

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)

Single Audit, Passenger Facility Charges, and
Customer Facilities Charges Reports

Year Ended June 30, 2017



Certified
Public
Accountants

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
SINGLE AUDIT, PASSENGER FACILITY CHARGES, AND
CUSTOMER FACILITY CHARGES REPORTS
YEAR ENDED JUNE 30, 2017

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**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***

Board of Port Commissioners
of the City of Oakland, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* 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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 14, 2017



**Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Port Commissioners
of the City of Oakland, California

Report on Compliance for the Major Federal Program

We have audited the Port of Oakland's (Port), a component unit of the City of Oakland, California, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Port's major federal program for the year ended June 30, 2017. The Port's major federal program is identified in the summary of auditor's results section of the accompanying federal awards schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Port's major federal program based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Port's compliance.

Opinion on the Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Port 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 Port's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Port's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Port as of and for the year ended June 30, 2017, and have issued our report thereon dated November 14, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 4, 2018

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Agency, Pass Through Agency and Program Description	Program CFDA Number	Total Expenditures	Amount Passed to Subrecipients
U.S. Department of Transportation:			
Direct Programs:			
Federal Aviation Administration:			
Airport Improvement Program (AIP)			
AIP-56	20.106	\$ 34,503	\$ -
AIP-59	20.106	(137,787)	-
AIP-63	20.106	(286,059)	-
AIP-64	20.106	(22,994)	-
AIP-65	20.106	(186,365)	-
AIP-66	20.106	(106,580)	-
AIP-67	20.106	(22,929)	-
AIP-68	20.106	1,902,203	-
AIP-70	20.106	26,013	-
AIP-71	20.106	1,545,802	-
AIP-72	20.106	1,419,992	-
AIP-73	20.106	2,712,324	-
AIP-75	20.106	2,665,423	-
AIP-76	20.106	1,045,411	-
Subtotal Airport Improvement Program (see Note 4)		10,588,957	-
Surface Transportation Discretionary Grants for Capital Investments - Transportation Investment Generating Economic Recovery (TIGER) Grants American Recovery and Reinvestment Act (ARRA) (DTMA-91-G-2012-0005)	20.932	1,338,833	-
Total U.S. Department of Transportation		11,927,790	-
U.S. Department of Homeland Security:			
Direct Program:			
Port Security Grant Program (PSGP)			
FY 2013 (Round 13) (EMW-2013-PU-00195)	97.056	1,333,379	-
FY 2014 (Round 14) (EMW-2014-PU-00203)	97.056	225,995	-
Total U.S. Department of Homeland Security		1,559,374	-
U.S. Environmental Protection Agency (EPA):			
Pass-Through City of Oakland:			
National Clean Diesel Emissions Reduction Program (DE-99T06701)	66.039	270,498	270,498
TOTAL EXPENDITURE OF FEDERAL AWARDS		\$ 13,757,662	\$ 270,498

The accompanying notes are an integral part of this schedule.

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

(1) General

The schedule of expenditures of federal awards (SEFA) presents the activity of the federal award programs of the Port of Oakland, California (Port). The reporting entity is defined in Note 1 of the Port's financial statements. Because the SEFA presents only the federal award activity of the Port, it is not intended to and does not present the financial position, changes in financial position, or the cash flows of the Port. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Basis of Accounting

The SEFA is presented using the accrual basis of accounting as described in Note 2 to the Port's financial statements. Expenditures of federal awards are reported in the Port's financial statements as non-operating grant expenses or as additions to capital assets. Payments to subrecipients are included in the SEFA when the disbursement is made by the Port to the subrecipient. The Port passed through \$270,498 of the U.S. Environmental Protection Agency grant (National Clean Diesel Emissions Reduction Program) to TRAPAC, LLC as a subrecipient during the year ended June 30, 2017.

The Port has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Relationship to Federal Financial Reports

Amounts reported in the SEFA agree to or can be reconciled with the amounts reported in the related federal financial reports.

(4) Overhead Rate Adjustment

During the fiscal year ended June 30, 2017, the Port received a final decision from the Federal Aviation Administration (FAA) on indirect cost rates used by the Port for fiscal years 2012-13 through 2014-15 for the Airport Improvement Program (AIP). The Port entered into a State and Local Government Rate Agreement with final rates for fiscal year 2012-13 and provisional rates for fiscal years 2013-14 and 2014-15. As a result, the Port repaid the FAA \$3,060,547 of prior year overhead charges and certain AIP expenditures, which is reported as negative amounts in the SEFA for the year ended June 30, 2017. The Port continues to work with the FAA to establish final rates for fiscal years 2013-14 and 2014-15.

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
FEDERAL AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section I Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America:

Unmodified

Internal control over financial reporting:

◆ Material weakness(es) identified?

No

◆ Significant deficiency(ies) identified?

None reported

Noncompliance material to the basic financial statements noted?

No

Federal Awards

Internal control over major federal program:

◆ Material weakness(es) identified?

