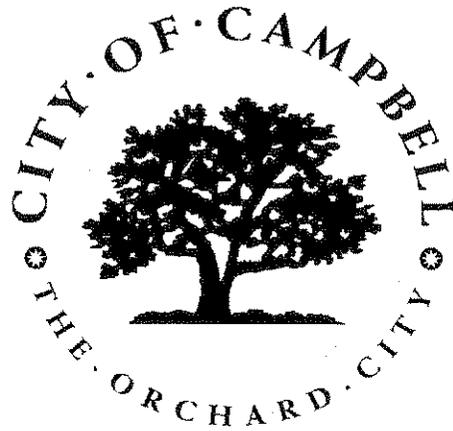


City of Campbell, California



Comprehensive Annual Financial Report

*Fiscal Year Ended June 30, 2003
with
Report of Independent Auditors*

*Prepared by the Finance Department
Under the Direction of
Gretchen E. Conner, Finance Director*

CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2003

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CITY OF CAMPBELL
Finance Department

December 8, 2003

Honorable Mayor, Members of the
City Council, City Manager and Citizens of the
City of Campbell, California

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Campbell, California for fiscal year ended June 30, 2003 as prepared by City's Finance Department.

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

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

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

The City's independent audit was meant to provide reasonable assurance that its financial statements are free of material misstatement. This audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the

overall financial statement presentation. The auditor has issued an unqualified opinion on the City's financial statements indicating they are fairly presented in conformity with GAAP.

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

In addition to meeting the requirements set forth by State law, the audit was also designed to meet the requirement of the Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget Circular A-133. The standards governing Single Audit engagements require the auditor to report on the City's internal controls and compliance with certain legal requirements with special emphasis on the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

The CAFR is presented in three basic sections as follows:

1. **INTRODUCTORY SECTION:** Includes this transmittal letter, the City's organization chart, State and National awards for excellence in financial reporting and a list of principal officials.
2. **FINANCIAL SECTION:** Includes the independent auditors' report, management's discussion and analysis, basic financial statements, notes to financial statements and supplemental information.
3. **STATISTICAL SECTION:** Contains a broad range of trend data covering key financial indicators for the past 10 fiscal years including revenues and expenditures, property assessments, debt obligations and demographic statistics useful in assessing the City's financial condition.

CITY OF CAMPBELL PROFILE

The City of Campbell is located in the heart of Silicon Valley contiguous with the City of San Jose and 50 miles south of San Francisco. The City encompasses roughly 6.5 square miles, is largely built out, and serves a population of approximately 38,000. A combination of residential, office and commercial retail businesses comprise the makeup of the City. The City is home to a number of community festivals and celebrations throughout the year, and it prides itself on fostering a "small town" feel while located in the midst of a major metropolitan region. The City's geographic setting within Silicon Valley makes it a desirable place to live and work.

The City was incorporated March 28, 1952, as a General Law City and operates under a Council-Manager form of government that includes five council members elected at-large for a term of four years. The Mayor is selected each year by majority vote of the other Council members. The Council appoints the City Manager and City Attorney. The City Council members also serve as the governing board members of the Campbell Redevelopment Agency, and the City Manager serves as its Executive Director.

The City provides the following services to its residents: police and contract fire protection; park and street lighting maintenance; recreational classes, services and cultural events; planning, zoning and building review and inspections; construction and maintenance of streets and roads;

and leadership provided through general administrative services. Water, sewage, garbage and electric utilities are provided directly through private agencies not under City operations.

The annual budget serves as the foundation for the City of Campbell's financial planning and control. The budget process begins in December with each City department receiving a budget packet. Initial appropriation requests are due to the Finance Department by mid-February, and a study session is held with the City Council in early March to discuss department goals and work plans as well as to obtain Council's input on special priorities or concerns that should be considered in developing the budget. Subsequently, the City Manager meets with each department director to discuss the budget requests and make changes where necessary. The City Manager then prepares and presents the recommended budget in early May for preliminary adoption. Final adoption of the budget document occurs no later than the second meeting in June. The City's financial policies authorize the City Manager to administratively approve budget adjustments within the adopted budget or requiring transfers from reserves up to \$5,000. Requests for increases in appropriations or any adjustments to capital projects require approval by the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

Local economy--While Silicon Valley is known for its significant concentration of high technology and electronics manufacturing, the area also supports a wide variety of retail, office and personal services industries. Historically, the area has experienced cycles of expansion and contraction and has led the nation in productivity, innovation and economic growth for most of the past decade. The region is home to numerous institutions of higher learning and education that support a broad base of research and development in advanced technology and design. The effects from the recent economic downturn over the past three years have had a significant impact on the region resulting in a considerable decrease in output and rise in unemployment. However, current trends and indicators show the economy to be in the early stages of recovery. Additionally, a strong housing market has contributed to the region's stabilization. Within the City, several large development projects were recently approved by Council and are expected to result in new revenue sources for the City over the next couple of years. Unemployment for the City as of October, 2003 was 5.5% which compares favorably to the County rate of 7.6% and the State rate of 6.6%. It is expected these rates will improve over the next several years as economic activity continues to pick up.

Campbell is fortunate to enjoy a diversified economic base with businesses located throughout the community. By comparison, Campbell has a distinct advantage over many cities that rely on one or two major categories of sales tax producers. Of the approximately 4,500 businesses in the City, no single business generates more than 10% of the total sales tax revenue. This diversity within the local economy has and should continue to help mitigate economic swings that traditionally impact a city's revenue base.

In addition to managing the effects of the local economy, the State of California is running a multi-billion dollar budget deficit that it is trying to resolve. There is a potential for significant negative impacts to the City should the State look to local government as part of its budget balancing solution. One of the current potential losses now facing cities is the vehicle license fee revenue that the State collects and passes on to cities. Due to recent action taken by the newly elected Governor to reduce by two thirds the fee paid by motorists for their vehicle registrations, cities may lose the revenue that, until now, has been backfilled by the State. The impact to the City of Campbell may be as much as \$1.6 million in lost revenue in FY 04 alone and higher in future years.

Largely in response to the last economic downturn of a decade ago, the City took active measures to preserve its fiscal health in times of economic uncertainty such as the one now being encountered. For example, the City routinely employs prudent financial and budgetary policies established and monitored by the City Council that ensure operating revenues are available to fund operating expenditures resulting in a balanced budget. Additionally, the City and Redevelopment Agency issued long-term debt to pay for certain capital projects previously funded with General Fund money. As a result, approximately \$7.4 million in General Fund money was freed up and added into the City's Designation for Economic Fluctuations whose purpose is to act as a reserve for those revenue sources most significantly impacted by downturns in the economy, thereby, enabling the community to better withstand an economic downturn. The balance of this reserve was \$10.1 million as of June 30, 2003.

Cash management—The City adheres to the provisions of the California Government Code section 53601 regarding investment of idle cash. The City Council annually reviews the investment policy and any changes thereto. Cash temporarily idle during the year was invested in U.S. Government Agency securities and the State Local Agency Investment Fund. The maturities of the investments do not exceed 5 years. The portfolio yield for the fiscal year ended June, 2003 was 2.96%. Investment income includes appreciation in the fair value of investments held at year-end. However, the increased fair value doesn't necessarily represent the amount that will ultimately be realized by the City due to the fact that the City generally intends to hold its investments in securities until maturity.

Risk management—The City is exposed to numerous risks of loss related to tort claims, theft, damage and destruction of City assets and property, errors and omissions, injuries to employees and the public and natural disasters. A combination of self-insurance and commercial coverage is used by the City to manage its risk. Further details on the types and amounts of coverage are addressed in Note 12 in the notes to the financial statements.

Pension benefits—The City provides for retirement benefits to its employees through participation in the California Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan. Each year, an independent actuary is engaged by PERS to calculate the amount of annual contribution the City must make to ensure the plan will meet its obligations to pay retired employees on a timely basis. As a matter of policy, the City fully funds its annual required contribution as determined by the actuary. Due to a combination of enhanced retirement benefits, significant investment losses by PERS over the past few years, and additional liability related to past fire protection employees, the City will be absorbing a significant ongoing annual contribution for the foreseeable future. Additional detail and trend information is explained in Note 11 of the notes to the financial statements.

AWARDS (Financial and Budgetary)

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Campbell for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award that recognizes conformity with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 15 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 2002-03. This is the 10th consecutive year of receiving this award. In order to receive this award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The City of Campbell was also awarded the Certificate of Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the City's CAFR. This award has been received consecutively for the past 16 fiscal years with the most recent award being received for the fiscal year ended June 30, 2002. For the last seven years, the CSMFO has also awarded the City awards for Excellence in Operational Budgeting and Outstanding Capital Budgeting.

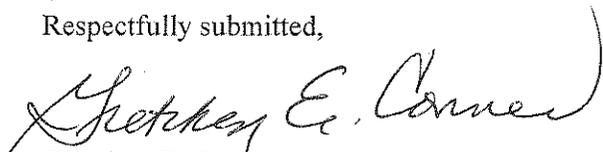
ACKNOWLEDGEMENTS

Timely and accurate preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Campbell Finance Department. Each member of the Department has my sincere appreciation for all of the many contributions made in the preparation of this report.

I wish to extend a special thanks to Jesse Takahashi, Accounting Manager and Sherrie Doherty, Executive Assistant for their diligent efforts and sacrifices in the production of this document. I greatly value their contributions and their ability to work as a team.

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,


Gretchen E. Conner
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, 2002

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



President

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2001-2002

Presented to the

City of Campbell

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

February 24, 2003

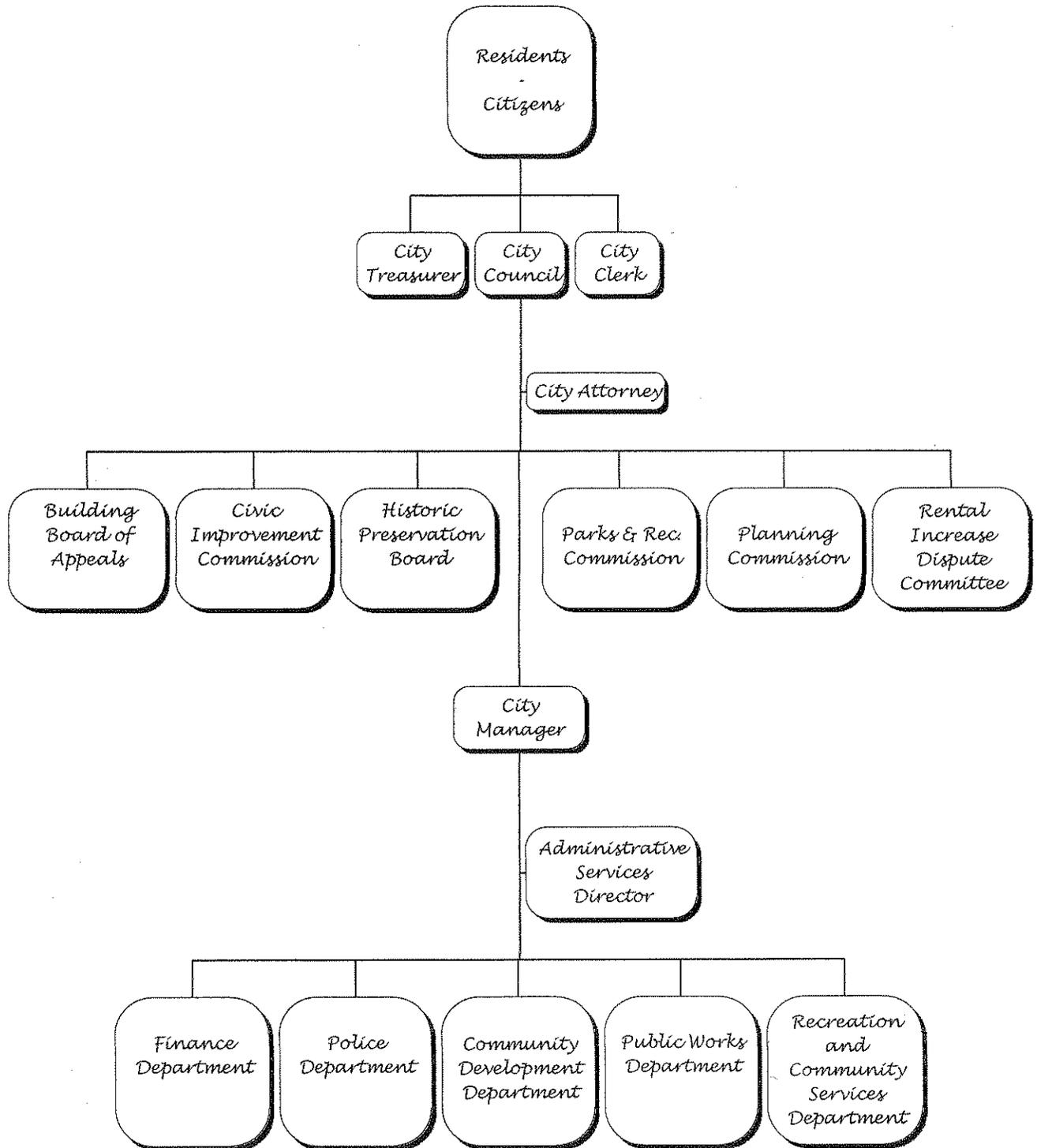
Bret M. Plumlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



General Organization



CITY OFFICIALS

CITY COUNCIL & REDEVELOPMENT AGENCY BOARD

Mayor – Daniel E. Furtado

Vice-Mayor – Donald R. Burr

Councilmember – Matthew Dean

Councilmember – Jane P. Kennedy

Councilmember – Jeanette Watson

Note: Mayor serves an annual term from November to November. Names and positions are as of July 1, 2003.

CITY ADMINISTRATIVE STAFF

City Manager – Bernard M. Strojny

City Clerk – Anne Bybee (Elected)

City Treasurer – Gerald Kennedy (Elected)

Administrative Services Director – Barbara Lee

Community Development Director – Sharon Fierro

Finance Director – Gretchen E. Conner

Recreation & Community Services Director – Claudia Cauthorn

Police Chief – David Gullo

Public Works Director – Robert Kass

COMMISSIONS, COMMITTEES AND ADVISORY BOARDS

Planning Commission

Joseph D. Hernandez, Chairperson
George P. Doorley, Vice Chairperson
Bob Alderete
Tom Francois
Elizabeth Gibbons
Bradway Jones
Michael Rocha

Parks & Recreation Commission

Alan G. Lowder, Chairperson
Tim Mason, Vice Chairperson
Linda Andrianos
Bruce Baker
Jim Cramer
Jean La Duc
John Medalen

Civic Improvement Commission

Joan Goldstein, Chairperson
Art Ring, Vice Chairperson
Kurt Arends
Jacquie Davidson
Frank Jewett
Betsy Medlen
Mike Miramontes

Building Board of Appeals

Dietrich VonDohlen, Chairperson
Jeff Bowsby
James C. Malone
Lee Neal
Hamid Pouya

Historical Preservation Board

Mark Sandoval, Chairperson
Joanna Herz, Vice Chairperson
Susan Blake
Trish Forsman
David Larson

Rental Increase Dispute Fact Finding Committee

Stanley Raider, Chairperson
Eric Bracher
John W. Figueroa
Natalie A. Cardenas
Miriam Robinson

Note: Names and positions as of July 1, 2003.

**INDEPENDENT AUDITOR'S REPORT
ON BASIC FINANCIAL STATEMENTS**

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

To the City Council
City of Campbell, California

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell, California as of and for the year ended June 30, 2003, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell, California as of June 30, 2003, and the respective changes in the financial position thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

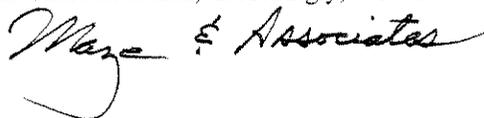
The basic financial statements referred to above follow the requirements of the Government Accounting Standards Board's Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as discussed in Note 1 to the Basic Financial Statements.

In accordance with Government Auditing Standards, we have also issued reports dated November 25, 2003 on our consideration of the City of Campbell's internal control structure and on its compliance with laws and regulations.

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

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

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



November 25, 2003

Management's Discussion and Analysis

The Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003 has, for the first time, been prepared in accordance with the provisions of the Government Accounting Standards Board (GASB) Statement 34. The intent of reporting under this new standard is to enhance and expand the usefulness of information about the City's financial condition and to provide a clearer and more easily readable document.

This section of the CAFR, referred to as the management, discussion and analysis (MD&A), provides a narrative introduction, overview and analysis of the City's financial statements that follow. The information contained herein should be considered in conjunction with the information furnished in the letter of transmittal.

