

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

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

For the Year Ended June 30, 2012



Certified Public Accountants.

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
For the Year Ended June 30, 2012

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

Independent Auditor's Report

We have audited the accompanying financial statements of the Parks and Recreation Bond Projects Fund, a fund of the City of San José (City), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over the Parks and Recreation Bond Projects Fund's financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the financial statements of the Parks and Recreation Bond Projects Fund are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the nonmajor governmental funds of the City of San José that is attributable to the activities of the Parks and Recreation Bond Projects Fund. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2012 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parks and Recreation Bond Projects Fund as of June 30, 2012 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of the City's internal control over the Parks and Recreation Bond Projects 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying other supplementary information for the year ended June 30, 2012 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, 2012 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 information for the year ended June 30, 2012 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 Parks and Recreation Bond Projects Fund's financial statements as of and for the period June 6, 2001 through June 30, 2008, and the years ended June 30, 2009, 2010, and 2011, which are not presented with the accompanying financial statements. In our reports dated March 13, 2009, October 2, 2009, December 2, 2010, and October 18, 2011, respectively, we expressed unqualified 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 accompanying other supplementary information related to the financial statements for the period June 6, 2001 through June 30, 2008, and the years ended June 30, 2009, 2010, and 2011 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 for the period June 6, 2001 through June 30, 2008, and the years ended June 30, 2009, 2010, and 2011. The information 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, and the years ended June 30, 2009, 2010, and 2011, is fairly stated in all material respects in relation to the financial statements from which they have been derived.

Macias Gini & Connell LLP

Walnut Creek, California
November 15, 2012

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Balance Sheet
June 30, 2012

Assets

Restricted assets:

| | | |
|---|----|------------|
| Equity in pooled cash and investments held in City Treasury | \$ | 1,800,077 |
| Investments held with fiscal agents | | 32,687,632 |
| Accrued interest receivable | | 1,983 |
| | | 1,983 |
| Total assets | \$ | 34,489,692 |

Liabilities and Fund Balance

Liabilities:

| | | |
|---|----|--------|
| Accounts payable | \$ | 12,378 |
| Accrued salaries, wages and payroll taxes | | 5,437 |
| | | 5,437 |
| Total liabilities | | 17,815 |

Fund balance:

| | | |
|---|----|------------|
| Restricted for Parks and Recreation Bond projects | | 34,471,877 |
| | | 34,471,877 |
| Total liabilities and fund balance | \$ | 34,489,692 |

See accompanying notes to the financial statements.

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2012

Revenues:

| | |
|-------------------|------------|
| Investment income | \$ 142,731 |
| Intergovernmental | 1,420,112 |
| | 1,562,843 |
| Total revenues | 1,562,843 |

Expenditures:

| | |
|--------------------------------------|----------------------|
| Capital outlay: | |
| Bascom Community Center | 1,000 |
| Guadalupe River Trail | 6,993 |
| Happy Hollow PH I-Strategy | 4,454 |
| Happy Hollow Park and Zoo | 999,705 |
| Public Art Designs | 46,074 |
| Soccer Complex | 225,943 |
| Softball Complex | 401 |
| Solari/ Seven Trees Community Center | 137,936 |
| Project Administration | 306,224 |
| | 1,728,730 |
| Total expenditures | 1,728,730 |
| Change in fund balance | (165,887) |
| Fund balance, beginning of year | 34,637,764 |
| Fund balance, end of year | \$ 34,471,877 |

See accompanying notes to the financial statements.

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Notes to the Financial Statements
For the Year Ended June 30, 2012

NOTE 1 – BACKGROUND

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

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

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

As of June 30, 2012, outstanding projects approved by the City Council to be funded by the bond proceeds include Soccer Complex and Softball Complex.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the financial position and the changes in financial position of the Parks and Recreation Bond Projects Fund (Fund) and do not purport to, and do not, present fairly the City's financial position as of June 30, 2012 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A capital projects fund (governmental fund) is used to account for the City's Parks and Recreation Bond Projects activities. Capital projects funds are used to account for financial resources (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 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.

**CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND**

(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiscal agent accounts to be spent only on authorized capital projects. The Fund’s restricted cash and investments are subject to the requirements of the City’s adopted investment policy and the bond indenture. 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, 2012, the City contributed \$1,420,112 from the City’s Construction and Conveyance Tax Fund to the Fund.

Fund Balance

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the financial statements reporting for 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. The Fund only has restricted fund balance at June 30, 2012.

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 City will spend the most restricted dollars in accordance with restrictions imposed before less restricted resources in the following order: (a) committed; (b) assigned and (c) unassigned.

Use of Estimates

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

NOTE 3 – RESTRICTED CASH AND INVESTMENTS

A summary of the Fund’s restricted cash and investments at June 30, 2012 are as follows:

| <u>Type of Investment</u> | <u>Fair Value</u> | <u>Moody's Credit Risk Rating</u> | <u>Weighed Average Maturity</u> |
|--|----------------------|---------------------------------------|-------------------------------------|
| City of San José Cash and Investment Pool | \$ 1,800,077 | Unrated | 387 days |
| State of California Local Agency Investment Fund | 31,938,509 | Unrated | 268 days |
| Wells Fargo Treasury Money Market Mutual Fund | 749,123 | Aaa | 55 days |
| Total restricted cash and investments | \$ 34,487,709 | | |

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND

(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE 3 – RESTRICTED CASH AND INVESTMENTS (Continued)

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

The Fund maintains its investments in the City's cash and investment pool. It is not possible to disclose relevant information about the Fund's separate portion of the cash and investment pool, as there are no specific investments belonging to the Fund itself. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2012, basic financial statements. 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/>.

Investment in the City's investment pool reflects a balance of \$1,800,077, at June 30, 2012. The amounts held in the City's investment pool can be withdrawn upon demand. The weighted average maturity of the City's investment pool is 387 days. Income earned or losses arising from investments in the City's cash and investment pool are allocated by the City on a monthly basis to the appropriate funds based on the average weekly cash balance of such funds.

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, 2012 was approximately \$21.9 billion. LAIF is part of the State's Pooled Money Investment Account (PMIA). PMIA has a total of approximately \$60.5 billion and of that amount, 3.47% is 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 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.

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND

(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2012

NOTE 4 – BOND PROCEEDS

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 has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification. These limits, for investments other than external investment pools and money market mutual funds, are as few as 10 days and as long as 5 years.

As of June 30, 2012, the Fund has received proceeds from bond issues as follows:

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

NOTE 5 – COMMITMENTS

At June 30, 2012, the Fund has related outstanding project construction encumbrances as follows:

| <u>Project</u> | <u>Amount</u> |
|--|-------------------|
| Guadalupe River Trail | \$ 10,255 |
| Happy Hollow PH I-Strategy | 500 |
| Happy Hollow Park and Zoo | 104,877 |
| Public Art Designs | 126,500 |
| Soccer Complex | 20,219 |
| Solari/ Seven Trees Community Center | 6,980 |
| Total project construction encumbrances | <u>\$ 269,331</u> |

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**CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND**

(A Fund of the City of San José)
Statements of Revenues, Expenditures, and Changes in Fund Balance by Fiscal Year
For the Period June 6, 2001 through June 30, 2012

