

**CITY OF SAN JOSE
NEIGHBORHOOD SECURITY 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
NEIGHBORHOOD SECURITY 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 Neighborhoods Commission
City of San José, California

Opinion

We have audited the financial statements of the Neighborhood Security 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 change 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.

As discussed in Note 2, all project proceeds have been expended and the Fund is considered closed as of June 30, 2022. 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 statements of revenues, expenditures, and change in fund balance by fiscal year for the period from July 18, 2002 through June 30, 2022 are presented for purposes of additional analysis and are 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.

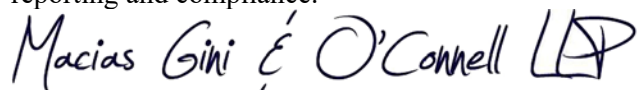
We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Fund's financial statements as of and for the period from July 18, 2002 through June 30, 2009, as of and for the years ended June 30, 2010 through 2015, and as of and for the years ended June 30, 2019 through 2021 which are not presented with the accompanying financial statements. In our reports dated March 1, 2011, November 29, 2010, September 30, 2011, November 9, 2012, November 21, 2013, November 14, 2014, October 9, 2015, October 15, 2019, November 30, 2020, and November 3, 2021 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 information for the period from July 18, 2002 through June 30, 2009, the years ended June 30, 2010 through 2015, and the years ended June 30, 2019 through 2021 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 from July 18, 2002 through June 30, 2009, the years ended June 30, 2010 through 2015, and the years ended June 30, 2019 through 2021 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 15, 2016 and October 13, 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.

The financial statements of the Fund as of and for the year ended June 30, 2018 were not audited as there were no expenditures incurred. The Statements of Revenues, Expenditure, and Change in Fund Balance by fiscal year for the year ended June 30, 2018 was not audited.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 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 21, 2022

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CITY OF SAN JOSE
NEIGHBORHOOD SECURITY BOND PROJECTS FUND
(A Fund of the City of San José)
Balance Sheet
June 30, 2022

Assets

Restricted assets:

Investments held with fiscal agents	\$ -
Prepaid expenses	-
	-
Total assets	\$ -
	-

Liabilities and Fund Balance

Liabilities:

Accrued salaries, wages and payroll taxes	\$ -
Due to other funds of the City	-
	-
Total liabilities	-

Fund balance:

Restricted for Neighborhood Security Bond Projects	-
	-
Total liabilities and fund balance	\$ -
	-

See accompanying notes to the financial statements.

CITY OF SAN JOSE
NEIGHBORHOOD SECURITY 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	\$ 7,540
Other	(3,753)
Total revenues	3,787
Expenditures:	
Capital outlay:	
Fire Training Center	3,382,328
Fire Facilities Remediation	139,636
Total expenditures	3,521,964
Change in fund balance	(3,518,177)
Fund balance, beginning of year	3,518,177
Fund balance, end of year	\$ -

See accompanying notes to the financial statements.

CITY OF SAN JOSE
NEIGHBORHOOD SECURITY 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

In March 2002, registered voters of the City of San José (City) approved Measure O (2002), the San José 911, Fire, Police, Paramedic and Neighborhood Security Act, authorizing the issuance and sale of general obligation bonds (Neighborhood Security Bonds) not to exceed \$159,000,000 to be used to fund the construction of fire and police stations, training facilities and 911 communications facilities and the cost of land acquisition for the improvements to neighborhood security facilities throughout the City.

The table below sets forth the amount of Neighborhood Security Bonds authorized and issued pursuant to Measure O (2002):

	<u>Amount</u>	<u>Date</u>
Voter authorization	\$ 159,000,000	March 5, 2002
Bonds issued:		
Series 2002 Bonds	39,375,000	July 18, 2002
Series 2004 Bonds	14,400,000	July 14, 2004
Series 2005 Bonds	25,000,000	June 23, 2005
Series 2007 Bonds	67,900,000	June 20, 2007
Series 2009 Bonds	9,000,000	June 25, 2009
Series 2019 Bonds	3,325,000	July 25, 2019
Total bonds issued	<u>159,000,000</u>	
Authorized but unissued	<u>\$ -</u>	

As of June 30, 2022, all outstanding projects approved by the City Council to be funded by the bond proceeds have been completed.

