

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2023-2024

Item 3.4 Annual Comprehensive Financial Report

Item 9.1 SARA Audited Financial Statements

Item 3.5 Report to Those Charged with Governance

Prepared by the Finance Department

Presenters:

Drew Corbett, Acting Director of Finance

Victor Lo, CPA, Deputy Director – Accounting

Ben Lau, CPA, Partner: Macias, Gini & O'Connell LLP



PRESENTATION OVERVIEW

Item 3.4 Annual Comprehensive Financial Report

- Audited Financial Statements Overview

Item 9.1 Successor Agency to the Redevelopment Agency (SARA)

- Audited Financial Statements Overview

Item 3.5 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>



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 (including Airport Compliance)

☐ *In Progress*

✓ *Complete and available on the City Auditor website under External Financial Audits.*

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ITEM 3.4

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR 2023-2024

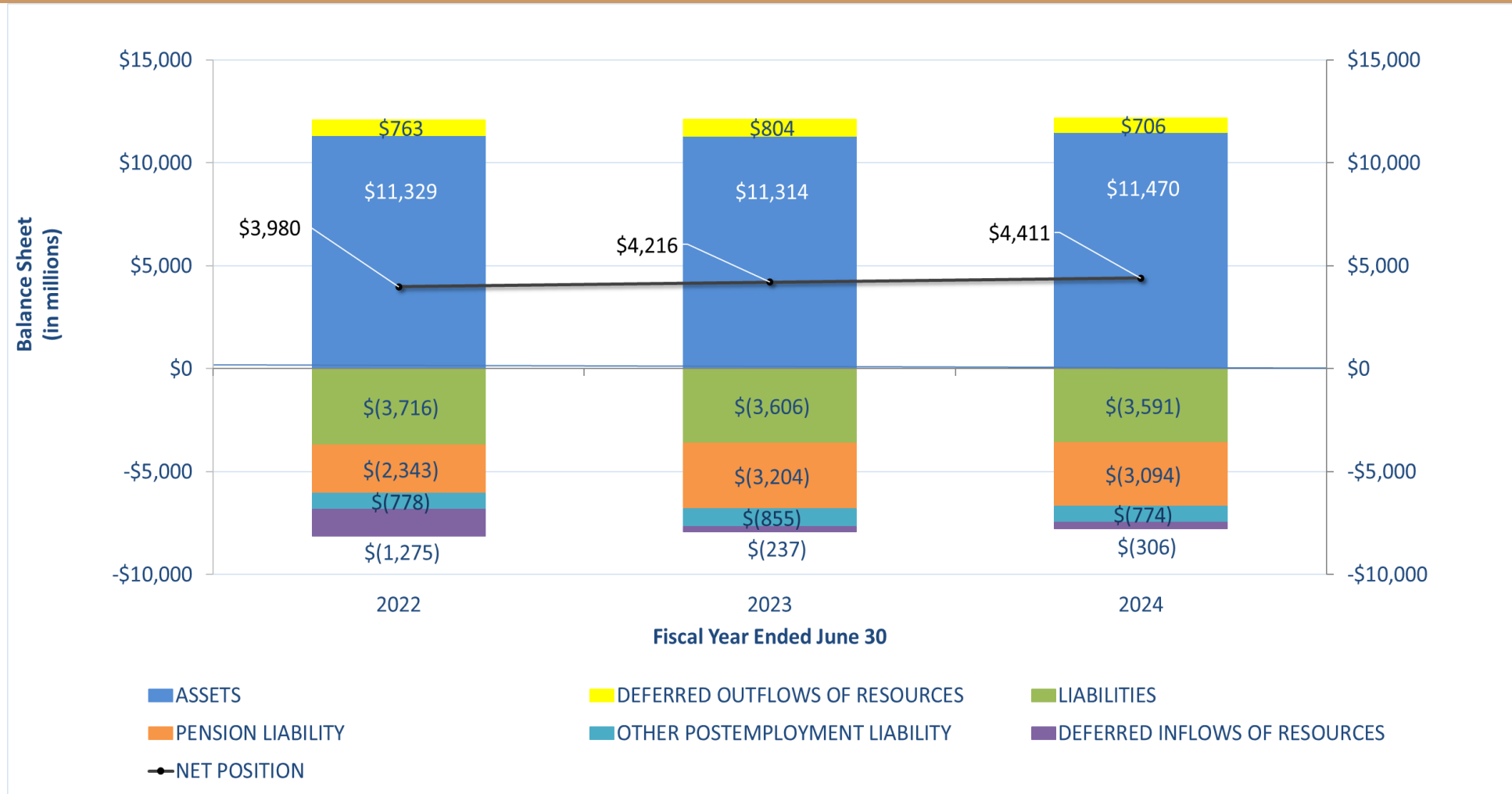


MAJOR SECTIONS OF THE ACFR

- 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 2023	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024
Total Revenues	\$ 2,191	\$ 2,290	\$ 1,159	\$ 1,206	\$ 3,350	\$ 3,496
Total Expenses and Transfers	2,201	2,331	914	969	3,115	3,300
Change in Net Position	(10)	(41)	245	237	235	196
Net Position at beginning of year	2,369	2,359	1,611	1,856	3,980	4,215
Net Position at end of year	<u>\$ 2,359</u>	<u>\$ 2,318</u>	<u>\$ 1,856</u>	<u>\$ 2,093</u>	<u>\$ 4,215</u>	<u>\$ 4,411</u>



GASB PRONOUNCEMENTS

GASB No.	GASB Title	Implementation in Fiscal Year Ending
99	Omnibus 2022 (Derivative Instruments)	June 30, 2024
100	Accounting Changes and Error Corrections	June 30, 2024



ITEM 9.1

SARA AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2023-2024



STATEMENT OF FIDUCIARY NET POSITION

	(In millions)		%
	FY 2023	FY 2024	Change
Assets	\$ 136	\$ 139	2.2%
Deferred outflows of resources	24	21	-12.5%
Liabilities	(1,235)	(1,127)	8.7%
Net position held in trust	<u>\$ (1,075)</u>	<u>\$ (967)</u>	10.0%

- Ending net position is negative \$0.967 billion; net position will keep improving with the repayment of the outstanding bonds until it reaches \$0 when the bonds are fully repaid on 8/1/2035.



STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	(In millions)		%
	FY 2023	FY 2024	Change
Additions	\$ 196	\$ 203	3.6%
Deductions	(93)	(95)	2.2%
