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 Other Reports

For the period from June 6, 2001
through June 30, 2008

CITY OF SAN JOSE
Parks and Recreation Bond Projects Fund
(A Fund of the City of San José)
For the period from June 6, 2001 through June 30, 2008

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MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

505 14th Street, 5th Floor
Oakland, CA 94612
510.273.8974

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

City Council
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 June 30, 2008 and for the period from June 6, 2001 through June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the financial statements of the Parks and Recreation Bond Projects Fund are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and nonmajor fund of the City of San José that is attributable to the transactions of the Parks and Recreation Bond Projects Fund. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2008 and the changes in its financial position for the period from June 6, 2001 through June 30, 2008 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, 2008 and the respective changes in financial position for the period from June 6, 2001 through June 30, 2008 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 March 13, 2009 on our consideration of City's internal control over financial reporting as it pertains to the Parks and Recreation Bond Projects Fund activities and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying other supplementary information are presented for purposes of additional analysis and are not required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The Parks and Recreation Bond Projects Fund has not presented the management's discussion and analysis required by the Governmental Accounting Standards Board that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.

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

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

March 13, 2009

CITY OF SAN JOSE
Parks and Recreation Bond Projects Fund
(A Fund of the City of San José)
Balance Sheet
June 30, 2008

Assets		
Accrued interest receivables	$	6
Restricted assets:		
Equity in pooled cash and investments held in City Treasury		661
Investments held with fiscal agents		131,087,353
Total assets	$	131,088,020
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$	1,633,601
Accrued salaries, wages and payroll taxes		81,242
Due to the City		12,862,464
Total liabilities		14,577,307
Fund balances:		
Reserved for encumbrances		55,335,646
Unreserved, undesignated		61,175,067
Total fund balances		116,510,713
Total liabilities and fund balances	$	131,088,020

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 Balances
For the Period from June 6, 2001 through June 30, 2008

Revenues:		
Investment income	$	18,980,967
Other		73,067
Total revenues		19,054,034
Expenditures:		
Capital outlay:		
Almaden Joint Facility - Community Center/Library		16,400,596
Almaden Lake Park		3,012,863
Almaden Meadows Youth Lot		371,178
Alviso Park Youth & Tot Lot		513,737
Backesto Youth & Tot Lot/ Restroom		639,294
Bascom Community Center		1,595,067
Biebrach Park Play Lots & Restrooms		626,674
Bramhall Park Restroom		179,840
Brigadoon Tot Lot Renovation		234,593
Butcher Park Youth/Tot Lot		453,818
Cahalan Park Tot Lot		632,818
Calabazas Park Restroom		291,101
Camden Multi-Service Center		9,896,199
Capital Park Tot Lot Renovation		360,292
Cataldi Park Youth & Tot Lot		396,424
Children of the Rainbow		199,620
Cimarron Park Play Area Renovation		264,728
Coyote Creek Trail - Los Lagos Golf Course		1,016,400
Emma Prusch Memorial Park		1,998,579
Emma Prusch Memorial Park - LeFevre House		1,835,736
Erickson Park Play Area		242,017
Evergreen Park Play Area		490,374
Fernish Park Play Area		179,644
Flickinger Youth Tot Lot		650,359
Fontana/ Golden Oaks Youth		272,519
Forestdale Park Tot Lot Renovation		265,436
Gardner Community Center		4,834,828
Graystone Park Tot Lot		499,431
Great Oaks Park Tot/Lot		253,991
Guadalupe Oak Grove Restroom		131,246
Guadalupe River Trail		1,131,732
Hamann Park Lot & Restroom		538,236

(Continued)

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 Balances
For the Period from June 6, 2001 through June 30, 2008

(Continued)