Fiscal Year 2002-03 Financial Highlights

Despite facing a difficult economic environment for the past three years due to impacts from reduced retail sales, reduced demand in the electronics and technology manufacturing industry, rising unemployment, an overvalued stock market, corporate accounting scandals, geopolitical uncertainties, lower interest yields, and a massive State budget deficit, the City has, nevertheless, been able to maintain its fiscal stability primarily through a combination of using conservative budget practices and finding ways to mitigate the effects of a contracted economy. During the past year this was accomplished through a new debt issuance and restructuring, spending reductions and establishment of a reserve for economic uncertainty, currently at \$10.1 million, that has been able to cushion revenue shortfalls and, thereby, maintain service levels thus far. Highlights of the past year are as follows:

- The City issued \$12 million in refunding Certificates of Participation to restructure its long-term debt and take advantage of lower interest rates while obtaining \$1.8 million in additional proceeds to be used for future capital projects.
- The Campbell Redevelopment Agency (RDA) issued \$15.3 million in tax allocation bonds, the proceeds of which were used to fund renovations of the Campbell Heritage Theatre, Community Center and numerous other capital projects within the redevelopment area.
- The combined debt issues resulted in the reallocation of approximately \$7.4 million of previously committed general fund monies to the reserve for economic uncertainty.
- Total City assets exceeded its liabilities by \$59.2 million. Of this amount, \$12.8 million represents unrestricted net assets that the City has been designated for various purposes including reserves for emergencies, operations, economic uncertainty and approved capital projects.
- Total City revenues were \$35.7 million compared with total expenses of \$36.2 million resulting in a decrease in net assets for the fiscal year of \$0.5 million.

- Total governmental fund balances were \$63.6 million at fiscal year-end, a decrease of \$1.8 million from the previous year.
- General fund revenues, including transfers, were \$25.7 million compared with general fund expenditures, including transfers, of \$28.1 million resulting in a net decrease in fund balance of \$2.4 million that, at fiscal year-end, was \$30.4 million.

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) City-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

The City maintains 20 individual governmental funds. Information for the General fund, RDA Capital Projects fund, Capital Projects fund, COP Debt Service fund and RDA Debt Service fund is presented separately in the fund financial statements as they are considered *major* funds of the City. The data for the remaining funds are shown in the aggregate in the financial statements. However, the individual fund data for each of these non-major funds is provided as supplemental information in the form of combining statements.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the City-wide financial statements because the resources of those funds are not available to support the City's own programs. Accordingly, only assets and liabilities are reported for these funds. The City reports one agency fund representing a joint powers authority and a local improvement district.

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

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

City-wide Financial Analysis

This analysis focuses on the net assets and changes in net assets at the City-wide level as presented in the statement of net assets and statement of activities. As this is the initial year of implementation for GASB Statement 34, comparative statements for the prior year are not available. However, comparative analysis of City-wide data will be provided in future years when the information is available.

Net assets for the City are summarized below and an analysis follows:

Governmental Net Assets
(in millions)

Cash & investments	\$ 66.3
Capital assets	43.8
Other assets	<u>8.5</u>
Total assets	<u>118.6</u>
Long term debt	50.0
Other liabilities	<u>9.4</u>
Total liabilities	<u>59.4</u>
Net assets:	
Invested in capital assets, net of debt	2.3
Restricted	44.1
Unrestricted	<u>12.8</u>
Total net assets	<u>\$ 59.2</u>

Net assets of \$59.2 million at June 30, 2003 were comprised of the following elements:

- Unrestricted cash and investments of \$64.3 million and \$2.0 million restricted for debt service.
- Receivables of \$6.5 million including \$1.8 million in taxes (primarily sales) and \$3.7 in loans (primarily community development block grant and below market housing loans).
- Capital assets of \$43.8 million, net of depreciation charges. Only current year infrastructure outlays have been capitalized in fiscal 2003. The City will record prior year infrastructure additions in the future as allowed under GASB 34. Total original cost of recorded assets was \$60.6 million.
- Land held for resale of \$1.9 million by the City's Redevelopment Agency. This parcel of land, situated in the City's downtown, is intended for a mixed-use retail/residential development project.
- Accounts and interest payable and accrued payroll of \$4.4 million representing normal trade and payroll obligations that are liquidated monthly.
- Refundable deposits of \$0.8 million for encroachment permit work other deposits for rental of City facilities.

- Liabilities for compensated absences of \$2.5 million represent balances of accrued vacation, sick leave, and other time-off earned but unpaid at year-end.
- Other accrued liabilities of \$1.8 million including \$1.5 million estimated liability for open workers' compensation claims based on an actuarial review.
- Long-term debt of \$50.0 million representing the principal balance outstanding at fiscal year-end.
- Net assets invested in capital assets had a balance of \$2.3 million representing the difference between net capital assets and related long term debt.
- Restricted net assets of \$44.1 million have external restrictions placed upon them regarding how they may be used. The \$12.8 million balance of unrestricted net assets is not restricted by debt covenants or other legal constraints and may be used at the discretion of the City subject to existing internal policies.

Below is a summary of the components that resulted in the change to net assets.

Changes in Governmental Net Assets
(in millions)

Revenues:

Program revenues:

Charges for services	\$ 6.6
Operating grants and contributions	1.8
Capital grants and contributions	1.5

General revenues:

Property taxes	9.6
Sales and use taxes	9.0
Other taxes	4.9
Other	<u>2.3</u>
Total revenues	<u>35.7</u>

Expenses:

General government	11.3
Public safety	14.1
Public works	6.7
Interest on long term debt	<u>4.1</u>

Total expenses 36.2

Change in net assets **\$ (0.5)**

Net assets decreased by \$0.5 million. Key elements of this decrease are as follows:

- Charges for services, which comprised 18% of total program revenues, are designed to recover all or some percentage of the City's cost to provide the program or service.
- Property taxes represented approximately 27% of total revenues, a decrease of \$0.1 million from the previous year. Sales taxes of \$9.0 million decreased \$0.7 million from the previous year due to ongoing economic weakness which translated into lower retail taxable sales.
- Other taxes consist principally of franchise, transient occupancy business license and motor vehicle license taxes that remained essentially flat compared to the previous year.
- General government expenses of \$11.3 million was 32% of total City expenses and includes Community Development, Recreation and Community Services, Redevelopment in addition to administrative support functions such as the City Manager, Finance, and Human Resources.
- Public safety, which includes contracted fire protection services, expended \$14.1 million (39%) of total City expenses.
- Public works expended \$6.7 million (18%) of total expenses.

Financial Analysis of Fund Financial Statements

Combined governmental fund balances were \$63.6 million, a decrease of \$1.8 million from the previous year. The decrease was due principally to revenue shortfalls in sales tax and investment earnings. The City has reserved \$25.4 million for purchase commitments from the prior year, inter-fund advances between the City and Redevelopment Agency, accrued compensated absences, and approved capital projects. Unreserved fund balance was \$38 million of which \$28 million belonged to the general fund.

Governmental fund revenues, excluding transfers, were \$36.2 million, a decrease of \$3.8 million from the previous year. This was due to lower sales tax and transient occupancy tax receipts, reductions in operating and capital grant revenues from previous years as well as a \$1 million sale of real property during fiscal 2002.

Proceeds of \$15.3 million were added to the 2002 RDA TAB Capital Projects fund of which \$6.9 million remains for future spending. The bulk of the proceeds spent thus far were for the Heritage Theatre and Campbell Community Center master plan improvements.

Total expenditures for governmental funds, excluding transfers, were \$46.4 million, a decrease of \$1.5 million from the previous year. This was attributable primarily to reduced capital outlay from the previous year of \$2.2 million.

Analysis of Major Governmental Funds

General fund

General fund revenues of \$24 million decreased \$0.6 million from the previous fiscal year resulting from decreases in sales taxes of \$0.7 million, transient occupancy taxes of \$0.1 million and investment earnings of \$0.8 million. Additionally, approximately \$0.6 million is due to prior year sale of real property related to a below market housing project. The revenue declines resulted from the continuing effects of the weak economy compounded by a lower than normal interest earnings environment. These decreases were offset by \$0.05 million increases in property taxes, 1.1 million increases in rent and leases.

General fund expenditures of \$25 million increased \$1.5 million from the previous year due primarily to wage and benefit increases approved by the City Council. These increases were offset somewhat by reductions in supplies and equipment expenditures. Expenditures came in \$4.5 million under budget due to the City's policy of budgeting salaries at top step, budgeting retirement costs in excess of actual payments and due to a concerted effort by all departments to conserve and reduce expenditures where feasible.

Net transfers out decreased by \$1.5 million due to reduced funding of general funded capital projects necessitated by continued revenue shortfalls the past couple of years.

General fund balance at fiscal year-end was \$30.4 million consisting of \$28 million in unreserved, but designated, fund balance. Of this amount, \$10.1 million was designated for economic fluctuations and \$6.7 million for previously approved capital projects. Reserved fund balance comprised \$0.6 million for open encumbrances from the prior year and accrued compensated absences.

Significant original to final budget variances consisted of reductions in sales and use tax revenue of \$1.7 million resulting from the mid-year review and reassessment of year-end projections. The actual to final variance was \$1.3 million and resulted from the City's policy of budgeting certain major revenues on a normalized basis whereby any difference from budget is drawn from the reserve for economic uncertainty. Other taxes original to final budget was reduced \$0.6 million attributable to similar economic reassessments occurring at the mid-year review. Investment income original budget was revised downward by \$0.4 million to reflect interest rates that were projected to gradually rise but which never did. Actual earnings were approximately \$1.0 million; however, the final amount of \$0.9 million reflects an unrealized loss resulting from the change in fair value of investments from the prior year.

The only significant changes from original to final expenditure budgets was in general government which increased \$0.36 million. This was primarily due to open encumbrances of \$0.3 million from the prior year which were approved for re-appropriation. The City had a combined positive expenditure variance of \$4.5 million. Of this amount, \$0.9 million was transferred for street maintenance capital projects, \$0.4 million was unexpended for the Vasona light rail capital project, and \$0.9 million was due to retirement cost savings from budgeted amounts that did not require contribution during the year. The remaining variance

is attributable to wage and benefit savings realized from budgeting at top step, having several positions vacant during the year and reducing departmental outlays as much as possible.

RDA Capital Projects Fund

The RDA capital projects fund accounts for activities in the redevelopment project area. Expenditures of \$8.8 million were made on the Heritage Theatre and Community Center master plan improvements during the year.

Capital Projects Fund

This fund accounts for City capital projects. Principal components of capital outlays of \$2.8 million were ongoing deferred street maintenance, improvements at Morgan Park and completion of the Campisi Way street extension.

COP Debt Service Fund

The principal asset of this fund is represented by \$9.1 million in advances receivable from the RDA representing the portion of debt service it is obligated to repay to the City based on an agreement between the two entities. The receivable is offset with an advances payable to the City in the RDA debt service fund. Payment to the City is made with annual collections of RDA tax increment revenue.

RDA Debt service Fund

This is the principal debt service fund of the RDA, and it receives most of the tax increment receipts from which it also makes debt service payments and funds the RDA's capital projects. Property tax revenues were down \$0.1 million from the previous year attributable to increased vacancies of commercial properties in the redevelopment area, most notably office space. Additionally, certain commercial properties have applied for and received reductions in assessed value from the County Assessor which resulted in reduced tax revenues.

Investment income was also down by \$0.2 million due to the very low interest rates experienced the past year. Due to implementing GASB 34 this year, the advance payable to the City of \$9.1 million was required to be recorded in the fund as a liability. Accordingly, fund balance was negatively impacted resulting in a deficit balance of \$3.1 million at fiscal year-end. This deficit will be eliminated over time through receipt of future tax revenue.

Other Governmental Funds

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

Capital Assets

The City had net capital assets of \$43.8 million as of June 30, 2003. As allowed under GASB 34, the City has up to four years to record the historical costs and related depreciation on infrastructure assets acquired prior to fiscal 2003. Accordingly, only current year infrastructure additions have been recorded to-date.

Capital Assets (in millions)

Land	13.2
Construction in progress	12.5
Building & improvements	18.6
Other improvements	9.1
Machinery & equipment	6.6
Infrastructure	0.5
Less: accumulated depreciation	<u>(16.7)</u>
Net capital assets	<u>\$ 43.8</u>

Principal additions to capital assets were \$8.7 million in construction in progress related to the Heritage Theatre and Community Center master plan improvements. Another \$1.4 million in computer and technology related machinery & equipment was capitalized during the year. Additional detail on capital assets activity can be found in note 5 in the notes to financial statements.

Debt Administration

During the current fiscal year, the City refinanced an outstanding debt issue to take advantage of favorable interest rates and to obtain additional proceeds of \$1.8 million that will be used for certain capital projects. Concurrently, the RDA issued \$15.3 million in tax allocation bonds supported by its tax increment revenue. Approximately \$8.4 million of the proceeds were used to partially fund various projects including the Heritage Theatre and Community Center improvements, while the remainder will be used for a number of other projects in the redevelopment area. Additional detail regarding the City's long term debt can be found at note 7 in the notes to financial statements.

At June 30, 2003, the City had the following outstanding debt (in millions):

Certificates of participation	\$ 24.7
Tax allocation bonds	<u>25.3</u>
Total debt	<u>\$ 50.0</u>

Economic Outlook and Next Year's Budget

The City, while fiscally stable, has a number of issues to address in the future. These are dependent, in large part, upon how the economy fares over the next couple of years. Among the issues are:

- Significantly higher retirement costs for current and past employees, especially public safety employees.
- Reduced revenues from the State as it attempts to resolve a massive budget deficit.
- Significantly increased workers' compensation premiums and increased self-insured retention limits, as a result of the industry in general.
- Increasing cost of employee health care benefits.
- Securing continued and ongoing source of street maintenance funding in order to maintain desired condition of streets and roadways
- Increased operating costs associated with the opening of the Heritage Theatre.
- Deployment of new technologies to improve public service and to replace aging assets.

The use of general fund reserves will enable the City to maintain a balanced budget for the remainder of fiscal 2004. The City contemplates drawing \$1.3 million from its reserve for economic fluctuation in its 2004 budget to cover anticipated revenue shortfalls. General fund expenditures appropriated expenditures for fiscal 2004 are \$30.7 million representing a decrease of \$1.2 million from the previous year.

Requests for Information

This financial report is designed to provide a general overview of the City of Campbell's finances for residents, taxpayers, investors, creditors and any other interested parties. Questions about this report can be directed to the City's Finance Department at 70 North First Street, Campbell, California 95008.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities are entirely new statements required by Government Accounting Standards Board Statement 34. Their purpose is to summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities differs considerably from those used in the past. It presents the City's expenses first, which are listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities column, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, Campbell Lighting and Landscape District and the Campbell Redevelopment Agency, which are legally separate but are blended component units of the City because they are controlled by the City, which is financially accountable for their activities.

These new financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*; the term General Purpose Financial Statements is no longer used.

CITY OF CAMPBELL
STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$64,286,236
Restricted cash and investments (Note 2)	2,048,572
Receivables:	
Taxes	1,815,155
Accrued interest	355,634
Accounts	596,603
Notes and loans (Note 4)	3,729,738
Deposits	60,000
Land held for resale (Note 6)	1,940,793
Capital assets net of accumulated depreciation (Note 5)	43,802,375
Total assets	118,635,106
LIABILITIES	
Accounts payable	2,890,327
Accrued vacation and sick leave (Note 1G)	2,448,199
Claims and judgments payable (Note 12)	1,543,590
Accrued payroll and payroll taxes	913,460
Deposits payable	762,281
Interest payable	633,628
Deferred revenue	245,628
Other accrued liabilities	47,944
Long term liabilities (Note 7)	
Due within one year	915,000
Due in more than one year	49,050,844
Total liabilities	59,450,901
NET ASSETS (Note 10)	
Invested in capital assets, net of related debt	2,291,074
Restricted for:	
Capital projects	24,026,626
Debt service	6,040,203
Redevelopment projects	6,075,199
Special revenue projects	7,973,567
Total restricted net assets	44,115,595
Unrestricted net assets	12,777,536
Total net assets	\$59,184,205

See accompanying notes to financial statements

CITY OF CAMPBELL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General government	\$11,282,303	\$4,109,660	\$354,628	\$742,196	(\$6,075,819)
Public safety	14,115,306	655,705	397,752		(13,061,849)
Public works	6,684,364	1,886,801	1,066,195	776,490	(2,954,878)
Interest on long term debt	4,158,370				(4,158,370)
Total Governmental Activities	\$36,240,343	6,652,166	1,818,575	1,518,686	(\$26,250,916)
General revenues:					
Taxes:					
Property					9,634,744
Sales and use					8,997,381
Other					4,889,177
Investment earnings					1,794,891
Miscellaneous					458,154
Total general revenues					25,774,347
Change in Net Assets					(476,569)
Net Assets-Beginning					59,660,774
Net assets-Ending					\$59,184,205

See accompanying notes to financial statements

CITY OF CAMPBELL, CALIFORNIA

FUND FINANCIAL STATEMENTS

GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Groups of Accounts.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City for fiscal 2003. Individual non-major funds may be found in the Supplemental section.