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|------------|--------------|--------------|-----------|--------------|--------------|
| Revenues: | | | | | | |
| Investment income | \$ 233,266 | \$ 1,695,340 | \$ 3,237,732 | \$ 16,887 | \$ 1,722,773 | \$ 2,779,342 |
| Intergovernmental | - | - | - | - | - | - |
| Other | - | - | 37,820 | - | 11,426 | - |
| Total revenues | 233,266 | 1,695,340 | 3,275,552 | 16,887 | 1,734,199 | 2,779,342 |
| Expenditures: | | | | | | |
| Capital outlay: | | | | | | |
| Almaden Joint Facility - Community Center/Library | - | 58,681 | 682,929 | 1,084,999 | 7,791,470 | 6,124,290 |
| Almaden Lake Park | - | - | 146,556 | 648,088 | 783,633 | 144,773 |
| Almaden Meadows Youth Lot | - | 27,040 | 251,373 | 92,765 | - | - |
| Alviso Park Youth & Tot Lot | - | 21,082 | 441,765 | 50,890 | - | - |
| Backesto Youth & Tot Lot/ Restroom | - | 64,605 | 558,866 | 15,823 | - | - |
| Bascom Community Center | - | - | 11,142 | 88,827 | 851,399 | 49,635 |
| Biebrach Park Play Lots & Restrooms | - | - | 101,159 | 525,515 | - | - |
| Bramhall Park Restroom | - | 28,318 | 141,599 | 9,923 | - | - |
| Brigadoon Tot Lot Renovation | - | 33,398 | 197,862 | 3,333 | - | - |
| Butcher Park Youth/Tot Lot | - | 73,900 | 367,926 | 11,992 | - | - |
| Cahalan Park Tot Lot | 30,997 | 600,052 | 1,769 | - | - | - |
| Calabazas Park Restroom | - | 30,585 | 242,335 | 18,181 | - | - |
| Camden Multi-Service Center | - | 636,697 | 989,279 | 2,900,625 | 4,343,202 | 135,591 |
| Capital Park Tot Lot Renovation | 1,918 | 91,633 | 245,743 | 20,998 | - | - |
| Cataldi Park Youth & Tot Lot | 4,868 | 118,039 | 252,519 | 20,998 | - | - |
| Children of the Rainbow | - | 35,296 | 162,130 | 2,194 | - | - |
| Cimarron Park Play Area Renovation | - | 24,014 | 225,966 | 14,748 | - | - |
| Coyote Creek Trail - Los Lagos Golf Course | - | - | 85,569 | 184,944 | 107,981 | 116,287 |
| Emma Prusch Memorial Park | - | 23,815 | 254,498 | 90,568 | 56,587 | 1,026,632 |
| Emma Prusch Memorial Park - LeFevre House | 3,949 | 164,062 | 204,928 | 1,165,301 | 64,871 | 5,840 |
| Erickson Park Play Area | 1,393 | 150,069 | 85,557 | 4,998 | - | - |
| Evergreen Park Play Area | 3,338 | 396,147 | 81,113 | 9,776 | - | - |
| Fernish Park Play Area | 2,256 | 104,581 | 67,663 | 5,144 | - | - |
| Flickinger Youth Tot Lot | - | 5,898 | 603,491 | 40,970 | - | - |
| Fontana/ Golden Oaks Youth | - | 33,606 | 191,244 | 47,669 | - | - |
| Forestdale Park Tot Lot Renovation | - | 2,076 | 216,688 | 46,672 | - | - |
| Gardner Community Center | - | 107,304 | 912,800 | 3,217,600 | 530,681 | 66,443 |
| Graystone Park Tot Lot | 22,263 | 458,420 | - | 18,748 | - | - |
| Great Oaks Park Tot Lot | 20,837 | 208,156 | 24,850 | 148 | - | - |
| Guadalupe Oak Grove Restroom | - | - | 17,729 | 113,517 | - | - |
| Guadalupe River Trail | - | - | 113,015 | 292,977 | 108,670 | 77,991 |
| Hamann Park Lot & Restroom | 3,994 | 81,176 | 453,066 | - | - | - |
| Happy Hollow PH II-Strategy | - | 58,983 | 33,772 | - | - | - |
| Happy Hollow PH I-Strategy | - | 964,516 | 195,051 | - | - | 83,300 |
| Happy Hollow Park and Zoo | - | - | - | 469,521 | 1,522,832 | 3,503,893 |
| Hathaway Parking Lot & Restroom | 3,517 | 58,818 | 389,825 | 564 | - | - |
| Hillview Park Play Area | 2,181 | 51,069 | 450,089 | 5,881 | - | - |
| Houge Park Play Area & Restroom | 1,597 | 498,826 | 20,302 | - | - | - |
| Huerta Park Youth & Tot Renovation | 3,508 | 165,592 | 175,404 | 4,998 | - | - |
| Kirk Park Youth & Lot | - | 2,908 | 310,160 | 44,635 | - | - |
| Lone Hill Park Tot Lot | 4,112 | 658,297 | - | 3,378 | - | - |
| Los Alamitos/ Calero Creek Trail | - | - | - | - | - | 9,370 |
| Los Gatos Creek Trail | - | 266,989 | - | 106,639 | 166,329 | 575,640 |
| Los Paseos Park Lot & Restroom | 2,680 | 392,174 | 22,582 | 19,770 | - | - |
| Martin Park Youth & Tot Lot | - | 2,642 | 379,427 | 136,127 | - | - |
| Mayfair Community Center | - | - | 9,074 | 83,080 | 81,195 | 501,466 |
| MeadowFair Center Play Area | 2,388 | 43,589 | 130,493 | 58,404 | - | - |
| Meadows Youth & Tot Lot | - | 3,638 | 213,918 | 151,233 | - | - |
| Melody Park Youth Lot Renovation | 3,477 | 57,530 | 134,898 | 15,998 | - | - |

