

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2021-2022

Item 3.5 Annual Comprehensive Financial Report

Item 9.1 SARA Audited Financial Statements

Item 3.6 Report to Those Charged with Governance

Prepared by the Finance Department

Presenters:

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Rick Bruneau, Deputy Director – Accounting

David Bullock, Partner: Macias, Gini & O’Connell LLP



PRESENTATION OVERVIEW

Item 3.5 Annual Comprehensive Financial Report

- Audited Financial Statements Overview

Item 9.1 Successor Agency to the Redevelopment Agency (SARA)

- Audited Financial Statements Overview

Item 3.6 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
- ✓ Norman Y. Mineta San José International Airport ACFR and Compliance Reports
- ✓ Successor Agency to the Redevelopment Agency (SARA) Financials
- ✓ San José Clean Energy 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 O (2002) – 911, Fire, Police, Paramedic and Neighborhood Security Act Projects
(FINAL CLOSE-OUT AUDIT)
 - ✓ Measure T (2018) – Public Safety and Infrastructure Projects

❑ *In Progress*

❖ *Multi-Year Engagement*

✓ *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)
- ❖ Implementation Support for Government Accounting Standards Board (“GASB”) 87, Leases
- ❖ Implementation Support for GASB 96, *Subscription-Based IT Arrangements*

❑ *In Progress*

❖ *Multi-Year Engagement*

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ITEM 3.5

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR 2021-2022



MAJOR SECTIONS OF ACFR

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



AUDITED FINANCIAL STATEMENTS

Government-wide Financial Statements

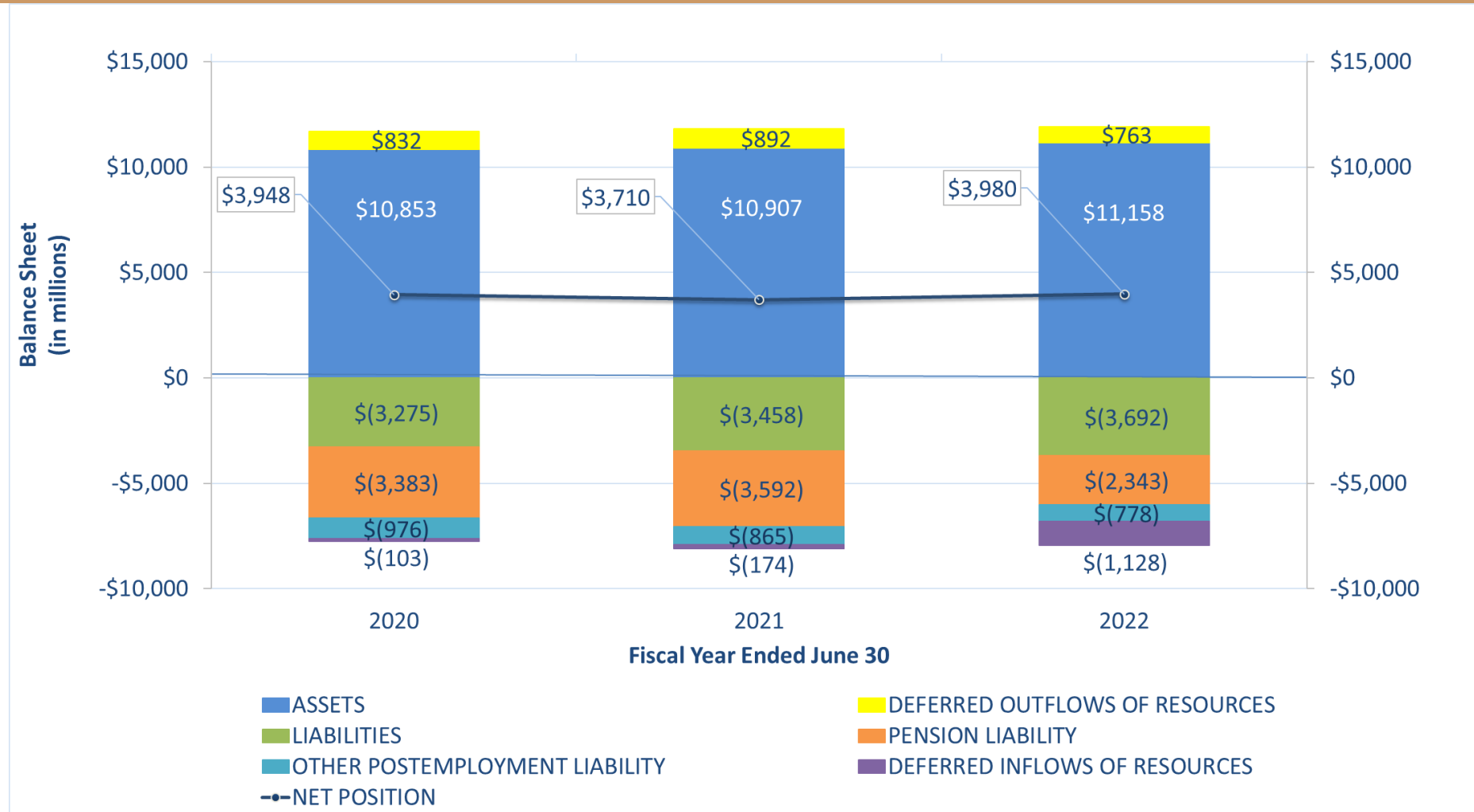
- Statement of Net Position
- Statement of Activities