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 Neighborhood Security 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, the change 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 Neighborhood Security 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
NEIGHBORHOOD SECURITY BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements
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 City 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 the bond indentures. The fair value of investments is based on quoted market information obtained from fiscal agents or other sources.

As of June 30, 2022, all project proceeds have been expended. No additional financial reports will be issued for this project and the Fund is considered closed.

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 City is bound to honor constraints on the specific purposes for which those funds can be spent. 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. The Fund has \$0 fund balance at June 30, 2022.

Other Revenue

The \$3,753 debit balance to Other Revenue was due to a reversal of an incorrect revenue entry in fiscal year 2019-20.

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
NEIGHBORHOOD SECURITY BOND PROJECTS FUND
(A Fund of the City of San José)
Statements of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year
For the Period July 18, 2002 Through June 30, 2022

	2003	2004	2005	2006	2007	2008	2009
Revenues:							
Investment income	\$ 1,883,039	\$ (19,507)	\$ 975,304	\$ 2,457,695	\$ 2,971,704	\$ 4,480,517	\$ 1,575,558
Intergovernmental	15,985	-	3,516	23,277	-	53,345	-
Other	-	-	-	-	5,804	1,638	-
Total revenues	<u>1,899,024</u>	<u>(19,507)</u>	<u>978,820</u>	<u>2,480,972</u>	<u>2,977,508</u>	<u>4,535,500</u>	<u>1,575,558</u>
Expenditures:							
Capital outlay:							
West Community Policing Center	70,470	883,494	122,776	957,277	1,687	-	-
South San Jose Police Substation	179,540	377,820	348,739	9,735,667	2,574,867	14,304,632	36,082,247
Fire Station 12 - Relocation	29,754	26,897	92,201	440,270	1,169,548	2,062,278	667,871
Fire Station 34	103,094	42,250	186,697	479,074	5,519,245	429,302	8,486
Fire Station 35	54,999	30,810	178,582	542,443	4,034,453	1,744,558	1,054
Fire Station Upgrades	841,968	3,778,809	1,513,869	1,296,646	634,971	370,999	21,043
Fire Training Center	514,334	471,868	31,600	19,581	424,012	365,954	101,873
Land Acquisition - Fire Stations	12,319	1,807,683	837,322	71,578	1,628,273	1,244,849	678,057
Central Community Police Station							
Exterior Improvement	46,224	277,158	-	-	-	-	-
Fire Station 25 - Relocation	-	123,604	174,437	790,976	4,015,770	503,414	(8,277)
Fire Station 17 - Relocation	-	141,647	122,727	393,669	866,247	2,475,700	684,731
Fire Station 23 - Relocation	-	79,182	12,420	(885)	-	-	-
Driver Safety Training Center	-	277,353	784	60,652	106,955	234,180	1,491
Fire Station 36	-	34,524	32,919	101,540	170,186	525,454	488,177
Fire Station 2 - Rebuild	-	-	45,527	161,100	192,336	365,212	1,988,703
Fire Station 21	-	-	28,367	23,206	14,570	17,461	146,267
Fire Station 19 - Relocation	-	-	-	76,699	181,362	741,318	2,194,558
Fire Station 37	-	-	-	-	-	76,089	45,349
Fire Facilities Remediation	-	-	-	-	-	-	-
Emergency Communication and Dispatch Center	-	-	33,132	204,710	231,834	89,442	880,006
East Community Policing Center	-	-	-	10,662	34,189	5,406	-
Program-Wide Administration	337,602	599,688	765,881	491,705	505,100	579,748	441,865
Debt service:							
Arbitrage rebate payment	-	-	-	-	-	254,000	-
Total expenditures	<u>2,190,304</u>	<u>8,952,787</u>	<u>4,527,980</u>	<u>15,856,570</u>	<u>22,305,605</u>	<u>26,389,996</u>	<u>44,423,501</u>
Other Financing Sources and Uses:							
Transfer out	-	-	-	-	-	-	-
Bond proceeds	39,375,000	-	39,400,000	-	67,900,000	-	9,000,000
Excess bond premium	-	-	-	-	-	-	-
Proceeds from the sale of property	-	-	-	-	-	-	-
Total other financing sources and uses	<u>39,375,000</u>	<u>-</u>	<u>39,400,000</u>	<u>-</u>	<u>67,900,000</u>	<u>-</u>	<u>9,000,000</u>
Change in fund balance	39,083,720	(8,972,294)	35,850,840	(13,375,598)	48,571,903	(21,854,496)	(33,847,943)
Fund balance, beginning of period	-	39,083,720	30,111,426	65,962,266	52,586,668	101,158,571	79,304,075
Fund balance, end of period	<u>\$ 39,083,720</u>	<u>\$ 30,111,426</u>	<u>\$ 65,962,266</u>	<u>\$ 52,586,668</u>	<u>\$ 101,158,571</u>	<u>\$ 79,304,075</u>	<u>\$ 45,456,132</u>

