community Services	4,343,175	5,104,270	6,034,563	5,525,298	5,605,958
Interest on Long Term Debt	4,158,370	2,523,859	4,065,244	2,319,021	2,313,092
Total Governmental Activities Expenses	<u>36,240,343</u>	<u>40,261,838</u>	<u>42,263,282</u>	<u>39,976,735</u>	<u>41,575,526</u>
Total Business-Type Activities Expenses	-	-	-	-	-
Total Primary Government Expenses	<u>\$ 36,240,343</u>	<u>\$ 40,261,838</u>	<u>\$ 42,263,282</u>	<u>\$ 39,976,735</u>	<u>\$ 41,575,526</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 204,483	\$ 203,328	\$ 197,856	\$ 95,281	\$ 131,485
Public Safety	655,705	709,551	646,445	636,931	699,626
Public Works	1,886,801	2,063,541	2,362,049	2,490,332	2,194,640
Community Development	1,039,612	1,121,879	1,750,555	2,805,310	1,900,669
Recreation and Community Services	2,865,565	3,273,370	4,030,805	4,155,863	4,520,452
Operating Grants and Contributions	1,818,575	2,677,324	1,776,473	1,920,289	2,686,893
Capital Grants and Contributions	1,518,686	623,318	1,533,170	1,707,722	2,438,224
Total Government Activities Program Revenues	<u>9,989,427</u>	<u>10,672,311</u>	<u>12,297,353</u>	<u>13,811,728</u>	<u>14,571,989</u>
Total Business-Type Activities Program Revenue	-	-	-	-	-
Total Primary Government Program Revenues	<u>\$ 9,989,427</u>	<u>\$ 10,672,311</u>	<u>\$ 12,297,353</u>	<u>\$ 13,811,728</u>	<u>\$ 14,571,989</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (26,250,916)	\$ (29,589,527)	\$ (29,965,929)	\$ (26,165,007)	\$ (27,003,537)
Business-Type Activities	-	-	-	-	-
Total Primary Government Net Expense	<u>\$ (26,250,916)</u>	<u>\$ (29,589,527)</u>	<u>\$ (29,965,929)</u>	<u>\$ (26,165,007)</u>	<u>\$ (27,003,537)</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
Education Revenue Augmentation Payment	-	(299,715)	(1,071,683)	(557,992)	-
Sales Taxes	8,997,381	10,684,234	9,973,506	9,346,984	10,049,829
Transient Occupancy Tax	970,000	882,464	894,179	1,132,495	1,463,140
Franchise Fees	1,199,011	1,237,222	1,262,319	1,346,968	1,685,455
Business License Taxes	195,549	203,520	201,655	202,101	203,145
Property Transfer Taxes	186,876	271,203	401,468	352,535	344,991
Construction Taxes	74,727	55,052	98,355	303,943	20,415
Motor Vehicle In Lieu	2,198,971	1,768,570	847,109	283,919	268,973
Interest Earnings	1,794,891	326,684	1,124,889	1,011,270	1,537,612
Other General Revenues	522,197	123,477	125,339	82,923	145,614
Total Government Activities	<u>25,774,347</u>	<u>24,989,423</u>	<u>26,028,306</u>	<u>26,316,968</u>	<u>29,781,688</u>
Total Business-Type Activities	-	-	-	-	-
Total Primary Government	<u>\$ 25,774,347</u>	<u>\$ 24,989,423</u>	<u>\$ 26,028,306</u>	<u>\$ 26,316,968</u>	<u>\$ 29,781,688</u>
Change in Net Assets					
Governmental Activities	\$ (476,569)	\$ (4,600,104)	\$ (3,937,623)	\$ 151,961	\$ 2,778,151
Business-Type Activities	-	-	-	-	-
Extraordinary Loss	-	-	-	-	-
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>

(a) Extraordinary loss resulted from the State mandated dissolution of the Redevelopment Agency as of 1/31/12.

June 30,				
2008	2009	2010	2011	2012
\$ 3,830,038	\$ 4,743,890	\$ 4,591,916	\$ 4,454,242	\$ 4,768,208
16,695,849	18,304,340	18,120,168	18,560,647	19,808,247
8,075,236	11,096,882	8,781,674	8,634,025	9,756,513
6,233,925	6,750,784	7,814,061	6,855,318	6,124,075
6,130,130	5,123,508	5,391,171	4,739,270	3,938,036
2,766,915	2,325,068	2,269,160	2,207,529	1,791,038
43,732,093	48,344,472	46,968,150	45,451,031	46,186,117
-	-	-	-	-
<u>\$ 43,732,093</u>	<u>\$ 48,344,472</u>	<u>\$ 46,968,150</u>	<u>\$ 45,451,031</u>	<u>\$ 46,186,117</u>
\$ 81,648	\$ 76,504	\$ 78,516	\$ 133,160	\$ -
690,054	730,698	757,093	840,455	789,476
2,096,814	955,503	1,101,854	1,002,765	1,150,645
2,273,914	1,499,580	1,161,234	2,338,664	2,090,710
4,607,406	4,869,150	4,637,180	4,804,171	4,918,137
2,183,507	2,564,546	3,383,020	2,110,026	4,418,376
959,566	4,287,371	2,265,145	3,191,724	3,117,438
12,892,909	14,983,352	13,384,042	14,420,965	16,484,782
-	-	-	-	-
<u>\$ 12,892,909</u>	<u>\$ 14,983,352</u>	<u>\$ 13,384,042</u>	<u>\$ 14,420,965</u>	<u>\$ 16,484,782</u>
\$ (30,839,184)	\$ (33,361,120)	\$ (33,584,108)	\$ (31,030,066)	\$ (29,701,335)
-	-	-	-	-
<u>\$ (30,839,184)</u>	<u>\$ (33,361,120)</u>	<u>\$ (33,584,108)</u>	<u>\$ (31,030,066)</u>	<u>\$ (29,701,335)</u>
\$ 15,718,642	\$ 17,073,312	\$ 16,680,859	\$ 15,836,085	\$ 11,893,082
-	-	-	-	-
10,334,831	9,625,398	9,538,242	10,524,344	11,777,407
1,619,111	1,287,184	1,297,573	2,031,585	2,578,323
2,323,063	2,368,278	2,337,022	2,619,457	2,657,964
240,133	232,424	214,198	218,252	598,342
290,036	192,369	172,449	191,118	199,791
129,027	10,639	1,469	134,444	87,701
219,538	176,389	155,074	185,864	20,214
1,531,949	952,739	473,694	241,369	221,274
662,041	713,272	146,851	66,207	471,107
33,068,371	32,632,004	31,017,431	32,048,725	30,505,205
-	-	-	-	-
<u>\$ 33,068,371</u>	<u>\$ 32,632,004</u>	<u>\$ 31,017,431</u>	<u>\$ 32,048,725</u>	<u>\$ 30,505,205</u>
\$ 2,229,187	\$ (729,116)	\$ (2,566,677)	\$ 1,018,659	\$ 803,870
-	-	-	-	-
-	-	-	-	(18,006,154) (a)
<u>\$ 2,229,187</u>	<u>\$ (729,116)</u>	<u>\$ (2,566,677)</u>	<u>\$ 1,018,659</u>	<u>\$ (17,202,284)</u>

