

City of Campbell California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2012

Prepared by

Finance Department

Jesse Takahashi, Finance Director

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CITY OF CAMPBELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended June 30, 2012

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INTRODUCTORY SECTION

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CITY OF CAMPBELL
FINANCE DEPARTMENT

December 20, 2012

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

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) for the City of Campbell, California for the fiscal year ended June 30, 2012, prepared by the City's Finance Department.

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

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

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

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

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

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

CITY OF CAMPBELL PROFILE

The City of Campbell is located in the heart of Silicon Valley contiguous with the City of San Jose and 50 miles south of San Francisco. The City encompasses 6.5 square miles, is largely built out, and serves a population of approximately 39,882. The City is comprised of a combination of residential, office and commercial retail businesses. The City is also home to a number of community festivals and celebrations throughout the year, and it prides itself on fostering a "small town" feel despite being located in the midst of a major metropolitan region. The City's central geographic setting within Silicon Valley makes it a desirable place to live and work.

The City was incorporated March 28, 1952, as a general law city and operates under a Council-Manager form of government that includes five council members elected at-large for a term of four years. The Mayor is selected each year by majority vote of the other Council members. The Council appoints the City Manager and City Attorney. The City Council members also serve as the governing board members of the Campbell Redevelopment Agency and the Campbell Lighting and Landscape District, which are both included in the financial reporting entity as blended component units of the City.

The City provides the following services to its residents: police and contract fire protection; park and street lighting maintenance; recreational classes, services and cultural events; planning, zoning and building review and inspections; construction and maintenance of streets and roads; and leadership provided through general administrative services. Water, sewage, garbage and electric utilities are provided directly through other agencies not under the City's jurisdiction.

The annual budget serves as the foundation for the City of Campbell's financial planning and control. The budget process begins in December with each City department receiving a budget packet. Initial appropriation requests are made in mid-February; study sessions are later held with the City Council between March and May to discuss department goals and work plans, as well as to obtain Council's input on special priorities or concerns that should be considered in developing the budget. Subsequently, the City Manager meets with each department director to discuss the budget requests and make changes where necessary. The City Manager then prepares and presents the recommended budget in late May or early June for Council's preliminary consideration. Adoption of the operating and capital budget document takes place in June. The City's financial policies authorize the City Manager to administratively approve budget adjustments within the adopted budget under \$10,000 or requiring transfers from reserves under \$5,000 per transaction. Requests for increases in appropriations over these amounts or any adjustments to capital projects require approval by the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

National, State, Regional and Local economy--While Silicon Valley is known for its significant concentration of high technology and electronics research, development and manufacturing, the area also supports a wide variety of retail, office and personal services industries. Historically, this region has experienced cycles of expansion and contraction and has led the nation in productivity, innovation and economic growth for much of the past two decades. The region is home to numerous institutions of higher learning and education that support a broad base of research and development in advanced technology and design.

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

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

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

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

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

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

Because of the many economic and fiscal uncertainties that confront the City almost routinely, and to address the financial impacts created by these issues, the City has taken necessary steps to preserve its fiscal health during these difficult times. The City incorporates long-term financial planning into its budget process. For example, it has established financial and budgetary policies monitored by the City Council that ensure operating revenues are available to fund operating expenditures resulting in a

balanced budget. The City has also designated a Reserve for Economic Fluctuations, the purpose of which is to serve as a reserve for those revenue sources most significantly impacted by downturns in the economy, thereby, enabling the City to better withstand an economic downturn. The City's financial policies specify target funding of \$6 million. The replenishment of that reserve has been incorporated into the City's 5-year financial projections. Additionally, the City's 5-year projections include anticipated increases in retirement costs over the next two years due to changes in actuarial assumptions. In addition, there are other reserves set aside for both operating as well as emergency purposes to provide the City a financial cushion during difficult economic times. The City was able to replenish its Economic Fluctuations Reserve by \$0.5 million during FY 12 increasing its balance to \$5.5 million and expects to fully replenish the reserve within the next two years.

AWARDS (Financial and Budgetary)

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Campbell for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award that recognizes conformity with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 24 consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are again submitting it to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2011-12. This is the 19th consecutive year of receiving this award. In order to receive this award, the budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

ACKNOWLEDGEMENTS

Timely and accurate preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Campbell Finance Department. Each member of the Department has my sincere appreciation for the many contributions made in the preparation of this report. In addition, I wish to extend a special thanks to Michael Wright, Finance Manager; Ana Rios, Accounting Clerk II; and Sherrie Doherty, Executive Assistant to the City Manager, for all of their hard work in producing this document.

I also wish to express my thanks to the members of the City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and prudent manner in the best interest of the residents of Campbell.

Respectfully submitted,



Jesse Takahashi
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Campbell
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



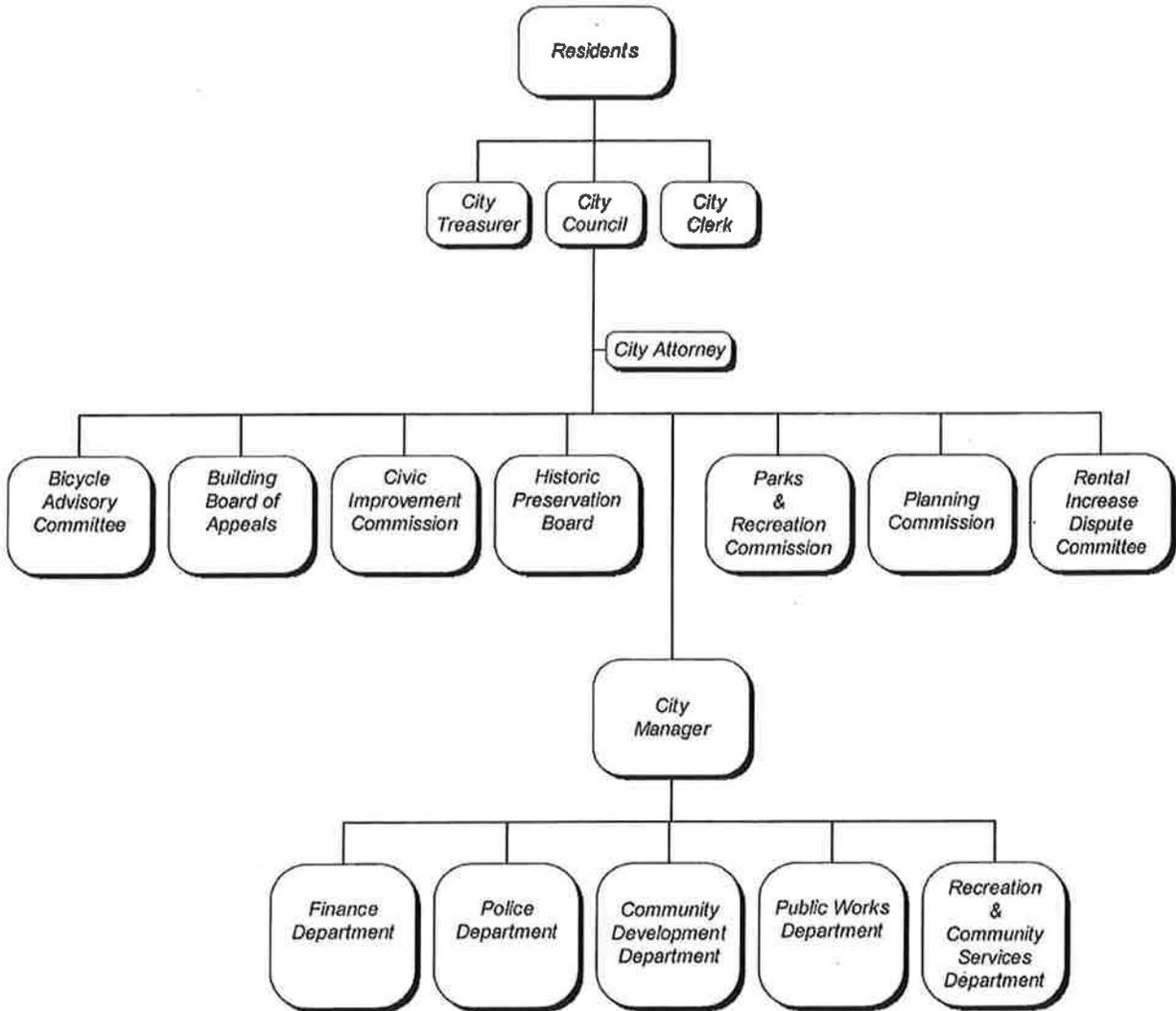
Linda C. Danison

President

Jeffrey R. Egan

Executive Director

General Organization 2011 - 2012



CITY OFFICIALS

City Council & Redevelopment Agency Board

Mayor – Michael F. Kotowski

Vice Mayor – Evan D. Low

Councilmember – Jason T. Baker

Councilmember – Jeffrey R. Cristina

Councilmember – Richard M. Waterman

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

City Administrative Staff

City Manager – Amy Brown

City Clerk – Anne Bybee (Elected)

City Treasurer – Gerald Kennedy (Elected)

City Attorney – William Seligmann

Interim Community Development Director – Paul Kermoyan

Finance Director – Jesse Takahashi

Human Resources Manager – Jill Lopez

Police Chief – Gregory Finch

Public Works - City Engineer – Michelle Quinney

Interim Public Works Superintendent – John Iaquinto

Recreation & Community Services Director – Cynthia Bojorquez

COMMISSIONS, COMMITTEES AND ADVISORY BOARDS

Planning Commission

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

Parks & Recreation Commission

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

Civic Improvement Commission

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

Building Board of Appeals

Bruno Marcelic
Jim Morelan
Jay Perrine
Kevin Salazar
Todd Zeman

Historical Preservation Board

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

Rental Increase Dispute Fact Finding Committee

Eric Bracher
Phil Doetsch
John W. Figueroa
Karla Prince
Vacant

Bicycle Committee

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

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

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

City Council
City of Campbell, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell, California (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Campbell. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Campbell, California as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, of the City of Campbell, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2012 on our consideration of the City of Campbell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Burr Pilger Mayer, Inc.