Happy Hallow PH II-Strategy	$	92,755
Happy Hallow PH I-Strategy		1,632,092
Happy Hollow Park and Zoo		9,469,904
Hathaway Parking Lot & Restroom		452,724
Hillview Park Play Area		509,220
Houge Park Play Area & Restroom		520,725
Huerta Park Youth & Tot Renovation		349,502
Kirk Park Youth & Lot		357,703
Lone Hill Park Tot Lot		665,787
Los Alamitos/ Calero Creek Trail		27,204
Los Gatos Creek Trail		2,079,355
Los Paseos Park Lot & Restroom		437,206
Martin Park Youth & Tot Lot		518,196
Mayfair Community Center		9,957,251
MeadowFair Center Play Area		234,874
Meadows Youth & Tot Lot		368,789
Melody Park Youth Lot Renovation		211,903
Mise Park Restroom Renovation		272,302
Morril Community Center- Multi-Service		4,100,000
Municipal Rose Garden		1,870,787
Murdock Park Youth Lot Renovation		225,229
Noble Park Play Area Renovation		243,072
Northwood Youth & Tot Lot		473,901
Parkview II Play Area		322,038
Parkview Park 1 Play Area		267,235
Parma Park Youth & Tot Lot		451,598
Paul Moore Park Restroom		275,378
Plato Arroyo Park Play Area		269,630
Playa Del Rey Park Play Area		244,307
Public Art Designs		1,818,971
Rainbow Park Play Area		436,365
Ramblewood Play Area Renovation		436,216
River Glen Tot Lot		665,094
Roosevelt Community Center - Multi-Service		19,007,548
Roy Avenue Play area Renovation		263,331
Ryland Park Tot Lot & Restroom		625,501
San Tomas Park		733,954
Saratoga Creek Park		605,973
Saratoga Creek Trail		2,221,220

See accompanying notes to the financial statements.

(Continued)

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 Balances
For the Period from June 6, 2001 through June 30, 2008

(Continued)		
Shady Oaks Park Play Area	$	186,346
Silver Leaf Park Play Area		418,237
Silvia Cassell Park Play Area		260,448
Soccer Complex		1,024,713
Softball Complex		891,424
Solari Park Play Area		293,485
Solari/ Seven Trees Community Center		2,173,617
Southside Community Center		1,811,464
Stonegate Park Youth & Tot Lot		488,139
Terrell Park Play Area		283,663
Thousand Oaks Play Area		247,974
TJ Martin Park Play Area		267,957
Townsend Park Youth & Tot Lot		434,591
Turtle Rock Park Play Area		238,110
Vinci Park Play Area Renovation		199,656
Vista Park Youth Lot Renovation		120,827
Wallenberg Park Play Area		434,114
Watson Park Youth Lt Renovation		336,115
Welch Park Restroom Renovation		238,060
William Street Restroom (Selma Olinder Park)		227,114
Project Administration		5,306,057
Debt service:		
Arbitrage rebate payment		567,000
Total expenditures		130,573,321
Deficiency of revenues under expenditures		(111,519,287)
Other Financing Sources:		
Bond proceeds		228,030,000
Change in fund balances		116,510,713
Fund balances, beginning of period		-
Fund balances, end of period	$	116,510,713

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 period from June 6, 2001 through June 30, 2008

NOTE 1 – BACKGROUND

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

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

	Amount	Date
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	$ 228,030,000	

As of June 30, 2008, improvements to sixty-nine neighborhood parks, five regional parks projects, five community centers projects, and three trial projects had been completed. Projects approved by the City Council to be funded by the bond proceeds which remain to be completed are as follows:

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

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, 2008 and the changes in its financial position for the period from June 6, 2001 through June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

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

Basis of Accounting

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

Restricted Cash and Investments

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

Due to the City

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

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, 2008 are as follows:

Type of Investment	Fair Value	Moody's Credit Risk Rating	Weighed Average Maturity
City of San José Cash and Investment Pool	$ 661	Unrated	388 days
State of California Local Agency Investment Fund	67,607,863	Unrated	212 days
Wells Fargo Treasury Money Market Mutual Fund	63,479,490	Aaa	50 days
Total restircted cash and investments	$ 131,088,014		

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by nationally recognized statistical rating organizations. The City's investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures. The credit risk ratings for the investments with the City of San José are not available as there are no specific investments belonging to the Fund.

