ANNUAL REPORT
for the Fiscal Year Ended June 30, 2016
Relating to:
ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
Tax-Exempt Senior Lien Revenue Bonds, Series 1999A
Taxable Senior Lien Revenue Bonds, Series 1999C
Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2004A
Taxable Subordinate Lien Revenue Refunding Bonds, Series 2004B
Taxable Senior Lien Revenue Refunding Bonds, Series 2012
Tax Exempt Senior Lien Revenue Refunding Bonds, Series 2013A
Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2016A
and
Tax-Exempt Second Subordinate Lien Revenue Refunding Bonds, Series 2016B

Dated as of
March 22, 2017

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INTRODUCTION

This Annual Report (this "Report"), including the cover page and appendices hereto, is being furnished by the Alameda Corridor Transportation Authority (the "Authority") on behalf of the Authority; the City of Long Beach, acting by and through its Board of Harbor Commissioners ("POLB"); and the City of Los Angeles, acting by and through its Board of Harbor Commissioners ("POLA," and together with POLB, the "Ports"), to provide updated financial and operating information of the Authority of the type included in the final official statements for the:

- $494,893,616.80 aggregate principal amount of Tax-Exempt Senior Lien Revenue Bonds, Series 1999A (the "1999A Bonds");
- $497,453,395.70 aggregate principal amount of Taxable Senior Lien Revenue Bonds, Series 1999C (the "1999C Bonds");
- $475,292,386.40 aggregate principal amount of Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2004A (the "2004A Bonds");
- $210,731,702.85 aggregate principal amount of Taxable Subordinate Lien Revenue Refunding Bonds, Series 2004B (the "2004B Bonds," and together with the 2004A Bonds, the "2004 Bonds");
- $83,710,000 aggregate principal amount of Taxable Senior Lien Revenue Refunding Bonds, Series 2012 (the "2012 Bonds");
- $248,325,000 aggregate principal amount of Tax-Exempt Senior Lien Revenue Refunding Bonds, Series 2013A (the "2013A Bonds");
- $34,280,000 aggregate principal amount of Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2016A (the "2016A Bonds"); and
- $556,860,000 aggregate principal amount of Tax-Exempt Second Subordinate Lien Revenue Refunding Bonds, Series 2016B (the "2016B Bonds," and together with the 2016A Bonds, the "2016 Bonds").

The 1999A Bonds, the 1999C Bonds, the 2004 Bonds, the 2012 Bonds, the 2013A Bonds, and the 2016 Bonds are referred to herein as the "Bonds."

This Report is provided pursuant to covenants made by the Authority, POLA and POLB in connection with the issuance of: (i) the 1999A Bonds and the 1999C Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated January 1, 1999 (the "1999 Continuing Disclosure Certificate"); (ii) the 2004 Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated February 1, 2004 (the "2004 Continuing Disclosure Certificate" and together with the 1999 Continuing Disclosure Certificate, the "Pre-2013 Continuing Disclosure Certificates"); (iii) the 2013A Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated February 12, 2013 (the "2013 Continuing Disclosure Certificate"); and (iv) the 2016 Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated May 24, 2016 (the "2016 Continuing Disclosure Certificate") (collectively, the "Continuing Disclosure Certificates").

The covenants made by the Authority, POLA and POLB to provide annually certain financial information and operating data and to provide notice of certain enumerated event vary among the Continuing Disclosure Certificates. Additionally, subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides for inclusion in this Report, certain financial information and operating data in a form different than was provided in the 1999 Official Statement and the 2004 Official Statement (each as defined below). For each table or incorporation by reference of financial information or operating data provided in this Report a footnote has been provided to identify the Continuing Disclosure Certificate pursuant to which the information is provided and, where applicable, a reference to the specific table in which the information is provided.

Official Statements and Prior Reports

For further information and a more complete description of the Authority, POLA, POLB and the Bonds, reference is made to the Official Statement for the 1999A Bonds (the "1999A Official Statement"), the Official Statement for the 1999C Bonds (the "1999C Official Statement", and together with the 1999A Official Statement, the "1999 Official Statements"), the Official Statement for the 2004 Bonds (the "2004 Official Statement"), the Official Statement for the 2013A Bonds (the "2013A Official Statement"), the Official Statement for the 2016 Bonds (the "2016 Official Statement" and together with the 1999 Official Statements, the 2004 Official Statement, and the 2013A Official Statement, the "Official Statements") and the Authority's previous Annual Continuing Disclosure Reports for the fiscal years ended June 30, 1999 through June 30, 2015 (the "Prior Reports"), respectively, all of which speak only as of their respective dates. Capitalized terms used but not defined herein have the meanings given to them in the Official Statements and the Continuing Disclosure Certificates.

Disclaimers

To the extent the Authority provides information herein that the Authority is not obligated to present or update, the Authority is not obligated to present or update such information in future annual reports. Except as set forth herein, the Authority has not updated any information contained in the Prior Reports.

Investors are advised to refer to the Official Statements for information concerning the initial issuance of and security for the Bonds. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND, EXCEPT AS DESCRIBED IN THE OFFICIAL STATEMENTS, ARE PAYABLE SOLELY FROM AND ARE SECURED BY A LIEN ON THE TRUST ESTATE. THE BONDS ARE NOT OBLIGATIONS OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA AND ARE NOT OBLIGATIONS OF THE CITY OF LONG BEACH OR THE CITY OF LOS ANGELES (TOGETHER, THE "CITIES"), THE PORTS OR THE RAILROADS (AS DEFINED BELOW). THE PROJECTS DESCRIBED IN THE OFFICIAL STATEMENTS ARE NOT SECURITY FOR THE BONDS, AND THE BONDS ARE NOT SECURED BY A LIEN ON ANY PROPERTIES OR IMPROVEMENTS OF THE AUTHORITY, THE CITIES THE PORTS OR THE RAILROADS OR BY A PLEDGE OF ANY REVENUES OF THE CITIES, THE PORTS OR THE RAILROADS.

