



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Drew Corbett

SUBJECT: See Below

DATE: November 18, 2024

Approved

Date:

11/25/24

COUNCIL DISTRICT: Citywide

SUBJECT: Annual Comprehensive Financial Report for Fiscal Year
Ended June 30, 2024

RECOMMENDATION

Accept the Fiscal Year 2023-2024 Annual Comprehensive Financial Report for the City of San José.

SUMMARY AND OUTCOME

The Annual Comprehensive Financial Report (ACFR) serves as a comprehensive financial document that provides an in-depth account of a government entity's financial performance, position, and cash flows over a specific fiscal year. It aims to offer transparency, accountability, and insight into the City of San José's (City) financial health, enabling stakeholders, including City Council, residents of San José, creditors, investors, and other interested parties, to make informed decisions.

The primary outcome of the ACFR is the creation of a detailed and transparent financial report that accurately reflects the City's financial status. It includes audited financial statements, management discussions and analyses, and other relevant financial information. The ACFR facilitates effective communication with stakeholders, demonstrates compliance with accounting standards, and serves as a primary financial document used to maintain compliance with continuing disclosure requirements for the City's outstanding bonds.

BACKGROUND

The City Charter requires the preparation of annual financial statements that are audited by an independent auditor and then submitted to the City Council. The

independent auditor is retained by the City Council and works under the direction of the City Auditor. Also, annual audited financial statements are required by continuing disclosure agreements for the outstanding bonds issued by the City, the City of San José Financing Authority, and the Successor Agency to the Redevelopment Agency. In some cases, the continuing disclosure agreements specify December 31 of each year as the deadline for providing audited financial statements to investors via the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board.

In February 2018, the City contracted with Macias Gini & O'Connell, LLP (Auditors), a firm of Certified Public Accountants licensed to practice in the State of California, to perform the City's annual independent audit for the fiscal years ended June 30, 2018, June 30, 2019, and June 30, 2020, with three one-year options to extend audit services through fiscal year ending June 30, 2023. In February 2024, the City secured a new five-year contract extending audit services up to June 30, 2028, with the possibility of three additional one-year option periods, allowing services to continue through the fiscal year ending June 30, 2031.

The ACFR is prepared by the Accounting Division of the Finance Department and represents the culmination of a concerted team effort by Finance Department staff, along with significant involvement of other City departments, the City Attorney's Office, and the City Auditor's Office. The ACFR is submitted to the City Council for consideration and acceptance, and to provide the residents of San José, creditors, investors, taxpayers, and other interested parties an overview of the relevant financial information contained in the ACFR.

ANALYSIS

The Fiscal Year 2023-2024 ACFR provides a detailed description of the City's financial activities for the period of July 1, 2023 through June 30, 2024, and is organized into the following sections:

- Introductory Section intended to familiarize the reader with the organizational structure of the City, the scope of City services, and the specifics of the City's legal operating environment;
- Financial Section which contains the City's audited financial statements including the independent auditor's report; and
- Statistical Section which contains up to 10 years of statistical data on the City's financial trends, revenue, debt capacity, operating information, and demographic and economic information.

The Fiscal Year 2023-2024 ACFR provides a comprehensive review of the City's financial operations and can be viewed at the link below. Additionally, a copy is **attached** to this memorandum.

<https://www.sanjoseca.gov/your-government/appointees/city-auditor/external-financial-audits>

For Fiscal Year 2023-2024, the Auditors expressed an opinion that the City's financial statements are fairly stated in accordance with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" or "clean" opinion. The independent Auditor's report is included in the Financial Section of the ACFR.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

COORDINATION

The preparation of the ACFR is an extensive coordinated effort across every department in the City. Additionally, pursuant to the Disclosure Policies and Procedures,¹ a substantially final draft of the ACFR was distributed to the Core Disclosure Working Group² for review and comment, with comments incorporated into the final ACFR.

The Finance Department has coordinated this memorandum with the City Attorney's Office and City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum and the attached ACFR will be posted to the City Council Agenda website for the December 10, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

¹ Disclosure Policies and Procedures, effective June 30, 2020, revised March 30, 2023 - <https://www.sanjoseca.gov/home/showpublisheddocument/61169/637292207533100000>

² Members of the Core Disclosure Working Group include the City Manager, City Attorney, Budget Director, Finance Director, and other members as deemed appropriate, which included Directors of the Airport, Energy, Environmental Services, Human Resources/Employee Relations, and Retirement Services; along with key members of the City Attorney's Office, Assistant Director of Finance, Deputy Directors of Finance (Accounting and Debt & Treasury Management), Deputy Director of Aviation, and Assistant to the City Manager/Employee Relations.

HONORABLE MAYOR AND CITY COUNCIL

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CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
Drew Corbett
Acting Director of
Finance

For questions, please contact Victor Lo, Deputy Director of Accounting, Finance Department, at (408) 535-8310 or by email at victor.lo@sanjoseca.gov.

ATTACHMENT: FY 2023-2024 Annual Comprehensive Financial Report