No

◆ Significant deficiency(ies) identified?

None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

No

Identification of major federal program:

CFDA No. 20.106 – U.S. Department of Transportation – Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as a low-risk auditee?

Yes

Section II Financial Statement Findings

None reported in the current year.

Section III Federal Award Findings and Questioned Costs

None reported in the current year.



STATUS OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Financial Statement Finding:

<u><i>Finding No.</i></u>	<u><i>Description</i></u>	<u><i>Status</i></u>
2016-001	Schedule of Expenditures of Federal Awards Completeness (Significant Deficiency)	Corrected

Federal Award Findings:

<u><i>Finding No.</i></u>	<u><i>Description</i></u>	<u><i>Status</i></u>
2016-002	Reporting – Airport Improvement Program (Other Matter)	Corrected
2014-001	Airport Improvement Program – Activities Allowed or Unallowed (Control Deficiency)	Corrected



**Independent Auditor's Report on Compliance with Applicable Requirements of
the Passenger Facility Charge Program; Report on Internal Control over Compliance in
Accordance with the *Passenger Facility Charge Audit Guide for Public Agencies*; and Report on
Schedule of Passenger Facility Charge Cash Receipts, Cash Disbursements and Interest by Quarter**

Board of Port Commissioners
of the City of Oakland, California

Compliance

We have audited the Port of Oakland's (Port), a component unit of the City of Oakland, California, compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (PFC Guide), issued by the Federal Aviation Administration (FAA), applicable to its passenger facility charge program for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Port'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 PFC Guide. Those standards and the PFC Guide 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 passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Port'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 Port's compliance with those requirements.

Opinion

In our opinion, the Port complied, in all material respects, with the compliance requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2017.

Internal Control over Compliance

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Port's internal control over compliance to determine the auditing procedures for the purpose of expressing our 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 Port'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 the 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 PFC Guide. Accordingly, this report is not suitable for any other purpose.

Schedule of Passenger Facility Charge Cash Receipts, Cash Disbursements, and Interest by Quarter

We have audited the financial statements of the Port as of and for the year ended June 30, 2017, and have issued our report thereon dated November 14, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Passenger Facility Charge Cash Receipts, Cash Disbursements and Interest by Quarter (PFC Schedule) is presented for purposes of additional analysis as required by the PFC Guide, issued by the FAA, and is not a required part of the Port'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 PFC Schedule is fairly stated in all material respects in relation to the financial statements as a whole.



Walnut Creek, California
January 4, 2018

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
**SCHEDULE OF PASSENGER FACILITY CHARGE CASH RECEIPTS,
CASH DISBURSEMENTS AND INTEREST BY QUARTER**
YEAR ENDED JUNE 30, 2017

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Cash receipts	\$ 6,059,333	\$ 5,922,885	\$ 5,633,548	\$ 6,673,813	\$ 24,289,579
Cash disbursements	(5,080,238)	(10,001,447)	-	(3,036,750)	(18,118,435)
Interest income	3,237	2,770	3,160	10,923	<u>20,090</u>
Excess of cash receipts and interest income over cash disbursements					6,191,234
Unrealized gains on investments					5,771
Unexpended cash balance at June 30, 2016					<u>3,151,442</u>
Unexpended cash balance at June 30, 2017					<u><u>\$ 9,348,447</u></u>

The accompanying notes are an integral part of this schedule.

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
**NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE CASH RECEIPTS,
CASH DISBURSEMENTS AND INTEREST BY QUARTER
YEAR ENDED JUNE 30, 2017**

(1) General

The Port of Oakland, California (Port), as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 per enplaning passenger at the Oakland International Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Port in the following month after they are recorded by the air carrier. The Port has three approved applications with the FAA, two of which are active. The current authority to impose PFCs is estimated to end February 1, 2035.

PFC revenues, including any interest earned thereon, are restricted solely to finance allowable costs of new airport planning and development projects as defined and authorized by the FAA. PFC revenues may be used to pay debt service and related expenditures associated with FAA approved projects, and the Port has received FAA approval to pay certain debt service if debt proceeds are used for qualifying projects.

(2) Significant Accounting Policies

Basis of accounting

The accompanying schedule of passenger facility cash receipts, cash disbursements and interest by quarter (PFC Schedule) is presented using the cash basis. Receipts represent amounts received from air carriers' enplaning passenger ticket sales. Disbursements represent Port payments for projects that have been authorized by the FAA under the Act.

Basis for quarterly reporting

The Port prepares quarterly reports, which are submitted to the FAA and to the airlines, of PFC amounts received and expended on the cash basis. The Port reimburses PFC disbursements by transferring cash to the Port Revenue Fund from the Restricted PFC Fund.

(3) Cash, Investments, and Deposits

The City of Oakland (City) Charter requires all revenues, including PFC revenue, to be deposited with the City Treasurer. These funds are pooled in a citywide pool and invested by the City Treasurer pursuant to the investment policy adopted by the City Council and guidelines specified in the California Government Code. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily PFC balance on deposits and the earnings of the investments. PFC cash, investments, and deposits held by the City totaled \$9,348,447 at June 30, 2017.