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.

RDA Capital Projects Fund – Accounts for expenditures of Redevelopment Agency projects.

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

COP Debt Service Fund – Accounts for the payment of principal and interest of the City's 1997 and 2002 Certificates of Participation.

RDA Debt Service Fund – Accounts for payment of interest and principal on the Redevelopment Agency's debt obligations including the 1999 and 2002 Tax Allocation Bonds.

CITY OF CAMPBELL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003

	General	RDA Capital Projects Fund	Capital Projects Fund	COP Debt Service Fund	RDA Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments (Note 2)	\$30,935,458	\$1,675,608	\$2,579,810	\$19	\$4,161,776	\$19,509,447	\$58,862,118
Restricted cash and investments (Note 2)					2,048,572		2,048,572
Receivables:							
Taxes	1,786,092				16,792	12,271	1,815,155
Accrued interest	342,590				13,044		355,634
Accounts	317,676		24,678			254,249	596,603
Notes and loans (Note 4)		24,345				3,705,393	3,729,738
Due from other funds (Note 3B)	288,899						288,899
Advances to other funds (Note 3C)				9,116,280			9,116,280
Land held for resale (Note 6)		1,940,793					1,940,793
Total Assets	\$33,670,715	\$3,640,746	\$2,604,488	\$9,116,299	\$6,240,184	\$23,481,360	\$78,753,792
LIABILITIES							
Accounts payable	\$844,513	\$2,012	\$1,675,482		\$200,000	\$82,138	\$2,804,145
Accrued vacation and sick leave (Note 1G)	751,896	11,634				66,152	829,682
Claims and judgments payable	134,000						134,000
Accrued payroll and payroll taxes	819,641	10,286				74,048	903,975
Deposits payable	692,776	69,505					762,281
Due to other funds (Note 3B)						288,899	288,899
Deferred revenue	40,990					201,638	242,628
Other accrued liabilities			47,944				47,944
Advances from other funds (Note 3C)					9,116,280		9,116,280
Total Liabilities	3,283,816	93,437	1,723,426		9,316,280	712,875	15,129,834
FUND BALANCES							
Fund balance							
Reserved for encumbrances	617,266	18,975	6,425,084			153,936	7,215,261
Reserved for capital projects		3,503,989				10,088,409	13,592,398
Reserved for debt service				\$19			19
Reserved for advances				9,116,280			9,116,280
Reserved for notes receivable		24,345				3,705,393	3,729,738
Reserved for vacation and sick leave	1,473,443						1,473,443
Reserved for LID street maintenance	349,147						349,147
Unreserved							
Designated (Note 10C)	27,947,043						27,947,043
Unreserved, undesignated, reported in:							
Special Revenue funds						8,820,747	8,820,747
Capital Project funds			(5,544,022)				(5,544,022)
Debt Service funds					(3,076,096)		(3,076,096)
TOTAL FUND BALANCES	30,386,899	3,547,309	881,062	9,116,299	(3,076,096)	22,768,485	63,623,958
Total Liabilities and Fund Balances	\$33,670,715	\$3,640,746	\$2,604,488	\$9,116,299	\$6,240,184	\$23,481,360	\$78,753,792

See accompanying notes to financial statements

CITY OF CAMPBELL
 Reconciliation of
 GOVERNMENTAL FUND - BALANCE SHEET
 with
 STATEMENT OF NET ASSETS
 AT JUNE 30, 2003

Governmental Funds Fund Balance reported on the governmental funds balance sheet \$63,623,958

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 41,130,948

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	5,424,118
Prepays and deposits	60,000
Capital assets net of accumulated depreciation	2,671,427
Accounts payable	(86,182)
Deferred revenue	(3,000)
Accrued payroll and payroll taxes	(9,485)
Accrued vacation and sick leave	(11,534)
Accrued workers compensation	(1,409,590)

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(49,965,844)
Interest payable	(633,628)
Non-current portion of accrued vacation and sick leave	<u>(1,606,983)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$59,184,205

See accompanying notes to financial statements

CITY OF CAMPBELL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003

	General	RDA Capital Projects Fund	Capital Projects Fund	COP Debt Service Fund	RDA Debt Service Fund
REVENUES					
Property taxes	\$3,771,591				\$4,315,786
Sales and use taxes	8,997,381				
Other taxes	2,626,163				
Special assessments					
Licenses and permits	988,483				
Fines and forfeitures	303,221				
Investment income	855,882	\$91,246		\$406,937	145,350
Rents and leases (Note 15)	1,360,072				
Intergovernmental revenues	2,341,697				
Charges for services	2,343,728				
Asset seizure					
Project revenues			\$76,817		
Donations	16,811				
Parkland dedication fees					
Miscellaneous revenues	432,179			402,225	
Total Revenues	<u>24,037,208</u>	<u>91,246</u>	<u>76,817</u>	<u>809,162</u>	<u>4,461,136</u>
EXPENDITURES					
Current:					
General government	9,045,088	303,355			1,286,311
Public safety	13,362,080				
Public works	2,483,098				
Capital outlay	86,429	8,584,709	2,809,023		
Debt service					
Principal payments				550,000	715,000
Interest and fiscal fees				1,299,518	1,658,472
Total Expenditures	<u>24,976,695</u>	<u>8,888,064</u>	<u>2,809,023</u>	<u>1,849,518</u>	<u>3,659,783</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(939,487)</u>	<u>(8,796,818)</u>	<u>(2,732,206)</u>	<u>(1,040,356)</u>	<u>801,353</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issuance (Note 7)					
Payment to bond escrow agent (Note 7)				(9,678,751)	
Transfers in (Note 3A)	1,630,226	12,795,656	10,708,008	10,490,378	1,412,032
Transfers (out) (Note 3A)	(3,158,225)	(665,312)	(8,584,709)		(2,808,355)
Total Other Financing Sources (Uses)	<u>(1,527,999)</u>	<u>12,130,344</u>	<u>2,123,299</u>	<u>811,627</u>	<u>(1,396,323)</u>
NET CHANGE IN FUND BALANCES	(2,467,486)	3,333,526	(608,907)	(228,729)	(594,970)
BEGINNING FUND BALANCES	32,854,385	213,783	1,489,969	9,345,028	6,862,854
Adjustment of Beginning Fund Balance - Implementation of GASB 34 (Note 10D)					(9,343,980)
ENDING FUND BALANCES	<u>\$30,386,899</u>	<u>\$3,547,309</u>	<u>\$881,062</u>	<u>\$9,116,299</u>	<u>(\$3,076,096)</u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$1,547,367	\$9,634,744
	8,997,381
	2,626,163
1,105,853	1,105,853
	988,483
	303,221
731,331	2,230,746
	1,360,072
1,870,260	4,211,957
623,381	2,967,109
15,000	15,000
	76,817
242,815	259,626
420,076	420,076
132,122	966,526
<u>6,688,205</u>	<u>36,163,774</u>
415,715	11,050,469
106,615	13,468,695
3,197,231	5,680,329
46,901	11,527,062
	1,265,000
496,683	3,454,673
<u>4,263,145</u>	<u>46,446,228</u>
<u>2,425,060</u>	<u>(10,282,454)</u>
27,230,844	27,230,844
	(9,678,751)
1,234,289	38,270,589
(22,674,133)	(37,890,734)
<u>5,791,000</u>	<u>17,931,948</u>
8,216,060	7,649,494
14,552,425	65,318,444
	(9,343,980)
<u>\$22,768,485</u>	<u>\$63,623,958</u>

CITY OF CAMPBELL
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2003

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$7,649,494
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of assets capitalized is allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures representing capital assets are therefore added back to fund balance	9,239,921
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Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,071,570 which has already been allocated to serviced funds.)	(289,378)
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LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Proceeds from the issuance of debt are deducted from fund balance	(27,230,844)
Payment to bond escrow agent	9,678,751
Repayment of debt principal is added back to fund balance	1,265,000
Accounting loss on refunding	(418,752)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Non-current portion of compensated absences	(156,568)
Interest payable	(284,945)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds	70,752
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$476,569)</u></u>
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CITY OF CAMPBELL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$3,861,400	\$3,861,400	\$3,771,591	(\$89,809)
Sales and use taxes	12,000,000	10,300,000	8,997,381	(1,302,619)
Other taxes	3,521,470	2,876,470	2,626,163	(250,307)
Licenses and permits	848,792	848,792	988,483	139,691
Fines and forfeitures	290,000	300,000	303,221	3,221
Investment income	1,550,000	1,100,000	855,882	(244,118)
Rents and leases	1,377,464	1,377,464	1,360,072	(17,392)
Intergovernmental revenues	2,551,860	2,350,727	2,341,697	(9,030)
Charges for services	2,309,052	2,233,913	2,343,728	109,815
Donations	16,200	15,000	16,811	1,811
Miscellaneous revenues	18,160	22,588	432,179	409,591
Total Revenues	28,344,398	25,286,354	24,037,208	1,249,146
EXPENDITURES				
Current:				
General government	9,861,656	10,222,762	9,045,088	1,177,674
Public safety	14,623,643	14,576,246	13,362,080	1,214,166
Public works	3,763,038	3,831,841	2,483,098	1,348,743
Capital outlay		854,393	86,429	767,964
Total Expenditures	28,248,337	29,485,242	24,976,695	\$4,508,547
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	96,061	(4,198,888)	(939,487)	(3,259,401)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,423,666	1,501,796	1,630,226	128,430
Transfers (out)	(3,609,378)	(10,506,961)	(3,158,225)	7,348,736
Total Other Financing Sources (Uses)	(2,185,712)	(9,005,165)	(1,527,999)	7,477,166
NET CHANGE IN FUND BALANCE	(2,089,651)	(13,204,053)	(2,467,486)	10,736,567
Fund Balances at Beginning of Year			32,854,385	
Fund Balances at End of Year			30,386,899	

See Accompanying Notes to Financial Statements

CITY OF CAMPBELL
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2003

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets:	
Cash and investments (Note 2)	\$5,424,118
Deposits	<u>60,000</u>
Total current assets	<u>5,484,118</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation: (Note 5)	<u>2,671,427</u>
Total assets	<u>8,155,545</u>
LIABILITIES	
Accounts payable	86,182
Accrued vacation and sick leave (Note 1G)	11,534
Claims and judgments payable (Note 12)	1,409,590
Accrued payroll and payroll taxes	9,485
Deferred revenue	<u>3,000</u>
Total current liabilities	<u>1,519,791</u>
Total liabilities	<u>1,519,791</u>
NET ASSETS (Note 10)	
Invested in capital assets, net of related debt	
Unrestricted, designated for:	
Capital replacements	5,701,155
Claims payable	<u>934,599</u>
Total net assets	<u>\$6,635,754</u>

See accompanying notes to financial statements

CITY OF CAMPBELL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2003

	Governmental Activities - Internal Service Funds
	<u> </u>
OPERATING REVENUES	
Charges to operating department	\$2,462,611
Other	<u>150,279</u>
Total Operating Revenues	<u>2,612,890</u>
OPERATING EXPENSES	
Personnel services	332,469
Services and supplies	1,770,474
Depreciation	<u>1,071,570</u>
Total Operating Expenses	<u>3,174,513</u>
Operating Income (Loss)	<u>(561,623)</u>
Capital contributions	1,012,230
Transfers in (Note 3A)	1,421,199
Transfers (out) (Note 3A)	<u>(1,801,054)</u>
Net Transfers and contributions	<u>632,375</u>
Change in net assets	70,752
Total net assets-beginning	<u>6,565,002</u>
Total net assets-ending	<u><u>\$6,635,754</u></u>

See accompanying notes to financial statements

CITY OF CAMPBELL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$2,615,890
Payments to suppliers	(1,930,926)
Payments to employees	<u>(405,368)</u>
Net cash provided by operating activities	<u>279,596</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	1,421,199
Transfers (out)	<u>(1,801,054)</u>
Cash Flows from Noncapital Financing Activities	<u>(379,855)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of fixed assets, net	(583,470)
Retirements	<u>378,376</u>
Cash Flows from Capital and Related Financing Activities	<u>(205,094)</u>
Net increase (decrease) in cash and cash equivalents	(305,353)
Cash and investments at beginning of period	<u>5,729,471</u>
Cash and investments at end of period	<u><u>\$5,424,118</u></u>
NON CASH CONTRIBUTIONS	
Capital Contributions	<u><u>\$1,012,230</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	(\$561,623)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,071,570
Change in assets and liabilities:	
Accounts and other payables	(132,184)
Accrued payroll and payroll taxes	(42,048)
Accrued vacation and sick leave (Note 8)	(30,851)
Claims and judgments payable	(28,268)
Deferred revenue	<u>3,000</u>
Net cash provided by operating activities	<u><u>\$279,596</u></u>

See accompanying notes to financial statements

CITY OF CAMPBELL, CALIFORNIA

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF CAMPBELL
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003

ASSETS

Restricted cash and investments (Note 2)	\$181,892
Accounts receivable	<u>543,558</u>
Total Assets	<u><u>\$725,450</u></u>

LIABILITIES

Accounts payable	\$3,179
Payable to West Valley Solid Waste JPA	81,641
Deferred revenue	543,558
Due to bondholders	<u>97,072</u>
Total Liabilities	<u><u>\$725,450</u></u>

See accompanying notes to financial statements

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

City of Campbell Lighting and Landscape District is a City-wide assessment district established in 1980 to provide lighting and landscape services and a funding source for these services. The District is governed by a Board composed of City Council members and lighting services are provided by City employees. No separate financial statements are prepared for the District.

B. Basis of Presentation

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

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*, GASB Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and GASB Statement 38, *Certain Financial Statement Note Disclosures*. These statements require that the financial statements described below be presented.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

C. Major Funds

GASB Statement 34 defines major funds and requires that the City's major governmental funds be identified and presented separately in the Fund financial statements. All other governmental funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as governmental funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may select other governmental funds it believes should be presented as major funds, although no such funds were selected in fiscal 2003.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund is used as the accounting entity for resources traditionally associated with governments such as administration, engineering and public safety, which are not required to be accounted for in another fund.

RDA Capital Projects Fund – Accounts for expenditures of Redevelopment Agency projects.

Capital Projects Fund accounts for expenditures and financing of miscellaneous capital projects.

COP Debt Service Fund is used to account for the City's share of proceeds from and repayments of the 1993 and 1997 C.O.P. re-financing, which were utilized chiefly for the City's Community Center and deferred street maintenance projects.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

RDA Debt Service Fund is used to account for payments of interest and principal on Redevelopment Agency debt, including the 1999 and 2002 Tax Allocation Bonds.

The City also reports the following fiduciary fund type:

Agency Funds. These funds account for assets held by the City as an agent for an assessment district and a joint powers authority. Agency funds cannot be major funds.

Internal Service Funds. The funds account for motor vehicle pool, workers' compensation self-insurance, and information technology services; all of which are provided to other departments on a cost-reimbursement basis.

D. Basis of Accounting

The **City-wide and fiduciary fund financial statements** required by GASB 34 are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures when they are paid. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from general long-term debt and capital leases are reported as *other financing sources*.

Accrued revenues include sales, property, motor vehicle license, and highway users taxes, interest earnings on investments, and state and federal grants.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

E. Property Tax

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

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

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

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

F. Budgets

The City adopts a budget annually for General Fund, Special Revenue, Capital Projects and Debt Service Funds. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted by the City Council, and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budgeted amounts between departments and line items within the adopted budget or from reserves up to \$5,000; however, any revisions which increase the total expenditures of any fund must be approved by the City Council. All appropriations lapse at year end. Supplemental adjustments to appropriations were adopted by City Council and have been included in the budget versus actual statements.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for Capital Project Funds which budget on a project length basis and therefore are not comparable on an annual basis. Accordingly, no budgetary comparisons are presented in the financial statements.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Supplemental Law Enforcement Special Revenue Fund had expenditures in excess of appropriations of \$6,615. Sufficient funds were available to fund these expenditures.

G. *Accrued Vacation and Sick Leave*

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

Vacation and sick leave payable from current available resources are recorded as expenditures and liabilities of the Governmental Funds. Unpaid accrued vacation and sick leave in Internal Service Funds are recorded as expenses and liabilities of those Funds.

Compensated absences are accrued as earned by employees, and consist of accrued vacation and sick leave. The City measures vacation accruals annually; however, vacation payments are not distinguished from regular payroll paid during the year, nor are accruals made other than annually.

The accrual for compensated absences comprised the following at June 30, 2003:

	<u>Governmental- Type Activities</u>
Beginning Balance	\$2,241,305
Additions	1,399,880
Payments	<u>(1,192,986)</u>
Ending Balance	<u>\$2,448,199</u>
Current Portion	<u><u>\$829,682</u></u>

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 2 - CASH AND INVESTMENTS

A. Categorization of Credit Risk of Securities Instruments

The City invests in individual investments and in the State's Local Agency Investment Fund (LAIF) as allowed under California Government Code. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

The City categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. Categorization does not measure Market Risk, which is the risk that investments will fluctuate in market value. The three levels of risk prescribed by generally accepted accounting principles are described below:

Category 1 - Securities instruments in this category are in the City's name and are in the possession of the Trust Department of the bank employed by the City solely for this purpose. The City is the registered owner of securities held in book entry form by the bank's Trust Department. Insured certificates of deposit are included in this category.