CITY OF SAN JOSE
NEIGHBORHOOD SECURITY BOND PROJECTS FUND
(A Fund of the City of San José)
Statements of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year
For the Period July 18, 2002 Through June 30, 2022

	2010	2011	2012	2013	2014	2015	2016
Revenues:							
Investment income	\$ 373,090	\$ 100,409	\$ 53,152	\$ 33,799	\$ 16,699	\$ 13,860	\$ 11,588
Intergovernmental	471,321	44,851	-	250,000	-	-	-
Other	224	-	-	-	-	1,170,717	1,329,999
Total revenues	<u>844,635</u>	<u>145,260</u>	<u>53,152</u>	<u>283,799</u>	<u>16,699</u>	<u>1,184,577</u>	<u>1,341,587</u>
Expenditures:							
Capital outlay:							
West Community Policing Center	-	-	-	-	-	-	-
South San Jose Police Substation	19,919,027	2,954,253	987,371	96,995	207,779	285,821	301,129
Fire Station 12 - Relocation	239,355	-	7,429	-	-	-	-
Fire Station 34	-	-	-	-	-	-	-
Fire Station 35	-	-	-	-	-	-	-
Fire Station Upgrades	-	-	-	18,103	8,953	-	-
Fire Training Center	202,773	-	2,959	-	-	-	-
Land Acquisition - Fire Stations	-	3,470	-	-	-	-	-
Central Community Police Station							
Exterior Improvement	-	-	-	-	-	-	-
Fire Station 25 - Relocation	-	-	-	-	-	-	-
Fire Station 17 - Relocation	59,044	-	681	4,518	-	-	-
Fire Station 23 - Relocation	-	-	-	-	-	-	-
Driver Safety Training Center	-	-	-	-	-	-	-
Fire Station 36	684,950	2,770,694	2,870,789	301,107	322,833	-	-
Fire Station 2 - Rebuild	1,946,674	295,368	93,744	-	-	-	-
Fire Station 21	141,105	167,752	401,603	1,038,814	435,260	4,337,279	1,647,198
Fire Station 19 - Relocation	2,310,508	131,853	39,930	25,024	-	-	-
Fire Station 37	348,850	610,160	29,104	778	(5,000)	-	-
Fire Facilities Remediation	-	-	-	-	-	-	-
Emergency Communication and Dispatch Center	40,675	-	-	-	-	-	-
East Community Policing Center	-	-	-	-	-	-	-
Program-Wide Administration	377,131	354,053	264,400	133,204	7,500	5,075	-
Debt service:							
Arbitrage rebate payment	-	-	-	-	-	-	-
Total expenditures	<u>26,270,092</u>	<u>7,287,603</u>	<u>4,698,010</u>	<u>1,618,543</u>	<u>977,325</u>	<u>4,628,175</u>	<u>1,948,327</u>
Other Financing Sources and Uses:							
Transfer out	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-
Excess bond premium	-	-	-	-	-	-	-
Proceeds from the sale of property	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-
Change in fund balance	(25,425,457)	(7,142,343)	(4,644,858)	(1,334,744)	(960,626)	(3,443,598)	(606,740)
Fund balance, beginning of period	45,456,132	20,030,675	12,888,332	8,243,474	6,908,730	5,948,104	2,504,506
Fund balance, end of period	<u>\$ 20,030,675</u>	<u>\$ 12,888,332</u>	<u>\$ 8,243,474</u>	<u>\$ 6,908,730</u>	<u>\$ 5,948,104</u>	<u>\$ 2,504,506</u>	<u>\$ 1,897,766</u>

(Continued)

CITY OF SAN JOSE
NEIGHBORHOOD SECURITY BOND PROJECTS FUND
(A Fund of the City of San José)
Statements of Revenues, Expenditures, and Change in Fund Balance by Fiscal Year
For the Period July 18, 2002 Through June 30, 2022

