

**CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)**

**Independent Auditor's Reports,
Financial Statements, Other Supplementary
Information and Independent Accountant's Report**

For the Year Ended June 30, 2009

CITY OF SAN JOSE
Parks and Recreation Bond Projects Fund
(A Fund of the City of San José)
For the Year Ended June 30, 2009

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

WALNUT CREEK
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

SACRAMENTO

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

City Council and
Members of the Citizen's Oversight Committee
City of San José, California

Independent Auditor's Report

We have audited the accompanying financial statements of the Parks and Recreation Bond Projects Fund, a fund of the City of San José (City), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 financial reporting as it pertains to the Parks and Recreation Bond Projects Fund activities. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements of the Parks and Recreation Bond Projects Fund are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and nonmajor fund of the City of San José that is attributable to the transactions of the Parks and Recreation Bond Projects Fund. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2009 and the changes in its financial position for the year 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 Parks and Recreation Bond Projects Fund as of June 30, 2009 and the changes in financial position thereof for the year 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 2, 2009 on our consideration of City's internal control over financial reporting as it pertains to the Parks and Recreation Bond Projects Fund activities 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 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.

The Parks and Recreation Bond Projects Fund has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.

The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the fund financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the fund financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, the Citizen's Oversight Committee, the City Auditor and the City's 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 2, 2009

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND

(A Fund of the City of San José)

Balance Sheet

June 30, 2009

Assets

Restricted assets:

Equity in pooled cash and investments held in City Treasury \$ 2

Investments held with fiscal agents 87,220,980

Total assets \$ 87,220,982

Liabilities and Fund Balance

Liabilities:

Accounts payable \$ 5,724,090

Accrued salaries, wages and payroll taxes 84,590

Due to other funds of the City 10,580,273

Total liabilities 16,388,953

Fund balances:

Reserved for encumbrances 24,354,938

Unreserved, undesignated 46,477,091

Total fund balance 70,832,029

Total liabilities and fund balance \$ 87,220,982

See accompanying notes to the financial statements.

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2009

Revenues:	
Investment income	\$ 2,449,454
Other	21,792
	<hr/>
Total revenues	2,471,246
	<hr/>
Expenditures:	
Capital outlay:	
Almaden Joint Facility - Community Center/Library	7,019
Almaden Lake Park	455
Bascom Community Center	3,195,549
Coyote Creek Trail - Los Lagos Golf Course	859,733
Emma Prusch Memorial Park - LeFevre House	33,733
Guadalupe River Trail	461,777
Happy Hollow PH I-Strategy	60,017
Happy Hollow Park and Zoo	29,502,794
Los Gatos Creek Trail	29,289
Mayfair Community Center	1,713,164
Public Art Designs	951,544
Roosevelt Community Center - Multi-Service	1,173,482
Solari/ Seven Trees Community Center	9,418,481
Project Administration	742,893
	<hr/>
Total expenditures	48,149,930
	<hr/>
Change in fund balance	(45,678,684)
Fund balance, beginning of year	116,510,713
	<hr/>
Fund balance, end of year	\$ 70,832,029
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See accompanying notes to the financial statements.

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 1 – BACKGROUND

In November 2000, registered voters of the City of San José (City) approved Measure P, the San José Safe Neighborhood Parks and Recreation Bond, authorizing the issuance and sale of not to exceed \$228,030,000 general obligation bonds (Parks Bonds) to be used to fund the acquisition of property and construction of improvements to neighborhood and regional parks, community centers and other recreational amenities within the City.

The table below sets forth the amount of Neighborhood Parks and Recreation general obligation bonds authorized and issued pursuant to Measure P:

	<u>Amount</u>	<u>Date</u>
Voter authorization	\$ 228,030,000	November 7, 2000
Bonds issued:		
Series 2001 Bonds	\$ 40,000,000	June 6, 2001
Series 2002 Bonds	46,715,000	July 18, 2002
Series 2004 Bonds	46,000,000	July 14, 2004
Series 2006 Bonds	45,400,000	June 29, 2006
Series 2007 Bonds	22,100,000	June 20, 2007
Series 2008 Bonds	27,815,000	June 25, 2008
Total bonds issued	<u>\$ 228,030,000</u>	