Category 2 - Securities instruments and book entry form securities in this category are in the bank's name as agent for the City, but are held by its Trust Department in the City's name.

Category 3 - Investments in this category include only City-owned securities instruments or book entry form securities which are not in the City's name or not held by the bank's Trust Department.

Pooled Investments - Pooled investments are not categorized because of their pooled, rather than individual, nature.

Investments are carried at fair value, which is the same as fair market value and are categorized as follows at June 30:

	City Funds		Fiduciary Funds	
	Available for Operations	Restricted	Restricted	Total
Category 1:				
U.S. Treasury Securities	\$1,005,940			\$1,005,940
U.S. Government Agency Securities	7,181,580			7,181,580
Non-categorized investments:				
Guaranteed Investment Contracts		\$833,500		833,500
CAMP	1,338,417			1,338,417
Mutual Funds and Money Market	2,116,264	1,215,072		3,331,336
Local Agency Investment Fund	52,714,987			52,714,987
Total Investments	64,357,188	2,048,572		66,405,760
Cash Deposits with Banks (Deficit)	(72,902)		\$181,892	108,990
Cash on hand at City	1,950			1,950
Total Cash and Investments	\$64,286,236	\$2,048,572	\$181,892	\$66,516,700

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 2 - CASH AND INVESTMENTS (Continued)
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Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

	2003
Governmental Funds	
Cash and investments available for operations	\$58,862,118
Restricted cash in investments	2,048,572
Internal Service Funds	
Cash and investments available for operations	5,424,118
Fiduciary Funds (separate statement)	
Restricted cash in investments	181,892
Total Cash and Investments	\$66,516,700

Cash and investments available for City operations are used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

B. *Cash Deposits and Certificates of Deposit*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the City's name and places the City ahead of general creditors of the institution. This collateral is held in safekeeping by an authorized Agent of Depository recognized by the California State Department of Banking Division, and is physically held in an undivided pool for all California public agency depositors, including the City. The City has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

Cash in banks is entirely insured (Category 1) or collateralized by the institution holding the deposit (Category 2), as discussed above.

The carrying amount of the City's cash deposits was \$108,990 at June 30, 2003. Bank balances before reconciling items were 1,248,497 of which \$100,000 was insured (Category 1) and \$1,148,497 was collateralized (Category 2) as discussed above.

C. *Authorized Investments*

The California Government Code specifies certain allowable investments for municipalities. Annually, the City Council reviews and updates its investment policy to ensure it is meeting the needs of the City and is in compliance with State statutes. The City's policy limits investments to the following types: the State Local Agency Investment Fund (LAIF) (\$40 million per account), U.S. Treasury bills, notes and bonds (75%), U.S. Government Agency issues (75%), commercial paper (25%), bankers acceptances (30%), repurchase agreements with collateralization (10%), certificates of deposit with banks or savings and loans (25% and \$1 million per institution), and certain mutual funds (15%). All of the City's investments complied with these policies during the year.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

NOTE 3 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With City Manager approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers, is to reimburse a fund which has made an expenditure on behalf of another fund.

Transfers between funds during the fiscal year ended June 30, 2003 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount
General Fund	RDA Capital Projects Fund	\$181,581 (A)
	Non-Major Governmental Funds	966,090 (A)
	Motor Vehicle Pool Internal Service Fund	89,815 (A)
	Long-Term Disability Self Insurance Services Internal Service Fund	392,740 (A)
RDA Capital Projects Fund	RDA Debt Service Fund	2,808,356 (B)
	Capital Projects Fund	8,584,709 (B)
	Non-Major Governmental Funds	1,402,591 (B)
Capital Projects Fund	General Fund	1,520,624 (B)
	RDA Capital Projects Fund	483,731 (B)
	Non-Major Governmental Funds	8,703,653 (B)
1997 COP Debt Service Fund	General Fund	496,459 (C)
	Non-Major Governmental Funds	9,993,919 (C)
RDA Debt Service Fund	General Fund	200,000 (D)
	Non-Major Governmental Funds	1,212,032 (C)
Non-Major Governmental Funds	General Fund	838,442 (A)
	Non-Major Governmental Funds	395,848 (A)
Motor Vehicle Pool Internal Service Fund Information Technology Services Internal Service Fund	General Fund	21,700 (E)
	General Fund	81,000 (E)
	Communication Pool Internal Service Fund	1,147,829 (F)
	Photocopy/Fax Pool Internal Service Fund	170,670 (F)
		<u>\$39,691,789</u>

- (A) Recurring transfers
- (B) To fund capital projects
- (C) To fund debt service payments
- (D) To reimburse program expenditure
- (E) To reimburse equipment replacement expenditure
- (F) Close FY 01/02 fund balance

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

B. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2003, the General Fund had \$288,899 due from Other Grants Special Revenue Fund.

C. *Long-Term Interfund Advance*

The City has advanced funds to its Redevelopment Agency under the terms of a Second Amended and Restated Indebtedness Agreement. Principal is payable out of the excess of Agency tax increment revenues over other similar Agency liabilities and agreements. During fiscal 2003, the Agency paid \$227,700 in principal and \$404,881 in interest on these advances. At June 30, 2003, the outstanding balance was \$9,116,280.

NOTE 4 - LOANS RECEIVABLE

A. *First-Time Homebuyer Loan Program*

The Redevelopment Agency engages in a first-time homebuyer down payment assistance program designed to encourage home ownership among low and moderate income households. Under this program, an interest free loan up to \$50,000 is provided to eligible households to be used as part of the down payment for the purchase of home in the City of Campbell. These promissory notes are secured by second deeds of trust and are due thirty years from the date the property was purchased. The balance of the notes receivable arising from this program at June 30, 2003 was \$500,000.

B. *Housing Rehabilitation and Affordable Housing Loans*

The Redevelopment Agency engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to home-owners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs at June 30, 2003 was \$1,866,105.

C. *Rehabilitation Loans*

The City administers a housing rehabilitation program using Housing and Community Development Act funds. Under the Program, individuals with incomes below a certain level are eligible to receive low or no interest loans, secured by deeds of trust, for construction work on their homes. Federal funds received by the City are deposited with a commercial bank. Upon approval of loans, the bank disburses the funds and arranges for and collects repayments.

At June 30, 2003, the City had outstanding rehabilitation loans of \$1,339,288 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2003, the City received \$130,338 from all participants, and made new loans totaling \$233,234.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 4 - LOANS RECEIVABLE (Continued)

D. Bruno Marcelic Loan

During fiscal 2003, the Redevelopment Agency agreed to loan \$25,000 at 4% interest to Bruno Marcelic to restore the exterior of the historic Farley Building at Campbell Avenue. The loan is secured by a deed of trust and interest and principal payments are made at the beginning of each month starting June 1, 2003. At June 30, 2003, the outstanding balance was \$24,345.

NOTE 5 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

The City has chosen to defer the recording of historical costs of infrastructure assets; GASB Statement 34 allows the City up to four years to record the costs and depreciation on these assets. With the implementation of GASB Statement 34, the City has begun recording costs and depreciation of current infrastructure additions.

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Capital assets with a value of \$1,000 or more are capitalized. The City has assigned the useful lives listed below to capital assets:

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 5 – CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets at June 30 comprise:

	Balance at June 30, 2002	Additions	Retirements	Transfers	Balance at June 30, 2003
Capital assets not being depreciated:					
Land	\$9,890,263			\$3,330,626	\$13,220,889
Construction in progress	12,641,407	\$8,704,884		(8,826,606)	12,519,685
Total capital assets not being depreciated	<u>22,531,670</u>	<u>8,704,884</u>		<u>(5,495,980)</u>	<u>25,740,574</u>
Capital assets being depreciated:					
Buildings and improvements	11,533,642	112,050		6,990,836	18,636,528
Other improvements	9,976,404	663,336		(1,494,856)	9,144,884
Machinery and equipment	6,373,385	1,392,739	(\$1,226,518)		6,539,606
Infrastructure		512,257			512,257
Total capital assets being depreciated	<u>27,883,431</u>	<u>2,680,382</u>	<u>(1,226,518)</u>	<u>5,495,980</u>	<u>34,833,275</u>
Less accumulated depreciation for:					
Buildings and improvements	8,650,232	288,341			8,938,573
Other improvements	3,851,966	420,872			4,272,838
Machinery and equipment	3,270,948	1,093,978	(804,863)		3,560,063
Total accumulated depreciation	<u>15,773,146</u>	<u>1,803,191</u>	<u>(804,863)</u>		<u>16,771,474</u>
Governmental activity capital assets, net	<u>\$34,641,955</u>	<u>\$9,582,075</u>	<u>(\$421,655)</u>		<u>\$43,802,375</u>

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as City-wide revenues at the time the capital assets are contributed.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 5 – CAPITAL ASSETS (Continued)

C. Depreciation Allocation

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

Governmental Activities:

General government	\$289,378
Public safety	374,907
Public works	131,459
Capital assets held by the City's Internal Service Funds	<u>1,007,447</u>
Total	<u><u>\$1,803,191</u></u>

NOTE 6 – LAND HELD FOR RESALE

The Redevelopment Agency has purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

NOTE 7—LONG-TERM DEBT

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

	Original Issue Amount	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003	Current Portion
Governmental Activity Debt						
General Long Term Debt						
1993 Refunding Certificates of Participation 3.0-6.0%, refunded 07/10/02	\$11,810,000	\$9,260,000		\$9,260,000		
1997 Certificates of Participation						
Civic Center Project, 4.0- 5.25%, due 10/01/28	13,480,000	13,310,000		40,000	\$13,270,000	\$40,000
2002 Refundings Certificates of Participation						
Civic Center Project, 2.5- 5.83%, due 10/01/32	11,930,844		\$11,930,844	510,000	11,420,844	495,000
1999 RDA Tax Allocation Bonds, Series A&B Central Campbell Redevelopment Project, 6.55-6.6%, due 10/01/32	10,690,000	10,690,000			10,690,000	25,000
2002 RDA Tax Allocation Bonds Central Campbell Redevelopment Project, 2.75-6.0%, due 10/01/33	<u>15,300,000</u>		<u>15,300,000</u>	<u>715,000</u>	<u>14,585,000</u>	<u>355,000</u>
Total Long-Term Debt	<u><u>\$63,210,844</u></u>	<u><u>\$33,260,000</u></u>	<u><u>\$27,230,844</u></u>	<u><u>\$10,525,000</u></u>	<u><u>\$49,965,844</u></u>	<u><u>\$915,000</u></u>

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 7—LONG-TERM DEBT (Continued)

A. 1993 Certificates of Participation

The proceeds from the 1993 Refunding Certificates were used to advance refund a portion the 1991 Certificates of Participation related to the acquisition of the Community Center and various capital improvements for both the City and the Redevelopment Agency. The 1993 Refunding Certificates were refunded by the 2002 Refunding Certificates of Participation in fiscal 2003 as discussed below.

B. 1997 Certificates of Participation

The City's 1997 Refunding Certificates of Participation are due in 2028 and bear interest at rates of 4.0% to 5.25%. The proceeds from the 1997 Certificates of Participation were used to advance refund the remaining outstanding balance on the City's 1991 Certificates of Participation and to fund the City's deferred street maintenance project. Certificates maturing on or after October 1, 2008 are subject to optional prepayment by the City after this date. Under an agreement with the City, the Redevelopment Agency reimburses the City for approximately 42% of the City's debt service from these COPs. Interest payments are due on April 1 and October 1 of each year commencing on October 1, 1998 through October 1, 2015. Principal and interest payments are guaranteed under an insurance policy issued by MBIA Insurance Corporation.

C. 2002 Certificates of Participation

On July 10, 2002, the City issued the 2002 Refunding Certificates of Participation for the amount of \$11,930,843 of Certificates with interest rates ranging from 2.5% to 5.83%, due October 1, 2032. Net proceeds of \$9,678,751 from this issue were used to advance refund the City's 1993 Certificates of Participation with interest rates ranging from 3.0% to 6.0%. An additional \$1,830,975 will be 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 commencing on October 1, 2002 through October 1, 2032.

Certificates from the 2002 issue in the amount of \$5,195,000 maturing between October 1, 2012 and 2018 are subject to optional prepayment by the City after this date only on interest payment dates. The City has an agreement with the Campbell Redevelopment Agency for reimbursement of approximately 42% of the City's lease payment obligation from pledged property tax increment. Principal and interest payments are guaranteed under an insurance policy issued by Ambac Assurance Corporation.

Net proceeds of \$9,678,751 from the 2002 Certificates of Participation were irrevocably deposited into trust to provide for all future debt service payments of the 1993 Certificates of Participation, which, as a result, are considered defeased, and the related liability has been removed from the City's Financial Statements. As a result of the refunding, the City reduced its total debt service payments by \$939,193 on the portion of debt that was defeased and realized an economic gain (difference between present values of the debt service on the old and new debt) of \$690,514. However, the City recognized an accounting loss of \$418,752 on the refunding, because the proportion of its total debt service represented by principal payments increased by that amounts.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 7—LONG-TERM DEBT (Continued)

D. 1999 Tax Allocation Bonds, Series A and B

On October 26, 1999 the Redevelopment Agency issued \$10,690,000 due in October 2032, consisting of Series A bonds of \$8,335,000 bearing an interest rate of 6.55% and Series B bonds of \$2,355,000 bearing an interest rate of 6.60%. Net proceeds from this issue were used to finance acquisition and construction of a downtown public parking facility. The Bonds are payable from and secured principally by tax increment revenues generated in the redevelopment project area. The Bonds are subject to optional redemption in whole or in part by the Agency anytime after October 1, 2009. The Series B Bonds are subject to a mandatory special redemption in part on October 1, 2002 or on specified interest payments dates thereafter. Interest payments are due on April 1 and October 1 of each year commencing on April 1, 2002 through October 1, 2032.

E. 2002 Redevelopment Agency Tax Allocation Bonds

On July 10, 2002, the Agency issued the Central Campbell Redevelopment Project Tax Allocation Bonds, Series 2002A of \$15,300,000 with interest rates ranging from 2.75% to 6.0%, due October 1, 2033. The net proceeds of the Bonds are being used to fund acquisition and construction of various redevelopment projects including the Community Center and Heritage Theatre renovations. Bonds are payable from and secured principally by tax increment revenues generated in the redevelopment area. The bonds are subject to optional redemption in whole or in part by the Agency anytime after October 1, 2011. Interest payments are due on April 1 and October 1 of each year commencing on October 1, 2002 through October 1, 2033.

F. Debt Service Requirements

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

For The Year Ending June 30	Governmental Activities	
	Principal	Interest
2004	\$915,000	\$2,521,777
2005	940,000	2,495,822
2006	970,000	2,468,029
2007	995,000	2,436,691
2008	1,025,000	2,398,965
2009-2013	7,175,000	11,136,760
2014-2018	5,315,000	9,801,728
2019-2023	7,240,000	8,248,919
2024-2028	11,415,000	5,614,164
2029-2033	12,260,844	7,439,055
2034	1,715,000	51,450
Total payments due	<u>\$49,965,844</u>	<u>\$54,613,360</u>

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 7—LONG-TERM DEBT (Continued)

G. Debt Service Reserves

At June 30, 2003, the City had \$3,076,077 available in Debt Service and Capital Projects funds to service outstanding long-term debt obligations. There are various limitations and restrictions related to the debt, and the City believes it is in compliance with all such limitations and restrictions.

NOTE 8 - DEBT WITH NO CITY COMMITMENT

A. Special Assessment Debt

The City acts as agent for property owners of the Dillon-Gillman Local Improvement District, which is a special assessment district. The City collects assessments, forwards the collections to bond holders and initiates foreclosure proceedings. However, the City is not directly liable for the repayment of special assessment district bonds, as such bonds and interest are secured by fixed lien assessments on real property in the special assessment district. The outstanding balance of special assessment debt at June 30, 2003 was \$360,000 and matures in 2012.

B. Housing Facility revenue Bonds

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

NOTE 9 – DEVELOPMENT AGREEMENTS

In prior years, the Agency purchased and resold real property on which Home Depot built and operates a 120,000 square foot retail store. The Agency also agreed to refund Home Depot up to \$200,000 annually of sales tax revenue collected on Home Depot sales, beginning in 1994 and extending through 2014, in order to make it economically feasible to locate the store in Campbell. Such refunds amounted to \$200,000 during the fiscal year ended June 30, 2003.

NOTE 10 – NET ASSETS AND FUND BALANCES

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, redevelopment funds restricted to low and moderate income purposes. *Unrestricted* describes the portion of Net Assets which is not restricted as to use.

B. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves. At June 30, 2003, reservations included:

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

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

Reserves for **advances** and notes payable are the portions of fund balance set aside to indicate this item does not represent available, spendable resources even though they are an asset of this fund.

C. Designations

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action. At June 30, 2003 designations included designated for **approved projects**, representing the portion of fund balance set aside for authorized capital improvement projects.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

At June 30, 2003, General fund balance designations included:

Designated for:	
Operations	\$1,178,100
Capital improvements	83,777
Emergencies	2,356,200
Community Center - operations	500,000
Construction tax	329,994
Future advances to RDA	2,000,000
Liability insurance	681,144
Economic fluctuations	10,100,000
Street maintenance	1,000,000
Carryover capital projects	6,719,560
Heritage Theater Operations	1,163,856
PERS	1,457,000
Unemployment self-insurance	182,692
Change in fair value of investments	194,720
	\$27,947,043

D. Adjustments of Beginning Fund Balances Resulting from Implementation of GASB 34

As part of its implementation of GASB Statement 34, the City reviewed the purpose and use of all its funds, and it updated its accounting for certain transactions and balances to conform with the new requirements established by that Statement. As a result, certain funds were closed and others recategorized, while certain advances previously accounted for in the long-term debt account group are now reflected as fund liabilities. The individual changes are discussed in detail below.

The Senior Nutrition Program Services Special Revenue Fund, the Campbell Community Center Special Revenue Fund, the Long-Term Disability Self-Insurance Internal Service Fund, and the Unemployment Self-Insurance Internal Service Fund were closed as of July 1, 2002. These Funds' remaining equity of \$423,792, has been included in transfers as discussed in note 3.

Two other Internal Service Funds, the Communications Pool Fund and the Photocopy/Fax Pool were closed as of July 1, 2002. These Funds' remaining equity of \$1,318,499 has been included in the new Information Technology Fund balance at July 1, 2002.

The 1993 COPS Debt Service Fund was combined with the 1997 COPS Debt Service Fund effective July 1, 2002, to become the COP Debt Service Fund.

Three Funds previously reported as Expendable Trust Funds were recategorized as Special Revenue Funds as of July 1, 2002. The Heritage Theater Fund with a fund balance of \$934,318 became the Heritage Theater Special Revenue Fund. The Park & Museum Fund and the Senior Center Fund with a combined fund balance of \$341,892 became the Museum and Adult Center Special Revenue Fund. These new funds report these amounts as adjustments to beginning fund balances in the accompanying financial statements.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

The 1915 Act Bond Fund previously reported as a Debt Service Fund was recategorized as an Agency Fund.

The long-term advance from the City to the RDA Debt Service Fund previously reported in the General Long-Term Debt Account Group is reported as a fund liability of the RDA Debt Service Fund, as now required by GASB 34.

E. Fund Equity Deficits

The funds below had deficits or net asset deficits in the amounts shown at June 30, 2003:

RDA Debt Service Fund	\$3,076,096
Lighting and Landscaping District Special Revenue Fund	113,941

The deficit in the RDA Debt Service Fund is expected to be eliminated by future tax increment from development in the area. The deficit in the Lighting and Landscaping District Special Revenue Fund is expected to be eliminated by a transfer of funds from the General Fund.

NOTE 11 - PENSION PLAN

A. CALPERS Safety and Miscellaneous Employees Plans

All qualified permanent and probationary employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2003, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	3%	1.426-2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	0%	0%
Actuarially required contributions	\$0	\$0

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 11 - PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly as due.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 8.25% is assumed, including inflation at 3.5%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30:

Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	\$44,404,776	\$54,153,577	(\$9,748,801)	122.0%	\$3,438,417	(283.5%)
2001	48,242,371	55,195,083	(6,952,712)	114.4%	3,610,812	(192.6%)
2002	31,901,447	27,729,528	4,171,919	86.9%	3,701,065	112.7%

Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	\$25,488,250	\$34,993,114	(\$9,504,864)	137.3%	\$6,117,496	(155.4%)
2001	29,624,212	36,351,865	(6,727,653)	122.7%	6,854,052	(98.2%)
2002	31,906,268	34,335,345	(2,429,077)	107.6%	7,687,217	(31.6%)

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 11 - PENSION PLAN (Continued)

PERS has reported that the value of the net assets in the Plan held for pension benefits changed as follows during the year ended June 30, 2002:

	Safety	Miscellaneous
Beginning Balance 6/30/01	\$29,752,683	\$36,351,865
Contributions received	341,184	595,148
Benefits and Refunds Paid	(1,062,590)	(1,476,165)
Investment Earnings Credited	2,425,428	2,963,407
Expected Actuarial Value of Assets 6/30/02	\$31,456,705	\$38,434,255
Market Value of Assets 6/30/02	\$25,208,662	\$31,213,950
Actuarial Value of Assets 6/30/02	\$27,729,528	\$34,335,345

Additional disclosures will be included when made available by PERS.

Actuarially required employer contributions for both plans for fiscal years 2003, 2002, and 2001 were zero.

B. *Deferred Compensation Plan*

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

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

C. *Retired Employees' Health Benefits*

The City, through its memorandums of understanding with employee bargaining units, provides post-retirement health care to all employees who retire from the City with a minimum of twenty years of service. Currently, twenty retirees meet eligibility requirements. The City provides up to \$175 per month towards each retired employees' health insurance premium. Expenditures for post-retirement health care benefits are recorded on a pay-as you-go basis. During the fiscal year ended June 30, 2003, the City incurred \$34,513 in costs related to providing this benefit.

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 12 - RISK MANAGEMENT

A. General Liability

Risk management activity for City exposure to torts (general liability) is accounted for in the City's General Fund. The City is self-insured for the first \$100,000 of liability for each occurrence, and the excess (up to \$10,000,000) is covered through the City's participation in the Association of Bay Area Governments (ABAG) general liability risk pool.

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

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

B. Workers' Compensation

The City has a risk financing fund to account for work related injuries and accidents to City employees. This fund is accounted for as an internal service fund in which assets are set aside for claim payments. Under the California Workers' Disability and Compensation laws, the City, as an employer, is permissibly self-insured for the first \$500,000 of claims arising from each occurrence. The City provides excess Workers' Compensation insurance through a policy for \$5,000,000. A premium is charged to each fund and program that budgets for part-time or full-time employees. The total charge allocated is based upon the percentage of each fund's current-year payroll as it relates to total payroll of the City.

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

C. The City's Claims Liabilities

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

	2003			2002
	Worker's Compensation	General Liability	Total	
Beginning claims payable balance	\$1,437,858	\$134,000	\$1,571,858	\$1,345,204
Liability for current fiscal year claims	37,481	86,577	124,058	556,412
Increase (decrease) in estimated liability				
for prior fiscal year claims	(436,607)	(211,801)	(648,408)	(659,516)
Claims paid	370,858	125,224	496,082	329,758
Ending claims payable balance	\$1,409,590	\$134,000	\$1,543,590	\$1,571,858

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

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

In fiscal year 2003, the State of California directed that a portion of the incremental property received in fiscal year 2002 by redevelopment agencies be shifted to local educational agencies. During the fiscal year ended June 30, 2003, the Agency paid \$140,474 as a result of the State directive.

NOTE 14 - JOINT POWERS AGREEMENT

A. Congestion Management Agency

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

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

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, 2003 the City contributed \$214,575 to the Authority. Audited financial statements are available from the Authority at 2340-A Walsh Avenue, Santa Clara, CA 95051.

NOTE 15 – RENTAL INCOME FROM USE OF CITY PROPERTY

The City leases out space at its Community Center to private organizations. Rental income from leases during the fiscal year ended June 30, 2003 amounted to \$1,099,731. Major tenants include John F. Kennedy University College and Magpie Internet Communications.

Minimum future lease rentals in excess of one year was as follows at June 30, 2003:

<u>Year Ending June 30.</u>	<u>Amount</u>
2004	\$679,436
2005	652,541
2006	307,824
2007	73,824
2008	37,458
Total minimum future lease rentals	<u><u>\$1,751,083</u></u>

CITY OF CAMPBELL, CALIFORNIA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 16 – CONTINGENT LIABILITIES

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

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

MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS
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COP DEBT SERVICE FUND

This fund accounts for payment of principal and interest on the City's 1997 and 2002 Certificates of Participation.

RDA DEBT SERVICE FUND

This fund accounts for payment of interest and principal on the Redevelopment Agency's long-term obligations including the 1999 and 2002 Tax Allocation Bonds.

CITY OF CAMPBELL
COP DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Investment income	\$404,882	\$406,937	\$2,055
Miscellaneous revenues	407,427	402,225	(5,202)
Total Revenues	812,309	809,162	(3,147)
EXPENDITURES			
Debt service			
Principal payments	550,000	550,000	
Interest and fiscal fees	1,311,045	1,299,518	11,527
Total Expenditures	1,861,045	1,849,518	11,527
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,048,736)	(1,040,356)	8,380
OTHER FINANCING SOURCES (USES)			
Payment to bond escrow agent	(9,678,751)	(9,678,751)	
Transfers in	10,499,787	10,490,378	(9,409)
Total Other Financing Sources (Uses)	821,036	811,627	(9,409)
NET CHANGE IN FUND BALANCE	(\$227,700)	(228,729)	(\$1,029)
Fund Balances at Beginning of Year		9,345,028	
Fund Balances at End of Year		\$9,116,299	

See Accompanying Notes to Financial Statements

CITY OF CAMPBELL
 RDA DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$4,082,000	\$4,315,786	
Investment income		145,350	\$145,350
Miscellaneous revenues	<u>4,082,000</u>		<u>(4,082,000)</u>
Total Revenues	<u>8,164,000</u>	<u>4,461,136</u>	<u>(3,936,650)</u>
EXPENDITURES			
Current:			
General Government	1,150,000	1,286,311	(136,311)
Debt Service			
Principal payments	715,000	715,000	
Interest and fiscal fees	<u>1,670,348</u>	<u>1,658,472</u>	<u>11,876</u>
Total Expenditures	<u>3,535,348</u>	<u>3,659,783</u>	<u>(124,435)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,628,652</u>	<u>801,353</u>	<u>(3,827,299)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,412,032	1,412,032	
Transfers (out)	<u>(538,299)</u>	<u>(2,808,355)</u>	<u>(2,270,056)</u>
Total Other Financing Sources (Uses)	<u>873,733</u>	<u>(1,396,323)</u>	<u>(2,270,056)</u>
NET CHANGE IN FUND BALANCES	<u>\$5,502,385</u>	(594,970)	<u>(\$6,097,355)</u>
BEGINNING FUND BALANCES		6,862,854	
Adjustment of Beginning Fund Balance - Implementation of GASB 34		<u>(9,343,980)</u>	
ENDING FUND BALANCES		<u>(\$3,076,096)</u>	

See Accompanying Notes to Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

Community Development Block Grant – Accounts for Federal Block Grant Funds used for community development, such as low-moderate home rehabilitation grants and loans.

Other Grants – Accounts for federal, state and local grant funds which are provided for specific purposes.

Redevelopment Agency Housing – 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.

Campbell Community Center – Accounts for revenues and expenditures pertaining to the operation of the Campbell Community Center. This fund was closed in current year.

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.

Senior Nutrition Program Services – Accounts for revenues and expenditures pertaining to the operation of the Campbell Senior Nutrition Program. This fund was closed in current year.

Supplemental Law Enforcement – Accounts for revenues and expenditures pertaining to grants received for enhancing law enforcement services.

Museum & Adult Center – Accounts for donations received for expenditures related to the City's Museum and Adult Center.

Heritage Theater – Accounts for donations received for the renovation of the Heritage Theatre.

CAPITAL PROJECTS FUNDS:

COP Projects – Accounts for City share of remaining proceeds from the 1993/1997 C.O.P. refinancing to be used for City Community Center projects.

RDA-COP Projects – Accounts for Redevelopment Agency remaining share of proceeds related to the 1991/1993 C.O.P. refinancing, to be used for improvements at the Community Center.

2002 RDA TAB Capital Projects – Accounts for proceeds related to the 2002 Tax Allocation Bonds to be used for the acquisition and construction of various redevelopment projects including the Community Center and Heritage Theater renovations.

CITY OF CAMPBELL
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2003

	SPECIAL REVENUE FUNDS				
	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	Community Development Block Grant	Other Grants
ASSETS					
Cash and investments		\$3,619,026		\$34,114	\$579,255
Receivables:					
Taxes			\$8,073		
Accounts	\$80,469			59,463	2,678
Notes and loans				1,339,288	
Land held for resale					
Total Assets	<u>\$80,469</u>	<u>\$3,619,026</u>	<u>\$8,073</u>	<u>\$1,432,865</u>	<u>\$581,933</u>
LIABILITIES					
Accounts payable	\$13,875		\$37,266	\$24,897	
Accrued vacation and sick leave	24,887		46,416	2,745	
Due to other funds					\$288,899
Deferred revenue					101,777
Claims and judgments payable	23,158		38,332	4,662	
Total Liabilities	<u>61,920</u>		<u>122,014</u>	<u>32,304</u>	<u>390,676</u>
FUND BALANCES					
Fund balance					
Reserved for encumbrances	30,018		9,978	1,940	
Reserved for capital projects					
Reserved for notes receivable				1,339,288	
Unreserved					
Undesignated	(11,469)	\$3,619,026	(123,919)	59,333	191,257
TOTAL FUND BALANCES	<u>18,549</u>	<u>3,619,026</u>	<u>(113,941)</u>	<u>1,400,561</u>	<u>191,257</u>
Total Liabilities and Fund Balances	<u>\$80,469</u>	<u>\$3,619,026</u>	<u>\$8,073</u>	<u>\$1,432,865</u>	<u>\$581,933</u>

See accompanying notes to financial statements

<u>Redevelopment Agency Housing</u>	<u>Drug Enforcement Revenue</u>	<u>Environmental Services</u>	<u>Supplemental Law Enforcement</u>	<u>Museum and Adult Center</u>	<u>Heritage Theater</u>
\$3,710,996		\$1,248,439	\$101,853	\$127,355	\$1,368,690
4,198					
2,366,105	\$15,000	96,639			
<u>\$6,081,299</u>	<u>\$15,000</u>	<u>\$1,345,078</u>	<u>\$101,853</u>	<u>\$127,355</u>	<u>\$1,368,690</u>
\$6,100					
			\$99,861		
<u>6,100</u>			<u>99,861</u>		
112,000					
2,366,105					\$1,368,690
<u>3,597,094</u>	<u>\$15,000</u>	<u>\$1,345,078</u>	<u>1,992</u>	<u>\$127,355</u>	
<u>6,075,199</u>	<u>15,000</u>	<u>1,345,078</u>	<u>1,992</u>	<u>127,355</u>	<u>1,368,690</u>
<u>\$6,081,299</u>	<u>\$15,000</u>	<u>\$1,345,078</u>	<u>\$101,853</u>	<u>\$127,355</u>	<u>\$1,368,690</u>

(Continued)

CITY OF CAMPBELL
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2003

	CAPITAL PROJECTS FUNDS			Total Non-major Governmental Funds
	COP Projects	RDA-COP Projects	2002 RDA TAB Capital Projects	
ASSETS				
Cash and investments	\$1,857,113	\$3,008	\$6,859,598	\$19,509,447
Receivables:				
Taxes				12,271
Accounts				254,249
Notes and loans				3,705,393
Land held for resale				
Total Assets	<u>\$1,857,113</u>	<u>\$3,008</u>	<u>\$6,859,598</u>	<u>\$23,481,360</u>
LIABILITIES				
Accounts payable				\$82,138
Accrued vacation and sick leave				74,048
Due to other funds				288,899
Deferred revenue				201,638
Claims and judgments payable				66,152
Total Liabilities				<u>712,875</u>
FUND BALANCES				
Fund balance				153,936
Reserved for capital projects	\$1,857,113	\$3,008	\$6,859,598	10,088,409
Reserved for notes receivable				3,705,393
Unreserved				
Undesignated				8,820,747
TOTAL FUND BALANCES	<u>1,857,113</u>	<u>3,008</u>	<u>6,859,598</u>	<u>22,768,485</u>
Total Liabilities and Fund Balances	<u>\$1,857,113</u>	<u>\$3,008</u>	<u>\$6,859,598</u>	<u>\$23,481,360</u>