(This page intentionally left blank.)

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



	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 2,439,856	\$ 2,244,185	\$ 2,402,661	\$ 175,731	\$ 95,177	\$ 1,105,870	\$ 1,091,231	\$ 1,236,593	\$ -	\$ -
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	32,756	-
Committed	-	-	-	-	-	-	-	-	19,061,518	19,816,774
Assigned	-	-	-	-	-	-	-	-	1,552,458	1,414,030
Unassigned	-	-	-	-	-	-	-	-	1,060,784	1,013,113
Unreserved	27,947,043	25,036,720	21,391,305	23,353,680	25,179,997	25,026,233	22,856,245	19,732,965	-	-
Total General Fund	\$ 30,386,899	\$ 27,280,905	\$ 23,793,966	\$ 23,529,411	\$ 25,275,174	\$ 26,132,103	\$ 23,947,476	\$ 20,969,558	\$ 21,707,516	\$ 22,243,917
All Other Governmental Funds										
Reserved	\$ 33,036,430	\$ 23,972,608	\$ 22,024,215	\$ 21,190,885	\$ 20,273,187	\$ 17,025,881	\$ 16,271,927	\$ 19,974,459	\$ -	\$ -
Non-Spendable	-	-	-	-	-	-	-	-	17,802,945	11,996,719
Restricted	-	-	-	-	-	-	-	-	6,758,923	5,986,458
Committed	-	-	-	-	-	-	-	-	2,065,866	-
Assigned	-	-	-	-	-	-	-	-	1,406,746	93,599
Unassigned	-	-	-	-	-	-	-	-	(3,696,734)	(70,955)
Unreserved, reported in:										
Special revenue funds	8,820,747	7,950,160	6,875,133	8,241,372	9,760,027	6,347,568	8,757,057	6,130,381	-	-
Capital project funds	(5,544,022)	(2,340,705)	(540,201)	(1,152,731)	(904,886)	5,286,910	4,321,847	2,760,842	-	-
Debt service funds	(3,076,096)	(2,730,419)	(2,090,894)	(1,748,045)	(597,349)	9,268	346,331	(1,634,874)	-	-
Total all other governmental funds	\$ 33,237,059	\$ 26,851,644	\$ 26,268,253	\$ 26,531,481	\$ 28,530,979	\$ 28,669,627	\$ 29,697,162	\$ 27,230,808	\$ 24,337,746	\$ 18,005,821

