

**CITY OF SAN JOSE
BRANCH LIBRARY 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, 2019



Certified
Public
Accountants

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
For the Year Ended June 30, 2019

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Independent Auditor's Report

City Council and
Members of the Library and Early Education Commission
City of San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Branch Library Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Branch Library Bond Projects Fund as of June 30, 2019, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2019, and the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying statements of revenues, expenditures, and change in fund balance (supplementary information) by fiscal year for the period June 6, 2001 through June 30, 2019 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information for the year ended June 30, 2019 has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the year ended June 30, 2019 is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Fund's financial statements as of and for the period June 6, 2001 through June 30, 2008, as of and for the years ended June 30, 2009 through 2015, and as of and for the year ended June 30, 2018 which are not presented with the accompanying financial statements. In our reports dated March 13, 2009, October 2, 2009, December 2, 2010, September 30, 2011, November 2, 2012, October 21, 2013, November 14, 2014, October 8, 2015, and October 23, 2018 respectively, we expressed unmodified opinions on the Fund's financial statements. Those audits were conducted for the purposes of forming an opinion on the financial statements as a whole. The supplementary information for the period June 6, 2001 through June 30, 2015, and for the year ended June 30, 2018 has been subjected to the auditing procedures applied in the audits of those 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 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 for the period June 6, 2001 through June 30, 2008, the years ended June 30, 2009 through 2015, and the year ended June 30, 2018 is fairly stated in all material respects in relation to the financial statements from which they have been derived.

The financial statements of the Fund as of and for the years ended June 30, 2016 and 2017 were audited by other auditors. Those auditors expressed unmodified opinions on those reports dated November 17, 2016 and October 20, 2017, respectively. Those auditors' reports also stated that the Statements of Revenues, Expenditures, and Change in Fund Balance by fiscal year for the years ended June 30, 2016 and 2017 were fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of the City's internal control over the Fund'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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California

October 15, 2019

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CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
Balance Sheet
June 30, 2019

Assets

Restricted investments:

Equity in pooled cash and investments held in City Treasury	\$ 24,899
Investments held with fiscal agents	<u>926,181</u>
Total assets	<u><u>\$ 951,080</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 11,948
Accrued salaries, wages and payroll taxes	<u>7,557</u>
Total liabilities	19,505

Fund balance:

Restricted for Branch Library projects	<u>931,575</u>
Total liabilities and fund balance	<u><u>\$ 951,080</u></u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2019

Revenues:	
Investment income	<u>\$ 20,292</u>
Expenditures:	
Capital outlay:	
Branch efficiency projects	161,236
Project administration	<u>13,912</u>
Total expenditures	<u>175,148</u>
Change in fund balance	(154,856)
Fund balance, beginning of year	<u>1,086,431</u>
Fund balance, end of year	<u><u>\$ 931,575</u></u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1 – BACKGROUND

In November 2000, registered voters of the City of San José (City) approved Measure O, the San José Neighborhood Libraries Bonds, authorizing the issuance and sale of general obligation bonds (Libraries Bonds) not to exceed \$211,790,000 to be used to fund the acquisition of property and construction of improvements to neighborhood library facilities throughout the City. The Libraries Bonds proceeds are not allowed to be expended on salaries of library administrators. Therefore, the City did not use bond proceeds to pay for administrative salaries within the Library Department. The capital project management services provided by the Library Department are considered allowable expenditures and reported in the project administration costs.

The table below sets forth the amount of Libraries Bonds authorized and issued pursuant to Measure O:

	<u>Amount</u>	<u>Date</u>
Voter authorization	<u>\$ 211,790,000</u>	November 7, 2000
Bonds issued:		
Series 2001 Bonds	31,000,000	June 6, 2001
Series 2002 Bonds	30,000,000	July 18, 2002
Series 2004 Bonds	58,300,000	July 14, 2004
Series 2005 Bonds	21,300,000	June 23, 2005
Series 2006 Bonds	60,000,000	June 29, 2006
Series 2008 Bonds	<u>5,285,000</u>	June 25, 2008
Total bonds issued	<u>205,885,000</u>	
Authorized but unissued	<u>\$ 5,905,000</u>	

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

NOTE 1 – BACKGROUND (Continued)

The specific projects approved by the City Council to be funded by the bond proceeds include:

Project	Prior Square Feet	Proposed Square Feet	Status at June 30, 2019
Almaden Branch Library & Community Center	20,000	64,000	Completed
Bascom Branch Library & Community Center	20,000	40,000	Completed
Berryessa Branch Library	n/a	26,000	Completed
Calabazas Branch Library	5,800	10,420	Completed
Cambrian Branch Library	10,126	27,800	Completed
Dr. Roberto Cruz Alum Rock Branch Library	n/a	26,000	Completed
East San Jose Carnegie Branch Library	7,281	10,220	Completed
Edenvale Branch Library	n/a	22,000	Completed
Educational Park Branch Library	14,084	18,000	Completed
Evergreen Branch Library	7,448	21,000	Completed
Hillview Branch Library	7,288	21,000	Completed
Joyce Ellington Branch Library	6,715	14,500	Completed
Pearl Avenue Branch Library	7,116	14,000	Completed
Rose Garden Branch Library	6,850	19,000	Completed
Santa Teresa Branch Library	13,860	22,000	Completed
Seven Trees Branch Library & Community Center	20,000	60,000	Completed
Village Square Branch Library	n/a	16,000	Completed
Tully Community Branch Library	n/a	24,000	Completed
Vineland Branch Library	n/a	24,000	Completed
Willow Glen Branch Library	5,330	13,000	Completed

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the financial position and the change in financial position of the Branch Library Bond Projects Fund (Fund) and do not purport to, and do not, present fairly the City's financial position as of June 30, 2019 and the change in its financial position for the year then ended in accordance 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 Branch Library Bond Projects activities. Capital projects funds are used to account for financial resources (e.g., bond proceeds and investment income) that are restricted, committed, or assigned to expenditures for capital outlays, including 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 Fund considers revenues to be available if 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. However, expenditures related to vacation, sick leave, claims and judgments are recorded only when payment is due.

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 in the City Treasury and 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 bond indentures. The fair value of investments is based on quoted market information obtained from fiscal agents or other sources.

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Under Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the balance sheets of governmental funds classify fund balances based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which those funds can be spent. The Fund only has restricted fund balance at June 30, 2019. Restricted fund balance represents amounts when constraints placed on use of resources are either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

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 INVESTMENTS

A summary of the Fund’s restricted investments at June 30, 2019 are as follows:

Type of investment	Fair Value	Moody’s Credit Risk Rating	Weighted Average Maturity
City of San José cash and investment pool	\$ 24,899	Unrated	661 days
State of California Local Agency Investment Fund	868,509	Unrated	173 days
Wells Fargo Treasury Money Market Mutual Fund	57,672	AAAm	33 days
Total investments	<u>\$ 951,080</u>		

The Fund has investments subject to provisions of the bond indentures of its various bond issues. According to the bond indentures, the Fund 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.

The Fund maintains its investments in the City’s cash and investment pool. The amounts held in the City’s investment pool can be withdrawn upon demand. Income and losses arising from the investment activity of pooled cash are allocated to the participating funds on a monthly basis, based on their proportionate shares of the average weekly cash balance. Information regarding the characteristics of the entire investment pool can be found in the City’s basic financial statements for the year ended June 30, 2019. A copy of that report may be obtained by contacting the City’s Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113 or can be found at the City’s Finance Department Website at <http://www.sanjoseca.gov>.

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

NOTE 3 – RESTRICTED INVESTMENTS (Continued)

Government Code Section 16429.1 authorizes each local government agency to invest funds in the LAIF administered by the California State Treasurer. The total amount recorded by all public agencies in LAIF at June 30, 2019 was approximately \$23.9 billion. LAIF is part of the State's Pooled Money Investment Account (PMIA). The total amount recorded by all public agencies in PMIA at June 30, 2019 was approximately \$105.7 billion and of that amount, 98.23% was invested in non-derivative financial products and 1.77% in structured notes and asset backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Fund's position in the pool.

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 requirement, as they are normally diversified themselves.

Interest Rate Risk

Interest rate risk is the risk that changes in market 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 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 short as 10 days and as long as 5 years.

Fair Value Measurement Categorization

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The City's investment in Wells Fargo Money Market Mutual Funds is measured at level 1 inputs, while investments in the City's cash and investment pool and LAIF are not subject to fair value hierarchy.

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

NOTE 4 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through October 15, 2019, the date the financial statements were available to be issued.

