

**CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE
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, 2022



Certified
Public
Accountants

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
For the Year Ended June 30, 2022

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Independent Auditor's Report

City Council and
Members of the Measure T Community Oversight Commission
City of San José, California

Opinion

We have audited the financial statements of the Public Safety and Infrastructure Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund of the City of San José, as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 2, 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, 2022, the changes in its financial position, or where applicable, its cash flows 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.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying statement of revenues, expenditures, and change in fund balance by fiscal year for the period from July 25, 2019 through June 30, 2022, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information for the year ended June 30, 2022 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, 2022 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 from July 25, 2019 through June 30, 2021, which are not presented with the accompanying financial statements. In our reports dated November 17, 2020 and November 3, 2021, we expressed unmodified opinions on the Fund's financial statements. The audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information for the period from July 25, 2019 through June 30, 2021 has been subjected to the auditing procedures applied in the audit 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 from July 25, 2019 through June 30, 2021 is fairly stated, in all material respects, in relation to the financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022 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 the Fund's 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 the Fund's financial reporting and compliance.



Walnut Creek, California
October 18, 2022

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CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND

(A Fund of the City of San José)

Balance Sheet

June 30, 2022

Assets

Restricted assets:

Equity in pooled cash and investments held in the City Treasury	\$ 585,648
Cash and investments held with fiscal agents	266,288,679
Interest Receivables	<u>1,598</u>
Total assets	<u><u>\$ 266,875,925</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 5,251,734
Accrued salaries, wages and payroll taxes	188,992
Due to the City of San José	<u>10,922,847</u>
Total liabilities	16,363,573

Fund balance:

Restricted for Public Safety and Infrastructure Bond projects	<u>250,512,352</u>
Total liabilities and fund balance	<u><u>\$ 266,875,925</u></u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE 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, 2022

Revenues:

Investment income	\$ 460,961
Unrealized gain/loss on investment	(14,192)
Contributions from the City of San José	2,331,792
Contributions from Santa Clara Valley Transportation Authority	300,000
	3,078,561
Total revenues	3,078,561

Expenditures:

Public safety	23,969,137
Traffic	44,768,893
Storm sewer	996,203
Municipal improvements	2,674,047
Park & community facilities	327,912
	72,736,192
Total expenditures	72,736,192
Deficiency of revenues under expenditures	(69,657,631)

Other Financing Sources and Uses:

Bond proceeds	200,530,000
Proceeds from sale of property	2,500,000
	203,030,000

Total other financing sources and uses 203,030,000

Change in fund balance 133,372,369

Fund balance, beginning of year 117,139,983

Fund balance, end of year **\$ 250,512,352**

See accompanying notes to the financial statements.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements
For the Year Ended June 30, 2022

NOTE 1 – BACKGROUND

On November 6, 2018, registered voters of the City of San José (City) approved Measure T, the San José Public Safety and Infrastructure Bonds, authorizing the issuance and sale of general obligation bonds (PSI Bonds) not to exceed \$650,000,000 to be used to fund the cost of land or improvement of land of, without limitation, the following categories of projects.

- The upgrade of 911 communications, police, fire and paramedic facilities to improve emergency and disaster response;
- Repair deteriorating bridges vulnerable to being damaged in an earthquake;
- Repaving local and neighborhood streets and potholes in the worst condition;
- Preventing flooding and water quality contamination; and
- Repair or replace critical infrastructure that is likely to reduce long-term spending on operations or maintenance.

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

	Amount	Date
Voter authorization	\$ 650,000,000	November 6, 2018
Bonds issued:		
Series 2019 Bonds	239,900,000	July 25, 2019
Series 2021 Bonds	200,530,000	July 29, 2021
Total bonds issued	440,430,000	
Authorized but unissued	\$ 209,570,000	

As of June 30, 2022, outstanding projects approved by the City Council to be funded by the bond proceeds include the emergency operations center relocation, Fire Station Nos. 8 and 20 relocations, new Fire Station Nos. 32, 36 and 37, police air support unit hangar, police training center relocation, public art – public safety, 911 call center upgrade, bridges, pavement maintenance, Charcot storm drainage, clean water projects, public art – storm sewer, city facilities LED lighting, and community centers/emergency.

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 Public Safety and Infrastructure Bond Projects Fund (Fund) and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2022, and the changes in its financial position, or where applicable, its cash flows 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 Public Safety and Infrastructure 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.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in 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.

Intergovernmental Revenues

During the year ended June 30, 2022, the City contributed \$2,331,792, of which \$2,300,000 was contributed from the City's General Fund to reimburse the Fund for the Fire Station No. 20 relocation.