San Jose, California
December 20, 2012

Management's Discussion and Analysis

The following discussion provides a narrative overview and analysis of the City of Campbell's financial statements for the fiscal year ended June 30, 2012. The information contained herein should be considered in conjunction with the information furnished in the letter of transmittal and the basic financial statements.

Fiscal Year 2011-12 Financial Highlights

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

Other financial highlights of the past year are as follows:

City-wide:

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

Fund level:

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

Overview of the Financial Statements

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

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

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

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

The City has only *governmental* activities that are primarily supported through taxes and intergovernmental revenues. The City-wide financial statements include seven months of activity of the Campbell RDA, which was dissolved by legislation on February 1, 2012, and the Campbell Lighting and Landscape District, both legally separate entities that are under the control of the City and for which the City retains financial accountability.

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

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

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

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

The City adopts an annually appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the City-wide financial statements because the resources of those funds are not available to support the City's own programs. Accordingly, only assets and liabilities are reported for these funds. The City reports two agency funds representing a joint powers authority and a local improvement district, as well as a Private Purpose Trust Fund which consists of the Successor Agency to the former Campbell RDA, which was dissolved by State legislation on February 1, 2012.

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

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

City-wide Financial Analysis

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

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

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

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

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

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

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

Below is a summary of the components that resulted in the change to net assets for the fiscal year ended June 30:

**Changes in Governmental Net Assets
(in millions)**

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

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

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

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

Financial Analysis of Fund Financial Statements

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

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

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

Analysis of Major Governmental Funds

General Fund

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

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

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

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

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

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

Housing Assets Special Revenue Fund

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

COP Debt Service Fund

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

Capital Projects Fund

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

Other Governmental Funds

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

Capital Assets

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

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

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

Debt Administration

During the fiscal year, the City and its redevelopment agency made regular debt service payments on their respective outstanding debt issues. Additional detail regarding the City's long term debt can be found in Note 6 in the notes to financial statements. The former RDA debt obligations were transferred to the Successor Agency Private Purpose Trust and, therefore, are eliminated from the City's financial statements. The debt obligations appear on the Statement of Fiduciary Assets, Liabilities and Net Assets on page 27 of the CAFR. Total outstanding debt of the Successor Agency for the tax allocation bonds was \$20.7 million at June 30, 2012.

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

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

Economic Outlook and Next Year's Budget

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

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

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

Despite the positive outlook overall, there are still many uncertainties facing the City. Consequently, the City is continuing to closely monitor primary revenue sources and find ways to minimize expenditure growth from year to year. General Fund operating appropriations for fiscal 2012-13 are \$37.6 million, an increase of \$2.6 million (7.4%) from the previous year adopted budget.

Requests for Information

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

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. It focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets. The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column.

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

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

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

Both these Statements include the financial activities of the City, Campbell Lighting District, and the Campbell Redevelopment Agency through January 31, 2012, which are legally separate but are blended component units of the City because they are controlled by the City, which is financially accountable for their activities.

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2012

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

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

CITY OF CAMPBELL, CALIFORNIA

STATEMENT OF ACTIVITIES

For the fiscal year ending June 30, 2012

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

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

CITY OF CAMPBELL, CALIFORNIA

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal year 2012. Individual non- major funds may be found in the Supplemental section.

General Fund

Accounts for activities traditionally associated with governments, such as administration, recreation, community development, engineering and public safety, which are not required to be accounted for in another fund.

Housing Assets Special Revenue Fund

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

COP Debt Service Fund

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

Capital Projects Fund

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

CITY OF CAMPBELL, CALIFORNIA

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2012

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

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

CITY OF CAMPBELL, CALIFORNIA

GOVERNMENTAL FUNDS

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

June 30, 2012

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

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

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

| | |
|--------------------------|--------------|
| Capital assets | 62,256,815 |
| Accumulated depreciation | (30,281,349) |

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

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

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

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

Internal service funds are used by management to charge the costs
of certain activities, such as equipment management, to individual
funds. The assets and liabilities of the internal service funds must
be added to the statement of net assets. 3,908,336

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

CITY OF CAMPBELL, CALIFORNIA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2012

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

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

CITY OF CAMPBELL, CALIFORNIA

GOVERNMENTAL FUNDS

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

Fiscal year ended June 30, 2012

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

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

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

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

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

| | |
|--|-----------|
| Accrued interest expense related to the long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities. | (102,507) |
|--|-----------|

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

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

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

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

| | |
|--|-----------|
| Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal services funds is reported with governmental activities. | (728,025) |
|--|-----------|

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

| | |
|--|------------------------|
| Changes in net assets of governmental activities | <u>\$ (13,383,047)</u> |
|--|------------------------|

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

CITY OF CAMPBELL, CALIFORNIA

INTERNAL SERVICE FUNDS

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

CITY OF CAMPBELL, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2012

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

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

CITY OF CAMPBELL, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Fiscal year ended June 30, 2012

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

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

CITY OF CAMPBELL, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Fiscal year ended June 30, 2012

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

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA

FIDUCIARY FUNDS

Private-purpose Trust Funds

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

Agency Funds

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

CITY OF CAMPBELL, CALIFORNIA

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY ASSETS, LIABILITIES AND NET ASSETS

June 30, 2012

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

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

The **City of Campbell Redevelopment Agency** was a tax-increment redevelopment agency, the Board of which is composed of City Council Members. The Agency's purpose was to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. Although legally separate, this Agency is so intertwined with the City that it is, in substance, one and the same. Accordingly, it is blended with the City in these financial statements through January 31, 2012. Pursuant to the provisions of the Redevelopment Restructuring Bill, the Campbell Redevelopment Successor Agency (Successor Agency) was created and all of the assets, liabilities and obligations of the former Redevelopment Agency were transferred to the Successor Agency on February 1, 2012 and is no longer reported as part of the City's reporting entity.

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

(b) Measurement Focus and Basis of Accounting

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

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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research. Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in preparation of the accompanying financial statements.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(b) Measurement Focus and Basis of Accounting, continued

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(b) Measurement Focus and Basis of Accounting, continued

Governmental Funds

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

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

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

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(b) Measurement Focus and Basis of Accounting, continued

Governmental Funds, continued

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

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

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

Proprietary and Fiduciary Funds

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

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

(c) Fund Classifications

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The City reports the following major governmental funds:

General Fund – Accounts for resources traditionally associated with governments, such as administration, engineering and public safety, which are not required to be accounted for in another fund.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(c) Fund Classifications, continued

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

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

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

Additionally, the City reports the following fund types:

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

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

(d) Property Taxes

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(e) Cash and Investments

Investments are reported in the accompanying Balance Sheet and Statement of Net Assets at fair value.

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

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

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

(f) Capital Assets

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

The following schedule summarizes capital asset useful lives:

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

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

(g) Compensated Absences

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

1. Summary of Significant Accounting Policies, continued

(g) Compensated Absences, continued

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

Compensated absences are typically liquidated by the General Fund.