On July 9, 2019, the City sold Series 2019C Bonds for \$158,185,000 and Series 2019D Bonds for \$103,935,000 to refund Branch Library Bond Projects Funds, Parks and Recreation Bond Projects Fund, and Neighborhood Security Bond Projects Funds. For the portion related the Branch Library Bond Projects Fund, under Measure O 2002, the bond proceeds will be dedicated to finance projects including improvements at the three oldest branch libraries of the City: Biblioteca Latinoamericana, Alviso, and West Valley libraries. The Series 2019C Bonds were available for delivery through the facilities of DTC on July 25, 2019.

No other subsequent events have occurred that would have a material impact on the presentation of the Fund's financial statements.

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS

(A Fund of the City of San José)

Statements of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year
For the Period June 6, 2001 through June 30, 2019

	2001	2002	2003	2004	2005	2006	2007
Revenues:							
Investment income	\$ 133,145	\$ 1,171,104	\$ 2,152,449	\$ 102,310	\$ 1,529,968	\$ 3,047,142	\$ 5,670,140
Intergovernmental	-	-	-	-	-	706,000	714,000
Other	-	-	26,792	-	14,355	20,641	8,219
Total revenues	<u>133,145</u>	<u>1,171,104</u>	<u>2,179,241</u>	<u>102,310</u>	<u>1,544,323</u>	<u>3,773,783</u>	<u>6,392,359</u>
Expenditures:							
Capital outlay:							
Almaden Branch Library & Community Center	8,900	3,662	391,731	348,318	3,796,919	3,018,030	497,885
Bascom Branch Library & Community Center	-	12,021	20,853	3,588,176	2,809,525	60,926	1,602,517
Berryessa Branch Library	29,371	513,793	1,871,441	2,939,419	3,949,386	25,022	63
Calabazas Branch Library	-	-	-	-	-	-	61,418
Cambrian Branch Library	-	13,490	10,352	567,576	1,967,365	7,357,309	2,026,217
Dr. Roberto Cruz Alum Rock Branch Library	-	1,572,645	1,649,173	2,623,886	6,730,704	1,037,586	92,465
East San José Carnegie Branch Library	-	-	-	-	-	147,183	804,089
Edenvale Branch Library	-	13,902	12,595	62,782	361,625	765,275	7,446,744
Educational Park Branch Library	-	-	-	-	-	-	4,115
Evergreen Branch Library	-	-	26,655	951,248	3,060,594	5,945,766	208,622
Hillview Branch Library	-	39,666	49,450	701,752	1,925,367	6,742,348	1,641,332
Joyce Ellington Branch Library	-	-	-	98,928	162,453	832,135	3,531,201
Pearl Avenue Branch Library	-	-	-	-	18,655	757,173	2,113,187
Rose Garden Branch Library	-	30,882	920,059	1,889,343	3,932,886	2,571,175	-
Santa Teresa Branch Library	-	-	-	-	-	123,696	833,145
Seven Trees Branch Library & Community Center	-	-	-	-	-	17,879	577,146
Southeast Branch Library	-	12,956	22,425	1,388	-	-	-
Tully Community Branch Library	56,288	1,595,093	996,780	5,097,574	3,960,015	-	-
Vineland Branch Library	170,588	867,627	6,209,272	1,832,853	-	281	-
Village Square Branch Library	-	-	-	-	-	-	-
Willow Glen Branch Library	-	-	-	7,717	16,737	539,321	3,204,884
Branch efficiency projects	-	-	-	-	-	-	-
Materials handling technology	-	-	-	-	-	-	-
Miscellaneous post-construction costs	-	-	-	-	-	-	-
Project administration	140,668	518,746	721,843	879,112	1,137,939	905,966	715,082
Intergovernmental	-	-	-	-	-	-	-
Debt service:							
Arbitrage rebate payment	-	-	-	-	-	-	-
Total expenditures	<u>405,815</u>	<u>5,194,483</u>	<u>12,902,629</u>	<u>21,590,072</u>	<u>33,830,170</u>	<u>30,847,071</u>	<u>25,360,112</u>
Excess (deficiency) of revenues over (under) expenditures	(272,670)	(4,023,379)	(10,723,388)	(21,487,762)	(32,285,847)	(27,073,288)	(18,967,753)
Other Financing Sources:							
Bond proceeds	31,000,000	-	30,000,000	-	79,600,000	60,000,000	-
Proceeds from sale of land	-	-	-	-	-	-	-
Change in fund balance	30,727,330	(4,023,379)	19,276,612	(21,487,762)	47,314,153	32,926,712	(18,967,753)
Fund balance, beginning of period	-	30,727,330	26,703,951	45,980,563	24,492,801	71,806,954	104,733,666
Fund balance, end of period	<u>\$ 30,727,330</u>	<u>\$ 26,703,951</u>	<u>\$ 45,980,563</u>	<u>\$ 24,492,801</u>	<u>\$ 71,806,954</u>	<u>\$ 104,733,666</u>	<u>\$ 85,765,913</u>