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, 2022. 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.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 3 – RESTRICTED INVESTMENTS

A summary of the Fund’s restricted and investments at June 30, 2022 are as follows:

Type of investment	Fair Value	Moody’s Credit Risk Rating	Weighted Average Maturity
City of San José cash and investment pool	\$ 585,648	Unrated	533 days
State of California Local Agency Investment Fund	255,492,419	Unrated	311 days
Wilmington Trust Money Market Mutual Fund	10,796,260	Aaa-mf	24 days
Total investments	<u>\$ 266,874,327</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. As of June 30, 2022, there was a restricted pooled balance of \$585,648, and a negative unrestricted pooled balance of \$10,922,847 in the City’s cash and investment pool, of which the negative unrestricted pooled balance is included as a payable to the City of San José on the accompanying financial statements.

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, 2022. 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>.

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, 2022 was approximately \$35.8 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, 2022 was approximately \$234.5 billion and of that amount, 98.12% was invested in non-derivative financial products and 1.88% 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.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 3 – RESTRICTED CASH AND INVESTMENTS (Continued)

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, range from 10 days to 5 years depending on the investment classification.

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 Wilmington Trust 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
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

NOTE 4 – COMMITMENTS

At June 30, 2022, the Fund has related outstanding project construction encumbrances as follows:

<u>Project</u>	<u>Amount</u>
Public safety	
Emergency operations center relocation	\$ 9,419,248
Fire station No. 8 relocation	426,063
Fire station No. 20 relocation	106,153
New fire station No. 32	529,558
New fire station No. 37	147,703
Police air support unit hangar	1,050,451
Police training center relocation	2,113,265
Public art - public safety	54,394
911 call center upgrade	325,220
Traffic	
Bridges	378,605
Pavement maintenance	15,358,003
Storm sewer	
Charcot storm drainage	1,146,278
Clean water projects	227,961
Public art - storm sewer	10,000
Municipal improvements	
City facilities LED lighting	1
Park & Community Facilities	
Community centers/emergency	164,736
	<hr/>
Total project encumbrances	<u>\$ 31,457,639</u>

NOTE 5 – GENERAL OBLIGATION BONDS

On July 25, 2019, the City issued Series 2019 General Obligation Bonds (2019 Bonds) pursuant to the fiscal agent agreement with Wilmington Trust. The 2019 Bonds were the first tranche of bonds issued under Measure T, as disclosed in Note 1. Proceeds from the 2019 Bonds in the amount of \$239,900,000 and a bond premium at issuance in the amount of \$34,158,933 were issued for Measure T purposes. The premium was used to pay debt service on the Series 2019 A-2 taxable Measure T Bonds in the amount of \$33,114,340, to pay cost of issuance, and to fund the debt service accounts. The proceeds related to the premium in excess of the amounts necessary to pay debt service on the 2019 A-2 Bonds, cost of issuance, and debt service fund deposits amounted to \$95,698, and was deposited into the Public Safety and Infrastructure Bond Projects Fund for Measure T purposes.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022

On July 29, 2021, the City issued \$200,530,000 of General Obligation Bonds, consisting of Series 2021A (in the principal amount of \$151,210,000), Series 2021B (federally taxable, in the principal amount of \$8,450,000) and Series 2021C (federally taxable, in the principal amount of \$40,870,000) (collectively, the “2021 GO Bonds”). The 2021 GO Bonds constitute the second round of general obligation bonds issued under the Measure T authorization of \$650,000,000 for Disaster Preparedness, Public Safety, and Infrastructure, approved by the voters in November 2018. The 2021 GO Bonds are secured by a pledge of the City to levy ad valorem property taxes without limitation of rate or amount (except certain personal property which is taxable at limited rates). The ad valorem property tax levy is calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources.

The 2019 and 2021 Bonds related to Measure T are reported in capital projects and debt service funds of the City, and further details can be located in the City’s annual comprehensive financial report.

NOTE 6 – FIRE STATION 8 RELOCATION PROJECT

The City purchased 575 E. Santa Clara Street in August 2020 to be utilized for the Fire Station 8 relocation project. In June 2022, the site was sold to VTA for \$2,800,000 to accommodate critical BART infrastructure that cannot be located elsewhere and the City subsequently purchased 601 E. Santa Clara St from the Santa Clara Housing Authority for \$2,199,200 to be utilized as the new site for this relocation project. The sales price of \$2,800,000 consisted of \$2,500,000 for the value of the property and \$300,000 for the cost of environmental remediation and cleanup. The difference of \$600,800 from the purchase and sale of the properties is restricted for the Fire Station 8 relocation project. At June 30, 2022, the unspent restricted cash is \$585,648, which includes the difference from the purchase and sale of the properties, June 2022 interest earnings, amortization costs, and unrealized losses.

