



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Bradley Johnson
Finance Director

SUBJECT: Annual Comprehensive Financial Report and Management Letter

DATE: January 7, 2026

City Administrator Approval


Jestin Johnson (Jan 29, 2026 18:41:51 PST)

Date: 01/29/2026

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, 2025.

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, 2025 (**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, 2025. 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) 2024-25 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 2024-25 ACFR provides a description of the City's financial activities for the period of July 1, 2024, through June 30, 2025, 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 2024-25 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 2024-25 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.

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, 2025, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1.4 billion. This result compares to a net position of \$982.8 million as of June 30, 2024, and reflects a \$414.7 million improvement on a government-wide basis, as detailed in **Table 1**.

Of the \$414.7 million improvement in net position, \$188.4 million is attributable to a required accounting reclassification of employee benefit liabilities and the implementation of GASB Statement No. 101. This change reflects updated accounting presentation and did not result from the change in City's financial position. The remaining \$226.3 million improvement in net position reflects results of current year operations derived mostly from increase in revenues including \$85.3 million in operating grants stemming from growth and timing of affordable housing and Caltrans grants, \$35.6 million in real estate transfer tax resulting from a one-time boost from PG&E property sale, and \$9.3 million in legal settlements, offset by a decline of \$70.8 million in property tax due to a lower PFRS liability rate. \$37.6 million is due to reduction in expenditure to address the budget deficit.

The City's net position of \$1.4 billion incorporates a \$0.9 billion deficit in unrestricted net position primarily resulting from the historical underfunding of pension and OPEB liabilities. The net pension liability accounts for \$1.8 billion of this deficit, and the net OPEB liability accounts for \$0.6 billion. The City's unrestricted net deficit remains substantial but declined by \$0.3 billion in the fiscal year ended June 30, 2025.

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 \$930.5 million to the net position and are available to meet the City's ongoing obligations for specific programs. Of this amount, \$460.7 million is restricted for Housing and Community Development programs, \$359.6 million pertains to Low and Moderate Income Housing Redevelopment, and \$41.3 million is restricted for debt service.

The total fund balance for the City's governmental funds increased by 8.8 percent, or \$132.6 million, ending the year at \$1.6 billion. The increase in fund balance is primarily due to a required accounting reclassification at the beginning of the year. Under governmental fund accounting, which focuses on short-term financial resources, certain employee benefit amounts must be reported as committed fund balance rather than as liabilities. This change reflects how the information is presented under accounting rules and does not represent new revenue, reduced costs, or a change in the City's financial obligations.

Excluding the non-operational accounting change, the total fund balance in the consolidated General Fund increased by 12.6 percent, or \$81.1 million as a result of current-year activities. The operational growth reflects higher revenues, several one-time receipts, and expenditure reductions implemented to address the City's budget challenges.

As of June 30, 2025, the General Purpose Fund Emergency Reserve, a subfund of the General Fund, had a balance of \$63.8 million. In addition, the General Purpose Fund has an unassigned fund balance of \$34.6 million. In combination, these reserves totaled \$98.4 million, exceeding the amount required under the City's Consolidated Fiscal Policy of 7.5 percent of FY 2024-25 General Purpose Fund appropriations, or \$59.9 million.

Table 1: Consolidated Statements of Net Position June 30, 2025 and 2024 (in thousands):

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$2,808,845	\$2,764,316	\$137,344	\$118,968	\$2,946,189	\$2,883,284
Capital assets	1,598,234	1,528,586	246,166	251,139	1,844,400	1,779,725
Total Assets	4,407,079	4,292,902	383,510	370,107	4,790,589	4,663,009
Deferred outflows of resources						
Loss on refunding of debt	7,288	8,533	-	-	7,288	8,533
Pensions	411,626	547,002	8,185	12,232	419,811	559,234
OPEB	126,973	174,814	2,376	3,208	129,349	178,022
Total Outflows	545,887	730,349	10,561	15,440	556,448	745,789
Liabilities						
Long-term liabilities	1,102,532	1,179,526	14,307	17,510	1,116,839	1,197,036
Other liabilities	288,885	500,824	2,707	3,409	291,592	504,233
Net pension liability	1,728,216	1,834,077	46,394	48,568	1,774,610	1,882,645
Net OPEB liability	545,291	539,538	9,638	9,438	554,929	548,976
Total Liabilities	3,664,924	4,053,965	73,046	78,925	3,737,970	4,132,890
Deferred inflows of resources						
Gains on refunding of debt	1,821	2,062	158	197	1,979	2,259
Leases	43,706	40,104	-	-	43,706	40,104
Pensions	17,854	19,033	186	522	18,040	19,555
OPEB	144,130	225,883	3,658	5,264	147,788	231,147
Total deferred inflows	207,511	287,082	4,002	5,983	211,513	293,065
Net Position						
Net investment in cap. assets	1,089,717	1,074,554	231,701	233,432	1,321,418	1,307,986
Restricted	930,515	838,677	-	-	930,515	838,677
Unrestricted (deficit)	(939,701)	(1,231,028)	85,322	67,203	(854,379)	(1,163,825)
Total net position	\$1,080,531	\$682,203	\$317,023	\$300,635	\$1,397,554	\$982,838

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, 2025.

For questions regarding this report, please contact Pooja Shrestha, Controller, at (510) 238-6776.

Respectfully submitted,


Bradley Johnson (Jan 27, 2026 16:48:21 PST)

BRADLEY JOHNSON
Finance Director
Finance Department

Prepared by:
Pooja Shrestha, Controller
Controller's Bureau

Attachments (2):

- A: Annual Comprehensive Financial Report For the Year Ended June 30, 2025
- B: Auditor's Required Communication to City Council (Management Letter)