(h) Use of Estimates

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

2. Cash and Investments

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

2. Cash and Investments, continued

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

2. Cash and Investments, continued

Investments Authorized by Debt Agreements

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

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage Allowed | Maximum Investment in One Issuer |
|---|-------------------|------------------------|----------------------------|----------------------------------|
| U.S. Treasury Bonds, Notes and Bills | 5-7 Years | No Limit | No Limit | No Limit |
| US. Government Agency Obligations | 5-7 Years | AAA | No Limit | No Limit |
| Time Certificates of Deposit - Banks or Savings and Loans | 1 Year | None | No Limit | No Limit |
| Bankers' Acceptances | 360 days | A1/P1 | No Limit | No Limit |
| Commercial Paper | 270 days | A | No Limit | No Limit |
| Repurchase Agreements | 30 days - 7 Years | A | No Limit | No Limit |
| State of California Local Agency Investment Fund (LAIF) | Upon demand | No Limit | No Limit | \$40,000,000 per account |
| Money Market Funds | Upon demand | A | No Limit | 10% |
| Investment Agreements | 5-7 Years | A | No Limit | No Limit |
| Other Tax Exempt Obligations | 7 Years | A | No Limit | No Limit |
| California Asset Management Program (CAMP) | No Limit | No Limit | No Limit | No Limit |

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

2. Cash and Investments, continued

Disclosures Relating to Interest Rate Risk

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

2. Cash and Investments, continued

Disclosures Relating to Credit Risk

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

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

Concentration of Credit Risk

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

2. Cash and Investments, continued

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

3. Interfund Transactions

(a) Current Interfund Balances

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

Current interfund balances are as follows:

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

3. Interfund Transactions, continued

(b) Due to/from Other Governments

The Debt Service Fund has advanced funds to the RDA Debt Service Fund under the terms of a Third Amended and Restated Indebtedness Agreement. Principal is payable out of the excess of Agency tax increment revenues over other similar Agency liabilities and agreements. During the fiscal year ended June 30, 2012, the Agency paid \$283,590 in principal and \$379,755 in interest on these advances. The Campbell Redevelopment Agency was dissolved on January 31, 2012 and the advance was transferred to the Successor Agency to be paid. As of June 30, 2012, the outstanding balance was \$7,462,350.

(c) Transfers Between Funds

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

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

Interfund transfers were principally used for the following purposes:

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

4. Loans Receivable

(a) First-Time Homebuyer Loan Program

The City's Housing Assets Fund engages in a first-time homebuyer down payment assistance program designed to encourage home ownership among low and moderate income households. Under this program, a loan up to \$50,000 is provided to eligible households to be used as part of the down payment for the purchase of a home in the City of Campbell. These promissory notes are secured by second deeds of trust and are due thirty years from the date the property was purchased. The notes require a payback of principal plus an 8 % fee or an equity share payment, whichever is lower. The balance of the notes receivable arising from this program at June 30, 2012 was \$1,378,500.

(b) Housing Rehabilitation and Affordable Housing Loans

The City's Housing Assets Fund engages in programs designed to encourage construction or improvement in low to moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. The balance of the loans receivable arising from these programs at June 30, 2012 was \$1,643,200.

(c) Rehabilitation Loans

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

5. Capital Assets

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

Governmental Activities

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

6. Long-Term Liabilities

The following is a summary of the changes in the City's long-term liabilities for the year ended June 30, 2012:

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

(a) 1997 Certificates of Participation

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

6. Long-Term Liabilities, continued

(b) 2002 Refunding Certificates of Participation

The City's 2002 Refunding Certificates of Participation are due in October 2032 and bear interest at rates of 2.5% to 5.83%. Net proceeds of \$9,678,751 from this issue were used to prepay and refund the City's 1993 Certificates of Participation with interest rates ranging from 3.0% to 6.0%. An additional \$1,830,975 of bond proceeds was used to provide partial funding for renovation and expansion of the City's Police Department and construction of an animal shelter. Interest payments are due on April 1 and October 1 of each year through October 1, 2032.

Certificates from the 2002 issue in the amount of \$5,195,000 maturing between October 1, 2012 and 2018 are subject to optional prepayment by the City on or after October 1, 2011 only on interest payment dates. The City has an agreement with the Campbell Redevelopment Agency for reimbursement of approximately 42% of the City's lease payment obligation from pledged property tax increment. Principal and interest payments are guaranteed under an insurance policy issued by Ambac Assurance Corporation. Capital Appreciation Bonds in the amount of \$5,000,000 is subject to optional redemption in whole or in part by the Agency anytime after October 1, 2022. Interest payments are due on April 1 and October 1 of each year through October 1, 2033. The unaccrued balance of the capital appreciation bonds is \$4,283,610 at June 30, 2012.

(c) Debt Service Requirements

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

Certificates of Participation

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

(d) 2002 and 2005 Tax Allocation Bonds

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

7. Debt With No Government Commitment

(a) Special Assessment Debt

The City acts as agent for property owners of the Dillon-Gillman Local Improvement District which is a special assessment district. The City collects assessments, forwards the collections to bond holders and initiates foreclosure proceedings. However, the City is not directly liable for the repayment of special assessment district bonds, as such bonds and interest are secured by fixed lien assessments on real property in the special assessment district. The special assessment debt matured in 2012 and at June 30, 2012 was \$0.

(b) Housing Facility Revenue Bonds

In 1994, the City of Campbell assisted in the issue of \$11,195,000 Housing Facility Revenue Bonds by Catholic Charities, a charitable organization. The City has no legal liability for this debt, and made no indication or representation that it would assume any obligation in the event of a default. However, its name is associated with these bonds as “Issuer,” and the City directs the trustee regarding debt service and reserve requirements.

8. Development Agreements

(a) Home Depot Sales Tax Sharing

In the prior years, the former Redevelopment Agency purchased and resold real property on which Home Depot built and operates a 120,000 square-foot retail store. The former Redevelopment Agency also agreed to refund Home Depot up to \$200,000 annually of sales tax revenue collected on Home Depot sales, beginning in 1994 and extending through 2013, in order to make it economically feasible to locate the store in Campbell. As a result, refunds of \$200,000 were made during the fiscal year ended June 30, 2012.

9. Net Assets and Fund Balances

(a) Net Assets

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

9. Net Assets and Fund Balances, continued

(a) Net Assets, continued

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

(b) Fund Balances

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

9. Net Assets and Fund Balances, continued

(c) Fund Balances, continued

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

9. Net Assets and Fund Balances, continued

(d) Fund Balance Classifications

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

(e) Policies

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

10. Defined Benefit Pension Plan (PERS)

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

Miscellaneous participants are required to contribute 7% or 8% of their annual covered salary, while safety participants contribute 9% of annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 41.592% of payroll for the safety plan, and 14.472% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

10. Defined Benefit Pension Plan (PERS), continued

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

| | <u>Miscellaneous Plan</u> | <u>Safety Plan</u> |
|----------------------------|--|--|
| Valuation Date | June 30, 2009 | June 30, 2009 |
| Actuarial Cost Method | Entry Age Actuarial Cost Method | Entry Age Actuarial Cost Method |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll |
| Average Remaining Period | 24 Years as of the Valuation Date | 18 Years as of the Valuation Date |
| Asset Valuation Method | 15 Year Smoothed Market | 15 Year Smoothed Market |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.75% (net of administrative expenses) | 7.75% (net of administrative expenses) |
| Projected Salary Increases | 3.55% to 14.45% depending on Age, Service, and type of employment | 3.55% to 14.45% depending on Age, Service, and type of employment |
| Inflation | 3.00% | 3.00% |
| Payroll Growth | 3.25% | 3.25% |
| Individual Salary Growth | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25% | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25% |

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

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

Required Supplementary Information – Miscellaneous

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

10. Defined Benefit Pension Plan (PERS), continued

Three-Year Trend Information

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

11. Other Retirement System

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan. Effective July 1, 2004, the City contracted with the Public Agency Retirement System (PARS), a defined contribution plan. This Plan covers employees that are part-time, seasonal or temporary and all other employees that are not covered by another retirement system. All eligible employees covered by the Plan are fully vested. Employer liabilities are limited to the amount of current contributions.

Under PARS, employees contribute 6.2% and the City contributes 1.3% of the employees' salary each pay period. For the fiscal year ending June 30, 2012, total contributions of \$123,057 were made based on covered compensation of \$1,640,697.

12. Post Employment Benefits Plan

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

12. Post Employment Benefits Plan, continued

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

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

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

12. Post Employment Benefits Plan, continued

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

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

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

13. Risk Management

(a) General Liability

Risk management activity for City exposure to torts (general liability) is accounted for as a liability on the Statement of Net Assets. The City is self-insured for the first \$100,000 of liability for each occurrence, and the excess (up to \$20,000,000) is covered through the City's participation in the Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN) general liability risk pool. ABAG PLAN also provides \$1,000,000 of employee theft coverage in the excess of the City's \$5,000 deductible.

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

13. Risk Management, continued

(b) Workers' Compensation

The City has a risk financing fund to account for work related injuries and accidents to City employees. This fund is accounted for as an internal service fund in which assets are set aside for claim payments. Under the California Workers' Disability and Compensation laws, the City, as an employer, is permissibly self-insured for the first \$1,000,000 of claims arising from each occurrence. The City obtains excess Workers' Compensation insurance through a policy up to statutory limits. A premium is charged to each fund and program that budgets for part-time or full-time employees. The total charge allocated is based upon the percentage of each fund's current-year payroll as it relates to total payroll of the City.