(Continued)

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Statements of Revenues, Expenditures, and Changes in Fund Balance by Fiscal Year
For the Period June 6, 2001 through June 30, 2012

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total | |
|--------------|--------------|--------------|------------|------------|------------|---------------|---|
| \$ 5,138,908 | \$ 4,156,719 | \$ 2,449,454 | \$ 668,291 | \$ 201,318 | \$ 142,731 | \$ 22,442,761 | Revenues: |
| - | - | - | 426 | 964,000 | 1,420,112 | 2,384,538 | Investment income |
| 6,458 | 17,363 | 21,792 | 71,406 | 54,580 | - | 220,845 | Intergovernmental |
| 5,145,366 | 4,174,082 | 2,471,246 | 740,123 | 1,219,898 | 1,562,843 | 25,048,144 | Other |
| | | | | | | | Total revenues |
| | | | | | | | Expenditures: |
| | | | | | | | Capital outlay: |
| 512,990 | 145,237 | 7,019 | - | - | - | 16,407,615 | Almaden Joint Facility - Community Center/Library |
| 191,622 | 1,098,191 | 455 | - | - | - | 3,013,318 | Almaden Lake Park |
| - | - | - | - | - | - | 371,178 | Almaden Meadows Youth Lot |
| - | - | - | - | - | - | 513,737 | Alviso Park Youth & Tot Lot |
| - | - | - | - | - | - | 639,294 | Backesto Youth & Tot Lot/ Restroom |
| 122,513 | 471,551 | 3,195,549 | 5,684,973 | 1,295,996 | 1,000 | 11,772,585 | Bascom Community Center |
| - | - | - | - | - | - | 626,674 | Biebrach Park Play Lots & Restrooms |
| - | - | - | - | - | - | 179,840 | Bramhall Park Restroom |
| - | - | - | - | - | - | 234,593 | Brigadoon Tot Lot Renovation |
| - | - | - | - | - | - | 453,818 | Butcher Park Youth/Tot Lot |
| - | - | - | - | - | - | 632,818 | Cahalan Park Tot Lot |
| - | - | - | - | - | - | 291,101 | Calabazas Park Restroom |
| - | 890,805 | - | - | - | - | 9,896,199 | Camden Multi-Service Center |
| - | - | - | - | - | - | 360,292 | Capital Park Tot Lot Renovation |
| - | - | - | - | - | - | 396,424 | Cataldi Park Youth & Tot Lot |
| - | - | - | - | - | - | 199,620 | Children of the Rainbow |
| - | - | - | - | - | - | 264,728 | Cimarron Park Play Area Renovation |
| 82,825 | 438,794 | 859,733 | 111,539 | - | - | 1,987,672 | Coyote Creek Trail - Los Lagos Golf Course |
| 546,479 | - | - | 34,200 | 3,800 | - | 2,036,579 | Emma Prusch Memorial Park |
| 213,876 | 12,909 | 33,733 | 21,170 | 8,602 | - | 1,899,241 | Emma Prusch Memorial Park - LeFevre House |