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. The Fund's investment with the City's cash and investment pool mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than 5 percent of the total portfolio other than securities issued by the U.S. government and its affiliated agencies. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds and other pooled investments are exempt from this requirements, as they are normally diversified themselves.

Interest Rate Risk

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

NOTE 4 – BOND PROCEEDS

As of June 30, 2008, the Fund has received proceeds from bond issues as follows:

	Total Bonds Issued			Allocation of Bond Proceeds			
	Par Amount	Bond Premium	Total Proceeds	Parks and Recreation Bond Projects Funds	LibraryBranch Bond Projects Funds	Public Safety Bond Projects Funds	Debt Services Funds
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	526,037	33,626,037	27,815,000	5,285,000	-	526,037
Total	$580,590,000	$ 9,063,276	$589,653,276	$228,030,000	$205,885,000	$146,675,000	$ 9,063,276

NOTE 5 – COMMITMENTS

At June 30, 2008, the Fund has bond fund related outstanding project construction and other commitments as follows:

Project	Amount
Almaden Joint Facility - Community Center/Library	$ 8,868
Almaden Lake Park	2,807
Camden Multi-Service Center	225,683
Coyote Creek Trail - Los Lagos Golf Course	29,396
Guadalupe River Trail	337,560
Happy Hallow Park and Zoo Phase I - Strategy	94,107
Happy Hollow Park and Zoo	33,895,470
Los Gatos Creek Trail	12,668
Mayfair Community Center	651,066
Public Art Designs	1,170,464
Roosevelt Community Center - Multi-Service	1,022,953
Soccer Complex	10,884
Softball Complex	291,300
Solari/ Seven Trees Community Center	17,580,420
Project Administration	2,000
Total reserved for encumbrance	$ 55,335,646

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CITY OF SAN JOSE
Parks and Recreation Bond Projects Fund
(A Fund of the City of San José)
Combining Balance Sheets
June 30, 2001 to June 30, 2008

	2001	2002	2003	2004
Assets				
Equity in pooled cash and investments held in City Treasury	$ 68,869	$ -	$ -	$ -
Accrued interest receivables	210,076	188,352	499,511	99,660
Restricted assets:				
Equity in pooled cash and investments held in City Treasury	19,568,841	20,572,052	69,997,105	20,658,563
Investments held with fiscal agents	20,237,500	16,162,575	19,146	30,370,104
Total assets	$ 40,085,286	$ 36,922,979	$ 70,515,762	$ 51,128,327
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 67,001	$ 1,849,015	$ 978,632	$ 1,799,998
Accrued salaries, wages and payroll taxes	9,970	41,153	63,065	84,696
Due to the City	-	3,117,118	5,411,245	7,283,346
Total liabilities	76,971	5,007,286	6,452,942	9,168,040
Fund balances:				
Reserved for encumbrances	1,297,587	8,571,549	17,711,271	21,096,214
Unreserved, undesignated	38,710,728	23,344,144	46,351,549	20,864,073
Total fund balances	40,008,315	31,915,693	64,062,820	41,960,287
Total liabilities and fund balances	$ 40,085,286	$ 36,922,979	$ 70,515,762	$ 51,128,327

