AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2024-2025

Item 3.3 Annual Comprehensive Financial Report
Item 9.1 SARA Audited Financial Statements
Item 3.4 Report to Those Charged with Governance

Prepared by the Finance Department

Presenters:
Maria Öberg, Director of Finance
Victor Lo, CPA, Deputy Director – Accounting
Ben Lau, CPA, Partner: Macias, Gini & O'Connell LLP

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Presentation Overview

Item 3.3 Annual Comprehensive Financial Report

- Audited Financial Statements Overview

Item 9.1 Successor Agency to the Redevelopment Agency (SARA)

- Audited Financial Statements Overview

Item 3.4 Report to those Charged with Governance

- Independent Auditor's Report
- Accounting Standards Implemented
- Audit Results
- Management Response

AUDITS AND ENGAGEMENTS

- ✓ City of San José Annual Comprehensive Financial Report (ACFR)
  - ❑ GANN Appropriation Limitation – Agreed-Upon Procedures
- ✓ San José Mineta International Airport ACFR and Compliance Reports
- ✓ Wastewater Treatment System Financials
- ✓ San José Clean Energy Financials
- ✓ Successor Agency to the Redevelopment Agency (SARA) Financials
- ✓ San José Convention Center and Cultural Facilities
- ✓ Bond Funds Financial Statements and Compliance Reports
  - ▪ Measure O (2000) – Branch Library Projects
  - ▪ Measure P (2000) – Parks Projects
  - ▪ Measure T (2018) – Public Safety and Infrastructure Projects

❑ *In Progress*

▪ *Complete and available on the City Auditor website under External Financial Audits.*
https://www.sanjoseca.gov/your-government/appointees/city-auditor/external-financial-audits

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

AUDITS AND ENGAGEMENTS

- ✓ Library Parcel Tax Measure S (2004)
- ✓ San José Semi-Annual Investment Program Compliance – Agreed-Upon Procedures
- ✓ South Bay Water Recycling Program
- ✓ Deferred Compensation Plan
- ✓ Executive Management and Professional Employees Tier 3 Defined Contribution 401(a) Plan
- ✓ City of San José Voluntary Employee Beneficiary Association ("VEBA") Plans
- ✓ San José Clean Energy Agreed-Upon Procedures
- ✓ Bicycle/Pedestrian Facilities Grant
- ❑ Single Audit

❑ *In Progress*

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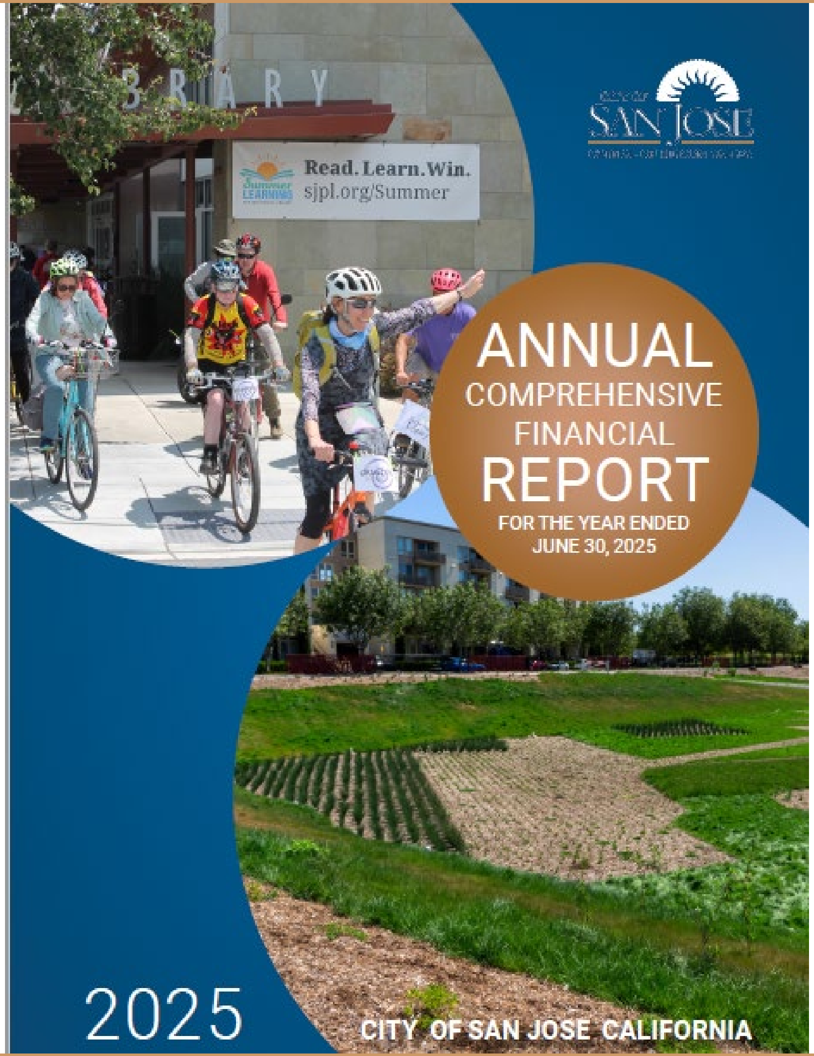
ITEM 3.3
ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR 2024-2025