| - | - | - | - | - | - | 242,017 | Erickson Park Play Area |
| - | - | - | - | - | - | 490,374 | Evergreen Park Play Area |
| - | - | - | - | - | - | 179,644 | Fernish Park Play Area |
| - | - | - | - | - | - | 650,359 | Flickinger Youth Tot Lot |
| - | - | - | - | - | - | 272,519 | Fontana/ Golden Oaks Youth |
| - | - | - | - | - | - | 265,436 | Forestdale Park Tot Lot Renovation |
| - | - | - | - | - | - | 4,834,828 | Gardner Community Center |
| - | - | - | - | - | - | 499,431 | Graystone Park Tot Lot |
| - | - | - | - | - | - | 253,991 | Great Oaks Park Tot Lot |
| - | - | - | - | - | - | 131,246 | Guadalupe Oak Grove Restroom |
| 261,174 | 277,905 | 461,777 | 872,004 | 406,430 | 6,993 | 2,878,936 | Guadalupe River Trail |
| - | - | - | - | - | - | 538,236 | Hamann Park Lot & Restroom |
| - | - | - | - | - | - | 92,755 | Happy Hollow PH II-Strategy |
| 341,962 | 47,263 | 60,017 | 12,949 | - | 4,454 | 1,709,512 | Happy Hollow PH I-Strategy |
| 2,032,749 | 1,940,909 | 29,502,794 | 15,772,108 | 2,240,045 | 999,705 | 57,984,556 | Happy Hollow Park and Zoo |
| - | - | - | - | - | - | 452,724 | Hathaway Parking Lot & Restroom |
| - | - | - | - | - | - | 509,220 | Hillview Park Play Area |
| - | - | - | - | - | - | 520,725 | Houge Park Play Area & Restroom |
| - | - | - | - | - | - | 349,502 | Huerta Park Youth & Tot Renovation |
| - | - | - | - | - | - | 357,703 | Kirk Park Youth & Lot |
| - | - | - | - | - | - | 665,787 | Lone Hill Park Tot Lot |
| 17,834 | - | - | - | - | - | 27,204 | Los Alamitos/ Calero Creek Trail |
| 657,907 | 305,851 | 29,289 | - | - | - | 2,108,644 | Los Gatos Creek Trail |
| - | - | - | - | - | - | 437,206 | Los Paseos Park Lot & Restroom |
| - | - | - | - | - | - | 518,196 | Martin Park Youth & Tot Lot |
| 670,149 | 8,612,287 | 1,713,164 | 61,953 | 37,233 | - | 11,769,601 | Mayfair Community Center |
| - | - | - | - | - | - | 234,874 | MeadowFair Center Play Area |
| - | - | - | - | - | - | 368,789 | Meadows Youth & Tot Lot |
| - | - | - | - | - | - | 211,903 | Melody Park Youth Lot Renovation |

(Continued)

**CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND**

(A Fund of the City of San José)
Statements of Revenues, Expenditures, and Changes in Fund Balance by Fiscal Year
For the Period June 6, 2001 through June 30, 2012