As of June 30, 2009, projects approved by the City Council to be funded by the bond proceeds which remain to be completed are as follows:

- Project**
- Regional Parks Projects***
Happy Hollow Park and Zoo
- Community Centers Projects***
Bascom Community Center
Mayfair Community Center
Roosevelt Community Center - Multi-Service
Solari/ Seven Trees Community Center
- Trails Projects***
Coyote Creek Trail - Los Lagos Golf Course
Guadalupe River Trail
- Two Other Sports Complex Projects***

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the financial position and the changes in financial position of the Parks and Recreation Bond Projects Fund (Fund) and do not purport to, and do not, present fairly the City's financial position as of June 30, 2009 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A capital projects fund (governmental fund) is used to account for the City's Parks and Recreation Bond Projects activities. Capital projects funds are used to account for financial resources (bond proceeds and investment income) to be used for the acquisition of land or acquisition and construction of major governmental facilities.

Basis of Accounting

The Fund's activity is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers investment income to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Restricted Cash and Investments

Cash and investments that are restricted for specified uses by bond covenants or other requirements are classified as restricted. The Fund's restricted cash and investments are held with fiscal agent accounts to be spent only on authorized capital projects. The Fund's restricted cash and investments are subject to the requirements of the City's adopted investment policy and the bond indenture.

Due to other funds of the City

The Fund's cash and investments balances are pooled and invested by the City and the Fund's overdraft position of the City's pooled investments is displayed on the balance sheet as "Due to other funds of the City." It is the City's policy not to charge interest to those funds that have a negative average daily cash balances. Income earned or losses arising from positive pooled investments are allocated on a monthly basis by the City Treasury to the Fund based on the average weekly cash balances.

Fund Balance

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and management and can be increased, reduced or eliminated by similar actions.

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

A summary of the Fund’s restricted cash and investments at June 30, 2009 are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Moody's Credit Risk Rating</u>	<u>Weighed Average Maturity</u>
City of San José Cash and Investment Pool	\$ 2	Unrated	259 days
State of California Local Agency Investment Fund	82,305,782	Unrated	235 days
Wells Fargo Treasury Money Market Mutual Fund	4,915,198	Aaa	55 days
Total restricted cash and investments	<u>\$ 87,220,982</u>		

The Fund has investments subject to provisions of the bond indentures of its various bond issues. According to the bond indentures, the City is permitted to invest in the City’s cash and investment pool, the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. Government agencies, time deposits, money market mutual funds invested in U.S. Government securities, along with various other investments.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by nationally recognized statistical rating organizations. The City’s investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures.

Concentration Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Fund. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds and other pooled investments are exempt from this requirements, as they are normally diversified themselves.

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2009

NOTE 3 – RESTRICTED CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. The City’s investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification. These limits, for investments other than external investment pools and money market mutual funds, are as few as 10 days and as long as 5 years.

NOTE 4 – BOND PROCEEDS

As of June 30, 2009, the Fund has received proceeds from bond issues as follows:

	<u>Total Bonds Issued</u>			<u>Allocation of Bond Proceeds</u>			
	<u>Par Amount</u>	<u>Bond Premium</u>	<u>Total Proceeds</u>	<u>Parks and Recreation Bond Projects Funds</u>	<u>Library Branch Bond Projects Funds</u>	<u>Neighborhood Security Bond Projects Funds</u>	<u>Debt Services Funds</u>
Series 2001 Bonds	\$ 71,000,000	\$ 702,671	\$ 71,702,671	\$ 40,000,000	\$ 31,000,000	\$ -	\$ 702,671
Series 2002 Bonds	116,090,000	1,701,525	117,791,525	46,715,000	30,000,000	39,375,000	1,701,525
Series 2004 Bonds	118,700,000	1,928,232	120,628,232	46,000,000	58,300,000	14,400,000	1,928,232
Series 2005 Bonds	46,300,000	803,299	47,103,299	-	21,300,000	25,000,000	803,299
Series 2006 Bonds	105,400,000	2,436,112	107,836,112	45,400,000	60,000,000	-	2,436,112
Series 2007 Bonds	90,000,000	965,400	90,965,400	22,100,000	-	67,900,000	965,400
Series 2008 Bonds	33,100,000	516,037	33,616,037	27,815,000	5,285,000	-	516,037
Series 2009 Bonds	9,000,000	276,396	9,276,396	-	-	9,000,000	276,396
Total	<u>\$589,590,000</u>	<u>\$ 9,329,672</u>	<u>\$598,919,672</u>	<u>\$228,030,000</u>	<u>\$205,885,000</u>	<u>\$155,675,000</u>	<u>\$ 9,329,672</u>

