



# AGENDA REPORT


**TO:** Jestin D. Johnson  
City Administrator

**FROM:** Erin Roseman  
Finance Director

**SUBJECT:** Annual Comprehensive Financial  
Report and Management Letter

**DATE:** January 30, 2025

City Administrator Approval

  
Jestin Johnson (Feb 20, 2025 10:35 PST)

Date: Feb 20, 2025

## RECOMMENDATION

**Staff Recommends That The City Council Receive The Annual Comprehensive Financial Report (ACFR) And The Auditor's Required Communication To City Council (Management Letter) For The Year Ended June 30, 2024.**

## EXECUTIVE SUMMARY

The Finance Department is pleased to present the attached independent annual audit to the City Council, referred to as the Annual Comprehensive Financial Report (ACFR), and the auditor's required communication to the City Council, also known as the Management Letter.

The audit report incorporates management's discussion and analysis of the City's financial position, basic financial statements, notes to basic financial statements, and the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

Macias, Gini & O'Connell, the City's external auditor, audited the City's financial statements for the year ending June 30, 2024 (**Attachment A**). The auditor's unmodified opinion letter for the ACFR affirms that the basic financial statements contained therein accurately represent the financial condition of the City of Oakland as of June 30, 2024. The auditor expressed an opinion that the City's financial statements are fairly stated and in accordance with accounting principles generally accepted in the United States.

The Fiscal Year (FY) 2023-24 ACFR provides relevant financial information to the City Council, residents and businesses of Oakland, creditors, investors, and other interested parties. This report also fulfills the City Council's responsibilities under Section 809 of the City Charter, which states in part, "The Council shall engage during the first month of each fiscal year an independent certified public accountant who shall examine and report to the Council on the annual financial statement of the City."

## **BACKGROUND / LEGISLATIVE HISTORY**

### ***The Annual Comprehensive Financial Report***

The FY 2023-24 CAFR provides a description of the City's financial activities for the period of July 1, 2023, through June 30, 2024, and is divided into the following major sections:

- ***Introductory Section:*** This section intends to familiarize the reader with the organizational structure of the City, the scope of City services, and the City's general government operations. This section also highlights the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting award for the previous fiscal year;
- ***Financial Section:*** This section contains the City's audited financial statements, notes to the basic financial statements, the Independent Auditor's Report, and Management's Discussion and Analysis (MD&A); and
- ***Statistical Section:*** This section provides ten years of summary financial data, as well as demographic, economic, and statistical information related to the City and its operations.

The auditor's opinion contained in the Financial Section of the ACFR represents their unmodified opinion that the City's financials are presented fairly and in conformity with Generally Accepted Accounting Principles (GAAP).

### ***The Management Letter or Auditor's Required Communication to City Council***

The Management Letter (***Attachment B***) is a required communication and recommendation by Statement on Auditing Standards (SAS) No. 114. The letter outlines the auditor's responsibility, planned scope, and timing of the audit, and provides advice on accounting policies, evaluates accounting estimates, proposes audit adjustments, and notes significant audit findings, the status of prior years' recommendations, corrected and uncorrected misstatements, disagreements with management, management representations, and any major difficulties encountered in performing the audit.

The Management Letter is intended solely for the information and use of the City Council, the Finance and Management Committee, Federal grantor agencies, and the management of the City.

## **ANALYSIS AND POLICY ALTERNATIVES**

The FY 2023-24 ACFR provides a comprehensive review of the City's financial operations. The ACFR is submitted to the City Council for review and to provide relevant financial information to the residents of Oakland, creditors, investors, and other interested parties. This document includes an opinion from the City's external auditor that the City's financial statements for FY 2023-24 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an

"unmodified" or "clean" opinion. The independent auditor's report is included in the Financial Section of the ACFR.

Notably, the auditor's opinion for FY 2023-24 highlights the City's substantial projected General Fund deficit for FY 2024-25. A failure to address this deficit would impair the City's ability to maintain basic governmental operations and could result in future audit findings regarding the City's ability to continue as a going concern.

Acceptance of this report supports the citywide priority of **responsive, trustworthy government** through the disclosure of timely and detailed information on the City's financial condition.

### ***Financial Highlights***

For the fiscal year ending June 30, 2024, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$982.8 million. This result compares to a net position of \$859.9 million as of June 30, 2023, and reflects a \$122.9 million improvement on a government-wide basis, as detailed in **Table 1**.

Of the \$122.9 million improvement in net position, \$49.8 million was derived from increases in general revenues, including \$37.9 million in interest and investment income, \$36.1 million in property tax, \$8.1 million in business license tax, and \$7.8 million in voter-approved special tax, offset by a decline of \$20.4 million in real estate transfer tax resulting from decreased sales activity. In addition, a gain in net position of \$11.6 million is due to the combined impact of changes to pension and OPEB liabilities. OPEB-related changes improved net position by \$35.5 million, while pension-related changes reduced net position by \$23.9 million.

The City's net position of \$982.8 million incorporates a \$1.2 billion deficit in unrestricted net position primarily resulting from the historical underfunding of pension and OPEB liabilities. The net pension liability accounts for \$1.9 billion of this deficit, and the net OPEB liability accounts for \$0.5 billion. The City's unrestricted net deficit remains substantial but declined by \$70.0 million in the fiscal year ended June 30, 2024.