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

(c) The City's Claims Liabilities

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

14. Joint Powers Agreement

(a) Congestion Management Agency

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

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

(b) Silicon Valley Animal Control Authority

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

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

(c) West Valley Solid Waste Management Authority

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

15. Rental Income from Use of City Property

The City leases a portion of the space at its Community Center. Rental income from leases and facility rentals during the fiscal year ended June 30, 2012 amounted to \$2,042,989. Major tenants include Delphi Academy and Old Orchard School.

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

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

16. Excess Expenditures over Appropriations

Expenditures exceeded budgeted appropriations in the following funds:

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

17. Contingent Liabilities

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

17. Contingent Liabilities, continued

Campbell Redevelopment Successor Agency

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

18. Successor Agency Trust for Assets of Former Redevelopment Agency

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

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

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2012

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

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CAMPBELL, CALIFORNIA

GENERAL FUND

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

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Fiscal year ended June 30, 2012

1. Budgets and Budgetary Data

The City adopts a budget annually for General, Special Revenue, and Debt Service Funds. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted by the City Council and controlled by each department head, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. Budget adjustments within the adopted budget of less than \$10,000, or requiring a transfer from reserves of less than \$5,000, may be approved by the City Manager; otherwise, City Council approval is required. All budget adjustments to capital projects must be approved by the City Council. Thus, the legal level of expenditure control is, effectively, at the department level. For the General Fund, budgetary comparisons for line operating departments are presented and supporting departments, Finance and City Manager are combined as General Government. All appropriations lapse at year end. During the fiscal year, supplemental adjustments to appropriations were adopted by City Council and have been included in the budget versus actual statements.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles, except for the Housing Assets Special Revenue Fund which was a fund created on February 1, 2012 from the dissolution of the former redevelopment agency and the Capital Project Funds which budget on a project length basis and, therefore, are not comparable on an annual basis. Accordingly, no budgetary comparisons for these funds are presented in the financial statements.

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

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SUPPLEMENTARY SCHEDULES

CITY OF CAMPBELL, CALIFORNIA
MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS

Non-Major Special Revenue Funds:

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

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

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

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

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

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

Drug Enforcement Revenue – Accounts for revenues received through drug related asset seizures and any drug related convictions.

Environmental Services – Accounts for revenues received from developers and franchised garbage collection to be utilized for solid waste management and storm drain improvements.

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

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

Redevelopment Agency Housing Special Revenue Fund – Accounts for twenty percent of the increased property tax revenues from the County of Santa Clara legally required to be set aside for low and moderate-income housing. This fund was dissolved by State Legislation, effective February 1, 2012.

Major and Non-Major Debt Service Funds:

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

RDA Debt Service Fund – This fund accounts for payment of interest and principal on the Redevelopment Agency's long-term obligations including the 2002 and 2005 Tax Allocation Bonds. This fund was dissolved by State Legislation, effective February 1, 2012.

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

Major and Non-Major Capital Projects Funds:

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

2002 TAB RDA Capital Projects Fund – Accounts for proceeds related to the 2002 Tax Allocation Bonds used for the acquisition and construction of various redevelopment projects including the Community Center and Heritage Theater renovations. This fund was dissolved by State Legislation, effective February 1, 2012.

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

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

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEETS

June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA
NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2012

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

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

CITY OF CAMPBELL, CALIFORNIA
NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal Year Ended June 30, 2012

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

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

CITY OF CAMPBELL, CALIFORNIA

GAS TAX

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

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

VEHICLE IMPACT FEES

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

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

PARKLAND DEDICATION FEES

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

Fiscal Year Ended June 30, 2012

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

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

Fiscal Year Ended June 30, 2012

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

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

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

OTHER GRANTS

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

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

DRUG ENFORCEMENT REVENUE

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

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

ENVIRONMENTAL SERVICES

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

Fiscal Year Ended June 30, 2012

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

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

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

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA

RDA DEBT SERVICE FUND

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

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA
NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

INTERNAL SERVICE FUNDS

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

Motor Vehicle Pool

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

Workers' Compensation Self-Insurance

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

Information Technology Services

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

CITY OF CAMPBELL, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

INTERNAL SERVICE FUNDS

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

Fiscal Year Ended June 30, 2012

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

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

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

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

CITY OF CAMPBELL, CALIFORNIA

AGENCY FUNDS

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

West Valley Solid Waste Management Authority

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

1915 Act Bonds

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

CITY OF CAMPBELL, CALIFORNIA

AGENCY FUNDS

COMBINING BALANCE SHEET

June 30, 2012

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

CITY OF CAMPBELL, CALIFORNIA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Fiscal Year Ended June 30, 2012

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

CITY OF CAMPBELL

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

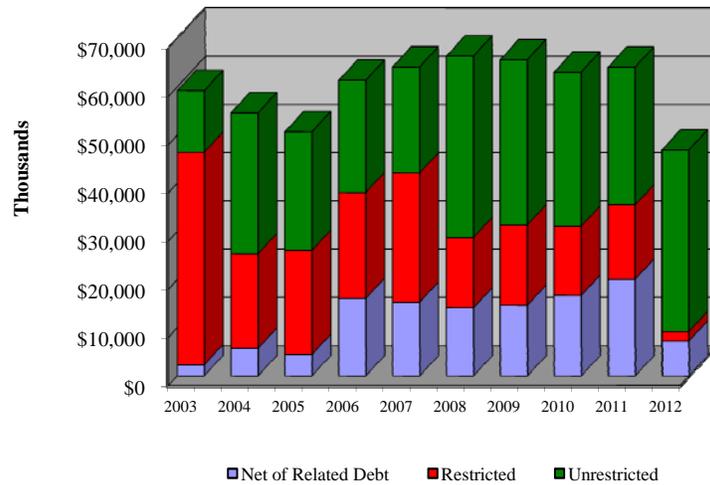
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

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

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



| | Fiscal Year Ended June 30, | | | | |
|--|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Governmental activities | | | | (A) | |
| Invested in capital assets, net of related debt | \$2,291,074 | \$5,703,594 | \$4,418,382 | \$16,051,887 | \$15,281,718 |
| Restricted | 44,115,595 | 19,654,944 | 21,632,981 | 22,030,785 | 26,856,233 |
| Unrestricted | 12,777,536 | 29,225,563 | 24,595,115 | 23,247,960 | 21,970,832 |
| Total governmental activities net assets | \$59,184,205 | \$54,584,101 | \$50,646,478 | \$61,330,632 | \$64,108,783 |

| | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Primary government | | | | | |
| Invested in capital assets, net of related debt | \$2,291,074 | \$5,703,594 | \$4,418,382 | \$16,051,887 | \$15,281,718 |
| Restricted | 44,115,595 | 19,654,944 | 21,632,981 | 22,030,785 | 26,856,233 |
| Unrestricted | 12,777,536 | 29,225,563 | 24,595,115 | 23,247,960 | 21,970,832 |
| Total primary government net assets | \$59,184,205 | \$54,584,101 | \$50,646,478 | \$61,330,632 | \$64,108,783 |