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

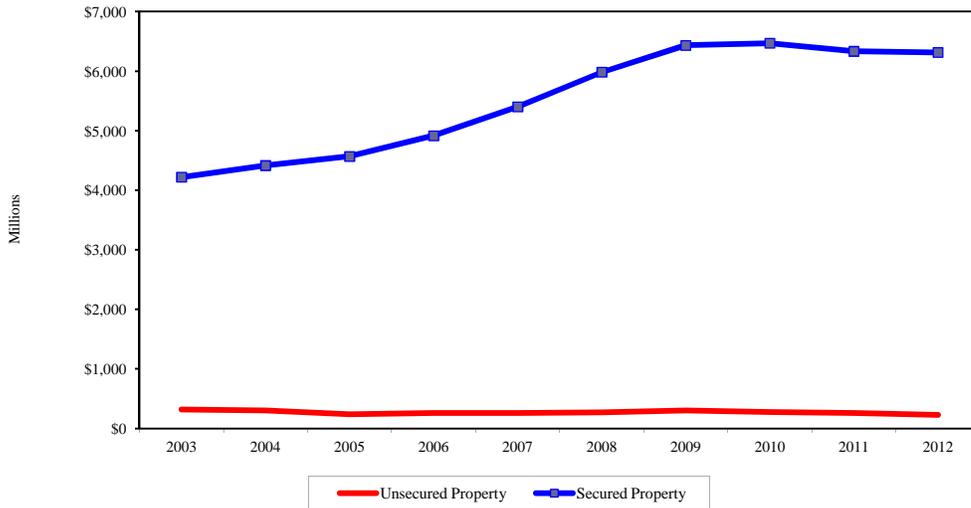
CITY OF CAMPBELL
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 21,258,288	\$ 22,706,706	\$ 23,884,979	\$ 24,648,545	\$ 27,782,390
Licenses, permits and fees	988,483	1,240,806	1,529,633	2,169,838	1,193,393
Special Assessments	-	-	1,098,021	1,101,438	1,102,798
Fines and forfeitures	303,221	315,813	272,670	297,357	314,432
Use of money and property	3,590,818	2,208,041	3,177,751	3,704,058	4,731,397
Intergovernmental revenues	4,211,957	3,941,015	2,804,404	2,737,196	3,570,479
Charges for services	4,072,962	4,322,787	4,195,509	4,480,001	4,672,278
Other	1,738,045	926,566	1,362,692	990,263	966,545
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>
Expenditures					
Current:					
General government	3,400,172	3,886,382	3,516,206	3,453,208	3,387,977
Public safety	13,468,695	14,778,276	16,291,215	15,865,192	15,828,507
Public works	5,680,329	7,631,938	6,936,049	6,483,216	6,285,428
Community development	3,321,995	3,067,016	3,216,851	2,960,088	4,004,667
Recreation and Community Services	4,328,302	5,098,270	5,648,237	5,139,196	5,238,988
Capital outlay	11,527,062	7,316,710	3,437,352	3,020,541	2,514,138
Debt service:					
Principal repayment	1,265,000	915,000	940,000	1,095,000	1,075,000
Interest and fiscal charges	3,454,673	2,530,226	3,068,612	2,283,887	2,321,805
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>
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>
Other Financing Sources (Uses)					
Transfers in	38,270,589	18,351,410	8,753,340	8,501,967	7,758,287
Transfers (out)	(37,890,734)	(18,280,735)	(8,682,665)	(8,331,662)	(7,690,228)
Refunding tax allocation bonds	27,230,844	-	12,300,000	-	-
Premium on bonds	-	-	325,712	-	-
Payments to refunded bond escrow	(9,678,751)	-	(12,037,854)	-	-
Extraordinary Loss	-	-	-	-	-
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>
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>
Debt service as a percentage of noncapital expenditures	12.7%	8.8%	10.1%	8.8%	8.6%

Fiscal Year Ended June 30,

2008	2009	2010	2011	2012
\$ 30,654,843	\$ 30,789,604	\$ 30,241,812	\$ 31,557,784	\$ 29,804,611
2,522,921	1,686,255	1,288,664	2,364,085	2,676,684
1,136,457	1,135,051	1,135,464	1,135,466	1,135,465
344,844	369,616	436,679	394,275	354,359
4,506,694	4,496,169	3,136,727	2,486,510	2,095,435
1,982,703	5,211,858	4,414,326	4,142,685	3,723,529
3,459,659	3,667,754	3,736,998	4,217,786	4,059,731
1,107,051	717,183	461,727	604,080	3,246,290
<u>45,715,172</u>	<u>48,073,490</u>	<u>44,852,397</u>	<u>46,902,671</u>	<u>47,096,104</u>
3,819,217	4,005,190	3,917,093	4,204,006	4,380,461
17,092,877	18,386,502	18,221,484	18,305,304	19,384,848
6,989,785	7,662,601	7,397,394	6,858,938	10,156,056
5,284,418	4,704,397	7,090,693	5,595,382	6,090,582
5,840,659	4,807,547	4,668,299	4,497,252	4,721,100
2,218,792	5,524,204	4,874,101	5,493,620	201,883
1,105,000	1,550,000	1,605,000	1,675,000	1,745,000
2,291,875	2,648,019	2,577,786	2,501,091	1,688,531
<u>44,642,623</u>	<u>49,288,460</u>	<u>50,351,850</u>	<u>49,130,593</u>	<u>48,368,461</u>
<u>1,072,549</u>	<u>(1,214,970)</u>	<u>(5,499,453)</u>	<u>(2,227,922)</u>	<u>(1,272,357)</u>
6,740,802	9,698,627	9,043,078	10,151,253	14,780,957
(6,817,774)	(9,640,749)	(8,987,897)	(10,078,433)	(14,711,057)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(4,593,067)
<u>(76,972)</u>	<u>57,878</u>	<u>55,181</u>	<u>72,820</u>	<u>(4,523,167)</u>
<u>\$ 995,577</u>	<u>\$ (1,157,092)</u>	<u>\$ (5,444,272)</u>	<u>\$ (2,155,102)</u>	<u>\$ (5,795,524)</u>
8.0%	8.8%	9.1%	9.4%	4.0%

CITY OF CAMPBELL
Assessed and Estimated Actual
Value of Taxable Property
Last Ten Fiscal Years