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenditures: | | | | | | |
| Mise Park Restroom Renovation | \$ - | \$ 92 | \$ 76,955 | \$ 195,255 | \$ - | \$ - |
| Morril Community Center- Multi-Service | - | - | - | 2,583,000 | - | 1,517,000 |
| Municipal Rose Garden | - | 36,653 | 261,204 | 1,571,390 | 1,540 | - |
| Murdock Park Youth Lot Renovation | 2,793 | 72,724 | 147,732 | 1,980 | - | - |
| Noble Park Play Area Renovation | - | 24 | 17,793 | 146,028 | 79,227 | - |
| Northwood Youth & Tot Lot | - | 18,338 | 415,812 | 39,751 | - | - |
| Parkview II Play Area | - | - | 63,325 | 258,710 | 3 | - |
| Parkview Park 1 Play Area | - | 4,262 | 118,064 | 144,909 | - | - |
| Parma Park Youth & Tot Lot | 23,990 | 305,740 | 121,868 | - | - | - |
| Paul Moore Park Restroom | - | - | 19,092 | 256,286 | - | - |
| Plato Arroyo Park Play Area | - | - | 51,653 | 217,977 | - | - |
| Playa Del Rey Park Play Area | 20,151 | 221,156 | 3,000 | - | - | - |
| Public Art Designs | - | 52,870 | 12,617 | 313,208 | 192,365 | 528,515 |
| Rainbow Park Play Area | - | 8,628 | 113,753 | 313,984 | - | - |
| Ramblewood Play Area Renovation | - | 9,818 | 65,887 | 360,511 | - | - |
| River Glen Tot Lot | 5,036 | 392,339 | 36,995 | 230,724 | - | - |
| Roosevelt Community Center - Multi-Service | - | - | - | 20,716 | 1,433,573 | 1,956,073 |
| Roy Avenue Play area Renovation | - | 23,646 | 231,688 | 7,997 | - | - |
| Ryland Park Tot Lot & Restroom | 3,520 | 99,368 | 502,646 | 19,967 | - | - |
| San Tomas Park | - | 45,623 | 664,597 | 23,734 | - | - |
| Saratoga Creek Park | - | - | 123,886 | 482,086 | 1 | - |
| Saratoga Creek Trail | 5,170 | 7,470 | 308,672 | 175,851 | 1,150,914 | 516,678 |
| Shady Oaks Park Play Area | - | 148,236 | 33,109 | 5,001 | - | - |
| Silver Leaf Park Play Area | 6,220 | 139,398 | 267,899 | 4,720 | - | - |
| Silvia Cassell Park Play Area | - | 4,484 | 87,277 | 168,687 | - | - |
| Soccer Complex | 12,515 | 512,062 | 168,077 | 308,704 | 18,441 | 4,914 |
| Softball Complex | - | 53,191 | 387,976 | 73,823 | 309,175 | 65,621 |
| Solari Park Play Area | 1,315 | 40,641 | 231,543 | 19,986 | - | - |
| Solari/ Seven Trees Community Center | - | - | - | - | - | - |
| Southside Community Center | - | - | 20,539 | 314,230 | 912,231 | 564,460 |
| Stonegate Park Youth & Tot Lot | - | 20,864 | 413,971 | 53,304 | - | - |
| Terrell Park Play Area | - | - | 49,280 | 234,383 | - | - |
| Thousand Oaks Play Area | - | 15,661 | 213,212 | 19,101 | - | - |
| TJ Martin Park Play Area | - | - | 42,931 | 225,026 | - | - |
| Townsend Park Youth & Tot Lot | - | 6,143 | 352,813 | 75,635 | - | - |
| Turtle Rock Park Play Area | - | 37,406 | 195,706 | 4,998 | - | - |
| Vinci Park Play Area Renovation | - | 36,817 | 152,879 | 9,960 | - | - |
| Vista Park Youth Lot Renovation | 24,968 | 37,977 | 47,884 | 9,998 | - | - |
| Wallenberg Park Play Area | - | - | 34,836 | 399,275 | 3 | - |
| Watson Park Youth Lt Renovation | - | 23,829 | 244,378 | 67,908 | - | - |
| Welch Park Restroom Renovation | - | 11,759 | 200,093 | 26,208 | - | - |
| William Street Restroom (Selma Olinder Park) | - | - | 6,287 | 11,574 | 209,252 | 1 |
| Project Administration | - | 303,522 | 537,372 | 873,676 | 1,064,156 | 942,194 |
| Debt service: | | | | | | |
| Arbitrage rebate payment | - | 293,000 | - | - | - | - |
| Total expenditures | 224,951 | 9,787,962 | 17,843,425 | 22,119,420 | 21,779,731 | 18,516,607 |
| Excess (deficiency) of revenues over (under) expenditures | 8,315 | (8,092,622) | (14,567,873) | (22,102,533) | (20,045,532) | (15,737,265) |
| Other Financing Sources: | | | | | | |
| Bond proceeds | 40,000,000 | - | 46,715,000 | - | 46,000,000 | 45,400,000 |
| Change in fund balance | 40,008,315 | (8,092,622) | 32,147,127 | (22,102,533) | 25,954,468 | 29,662,735 |
| Fund balance, beginning of period | - | 40,008,315 | 31,915,693 | 64,062,820 | 41,960,287 | 67,914,755 |
| Fund balance, end of period | \$ 40,008,315 | \$ 31,915,693 | \$ 64,062,820 | \$ 41,960,287 | \$ 67,914,755 | \$ 97,577,490 |