NOTE 5 – COMMITMENTS

At June 30, 2009, the Fund has related outstanding project construction and other commitments as follows:

<u>Project</u>	<u>Amount</u>
Bascom Community Center	\$ 6,360,225
Coyote Creek Trail - Los Lagos Golf Course	77,163
Happy Hollow PH I-Strategy	16,943
Happy Hollow Park and Zoo	8,549,748
Los Gatos Creek Trail	10,039
Mayfair Community Center	17,688
Public Art Designs	772,075
Roosevelt Community Center - Multi-Service	38,224
Shady Oaks Park Play Area	10,884
Solari/ Seven Trees Community Center	8,495,449
Project Administration	6,500
Total reserved for encumbrance	<u>\$ 24,354,938</u>

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CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Combining Schedules of Capital Outlay by Project
For the Period from June 6, 2009 through June 30, 2009

	2001	2002	2003	2004	2005
Revenues:					
Investment income	\$ 233,266	\$ 1,695,340	\$ 3,237,732	\$ 16,887	\$ 1,722,773
Other	-	-	37,820	-	11,426
Total revenues	233,266	1,695,340	3,275,552	16,887	1,734,199
Expenditures:					
Capital outlay:					
Almaden Joint Facility - Community Center/Library	-	58,681	682,929	1,084,999	7,791,470
Almaden Lake Park	-	-	146,556	648,088	783,633
Almaden Meadows Youth Lot	-	27,040	251,373	92,765	-
Alviso Park Youth & Tot Lot	-	21,082	441,765	50,890	-
Backesto Youth & Tot Lot/ Restroom	-	64,605	558,866	15,823	-
Bascom Community Center	-	-	11,142	88,827	851,399
Biebrach Park Play Lots & Restrooms	-	-	101,159	525,515	-
Bramhall Park Restroom	-	28,318	141,599	9,923	-
Brigadoon Tot Lot Renovation	-	33,398	197,862	3,333	-
Butcher Park Youth/Tot Lot	-	73,900	367,926	11,992	-
Cahalan Park Tot Lot	30,997	600,052	1,769	-	-
Calabazas Park Restroom	-	30,585	242,335	18,181	-
Camden Multi-Service Center	-	636,697	989,279	2,900,625	4,343,202
Capital Park Tot Lot Renovation	1,918	91,633	245,743	20,998	-
Cataldi Park Youth & Tot Lot	4,868	118,039	252,519	20,998	-
Children of the Rainbow	-	35,296	162,130	2,194	-
Cimarron Park Play Area Renovation	-	24,014	225,966	14,748	-
Coyote Creek Trail - Los Lagos Golf Course	-	-	85,569	184,944	107,981
Emma Prusch Memorial Park	-	23,815	254,498	90,568	56,587
Emma Prusch Memorial Park - LeFevre House	3,949	164,062	204,928	1,165,301	64,871
Erickson Park Play Area	1,393	150,069	85,557	4,998	-
Evergreen Park Play Area	3,338	396,147	81,113	9,776	-
Fernish Park Play Area	2,256	104,581	67,663	5,144	-
Flickinger Youth Tot Lot	-	5,898	603,491	40,970	-
Fontana/ Golden Oaks Youth	-	33,606	191,244	47,669	-
Forestdale Park Tot Lot Renovation	-	2,076	216,688	46,672	-
Gardner Community Center	-	107,304	912,800	3,217,600	530,681
Graystone Park Tot Lot	22,263	458,420	-	18,748	-
Great Oaks Park Tot/Lot	20,837	208,156	24,850	148	-
Guadalupe Oak Grove Restroom	-	-	17,729	113,517	-
Guadalupe River Trail	-	-	113,015	292,977	108,670
Hamann Park Lot & Restroom	3,994	81,176	453,066	-	-
Happy Hollow PH II-Strategy	-	58,983	33,772	-	-
Happy Hollow PH I-Strategy	-	964,516	195,051	-	-
Happy Hollow Park and Zoo	-	-	-	469,521	1,522,832
Hathaway Parking Lot & Restroom	3,517	58,818	389,825	564	-
Hillview Park Play Area	2,181	51,069	450,089	5,881	-
Houge Park Play Area & Restroom	1,597	498,826	20,302	-	-
Huerta Park Youth & Tot Renovation	3,508	165,592	175,404	4,998	-
Kirk Park Youth & Lot	-	2,908	310,160	44,635	-
Lone Hill Park Tot Lot	4,112	658,297	-	3,378	-
Los Alamitos/ Calero Creek Trail	-	-	-	-	-
Los Gatos Creek Trail	-	266,989	-	106,639	166,329
Los Paseos Park Lot & Restroom	2,680	392,174	22,582	19,770	-
Martin Park Youth & Tot Lot	-	2,642	379,427	136,127	-
Mayfair Community Center	-	-	9,074	83,080	81,195
MeadowFair Center Play Area	2,388	43,589	130,493	58,404	-
Meadows Youth & Tot Lot	-	3,638	213,918	151,233	-
Melody Park Youth Lot Renovation	3,477	57,530	134,898	15,998	-