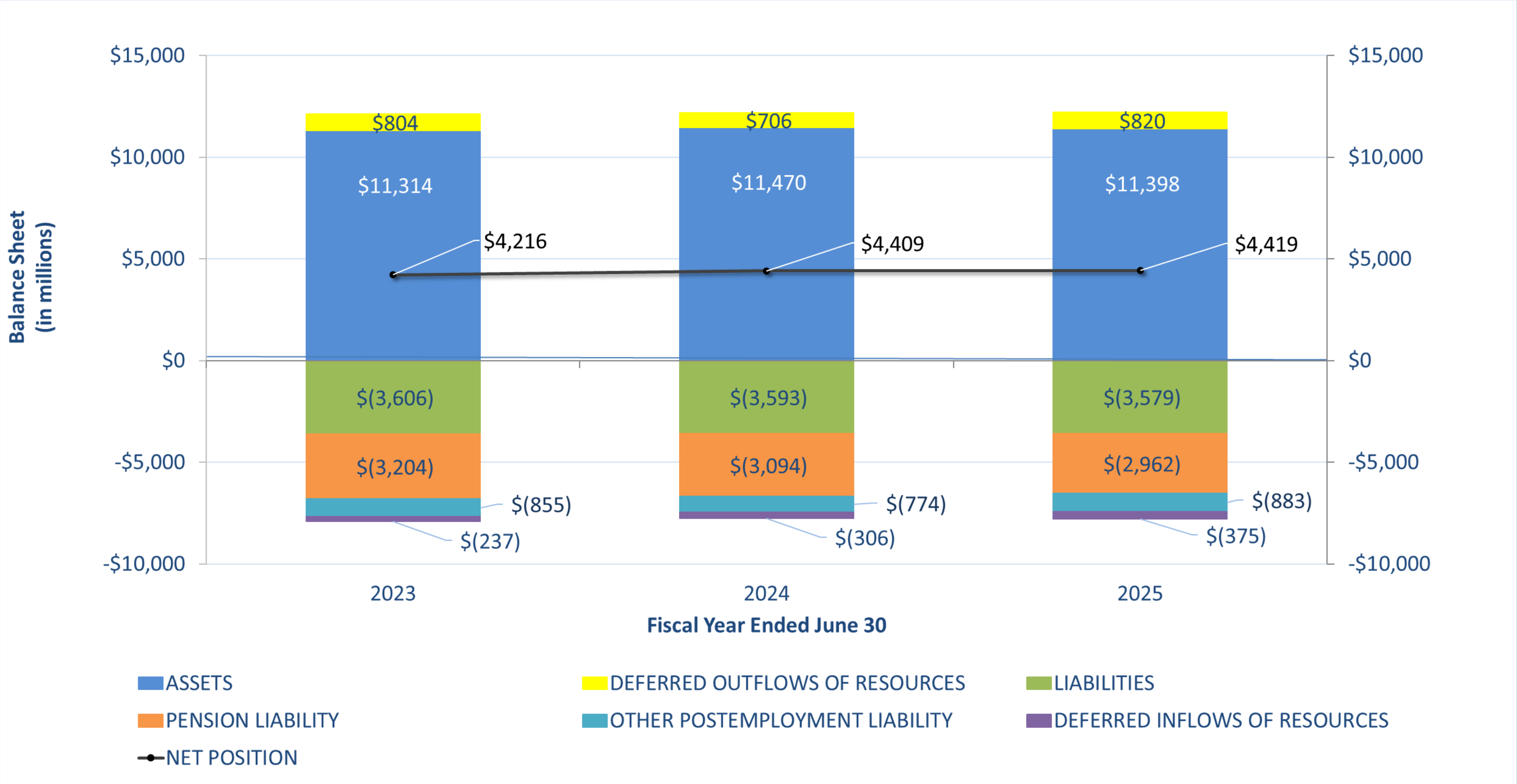
CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