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
**PASSENGER FACILITY CHARGE PROGRAM SCHEDULE OF
FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the financial statements of
the Port: Unmodified

Internal control over financial reporting:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiency(ies) identified? None reported

Noncompliance material to the basic financial statements
noted? No

Passenger Facility Charges

Internal control over the PFC program:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for PFC
program: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with the PFC Guide No

Section II Financial Statement Findings

None reported in the current year.

Section III Federal Award Findings and Questioned Costs

None reported in the current year.

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR
THE PASSENGER FACILITY CHARGE PROGRAM
YEAR ENDED JUNE 30, 2017

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2016-003	Reporting - Passenger Facility Charge Program (Other Matter)	Corrected



**Independent Auditor's Report on Compliance with Applicable Requirements of the
Customer Facility Charge Program; Report on Internal Control over Compliance; and
Report on Schedule of Customer Facility Charge Cash Receipts and Cash Disbursements**

Board of Port Commissioners
of the City of Oakland, California

Compliance

We have audited the Port of Oakland's (Port), a component unit of the City of Oakland, California, compliance with requirements described in the California Civil Code Section 1939 and the California Government Code Section 50474, as amended by Assembly Bill (AB) 2051 (CFC Code), applicable to its customer facility charge program for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Port'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 customer facility charge program occurred. An audit includes examining, on a test basis, evidence about the Port'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 Port's compliance with those requirements.

Opinion

In our opinion, the Port complied, in all material respects, with the compliance requirements referred to above that are applicable to its customer facility charge program for the year ended June 30, 2017.

Internal Control over Compliance

Management of the Port 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, we considered the Port's internal control over compliance to determine the auditing procedures for the purpose of expressing our 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 Port'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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 CFC Code. Accordingly, this report is not suitable for any other purpose.

Schedule of Customer Facility Charge Cash Receipts and Cash Disbursements

We have audited the financial statements of the Port as of and for the year ended June 30, 2017, and have issued our report thereon dated November 14, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Customer Facility Charge Cash Receipts and Cash Disbursements (CFC Schedule) is presented for purposes of additional analysis as required by the CFC Code, and is not a required part of the Port'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 basic financial statements as a whole.

A handwritten signature in dark ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
January 4, 2018

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
SCHEDULE OF CUSTOMER FACILITY CHARGE
CASH RECEIPTS AND CASH DISBURSEMENTS
YEAR ENDED JUNE 30, 2017

Cash receipts:	
Customer facility charges	\$ 5,760,879
Net investment income	42,458
Total cash receipts	<u>5,803,337</u>
Cash disbursements:	
Consultants	203,720
Contractual services - shuttle bus operations	4,466,074
Construction	616,264
Total cash disbursements	<u>5,286,058</u>
Excess of cash receipts over cash disbursements	517,279
Unexpended cash at June 30, 2016	<u>8,731,046</u>
Unexpended cash at June 30, 2017	<u>\$ 9,248,325</u>

The accompanying notes are an integral part of this schedule.

PORT OF OAKLAND, CALIFORNIA
(A Component Unit of the City of Oakland)
NOTES TO SCHEDULE OF CUSTOMER FACILITY CHARGE
CASH RECEIPTS AND CASH DISBURSEMENTS
YEAR ENDED JUNE 30, 2017

(1) General

The Port of Oakland, California (Port), as authorized by California Civil Code Section 1939 and the California Government Code Section 50474, as amended by Assembly Bill 2051 (CFC Code) imposes a Customer Facility Charge (CFC) of \$10 per rental contract on rental car companies operating at Oakland International Airport and \$8 per rental contract on rental car companies operating off the airport property, but utilizing the common-use shuttle bus service to transport customers. Under the CFC Code, rental car companies are responsible for the collection of CFC charges from renters and are required to remit CFC revenues to the Port.

CFC revenues, including any interest earned thereon, are restricted solely 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; to 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.

(2) Basis of accounting

The accompanying schedule of customer facility charge cash receipts and cash disbursements is presented using the cash basis. Receipts represent amounts received from rental car companies based on their collections from customers. Disbursements represent the Port's reimbursement from the CFC cash account for projects that are eligible under the CFC Code.

(3) Cash, Investments and Deposits

The City of Oakland (City) Charter requires all revenues, including CFC revenue, to be deposited with the City Treasurer. These funds are pooled in a citywide pool and invested by the City Treasurer pursuant to the investment policy adopted by the City Council and guidelines specified in the California Government Code. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily CFC balance on deposits and the earnings of the investments. CFC cash, investments and deposits held by the City totaled \$9,248,325 at June 30, 2017. This amount is expected to be used for expansion of the consolidated rental car facility, including rebuilding of access driveways and general infrastructure, demolition of a building and paving of an adjacent property so it can be incorporated into the consolidated rental car facility, and site security enhancements.