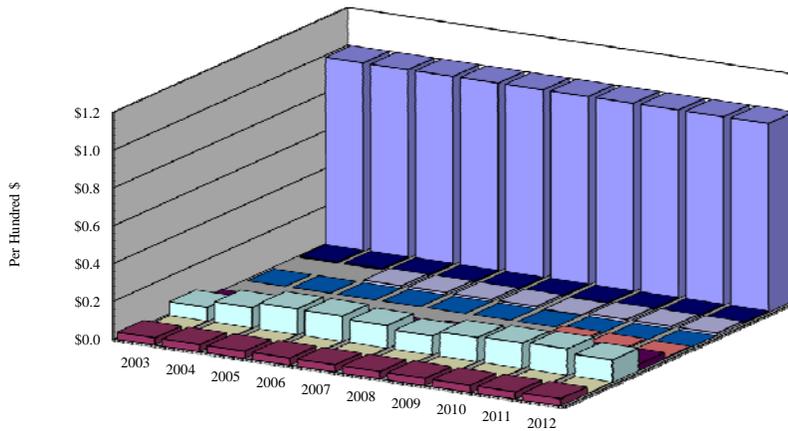


Fiscal Year	Secured Property	HOPTR Exemptions	SBE Utilities	Total Secured Value	Unsecured Property	Total Assessed (a)	Total Direct Tax Rate (b)
2003	\$ 3,855,036,928	\$ 46,215,400	\$ 2,292,470	\$ 3,903,544,798	\$ 317,362,428	\$ 4,220,907,226	1%
2004	4,068,964,576	45,444,000	269,185	4,114,677,761	302,047,319	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%
2009	6,084,718,612	47,271,000	132,500	6,132,122,112	301,436,497	6,433,558,609	1%
2010	6,145,647,005	47,023,200	132,500	6,192,802,705	277,622,054	6,470,424,759	1%
2011	6,028,040,396	46,446,400	132,500	6,074,619,296	258,641,006	6,333,260,302	1%
2012	6,042,798,505	46,079,600	145,750	6,089,023,855	225,923,450	6,314,947,305	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**



■ Basic SCC Retirement	□ Basic Library Retirement	□ Elem or Unified School Bonds
■ High School Bonds	■ Hospital Facilities Bond	■ SCVWD Zone W-1
□ West Valley College	■ SCVWD State Project	■ Basic Direct Tax Rate

Fiscal Year	Basic Direct Tax Rate	SCC Retirement	Library Retirement	Elem or Unified School Bonds	High School Bonds	SCVWD State Project	SCVWD Zone W-1	West Valley College	Hospital Facilities Bond	Total
2003	\$1.0000	\$0.039	\$0.002	\$0.076	\$0.017	\$0.006	\$0.001			\$1.1410
2004	1.0000	0.039	0.002	0.111	0.022	0.008	0.001			1.1826
2005	1.0000	0.039	0.002	0.140	0.020	0.009	0.001	\$0.014		1.2236
2006	1.0000	0.039	0.002	0.137	0.022	0.007	0.001	0.014		1.2224
2007	1.0000	0.039	0.002	0.123	0.020	0.007	0.000	0.013		1.2041
2008	1.0000	0.039	0.002	0.104	0.030	0.007	0.000	0.012		1.1940
2009	1.0000	0.039	0.002	0.131	0.030	0.006	0.000	0.003		1.2110
2010	1.0000	0.039	0.002	0.137	0.031	0.007	0.000	0.014	\$0.0122	1.2436
2011	1.0000	0.039	0.002	0.143	0.033	0.007	0.000	0.014	0.0095	1.2475
2012	1.0000	0.039	0.002	0.120	0.034	0.006	0.000	0.014	0.0047	1.2197

Source: Santa Clara County Assessors Office

Note: In 1978, California voters passed Proposition 13 which set the property tax rate at a fixed amount of 1.00% of assessed value .

Each year, the assessed values may be increased by the California CPI, not to exceed 2.0%. Properties are reassessed at market value upon sale.

The 1.0% tax levy is shared by all jurisdictions within the County. Based upon the Assessors report for 2011-12, the levy was distributed as follows:

School Districts	45%	Community Colleges	7%
Cities	14%	Special Districts	6%
Redevelopment Agencies	10%	County	18%
		Total	100%

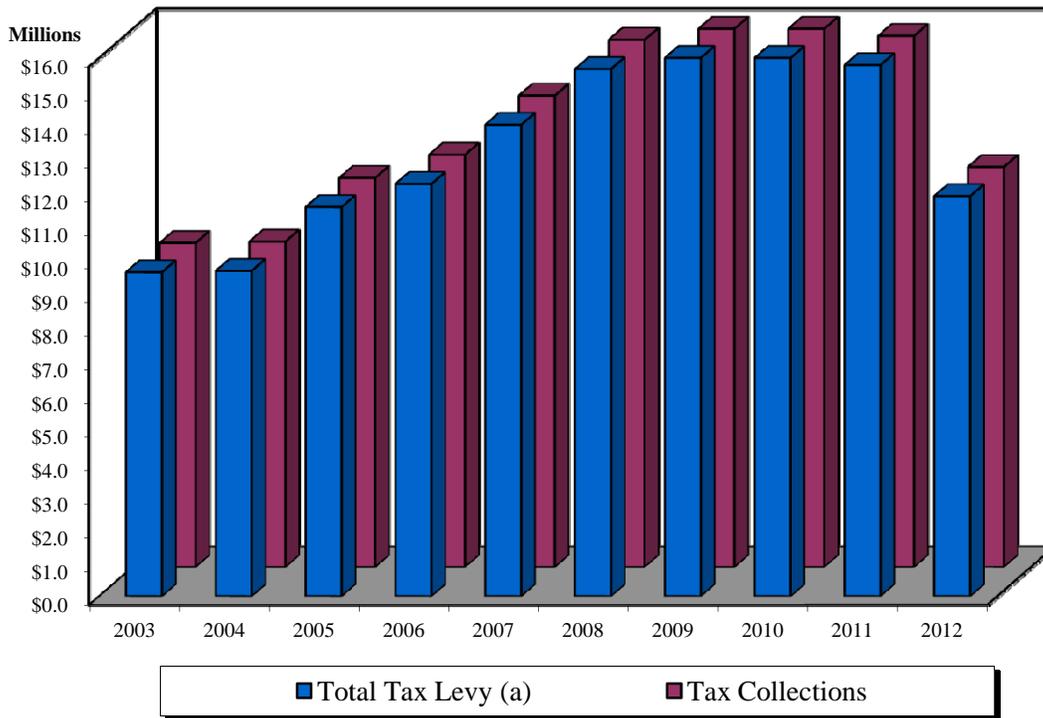
CITY OF CAMPBELL
Principal Property Taxpayers
Current Year and Ten Years Ago

