SUPPLEMENTAL

DEFERRED COMPENSATION PLAN OF THE PORT OF OAKLAND

Independent Auditor's Report,
Management's Discussion and Analysis, and
Financial Statements

Years Ended June 30, 2018 and 2017

mgo Certified Public Accountants

DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND
Years Ended June 30, 2018 and 2017

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Certified Public Accountants

Independent Auditor's Report

Deferred Compensation Advisory Committee
and Board of Port Commissioners of the City of Oakland
Oakland, California

Report on the Financial Statements

We have audited the accompanying statements of net position of the Deferred Compensation Plan of the Port of Oakland (Plan) as of June 30, 2018 and 2017, and the related statements of changes in net position for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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 Plan'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 the Plan's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net positions of the Plan as of June 30, 2018 and 2017, and the changes in net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2, the financial statements referred to above present only the financial activities of the Plan and do not purport to, and do not present the financial position of the Port of Oakland as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 30, 2019

DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

The following discussion and analysis of the financial performance of the Deferred Compensation Plan of the Port of Oakland (Plan) provides an overview of its financial activities for the years ended June 30, 2018 and 2017. Please read it in conjunction with the Plan's financial statements, which begin on page 5. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests solely with management of the Port of Oakland. To the best of our knowledge and belief, the financial statements, as presented, are accurate in all material respects.

Financial Statements

The financial report for the Plan includes management's discussion and analysis, statements of net position, statements of changes in net position, and notes to the financial statements. These financial statements are prepared on the accrual basis of accounting. The Plan is administrated by Empower Retirement (Empower). The Plan's assets are held in trust by Wells Fargo Bank.

The following table indicates the Plan's net position due to participants as of June 30 (dollars in thousands):

	2018	2017	2016
Investments:			
Stable value fund	$ 24,455	$ 25,693	$ 24,969
Mutual funds	63,612	53,864	47,328
Total investments at fair value	88,067	79,557	72,297
Loans receivable from participants	712	674	573
Net position due to participants	**$ 88,779**	**$ 80,231**	**$ 72,870**

The following table indicates the changes in net position for the years ended June 30 (dollars in thousands):

	2018	2017	2016
Net additions to net position	$ 12,000	$ 13,001	$ 3,790
Deductions from net position	(3,452)	(5,640)	(5,326)
Change in net position	8,548	7,361	(1,536)
Net position due to participants, beginning of year	80,231	72,870	74,406
Net position due to participants, end of year	**$ 88,779**	**$ 80,231**	**$ 72,870**

- Net position increased $8.5 million from $80.2 million at June 30, 2017, to $88.8 million at June 30, 2018. The increase in net position was primarily due to investment interest and dividends of $4.3 million and net increases in investment values of $3.6 million.

- Net position increased $7.3 million from $72.9 million at June 30, 2016, to $80.2 million at June 30, 2017. The increase in net position was primarily due to investment interest and dividends of $2.8 million and net increases in investment values of $5.9 million.

Request for Information

Requests for additional information about this report, should be addressed to the Financial Services Division, Port of Oakland, 530 Water Street, Oakland, California 94607 or visit the Port's website at www.portofoakland.com.

DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND

Statements of Net Position
June 30, 2018 and 2017
(Dollars in Thousands)

	2018		2017	
ASSETS				
Investments:				
Stable value fund	$	24,455	$	25,693
Mutual funds		63,612		53,864
Total investments at fair value		88,067		79,557
Loans receivable from participants		712		674
NET POSITION DUE TO PARTICIPANTS	$	88,779	$	80,231

See accompanying notes to financial statements.

DEFERRED COMPENSATION PLAN
OF THE PORT OF OAKLAND

Statements of Changes in Net Position
Years Ended June 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
ADDITIONS:		
Contributions by participants	$ 4,015	$ 4,238
Net investment income and adjustments to fair value	7,985	8,763
Total additions to net position	12,000	13,001
DEDUCTIONS:		
Withdrawals by participants	(3,452)	(5,640)
CHANGE IN NET POSITION	8,548	7,361
NET POSITION DUE TO PARTICIPANTS:		
Beginning of year	80,231	72,870
End of year	$ 88,779	$ 80,231

See accompanying notes to financial statements.

NOTE 1 – PLAN DESCRIPTION

The following description of the Deferred Compensation Plan of the Port of Oakland (Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Port of Oakland (Port) maintains an eligible deferred compensation plan in accordance with Section 457 of the Internal Revenue Code (IRC 457). The Port's Plan was established in 1977 and is governed by the Deferred Compensation Advisory Committee (Committee) in accordance with IRC 457 and the Port's Plan document. The Plan permits employees to defer a portion of their compensation until future years. Distributions may be made only at death, retirement, termination, disability or some other event, as provided in the Plan in accordance with the provisions of Sections 53212-53214 of the Government Code of the State of California and the applicable provisions of the Internal Revenue Code.

