

PORT OF OAKLAND

**RENTAL CAR FACILITY AND COMMON
USE TRANSPORTATION SYSTEM**

**STATEMENT OF DISBURSEMENTS ELIGIBLE FOR
REIMBURSEMENT BY CUSTOMER FACILITY CHARGES**

FOR THE YEAR ENDED JUNE 30, 2014



Kevin W. Harper CPA & Associates

INDEPENDENT AUDITORS' REPORT

To the Board of Port Commissioners
of the City of Oakland, California:

We have audited the accompanying Statement of Disbursements Eligible for Reimbursement by Customer Facility Charges (the "Statement") of the Rental Car Facility and Common Use Transportation System of the Port of Oakland (the "Port"), a component unit of the City of Oakland, California, for the year ended June 30, 2014, and the related notes to the Statement.

Management's Responsibility for the Financial Statement

Management of the Port is responsible for the preparation and fair presentation of the Statement in accordance with the financial reporting provisions of Section 1936 of the California Civil Code, as amended by Senate Bill 1192 and Assembly Bill 359. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Port's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the accompanying Statement presents fairly, in all material respects, the disbursements eligible for reimbursement by customer facility charges of the Port's Rental Car Facility and Common Use Transportation System for the year ended June 30, 2014, in accordance with the financial reporting provisions of Section 1936 of the California Civil Code, as amended by Senate Bill 1192 and Assembly Bill 359.

Basis of Accounting

We draw attention to Note 4 to the Statement, which describes the basis of accounting. The Statement was prepared by the Port on the basis of the financial reporting provisions of Section 1936 of the California Civil Code, as amended by Senate Bill 1192 and Assembly Bill 359, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Section 1936 of the California Civil Code, as amended by Senate Bill 1192 and Assembly Bill 359. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Port's management and Board of Port Commissioners, and the State of California Assembly and Senate, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin W. Hargen CPA & Associates

July 14, 2016

Port of Oakland
Rental Car Facility and Common Use Transportation System
Statement of Disbursements Eligible for Reimbursement by Customer Facility Charges
Year Ended June 30, 2014

Consultants	\$ 20,433
Contractual Services – Shuttle Bus Operations	<u>3,826,849</u>
Total Disbursements	<u><u>\$ 3,847,282</u></u>

The accompanying notes are an integral part of this Statement of Disbursements Eligible for Reimbursement by Customer Facility Charges.

**Notes to Statement of Disbursements Eligible for
Reimbursement by Customer Facility Charges
For the Year Ended June 30, 2014**

NOTE 1 – BACKGROUND

The Port of Oakland (the “Port”), an independent department of the City of Oakland, owns and operates Oakland International Airport (the “Airport”) for the benefit of the public. In 2003, as part of the Port’s terminal expansion program, it moved the rental car companies operating at the Airport to a consolidated off-site rental car facility, approximately 2.7 miles from the Airport terminal. The Space/Use Permit for Non-Exclusive Rental Car Concession requires the rental car companies to provide a common-use shuttle bus service to transport the rental car customers to and from the Airport terminal. The Port agreed to reimburse the rental car companies for the cost of the shuttle bus, to the extent that customer facility charges revenue is available.

The accompanying Statement of Disbursements Eligible for Reimbursement by Customer Facility Charges includes only those costs that are eligible for reimbursement by rental car company customers under the customer facility charges legislation. During the year ended June 30, 2014, such eligible costs were primarily related to operations of the common shuttle busing system.

NOTE 2 – CUSTOMER FACILITY CHARGES REVENUE

California State Assembly Bill No. 491 became effective January 2002 authorizing rental car companies in California to pass through to its customers a \$10 per contract customer facility charge that is imposed by an airport. The Board of Port Commissioners passed Ordinance No. 3685 on March 5, 2002 that established such customer facility charges at Oakland International Airport. The rental car companies began collecting the customer facility charges on behalf of the Port on April 1, 2002. The customer facility charges must be used to finance, design and construct consolidated airport rental car facilities and to provide common use transportation systems that move passengers between airport terminals and those rental car facilities.

Customer facility charges collected by the Port during fiscal year 2013-14 were \$5,335,748. Since 2002, customer facility charges revenue, including interest earned, has cumulatively exceeded eligible disbursements by \$5,015,910. 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.

NOTE 3 – BUS PURCHASE

In December 2011, the company operating the shuttle bus system entered into a contract with Gillig LLC to purchase twelve new buses at a cost of \$4,289,064. Of this total cost, 35% (\$1,501,172) was paid in installments during fiscal years 2011-12 and 2012-13. The remaining 65% and related sales taxes was funded via a seven-year lease contract. The Port reimburses the company as monthly lease payments of \$32,843 are made.

NOTE 4 – BASIS OF ACCOUNTING

Basis of accounting refers to when expenses are recognized. The accompanying Statement of Disbursements Eligible for Reimbursement by Customer Facility Charges was prepared on the basis of the financial reporting provisions of California Civil Code section 1936, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, expenses are generally recognized when cash is paid.

NOTE 5 – SUBSEQUENT EVENT

On July 14, 2016, the Board of Port Commissioners voted to amend Port Ordinance 4079 to clarify specific terms and definitions and to reduce the customer facility charges for off-airport rental car companies from \$10 to \$8 per transaction. Customer facility charges for on-airport rental car companies are not impacted by this amendment and remain at \$10 per transaction. The amendment is effective immediately upon adoption by the Board of Port Commissioners.



Kevin W. Harper CPA & Associates

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
APPLICABLE REQUIREMENTS OF THE CUSTOMER FACILITY
CHARGES PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Port Commissioners
of the City of Oakland, California:

Compliance

We have audited the compliance of the Port of Oakland (the "Port"), a component unit of the City of Oakland, California, with compliance requirements described in Section 1936 of the California Civil Code, as amended by Senate Bill 1192 and Assembly Bill 359, applicable to its customer facility charges program for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above.

Auditors' 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 and Section 1936 of the California Civil Code, as amended by Senate Bill 1192 and Assembly Bill 359. Those standards and Section 1936 of the California Civil Code, as amended by Senate Bill 1192 and Assembly Bill 359, 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 charges 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. However, 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 charges program for the year ended June 30, 2014.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
APPLICABLE REQUIREMENTS OF THE CUSTOMER FACILITY CHARGES
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE (Continued)**

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 of compliance, we considered the Port'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 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 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 compliance requirement 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, that is less severe than a material weakness in internal control over compliance, yet important enough to merit the 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 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 described above. 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 Section 1936 of the California Civil Code, as amended by Senate Bill 1192 and Assembly Bill 359. Accordingly, this report is not suitable for any other purpose.

Kevin W. Harper CPA & Associates

July 14, 2016