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

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

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

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

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

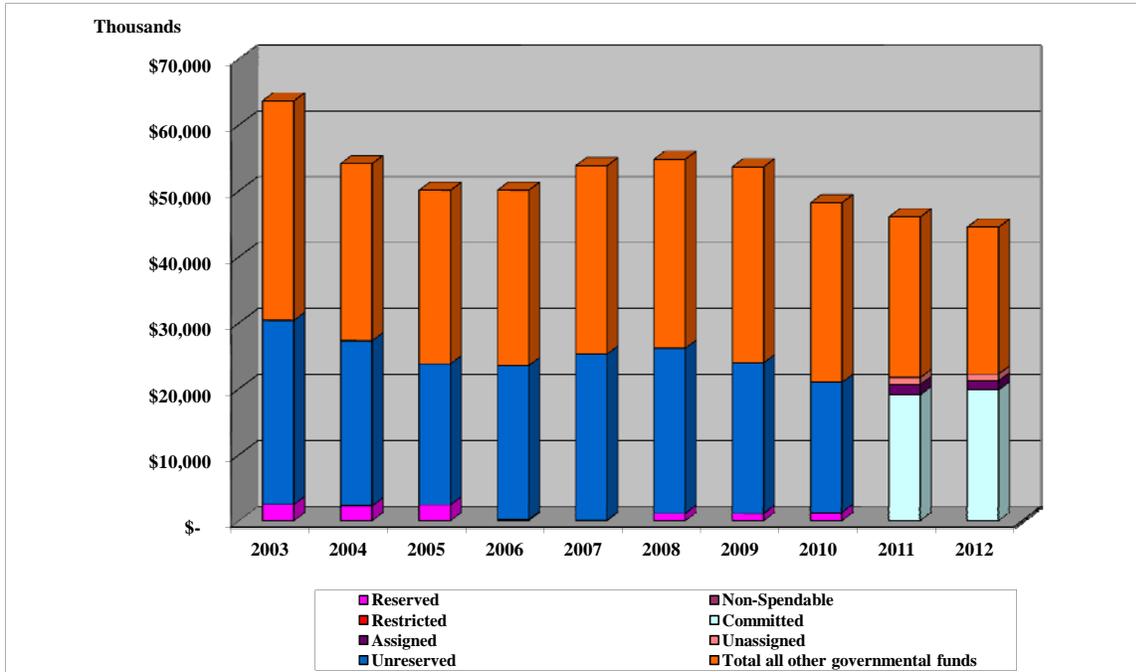
| | June 30, | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 3,375,084 | \$ 6,491,138 | \$ 3,731,831 | \$ 3,649,906 | \$ 3,641,210 |
| Public Safety | 14,115,306 | 14,952,689 | 16,870,357 | 16,465,886 | 16,118,809 |
| Public Works | 6,684,364 | 8,167,400 | 7,511,459 | 8,156,637 | 8,938,539 |
| Community Development | 3,564,044 | 3,022,482 | 4,049,828 | 3,859,987 | 4,957,918 |
| Recreation and Community Services | 4,343,175 | 5,104,270 | 6,034,563 | 5,525,298 | 5,605,958 |
| Interest on Long Term Debt | 4,158,370 | 2,523,859 | 4,065,244 | 2,319,021 | 2,313,092 |
| Total Governmental Activities Expenses | <u>36,240,343</u> | <u>40,261,838</u> | <u>42,263,282</u> | <u>39,976,735</u> | <u>41,575,526</u> |
| Total Business-Type Activities Expenses | - | - | - | - | - |
| Total Primary Government Expenses | <u>\$ 36,240,343</u> | <u>\$ 40,261,838</u> | <u>\$ 42,263,282</u> | <u>\$ 39,976,735</u> | <u>\$ 41,575,526</u> |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| Charges for Services: | | | | | |
| General Government | \$ 204,483 | \$ 203,328 | \$ 197,856 | \$ 95,281 | \$ 131,485 |
| Public Safety | 655,705 | 709,551 | 646,445 | 636,931 | 699,626 |
| Public Works | 1,886,801 | 2,063,541 | 2,362,049 | 2,490,332 | 2,194,640 |
| Community Development | 1,039,612 | 1,121,879 | 1,750,555 | 2,805,310 | 1,900,669 |
| Recreation and Community Services | 2,865,565 | 3,273,370 | 4,030,805 | 4,155,863 | 4,520,452 |
| Operating Grants and Contributions | 1,818,575 | 2,677,324 | 1,776,473 | 1,920,289 | 2,686,893 |
| Capital Grants and Contributions | 1,518,686 | 623,318 | 1,533,170 | 1,707,722 | 2,438,224 |
| Total Government Activities Program Revenues | <u>9,989,427</u> | <u>10,672,311</u> | <u>12,297,353</u> | <u>13,811,728</u> | <u>14,571,989</u> |
| Total Business-Type Activities Program Revenue | - | - | - | - | - |
| Total Primary Government Program Revenues | <u>\$ 9,989,427</u> | <u>\$ 10,672,311</u> | <u>\$ 12,297,353</u> | <u>\$ 13,811,728</u> | <u>\$ 14,571,989</u> |
| Net (Expense)/Revenue | | | | | |
| Governmental Activities | \$ (26,250,916) | \$ (29,589,527) | \$ (29,965,929) | \$ (26,165,007) | \$ (27,003,537) |
| Business-Type Activities | - | - | - | - | - |
| Total Primary Government Net Expense | <u>\$ (26,250,916)</u> | <u>\$ (29,589,527)</u> | <u>\$ (29,965,929)</u> | <u>\$ (26,165,007)</u> | <u>\$ (27,003,537)</u> |
| General Revenues and Other Changes in Net Assets | | | | | |
| Governmental Activities: | | | | | |
| Taxes: | | | | | |
| Property Taxes | \$ 9,634,744 | \$ 9,736,712 | \$ 12,171,170 | \$ 12,811,822 | \$ 14,062,514 |
| Education Revenue Augmentation Payment | - | (299,715) | (1,071,683) | (557,992) | - |
| Sales Taxes | 8,997,381 | 10,684,234 | 9,973,506 | 9,346,984 | 10,049,829 |
| Transient Occupancy Tax | 970,000 | 882,464 | 894,179 | 1,132,495 | 1,463,140 |
| Franchise Fees | 1,199,011 | 1,237,222 | 1,262,319 | 1,346,968 | 1,685,455 |
| Business License Taxes | 195,549 | 203,520 | 201,655 | 202,101 | 203,145 |
| Property Transfer Taxes | 186,876 | 271,203 | 401,468 | 352,535 | 344,991 |
| Construction Taxes | 74,727 | 55,052 | 98,355 | 303,943 | 20,415 |
| Motor Vehicle In Lieu | 2,198,971 | 1,768,570 | 847,109 | 283,919 | 268,973 |
| Interest Earnings | 1,794,891 | 326,684 | 1,124,889 | 1,011,270 | 1,537,612 |
| Other General Revenues | 522,197 | 123,477 | 125,339 | 82,923 | 145,614 |
| Total Government Activities | <u>25,774,347</u> | <u>24,989,423</u> | <u>26,028,306</u> | <u>26,316,968</u> | <u>29,781,688</u> |
| Total Business-Type Activities | - | - | - | - | - |
| Total Primary Government | <u>\$ 25,774,347</u> | <u>\$ 24,989,423</u> | <u>\$ 26,028,306</u> | <u>\$ 26,316,968</u> | <u>\$ 29,781,688</u> |
| Change in Net Assets | | | | | |
| Governmental Activities | \$ (476,569) | \$ (4,600,104) | \$ (3,937,623) | \$ 151,961 | \$ 2,778,151 |
| Business-Type Activities | - | - | - | - | - |
| Extraordinary Loss | - | - | - | - | - |
| Total Primary Government | <u>\$ (476,569)</u> | <u>\$ (4,600,104)</u> | <u>\$ (3,937,623)</u> | <u>\$ 151,961</u> | <u>\$ 2,778,151</u> |