By providing the information herein, the Authority does not imply or represent (a) that all information provided herein is material to investors' decisions regarding investment in the Bonds, (b) the completeness or accuracy of any financial, operational or other information not included herein or in the Official Statements, (c) that no changes, circumstances or events have occurred since June 30, 2016 (other than as contained herein), or (d) that no other information exists which may have a bearing on the Authority's financial condition, the security for the Bonds or an investor's decision to buy, sell or hold the Bonds.

The information set forth herein and incorporated hereby has been furnished by the Authority and the Ports and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Report which involve estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained herein or incorporated hereby are subject to change without notice and the delivery of this Report will not, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Ports. The Authority, POLA and POLB are each relying upon, and have not independently confirmed or verified, the accuracy or completeness of information provided by the others or other information incorporated by reference therein. This presentation does not constitute a recommendation or an offer or solicitation for the purchase or sale of any security or other financial instrument, including the Authority's securities, or to adopt any investment strategy. Any offer or solicitation with respect to the Authority's securities will be made solely by means of an official statement of the Authority related to such securities, which describes the actual terms of the Authority's securities. Nothing in these materials constitutes a commitment by the Authority to enter into any transaction. No assurance can be given that any transaction mentioned herein could in fact be executed.

No statement contained herein should be construed as a prediction or representation about future financial performance of the Authority or the Ports. Historical results presented herein may not be indicative of future operating results.

DISCUSSION OF EVENTS

Listed Events

Since March 31, 2016, the date of the Authority's last Annual Report with respect to the Bonds, none of the following events has occurred with respect to the Bonds other than the events listed under "—Notices Filed" below. For information regarding the Authority's disclosure filings since March 31, 2016, see "—Notices Filed" below.

Certain Enumerated Events under the Pre-2013 Continuing Disclosure Certificates (if material):

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers or their failure to perform;
- adverse tax opinions or events affecting the tax status of the Bonds;
- modifications to the rights of Owners of the Bonds;
- Bond calls other than mandatory sinking fund repayments;
- defeasances;
- release, substitution, or sale of property, if any, securing repayment of the Bonds; and
- rating changes.

Certain Enumerated Events under the 2013 Continuing Disclosure Certificates:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or any failure by any credit or liquidity provider to perform;
- adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue;
- other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- modifications to rights of bond holders, if material;

- bond calls, if material;
- tender offers;
- defeasances;
- release, substitution or sale of property securing repayment of the Bonds, if material;
- rating changes;
- bankruptcy, insolvency, receivership or similar event of the Authority, POLB or POLA;
- the consummation of a merger, consolidation, or acquisition involving the Authority, POLB or
- POLA or the sale of all or substantially all of the assets of the Authority, POLB or POLA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- appointment of a successor or additional trustee or change of name of a trustee, if material.

Notices Filed

Since March 31, 2016, the date of the Authority's last Annual Report with respect to the Bonds, the Authority has filed the following notices with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access website, which notices may be obtained at www.emma.msrb.org:

- Notice of Defeasance of certain 2004A Bonds dated May 24, 2016.
- Notice Regarding Change in Ratings dated April 27, 2016.
- Supplement to Annual Report or the Fiscal Year Ended June 30, 2015 dated May 18, 2016.
- Supplement to Notice of Estimated Shortfall Advances and Reserve Account Funding dated May 25, 2016.

The above-described notices speak only as of their respective dates and the content of the above-described notices are not incorporated herein. To the extent that the Authority provides information in voluntary notices that it is not obligated to provide pursuant to the Continuing Disclosure Certificates or otherwise, the Authority is not obligated to update or provide such information in the future.

Information Regarding Dominguez Channel Oil Release and Encroachment

On December 21, 2010, a crude oil release from a then-unknown origin was discovered in the Dominguez Channel and nearby storm water drainage system adjacent to the Rail Corridor. The U.S. Environmental Protection Agency (the "EPA"), the California Department of Fish & Game (the "DFG"), the U.S. Coast Guard and others were involved in the initial mitigation, investigation and immediate clean-up efforts and containment of the release.

On January 7, 2011, the EPA issued an order to the Ports and to the Authority to assume responsibility for these activities effective January 14, 2011. The EPA agreed to limit the Authority's and the Ports' roles to maintaining the containment systems and cleaning up the City of Los Angeles pump station and the sewer line leading to the pump station. The Authority and the Ports subsequently completed the work required by the EPA while the EPA and the DFG continued the source investigation.

On March 30, 2011, after identifying an oil pipeline owned and operated by Crimson Pipeline Management Company (the "Crimson") as the source of the release, the EPA issued an order to Crimson for removal, mitigation or prevention of a substantial threat of oil discharge. The Authority has been notified that Crimson has taken over responsibility for the oil release containment facilities effective June 15, 2011, and has assumed financial and operational responsibilities from that date.

On April 27, 2012, Crimson filed a lawsuit against the City of Los Angeles, the City of Long Beach, the Authority and Herzog Contracting Corporation ("Herzog") alleging that, among other things, Herzog, while performing certain construction work in the late 1990s on behalf of the City of Los

Angeles, damaged the casing in which the pipeline was installed at some unspecified time, and further alleging that water entered the damaged casing and eventually corroded the pipeline and further alleging that as a result, quantities of crude oil were released into a storm water drainage system leading to the Dominguez Channel. The complaint sought damages against the City of Los Angeles and Herzog, and a declaration of rights and liabilities of all the parties named in the complaint. The Authority, the City of Los Angeles and the City of Long Beach sought cost reimbursement from Crimson through counter-complaints in the litigation and sought also other funding sources available for such purpose, including the Oil Spill Liability Trust Fund (established under the Oil Pollution Act of 1990).

