

**CITY OF SAN JOSÉ, CALIFORNIA**

Independent Auditor's Report and  
Schedule of Customer Facility Charge  
Revenues and Expenditures

For the Year Ended June 30, 2018



Certified  
Public  
Accountants

**CITY OF SAN JOSÉ, CALIFORNIA**  
**CUSTOMER FACILITY CHARGES**  
For the Year Ended June 30, 2018

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**Independent Auditor's Report on Compliance for the  
Customer Facility Charge Program; Report on Internal Control Over Compliance; and  
Report on Schedule of Customer Facility Charge Revenues and Expenditures**

To the Honorable City Council  
City of San José, California

**Report on Compliance for the Customer Facility Charge Program**

We have audited the Norman Y. Mineta San José International Airport (Airport), a department of the City of San José (City), California, compliance with the compliance requirements described in the California Civil Code Chapter 1.5 (commencing with Section 1939.01) to Title 5 of Part 4 of Division 3, and California Government Code Section 50474.1 through section 50474.3 (CFC Code), applicable to the Airport's Customer Facility Charge (CFC) program for the year ended June 30, 2018.

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the Airport's management.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the CFC Code. Those standards and the CFC Code require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the CFC program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport's compliance with those requirements.

***Opinion***

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that are applicable to the Airport's CFC program for the year ended June 30, 2018.

## **Internal Control Over Compliance**

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the CFC Code. Accordingly, this report is not suitable for any other purpose.

## **Schedule of Customer Facility Charge Revenues and Expenditures**

We have audited the financial statements of the Airport, a department of the City, as of and for the year ended June 30, 2018, and have issued our report thereon dated November 13, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements of the Airport as a whole. The accompanying Schedule of Customer Facility Charge Revenues and Expenditures (CFC Schedule) is presented for purposes of additional analysis as required by the CFC Code, and is not a required part of the Airport's financial statements. 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 standards generally accepted in the United States of America. In our opinion, the CFC Schedule is fairly stated in all material respects in relation to the financial statements as a whole.



Walnut Creek, California  
February 20, 2019

**CITY OF SAN JOSÉ, CALIFORNIA**  
Schedule of Customer Facility Charge Revenues and Expenditures  
Year Ended June 30, 2018

Revenues	
Customer facility charges	\$ 20,881,815
Facility rent	112,207
Investment income	75,819
Total revenues	<u>21,069,841</u>
Expenditures	
Transportation expenditures	2,246,193
Debt service expenditures	18,475,855
Total expenditures	<u>20,722,048</u>
Revenues over expenditures	<u>\$ 347,793</u>

See accompanying notes to the Schedule of Customer Facility Charge Revenues and Expenditures.

## **CITY OF SAN JOSÉ, CALIFORNIA**

### **Notes to the Schedule of Customer Facility Charge Revenues and Expenditures Year Ended June 30, 2018**

#### **(1) GENERAL**

California Civil Code Chapter 1.5 (commencing with Section 1939.01) to Title 5 of Part 4 of Division 3, and California Government Code Section 50474.1 through Section 50474.3 (CFC Code), permits an airport sponsor to require rental car companies to collect from a renter a Customer Facility Charge (CFC) to finance, design and construct a consolidated airport rental car facility; to finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and acquire vehicles for use in that system; and to finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems.

From January 1, 2008 through November 30, 2011, the Airport imposed a CFC of \$10.00 per rental contract. Pursuant to the CFC Code, the City increased the CFC to \$6.00 per contract day, to a maximum of five days, on each rental effective December 1, 2011, and further increased the per contract day CFC to \$7.50 per contract day, to a maximum of five days, on each rental, commencing January 1, 2014.

#### **(2) BASIS OF ACCOUNTING**

The accompanying schedule is presented using the accrual basis of accounting as described in Note I to the City's basic financial statements.

#### **(3) RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS**

Expenditures of CFCs are reported in the City's basic financial statements as operating expenses or debt service payments in the Airport enterprise fund. CFC expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.