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

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

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



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

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

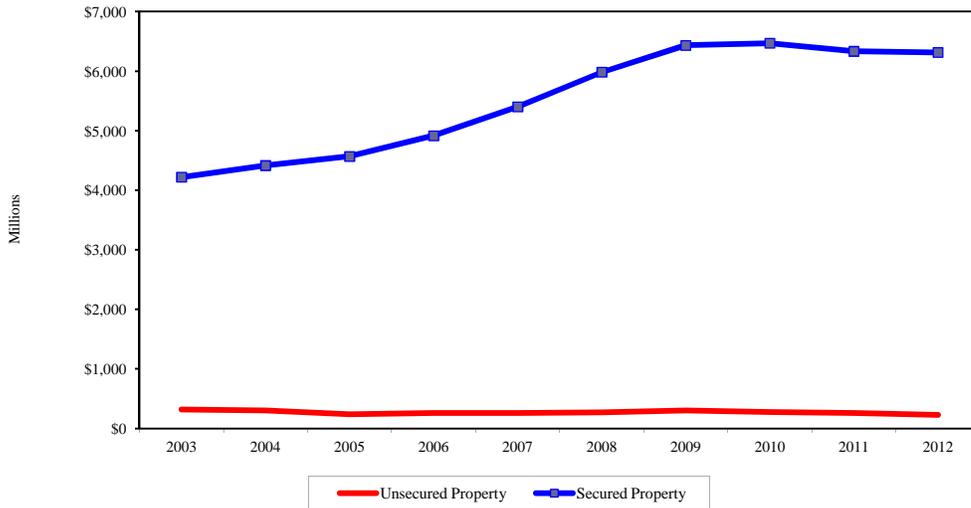
CITY OF CAMPBELL
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | Fiscal Year Ended June 30, | | | | |
|--|----------------------------|-----------------------|-----------------------|-------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Revenues | | | | | |
| Taxes | \$ 21,258,288 | \$ 22,706,706 | \$ 23,884,979 | \$ 24,648,545 | \$ 27,782,390 |
| Licenses, permits and fees | 988,483 | 1,240,806 | 1,529,633 | 2,169,838 | 1,193,393 |
| Special Assessments | - | - | 1,098,021 | 1,101,438 | 1,102,798 |
| Fines and forfeitures | 303,221 | 315,813 | 272,670 | 297,357 | 314,432 |
| Use of money and property | 3,590,818 | 2,208,041 | 3,177,751 | 3,704,058 | 4,731,397 |
| Intergovernmental revenues | 4,211,957 | 3,941,015 | 2,804,404 | 2,737,196 | 3,570,479 |
| Charges for services | 4,072,962 | 4,322,787 | 4,195,509 | 4,480,001 | 4,672,278 |
| Other | 1,738,045 | 926,566 | 1,362,692 | 990,263 | 966,545 |
| Total revenues | <u>36,163,774</u> | <u>35,661,734</u> | <u>38,325,659</u> | <u>40,128,696</u> | <u>44,333,712</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 3,400,172 | 3,886,382 | 3,516,206 | 3,453,208 | 3,387,977 |
| Public safety | 13,468,695 | 14,778,276 | 16,291,215 | 15,865,192 | 15,828,507 |
| Public works | 5,680,329 | 7,631,938 | 6,936,049 | 6,483,216 | 6,285,428 |
| Community development | 3,321,995 | 3,067,016 | 3,216,851 | 2,960,088 | 4,004,667 |
| Recreation and Community Services | 4,328,302 | 5,098,270 | 5,648,237 | 5,139,196 | 5,238,988 |
| Capital outlay | 11,527,062 | 7,316,710 | 3,437,352 | 3,020,541 | 2,514,138 |
| Debt service: | | | | | |
| Principal repayment | 1,265,000 | 915,000 | 940,000 | 1,095,000 | 1,075,000 |
| Interest and fiscal charges | 3,454,673 | 2,530,226 | 3,068,612 | 2,283,887 | 2,321,805 |
| Total expenditures | <u>46,446,228</u> | <u>45,223,818</u> | <u>43,054,522</u> | <u>40,300,328</u> | <u>40,656,510</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(10,282,454)</u> | <u>(9,562,084)</u> | <u>(4,728,863)</u> | <u>(171,632)</u> | <u>3,677,202</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 38,270,589 | 18,351,410 | 8,753,340 | 8,501,967 | 7,758,287 |
| Transfers (out) | (37,890,734) | (18,280,735) | (8,682,665) | (8,331,662) | (7,690,228) |
| Refunding tax allocation bonds | 27,230,844 | - | 12,300,000 | - | - |
| Premium on bonds | - | - | 325,712 | - | - |
| Payments to refunded bond escrow | (9,678,751) | - | (12,037,854) | - | - |
| Extraordinary Loss | - | - | - | - | - |
| Total other financing sources (uses) | <u>17,931,948</u> | <u>70,675</u> | <u>658,533</u> | <u>170,305</u> | <u>68,059</u> |
| Net change in fund balances | <u>\$ 7,649,494</u> | <u>\$ (9,491,409)</u> | <u>\$ (4,070,330)</u> | <u>\$ (1,327)</u> | <u>\$ 3,745,261</u> |
| Debt service as a percentage of noncapital expenditures | 12.7% | 8.8% | 10.1% | 8.8% | 8.6% |

Fiscal Year Ended June 30,

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

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

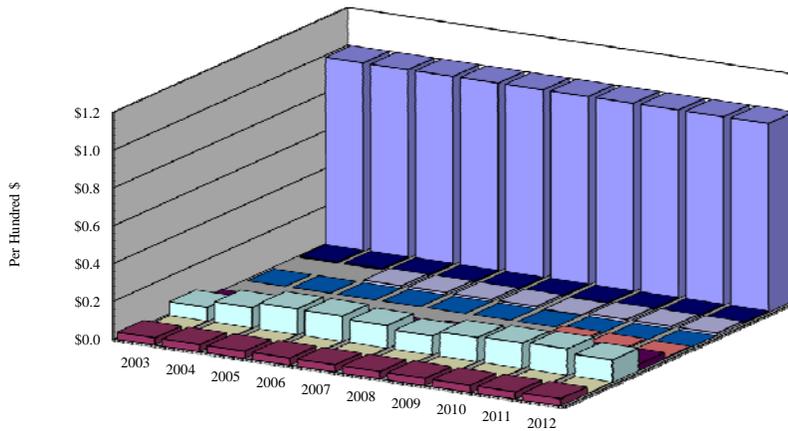


| Fiscal Year | Secured Property | HOPTR Exemptions | SBE Utilities | Total Secured Value | Unsecured Property | Total Assessed (a) | Total Direct Tax Rate (b) |
|--------------------|-------------------------|-------------------------|----------------------|----------------------------|---------------------------|---------------------------|----------------------------------|
| 2003 | \$ 3,855,036,928 | \$ 46,215,400 | \$ 2,292,470 | \$ 3,903,544,798 | \$ 317,362,428 | \$ 4,220,907,226 | 1% |
| 2004 | 4,068,964,576 | 45,444,000 | 269,185 | 4,114,677,761 | 302,047,319 | 4,416,725,080 | 1% |
| 2005 | 4,284,786,207 | 44,648,800 | 322,756 | 4,329,757,763 | 240,037,463 | 4,569,795,226 | 1% |
| 2006 | 4,611,315,721 | 44,664,200 | 304,617 | 4,656,284,538 | 260,089,970 | 4,916,374,508 | 1% |
| 2007 | 5,095,738,554 | 44,870,000 | 259,874 | 5,140,868,428 | 260,075,849 | 5,400,944,277 | 1% |
| 2008 | 5,668,447,696 | 46,579,400 | 53,000 | 5,715,080,096 | 268,438,860 | 5,983,518,956 | 1% |
| 2009 | 6,084,718,612 | 47,271,000 | 132,500 | 6,132,122,112 | 301,436,497 | 6,433,558,609 | 1% |
| 2010 | 6,145,647,005 | 47,023,200 | 132,500 | 6,192,802,705 | 277,622,054 | 6,470,424,759 | 1% |
| 2011 | 6,028,040,396 | 46,446,400 | 132,500 | 6,074,619,296 | 258,641,006 | 6,333,260,302 | 1% |
| 2012 | 6,042,798,505 | 46,079,600 | 145,750 | 6,089,023,855 | 225,923,450 | 6,314,947,305 | 1% |

Source: Santa Clara County Assessor's Office

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

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



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

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

Source: Santa Clara County Assessors Office

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

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

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

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

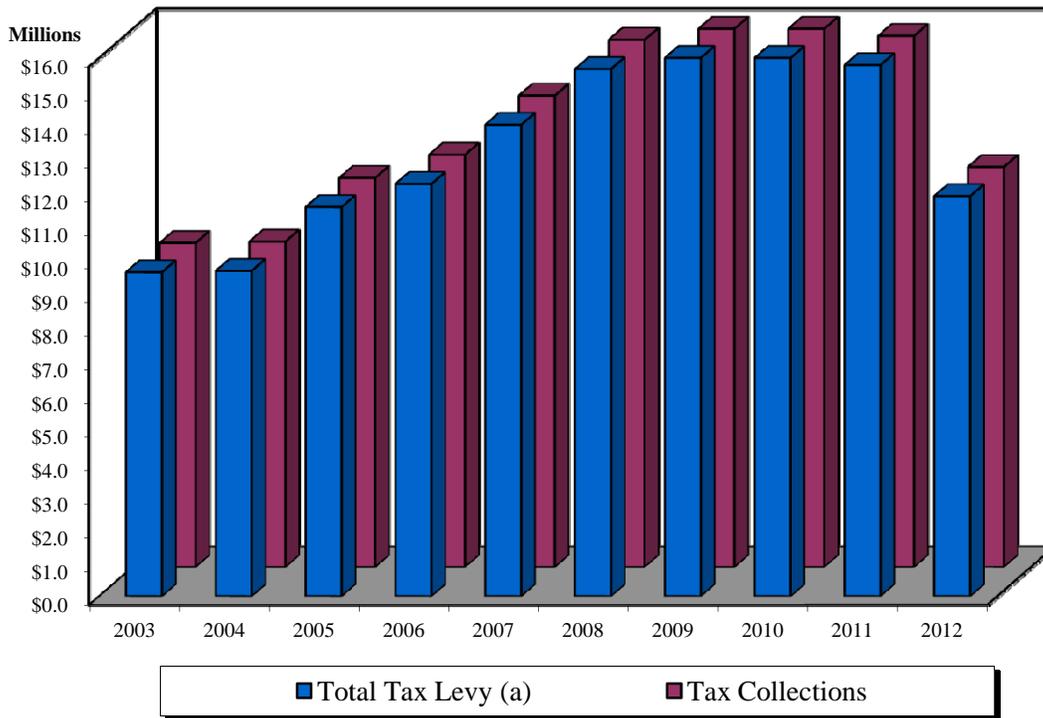
CITY OF CAMPBELL
Principal Property Taxpayers
Current Year and Ten Years Ago