	(Unaudited)						
	2017	2018	2019	2020	2021	2022	Total
Revenues:							
Investment income	\$ 3,971	\$ 16,019	\$ 7,806	\$ 57,397	\$ 28,535	\$ 7,540	\$ 15,048,175
Intergovernmental	-	-	-	-	-	-	862,295
Other	214,167	-	3,753	-	-	(3,753)	2,722,549
Total revenues	<u>218,138</u>	<u>16,019</u>	<u>11,559</u>	<u>57,397</u>	<u>28,535</u>	<u>3,787</u>	<u>18,633,019</u>
Expenditures:							
Capital outlay:							
West Community Policing Center	-	-	-	-	-	-	2,035,704
South San Jose Police Substation	-	-	-	-	-	-	88,355,887
Fire Station 12 - Relocation	-	-	-	-	-	-	4,735,603
Fire Station 34	-	-	-	-	-	-	6,768,148
Fire Station 35	-	-	-	-	-	-	6,586,899
Fire Station Upgrades	-	-	-	-	-	-	8,485,361
Fire Training Center	-	-	-	-	-	3,382,328	5,517,282
Land Acquisition - Fire Stations	-	-	-	-	-	-	6,283,551
Central Community Police Station							
Exterior Improvement	-	-	-	-	-	-	323,382
Fire Station 25 - Relocation	-	-	-	-	-	-	5,599,924
Fire Station 17 - Relocation	-	-	-	-	-	-	4,748,964
Fire Station 23 - Relocation	-	-	-	-	-	-	90,717
Driver Safety Training Center	-	-	-	-	-	-	681,415
Fire Station 36	-	-	-	-	-	-	8,303,173
Fire Station 2 - Rebuild	-	-	-	-	-	-	5,088,664
Fire Station 21	10,822	-	96,253	-	-	-	8,505,957
Fire Station 19 - Relocation	-	-	-	-	-	-	5,701,252
Fire Station 37	-	-	-	-	1,650,000	-	2,755,330
Fire Facilities Remediation	-	-	211,066	562,506	957,095	139,636	1,870,303
Emergency Communication and Dispatch Center	-	-	-	-	-	-	1,479,799
East Community Policing Center	-	-	-	-	-	-	50,257
Program-Wide Administration	-	-	-	-	-	-	4,862,952
Debt service:							
Arbitrage rebate payment	-	-	-	-	-	-	254,000
Total expenditures	<u>10,822</u>	<u>-</u>	<u>307,319</u>	<u>562,506</u>	<u>2,607,095</u>	<u>3,521,964</u>	<u>179,084,524</u>
Other Financing Sources and Uses:							
Transfer out	(200,000)	-	-	-	-	-	(200,000)
Bond proceeds	-	-	-	3,325,000	-	-	159,000,000
Excess bond premium	-	-	-	-	1,505	-	1,505
Proceeds from the sale of property	-	-	-	-	1,650,000	-	1,650,000
Total other financing sources and uses	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>3,325,000</u>	<u>1,651,505</u>	<u>-</u>	<u>160,451,505</u>
Change in fund balance	7,316	16,019	(295,760)	2,819,891	(927,055)	(3,518,177)	-
Fund balance, beginning of period	<u>1,897,766</u>	<u>1,905,082</u>	<u>1,921,101</u>	<u>1,625,341</u>	<u>4,445,232</u>	<u>3,518,177</u>	<u>-</u>
Fund balance, end of period	<u>\$ 1,905,082</u>	<u>\$ 1,921,101</u>	<u>\$ 1,625,341</u>	<u>\$ 4,445,232</u>	<u>\$ 3,518,177</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

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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 Neighborhoods 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 Neighborhood Security 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 21, 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 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.

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 21, 2022



Independent Accountant's Report on Compliance with Measure O

City Council
Members of the Neighborhoods Commission
City of San José, California

We have examined the City of San José's (City) compliance with certain provisions of Measure O (2002) for the year ended June 30, 2022 as follows:

- Bond proceeds were used for the construction of fire and police stations, training facilities and 911 communications facilities and the cost of land acquisition for these improvements.
- Bond proceeds were deposited in a special account.
- A citizen's oversight committee was established and reviews annual reports of the expenditures of the bond proceeds.

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 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 with the specified requirements, whether due to fraud or error. We believe that 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.

Walnut Creek, California
October 21, 2022