See accompanying notes to financial statements

CITY OF CAMPBELL
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	SPECIAL REVENUE FUNDS			
	Gas Tax	Parkland Dedication Fees	Lighting and Landscaping District	
REVENUES				
Property taxes			\$467,600	
Special assessments			1,105,853	
Investment income	(\$192)	\$93,602		\$16,160
Intergovernmental revenues	890,173		4,912	166,547
Charges for services				40,123
Asset seizure				
Donations				
Parkland dedication fees		420,076		
Miscellaneous revenues	1,207		40,773	16,063
Total Revenues	<u>891,188</u>	<u>513,678</u>	<u>1,619,138</u>	<u>238,893</u>
EXPENDITURES				
Current:				
General government				241,450
Public safety				
Public works	1,058,966		2,138,265	
Capital outlay			46,901	
Debt service				
Interest and fiscal fees				
Total Expenditures	<u>1,058,966</u>		<u>2,185,166</u>	<u>241,450</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(167,778)</u>	<u>513,678</u>	<u>(566,028)</u>	<u>(2,557)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance				
Transfers in	374,661		654,628	5,000
Transfers (out)	(140,273)	(677,578)	(218,504)	
Total Other Financing Sources (Uses)	<u>234,388</u>	<u>(677,578)</u>	<u>436,124</u>	<u>5,000</u>
NET CHANGE IN FUND BALANCES	66,610	(163,900)	(129,904)	2,443
Fund balances (deficits) at beginning of period	<u>(48,061)</u>	<u>3,782,926</u>	<u>15,963</u>	<u>1,398,118</u>
FUND BALANCES (DEFICITS) AT END OF PERIOD	<u>\$18,549</u>	<u>\$3,619,026</u>	<u>(\$113,941)</u>	<u>\$1,400,561</u>

See accompanying notes to financial statements

<u>Other Grants</u>	<u>Redevelopment Agency Housing</u>	<u>Campbell Community Center</u>	<u>Drug Enforcement Revenue</u>	<u>Environmental Services</u>	<u>Senior Nutrition Program</u>	<u>Supplemental Law Enforcement</u>
	\$1,079,767					
\$7,233	93,450			\$10,355		\$22,442
407,988				583,258		84,173
			\$15,000			
	7,000			67,079		
<u>415,221</u>	<u>1,180,217</u>		<u>15,000</u>	<u>660,692</u>		<u>106,615</u>
	174,265					106,615
	174,265					106,615
<u>415,221</u>	<u>1,005,952</u>		<u>15,000</u>	<u>660,692</u>		
<u>(484,510)</u>	<u>(42,963)</u>	<u>(\$25,357)</u>	<u>(8,532)</u>	<u>(695,772)</u>	<u>(\$5,695)</u>	
<u>(484,510)</u>	<u>(42,963)</u>	<u>(25,357)</u>	<u>(8,532)</u>	<u>(695,772)</u>	<u>(5,695)</u>	
(69,289)	962,989	(25,357)	6,468	(35,080)	(5,695)	
<u>260,546</u>	<u>5,112,210</u>	<u>25,357</u>	<u>8,532</u>	<u>1,380,158</u>	<u>5,695</u>	<u>1,992</u>
<u>\$191,257</u>	<u>\$6,075,199</u>		<u>\$15,000</u>	<u>\$1,345,078</u>		<u>\$1,992</u>

(Continued)

CITY OF CAMPBELL
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
	Museum and Adult Center	Heritage Theater	COP Projects	RDA-COP Projects	2002 RDA TAB Capital Projects	
REVENUES						
Property taxes						\$1,547,367
Special assessments						1,105,853
Investment income	\$2,925	\$38,963	\$32,108	\$3,008	\$411,277	731,331
Intergovernmental revenues		316,467				1,870,260
Charges for services						623,381
Asset seizure						15,000
Donations	11,815	231,000				242,815
Parkland dedication fees						420,076
Miscellaneous revenues						132,122
Total Revenues	<u>14,740</u>	<u>586,430</u>	<u>32,108</u>	<u>3,008</u>	<u>411,277</u>	<u>6,688,205</u>
EXPENDITURES						
Current:						
General government						415,715
Public safety						106,615
Public works						3,197,231
Capital outlay						46,901
Debt service						
Interest and fiscal fees			105,951		390,732	496,683
Total Expenditures			<u>105,951</u>		<u>390,732</u>	<u>4,263,145</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>14,740</u>	<u>586,430</u>	<u>(73,843)</u>	<u>3,008</u>	<u>20,545</u>	<u>2,425,060</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from bond issuance			11,930,844		15,300,000	27,230,844
Transfers in		200,000				1,234,289
Transfers (out)	(229,277)	(352,058)	(11,109,519)	(223,148)	(8,460,947)	(22,674,133)
Total Other Financing Sources (Uses)	<u>(229,277)</u>	<u>(152,058)</u>	<u>821,325</u>	<u>(223,148)</u>	<u>6,839,053</u>	<u>5,791,000</u>
NET CHANGE IN FUND BALANCES	(214,537)	434,372	747,482	(220,140)	6,859,598	8,216,060
Fund balances at beginning of period	<u>341,892</u>	<u>934,318</u>	<u>1,109,631</u>	<u>223,148</u>		<u>14,552,425</u>
FUND BALANCES AT END OF PERIOD	<u>\$127,355</u>	<u>\$1,368,690</u>	<u>\$1,857,113</u>	<u>\$3,008</u>	<u>\$6,859,598</u>	<u>\$22,768,485</u>

See accompanying notes to financial statements

CITY OF CAMPBELL
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	GAS TAX			PARKLAND DEDICATION FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property tax						
Special assessments						
Investment income	\$15,000	(\$192)	(\$15,192)		\$93,602	\$93,602
Intergovernmental revenues	918,302	890,173	(28,129)			
Charges for services						
Asset seizures						
Donations						
Parkland dedication fees				\$3,596,137	420,076	(3,176,061)
Miscellaneous revenue		1,207	1,207			
Total Revenues	<u>933,302</u>	<u>891,188</u>	<u>(42,114)</u>	<u>3,596,137</u>	<u>513,678</u>	<u>(3,082,459)</u>
EXPENDITURES						
Current						
General government						
Public safety						
Public works	1,131,909	1,058,966	72,943			
Capital outlay						
Debt Service						
Total Expenditures	<u>1,131,909</u>	<u>1,058,966</u>	<u>72,943</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(198,607)</u>	<u>(167,778)</u>	<u>30,829</u>	<u>3,596,137</u>	<u>513,678</u>	<u>(3,082,459)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	319,491	374,661	55,170			
Transfers (out)	(145,467)	(140,273)	5,194	(3,596,137)	(677,578)	2,918,559
Total Other Financing Sources (Uses)	<u>174,024</u>	<u>234,388</u>	<u>60,364</u>	<u>(3,596,137)</u>	<u>(677,578)</u>	<u>2,918,559</u>
NET CHANGE IN FUND BALANCE	<u>(\$24,583)</u>	<u>66,610</u>	<u>\$91,193</u>		<u>(163,900)</u>	<u>(\$163,900)</u>
BEGINNING FUND BALANCES		<u>(48,061)</u>			<u>3,782,926</u>	
ENDING FUND BALANCES		<u>\$18,549</u>			<u>\$3,619,026</u>	

LIGHTING AND LANDSCAPING DISTRICT			COMMUNITY DEVELOPMENT BLOCK GRANT			OTHER GRANTS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$450,000	\$467,600	\$17,600						
1,125,000	1,105,853	(19,147)						
	4,912	4,912	\$10,000	\$16,160	\$6,160	\$10,361	\$7,233	(\$3,128)
			175,226	166,547	(8,679)	2,447,304	407,988	(2,039,316)
			43,500	40,123	(3,377)			
15,000	40,773	25,773	75,000	16,063	(58,937)			
1,590,000	1,619,138	29,138	303,726	238,893	(64,833)	2,457,665	415,221	(2,042,444)
			388,786	241,450	147,336			
2,222,365	2,138,265	84,100						
45,449	46,901	(1,452)						
2,267,814	2,185,166	82,648	388,786	241,450	147,336			
(677,814)	(566,028)	111,786	(85,060)	(2,557)	82,503	2,457,665	415,221	(2,042,444)
1,110,019	654,628	(455,391)	5,000	5,000				
(468,504)	(218,504)	250,000				(2,447,304)	(484,510)	1,962,794
641,515	436,124	(205,391)	5,000	5,000		(2,447,304)	(484,510)	1,962,794
(\$36,299)	(129,904)	(\$93,605)	(\$80,060)	2,443	\$82,503	\$10,361	(69,289)	(\$79,650)
	15,963			1,398,118			260,546	
	(\$113,941)			\$1,400,561			\$191,257	

(Continued)

CITY OF CAMPBELL
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>REDEVELOPMENT AGENCY HOUSING</u>			<u>DRUG ENFORCEMENT REVENUE</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Property tax	\$1,040,975	\$1,079,767	\$38,792			
Special assessments						
Investment income	150,000	93,450	(56,550)			
Intergovernmental revenues						
Charges for services	13,750		(13,750)			
Asset seizures				\$5,000	\$15,000	\$10,000
Donations						
Parkland dedication fees						
Miscellaneous revenue		7,000	7,000			
Total Revenues	<u>1,204,725</u>	<u>1,180,217</u>	<u>(24,508)</u>	<u>5,000</u>	<u>15,000</u>	<u>10,000</u>
EXPENDITURES						
Current						
General government	739,201	174,265	564,936			
Public safety						
Public works						
Capital outlay						
Debt Service						
Total Expenditures	<u>739,201</u>	<u>174,265</u>	<u>564,936</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>465,524</u>	<u>1,005,952</u>	<u>540,428</u>	<u>5,000</u>	<u>15,000</u>	<u>10,000</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(42,963)</u>	<u>(42,963)</u>		<u>(3,483)</u>	<u>(8,532)</u>	<u>(5,049)</u>
Total Other Financing Sources (Uses)	<u>(42,963)</u>	<u>(42,963)</u>		<u>(3,483)</u>	<u>(8,532)</u>	<u>(5,049)</u>
NET CHANGE IN FUND BALANCE	<u>\$422,561</u>	<u>962,989</u>	<u>\$540,428</u>	<u>\$1,517</u>	<u>6,468</u>	<u>\$4,951</u>
BEGINNING FUND BALANCES		<u>5,112,210</u>			<u>8,532</u>	
ENDING FUND BALANCES		<u>\$6,075,199</u>			<u>\$15,000</u>	

ENVIRONMENTAL SERVICES			SUPPLEMENTAL LAW ENFORCEMENT			MUSEUM AND ADULT CENTER		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$15,000	\$10,355	(\$4,645)		\$22,442	\$22,442	\$5,843	\$2,925	(\$2,918)
375,922		(375,922)	\$100,000	84,173	(15,827)			
284,000	583,258	299,258				28,568	11,815	(16,753)
55,000	67,079	12,079						
729,922	660,692	(69,230)	100,000	106,615	6,615	34,411	14,740	(19,671)
			100,000	106,615	(6,615)			
			100,000	106,615	(6,615)			
729,922	660,692	(69,230)				34,411	14,740	(19,671)
(1,087,622)	(695,772)	391,850				(23,189)	(229,277)	(206,088)
(1,087,622)	(695,772)	391,850				(23,189)	(229,277)	(206,088)
<u>(\$357,700)</u>	<u>(35,080)</u>	<u>\$322,620</u>				<u>\$11,222</u>	<u>(214,537)</u>	<u>(\$225,759)</u>
	1,380,158			1,992			341,892	
	<u>\$1,345,078</u>			<u>\$1,992</u>			<u>\$127,355</u>	

(Continued)

CITY OF CAMPBELL
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	HERITAGE THEATER			TOTALS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property tax				\$1,490,975	\$1,547,367	\$56,392
Special assessments				1,125,000	1,105,853	(19,147)
Investment income		\$38,963	\$38,963	206,204	284,938	78,734
Intergovernmental revenues		316,467	316,467	4,016,754	1,870,260	(2,146,494)
Charges for services				341,250	623,381	282,131
Asset seizures				5,000	15,000	10,000
Donations		231,000	231,000	28,568	242,815	214,247
Parkland dedication fees				3,596,137	420,076	(3,176,061)
Miscellaneous revenue				145,000	132,122	(12,878)
Total Revenues		586,430	586,430	10,954,888	6,241,812	(4,713,076)
EXPENDITURES						
Current						
General government				1,127,987	415,715	712,272
Public safety				100,000	106,615	(6,615)
Public works				3,354,274	3,197,231	157,043
Capital outlay				45,449	46,901	(1,452)
Debt Service						
Total Expenditures				4,627,710	3,766,462	861,248
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		586,430	586,430	6,327,178	2,475,350	(3,851,828)
OTHER FINANCING SOURCES (USES)						
Transfers in		200,000	200,000	1,434,510	1,234,289	(200,221)
Transfers (out)	(2,473,515)	(352,058)	2,121,457	(10,288,184)	(2,849,467)	7,438,717
Total Other Financing Sources (Uses)	(2,473,515)	(152,058)	2,321,457	(8,853,674)	(1,615,178)	7,238,496
NET CHANGE IN FUND BALANCE	<u>(\$2,473,515)</u>	434,372	<u>\$2,907,887</u>	<u>(\$2,526,496)</u>	860,172	<u>\$3,386,668</u>
BEGINNING FUND BALANCES		934,318			11,912,384	
ENDING FUND BALANCES		<u>\$1,368,690</u>			<u>\$12,772,556</u>	

INTERNAL SERVICE FUNDS

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

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

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

CITY OF CAMPBELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2003

	Motor Vehicle Pool	Workers' Compensation Self-Insurance	Information Technology Services	Total
ASSETS				
Current assets:				
Cash and investments	\$1,146,073	\$2,339,536	\$1,938,509	\$5,424,118
Deposits		60,000		60,000
Total current assets	<u>1,146,073</u>	<u>2,399,536</u>	<u>1,938,509</u>	<u>5,484,118</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation:	<u>1,319,725</u>		<u>1,351,702</u>	<u>2,671,427</u>
Total assets	<u>2,465,798</u>	<u>2,399,536</u>	<u>3,290,211</u>	<u>8,155,545</u>
LIABILITIES				
Accounts payable	11,263	55,347	19,572	86,182
Accrued vacation and sick leave	11,534			11,534
Claims and judgments payable		1,409,590		1,409,590
Accrued payroll and payroll taxes	9,485			9,485
Deferred revenue	3,000			3,000
Total current liabilities	<u>35,282</u>	<u>1,464,937</u>	<u>19,572</u>	<u>1,519,791</u>
Total liabilities	<u>35,282</u>	<u>1,464,937</u>	<u>19,572</u>	<u>1,519,791</u>
NET ASSETS				
Invested in capital assets, net of related debt				
Unrestricted, designated for:				
Capital replacements	2,430,516		3,270,639	5,701,155
Claims payable		934,599		934,599
Total net assets	<u>\$2,430,516</u>	<u>\$934,599</u>	<u>\$3,270,639</u>	<u>\$6,635,754</u>

CITY OF CAMPBELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
JUNE 30, 2003

	Motor Vehicle Pool	Communications Pool	Photocopy/ FAX Pool
OPERATING REVENUES			
Charges to operating department	\$1,062,943		
Other	150,078		
Total Operating Revenues	<u>1,213,021</u>		
OPERATING EXPENSES			
Personnel services	228,782		
Services and supplies	477,428		
Depreciation	385,005		
Total Operating Expenses	<u>1,091,215</u>		
Operating Income (Loss)	<u>121,806</u>		
Income (Loss) Before Contributions and Transfers			
Contributed capital			
Transfers in	21,700		
Transfers (out)	<u>(71,397)</u>	<u>(\$1,147,829)</u>	<u>(\$170,670)</u>
Net Transfer	<u>(49,697)</u>	<u>(1,147,829)</u>	<u>(170,670)</u>
Change in net assets	72,109	(1,147,829)	(170,670)
Total net assets-beginning	<u>2,358,407</u>	<u>1,147,829</u>	<u>170,670</u>
Total net assets-ending	<u><u>\$2,430,516</u></u>		

<u>Workers' Compensation Self-Insurance</u>	<u>Unemployment Self-Insurance</u>	<u>Long-Term Disability Self-Insurance</u>	<u>Information Technology Services</u>	<u>Total</u>
\$456,372			\$943,296 201	\$2,462,611 150,279
456,372			943,497	2,612,890
21,418			82,269	332,469
431,742			861,304	1,770,474
			686,565	1,071,570
453,160			1,630,138	3,174,513
3,212			(686,641)	(561,623)
			1,012,230	1,012,230
			1,399,499	1,421,199
	(\$182,692)	(\$210,048)	(18,418)	(1,801,054)
	(182,692)	(210,048)	2,393,311	632,375
3,212	(182,692)	(210,048)	1,706,670	70,752
931,387	182,692	210,048	1,563,969	6,565,002
<u>\$934,599</u>			<u>\$3,270,639</u>	<u>\$6,635,754</u>