(Continued)

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Combining Schedules of Capital Outlay by Project
For the Period from June 6, 2009 through June 30, 2009

2006	2007	2008	2009	Total	
\$ 2,779,342	\$ 5,138,908	\$ 4,156,719	\$ 2,449,454	\$ 21,430,421	Revenues:
-	6,458	17,363	21,792	94,859	Investment income
2,779,342	5,145,366	4,174,082	2,471,246	21,525,280	Other
					Total revenues
					Expenditures:
					Capital outlay:
6,124,290	512,990	145,237	7,019	16,407,615	Almaden Joint Facility - Community Center/Library
144,773	191,622	1,098,191	455	3,013,318	Almaden Lake Park
-	-	-	-	371,178	Almaden Meadows Youth Lot
-	-	-	-	513,737	Alviso Park Youth & Tot Lot
-	-	-	-	639,294	Backesto Youth & Tot Lot/ Restroom
49,635	122,513	471,551	3,195,549	4,790,616	Bascom Community Center
-	-	-	-	626,674	Biebrach Park Play Lots & Restrooms
-	-	-	-	179,840	Bramhall Park Restroom
-	-	-	-	234,593	Brigadoon Tot Lot Renovation
-	-	-	-	453,818	Butcher Park Youth/Tot Lot
-	-	-	-	632,818	Cahalan Park Tot Lot
-	-	-	-	291,101	Calabazas Park Restroom
135,591	-	890,805	-	9,896,199	Camden Multi-Service Center
-	-	-	-	360,292	Capital Park Tot Lot Renovation
-	-	-	-	396,424	Cataldi Park Youth & Tot Lot
-	-	-	-	199,620	Children of the Rainbow
-	-	-	-	264,728	Cimarron Park Play Area Renovation
116,287	82,825	438,794	859,733	1,876,133	Coyote Creek Trail - Los Lagos Golf Course
1,026,632	546,479	-	-	1,998,579	Emma Prusch Memorial Park
5,840	213,876	12,909	33,733	1,869,469	Emma Prusch Memorial Park - LeFevre House
-	-	-	-	242,017	Erickson Park Play Area
-	-	-	-	490,374	Evergreen Park Play Area
-	-	-	-	179,644	Fernish Park Play Area
-	-	-	-	650,359	Flickinger Youth Tot Lot
-	-	-	-	272,519	Fontana/ Golden Oaks Youth
-	-	-	-	265,436	Forestdale Park Tot Lot Renovation
66,443	-	-	-	4,834,828	Gardner Community Center
-	-	-	-	499,431	Graystone Park Tot Lot
-	-	-	-	253,991	Great Oaks Park Tot/Lot
-	-	-	-	131,246	Guadalupe Oak Grove Restroom
77,991	261,174	277,905	461,777	1,593,509	Guadalupe River Trail
-	-	-	-	538,236	Hamann Park Lot & Restroom
-	-	-	-	92,755	Happy Hallow PH II-Strategy
83,300	341,962	47,263	60,017	1,692,109	Happy Hallow PH I-Strategy
3,503,893	2,032,749	1,940,909	29,502,794	38,972,698	Happy Hollow Park and Zoo
-	-	-	-	452,724	Hathaway Parking Lot & Restroom
-	-	-	-	509,220	Hillview Park Play Area
-	-	-	-	520,725	Houge Park Play Area & Restroom
-	-	-	-	349,502	Huerta Park Youth & Tot Renovation
-	-	-	-	357,703	Kirk Park Youth & Lot
-	-	-	-	665,787	Lone Hill Park Tot Lot
9,370	17,834	-	-	27,204	Los Alamitos/ Calero Creek Trail
575,640	657,907	305,851	29,289	2,108,644	Los Gatos Creek Trail
-	-	-	-	437,206	Los Paseos Park Lot & Restroom
-	-	-	-	518,196	Martin Park Youth & Tot Lot
501,466	670,149	8,612,287	1,713,164	11,670,415	Mayfair Community Center
-	-	-	-	234,874	MeadowFair Center Play Area
-	-	-	-	368,789	Meadows Youth & Tot Lot
-	-	-	-	211,903	Melody Park Youth Lot Renovation

