

**SAN JOSE CONVENTION AND
CULTURAL FACILITIES**
(An Activity of the City of San José)

Report to the City Council

For the Year Ended June 30, 2024



Certified
Public
Accountants

September 26, 2024

City Council
San Jose, California

We are pleased to present this report related to our audit of the financial statements of the San Jose Convention and Cultural Facilities (the Center), an activity of the City of San José (the City), as of and for the year ended June 30, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Center's financial reporting process.

This report is intended solely for the information and use of the City Council, management of the City and the Center, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the City and the Center.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the Center's financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated July 1, 2024. Our audit of the Center's financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate engagement letter dated July 1, 2024 regarding the planned scope and timing of our audit.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Center. A summary of the significant accounting policies adopted by the Center is included in Note 2 to the financial statements. The Center did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates.

The following information summarizes the process used by management in formulating particularly sensitive accounting estimates and our conclusions regarding the reasonableness of those estimates in relation to the financial statements as a whole.

Significant Accounting Estimates	
Bad debt allowances on uncollectible accounts receivables	<p>Estimated bad debt allowances on uncollectible accounts receivable are based on historical collection rates.</p> <p>MGO assessed the reasonableness of the allowance based on the nature and collection rates of the accounts and performed substantive analytical procedures and tests of details and determined the estimates were reasonable.</p>
Depreciation estimates for capital assets, including depreciation methods and useful lives assigned to depreciable assets	<p>Useful lives for depreciable assets are determined by management based on the nature of the capital assets and estimate of economic life of the assets. The Center uses the straight-line method for depreciation.</p> <p>MGO assessed the reasonableness of the useful lives based on the nature of the capital assets and performed substantive analytical procedures and tests of details and determined the estimates were reasonable.</p>

Audit Adjustments and Uncorrected Misstatements

Professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no corrected misstatements identified by us as a result of our audit procedures.

Uncorrected misstatements are summarized in the attached list of Uncorrected Misstatements. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Departure From the Auditor’s Standard Report

Our report included emphasis of matter paragraph referencing to the notes to the financial statements for disclosures regarding the Center’s basis of presentation and accounting. Our opinion is not modified with respect to this matter.

Other Information Included in the Financial Statements

Our responsibility for other information included in the financial statements is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor’s report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. However, we were engaged to report on the budgetary comparison schedule, which accompanies the financial statements but is not required supplementary information. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing procedures generally accepted in the United States of America.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. We did not identify material inconsistencies with the audited financial statements.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the City Council, and MGO each play an important role.

Our Responsibilities

- 1) AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- 2) Maintain a system of quality management over compliance with independence rules and firm policies.

The City and Center's Responsibilities

- 1) Timely inform MGO, before the effective date of transactions or other business changes, of the following:
 - a) New affiliates, directors, or officers.
 - b) Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
- 2) Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.

- 3) Understand and conclude on the permissibility, prior to the City and the Center and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.
- 4) Not entering into arrangements of nonaudit services resulting in MGO being involved in making management decisions on behalf of the City and the Center.
- 5) Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the City and the Center.

UNCORRECTED MISSTATEMENTS

We identified the following uncorrected misstatements that management has concluded are not, individually or in the aggregate, material to the basic financial statements. We agree with management's conclusion in that regard.

Description	Effect—Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Current period misstatements					
Factual misstatements					
#1 – To record revenue and expenses for events that occurred during the year ended June 30, 2024.	\$237,336	(\$261,568)	\$1,984	\$1,453,454	\$956,534
Totals					
Total uncorrected misstatements	\$237,336	(\$261,568)		\$1,453,454	\$956,534
Cumulative effect on net position			<u>\$498,904</u>		

EXHIBIT A

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of September 26, 2024, but are not yet effective and may affect the future financial reporting by the Center.

Pronouncement	Summary
<p>GASB Statement No. 101, <i>Compensated Absences</i></p>	<p>The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.</p> <p>Statement No. 101 is effective for the Center’s financial statements for the year ending June 30, 2025.</p>
<p>GASB Statement No. 102, <i>Certain Risk Disclosures</i></p>	<p>The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints.</p> <p>Statement No. 102 is effective for the Center’s financial statements for the year ending June 30, 2025.</p>
<p>GASB Statement No. 103, <i>Financial Reporting Model Improvements</i></p>	<p>The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.</p> <p>Statement No. 103 are effective for the Center’s financial statements for the year ending June 30, 2026.</p>