2005	2006	2007	2008	
				Assets
$ -	$ -	$ -	$ -	Equity in pooled cash and investments held in City Treasury
-	95,042	61,776	6	Accrued interest receivables
				Restricted assets:
18,898,940	15,100,709	6,601,757	661	Equity in pooled cash and investments held in City Treasury
58,741,925	93,650,598	120,896,979	131,087,353	Investments held with fiscal agents
$ 77,640,865	$ 108,846,349	$ 127,560,512	$ 131,088,020	Total assets
				Liabilities and Fund Balances
				Liabilities:
$ 2,056,503	$ 1,381,532	$ 1,779,763	$ 1,633,601	Accounts payable
67,654	62,999	68,738	81,242	Accrued salaries, wages and payroll taxes
7,601,953	9,824,328	12,216,735	12,862,464	Due to the City
9,726,110	11,268,859	14,065,236	14,577,307	Total liabilities
				Fund balances:
16,209,210	8,434,772	18,033,458	55,335,646	Reserved for encumbrances
51,705,545	89,142,718	95,461,818	61,175,067	Unreserved, undesignated
67,914,755	97,577,490	113,495,276	116,510,713	Total fund balances
$ 77,640,865	$ 108,846,349	$ 127,560,512	$ 131,088,020	Total liabilities and fund balances

CITY OF SAN JOSE
Parks and Recreation Bond Projects Fund
(A Fund of the City of San José)
Combining Schedule of Capital Outlay by Project
For the Period from June 6, 2001 through June 30, 2008

	2001	2002	2003	2004
Revenues:				
Investment income	$ 233,266	1,695,340	$ 3,237,732	$ 16,887
Other	-	-	37,820	-
Total revenues	233,266	1,695,340	3,275,552	16,887
Expenditures:				
Capital outlay:				
Almaden Joint Facility - Community Center/Library	-	58,681	682,929	1,084,999
Almaden Lake Park	-	-	146,556	648,088
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
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
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
Emma Prusch Memorial Park	-	23,815	254,498	90,568
Emma Prusch Memorial Park - LeFevre House	3,949	164,062	204,928	1,165,301
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
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
Hamann Park Lot & Restroom	3,994	81,176	453,066	-
Happy Hallow PH II-Strategy	-	58,983	33,772	-
Happy Hallow PH I-Strategy	-	964,516	195,051	-
Happy Hollow Park and Zoo	-	-	-	469,521
Hathaway Parking Lot & Restroom	3,517	58,818	389,825	564
Hillview Park Play Area	2,181	51,069	450,089	5,881
Houge Park Play Area & Restroom	1,597	498,826	20,302	-
Huerta Park Youth & Tot Renovation	3,508	165,592	175,404	4,998
Kirk Park Youth & Lot	-	2,908	310,160	44,635
Lone Hill Park Tot Lot	4,112	658,297	-	3,378
Los Alamitos/ Calero Creek Trail	-	-	-	-
Los Gatos Creek Trail	-	266,989	-	106,639
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
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