Fund Financial Statements

- Governmental
 - Balance Sheet
 - Statement of Revenues, Expenditures, and Changes in Fund Balances
- Proprietary
 - Statement of Fund Net Position,
 - Statement of Revenues, Expenses, and Changes in Fund Net Position
 - Statement of Cash Flows
- Fiduciary
 - Statement of Fiduciary Net Position,
 - Statement of Changes in Fiduciary Net Position



STATEMENT OF NET POSITION



STATEMENT OF ACTIVITIES

	Governmental Activities		Business-type Activities		Totals	
	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022
Total Revenues	\$ 1,925	\$ 2,135	\$ 802	\$ 952	\$ 2,727	\$ 3,087
Total Expenses and Transfers	2,188	1,994	777	823	2,965	2,817
Change in Net Position	(263)	141	25	129	(238)	270
Net Position at beginning of year	2,491	2,228	1,457	1,482	3,948	3,710
Net Position at end of year	<u>\$ 2,228</u>	<u>\$ 2,369</u>	<u>\$ 1,482</u>	<u>\$ 1,611</u>	<u>\$ 3,710</u>	<u>\$ 3,980</u>



UPCOMING GASB PRONOUNCEMENTS

GASB No.	GASB Title	Implementation in Fiscal Year Ending
91	Conduit Debt Obligations	June 30, 2023
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	June 30, 2023
96	Subscription-Based Information Technology Arrangements	June 30, 2023
99	Omnibus 2022	June 30, 2023/24
100	Accounting Changes and Error Corrections	June 30, 2024
101	Compensated Absences	June 30, 2025



ITEM 9.1

SARA AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2021-2022



STATEMENT OF FIDUCIARY NET POSITION

	(In millions)		%
	FY 2021	FY 2022	Change
Assets	\$ 135	\$ 134	-0.7%
Deferred outflows of resources	30	27	-10.0%
Liabilities	(1,440)	(1,339)	-7.0%
Net position held in trust	<u>\$(1,275)</u>	<u>\$(1,178)</u>	-7.6%

- Ending net position is negative \$1.178 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 2021	FY 2022	Change
Additions	\$ 190	\$ 190	0.0%
Deductions	(96)	(93)	-3.1%
Change in net position	94	97	3.2%
Net position, beginning of year	(1,369)	(1,275)	-6.9%
Net position, end of year	<u>\$ (1,275)</u>	<u>\$ (1,178)</u>	-7.6%



ITEM 3.6

EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE FOR FISCAL YEAR 2021-2022



Independent Auditor's Report

- **Opinions**
- **Basis of Opinions**
- **Emphasis of Matter**
- **Responsibilities of Management for the Financial Statements**
- **Auditor's Responsibilities for the Audit of the Financial Statements**
- **Other Matters**

Accounting Standards Implemented

■ GASB Statement No. 87 - Leases

- Establishes a single reporting model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.
- Lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.
- Adoption resulted in restatement of beginning balances for assets, deferred inflows of resources, and liabilities for those funds and activities with leases.

MANAGEMENT RESPONSE

This is the first time in 12 years the City has received a Report to Those Charged with Governance with no new findings and fully corrected prior year findings.

- Benefited from lower staff turnover.
- Planned and executed citywide fiscal year-end close training.
- Implemented a new ACFR automation software to assist with consistent and transparent mapping of financial data from the City's Financial Management System to the financial statements.
- Formed the Finance Recovery and Grants Team to provide subject matter expertise and support on a Citywide basis to Departments with grant funding.



PRIOR YEAR FINDING – STATUS

Finding #	Title	Material Weakness	Significant Deficiency	Control Deficiency	Status
2021-001	Internal Controls Over the Financial Reporting Process	X			Corrected



RECOMMENDATIONS

Acceptance of FY 2021-2022 reports:

- Item 3.5 – Annual Comprehensive Financial Report
- Item 3.6 – Report to Those Charged with Governance
- Item 9.1 – SARA Audited Financial Statements

QUESTIONS

Julia H. Cooper, Director

Rick Bruneau, Deputy Director – Accounting

David Bullock, Partner: Macias, Gini & O'Connell LLP