<u>Taxpayer</u>	<u>2011-12</u>			<u>2001-02*</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	\$ 168,719,810	1	2.745%	\$ 42,951,997	3	1.440%
Campbell Technology Parkway LLC	72,533,204	2	1.180%			
Legacy III Campbell LLC	63,675,894	3	1.036%			
Bay Apartment Communities, Inc.	48,628,823	4	0.791%			
Hamilton Plaza Investors, LLC	48,347,335	5	0.787%			
Hines Vaf No Cal Properties LP	48,250,000	6	0.785%			
Fund X PY Campbell LLC	47,570,318	7	0.774%			
Lyon The Commons Apartments LLC	42,287,500	8	0.688%	14,419,528	10	0.483%
Marc W Buzolich Trustee Et Al	39,025,000	9	0.635%	58,396,373	2	1.957%
Brian Avery Trustee, et. al.	27,310,141	10		14,831,733	8	0.497%
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%
La Valencia Apartments LTD				14,599,204	9	0.489%
Total	\$ 606,348,025		9.9%	\$ 302,951,126		10.2%
Total Net Assessed Valuation:						
Fiscal Year 2011-2012	\$6,147,141,022					
Fiscal Year 1998-1999	\$2,983,422,243					
Fiscal Year 2001-2002	\$4,126,805,525					

Source: Santa Clara County Assessor Fiscal Year Combined Tax Rolls; County of Santa Clara Metro Scan; Santa Clara County GIS Services

*Note: Data unavailable for Fiscal Year 01/02. Data shown is for Fiscal Year 98/99.

CITY OF CAMPBELL
Property Tax Levies and Collections
Last Ten Fiscal Years



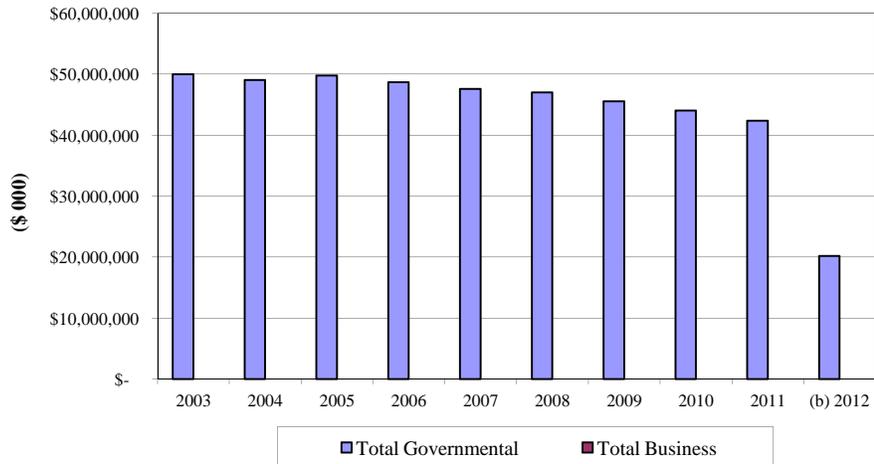
Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2003	\$ 9,632,347	\$ 9,632,347	100.0000%	\$ -	\$ 9,632,347	100.0000%
2004	9,672,727	9,672,727	100.0000%	-	9,672,727	100.0000%
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%
2009	17,023,986	17,023,986	100.0000%	-	17,023,986	100.0000%
2010	16,631,707	16,631,707	100.0000%	-	16,631,707	100.0000%
2011	15,787,084	15,787,084	100.0000%	-	15,787,084	100.0000%
2012	11,893,082	11,893,082	100.0000%	-	11,893,082	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.

(a) Includes Redevelopment Agency in total tax levy through 1/31/2012.

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



Governmental Activities

Fiscal Year	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Other Indebtedness	Total
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
2009	23,700,000	21,837,315	-	-	45,537,315
2010	22,730,000	21,310,488	-	-	44,040,488
2011	21,715,000	20,650,488	-	-	42,365,488
(b) 2012	-	20,200,891	-	-	20,200,891

Business-Type Activities

Fiscal Year	Other	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2003	\$ -	\$ -	\$ 49,965,844	2.8139%	1,304.59
2004	-	-	49,050,844	2.6149%	1,284.76
2005	-	-	49,775,844	2.4805%	1,295.74
2006	-	-	48,680,844	2.2424%	1,267.47
2007	-	-	47,605,843	1.9949%	1,197.69
2008	-	-	46,985,150	1.9810%	1,169.92
2009	-	-	45,537,315	2.0197%	1,126.60
2010	-	-	44,040,488	2.0580%	1,118.83
2011	-	-	42,365,488	1.9166%	1,068.11
2012	-	-	20,200,891	0.8759%	506.52

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

RDA tax allocation bonds are included in total debt through 1/31/2012.

Sources: City of Campbell

State of California, Department of Finance (population)

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

(a) See Page 112 (Demographic and Economic Statistics) for personal income and population data.

(b) Tax allocation bonds related to the RDA dissolution are no longer an obligation of the City.