In May 2012, Crimson entered into a stipulated judgment with the City of Los Angeles in connection with alleged criminal violations regarding the oil spill and paid a $1.75 million fine.

Between October 2013 and September 2015, the Authority and other named parties engaged in confidential mediation in regard to this matter and in September 2015, the Authority and the other parties executed a settlement agreement which includes a payment from Crimson's insurance carrier to the Authority's insurance carrier. Subject to completion of a settlement agreement with its insurance carrier, through its insurance coverage and the settlement, the Authority expects to have recovered most of its costs associated with the event and received funds and indemnity for future site investigation work, and the storm-water discharge is to continue to be contained, monitored and treated by Crimson at its expense for the foreseeable future until there are assurances that no further oil is present.

As of the date of this Report, there has been no impact on Use Fees or Container Charges as a result of the release. See Note 8 to the Authority Financial Statements (as defined below).

Fair Political Practices Commission Advice Letter Request

On August 20, 2015, the City Attorney of the City of Long Beach, on behalf of POLB, requested written advice from the California Fair Political Practices Commission ("FPPC") as to whether the Operating Committee is a "local government agency" for purposes of the Political Reform Act (the "Advice Letter Request"). The Advice Letter Request sets forth certain background facts regarding the creation and role of the Operating Committee under the Use and Operating Agreement. The California Political Reform Act requires "public officials" (as defined in such Act) who make or participate in making governmental decisions to disclose economic interests which may be materially affected by those decisions. In particular, the Political Reform Act requires, among other things, that a "local government agency" (as defined in such Act) adopt a conflict-of-interest code and public officials who make or participate in making decisions on behalf of the local government agency to be subject to disqualification from decision-making based on such code. The Political Reform Act also requires that public officials file certain annual financial disclosures regarding their economic interests.

On August 25, 2015, the City Attorney of the City of Los Angeles, on behalf of POLA, also sent a letter to the FPPC agreeing with the background facts provided by POLB in the Advice Letter Request and requesting that advice also be given to POLA on the matter. On October 13, 2015, counsel to BNSF and UP submitted a similar request to the FPPC.

On March 23, 2016, the FPPC issued Advice Letter No. A-16-019 (the "Advice Letter") finding that the Operating Committee is a "local government agency" under the Political Reform Act and, as such, is required to adopt a conflict-of-interest code for its members or be included within an existing conflict-of-interest code.

In order to address the Advice Letter, on December 15, 2016 the Authority amended and restated the Use and Operating Agreement in order to, among other things, replace the Operating Committee with direct decision making authority by the Ports and the Railroads. These changes do not have an impact on the operation of the Corridor or the collection of Authority's revenues.

FURTHER INFORMATION

For further information regarding this Report, please address your questions to:

Mr. James P. Preusch
Chief Financial Officer
Alameda Corridor Transportation Authority
3760 Kilroy Airport Way, Suite 200
Long Beach, California 90806
(562) 247-7777

AUTHORITY FINANCIAL AND OPERATING INFORMATION

The following table lists the aggregate principal amount of Senior Lien Bonds and Subordinate Lien Bonds originally issued by the Authority and the aggregate principal amounts or accreted values of Bonds Outstanding under the Master Indenture as of the date of this Report.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
OUTSTANDING SENIOR LIEN AND SUBORDINATE LIEN BONDS*
(as of April 1, 2017)

Series	Lien	Interest Conversion	Tax Status	Final Maturity (October 1)	Original Principal Amount Issued[1]	Principal/Accreted Value Outstanding
1999A	Senior	Capital Appreciation	Tax-Exempt	2037	$ 50,453,617	$ 129,469,445[2]
1999C	Senior	Current Interest	Taxable	2037	430,155,000	382,565,000
1999C	Senior	Capital Appreciation	Taxable	2037	67,298,396	225,871,157[2]
2004A	First Subordinate	Capital Appreciation	Tax-Exempt	2030	200,300,101	98,907,592[2]
2004A	First Subordinate	Convertible Capital Appreciation	Tax-Exempt	2025	274,992,286	-[3]
2004B	First Subordinate	Capital Appreciation	Taxable	2033	210,731,702	292,636,663[2]
2012[4]	Senior	Current Interest	Taxable	2035	83,710,000	83,710,000
2013A[5]	Senior	Current Interest	Tax-Exempt	2029	248,325,000	248,325,000
2016A	First Subordinate	Current Interest	Tax-Exempt	2025	34,280,000	34,280,000
2016B	Second Subordinate	Current Interest	Tax-Exempt	2037	556,860,000	556,860,000
Total						$ 2,052,624,857

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 1 of the 2013A Official Statement and Table 1 of the 2016 Official Statement.
(1) Capital Appreciation Bonds listed at original principal amount, rounded to the nearest dollar.
(2) Capital Appreciation Bonds listed at accreted value as of March 31, 2017, rounded to the nearest dollar.
(3) This portion of the Series 2004A Subordinate Lien Bonds converted to Current Interest Bonds on October 1, 2012.
(4) The Series 2012 Senior Lien Bonds are refunding Bonds purchased by the U.S. Department of Transportation, acting through the Federal Railroad Administration. The Series 2012 Bonds refunded a portion of the Authority's Series 1999A Bonds that were current interest bonds.
(5) The Series 2013 Senior Lien Bonds were issued to refund the Authority's remaining Series 1999A Senior Lien Bonds that were current interest bonds.