Capital assets such as buildings, land, and equipment, less any related outstanding debt, account for \$1.3 billion of the City's net position. These capital assets are used to provide services to residents and are not available for future spending.

Resources subject to restrictions on their use, such as bond proceeds or grant funds, contribute an additional \$838.7 million to the net position and are available to meet the City's ongoing obligations for specific programs. Of this amount, \$372.2 million is restricted for Housing and Community Development programs, \$339.4 million pertains to Low and Moderate Income Housing Redevelopment, and \$51.1 million is restricted for debt service.

The total fund balance for the City's governmental funds increased by 2.5 percent, or \$37.6 million, ending the year at \$1.5 billion. This increase is primarily due to the receipt of \$158.9 million in bond proceeds during the year.

The total fund balance in the consolidated General Fund decreased by 4.5 percent, or \$30.3 million, falling to \$641.7 million. This decline reflects the ongoing structural imbalance between General Fund revenues and expenditures.

As of June 30, 2024, the General Purpose Fund Emergency Reserve, a subfund of the General Fund, had a balance of \$70.2 million. In addition, the General Purpose Fund has an unassigned fund balance of negative \$47.8 million. In combination, these reserves totaled \$22.3 million, which is \$63 million below the prior year's General Fund reserves of \$85.3 million.

**Table 1: Consolidated Statements of Net Position June 30, 2024 and 2023 (in thousands):**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Assets</b>						
Current and other assets	\$2,764,317	\$2,580,429	\$118,968	\$108,102	\$2,883,285	\$2,688,531
Capital assets	1,528,585	1,460,862	251,139	252,179	1,779,724	1,713,041
Total Assets	<u>4,292,902</u>	<u>4,041,291</u>	<u>370,107</u>	<u>360,281</u>	<u>4,663,009</u>	<u>4,401,572</u>
<b>Deferred outflows of resources</b>						
Loss on refunding of debt	8,553	9,778	—	—	8,533	9,778
Pensions	547,002	554,939	12,232	12,739	559,234	567,678
OPEB	174,814	161,727	3,208	3,246	178,022	164,973
Total Outflows	<u>730,530</u>	<u>726,444</u>	<u>15,440</u>	<u>15,985</u>	<u>745,790</u>	<u>742,429</u>
<b>Liabilities</b>						
Long-term liabilities	1,179,526	1,096,614	17,510	20,573	1,197,036	1,117,187
Other liabilities	500,824	440,093	3,409	3,110	504,233	443,203
Net pension liability	1,834,077	1,807,672	48,568	47,740	1,882,645	1,855,412
Net OPEB liability	539,538	484,098	9,438	8,838	548,976	492,936
Total Liabilities	<u>4,053,965</u>	<u>3,828,477</u>	<u>78,925</u>	<u>80,261</u>	<u>4,132,890</u>	<u>3,908,738</u>
<b>Deferred inflows of resources</b>						
Gains on refunding of debt	2,062	2,303	197	237	2,259	2,540
Leases	40,104	31,828	—	—	40,104	31,828
Pensions	19,033	30,421	522	889	19,555	31,310
OPEB	225,883	303,166	5,264	6,513	231,147	309,679
Total deferred inflows	<u>287,082</u>	<u>367,718</u>	<u>5,983</u>	<u>7,639</u>	<u>293,065</u>	<u>375,357</u>
<b>Net Position</b>						
Net investment in cap. assets	1,074,554	1,049,243	233,432	231,369	1,307,986	1,280,612
Restricted	838,677	813,094	—	—	838,677	813,094
Unrestricted (deficit)	(1,231,028)	(1,290,793)	67,203	56,997	(1,163,825)	(1,233,796)
Total net position	<u>\$682,203</u>	<u>\$571,544</u>	<u>\$300,635</u>	<u>\$288,366</u>	<u>\$982,838</u>	<u>\$859,910</u>

**PUBLIC OUTREACH / INTEREST**

This item did not require any additional public outreach other than the required posting on the City's website.

## **COORDINATION**

This report was prepared by the Finance Department and incorporates financial data for all City departments and the Port of Oakland.

## **SUSTAINABLE OPPORTUNITIES**

**Economic:** There are no direct economic opportunities associated with this informational report.

**Environmental:** There are no direct environmental opportunities associated with this informational report.

**Race & Equity:** There are no direct race or equity opportunities associated with this informational report.

## **ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Receive The Annual Comprehensive Financial Report (ACFR) And The Auditor's Required Communication To City Council (Management Letter) For The Year Ended June 30, 2024.

For questions regarding this report, please contact Stephen Walsh, Controller, at (510) 238-4906.

Respectfully submitted,



[Erin Roseman \(Feb 4, 2025 15:39 PST\)](#)

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ERIN ROSEMAN  
Finance Director  
Finance Department

Prepared by:  
Stephen Walsh, Controller  
Controller's Bureau

Attachments (2):

- A: Annual Comprehensive Financial Report For the Year Ended June 30, 2024
- B: Auditor's Required Communication to City Council (Management Letter)