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS

(A Fund of the City of San José)

Statements of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year
For the Period June 6, 2001 through June 30, 2019

	2008	2009	2010	2011	2012	2013	2014
Revenues:							
Investment income	\$ 3,551,248	\$ 1,486,568	\$ 473,966	\$ 162,896	\$ 77,734	\$ 52,164	\$ 33,782
Intergovernmental	748,000	-	325,136	-	366,112	-	-
Other	-	4,151	-	-	-	-	-
Total revenues	4,299,248	1,490,719	799,102	162,896	443,846	52,164	33,782
Expenditures:							
Capital outlay:							
Almaden Branch Library & Community Center	147,140	8	-	-	-	-	-
Bascom Branch Library & Community Center	676,987	3,278,673	5,681,015	2,012,108	-	-	(1,250)
Berryessa Branch Library	-	3,500	191,863	646,358	-	-	-
Calabazas Branch Library	402,605	744,611	653,616	4,366,496	1,587,922	24,283	16,062
Cambrian Branch Library	21,414	1,674	-	-	-	-	-
Dr. Roberto Cruz Alum Rock Branch Library	12,248	422	-	188	-	-	-
East San José Carnegie Branch Library	1,949,315	6,145,570	716,033	19,378	-	-	-
Edenvale Branch Library	1,214,474	122,846	-	-	-	-	-
Educational Park Branch Library	611,391	801,967	3,630,614	4,821,219	868,760	(237,426)	140,001
Evergreen Branch Library	-	-	96,342	114,514	-	-	-
Hillview Branch Library	86	-	-	3,361	-	-	-
Joyce Ellington Branch Library	4,996,233	94,388	582	5,052	-	-	-
Pearl Avenue Branch Library	4,552,391	643,633	-	-	-	-	-
Rose Garden Branch Library	45,294	-	-	-	-	-	-
Santa Teresa Branch Library	1,307,672	6,764,910	2,685,185	123,968	-	-	-
Seven Trees Branch Library & Community Center	915,389	4,916,875	4,579,905	614,859	119,540	-	-
Southeast Branch Library	30	199,995	169,629	289,701	1,107,127	566,103	998,650
Tully Community Branch Library	-	-	-	-	-	-	-
Vineland Branch Library	18,083	-	28,829	11,078	-	-	-
Village Square Branch Library	-	-	-	-	-	-	-
Willow Glen Branch Library	4,799,513	188,637	-	-	-	-	-
Branch efficiency projects	-	-	-	-	992,826	1,089,489	612,942
Materials handling technology	-	-	-	-	-	-	-
Miscellaneous post-construction costs	-	-	-	-	-	103,697	14,858
Project administration	726,408	650,936	500,821	259,175	206,918	101,759	77,797
Intergovernmental	-	-	706,000	714,000	748,000	-	-
Debt service:							
Arbitrage rebate payment	683,000	-	-	-	-	-	-
Total expenditures	23,079,673	24,558,645	19,640,434	14,001,455	5,631,093	1,647,905	1,859,060
Excess (deficiency) of revenues over (under) expenditures	(18,780,425)	(23,067,926)	(18,841,332)	(13,838,559)	(5,187,247)	(1,595,741)	(1,825,278)
Other Financing Sources:							
Bond proceeds	5,285,000	-	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-	2,469,000	10,000
Change in fund balance	(13,495,425)	(23,067,926)	(18,841,332)	(13,838,559)	(5,187,247)	873,259	(1,815,278)
Fund balance, beginning of period	85,765,913	72,270,488	49,202,562	30,361,230	16,522,671	11,335,424	12,208,683
Fund balance, end of period	\$ 72,270,488	\$ 49,202,562	\$ 30,361,230	\$ 16,522,671	\$ 11,335,424	\$ 12,208,683	\$ 10,393,405