(Continued)

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Combining Schedules of Capital Outlay by Project
For the Period from June 6, 2009 through June 30, 2009

	2001	2002	2003	2004	2005
Revenues:					
Mise Park Restroom Renovation	\$ -	\$ 92	\$ 76,955	\$ 195,255	\$ -
Morril Community Center- Multi-Service	-	-	-	2,583,000	-
Municipal Rose Garden	-	36,653	261,204	1,571,390	1,540
Murdock Park Youth Lot Renovation	2,793	72,724	147,732	1,980	-
Noble Park Play Area Renovation	-	24	17,793	146,028	79,227
Northwood Youth & Tot Lot	-	18,338	415,812	39,751	-
Parkview II Play Area	-	-	63,325	258,710	3
Parkview Park I Play Area	-	4,262	118,064	144,909	-
Parma Park Youth & Tot Lot	23,990	305,740	121,868	-	-
Paul Moore Park Restroom	-	-	19,092	256,286	-
Plato Arroyo Park Play Area	-	-	51,653	217,977	-
Playa Del Rey Park Play Area	20,151	221,156	3,000	-	-
Public Art Designs	-	52,870	12,617	313,208	192,365
Rainbow Park Play Area	-	8,628	113,753	313,984	-
Ramblewood Play Area Renovation	-	9,818	65,887	360,511	-
River Glen Tot Lot	5,036	392,339	36,995	230,724	-
Roosevelt Community Center - Multi-Service	-	-	-	20,716	1,433,573
Roy Avenue Play area Renovation	-	23,646	231,688	7,997	-
Ryland Park Tot Lot & Restroom	3,520	99,368	502,646	19,967	-
San Tomas Park	-	45,623	664,597	23,734	-
Saratoga Creek Park	-	-	123,886	482,086	1
Saratoga Creek Trail	5,170	7,470	308,672	175,851	1,150,914
Shady Oaks Park Play Area	-	148,236	33,109	5,001	-
Silver Leaf Park Play Area	6,220	139,398	267,899	4,720	-
Silvia Cassell Park Play Area	-	4,484	87,277	168,687	-
Soccer Complex	12,515	512,062	168,077	308,704	18,441
Softball Complex	-	53,191	387,976	73,823	309,175
Solari Park Play Area	1,315	40,641	231,543	19,986	-
Solari/ Seven Trees Community Center	-	-	-	-	-
Southside Community Center	-	-	20,539	314,230	912,231
Stonegate Park Youth & Tot Lot	-	20,864	413,971	53,304	-
Terrell Park Play Area	-	-	49,280	234,383	-
Thousand Oaks Play Area	-	15,661	213,212	19,101	-
TJ Martin Park Play Area	-	-	42,931	225,026	-
Townsend Park Youth & Tot Lot	-	6,143	352,813	75,635	-
Turtle Rock Park Play Area	-	37,406	195,706	4,998	-
Vinci Park Play Area Renovation	-	36,817	152,879	9,960	-
Vista Park Youth Lot Renovation	24,968	37,977	47,884	9,998	-
Wallenberg Park Play Area	-	-	34,836	399,275	3
Watson Park Youth Lt Renovation	-	23,829	244,378	67,908	-
Welch Park Restroom Renovation	-	11,759	200,093	26,208	-
William Street Restroom (Selma Olinder Park)	-	-	6,287	11,574	209,252
Project Administration	-	303,522	537,372	873,676	1,064,156
Debt service:					
Arbitrage rebate payment	-	293,000	-	-	-
Total expenditures	224,951	9,787,962	17,843,425	22,119,420	21,779,731
Excess (deficiency) of revenues over (under) expenditures	8,315	(8,092,622)	(14,567,873)	(22,102,533)	(20,045,532)
Other Financing Sources:					
Bond proceeds	40,000,000	-	46,715,000	-	46,000,000
Change in fund balance	40,008,315	(8,092,622)	32,147,127	(22,102,533)	25,954,468
Fund balance, beginning of period	-	40,008,315	31,915,693	64,062,820	41,960,287
Fund balance, end of period	\$ 40,008,315	\$ 31,915,693	\$ 64,062,820	\$ 41,960,287	\$ 67,914,755