2005	2006	2007	2008	Total	
					Revenues:
$ 1,722,773	$ 2,779,342	$ 5,138,908	$ 4,156,719	$ 18,980,967	Investment income
11,426	-	6,458	17,363	73,067	Other
1,734,199	2,779,342	5,145,366	4,174,082	19,054,034	Total revenues
					Expenditures:
					Capital outlay:
7,791,470	6,124,290	512,990	145,237	16,400,596	Almaden Joint Facility - Community Center/Library
783,633	144,773	191,622	1,098,191	3,012,863	Almaden Lake Park
-	-	-	-	371,178	Almaden Meadows Youth Lot
-	-	-	-	513,737	Alviso Park Youth & Tot Lot
-	-	-	-	639,294	Backesto Youth & Tot Lot/ Restroom
851,399	49,635	122,513	471,551	1,595,067	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
4,343,202	135,591	-	890,805	9,896,199	Camden Multi-Service Center
-	-	-	-	360,292	Capital Park Tot Lot Renovation
-	-	-	-	396,424	Cataldi Park Youth & Tot Lot
-	-	-	-	199,620	Children of the Rainbow
-	-	-	-	264,728	Cimarron Park Play Area Renovation
107,981	116,287	82,825	438,794	1,016,400	Coyote Creek Trail - Los Lagos Golf Course
56,587	1,026,632	546,479	-	1,998,579	Emma Prusch Memorial Park
64,871	5,840	213,876	12,909	1,835,736	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
530,681	66,443	-	-	4,834,828	Gardner Community Center
-	-	-	-	499,431	Graystone Park Tot Lot
-	-	-	-	253,991	Great Oaks Park Tot/Lot
-	-	-	-	131,246	Guadalupe Oak Grove Restroom
108,670	77,991	261,174	277,905	1,131,732	Guadalupe River Trail
-	-	-	-	538,236	Hamann Park Lot & Restroom
-	-	-	-	92,755	Happy Hallow PH II-Strategy
-	83,300	341,962	47,263	1,632,092	Happy Hallow PH I-Strategy
1,522,832	3,503,893	2,032,749	1,940,909	9,469,904	Happy Hollow Park and Zoo
-	-	-	-	452,724	Hathaway Parking Lot & Restroom
-	-	-	-	509,220	Hillview Park Play Area
-	-	-	-	520,725	Houge Park Play Area & Restroom
-	-	-	-	349,502	Huerta Park Youth & Tot Renovation
-	-	-	-	357,703	Kirk Park Youth & Lot
-	-	-	-	665,787	Lone Hill Park Tot Lot
-	9,370	17,834	-	27,204	Los Alamitos/ Calero Creek Trail
166,329	575,640	657,907	305,851	2,079,355	Los Gatos Creek Trail
-	-	-	-	437,206	Los Paseos Park Lot & Restroom
-	-	-	-	518,196	Martin Park Youth & Tot Lot
81,195	501,466	670,149	8,612,287	9,957,251	Mayfair Community Center
-	-	-	-	234,874	MeadowFair Center Play Area
-	-	-	-	368,789	Meadows Youth & Tot Lot
-	-	-	-	211,903	Melody Park Youth Lot Renovation

(Continued)

CITY OF SAN JOSE
Parks and Recreation Bond Projects Fund
(A Fund of the City of San José)
Combining Schedule of Capital Outlay by Project
For the Period from June 6, 2001 through June 30, 2008

	2001	2002	2003	2004
(Continued)				
Mise Park Restroom Renovation	$ -	$ 92	$ 76,955	$ 195,255
Morril Community Center- Multi-Service	-	-	-	2,583,000
Municipal Rose Garden	-	36,653	261,204	1,571,390
Murdock Park Youth Lot Renovation	2,793	72,724	147,732	1,980
Noble Park Play Area Renovation	-	24	17,793	146,028
Northwood Youth & Tot Lot	-	18,338	415,812	39,751
Parkview II Play Area	-	-	63,325	258,710
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
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
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
Saratoga Creek Trail	5,170	7,470	308,672	175,851
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
Softball Complex	-	53,191	387,976	73,823
Solari Park Play Area	1,315	40,641	231,543	19,986
Solari/ Seven Trees Community Center	-	-	-	-
Southside Community Center	-	-	20,539	314,230
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
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
Project Administration	-	303,522	537,372	873,676
Debt service:				
Arbitrage rebate payment	-	293,000	-	-
Total expenditures	224,951	9,787,962	17,843,425	22,119,420
Excess (deficiency) of revenues over (under) expenditures	8,315	(8,092,622)	(14,567,873)	(22,102,533)
Other Financing Sources:				
Bond proceeds	40,000,000	-	46,715,000	-
Change in fund balances	40,008,315	(8,092,622)	32,147,127	(22,102,533)
Fund balances, beginning of period	-	40,008,315	31,915,693	64,062,820
Fund balances, end of period	$ 40,008,315	$ 31,915,693	$ 64,062,820	$ 41,960,287