(Continued)

CITY OF SAN JOSE
BRANCH LIBRARY BOND PROJECTS

(A Fund of the City of San José)

Statements of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year
For the Period June 6, 2001 through June 30, 2019

	2015	2016	2017	2018	2019	Total
Revenues:						
Investment income	\$ 30,886	\$ 21,038	\$ 15,987	\$ 11,365	\$ 20,292	\$ 19,744,184
Intergovernmental	700,000	2,100,000	350,000	247,000	-	6,256,248
Other	-	-	-	-	-	74,158
Total revenues	730,886	2,121,038	365,987	258,365	20,292	26,074,590
Expenditures:						
Capital outlay:						
Almaden Branch Library & Community Center	-	-	-	-	-	8,212,593
Bascom Branch Library & Community Center	-	-	-	-	-	19,741,551
Berryessa Branch Library	-	-	-	-	-	10,170,216
Calabazas Branch Library	3,000	-	-	-	-	7,860,013
Cambrian Branch Library	-	-	-	-	-	11,965,397
Dr. Roberto Cruz Alum Rock Branch Library	-	-	-	-	-	13,719,317
East San José Carnegie Branch Library	-	-	-	-	-	9,781,568
Edenvale Branch Library	-	-	-	-	-	10,000,243
Educational Park Branch Library	-	-	-	-	-	10,640,641
Evergreen Branch Library	-	-	-	-	-	10,403,741
Hillview Branch Library	-	-	-	-	-	11,103,362
Joyce Ellington Branch Library	-	-	-	-	-	9,720,972
Pearl Avenue Branch Library	-	-	-	-	-	8,085,039
Rose Garden Branch Library	-	-	-	-	-	9,389,639
Santa Teresa Branch Library	-	-	-	-	-	11,838,576
Seven Trees Branch Library & Community Center	-	-	-	-	-	11,741,593
Southeast Branch Library	6,579,634	-	-	-	-	9,947,638
Tully Community Branch Library	-	-	-	-	-	11,705,750
Vineland Branch Library	-	-	-	-	-	9,138,611
Village Square Branch Library	-	4,195,155	23,458	-	-	4,218,613
Willow Glen Branch Library	-	-	-	-	-	8,756,809
Branch efficiency projects	91,497	464,306	214,999	86,503	161,236	3,713,798
Materials handling technology	-	197,906	757,129	-	-	955,035
Miscellaneous post-construction costs	48,562	-	23,458	-	-	190,575
Project administration	36,059	34,948	12,774	13,862	13,912	7,654,725
Intergovernmental	-	-	-	-	-	2,168,000
Debt service:						
Arbitrage rebate payment	-	-	-	-	-	683,000
Total expenditures	6,758,752	4,892,315	1,031,818	100,365	175,148	233,507,015
Excess (deficiency) of revenues over (under) expenditures	(6,027,866)	(2,771,277)	(665,831)	158,000	(154,856)	(207,432,425)
Other Financing Sources:						
Bond proceeds	-	-	-	-	-	205,885,000
Proceeds from sale of land	-	-	-	-	-	2,479,000
Change in fund balance	(6,027,866)	(2,771,277)	(665,831)	158,000	(154,856)	931,575
Fund balance, beginning of period	10,393,405	4,365,539	1,594,262	928,431	1,086,431	-
Fund balance, end of period	\$ 4,365,539	\$ 1,594,262	\$ 928,431	\$ 1,086,431	\$ 931,575	\$ 931,575

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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***

City Council and
Members of the Library and Early Education Commission
City of San José, California

We have audited, in accordance with the 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, the financial statements of the Branch Library Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the Fund's financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 15, 2019



Independent Accountant's Report on Compliance with Measure O

City Council and
Members of the Library and Early Education Commission
City of San José, California

We have examined the City of San José's (City) compliance with certain provisions of Measure O for the year ended June 30, 2019 as follows:

- Bond proceeds were used for expanding and improving aging branch libraries to reduce noise, add parking, and add space for more books and computers; and building new libraries in neighborhoods throughout the City.
- Bond proceeds were not used for library 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about the City's compliance with the specified requirements, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2019.

This report is intended solely for the information and use of the City Council, the Library and Early Education Commission, 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

Walnut Creek, California
October 15, 2019