CITY OF CAMPBELL
Computation of Direct and Overlapping Debt
June 30, 2012

2011-12 Assessed Valuation	\$ 6,342,209,806
Redevelopment Incremental Valuation	626,399,695
Adjusted Assessed Valuation	<u>\$ 5,715,810,111</u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	Net Debt Outstanding	% Applicable(1)	Amount Applicable To City of Campbell
Santa Clara County Valley Water District Benefit Assessment District	\$ 133,440,000	2.130%	\$ 2,842,272
Santa Clara County	316,800,000	2.130%	6,747,840
Campbell Union High School District	161,195,000	18.414%	29,682,447
Cambrian School District	18,304,944	25.575%	4,681,489
Campbell Union School District	148,704,944	28.559%	42,468,645
Moreland School District	85,223,316	10.895%	9,285,080
West Valley -Mission Community College District	210,961,930	7.993%	<u>16,862,187</u>
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			<u><u>112,569,961</u></u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Santa Clara County General Fund Obligations	\$ 770,947,000	2.130%	16,421,171
Santa Clara County Board of Education Certificates of Participation	11,540,000	2.130%	245,802
Santa Clara County Vector Control District Certificates of Participation	3,630,000	2.130%	77,319
Santa Clara County Pension Obligations	383,034,822	2.130%	8,158,642
Campbell Union High School District General Fund Obligations	12,451,514	18.414%	2,292,822
West Valley-Mission Community College District General Fund Obligations	65,715,000	7.993%	5,252,600
City of Campbell Certificates of Participation	19,270,843	100.000%	19,270,843
Midpeninsula Regional Open Space District General Fund Obligations	138,474,717	0.037%	<u>51,236</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u><u>51,770,434</u></u>
GROSS COMBINED TOTAL DEBT			<u><u>\$ 164,340,395</u></u>

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

<u>RATIOS TO 2011-12 ASSESSED VALUATION:</u>	
Total Overlapping Tax and Assessment Debt	1.77%

<u>RATIOS TO ADJUSTED 2011-12 ASSESSED VALUATION:</u>	
Combined Direct Debt (\$19,955,843)	0.34%
Combined Total Debt	2.88%

<u>State School Building Aid Repayable as of 6/30/12 :</u>	<u>\$0</u>
--	------------

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

CITY OF CAMPBELL
Computation of Legal Bonded Debt Margin
June 30, 2012

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$ <u>6,342,209,806</u>
---	-------------------------

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) ^(a)	\$ <u>237,832,868</u>
--	-----------------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$ 20,200,891
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	<u>20,200,891</u>

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

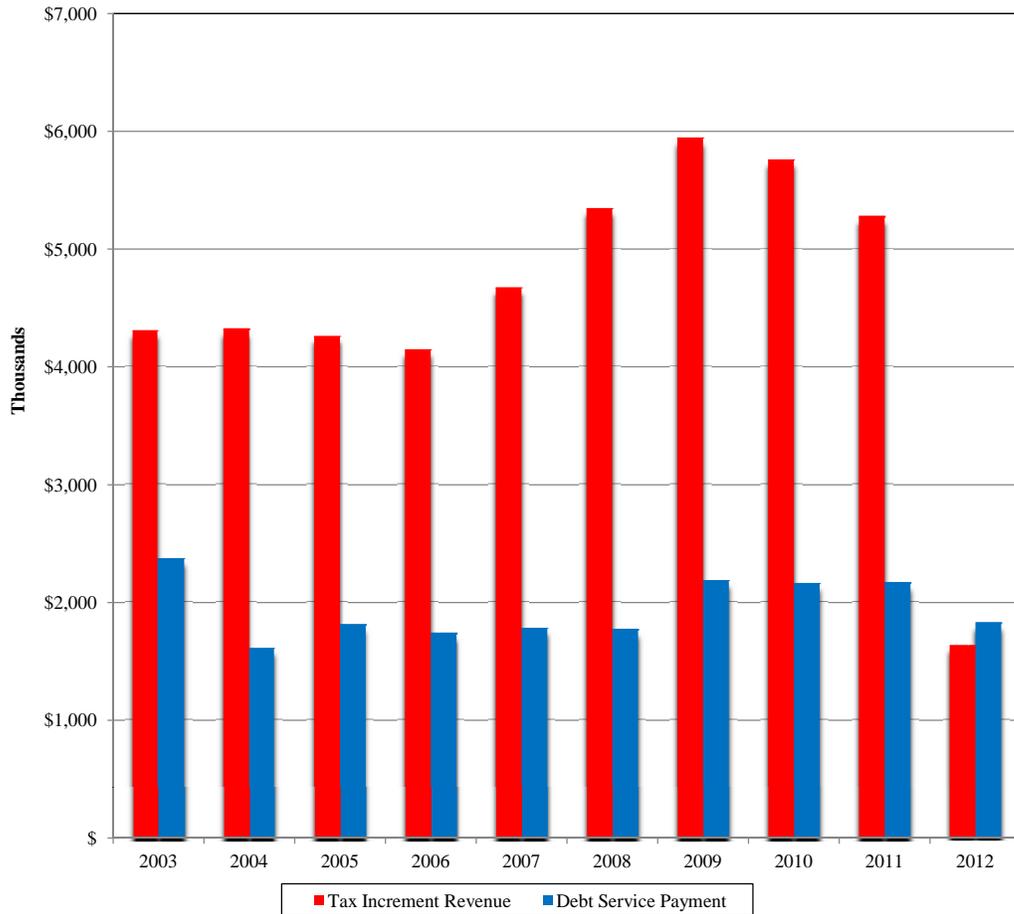
LEGAL BONDED DEBT MARGIN	<u>\$ 237,832,868</u>
--------------------------	-----------------------

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
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	237,832,868	-	237,832,868	0.00%
2009	241,258,448	-	241,258,448	0.00%
2010	242,640,928	-	242,640,928	0.00%
2011	237,497,261	-	237,497,261	0.00%
2012	236,810,524	-	236,810,524	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.