2005	2006	2007	2008	Total	
$ -	$ -	$ -	$ -	$ 272,302	Mise Park Restroom Renovation
-	1,517,000	-	-	4,100,000	Morril Community Center- Multi-Service
1,540	-	-	-	1,870,787	Municipal Rose Garden
-	-	-	-	225,229	Murdock Park Youth Lot Renovation
79,227	-	-	-	243,072	Noble Park Play Area Renovation
-	-	-	-	473,901	Northwood Youth & Tot Lot
3	-	-	-	322,038	Parkview II Play Area
-	-	-	-	267,235	Parkview Park 1 Play Area
-	-	-	-	451,598	Parma Park Youth & Tot Lot
-	-	-	-	275,378	Paul Moore Park Restroom
-	-	-	-	269,630	Plato Arroyo Park Play Area
-	-	-	-	244,307	Playa Del Rey Park Play Area
192,365	528,515	272,495	446,901	1,818,971	Public Art Designs
-	-	-	-	436,365	Rainbow Park Play Area
-	-	-	-	436,216	Ramblewood Play Area Renovation
-	-	-	-	665,094	River Glen Tot Lot
1,433,573	1,956,073	3,652,486	11,944,700	19,007,548	Roosevelt Community Center - Multi-Service
-	-	-	-	263,331	Roy Avenue Play area Renovation
-	-	-	-	625,501	Ryland Park Tot Lot & Restroom
-	-	-	-	733,954	San Tomas Park
1	-	-	-	605,973	Saratoga Creek Park
1,150,914	516,678	50,683	5,782	2,221,220	Saratoga Creek Trail
-	-	-	-	186,346	Shady Oaks Park Play Area
-	-	-	-	418,237	Silver Leaf Park Play Area
-	-	-	-	260,448	Silvia Cassell Park Play Area
18,441	4,914	-	-	1,024,713	Soccer Complex
309,175	65,621	1,638	-	891,424	Softball Complex
-	-	-	-	293,485	Solari Park Play Area
-	-	778,700	1,394,917	2,173,617	Solari/ Seven Trees Community Center
912,231	564,460	4	-	1,811,464	Southside Community Center
-	-	-	-	488,139	Stonegate Park Youth & Tot Lot
-	-	-	-	283,663	Terrell Park Play Area
-	-	-	-	247,974	Thousand Oaks Play Area
-	-	-	-	267,957	TJ Martin Park Play Area
-	-	-	-	434,591	Townsend Park Youth & Tot Lot
-	-	-	-	238,110	Turtle Rock Park Play Area
-	-	-	-	199,656	Vinci Park Play Area Renovation
-	-	-	-	120,827	Vista Park Youth Lot Renovation
3	-	-	-	434,114	Wallenberg Park Play Area
-	-	-	-	336,115	Watson Park Youth Lt Renovation
-	-	-	-	238,060	Welch Park Restroom Renovation
209,252	1	-	-	227,114	William Street Restroom (Selma Olinder Park)
1,064,156	942,194	919,494	665,643	5,306,057	Project Administration
					Debt service:
-	-	-	274,000	567,000	Arbitrage rebate payment
21,779,731	18,516,607	11,327,580	28,973,645	130,573,321	Total expenditures
(20,045,532)	(15,737,265)	(6,182,214)	(24,799,563)	(111,519,287)	Excess (deficiency) of revenues over (under) expenditures
					Other Financing Sources:
46,000,000	45,400,000	22,100,000	27,815,000	228,030,000	Bond proceeds
25,954,468	29,662,735	15,917,786	3,015,437	116,510,713	Change in fund balances
41,960,287	67,914,755	97,577,490	113,495,276	-	Fund balances, beginning of period
$ 67,914,755	$ 97,577,490	$ 113,495,276	$ 116,510,713	$ 116,510,713	**Fund balances, end of period**

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MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

505 14th Street, 5th Floor
Oakland, CA 94612
510.273.8974

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

City Council
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 June 30, 2008 and for the period from June 6, 2001 through June 30, 2008, and have issued our report thereon dated March 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements schedule that is more than inconsequential will not be prevented or detected by the internal control. We consider the deficiency described in the accompanying schedule of comments and responses as item 2008-A to be a significant deficiency in internal control over financial reporting. In addition, we noted a matter involving the Fund's operation described in the accompanying schedule of comments and responses as item 2008-B.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the 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 that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The City's responses to the findings identified in our audit are described in the accompanying schedule of comments and responses. We did not audit the City's responses and, accordingly, we express no opinion on it.

