

**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, 2025



Certified
Public
Accountants

September 30, 2025

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, 2025. Our 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

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

We described our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our engagement letter dated April 1, 2025. Our audit of the Center's financial statements does not relieve management or you of your responsibilities, which are also described in that letter.

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

We included in our engagement letter dated April 1, 2025, 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. During the year ended June 30, 2025, the Center adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and Statement No. 102, *Certain Risk Disclosures*. The adoption of these statements did not have a significant impact on the Center's financial statements.

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 Center did not have any significant accounting estimates.

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 significant audit adjustments made to the original trial balance presented to us to begin our audit.

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 an 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.

Significant Matters That Required Consultation

We did not encounter any difficult or contentious matters that required consultation outside the engagement team and that are, in our professional judgment, significant and relevant to your responsibility to oversee the financial reporting process.

Shared Responsibilities: AICPA 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.

Management Representations

We have requested certain representations from management, which are included in the management representation letter dated September 30, 2025.

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 adjust salary-related payments of compensated absence liabilities at June 30, 2025	\$ -	\$133,191	\$ -	\$ -	\$133,191
Totals					
Total uncorrected misstatements	\$ -	\$133,191		\$ -	\$133,191
Cumulative effect on net position			<u>(\$133,191)</u>		

EXHIBIT A

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of September 30, 2025, but are not yet effective and may affect the future financial reporting by the Center.

Pronouncement	Summary
<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>
<p>GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i></p>	<p>The objective of this Statement is to establish requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures, and to establish requirements for capital assets held for sale and note disclosures for those capital assets.</p> <p>Statement No. 104 is effective for the Center's financial statements for the year ending June 30, 2026.</p>