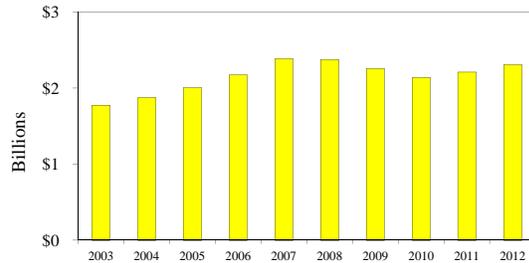
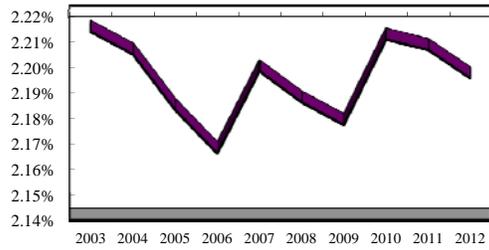
CITY OF CAMPBELL
Bonded Debt Pledged Revenue Coverage
Redevelopmnet Agency Tax Allocation Bonds
Last Ten Fiscal Years



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
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
2009	5,947,747	935,000	1,254,439	2,189,439	2.72
2010	5,763,885	970,000	1,196,974	2,166,974	2.66
2011	5,283,202	1,015,000	1,154,235	2,169,235	2.44
2012	1,638,474	1,060,000	767,881	1,827,881	0.90

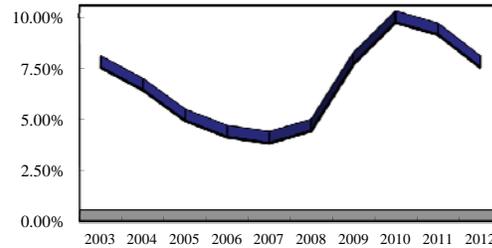
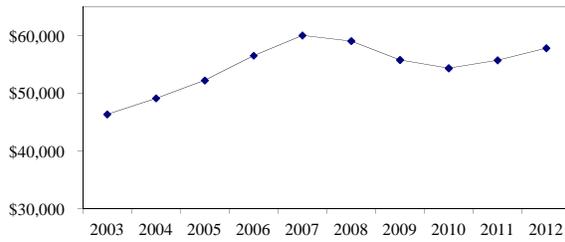
Source: City of Campbell Annual Financial Statements

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
2003	38,300	\$ 1,775,703	\$ 46,363	7.5%	1,729,917	2.21%
2004	38,179	1,875,811	49,132	6.4%	1,731,422	2.21%
2005	38,415	2,006,646	52,236	4.9%	1,759,585	2.18%
2006	38,408	2,170,897	56,522	4.1%	1,773,258	2.17%
2007	39,748	2,386,390	60,038	3.8%	1,808,056	2.20%
2008	40,161	2,371,828	59,058	4.4%	1,837,075	2.19%
2009	40,420	2,254,668	55,781	7.7%	1,856,514	2.18%
2010	39,363	2,139,937	54,364	9.7%	1,780,384	2.21%
2011	39,664	2,210,423	55,729	9.1%	1,797,375	2.21%
2012	39,882	2,306,363	57,830	7.5%	1,816,486	2.20%

Source: California State Department of Finance; Employment Development Department

Bureau of Economic Analysis, U.S. Department of Commerce

Note: Unemployment rates for FY2003-2012 are FY average.