CITY OF CAMPBELL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	Motor Vehicle Pool	Communications Pool	Photocopy/ FAX Pool
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$1,216,021		
Payments to suppliers	(500,125)	(\$21,143)	(\$131,301)
Payments to employees	(224,891)	(59,058)	
	491,005	(80,201)	(131,301)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	21,700		
Transfers (out)	(71,397)	(1,147,829)	(170,670)
	(49,697)	(1,147,829)	(170,670)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of fixed assets, net	(299,632)		
Retirements	56,822	189,308	132,246
	(242,810)	189,308	132,246
Net increase (decrease) in cash and cash equivalents	198,498	(1,038,722)	(169,725)
Cash and investments at beginning of period	947,575	1,038,722	169,725
Cash and investments at end of period	\$1,146,073		
NON CASH CONTRIBUTIONS			
Capital contributions			
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$121,806		
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	385,005		
Change in assets and liabilities:			
Accounts and other payables	(22,697)	(21,143)	(131,301)
Accrued payroll and payroll taxes	1,446	(25,762)	
Accrued vacation and sick leave (Note 8)	2,445	(33,296)	
Claims and judgments payable			
Deferred revenue	3,000		
Net cash provided by operating activities	\$491,005	(\$80,201)	(\$131,301)

<u>Workers' Compensation Self-Insurance</u>	<u>Unemployment Self-Insurance</u>	<u>Long-Term Disability Self-Insurance</u>	<u>Information Technology Services</u>	<u>Total</u>
\$456,372			\$943,497	\$2,615,890
(421,329)			(857,028)	(1,930,926)
(21,418)			(100,001)	(405,368)
<u>13,625</u>			<u>(13,532)</u>	<u>279,596</u>
	(182,692)	(210,048)	1,399,499	1,421,199
			(18,418)	(1,801,054)
	<u>(182,692)</u>	<u>(210,048)</u>	<u>1,381,081</u>	<u>(379,855)</u>
			(283,838)	(583,470)
				378,376
			<u>(283,838)</u>	<u>(205,094)</u>
13,625	(182,692)	(210,048)	1,083,711	(305,353)
<u>2,325,911</u>	<u>182,692</u>	<u>210,048</u>	<u>854,798</u>	<u>5,729,471</u>
<u>\$2,339,536</u>			<u>\$1,938,509</u>	<u>\$5,424,118</u>
			<u>\$1,012,230</u>	<u>1,012,230</u>
\$3,212			(\$686,641)	(561,623)
			686,565	1,071,570
38,681			4,276	(132,184)
			(17,732)	(42,048)
(28,268)				(30,851)
				(28,268)
				3,000
<u>\$13,625</u>			<u>(\$13,532)</u>	<u>\$279,596</u>

FIDUCIARY FUNDS

AGENCY FUNDS:

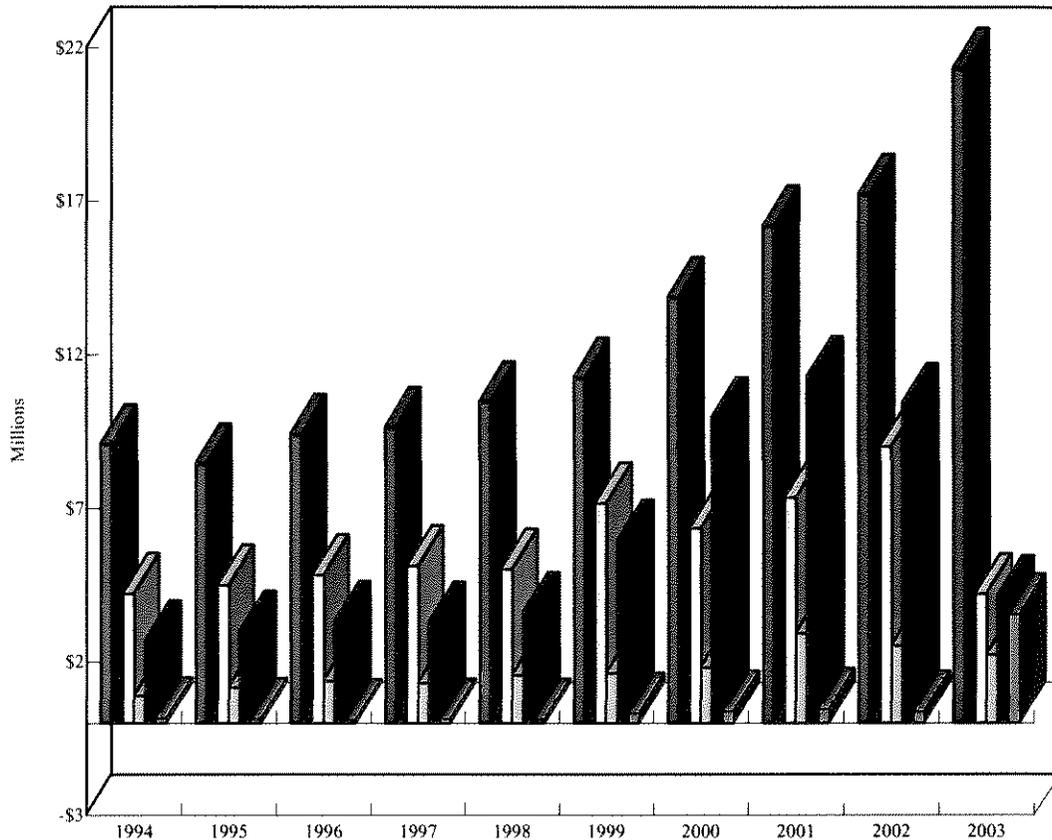
1915 Act Bond Agency Fund – Accounts for the assessments received and the payment of principal and interest under the Improvement Bond Act of 1915.

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.

CITY OF CAMPBELL
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
<u>West Valley Solid Waste Management Authority</u>				
<u>Assets</u>				
Restricted cash and investments	\$145,459	\$126,415	\$187,054	\$84,820
Accounts receivable	3,811	31,499	35,310	
Total Assets	<u>\$149,270</u>	<u>\$157,914</u>	<u>\$222,364</u>	<u>\$84,820</u>
<u>Liabilities</u>				
Accounts payable	\$86,189	\$96,926	\$179,936	\$3,179
Payable to West Valley Solid Waste JPA	63,081	60,988	42,428	81,641
Total Liabilities	<u>\$149,270</u>	<u>\$157,914</u>	<u>\$222,364</u>	<u>\$84,820</u>
<u>1915 Act Bonds</u>				
<u>Assets</u>				
Restricted cash and investments	\$95,658	\$81,905	\$80,491	\$97,072
Accounts receivable	283,798	269,724	9,964	543,558
Total Assets	<u>\$379,456</u>	<u>\$351,629</u>	<u>\$90,455</u>	<u>\$640,630</u>
<u>Liabilities</u>				
Accounts payable	\$21	\$53,485	\$53,506	
Deferred revenue	283,407	269,724	9,573	543,558
Due to bondholders	96,028	28,420	27,376	97,072
Total Liabilities	<u>\$379,456</u>	<u>\$351,629</u>	<u>\$90,455</u>	<u>\$640,630</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Restricted cash and investments	\$241,117	\$208,320	\$267,545	\$181,892
Accounts receivable	287,609	301,223	45,274	543,558
Total Assets	<u>\$528,726</u>	<u>\$509,543</u>	<u>\$312,819</u>	<u>\$725,450</u>
<u>Liabilities</u>				
Accounts payable	\$86,210	\$150,411	\$233,442	\$3,179
Payable to West Valley Solid Waste JPA	63,081	60,988	42,428	81,641
Deferred revenue	283,407	269,724	9,573	543,558
Due to bondholders	96,028	28,420	27,376	97,072
Total Liabilities	<u>\$528,726</u>	<u>\$509,543</u>	<u>\$312,819</u>	<u>\$725,450</u>

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

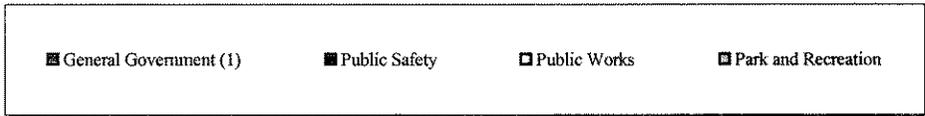
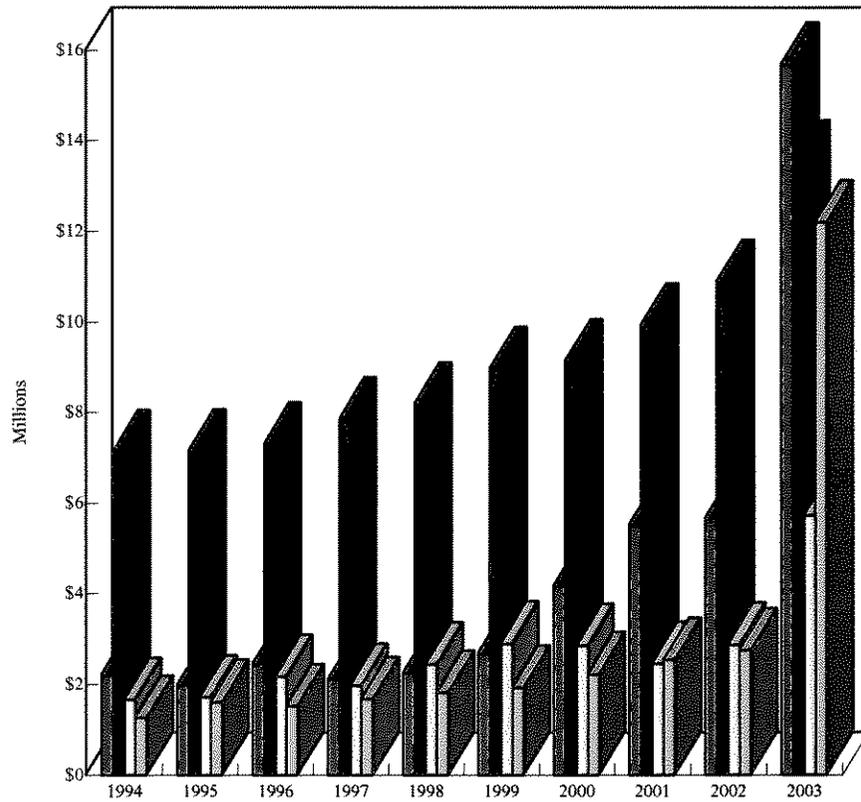


■ Taxes	■ Licenses and Permits	□ Revenue From Other Agencies
■ Use of Money and Property	■ Charges for Services	■ Fines, Forfeits and Other Revenue

Fiscal Year	Taxes	Licenses and Permits	Revenue From Other Agencies	Use of Money and Property	Charges for Services	Fines, Forfeits and Other Revenue	Total
1994	\$13,651,044	\$745,513	\$2,609,881	\$1,688,006	\$2,296,525	\$3,163,638	\$24,154,607
1995	14,996,424	685,818	3,154,632	2,117,378	2,650,665	3,680,226	27,285,143
1996	16,416,593	1,158,014	2,966,697	2,434,205	2,694,163	3,896,610	29,566,282
1997	18,238,134	685,163	3,208,261	2,562,338	3,083,536	2,625,274	30,402,706
1998	18,721,673	1,162,895	3,669,403	2,944,380	3,301,198	2,617,184	32,416,733
1999	18,399,608	1,269,742	3,692,521	2,949,487	3,469,280	10,718,273	40,498,911
2000	21,141,527	1,295,767	3,777,514	3,558,189	3,557,942	4,599,132	37,930,071
2001	24,246,392	1,436,496	4,068,461	5,331,375	3,753,570	3,160,139	41,996,433
2002	22,259,199	836,081	4,401,325	3,406,827	3,690,189	5,430,442	40,024,063
2003	21,324,868	988,483	4,212,137	2,230,744	4,140,042	3,561,957	36,458,231

Source: City Operating Budget and City Annual Financial Report

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

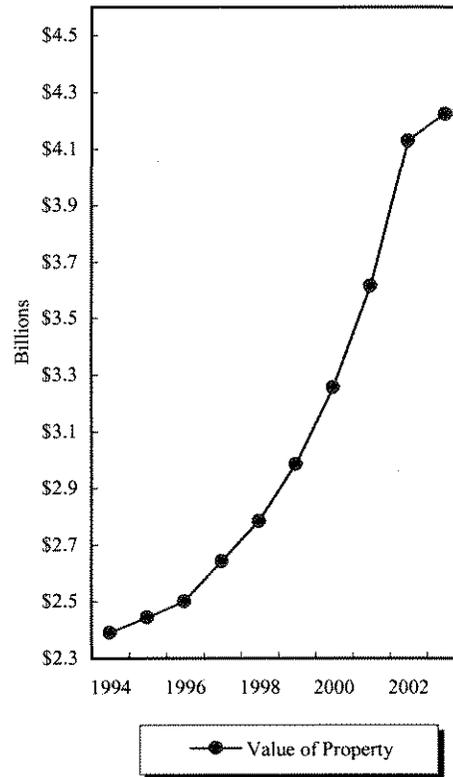
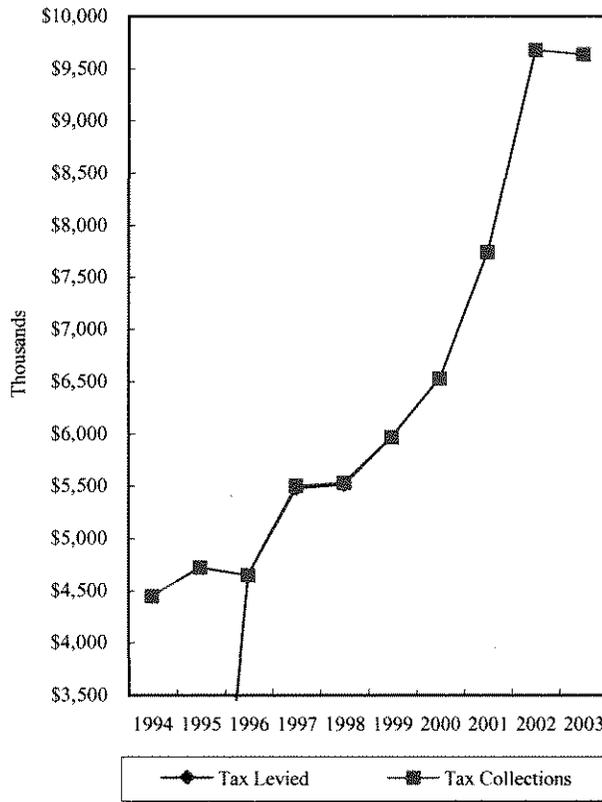


Fiscal Year	General Government	Public Safety	Public Works	Capital Outlay	Total
1994	\$10,504,032	\$8,278,556	\$3,525,728	\$6,233,282	\$28,541,598
1995	10,472,426	8,888,674	3,762,552	2,497,649	25,621,301
1996	10,433,989	9,094,666	4,334,411	2,172,312	26,035,378
1997	11,279,734	9,423,769	4,652,254	3,814,828	29,170,585
1998	11,491,279	10,007,787	4,863,339	3,665,824	30,028,229
1999	15,394,984	11,202,763	4,741,223	7,374,652	38,713,622
2000	11,922,823	11,186,434	4,275,635	7,528,592	34,913,484
2001	13,068,062	11,745,820	4,971,203	8,770,934	38,556,019
2002	15,529,391	12,874,201	5,792,531	13,725,493	47,921,616
2003	15,685,312	13,516,360	5,725,897	12,193,768	47,121,337

Source: City Annual Financial Report

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

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



Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Collections of Prior Years' Taxes During Year (2)	Total Tax Collections	Value of City Property Subject to Local Tax Rate (1)
1994	N/A	\$ 4,355,819	N/A	\$ 88,348	\$ 4,444,167	\$ 2,388,391,864
1995	N/A	4,696,496	N/A	18,945	4,715,441	2,442,365,218
1996	4,642,829	4,642,829	100%	-	4,642,829	2,497,686,163
1997	5,476,597	5,476,597	100%	24,859	5,501,456	2,640,117,872
1998	5,516,477	5,516,476	100%	14,212	5,530,688	2,782,180,854
1999	5,969,093	5,969,092	100%	-	5,969,092	2,983,422,243
2000	6,532,239	6,532,239	100%	-	6,532,239	3,254,522,496
2001	7,742,112	7,742,112	100%	-	7,742,112	3,613,869,475
2002	9,677,453	9,677,453	100%	-	9,677,453	4,126,805,525
2003	9,632,347	9,632,347	100%	-	9,632,347	4,220,907,226