(Continued)

CITY OF SAN JOSE
PARKS AND RECREATION BOND PROJECTS FUND
(A Fund of the City of San José)
Statements of Revenues, Expenditures, and Changes in Fund Balance by Fiscal Year
For the Period June 6, 2001 through June 30, 2012

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total | |
|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 272,302 | Expenditures: |
| - | - | - | - | - | - | 4,100,000 | Mise Park Restroom Renovation |
| - | - | - | - | - | - | 1,870,787 | Morril Community Center- Multi-Service |
| - | - | - | - | - | - | 225,229 | Municipal Rose Garden |
| - | - | - | - | - | - | 243,072 | Murdock Park Youth Lot Renovation |
| - | - | - | - | - | - | 473,901 | Noble Park Play Area Renovation |
| - | - | - | - | - | - | 322,038 | Northwood Youth & Tot Lot |
| - | - | - | - | - | - | 267,235 | Parkview II Play Area |
| - | - | - | - | - | - | 451,598 | Parkview Park 1 Play Area |
| - | - | - | - | - | - | 275,378 | Parma Park Youth & Tot Lot |
| - | - | - | - | - | - | 269,630 | Paul Moore Park Restroom |
| - | - | - | - | - | - | 244,307 | Plato Arroyo Park Play Area |
| 272,495 | 446,901 | 951,544 | 610,753 | 294,290 | 46,074 | 3,721,632 | Playa Del Rey Park Play Area |
| - | - | - | - | - | - | 436,365 | Public Art Designs |
| - | - | - | - | - | - | 436,216 | Rainbow Park Play Area |
| - | - | - | - | - | - | 665,094 | Ramblewood Play Area Renovation |
| 3,652,486 | 11,944,700 | 1,173,482 | 63,034 | - | - | 20,244,064 | River Glen Tot Lot |
| - | - | - | - | - | - | 263,331 | Roosevelt Community Center - Multi-Service |
| - | - | - | - | - | - | 625,501 | Roy Avenue Play area Renovation |
| - | - | - | - | - | - | 733,954 | Ryland Park Tot Lot & Restroom |
| - | - | - | - | - | - | 605,973 | San Tomas Park |
| 50,683 | 5,782 | - | - | - | - | 2,221,220 | Saratoga Creek Park |
| - | - | - | - | - | - | 186,346 | Saratoga Creek Trail |
| - | - | - | - | - | - | 418,237 | Shady Oaks Park Play Area |
| - | - | - | - | - | - | 260,448 | Silver Leaf Park Play Area |
| - | - | - | 167,400 | 401,526 | 225,943 | 1,819,582 | Silvia Cassell Park Play Area |
| 1,638 | - | - | - | 17,526 | 401 | 909,351 | Soccer Complex |
| - | - | - | - | - | - | 293,485 | Softball Complex |
| 778,700 | 1,394,917 | 9,418,481 | 8,003,063 | 836,607 | 137,936 | 20,569,704 | Solari Park Play Area |
| 4 | - | - | - | - | - | 1,811,464 | Solari/ Seven Trees Community Center |
| - | - | - | - | - | - | 488,139 | Southside Community Center |
| - | - | - | - | - | - | 283,663 | Stonegate Park Youth & Tot Lot |
| - | - | - | - | - | - | 247,974 | Terrell Park Play Area |
| - | - | - | - | - | - | 267,957 | Thousand Oaks Play Area |
| - | - | - | - | - | - | 434,591 | TJ Martin Park Play Area |
| - | - | - | - | - | - | 238,110 | Townsend Park Youth & Tot Lot |