The Plan is available to all permanent Port employees on a voluntary basis. Each employee may elect to participate by signing a participation agreement that specifies the amount of the deferral and the investment options selected by the participant. Plan participants can choose to make contributions on a pre-tax basis to the traditional 457, and after-tax basis to the Roth 457, or a combination of the two contribution options. The Plan currently utilizes one investment administrator: Empower Retirement (Empower). Each participant pays for administrative services provided by Empower through an administrative fee based on Plan assets and an investment management fee based on a percentage established by each mutual fund company and the Port's Stable Value Fund. Participants are reimbursed any revenue share fees paid for a particular fund.

All amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property and rights are held by the Plan in trust through Wells Fargo Bank for the exclusive benefit of the participants or beneficiaries, and are not subject to the claims of the Port's creditors. Investment options are monitored by the Committee, which is comprised of seven voting members – the Port's Director of Human Resources, the Port's Chief Financial Officer, and five other members appointed by the Port's Director of Human Resources or the Port's Chief Financial Officer. The Port's Director of Human Resources or the Port's Chief Financial Officer may also appoint up to two alternate members.

Contributions

During each payroll period in which an employee is a participant in the Plan, the Port defers a portion of the employee's compensation as specified by the employee. The maximum that each participant may defer under this Plan for any taxable year is the lesser of:

- The applicable dollar amount determined pursuant to IRC 457 Section (e)(15); or
- One hundred percent of the participant's year-to-date includible compensation.

Participants in the Plan may elect to rollover balances from other IRC 457 deferred compensation plans, subject to the requirements of the Plan.

NOTE 1 – PLAN DESCRIPTION (Continued)

Special Limited Catch-Up Deferral

Qualified employees who have not deferred the maximum regular deferral amount(s) allowed in prior years, may elect the Special Limited Catch-up Provision as defined in IRC 457(b)(3) for one or more of the participant's last three tax years ending before the year in which the participant attains normal retirement age as defined under Sections 1.14 and 3.03 of the Plan. In that instance, participants may elect to contribute the lesser of:

- Twice the applicable dollar amount permitted under IRC §457(b)(2)(A); or
- The sum of:
  - The maximum amount of compensation that may be deferred for the employment period as determined under Section 3.01 of the Plan for the taxable year; plus
  - The maximum amount of compensation that may be deferred for any prior employment period or employment periods as determined under Section 3.01 of the Plan's document less the compensation deferred under the Plan for such employment period or employment periods.

The Special Limited Catch-up Provision can only be elected one time. Employees who are 70½ or older may not elect this provision.

Age 50 and Older Catch-Up Deferral

Plan participants who attain age 50 by the last day of a tax year may make an additional deferral into the Plan as a catch-up contribution, subject to the requirements of IRC Section 414(v)(2)(B)(i). The Age 50 and Older Catch-up Deferral election limit was $6,000 in calendar years 2018 and 2017.

Employees may not participate in both the Special Limited Catch-up Provision deferral and the Age 50 and Older Catch-up Deferral concurrently.

Participant Deferred Compensation Accounts

The administrative services agreement with Empower provides that each participant's deferred compensation account shall be updated daily with the participant's contributions and allocations of Plan earnings, including interest, dividends, and gains/losses from investments.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon.

NOTE 1 – PLAN DESCRIPTION (Continued)

Payment of Benefits

On termination of service due to death, disability, separation of service, retirement, or as otherwise permitted by the Plan, a participant may elect to receive a full or partial lump-sum distribution, periodic payments of a dollar certain, periodic payments for a time certain, or periodic payments over the lifetime of the participant. A participant may also purchase a life or term-certain annuity, or simply leave the money on deposit until the date that they have a minimum annual distribution requirement. The IRS requires a minimum annual distribution to be made no later than April 1 of the calendar year following the later of the calendar year in which the employee attains age 70½, or the calendar year in which the employee retires. Distributions will be net of any federal and state taxes required to be withheld. The participants also have the option of having a direct tax-free rollover to a new employer pension plan or a rollover to an Individual Retirement Account.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying statements of net position and changes in net position present only the Plan, and are not intended to present the financial position of the Port and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting. Contributions are recognized as additions when due (at the end of each pay period). Payments to participants are recognized as deductions when due and payable under the provisions of the Plan.

Investment Valuation

The Plan's mutual funds are reported at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72). This statement requires the use of valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. Mutual funds are valued using prices quoted in active markets for identical assets (level 1 inputs). The Port of Oakland Stable Value Fund is stated at net asset value and is exempt from the fair value hierarchy.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable from Participants

The IRC permits and the Port allows participants in the Plan to participate in a loan program. The loans are secured by the remaining balance in the participant's account and must be repaid over a period that does not exceed five years, except that if the loan is for the purchase of a principal residence, the loan may be repaid over a period not to exceed fifteen years. The maximum amount of loans to participants is the lesser of $50,000 or 50% of the participant's vested account balance as of the day immediately preceding the date on which the loan is approved.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – INVESTMENTS

Plan participants may direct contributions into any of the investment options offered by Empower, which include various publicly traded mutual funds and fixed income investments. Participants are permitted to establish different investment strategies, which have varying return and volatility characteristics to meet each participant's long-term retirement savings strategy.