Source: The Authority

The following table lists Use Fees in effect as of January 1, 2017.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
SCHEDULE OF USE FEES*
(As of January 1, 2017)

Waterborne Containers(1)(2)	$23.77 per TEU (Loaded)
Waterborne Containers(1)(2)	5.69 per TEU (Empty)
Non-Waterborne Containers(1)	5.69 per TEU (Loaded or Empty)
Automobiles	11.39 per Railcar
Coal	11.39 per Railcar
White Bulk(3)	11.39 per Railcar
Iron & Steel	11.39 per Railcar
Liquid Bulk(4)	11.39 per Railcar
Miscellaneous Carload	11.39 per Railcar

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 4 of the 2013A Official Statement and table 5 of the 2016 Official Statement.

(1) The terms "Waterborne Containers" and "Non-Waterborne Containers" are defined in the 2013A Official Statement under "AUTHORITY REVENUES—Container Charges." "TEU" is the international measure for containerized cargo is the twenty-foot-long container or twenty-foot-equivalent unit.

(2) The Use Fee for Waterborne Containers includes the Surcharge described above. The maximum allowable CPI Increase is 4.5%.

(3) White Bulk generally consists of potash, borax, light colored ores and occasionally sulfur.

(4) Liquid Bulk includes, among other cargos, crude oil, gasoline and other miscellaneous chemicals.

Source: The Authority.

The following table summarizes Use Fees and Container Charges received for fiscal years ended June 30, 2010 through June 30, 2016.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
USE FEES AND CONTAINER CHARGES*
(As of June 30)

Fiscal Year Ended June 30	Use Fees and Container Charges[(1)]
2010	$ 80,478,532
2011	93,188,481
2012[(2)]	97,283,963
2013[(3)]	99,358,973
2014[(3)]	108,998,890
2015[(3)(4)]	105,518,770
2016[(3)(4)]	103,551,936

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 5 of the 2013A Official Statement and Table 6 of the 2016 Official Statement.

(1) Effective December 1, 2006, includes the $0.90-per TEU increase in Use Fees and Customer Charges agreed to as part of the settlement with the Railroads.

(2) Includes seven months of Surcharges based upon the Subsequent Shortfall Advance payment required for October 1, 2011 debt service.

(3) Revenues include an annual fee increase of 3.0% on January 1, 2013, an increase of 1.5% on January 1, 2014, on January 1, 2015 and on January 1, 2016 and an increase of 2.2% on January 1, 2017.

(4) See “AUTHORITY REVENUES—Recent and Budgeted Cargo Throughput and Revenue Collections” in the 2016 Official Statement and Table 7 below for a description of the productivity, congestion and labor contract issues that affected both Ports.

Source: The Authority.

The following table shows (in TEUs) historical full and empty containers that moved through the Ports and full and empty containers for which the Authority received revenues for calendar years 2010 through 2016.

PORTS OF LONG BEACH AND LOS ANGELES AND AUTHORITY CONTAINER THROUGHPUT
CALENDAR YEARS 2010-2016 (HISTORICAL)*
(TEUs)

	2010	2011	2012[(1)]	2013	2014	2015	2016
Ports							
Inbound[(3)]	7,102,794	7,091,732	7,154,911	7,432,017	7,787,274	7,784,725	7,987,323
Outbound[(3)]	3,403,673	3,616,086	3,583,264	3,625,999	3,536,409	3,182,237	3,347,998
Empties	3,588,936	3,293,784	3,385,201	3,541,139	3,837,191	4,385,562	4,296,631
Total TEUs	14,095,402	14,001,602	14,123,376	14,599,155	15,160,874	15,352,524	15,631,952
% Change From Prior Year	19.30%	-0.70%	0.87%	3.37%	3.85%	1.26%	1.82%
Authority[(2)]							
Inbound[(3)]	2,655,783	2,766,551	2,643,636	2,769,596	2,959,071	2,843,550	2,657,908
Outbound[(3)]	1,763,450	1,857,205	1,704,824	1,720,652	1,636,401	1,392,488	1,444,289
Empties	375,302	363,636	333,105	342,344	505,239	682,773	397,665
Total TEUs	4,794,535	4,987,392	4,681,565	4,832,592	5,100,711	4,918,811	4,499,862
% Change From Prior Year	13.80%	4.00%	-6.13%	3.23%	5.55%	-3.57%	-8.52%
Authority's % of Ports' Throughput	34.00%	35.60%	33.15%	33.10%	33.64%	32.04%	28.79%

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 6 of the 2013A Official Statement and Table 7 of the 2016 Official Statement.
(1) Restated.
(2) Includes domestic (the Authority's Non-Waterborne component).
(3) Fully loaded.
Sources: The Ports for Port cargo information and for Authority TEUs, the Authority.

The following table shows (in TEUs) historical full and empty containers that moved through the Ports and full and empty containers for which the Authority received revenues for fiscal years ended June 30, 2010 through June 30, 2016.