N/A - Not Available

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

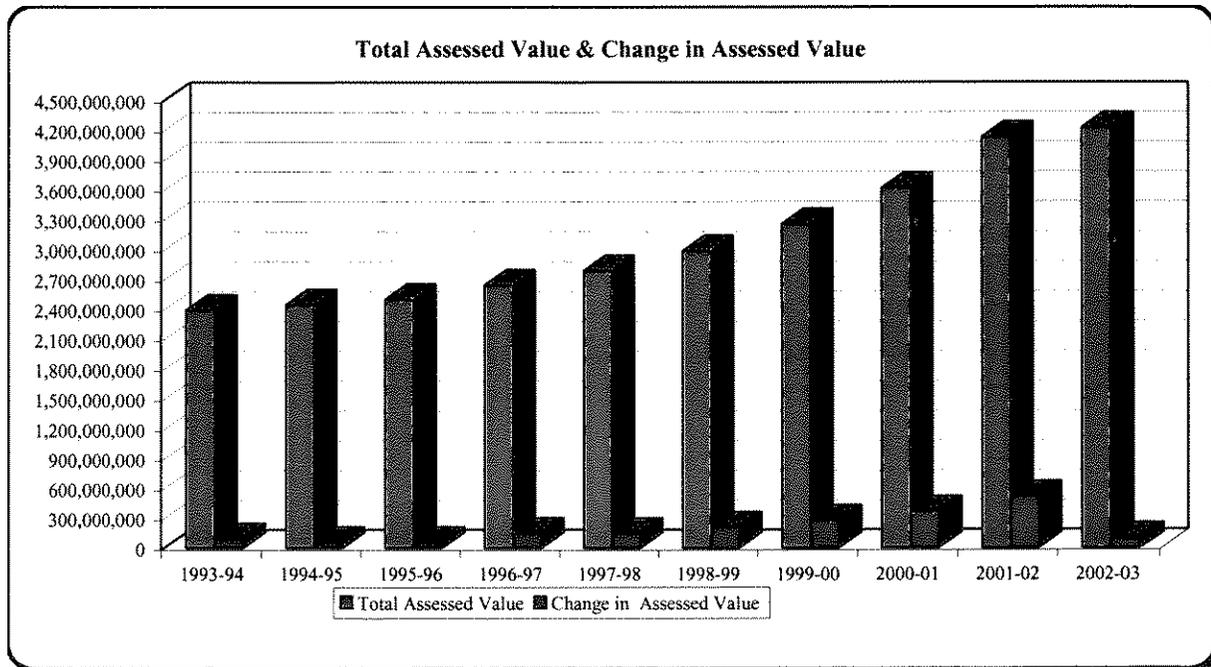
Source (1) County of Santa Clara, Department of Finance
(2) City of Campbell, Finance Department

CITY OF CAMPBELL
Assessed Value - All Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Net Secured</u>	<u>HOPTR Exemptions</u>	<u>SBE Utilities (1)</u>	<u>Unsecured Roll</u>	<u>Total Assessed Value</u>	<u>% Change in Assessed Value</u>
1993-94	\$ 2,150,672,666	\$ 43,512,000	\$ 1,935,288	\$ 192,271,910	\$ 2,388,391,864	3.84%
1994-95	2,187,202,482	43,785,000	2,103,980	209,273,756	2,442,365,218	2.26%
1995-96	2,239,531,169	43,811,600	2,573,066	211,770,328	2,497,686,163	2.27%
1996-97	2,329,187,716	44,011,800	2,618,188	264,300,168	2,640,117,872	5.70%
1997-98	2,472,381,428	45,126,200	2,653,461	262,019,765	2,782,180,854	5.38%
1998-99	2,670,888,645	45,738,000	2,690,154	264,105,444	2,983,422,243	7.23%
1999-00	2,903,306,192	45,995,600	2,455,048	302,765,656	3,254,522,496	9.09%
2000-01	3,245,902,330	45,728,200	225,968	322,012,977	3,613,869,475	11.04%
2001-02	3,712,714,024	46,449,200	1,751,083	365,891,218	4,126,805,525	14.19%
2002-03	3,855,036,928	46,215,400	2,292,470	317,362,428	4,220,907,226	2.28%

Source: County of Santa Clara, Department of Finance

(1) Beginning FY 88-89, the state required the establishment of a single countywide tax rate area for the assignment of the assessed value of certain types of state assessed utility property.



Unaudited - See Accompanying Report of Independent Auditors

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

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
County retirement	\$0.031	\$0.033	\$0.034	\$0.034	\$0.039	\$0.039	\$0.032	\$0.036	\$0.036	\$0.039
County	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
County bond										
Library retirement	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
City of Campbell debt service										
Elementary and/or unified school bonds	0.016		0.011	0.123	0.005	0.036	0.033	0.055	0.052	0.076
High school bonds								0.009	0.016	0.017
County Sanitation District 4 bonds	0.005	0.004	0.003							
Loan repay - Moreland	0.068	0.066	0.037		0.058	0.055	0.058			
SCVWD - state water project	0.009	0.009	0.007	0.008	0.008	0.006	0.007	0.006	0.005	0.006
SCVWD - District Zone W-1	0.003	0.002	0.003	0.003	0.002	0.002	0.002	0.002	0.001	0.001
Tax rate per \$100 of assessed value	<u>\$1.134</u>	<u>\$1.116</u>	<u>\$1.097</u>	<u>\$1.170</u>	<u>\$1.114</u>	<u>\$1.140</u>	<u>\$1.134</u>	<u>\$1.110</u>	<u>\$1.113</u>	<u>\$1.141</u>

Source: County of Santa Clara, Department of Finance

Unaudited - See Accompanying Report of Independent Auditors

CITY OF CAMPBELL
Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Service to Total General Expenditures</u>
1994	\$ 215,000	\$ 18,050	\$ 233,050	\$ 28,541,598	0.82%
1995	-	8,130	8,130	25,621,302	0.03%
1996	-	-	-	26,035,378	-
1997	-	-	-	29,170,585	-
1998	-	-	-	30,028,229	-
1999	-	-	-	38,713,622	-
2000	-	-	-	34,913,484	-
2001	-	-	-	38,969,834	-
2002	-	-	-	47,921,616	-
2003	-	-	-	47,121,337	-

* Includes General, Special Revenue, Debt Service Funds, and Capital Project Funds

Source: City of Campbell, Finance Department

Unaudited - See Accompanying Report of Independent Auditors

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

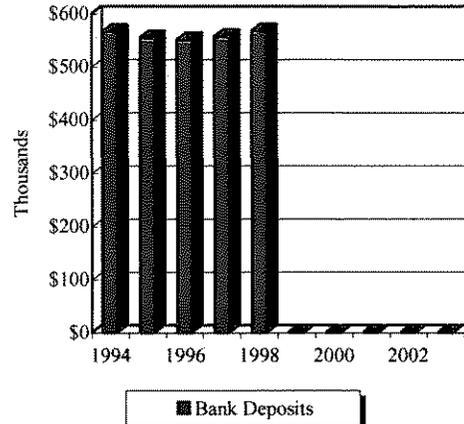
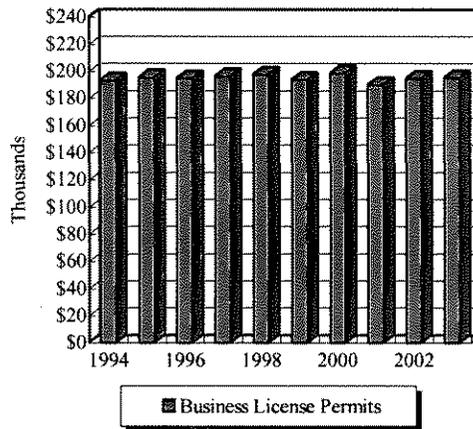
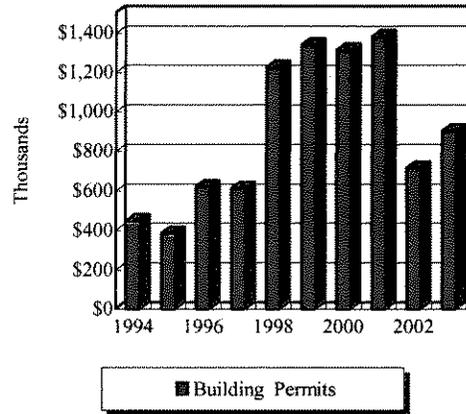
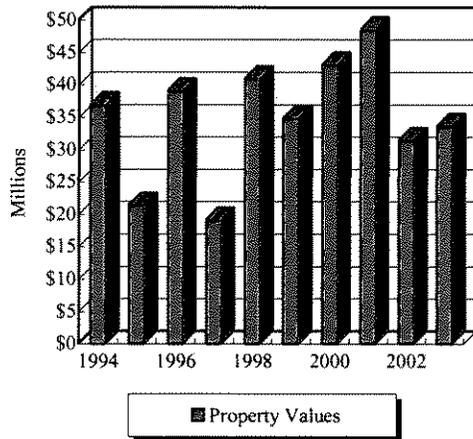


—◆— City Population

<u>Fiscal Year</u>	<u>City Population</u>	<u>Santa Clara County Population</u>	<u>City Population % of County</u>	<u>Number of Housing Units *</u>
1994	37,449	1,580,015	2.4%	15,890
1995	38,263	1,606,908	2.4%	15,936
1996	38,267	1,612,258	2.4%	15,982
1997	39,312	1,653,061	2.4%	16,088
1998	39,720	1,689,900	2.4%	16,111
1999	39,871	1,715,374	2.3%	16,159
2000	40,826	1,736,722	2.4%	16,552
2001	38,672	1,723,680	2.2%	16,302
2002	38,401	1,719,565	2.2%	16,365
2003	38,300	1,729,917	2.2%	16,384

Source: State of California Department of Finance

**CITY OF CAMPBELL
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**



Fiscal Year	Estimated Valuation (2)	Value of Building Permits Issued (1)	Value of Business Licenses Issued (3)	Bank Deposits in Thousands (4)
1994	\$ 36,808,127	\$ 445,336	\$ 193,276	\$ 566,778
1995	21,334,606	382,657	195,345	554,267
1996	39,059,374	618,992	194,758	550,911
1997	19,028,482	608,447	196,222	556,656
1998	40,887,260	1,222,768	197,525	567,505
1999	34,752,025	1,338,379	193,844	n/a
2000	43,018,499	1,310,188	198,501	n/a
2001	48,453,049	1,377,798	189,903	n/a
2002	31,396,804	713,702	194,663	n/a
2003	33,586,048	899,509	195,219	n/a

Source: (1) City of Campbell, Building Department Valuation/Revenue Report
 (2) Building Standards Monthly
 (3) City of Campbell, Finance Department
 (4) The Findley Reports

CITY OF CAMPBELL
Miscellaneous Statistical Facts
For the Fiscal Year Ended June 30, 2003

Date of Incorporation:

March 28, 1952

Election:

Registered Voters: 20,774

Form of Government:

General Law City
 Council - Manager, City Council
 Consists of Five Members Elected for
 Four-Year Terms

Number of Votes Cast
 Last General Election: 14,267

Percentage of Voters
 Voting: 68.70%

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Population (January 1) ⁽¹⁾⁽⁸⁾⁽⁹⁾	38,300	38,401	38,138	40,826	39,871
Area - Square Miles ⁽²⁾	6.5	6.5	6.5	6.5	6.5
Public Safety:					
Number of Police Stations	1	1	1	1	1
Number of Police Employees	65	65	65	65	63
Number of Fire Stations ⁽³⁾	2	2	2	2	2
Miles of Streets (Major / Secondary)	14.3 / 74.0	14.3 / 74.0	14.3 / 74.0	14.3 / 74.0	14.3 / 74.0
Miles of Sewers (Storm / Sanitary) ⁽⁴⁾	41.5 / 484.0	41.5 / 484.0	41.5 / 484.0	41.5 / 484.0	41.5 / 484.0
Miles of Sidewalks	74.5	74.5	74.5	74.5	74.5
Street Lights	2,362	2,325	2,241	2,241	2,234
Parks - Number of Acres	85.95	85.95	85.95	85.95	85.95
Number of Households ⁽¹⁾⁽⁵⁾⁽⁸⁾	16,384	16,381	15,920	16,552	16,159
Average Household Size ⁽⁵⁾⁽⁸⁾⁽⁹⁾	2.37	2.38	2.38	2.54	2.54
Jobs per Household ⁽²⁾⁽⁵⁾⁽⁸⁾	1.48	1.35	1.75	1.77	1.60
Employed Residents ⁽⁵⁾	24,180	25,053	25,500	27,840	25,825
Mean Household Income ⁽⁵⁾	\$96,000	\$97,400	\$74,200	\$74,200	n/a
Median Home Value ⁽⁷⁾	\$617,500	\$617,500	\$470,000	\$504,250	n/a
% of Adults over 25 with Bachelor's Degree or Higher ⁽⁶⁾⁽⁹⁾	42.20%	42.20%	42.00%	30.80%	n/a

⁽¹⁾ California Department of Finance

⁽²⁾ Campbell Community Development Dept.

⁽³⁾ Contracted Services

⁽⁴⁾ West Valley Sanitation District

⁽⁵⁾ ABAG Projections

⁽⁶⁾ CACI, Inc.

⁽⁷⁾ Santa Clara County Association of Realtors

⁽⁸⁾ 2000 Census

⁽⁹⁾ Claritas Inc. Report - 4/2/02

CITY OF CAMPBELL
Special Assessment Billings and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Current Assessment Billings</u>	<u>Current Assessment Collections</u>	<u>Ratio of Collections to Amount Due</u>
1993-94	\$ 302,957	\$ 309,340	102.1%
1994-95	298,701	298,494	99.9%
1995-96	291,468	285,085	97.8%
1996-97	243,725	243,977	100.1%
1997-98	246,307	246,307	100.0%
1998-99	231,374	236,736	102.3%
1999-00	222,972	545,825	244.8%
2000-01	102,067	126,348	123.8%
2001-02	107,509	72,243	67.2%
2002-03	68,513	68,171	99.5%

Source: City of Campbell, Department of Finance

Unaudited - See Accompanying Report of Independent Auditors

CITY OF CAMPBELL
Bonded Debt Per Capita and Ratio of Bonded Debt to Assessed Value
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Bonded Debt (2)</u>	<u>Bonded Debt Per Capita</u>	<u>Assessed Value (3)</u>	<u>Ratio of Bonded Debt to Assessed Value</u>
1993-94	37,449	\$ 125,000	\$ 3	\$ 2,388,391,864	0.01%
1994-95	38,263	-	-	2,442,365,218	-
1995-96	38,267	-	-	2,497,686,163	-
1996-97	39,312	-	-	2,640,117,872	-
1997-98	39,720	-	-	2,782,180,854	-
1998-99	39,871	-	-	2,983,422,243	-
1999-00	40,826	-	-	3,254,522,496	-
2000-01	38,672	-	-	3,613,869,475	-
2001-02	38,401	-	-	4,126,805,525	-
2002-03	38,300	-	-	4,220,907,226	-

Source: (1) State of California, Department of Finance
(2) City of Campbell, Finance Department
(3) County of Santa Clara, Department of Finance

Unaudited - See Accompanying Report of Independent Auditors

**CITY OF CAMPBELL
COMPUTATION OF LEGAL DEBT MARGIN
AS OF JUNE 30, 2003**

ASSESSED VALUATION:

Assessed value	\$4,220,907,226
Less: Outstanding bonded debts	<u>0</u>
Total Assessed Valuation	<u><u>\$4,220,907,226</u></u>

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE)	\$158,284,021
AMOUNT OF DEBT SUBJECT TO LIMIT	<u>0</u>
LEGAL DEBT MARGIN	<u><u>\$158,284,021</u></u>

SOURCE: CITY OF CAMPBELL FINANCE DEPARTMENT

**CITY OF CAMPBELL
PRINCIPAL SALES TAXPAYERS
YEAR ENDED JUNE 30, 2003**

Taxpayer	Type of Business
Barnes & Nobel Bookstore	Stationery/Books
Black & White Desktop Publishing	Desktop Publishing
Chevron Station	Service Station
Economy Lumber	Building Materials
Elephant Bar	Restaurant
E-Plus Technology	Office Equipment
Fry's Electronics	Appliance Store
Gardenland Power Equipment	Business Services
Home Depot	Building Materials
Huffman Koos (dba Breuner's)	Home Furnishings
Jack-In-The Box	Restaurant
Joe Escobar Diamonds	Jewelry Store
Longs Drugs Stores	Drug Store
Marshall's Department Store	Department Store
Mervyn's Department Store	Department Store
Nob Hill Foods	Grocery Store
Nova	Chemical Products
Officemax	Office Equipment Store
Outback Steakhouse	Restaurant
Pentech Financial Service	Business Services
Petsmart	Specialty Store
Railway Distributing	Building Materials
Rasputin Records	Music Store
Rock Bottom Brewery	Restaurant
Ross Dress for Less	Department Store
Rotten Robbie	Service Station
RV Cloud Company	Building Materials
Safeway Stores	Grocery Store
San Jose Camera Shop	Camera Store
Shell Station	Service Station
Sierra Pacific Turf Supply	Wholesale Nursery
Staples	Office Equipment
Summerwinds Garden Center	Nursery
Tesoro West Coast Company	Nursery
Total Corporate Services	Electronic Equipment
Tower Records & Video	Music Store
Trader Joe's	Grocery Store
Trudy's	Women's Apparel
Walgreens Drug Store	Drug Store
Whole Foods Market	Grocery Store