

PORT OF OAKLAND

Report to the Board of Port Commissioners

For the Year Ended June 30, 2025



March 20, 2026

To the Board of Port Commissioners and
Audit Committee of the Port of Oakland, California
Oakland, California

We are pleased to present this report related to the following financial statements of the Port of Oakland (Port), a component unit of the City of Oakland, California, as of and for the year ended June 20, 2025, and have issued our reports thereon dated as indicated below:

<u>Reporting Entity</u>	<u>Audit Report Date</u>
Annual Comprehensive Financial Report (ACFR)	December 29, 2025
Single Audit	March 20, 2026
Passenger Facility Charge Program (included with the Single Audit)	March 20, 2026
Customer Facility Change Program (included with the Single Audit)	March 20, 2026
Deferred Compensation Plan	March 20, 2026

This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Port’s financial reporting process. This letter covers all deliverables listed above concluding our audits for the fiscal year ended June 30, 2025.

This report is intended solely for the information and use of the Board of Port Commissioners, Audit Committee, and management, 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 Port.

Macias Gini & O’Connell LLP

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 Port's financial statement and compliance audits as well as observations arising from our audits that are significant and relevant to your responsibility to oversee the financial and related compliance reporting processes.

Our Responsibilities With Regard to the Financial Statement and Compliance Audits

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described in our arrangement letter dated June 30, 2025. Our audit of the Port's basic 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 and Compliance Audits

We have issued a separate arrangement letter dated June 30, 2025, regarding the planned scope and timing of our audits and identified significant risks.

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 Port. A summary of the significant policies adopted by the Port is included in Note 2 to the basic financial statements. As described in Note 2 to the basic financial statements, the Port implemented the requirements related to financial guarantees and the classification and reporting of derivative instruments of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*; and Statement No. 102, *Certain Risk Disclosures*. Implementation of these statements did not have a significant impact on the Port's financial statements for the year ended June 30, 2025.

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 summarizes information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimates	
Measurement of investments at fair value	<p>The Port’s investments are accounted for in accordance with the provisions of GASB Statement No. 72, <i>Fair Value Measurement and Application</i>, and accordingly, its fair value measurements are categorized within the fair value hierarchy established by the standard.</p> <p>MGO compared investment values to market information and shares reported by the custodian bank and fiscal agents and determined that they were reasonable.</p>
Estimated allowance for losses on customer accounts receivable	<p>The allowance for losses on customer accounts receivable was based on management’s estimate of historical collection activity.</p> <p>MGO assessed the reasonableness of the allowances based on the nature of the accounts receivable and performed substantive analytical procedures on the balances and determined the estimates were reasonable.</p>
Estimated useful lives and depreciation of capital assets, including subscription-based information technology arrangements (SBITA)	<p>Depreciation estimates for capital assets are calculated on a straight-line basis based on estimated useful lives for capital assets as determined by Port management based on the nature of the capital assets. SBITA assets are amortized over the shorter of the useful life or subscription term.</p> <p>The discount rates for the calculation of the SBITA liability are based on the Municipal Market Monitor (TM3) yield curve rates, as a proxy for the Port’s borrowing costs.</p> <p>MGO assessed the reasonableness of the useful lives based on the nature of the capital assets and performed substantive analytical procedures on depreciation expense and determined the estimates were reasonable.</p>
Pension and Other Postemployment Benefits (OPEB) plans’ employer and employee contribution requirements, the net pension/OPEB liabilities and related deferred outflows and inflows of resources	<p>The pension balances are based on actuarial valuations performed by actuaries of the California Public Employees’ Retirement System (CalPERS) and as allocated by the City of Oakland based on employer contributions.</p> <p>The OPEB balances are based on an actuarial valuation performed by the Port’s independent actuary.</p> <p>MGO reviewed key factors and assumptions used in the actuarial valuations and determined the estimates were reasonable in relation to the financial statements as a whole.</p>
Workers’ compensation liabilities	<p>Workers’ compensation liabilities are based on an actuarial study by the Port’s independent actuary.</p> <p>MGO reviewed key factors and assumptions used in the actuarial valuation and determined the estimates were reasonable in relation to the financial statements as a whole.</p>

Significant Accounting Estimates

Pollution remediation obligations	<p>Pollution remediation obligations are based on analyses performed by the Port's management and consultants using the expected cash flow technique based on the current value of expected outlays.</p> <p>MGO assessed the reasonableness of the assumptions used to develop the expected outlays of the remediation projects and determined the accrual was reasonable.</p>
Lease receivables	<p>Lease receivables are measured at the present value of the lease payments expected to be received during the lease term. The Port uses a discount rate that is explicitly stated or implicit in the contract. If a readily determinable discount rate is not available, the Port uses the tax-exempt Municipal Market Data (MMD) yield curve rates, as a proxy for the Port's borrowing costs.</p> <p>MGO reviewed the lease agreements to verify the terms and amounts used in the Port's lease calculations to determine lease receivables were reasonable.</p>

Audit Adjustments and Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Departure From the Auditor's Standard Report

There were no departures from the Auditor's Standard Report.

Other Information Included in the Annual Comprehensive Financial Report

Our responsibility for other information included in the annual comprehensive financial report 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.

We applied certain limited procedures to management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of the pension contributions, the schedule of changes in net OPEB liability and related ratios, and the schedule of OPEB contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of revenues and expenses by business line, which accompanies the basic financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the basic financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. We read the introductory and statistical sections and did not identify material inconsistencies with the audited basic financial statements.

Other Reports Related to the Audit of the Basic Financial Statements

Single Audit, Passenger Facility Charge Program, and Customer Facility Charge Program Reports

We were engaged to report on the schedule of expenditures of federal awards, schedule of passenger facility charge cash receipts, cash disbursements, and interest by quarter, and the schedule of customer facility charge cash receipts and cash disbursements, which are considered supplementary information in relation to the basic financial statement and not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America for the schedule of expenditures of federal awards and the cash basis of accounting, an other comprehensive basis of accounting, for the schedule of passenger facility charge cash receipts, cash disbursements, and interest by quarter, and the schedule of customer facility charge cash receipts and cash disbursements, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves. We expressed an opinion that these schedules were fairly presented, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Deferred Compensation Plan Financial Statements

We were engaged to report on the Port's Deferred Compensation Plan. We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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 Port's basic 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.

Shared Responsibilities for Independence

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 American Institute of Certified Public Accountants (AICPA) and Government Accountability Office (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Commissioners, and MGO each play an important role.

Our Responsibilities

1. AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. It is our responsibility to ensure that the AICPA and GAO'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 Port'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, and 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 Port 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 Port.
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 Port.

Internal Control and Compliance Matters

We have separately communicated on internal control and compliance over financial reporting identified during our audits of the basic financial statements, major federal awards, passenger facility charge program, and customer facility charge program as required by *Government Auditing Standards* and where applicable, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance).

UPCOMING ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of the date of this communication but are not yet effective and may affect the future financial reporting by the Port.

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 is effective for the Port’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 Port’s financial statements for the year ending June 30, 2026.</p>
<p>GASB Statement No. 105, <i>Subsequent Events</i></p>	<p>The primary objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.</p> <p>Statement No. 105 is effective for the Port’s financial statements for the year ending June 30, 2027.</p>