PORTS OF LONG BEACH AND LOS ANGELES AND AUTHORITY CONTAINER THROUGHPUT*
AUTHORITY FISCAL YEARS
FISCAL YEARS 2010-2016 (HISTORICAL)
(TEUs)

	2010	2011	2012(1)	2013	2014	2015	2016
Ports							
Inbound(3)	6,493,254	7,255,285	7,124,243	7,226,875	7,694,431	7,685,145	7,918,215
Outbound(3)	3,263,779	3,526,142	3,650,084	3,526,385	3,692,128	3,276,342	3,215,970
Empties	2,998,737	3,590,487	3,324,446	3,471,564	3,634,542	4,053,965	4,427,181
Total TEUs	12,755,770	14,371,913	14,098,773	14,224,824	15,021,101	15,015,452	15,561,366
% Change From Prior Year	-0.90%	12.70%	-1.90%	0.89%	5.60%	-0.04%	3.64%
Authority(2)							
Inbound(3)	2,395,602	2,809,972	2,717,704	2,679,466	2,887,833	2,916,201	2,834,495
Outbound(3)	1,686,001	1,814,678	1,863,061	1,652,343	1,741,295	1,553,228	1,494,245
Empties	259,151	400,155	368,752	344,759	395,927	643,635	594,643
Total TEUs	4,340,754	5,024,806	4,949,517	4,676,569	5,025,055	5,113,064	4,923,382
% Change From Prior Year	-9.80%	15.80%	-1.50%	-5.51%	7.45%	1.75%	-3.71%
Authority's % of Ports' Throughput	34.00%	35.00%	35.10%	32.88%	33.45%	34.05%	31.64%

* Provided to comply with the 2013 Continuing Disclosure Certificate and to present current information in the form of Table 7 of the 2013A Official Statement.
(1) Restated.
(2) Includes domestic (the Authority's Non-Waterborne component).
(3) Fully loaded.
Sources: The Ports for Port cargo information and for Authority TEUs, the Authority.

The following table summarizes for calendar years 2008 through 2017 the Authority's Use Fees and Container Charges.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
CONTAINER CHARGES AND USE FEES*
(Effective January 1, 2008-2017)(1)

Year	Loaded Waterborne/TEU	Empty TEU or Loaded Non-Waterborne/TEU	Miscellaneous Full Railcar	CPI Increase(2)
2008	$18.67(3)	$4.73	$9.45	3.50
2009	19.31(3)	4.89	9.77	3.43
2010	19.60(3)	4.96	9.92	1.50
2011	19.89(3)(4)	5.03	10.07	1.50
2012	21.60(3)(5)	5.17	10.35	2.80
2013	22.25(3)(6)	5.33	10.66	3.00
2014	22.58(3)(6)	5.41	10.82	1.50
2015	22.92(3)(6)	5.49(7)	10.98	1.50
2016	23.26(3)(6)	5.57	11.14	1.50
2017	23.77(3)(6)	5.69	11.39	2.20

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 8 of the 2013A Official Statement and Table 8 of the 2016 Official Statement.

(1) Except that the $0.90/Loaded Waterborne TEU increase agreed to in the settlement and the amendments to the Operating Agreement became effective December 1, 2006 and the Surcharge of $1.12/TEU ($1.00, escalated from 2006 by the annual CPI escalator) effective on December 1, 2011 following the Shortfall Advance payment required for the October 1, 2011 debt service payment.

(2) CPI increases are calculated from October 31 to October 31 of the prior calendar year. Under the Operating Agreement, the minimum increase is 1.5%, even if (as in 2009 and 2010) the actual CPI increase was lower than 1.5%.

(3) Includes a one-time, permanent fee increase of $0.90/Loaded Waterborne TEU effective December 1, 2006 pursuant to the Transload settlement. That increase, together with the CPI increase, resulted in an increase of $1.29/Loaded Waterborne TEU in 2007.

(4) Excludes the Surcharge of $1.12/TEU ($1.00, escalated from 2006 by the annual CPI escalator) effective on December 1, 2011 following the Shortfall Advance payment required for the October 1, 2011 debt service payment.

(5) The addition of the Surcharge, plus the CPI increase resulted in a total increase of $1.71/Loaded Waterborne TEU in 2012.

(6) Includes the Surcharge.

(7) The Annual Report of the Authority for the for the Fiscal Year Ended June 30, 2014 indicated that as of January 1, 2015 the fee for Waterborne Containers was $5.90 per TEU (Empty) and the fee for Non-Waterborne Containers was $5.90 per TEU (Loaded or Empty). For the period beginning January 1, 2015 through and including December 31, 2015 the fee for Waterborne Containers was $5.49 per TEU (Empty) and the fee for Non-Waterborne Containers was $5.49 per TEU (Loaded or Empty).

Source: The Authority.

The following table summarizes revenue collected by the Authority during fiscal years ended June 30, 2007 through 2016.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
CONTAINER CHARGE AND USE FEE REVENUE IN FISCAL YEARS 2007-2016[(1)*]
(Fiscal Years ended June 30)

Component	2007[(2)]		2008[(2)]		2009[(2)]		2010[(2)]		2011[(2)]	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Waterborne Full	$89,831,585	94.34%	$89,912,972	95.60%	$81,572,924	95.58%	$77,722,350	96.58%	$89,637,086	96.19%
Waterborne Empty	3,824,422	4.02	2,181,043	2.32	2,087,658	2.45	1,202,976	1.49	1,966,438	2.11
Non-Waterborne	879,106	0.92	1,108,015	1.18	987,457	1.16	803,053	1.00	689,258	0.74
Misc. Full Railcars	685,643	0.72	846,390	0.90	701,201	0.82	750,153	0.93	895,700	0.96
Totals	$95,220,756	100.00%	$94,048,421	100.00%	$85,349,060	100.00%	$80,478,532	100.00%	$93,188,481	100.00%

Component	2012[(2)(3)(4)]		2013[(2)(3)(4)]		2014[(2)(3)(4)]		2015[(2)(3)(4)]		2016[(2)(3)(4)]	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Waterborne Full	$93,771,838	96.39%	$95,818,966	96.44%	$104,859,129	96.20%	$100,128,456	94.89%	$99,513,410	96.10%
Waterborne Empty	1,776,213	1.83	1,823,295	1.84	2,149,683	1.97	3,475,207	3.29	2,381,695	2.30
Non-Waterborne	740,226	0.76	672,416	0.68	685,034	0.63	730,053	0.69	621,312	0.60
Misc. Full Railcars	995,686	1.02	1,044,296	1.05	1,305,044	1.20	1,185,054	1.12	1,035,519	1.00
Totals	$97,283,963	100.00%	$99,358,973	100.00%	$108,998,890	100.00%	$105,518,770	100.00%	$103,551,936	100.00%

* Provided to comply with the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 2 of the Report of the Independent Revenue Consultant included as Appendix A to the 2004 Official Statement, Table 9 of the 2013A Official Statement and Table 9 of the 2016 Official Statement.