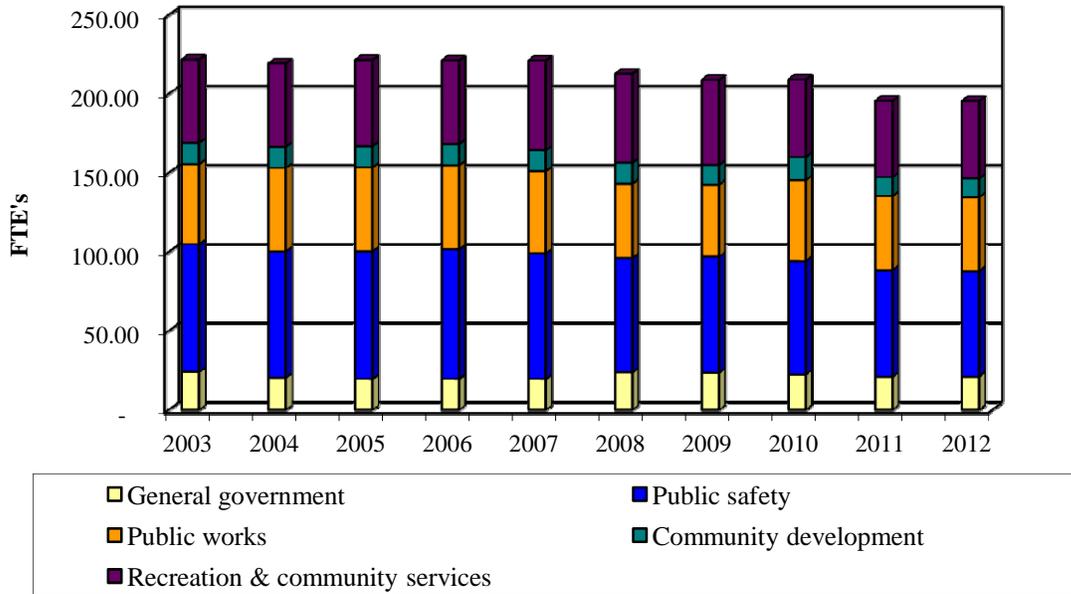
Per Capita Income is Santa Clara County

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

<u>Employer</u>	<u>2011-12</u>			<u>2001-02</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>
Barracuda Networks Inc.	393	1	1.7%			
Safeway Inc.	338	2	1.5%			
Fry's Electronics	250	3	1.1%	285	3	1.2%
Whole Foods Market	250	4	1.1%			
Hunter Laboratories	200	5	0.9%			
Yousendit Inc.	200	6	0.9%			
Home Depot	189	7	0.8%	305	2	1.3%
SAAMA Technologies	182	8	0.8%			
Mohler, Nixon & Williams Accountancy	165	9	0.7%			
City of Campbell	154	10	0.7%	170	9	0.7%
Pana Pacific Corporation				320	1	1.3%
P-Com Inc.				250	4	1.0%
Zilog, Inc.				213	5	0.9%
Mervyn's Department Store				206	6	0.9%
Compuware Corporation				200	7	0.8%
Talk City , Inc.				195	8	0.8%
John P. Wolfe Engineering				160	10	0.7%
Subtotal	<u>2,321</u>		<u>10.0%</u>	<u>2,304</u>		<u>9.6%</u>
Total City Day Population	<u>23,146</u>			<u>23,983</u>		

Source: City of Campbell - California Employment Development Department

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



Function	June 30,				
	2003	2004	2005	2006	2007
General government	24.11	20.52	19.63	19.63	19.63
Public safety	80.85	79.90	80.85	82.11	79.60
Public works	50.59	52.79	53.07	53.11	51.87
Community development	13.47	13.47	13.47	13.47	13.22
Recreation & community services	52.79	52.62	54.53	52.93	56.82
Total	221.81	219.30	221.55	221.25	221.14

Function	June 30,				
	2008	2009	2010	2011	2012
General government	23.77	23.52	22.45	21.07	21.07
Public safety	72.39	73.53	71.81	67.36	66.81
Public works	47.10	45.58	51.12	46.97	46.67
Community development	13.23	12.51	14.73	12.06	11.91
Recreation & community services	56.20	53.70	48.99	48.19	49.04
Total	212.69	208.84	209.10	195.65	195.50

Source: City of Campbell, CA Budget Documents

CITY OF CAMPBELL
Operating Indicators by Function/Program
Last Nine Fiscal Years

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program									
Public safety:									
Fire:									
Fire calls for service	70	94	92	100	119	99	74	72	70
Medical aid calls	1,470	1,798	1,777	1,411	1,801	1,662	1,806	1,931	1,946
Police:									
Police calls for Service	22,487	23,685	21,731	22,166	22,961	22,362	22,272	22,098	23,353
Law violations:									
Arrests	1,486	1,555	1,455	1,553	1,586	1,568	1,725	1,535	1,660
Traffic violations	7,327	6,611	5,871	6,329	6,545	5,968	6,038	4,232	4,083
Parking violations	4,432	4,171	4,146	3,457	2,686	4,400	3,315	2,986	2,394
Public works:									
Miles of streets (major)	14	14	14	15	15	15	15	15	15
Miles of Streets (secondary)	74	74	74	77	77	77	77	77	77
Potholes repaired	150	100	100	145	182	131	150	151	160
Culture and recreation:									
Community Services:									
Recreation class participants	27,096	28,871	30,096	31,887	31,826	33,023	33,886	32,674	33,526
Performing Arts Center performances	5	6	5	6	6	12	13	10	7
Wastewater									
Miles of sewers (storm)	42	42	42	42	42	42	50	50	50
Miles of sewers (sanitary - entire district)	484	484	484	484	484	484	618	618	618
Miles of sewers (sanitary - Campbell only)	125	125	125	125	125	125	158	158	158
Solid Waste									
Refuse Landfilled (tons per year)	n/a	n/a	40,000	35,432	29,585	24,647	24,951	25,761	25,514
Recyclables Processed (tons per year)	n/a	n/a	20,000	17,362	17,702	17,636	17,505	15,561	14,541

Source: City of Campbell

Note: n/a denotes information not available.

CITY OF CAMPBELL
Capital Asset Statistics by Function/Program
Last Nine Fiscal Years

Function/Program	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:									
Fire stations	2	2	2	2	2	2	2	2	2
Police stations	1	1	1	1	1	1	1	1	1
Police patrol units	12	12	11	11	11	12	12	12	12
Public works									
Miles of streets	88	88	88	92	92	92	92	92	92
Street lights	2,312	2,362	2,362	2,362	2,532	2,535	2,535	2,535	2,535
Traffic Signals	39	40	42	42	42	43	43	43	43
Culture and recreation:									
Community services:									
City parks	11	11	11	11	11	11	12	12	12
City parks acreage	86	86	86	86	86	86	87	87	87
Playgrounds	5	5	5	5	7	7	7	7	7
City trails	1	1	1	1	1	1	1	1	1
City trails miles	3	3	3	3	3	3	3	3	3
Historic house (museum)	1	1	1	1	1	1	1	1	1
Community gardens	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1
Adult centers	1	1	1	1	1	1	1	1	1
Sports centers	1	1	1	1	1	1	1	1	1
Performing arts centers	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1
Tennis courts	8	8	8	8	8	8	8	8	8
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3
Soccer/football fields	3	3	3	3	9	9	9	9	9
Library:									
City Libraries	1	1	1	1	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.