Concentration Risk

The following tables present investments that represent 5% or more of the Plan's investments at fair value at June 30, 2018 and 2017 (dollars in thousands):

	2018		**2017**	
	Amount	***% of Investments***	***Amount***	***% of Investments***
Port of Oakland Stable Value Fund*	$ 24,455	27.5%	$ 25,693	32.3%
Vanguard 500 Index Admiral	7,315	8.3%	5,799	7.3%
Fidelity Contrafund	5,622	6.3%	4,268	5.4%
Allianz RCM Global Technology Fund A	5,609	6.3%	3,343	4.2%

* Funds managed by Empower

NOTE 3 – INVESTMENTS (Continued)

Interest Rate Risk and Credit Risk

The following table presents information related to interest rate risk and credit risk for the Plan's investment in the Port of Oakland Stable Value Fund at June 30, 2018 and 2017 (dollars in thousands):

Date	Average Maturity	Rating	Net Asset Value
June 30, 2018	3.9 years	Unrated	$24,455
June 30, 2017	4.1 years	Unrated	$25,693

The Port of Oakland Stable Value Fund credits interest on a quarterly portfolio basis. All money deposited into the Port of Oakland Stable Value Fund, regardless of when it was deposited, receives the same interest rate. A new interest rate is established each quarter. The quarterly interest rate is set by Empower according to the investment policy statement guidelines that the Committee has established for the Plan. The Port of Oakland Stable Value Fund invests primarily in securities issued by the U.S. Government or its agencies.

The following table presents the fair value of the Port's investment in mutual funds at June 30:

	Fair Value (in thousands)	
Mutual Fund Investments	**2018**	**2017**
Allianz RCM Global Technology Fund A	$ 5,609	$ 3,343
AllianzGI NFJ Small-cap Value R	306	416
American Funds 2015 Trgt Date Retire R2ERBEJX	32	5
American Funds 2025 Trgt Date Retire R2ERBEDX	922	209
American Funds 2035 TRGT Date Retire R2ERBEFX	164	55
American Funds 2045 Trgt Date Retire R2ERBHHX	235	193
American Funds 2055 Trgt Date Retire R2ERBEMX	15	7
American Funds Europacific GR R5	898	735
American funds Growth Fund R4	3,455	2,931
American Funds New Perspective R2E	1,015	678
Artisan Mid Cap Fund	1,038	1,040
Barron Small Cap	900	758
Calvert Balanced A	664	624
Dreyfus Mid Cap Index Fund	2,409	1,878
Dreyfus Small Cap stock index fund	1,730	1,185
Fidelity Contra Fund	5,622	4,268
Fidelity Low Priced Fund	2,259	2,189
Fidelity Puritan Fund	1,537	1,270
Franklin Mutual European R6	176	248
Franklin Mutual Global Discovery R6	819	850
Great West Agg Profile II Fund Inst	2,151	1,886
Great West Con Profile II Fund Inst	219	355

NOTE 3 – INVESTMENTS (Continued)

Mutual Fund Investments	Fair Value (in thousands) 2018	2017
Great West Mod AGG Profile II Fund Inst	$ 2,799	$ 2,536
Great West Mod Con Profile II Fund Inst	731	634
Great West Mod Profile II Fund Inst Harbor	1,400	1,573
International Fund	2,943	3,076
Ivy High Income A	283	414
Janus Balanced I	931	853
Janus Henderson Forty T	2,394	1,980
Janus Henderson Triton N	342	98
JP Morgan US Research Enhanced Equity L	3,043	2,741
JP Morgan Equity Income R5	915	869
JP Morgan Mid Cap Value L	562	539
Neuberger Berman Genesis Instl Parnassus	1,292	1,272
Equity Income Fund	1,270	1,070
Payden GNMA	70	53
PIMCO Stocksplus Small A	791	718
Pimco Total Return A	925	1,061
Pioneer Fundamental Growth Y	455	403
Principal Real Estate Securities Inst	134	402
Prudential Jennison Utility Fund Z	520	664
T. Rowe Price Value ADV	1,444	1,542
Vanguard 500 Index Admiral	7,315	5,799
Vanguard Total Stock Market Index Adm	878	444
Total Mutual Funds	**$ 63,612**	**$ 53,864**

Disclosure of the average maturity and credit risk rating for mutual funds invested in equity investments is not applicable under GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment of GASB Statement No. 3.*