Change in net position	103	108	4.9%
Net position, beginning of year	(1,178)	(1,075)	8.7%
Net position, end of year	<u>\$ (1,075)</u>	<u>\$ (967)</u>	10.0%



ITEM 3.5

EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE FOR FISCAL YEAR 2023-2024



Audit Results

Auditor's Report	Unmodified for all opinion units
Basis of Opinions	Generally Accepted Auditing Standards Government Auditing Standards
Emphasis of Matters	None for current year

Required Communications

Auditors responsibilities with regard to the financial statement audits	Other Information included in Annual Comprehensive Financial Report
Accounting policies and practices	Consultations with other accountants
Adoption of, or change in, accounting policies	Significant issues discussed with management
Significant accounting policies	Significant difficulties encountered in performing the audit
Significant unusual transactions	Difficult or contentious matters that required consultations
Management's judgments and accounting estimates	Shared responsibilities for independence – City and MGO
Audit adjustments and uncorrected misstatements	Representations requested from management
Disagreements with management	Internal control and compliance matters

Accounting Updates

Effective for fiscal year 2025

Statement No. 101, *Compensated Absences*

Statement No. 102, *Certain Risk Disclosures*

Effective for fiscal year 2026

Statement No. 103, *Financial Reporting Model Improvements*

Statement No. 104, *Disclosure of Certain Capital Assets*

MANAGEMENT RESPONSE

This is the third consecutive year the City has received a “Report to Those Charged with Governance” with no new findings.

- **Robust year-end close processes** ensuring accurate and timely financial reporting.
- Investment in **modernized financial systems and automation**, enhancing transparency and efficiency in financial data management.
- **Comprehensive training programs** that build capacity and consistency across departments.
- **Proactive measures** to adapt to evolving accounting standards and regulatory requirements.



RECOMMENDATIONS

Acceptance of FY 2023-2024 reports:

- Item 3.4 – Annual Comprehensive Financial Report
- Item 3.5 – Report to Those Charged with Governance
- Item 9.1 – SARA Audited Financial Statements

QUESTIONS

Drew Corbett, Acting Director of Finance

Victor Lo, CPA, Deputy Director – Accounting

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