(Continued)

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Combining Schedules of Capital Outlay by Project
For the Period from June 6, 2009 through June 30, 2009

2006	2007	2008	2009	Total	
\$ -	\$ -	\$ -	\$ -	\$ 272,302	Revenues:
1,517,000	-	-	-	4,100,000	Mise Park Restroom Renovation
-	-	-	-	1,870,787	Morril Community Center- Multi-Service
-	-	-	-	225,229	Municipal Rose Garden
-	-	-	-	243,072	Murdock Park Youth Lot Renovation
-	-	-	-	473,901	Noble Park Play Area Renovation
-	-	-	-	322,038	Northwood Youth & Tot Lot
-	-	-	-	267,235	Parkview II Play Area
-	-	-	-	451,598	Parkview Park 1 Play Area
-	-	-	-	275,378	Parma Park Youth & Tot Lot
-	-	-	-	269,630	Paul Moore Park Restroom
-	-	-	-	244,307	Plato Arroyo Park Play Area
528,515	272,495	446,901	951,544	2,770,515	Playa Del Rey Park Play Area
-	-	-	-	436,365	Public Art Designs
-	-	-	-	436,216	Rainbow Park Play Area
-	-	-	-	665,094	Ramblewood Play Area Renovation
1,956,073	3,652,486	11,944,700	1,173,482	20,181,030	River Glen Tot Lot
-	-	-	-	263,331	Roosevelt Community Center - Multi-Service
-	-	-	-	625,501	Roy Avenue Play area Renovation
-	-	-	-	733,954	Ryland Park Tot Lot & Restroom
-	-	-	-	605,973	San Tomas Park
516,678	50,683	5,782	-	2,221,220	Saratoga Creek Park
-	-	-	-	186,346	Saratoga Creek Trail
-	-	-	-	418,237	Shady Oaks Park Play Area
-	-	-	-	260,448	Silver Leaf Park Play Area
4,914	-	-	-	1,024,713	Silvia Cassell Park Play Area
65,621	1,638	-	-	891,424	Soccer Complex
-	-	-	-	293,485	Softball Complex
-	778,700	1,394,917	9,418,481	11,592,098	Solari Park Play Area
564,460	4	-	-	1,811,464	Solari/ Seven Trees Community Center
-	-	-	-	488,139	Southside Community Center
-	-	-	-	283,663	Stonegate Park Youth & Tot Lot
-	-	-	-	247,974	Terrell Park Play Area
-	-	-	-	267,957	Thousand Oaks Play Area
-	-	-	-	434,591	TJ Martin Park Play Area
-	-	-	-	238,110	Townsend Park Youth & Tot Lot
-	-	-	-	199,656	Turtle Rock Park Play Area
-	-	-	-	120,827	Vinci Park Play Area Renovation
-	-	-	-	434,114	Vista Park Youth Lot Renovation
-	-	-	-	336,115	Wallenberg Park Play Area
-	-	-	-	238,060	Wallenberg Park Play Area
1	-	-	-	227,114	Watson Park Youth Lt Renovation
942,194	919,494	665,643	742,893	6,048,950	Welch Park Restroom Renovation
-	-	274,000	-	567,000	William Street Restroom (Selma Olinder Park)
18,516,607	11,327,580	28,973,645	48,149,930	178,723,251	Project Administration
					Debt service:
					Arbitrage rebate payment
					Total expenditures
(15,737,265)	(6,182,214)	(24,799,563)	(45,678,684)	(157,197,971)	Excess (deficiency) of revenues over (under) expenditures
45,400,000	22,100,000	27,815,000	-	228,030,000	Other Financing Sources:
29,662,735	15,917,786	3,015,437	(45,678,684)	70,832,029	Bond proceeds
67,914,755	97,577,490	113,495,276	116,510,713	-	Change in fund balance
\$ 97,577,490	\$ 113,495,276	\$ 116,510,713	\$ 70,832,029	\$ 70,832,029	Fund balance, beginning of period
					Fund balance, end of period