| <u>Taxpayer</u> | <u>2011-12</u> | | | <u>2001-02*</u> | | |
|---------------------------------|-------------------------------|-------------|--|-------------------------------|-------------|--|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Blackhawk Parent , LLC | \$ 168,719,810 | 1 | 2.745% | \$ 42,951,997 | 3 | 1.440% |
| Campbell Technology Parkway LLC | 72,533,204 | 2 | 1.180% | | | |
| Legacy III Campbell LLC | 63,675,894 | 3 | 1.036% | | | |
| Bay Apartment Communities, Inc. | 48,628,823 | 4 | 0.791% | | | |
| Hamilton Plaza Investors, LLC | 48,347,335 | 5 | 0.787% | | | |
| Hines Vaf No Cal Properties LP | 48,250,000 | 6 | 0.785% | | | |
| Fund X PY Campbell LLC | 47,570,318 | 7 | 0.774% | | | |
| Lyon The Commons Apartments LLC | 42,287,500 | 8 | 0.688% | 14,419,528 | 10 | 0.483% |
| Marc W Buzolich Trustee Et Al | 39,025,000 | 9 | 0.635% | 58,396,373 | 2 | 1.957% |
| Brian Avery Trustee, et. al. | 27,310,141 | 10 | | 14,831,733 | 8 | 0.497% |
| OTR Trust | | | | 73,400,000 | 1 | 2.460% |
| MP Hacienda, Inc. | | | | 24,657,668 | 4 | 0.826% |
| P COM, Inc | | | | 23,450,758 | 5 | 0.786% |
| Aetna Life Insurance | | | | 19,528,135 | 6 | 0.655% |
| Lincoln Bascom Office Center | | | | 16,715,730 | 7 | 0.560% |
| La Valencia Apartments LTD | | | | 14,599,204 | 9 | 0.489% |
| Total | \$ 606,348,025 | | 9.9% | \$ 302,951,126 | | 10.2% |
| Total Net Assessed Valuation: | | | | | | |
| Fiscal Year 2011-2012 | \$6,147,141,022 | | | | | |
| Fiscal Year 1998-1999 | \$2,983,422,243 | | | | | |
| Fiscal Year 2001-2002 | \$4,126,805,525 | | | | | |

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

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

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



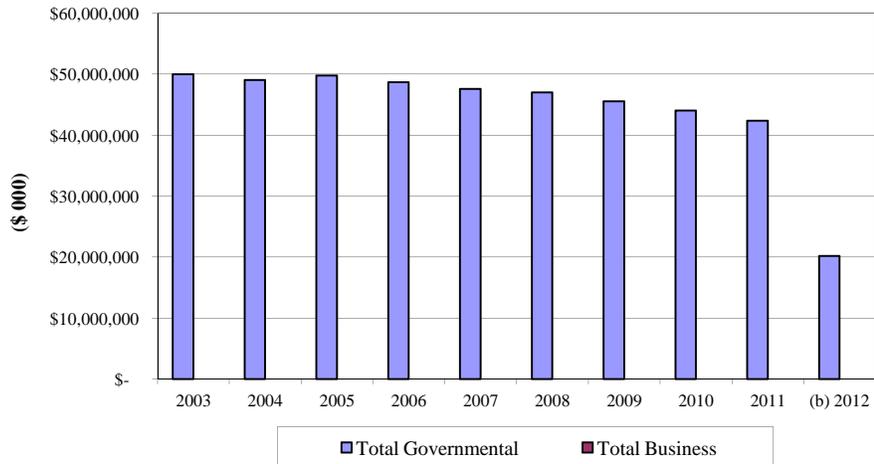
| Fiscal Year | Total Tax Levy (a) | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Percent of Total Tax Collections to Tax Levy |
|--------------------|---------------------------|--------------------------------|----------------------------------|-----------------------------------|------------------------------|---|
| 2003 | \$ 9,632,347 | \$ 9,632,347 | 100.0000% | \$ - | \$ 9,632,347 | 100.0000% |
| 2004 | 9,672,727 | 9,672,727 | 100.0000% | - | 9,672,727 | 100.0000% |
| 2005 | 11,567,188 | 11,567,188 | 100.0000% | - | 11,567,188 | 100.0000% |
| 2006 | 12,253,830 | 12,253,830 | 100.0000% | - | 12,253,830 | 100.0000% |
| 2007 | 14,015,414 | 14,015,414 | 100.0000% | - | 14,015,414 | 100.0000% |
| 2008 | 15,669,700 | 15,669,700 | 100.0000% | - | 15,669,700 | 100.0000% |
| 2009 | 17,023,986 | 17,023,986 | 100.0000% | - | 17,023,986 | 100.0000% |
| 2010 | 16,631,707 | 16,631,707 | 100.0000% | - | 16,631,707 | 100.0000% |
| 2011 | 15,787,084 | 15,787,084 | 100.0000% | - | 15,787,084 | 100.0000% |
| 2012 | 11,893,082 | 11,893,082 | 100.0000% | - | 11,893,082 | 100.0000% |

Source: City of Campbell Records

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

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

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



Governmental Activities

| Fiscal Year | Tax Allocation Bonds | Certificates of Participation | Special Assessment Debt | Other Indebtedness | Total |
|-------------|----------------------|-------------------------------|-------------------------|--------------------|---------------|
| 2003 | \$ 25,275,000 | \$ 24,690,844 | \$ - | \$ - | \$ 49,965,844 |
| 2004 | 24,895,000 | 24,155,844 | - | - | 49,050,844 |
| 2005 | 26,170,000 | 23,605,844 | - | - | 49,775,844 |
| 2006 | 25,640,000 | 23,040,844 | - | - | 48,680,844 |
| 2007 | 25,145,000 | 22,460,843 | - | - | 47,605,843 |
| 2008 | 24,635,000 | 22,350,150 | - | - | 46,985,150 |
| 2009 | 23,700,000 | 21,837,315 | - | - | 45,537,315 |
| 2010 | 22,730,000 | 21,310,488 | - | - | 44,040,488 |
| 2011 | 21,715,000 | 20,650,488 | - | - | 42,365,488 |
| (b) 2012 | - | 20,200,891 | - | - | 20,200,891 |

Business-Type Activities

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

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

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

Sources: City of Campbell

State of California, Department of Finance (population)

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

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

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

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

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

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

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

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

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

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

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

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

ASSESSED VALUATION:

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

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

AMOUNT OF DEBT SUBJECT TO LIMIT:

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

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

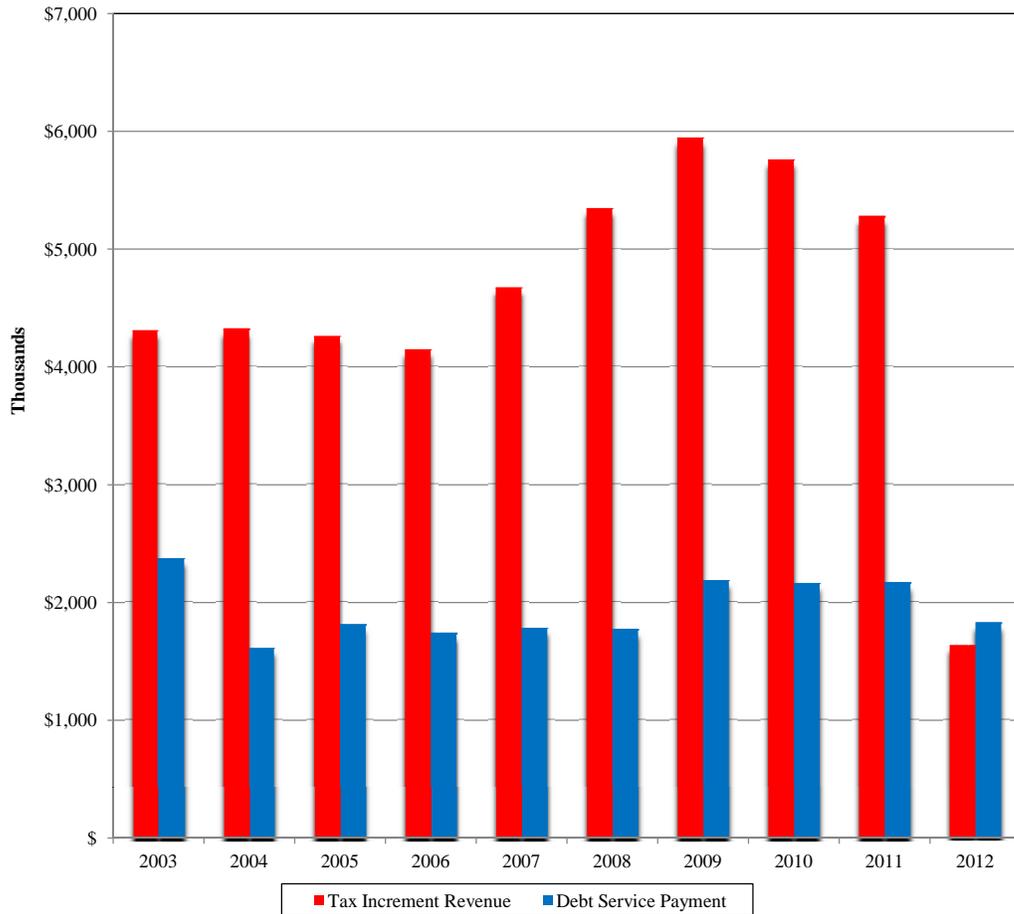
| | |
|--------------------------|-----------------------|
| LEGAL BONDED DEBT MARGIN | <u>\$ 237,832,868</u> |
|--------------------------|-----------------------|

| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Total net debt applicable to the limit as a percentage of debt limit |
|----------------|----------------|--|-------------------------|---|
| 2003 | \$ 158,284,021 | \$ - | \$ 158,284,021 | 0.00% |
| 2004 | 165,627,191 | - | 165,627,191 | 0.00% |
| 2005 | 171,367,321 | - | 171,367,321 | 0.00% |
| 2006 | 184,364,044 | - | 184,364,044 | 0.00% |
| 2007 | 202,535,410 | - | 202,535,410 | 0.00% |
| 2008 | 237,832,868 | - | 237,832,868 | 0.00% |
| 2009 | 241,258,448 | - | 241,258,448 | 0.00% |
| 2010 | 242,640,928 | - | 242,640,928 | 0.00% |
| 2011 | 237,497,261 | - | 237,497,261 | 0.00% |
| 2012 | 236,810,524 | - | 236,810,524 | 0.00% |

NOTE:

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

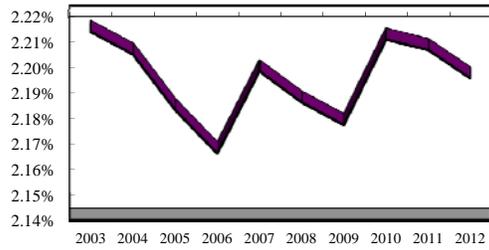
CITY OF CAMPBELL
Bonded Debt Pledged Revenue Coverage
Redevelopmnet Agency Tax Allocation Bonds
Last Ten Fiscal Years



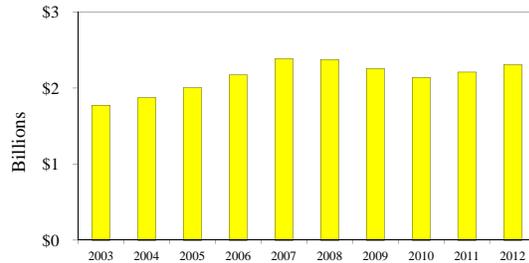
| Fiscal Year | Tax Increment Revenue | Debt Service Requirements | | | Coverage |
|-------------|-----------------------|---------------------------|--------------|--------------|----------|
| | | Principal | Interest | Total | |
| 2003 | \$ 4,315,786 | \$ 715,000 | \$ 1,658,472 | \$ 2,373,472 | 1.82 |
| 2004 | 4,325,391 | 535,000 | 1,076,227 | 1,611,227 | 2.68 |
| 2005 | 4,268,551 | 390,000 | 1,422,678 | 1,812,678 | 2.35 |
| 2006 | 4,151,860 | 530,000 | 1,211,918 | 1,741,918 | 2.38 |
| 2007 | 4,679,722 | 495,000 | 1,291,096 | 1,786,096 | 2.62 |
| 2008 | 5,349,414 | 510,000 | 1,263,668 | 1,773,668 | 3.02 |
| 2009 | 5,947,747 | 935,000 | 1,254,439 | 2,189,439 | 2.72 |
| 2010 | 5,763,885 | 970,000 | 1,196,974 | 2,166,974 | 2.66 |
| 2011 | 5,283,202 | 1,015,000 | 1,154,235 | 2,169,235 | 2.44 |
| 2012 | 1,638,474 | 1,060,000 | 767,881 | 1,827,881 | 0.90 |

Source: City of Campbell Annual Financial Statements

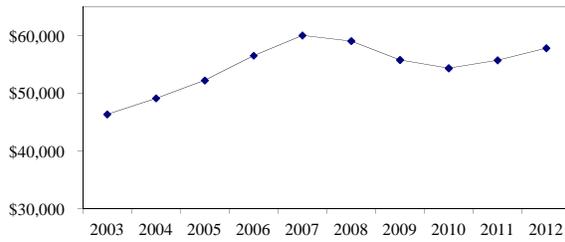
CITY OF CAMPBELL
Demographic and Economic Statistics
Last Ten Fiscal Years



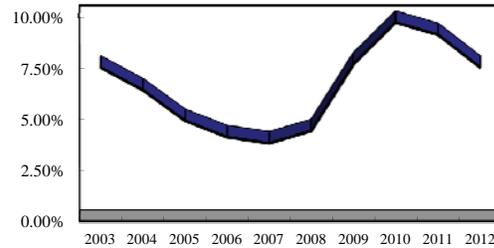
■ City Population as a % of County Population



■ Total Personal Income (000's)



◆ Per Capita Personal Income



■ Unemployment Rate (%)

| Fiscal Year | City Population | Total Personal Income (000's) | Per Capita Personal Income | Unemployment Rate (%) | Santa Clara County Population | City Population % of County |
|-------------|-----------------|-------------------------------|----------------------------|-----------------------|-------------------------------|-----------------------------|
| 2003 | 38,300 | \$ 1,775,703 | \$ 46,363 | 7.5% | 1,729,917 | 2.21% |
| 2004 | 38,179 | 1,875,811 | 49,132 | 6.4% | 1,731,422 | 2.21% |
| 2005 | 38,415 | 2,006,646 | 52,236 | 4.9% | 1,759,585 | 2.18% |
| 2006 | 38,408 | 2,170,897 | 56,522 | 4.1% | 1,773,258 | 2.17% |
| 2007 | 39,748 | 2,386,390 | 60,038 | 3.8% | 1,808,056 | 2.20% |
| 2008 | 40,161 | 2,371,828 | 59,058 | 4.4% | 1,837,075 | 2.19% |
| 2009 | 40,420 | 2,254,668 | 55,781 | 7.7% | 1,856,514 | 2.18% |
| 2010 | 39,363 | 2,139,937 | 54,364 | 9.7% | 1,780,384 | 2.21% |
| 2011 | 39,664 | 2,210,423 | 55,729 | 9.1% | 1,797,375 | 2.21% |
| 2012 | 39,882 | 2,306,363 | 57,830 | 7.5% | 1,816,486 | 2.20% |

Source: California State Department of Finance; Employment Development Department

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

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

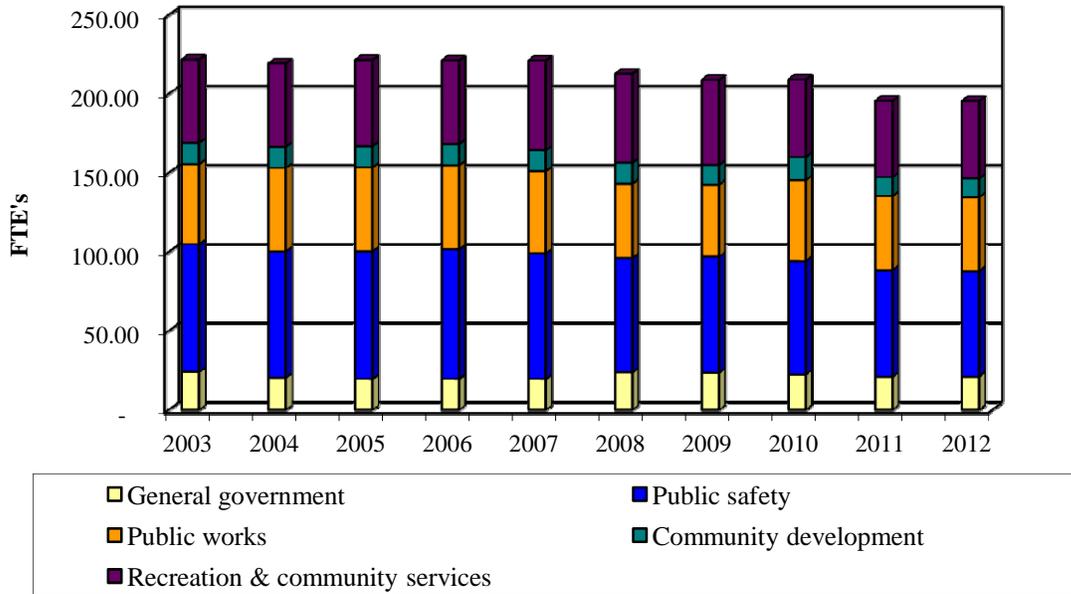
Per Capita Income is Santa Clara County

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

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

Source: City of Campbell - California Employment Development Department

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



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

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

Source: City of Campbell, CA Budget Documents

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

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

Source: City of Campbell

Note: n/a denotes information not available.

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

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

Source: City of Campbell

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