MAJOR SECTIONS OF THE ACFR

- Introductory Section
- Financial Section
- Required Supplemental Information (Unaudited)
- Supplemental Information
- Statistical Section (Unaudited)



Statement of Net Position



STATEMENT OF ACTIVITIES (IN MILLIONS)

	Governmental Activities		Business-type Activities		Totals	
	FY 2024	FY 2025	FY 2024	FY 2025	FY 2024	FY 2025
Total Revenues	$ 2,290	$ 2,294	$ 1,206	$ 1,237	$ 3,496	$ 3,531
Total Expenses and Transfers	2,331	2,373	969	1,073	3,300	3,446
Change in Net Position	(41)	(79)	237	164	196	85
Net Position at beginning of year	2,359	2,318	1,856	2,091	4,215	4,409
Adjustment due to change of accounting principles	-	(67)	(2)	(8)	(2)	(75)
Net Position at end of year	$ 2,318	$ 2,172	$ 2,091	$ 2,247	$ 4,409	$ 4,419

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

ITEM 9.1
SARA AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2024-2025

STATEMENT OF FIDUCIARY NET POSITION

	(In millions)		%
	FY 2024	FY 2025	Change
Assets	$ 139	$ 142	2.2%
Deferred outflows of resources	21	18	-14.3%
Liabilities	(1,127)	(1,016)	-9.8%
Net position held in trust	$ (967)	$ (856)	11.5%

- The ending net position is negative $0.856 billion. The net position will continue to improve as outstanding bonds are repaid and is expected to reach $0 when the bonds are fully paid off on August 1, 2035.

Statement of Changes in Fiduciary Net Position

	(In millions)		%
	FY 2024	FY 2025	Change
Additions	$ 203	$ 204	0.5%
Deductions	(95)	(93)	-2.1%
Change in net position	108	111	2.8%
Net position, beginning of year	(1,075)	(967)	10.0%
Net position, end of year	$ (967)	$ (856)	11.5%

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Item 3.4
External Auditor's Report to Those Charged with Governance for Fiscal Year 2024-2025

Audit Results

Auditor’s Report	Unmodified for all opinion units
Basis of Opinions	Generally Accepted Auditing Standards Government Auditing Standards
Emphasis of Matters	Adoption of Government Accounting Statement Board (GASB) Statement No. 101, *Compensated Absences*

Required Communications

Auditor’s responsibilities with regard to the financial statement audits	Disagreements with management
Overview of the planned scope and timing of the financial statement audits	Other Information included in annual reports
Preferability of accounting policies and practices	Consultations with other accountants
Adoption of, or change in, accounting policies	Significant issues discussed with management
Preferability of accounting policies and practices	Significant difficulties encountered in performing the audit
Significant accounting policies	Significant matters that required consultations
Significant unusual transactions	Shared responsibilities for independence – City and MGO
Management's judgments and accounting estimates	Representations requested from management
Audit adjustments and uncorrected misstatements	Internal control and compliance matters

ACCOUNTING UPDATES

Effective for fiscal year 2026
Statement No. 103, *Financial Reporting Model Improvements*
Statement No. 104, *Disclosure of Certain Capital Assets*

Management Response

This marks the fourth consecutive year the City has received an unqualified audit opinion and a "Report to Those Charged with Governance" with no new findings. Key contributing factors include:

- **Disciplined year-end processes** ensuring accurate and timely financial reporting.
- **Enhanced inter-departmental collaboration** between Finance and operating departments to improve data integrity and reconciliation.
- **Ongoing system modernization and automation** streamlining financial workflows and strengthening internal controls.
- **Targeted staff development programs** fostering consistency, technical expertise, and accountability across the organization.

Recommendations

Acceptance of FY 2024-2025 reports:

- Item 3.3 – Annual Comprehensive Financial Report
- Item 3.4 – Report to Those Charged with Governance
- Item 9.1 – SARA Audited Financial Statements

Questions

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