(1) Totals may not add due to rounding.

(2) Includes a one-time, permanent fee increase of $0.90/Loaded Waterborne TEU effective December 1, 2006 pursuant to the Transload settlement. That increase, together with the CPI increase, resulted in an increase of $1.29/Loaded Waterborne TEU in 2007.

(3) Includes the Surcharge of $1.12/Loaded Waterborne TEU ($1.00, escalated from 2006 by the annual CPI escalator) effective on December 1, 2011 following the Shortfall Advance payment required for the October 1, 2011 debt service payment.

(4) The addition of the Surcharge, plus the CPI increase resulted in a total increase of $1.71/loaded Waterborne TEU in 2012.

Source: Cargo information compiled by the Authority from information provided by the Ports.

The following table is derived from the Authority's audited financial statements for fiscal years ended June 30, 2011 through 2016.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION*
(Fiscal Years ended June 30)

	2011[(1)]	2012[(1)]	2013[(1)]	2014[(1)]	2015	2016
Operating revenues:						
Use fees and container charges	$ 93,188,481	$ 97,283,963	$ 99,358,973	$ 108,998,890	$ 105,518,770	$ 103,551,936
Maintenance-of-way charges[(2)]	3,996,449	4,408,285	4,557,706	4,788,030	4,856,519	5,052,440
Total operating revenues	$ 97,184,930	$ 101,692,248	$ 103,916,679	$ 113,786,920	$ 110,375,289	$ 108,604,376
Operating expenses:						
Salaries and benefits	$ 1,839,141	$ 2,116,405	$ 2,154,998	$ 1,708,783	$ 1,860,394	$ 1,742,411
Administrative expenses	2,215,700	1,829,151	1,821,842	1,524,456	1,521,284	1,483,085
Professional services	4,939,826	2,962,133	736,069	949,450	744,920	1,252,914
Maintenance-of-way	5,489,127	5,984,781	6,204,519	6,039,975	6,738,543	7,154,542
Depreciation	21,701,750	21,754,246	21,304,024	21,308,675	21,244,199	21,053,229
Total operating expenses	$ 36,185,544	$ 34,646,717	$ 32,221,452	$ 31,531,339	$ 32,109,340	$ 32,686,181
Operating income	$ 60,999,386	$ 67,045,531	$ 71,695,227	$ 82,255,581	$ 78,265,949	$ 75,918,195
Nonoperating revenues:						
Interest and investment revenue, net	$ 5,070,228	$ 4,156,696	$ 3,111,174	$ 2,230,983	$ 2,413,719	$ 3,375,680
Grants[(3)]	6,203,554	2,806,482	4,168,478	8,158,398	3,479,593	1,949,517
Miscellaneous revenue	2,673,181	980,469	499,967	188,533	193,220	1,009,872
Total nonoperating revenues	$ 13,946,963	$ 7,943,647	$ 7,779,619	$ 10,577,914	$ 6,086,532	$ 6,335,069
Nonoperating expenses:						
Interest expense	$ 118,156,735	$ 118,538,433	$ 109,435,367	$ 116,183,634	$ 111,683,412	$ 138,639,697
Loss on sale and transfers of capital assets held for sale and transfer[(4)]	--	--	--	13,011,363	26,328,348	99,546,017
Expenses for public benefit	--	--	5,216,480	3,460,496	4,195,569	2,028,509
Bond issuance costs	3,230,361	--	4,372,302	--	--	11,059,040
Total nonoperating expenses	$ 121,387,096	$ 118,538,433	$ 119,024,149	$ 132,655,493	$ 142,207,329	$ 251,273,263
Change in net position[(5)]	$ (46,440,747)	$ (43,549,255)	$ (39,549,303)	$ (39,821,998)	$ (57,854,848)	$ (169,019,999)
Net position, beginning of the year, as restated	$ 123,854,033	$ 24,959,164	$ (18,590,091)	$ (93,327,062)	$ (133,149,060)	$ (192,692,420)
Cumulative effect of change in accounting principle	(52,454,122)[(6)]	--	(35,187,668)[(7)]	--	(1,688,512)[(8)]	--
Net position, beginning of the year, as restated	$ 71,399,911	$ 24,959,164	$ (53,777,759)	$ (93,327,062)	$ (134,837,572)	$ (192,692,420)
Net position, - end of year	$ 24,959,164	$ (18,590,091)	$ (93,327,062)	$ (133,149,060)	$ (192,692,420)	$ (361,712,419)

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 10 of the 2013A Official Statement and Table 10A of the 2016 Official Statement.

(1) Restated. to conform with Fiscal Year 2015 presentation.

(2) M & O charges are payable by the Railroads as provided by the Operating Agreement and are not pledged to or available for payment of Bonds.

(3) Represents proceeds from federal or state grants awarded to reimburse the Authority or Caltrans for costs of Related Improvements.

(4) See Note 4 in the Authority Financial Statements.

(5) Decreases in total net position are primarily because operating income (which takes depreciation into account) is less than interest expense. See the Authority Financial Statements.

