

CITY OF SAN JOSE, CALIFORNIA

Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III

Independent Auditor's Reports,
Financial Statements and
Supplementary Information

For the Years Ended June 30, 2009 and 2008

CITY OF SAN JOSE, CALIFORNIA

Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III

For the Years Ended June 30, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheets of the Pedestrian/Bicycle Facilities Grant (Grant) made to the City of San José, California (the City), by the Metropolitan Transportation Commission, Transportation Development Act Funds, Article III as of June 30, 2009 and 2008, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over the Grant's financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the financial statements present only the activities of the Grant and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2009 and 2008, and changes in its financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grant made to the City by the Metropolitan Transportation Commission, Transportation Development Act Funds, Article III as of June 30, 2009 and 2008, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2009 on our consideration of the City's internal control over the Grant's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the Grant's financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the Grant's 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 audits.

Our audits were conducted for the purpose of forming an opinion on the Grant's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Metropolitan Transportation Commission, the City Council and City management and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Connell LLP
Certified Public Accountants
Walnut Creek, California

October 1, 2009

CITY OF SAN JOSE, CALIFORNIA

Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III

Balance Sheets
June 30, 2009 and 2008

	2009	2008
Assets		
Due from Metropolitan Transportation Commission	\$ 100,291	\$ 258,631
Liabilities and Fund Balance		
Liabilities		
Due to other funds of the City	\$ 100,291	\$ 258,631
Deferred revenue	-	258,631
Total liabilities	100,291	517,262
Fund balance (deficit)	-	(258,631)
Total liabilities and fund balance	\$ 100,291	\$ 258,631

See accompanying notes to the financial statements.

CITY OF SAN JOSE, CALIFORNIA

Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III

Statements of Revenues, Expenditures, and Changes in Fund Balance
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues		
Grant	\$ 1,027,860	\$ 1,100,420
Expenditures		
Capital outlay	<u>769,229</u>	<u>967,148</u>
Excess of revenues over expenditures	258,631	133,272
Fund balance (deficit) - beginning	<u>(258,631)</u>	<u>(391,903)</u>
Fund balance (deficit) - ending	<u><u>\$ -</u></u>	<u><u>\$ (258,631)</u></u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE, CALIFORNIA

Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III

Notes to Financial Statements
June 30, 2009 and 2008

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The accompanying financial statements are prepared from the accounts and financial transactions of the City of San José (City) for projects funded under the Transportation Development Act of 1971 (TDA) Article III of the State of California, which include the construction of pedestrian and bicycle paths. The financial statements do not purport to present the financial position or changes in financial position of the City. The projects represent a portion of the accounts of the City and, as such, are included in the City's basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

The Pedestrian/Bicycle Facilities Grant has been accounted for in a capital projects fund, which is a governmental fund type and is included in the City's basic financial statements.

(b) *Basis of Accounting*

The accompanying financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when the related governmental fund liabilities are incurred. Grant revenues, which are received as reimbursement for specific purposes or projects, are recognized when they become measurable and available (received within 60 days after year-end.)

(c) *Due to other funds of the City*

Cash has been advanced to the Pedestrian/Bicycle Facilities Grant projects for expenditures paid by the City's nonmajor capital projects fund for the benefit of the TDA Article III projects. The projects are obligated to immediately repay these advances upon reimbursement.

(d) *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CITY OF SAN JOSE, CALIFORNIA

Pedestrian/Bicycle Facilities Grant
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Notes to Financial Statements
June 30, 2009 and 2008

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2008, the Pedestrian/Bicycle Facilities Grant had a deficit fund balance in the amount of \$258,631, resulting from the City's deferral of the grant revenues not received within the availability period. The deficit was eliminated with subsequent reimbursement receipts from the Metropolitan Transportation Commission.

NOTE 4 – SECTION 99301 – INTEREST EARNED ON ALLOCATED FUNDS

The City incurred and paid expenditures prior to the receipt of grant reimbursements; as a result, no interest was earned on grant funds.

CITY OF SAN JOSE, CALIFORNIA

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Schedule of Construction Projects with Capital Outlay Expenditures

The following schedule identifies the projects with capital outlay expenditures during fiscal year 2009:

Title of Project	Project Number	Total Awards	Cumulative Capital Outlay Expenditures as of June 30, 2008	Current Year Capital Outlay Expenditures	Cumulative Capital Outlay Expenditures as of June 30, 2009	Status of Project
TDA 06-07 East Hedding Street/ North 10th Street Sidewalk Improvement	07001092	\$ 184,000	\$ 57,678	\$ 126,322	\$ 184,000	Completed
TDA 06-07 Grandview Avenue / Capitol Avenue Sidewalk Improvement	07001093	31,000	18,278	12,722	31,000	Completed
TDA 06-07 Huff Avenue / Baywood Avenue Sidewalk Improvement	07001094	226,000	200,045	20,623	220,668	Completed
TDA 06-07 Woodard Road / Farnham Elementary School Sidewalk Improvement	07001095	156,000	96,786	59,214	156,000	Completed
TDA 06-07 Pedestrian & Bicycle Facilities Signing/Striping	07001097	13,833	-	13,833	13,833	Completed
TDA 06-07 Pedestrian & Bicycle Safety Education and Materials	07001098	35,000	-	35,000	35,000	Completed
TDA 07-08 Hedding Street Sidewalk Improvement	08001083	273,340	46,723	226,617	273,340	Completed
TDA 07-08 Mossdale Way Sidewalk Improvement	08001084	43,380	18,908	24,472	43,380	Completed
TDA 07-08 Moorpark Avenue Sidewalk Improvement	08001085	150,900	24,139	126,761	150,900	Completed
TDA 07-08 Pedestrian & Bicycle Facilities Signing/Striping	08001086	48,890	-	37,507	37,507	On-Going
TDA 08-09 Tully Road Sidewalk Improvement	09001065	220,000	-	6,029	6,029	On-Going
TDA 08-09 Bird Avenue Sidewalk Improvement	09001066	120,000	-	72,227	72,227	On-Going
TDA 08-09 Pedestrian & Bicycle Facilities Signing/Striping	09001068	120,497	-	7,902	7,902	On-Going
		\$ 1,622,840	\$ 462,557	\$ 769,229	\$ 1,231,786	



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND
THE TRANSPORTATION DEVELOPMENT ACT**

We have audited the accompanying balance sheets of the Pedestrian/Bicycle Facilities Grant (Grant) made to the City of San José, California (City), by the Metropolitan Transportation Commission, Transportation Development Act Funds, Article III as of June 30, 2009 and 2008, and the related statements of revenues, expenditures, and changes in fund balance of the years then ended, and have issued our report thereon dated October 1, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over the Grant's financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over the Grant's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over the Grant's financial reporting.


A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable statutes, rules and regulations of the Transportation Development Act, including Section 6666 of Title 21, of the California Code of Regulations, and the allocation instructions and resolutions of the Metropolitan Transportation Commission, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Transportation Development Act.

This report is intended solely for the information and use of the Metropolitan Transportation Commission, the City Council, City management and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants
Walnut Creek, California

October 1, 2009