| - | - | - | - | - | - | 199,656 | Turtle Rock Park Play Area |
| - | - | - | - | - | - | 120,827 | Vinci Park Play Area Renovation |
| - | - | - | - | - | - | 434,114 | Vista Park Youth Lot Renovation |
| - | - | - | - | - | - | 336,115 | Wallenberg Park Play Area |
| - | - | - | - | - | - | 238,060 | Watson Park Youth Lt Renovation |
| - | - | - | - | - | - | 227,114 | Welch Park Restroom Renovation |
| 919,494 | 665,643 | 742,893 | 720,803 | 476,282 | 306,224 | 7,552,259 | William Street Restroom (Selma Olinder Park) |
| - | - | - | - | - | - | - | Project Administration |
| - | 274,000 | - | - | - | - | 567,000 | Debt service: |
| 11,327,580 | 28,973,645 | 48,149,930 | 32,135,949 | 6,018,337 | 1,728,730 | 218,606,267 | Arbitrage rebate payment |
| | | | | | | | Total expenditures |
| (6,182,214) | (24,799,563) | (45,678,684) | (31,395,826) | (4,798,439) | (165,887) | (193,558,123) | Excess (deficiency) of revenues over (under) expenditures |
| 22,100,000 | 27,815,000 | - | - | - | - | 228,030,000 | Other Financing Sources: |
| 15,917,786 | 3,015,437 | (45,678,684) | (31,395,826) | (4,798,439) | (165,887) | 34,471,877 | Bond proceeds |
| 97,577,490 | 113,495,276 | 116,510,713 | 70,832,029 | 39,436,203 | 34,637,764 | - | Change in fund balance |
| <u>\$ 113,495,276</u> | <u>\$ 116,510,713</u> | <u>\$ 70,832,029</u> | <u>\$ 39,436,203</u> | <u>\$ 34,637,764</u> | <u>\$ 34,471,877</u> | <u>\$ 34,471,877</u> | Fund balance, beginning of period |
| | | | | | | | Fund balance, end of period |

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

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the accompanying financial statements of the Parks and Recreation Bond Projects Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 15, 2012. Our report includes an explanatory paragraph describing that the financial statements of the Fund present the financial position and the changes in financial position of only that portion of the governmental activities and the nonmajor funds of the City that is attributable to the activities of the Fund and an explanatory paragraph describing management's omission of the management's discussion and analysis required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Macias Gini & Connell LLP

Walnut Creek, California
November 15, 2012

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

Independent Accountant's Report on Compliance with Measure P

We have examined the City of San José's (City) compliance with certain provisions of Measure P for the year ended June 30, 2012 as follows:

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

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

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2012.

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

Macias Gini & Connell LLP

Walnut Creek, California
November 15, 2012