(6) In 2013, the Authority implemented new accounting standards pursuant to Governmental Accounting Standards Board Statement No. 65.

(7) In 2013, the Authority implemented new accounting standards pursuant to Governmental Accounting Standards Board Statement No. 63.

(8) In 2015, the Authority implemented new accounting standards pursuant to Governmental Accounting Standards Board Statement No. 68.

Source: The Authority.

The following table shows for Fiscal Years ended June 30, 2007 through June 30, 2016 debt service coverage. The following table shows for Fiscal Years ended June 30, 2007 through 2016 debt service coverage calculated using Use Fee and Container Charges, plus in Fiscal Years 2012 and 2013, the Shortfall Advances paid in October 2011 and 2012, and Debt Service for Fiscal Years 2007 through 2016. As noted in the notes to the following table, the amounts shown as available for debt service and the debt service coverage calculations do not take into account amounts (a total of approximately $69.0 million) transferred from investment earnings from post-maturity Debt Service Reserve Account releases and/or from unexpended Series 1999 Bond proceeds in September 2006 and 2008 through 2012. The calculations shown in following table are not required by the Indenture and are shown for information only.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
HISTORICAL REVENUE DEBT SERVICE COVERAGE[*]
FISCAL YEARS 2007-2016

Fiscal Year Ending June 30	Use Fees and Container Charges[(1)]	Senior Lien Bonds Debt Service[(3)]	Debt Service Coverage for Senior Lien Bonds[(2)]	Subordinate Lien Bonds Debt Service[(4)]	Debt Service Coverage for Senior Lien Bonds and Subordinate Lien Bonds[(2)(5)]	Shortfall Advances	Additional Funds Used for Debt Service[(6)]
2007	$ 95,220,756	$ 50,989,071	1.87x	$ 28,047,735	1.20x	0	$ 13,112,196
2008	94,048,421	58,011,471	1.62x	22,395,191	1.17x	0	0
2009	85,349,060	58,287,840	1.46x	26,908,538	1.00x	0	2,000,000
2010	80,478,532	58,577,279	1.37x	30,846,733	0.90x	0	2,150,000
2011	93,188,481	58,848,536	1.58x	35,813,315	0.98x	0	11,150,000
2012[(5)]	97,283,963	58,524,916	1.66x	42,659,825	0.96x	$ 5,900,000	1,200,000
2013	99,358,973	43,865,232	2.27x	68,294,588	0.89x	5,900,000	5,465,000
2014	108,998,890	42,106,771	2.59x	57,543,575	1.09x	0	15,000,000
2015	105,518,770	45,135,046	2.34x	69,523,600	0.92x	0	18,963,799
2016	103,551,936	62,504,217	1.66x	49,846,100	0.92x	0	0

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 11 of the 2013A Official Statement and Table 12 of the 2016 Official Statement.

(1) Derived from the Authority's audited financial statements.

(2) Does not include investment income and transfers of unexpended Series 1999 Bond proceeds and other funds applied to October 1 debt service payments.

(3) Includes debt service on the Series 1999 Senior Lien Bonds, the Series 2012 Bonds and Series 2013A Bonds.

(4) Includes debt service on the Series 1999 Subordinate Lien Bonds and the Series 2004 Subordinate Lien Bonds.

(5) The amount of Debt Service shown for Fiscal Year 2012 does not include debt service on the Series 2012 Bonds (issued on June 21, 2012). On July 24, 2012, $83.71 million of Series 1999A Bonds were redeemed with proceeds of the Series 2012 Bonds and on October 1, 2011, $24.295 million of Series 1999A Bonds were redeemed with unexpended proceeds of the Series 1999A Bond Construction Fund.

(6) The amounts shown include amounts transferred from investment earnings from post-maturity Debt Service Reserve Account releases and/or from unexpended Series 1999 Bond proceeds in September 2006 and 2008 through 2012.

Source: The Authority.

The following table shows for Fiscal Years ended June 30, 2007 through 2016 debt service coverage calculated as provided in the Indenture. The following table illustrates debt service coverage using Use Fees and Container Charges, plus Contingent Port Obligations (referred to in the following table as "Total Dedicated Revenues"). Contingent Port Obligations equals 40% of the Annual Amount (annual debt service, Required Debt Service Reserve Account deposits, if any, and Financing Fees such as trustee and rating agency costs and RAV verification and monitoring fees). The following table does not include amounts transferred from investment earnings, Debt Service Reserve Account releases or unexpended Series 1999 Bond proceeds.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
HISTORICAL DEDICATED REVENUE DEBT SERVICE COVERAGE*
FISCAL YEARS 2007-2016

Fiscal Year Ending June 30	Use Fees and Container Charges (A)	Contingent Port Obligations[1] (B)	Total Dedicated Revenues[2] (A+B)=(C)	Senior Lien Bonds Debt Service (D)	Debt Service Coverage for Senior Lien Bonds[2] (C/D)=(E)	Subordinate Lien Bonds Debt Service (F)	Debt Service Coverage for Senior Lien Bonds and Subordinate Lien Bonds[2] (C/(D+F))
2007	$ 95,220,756	$ 31,614,722	$126,835,478	$ 50,989,071	2.49x	$ 28,047,735	1.60x
2008	94,048,421	32,162,665	126,211,086	58,011,471	2.18x	22,395,191	1.57x
2009	85,349,060	34,078,551	119,427,611	58,287,840	2.05x	26,908,538	1.40x
2010	80,478,532	35,769,605	116,248,137	58,577,279	1.98x	30,846,733	1.30x
2011	93,188,481	37,864,741	131,053,222	58,848,536	2.23x	35,813,315	1.38x
2012[3]	97,283,963	40,473,896	137,757,859	58,524,916	2.35x	42,659,825	1.36x
2013	99,358,973	44,863,928	144,222,901	43,865,232	3.29x	68,294,588	1.29x
2014	108,998,890	39,860,138	148,859,028	42,106,771	3.54x	57,543,575	1.49x
2015	105,518,770	45,863,458	151,382,228	45,135,046	3.35x	69,523,600	1.32x
2016	103,551,936	45,215,768	148,767,704	62,504,217	2.38x	49,846,100	1.32x

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 12 of the 2013A Official Statement and Table 13 of the 2016 Official Statement.