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

WALNUT CREEK
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

SACRAMENTO

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City Council and
Members of the Citizen's Oversight Committee
City of San José, California

**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***

We have audited the accompanying financial statements of the Parks and Recreation Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2009, and have issued our report thereon dated October 2, 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 financial reporting as it pertains to the Fund's activities, 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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over 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 Fund'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 Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

This report is intended solely for the information and use of the City Council, the Citizen's Oversight Committee, the City Auditor and the City's 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 2, 2009

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Status of Prior Year Comments
For the Year Ended June 30, 2009

2008 Comment: ***2008-A – Year-end Expenditure Accrual Process***

Condition/Effect: During our audit, we noted the City did not record one accrual during the preparation of its year-end Comprehensive Annual Financial Statements (CAFR) for Fiscal Year 2006, as the City did not consider the transaction to be material in relation to the City’s basic financial statements taken as a whole. Since this audit is performed at the Fund level, the transaction noted is considered to be material to the Fund and should be recorded in the proper year of the Fund’s financial statements.

Recommendation: We recommend the City perform an expenditure and accrual analysis at the Fund’s appropriate materiality threshold during its year-end financial reporting process in order to properly record expenditures in the period when a liability is incurred.

Status: Implemented.

2008 Comment: ***2008-B – Timely Reimbursement of Funds Paid Using the City’s Cash Pool***

Condition/Effect: During our audit, we noted that the City’s Department of Parks, Recreation & Neighborhood Services (PRNS) did not request reimbursement from bond funds for several transactions for three different projects totaling \$64,946. Although the City properly recorded these expenditures in fiscal year 2001 and paid the vendors in fiscal year 2002 using cash held in the City’s Cash Pool, PRNS did not request reimbursement from bond funds as of June 30, 2008. As such, the Fund has had a liability with the City for over seven years that is reimbursable with bond funds.

Recommendation: We recommend the City periodically analyze and review expenditures that have not been reimbursed for more than 6 months to ensure that expenditures paid using the City’s Cash Pool are reimbursed from the bond funds held with trustees on a timely basis.

Status: Implemented.

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

WALNUT CREEK
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

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City of San José, California

Independent Accountant's Report on Compliance with Measure P

We have examined the City of San José's (City) compliance with certain provisions of Measure P for the year ended June 30, 2009 as follows:

- Bond proceeds were used for installing lighting, reconstructing deteriorating playgrounds and restrooms; preserving open space; constructing trails; constructing new recreational sports facilities; improving Community and Senior Centers; and constructing improvements to regional parks, like Happy Hollow.
- Bond proceeds were not used for parks administrators' salaries.
- Annual audits were performed.
- A citizen's oversight committee was established.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

This report is intended solely for the information and use of the City Council, the Citizen's Oversight Committee, the City Auditor and the City's management and is not intended to be and should not be used by anyone other than these specified parties.

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

October 2, 2009