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

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

March 13, 2009

CITY OF SAN JOSE
Parks and Recreation Bond Projects Fund
(A Fund of the City of San José)
Schedule of Comments and Responses
For the period from June 6, 2001 through June 30, 2008

Item #2008-A – Significant Deficiency
Year-end Expenditure Accrual Process

Criteria
Under generally accepted accounting principles, the Fund's capital outlay expenditures are to be recorded whenever a liability is incurred. As such, the City should record all expenditures related to the Parks and Recreation Bond Projects Fund (Fund) in the period when a liability is incurred.

Condition/Context
During our audit, we noted that for Fiscal Year 2006, one expenditure transaction related to the Emma Prusch Memorial Park Project was incurred during the fiscal year and recorded in the subsequent fiscal year. As such, at June 30, 2006, the Fund's liabilities and expenditures were understated in the amount of $324,386. However, since the Fund recorded the expenditure in Fiscal Year 2007, as of the end of Fiscal Year 2007, the Fund did not understate the cumulative expenditures.

The City did not record this accrual during the preparation of its year-end Comprehensive Annual Financial Statements (CAFR) for Fiscal Years 2006 as the City did not consider this transaction to be material in relation to the City's basic financial statements taken as a whole. It should be noted that the materiality threshold for the City's CAFR is considerably higher than at the individual fund level. Since this audit is at the fund level, the transaction noted above is considered to be material to the Fund and should be recorded in the proper year of the Fund's financial statements. Accordingly, for the purpose of this audit, the related financial statements have been adjusted to accurately reflect the accrual of the expenditures.

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

Views of Responsible Officials and Planned Correction Plan:
The City concurs with the auditor's recommendation. The City has already implemented a process that will analyze expenditures and related accruals during the year-end financial reporting process to ensure all expenditures meeting the materiality threshold in the Fund are recorded in the period in which services are received.

Correction Action Plan Contact Person
Albert Balagso, Director of Parks, Recreation & Neighborhood Services
Scott P. Johnson, Director of Finance

Item #2008-B – Other Comment
Timely Reimbursement of Funds Paid Using the City's Cash Pool

Criteria
When the City incurs expenditures for bond-related projects, the City initially pays these expenditures with cash held in the City's Cash Pool, rather than using bond funds held with trustees. As bond projects incur expenditures, project managers within City departments track project expenditures and submit these expenditures in batches along with a memorandum requesting reimbursement to the Finance Department's Debt Management Group for approval.

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

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

Views of Responsible Officials and Planned Correction Plan:
The City concurs with the auditor's recommendation. City staff has processed the reimbursement request for the transactions noted above. In addition, City staff has updated the Bond Proceeds Disbursement Procedure to include specific instructions designed to ensure reimbursement of prior year accrued expenses. The updated Bond Proceeds Disbursement Procedure has been distributed to the respective program managers responsible for General Obligations Bond Program.

Correction Action Plan Contact Person
Albert Balagso, Director of Parks, Recreation & Neighborhood Services
Scott P. Johnson, Director of Finance

MACIAS GINI & O'CONNELL LLP
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3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

2175 N. California Boulevard, Suite 645
Walnut Creek, CA 94596
925.274.0190

505 14th Street, 5th Floor
Oakland, CA 94612
510.273.8974

515 S. Figueroa Street, Suite 325
Los Angeles, CA 90071
213.286.6400

402 West Broadway, Suite 400
San Diego, CA 92101
619.573.1112

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

Independent Accountant's Report

We have examined the City of San José's compliance with certain provisions of Measure P for the period from June 6, 2001 through June 30, 2008 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 of San José's compliance with those requirements. Our responsibility is to express an opinion on the City of San José'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 of San José'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 of San José compliance with specified requirements.

In our opinion, the City of San José complied, in all material respects, with the aforementioned requirements for the period from June 6, 2001 through June 30, 2008.

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

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

March 13, 2009