CITY OF SAN JOSE
PUBLIC SAFETY AND INFRASTRUCTURE BOND PROJECTS FUND
(A Fund of the City of San José)
Statement of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year
For the Period from July 25, 2019 through June 30, 2022

	2020	2021	2022	Total
Revenues:				
Investment income	\$ 3,201,017	\$ 1,616,937	\$ 460,961	\$ 5,278,915
Unrealized gain/loss on investment	-	-	(14,192)	(14,192)
Intergovernmental	-	-	2,331,792	2,331,792
Other	-	-	300,000	300,000
Total revenues	<u>3,201,017</u>	<u>1,616,937</u>	<u>3,078,561</u>	<u>7,896,515</u>
Expenditures:				
Public safety				
Emergency operations center relocation	82,346	3,665,164	8,089,855	11,837,365
Fire station No. 8 relocation	63,503	2,472,973	3,025,552	5,562,028
Fire station No. 20 relocation	-	3,774,693	1,145,605	4,920,298
Fire station No. 23 relocation	9,202	25,855	39,550	74,607
New fire station No. 32	40,316	138,401	4,125,604	4,304,321
New fire station No. 36	7,986	78,384	44,949	131,319
New fire station No. 37	34,056	1,823,256	5,825,002	7,682,314
Police air support unit hangar	63,843	138,608	280,338	482,789
Police training center relocation	271,570	18,620,490	576,197	19,468,257
Public art - public safety	50,860	225,060	170,734	446,654
911 call center upgrade	17,877	37,016	347,578	402,471
PD headquarters upgrade	8,232	19,431	40,623	68,286
Admin - public safety	307,365	370,912	257,550	935,827
Traffic				
Bridges	823,581	679,065	1,733,451	3,236,097
Pavement maintenance	1,481,453	38,809,769	42,767,059	83,058,281
LED streetlight conversion	520,608	873,614	256,526	1,650,748
Admin - traffic	105,007	20,958	11,857	137,822
Storm sewer				
Charcot storm drainage	322,422	154,206	152,034	628,662
Clean water projects	455,552	425,697	626,567	1,507,816
Public art - storm sewer	962	4,896	65,480	71,338
Admin - storm sewer	30,452	28,168	152,122	210,742
Municipal improvements ¹				
Environment Protection	46,077,538	451,094	261,727	46,790,359
City facilities LED lighting	1,385,703	2,564,706	2,386,732	6,337,141
Admin - municipal improvements	30,918	20,512	25,588	77,018
Park & community facilities				
Community centers/emergency	6,407	45,064	316,437	367,908
Admin - parks	3,013	4,905	11,475	19,393
Total expenditures	<u>52,200,772</u>	<u>75,472,897</u>	<u>72,736,192</u>	<u>200,409,861</u>
Deficiency of revenues under expenditures	<u>(48,999,755)</u>	<u>(73,855,960)</u>	<u>(69,657,631)</u>	<u>(192,513,346)</u>
Other Financing Sources and Uses:				
Bond proceeds	239,900,000	-	200,530,000	440,430,000
Excess bond premium	50,789	44,909	-	95,698
Proceeds from the sale of property	-	-	2,500,000	2,500,000
Total other financing sources and uses	<u>239,950,789</u>	<u>44,909</u>	<u>203,030,000</u>	<u>443,025,698</u>
Change in fund balance	190,951,034	(73,811,051)	133,372,369	250,512,352
Fund balance, beginning of period	-	190,951,034	117,139,983	-
Fund balance, end of period	<u>\$ 190,951,034</u>	<u>\$ 117,139,983</u>	<u>\$ 250,512,352</u>	<u>\$ 250,512,352</u>

¹ Environmental Protection – FY 2019-2020 transactions include the acquisition of real property located in the Coyote Valley for \$38.3 million and the payoff of the Community Facilities District No. 9 (Bailey/Highway 101) outstanding bonds for \$7.59 million.

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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 Measure T Community Oversight 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 Public Safety and Infrastructure Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2022.

Report on 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) as a basis for designing 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.

Report on 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 financial statements. 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 18, 2022



Independent Accountant's Report on Compliance with Measure T

City Council and
Members of the Measure T Committee Oversight Commission
City of San José, California

We have examined the City of San José's (City) compliance with certain provisions of Measure T for the year ended June 30, 2022 as follows:

- Bond proceeds were used to pay for the cost of land or improvement of land of, without limitation, the following categories of projects.
 - The upgrade of 911 communications, police, fire and paramedic facilities to improve emergency and disaster response;
 - Repair deteriorating bridges vulnerable to being damaged in an earthquake;
 - Repaving local and neighborhood streets and potholes in the worst condition;
 - Preventing flooding and water quality contamination; and
 - Repair or replace critical infrastructure that is likely to reduce long-term spending on operations or maintenance.

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 whether the City complied with the specified requirements, in all material respects, with the specified requirements referenced above. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2022.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 18, 2022