(1) Contingent Port Obligations equals 40% of the Annual Amount, which includes but is not limited to, debt service on the Bonds (and, in 2004, debt service on the 1999 Federal Loan) and Financing Fees Relating to Subordinate Lien Bonds. Contingent Port Obligations is the maximum amount the Ports may be obligated to pay to the Authority pursuant to the Operating Agreement.

(2) Total Dedicated Revenues equals Use Fees and Container Charges plus Contingent Port Obligations but not investment income, transfers of unexpended Series 1999 Bond proceeds or Debt Service Reserve Account releases.

(3) The amount of Debt Service shown for Fiscal Year 2012 does not include debt service on the Series 2012 Bonds (issued on June 21, 2012). On July 24, 2012, $83.71 million of Series 1999A Bonds were redeemed with proceeds of the Series 2012 Bonds and on October 1, 2011, $24.295 million of Series 1999A Bonds were redeemed with unexpended proceeds of the Series 1999A Bond Construction Fund.

Source: The Authority.

The following table presents the M & O Charges, as defined in the Master Indenture, paid to the Authority by the Union Pacific Railroad Company ("Union Pacific") and BNSF Railway Company, formerly known as The Burlington Northern and Santa Fe Railway Company ("BNSF" and, together with Union Pacific, the "Railroads"), for calendar year 2016. M & O Charges are not deemed to be Revenues or Dedicated Revenues under the Indenture. The insurance portion of M & O Charges is paid pursuant to separate invoices.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
THE RAIL CORRIDOR AND RELATED PROJECTS-MAINTENANCE AND OPERATION OF THE PROJECT – M & O CHARGES – INVOICES AND RECEIPTS FROM RAILROADS
CALENDAR YEAR 2016*
(amounts in U.S. $)

Date	Type	Invoice Amount	Payment Amount	Credit Memo Applied	Balance
Jan-16	Monthly M&O	$ 325,604.59	$ (325,604.59)	-	-
Feb-16	Monthly M&O	325,604.59	(325,604.59)	-	-
Mar-16	Monthly M&O	325,604.59	(325,604.59)	-	-
Apr-16	Monthly M&O	325,604.59	(165,568.26)	$ (160,036.33)	-
May-16	Monthly M&O	325,604.59	(89,502.17)	(236,102.42)	-
Jun-16	Monthly M&O	325,604.59	(270,485.30)	(55,119.29)	-
Jul-16	Monthly M&O	325,604.59	(325,604.59)	-	-
Aug-16	Monthly M&O	325,604.59	(325,604.59)	-	-
Sep-16	Monthly M&O	325,604.59	(325,604.59)	-	-
Oct-16	Monthly M&O	325,604.59	(325,604.59)	-	-
Nov-16	Monthly M&O	325,604.59	(325,604.59)	-	-
Dec-16	Monthly M&O	325,604.59	(325,604.59)	-	-
	Reconciliations	(451,258.04)	--	451,258.04	-
	Insurance	1,334,940.00	(1,334,940.00)	-	-
	Total M&O	$ 4,790,937.04	$ (4,790,937.04)	$ -	$ -

* Provided to comply with the 2004 Continuing Disclosure Certificate.
Source: The Authority

The period of each Bond Year is October 1 through September 30. The following table sets forth the Authority's estimated revenues for Bond Year ended September 30, 2016.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
ESTIMATED AUTHORITY REVENUE IN BOND YEAR 2016*(1)

Revenue Component	Estimated Revenue	% of Total Revenue
Waterborne Full	$ 100,869,442	94.78%
Waterborne Empty	3,747,144	3.52
Non-Waterborne	719,303	0.68
Misc. Full Railcars	1,092,920	1.03
Total	$ 106,428,809	100.00%

* Provided to comply with the 2004 Continuing Disclosure Certificate and to present current information in the form of Table 2 of the Report of the Independent Revenue Consultant included as Appendix A in 2004 Official Statement.

(1) Totals may not add due to rounding.

Source: Alameda Corridor Transportation Authority

The following table sets forth the Authority's railroad corridor container traffic for Bond Year 2016.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
RAILROAD CORRIDOR TRAFFIC IN BOND YEAR 2016

Category	Railroad Traffic
Full International TEUs[(1)]	4,361,817
Empty International TEUs	675,410
Total	5,037,227
Domestic combined TEUs[(2)]	130,022

* Provided to comply with the 2004 Continuing Disclosure Certificate and to present current information in the form of Table 17 of the Report of the Independent Revenue Consultant included as Appendix A in the 2004 Official Statement.

(1) A TEU represents a twenty-foot equivalent unit.

(2) Inclusive of both empty and full containers.

Source: The Authority

PORT OF LOS ANGELES FINANCIAL AND OPERATING INFORMATION

The information contained and incorporated by reference under "PORT OF LOS ANGELES FINANCIAL AND OPERATING INFORMATION" has been provided to the Authority by POLA (the "POLA Information"). The Authority is relying upon, and has not independently confirmed or verified, the accuracy or the completeness of the POLA Information. The Authority undertakes no responsibility for and makes no representation as to the accuracy or completeness of the POLA Information.

POLA's Annual Continuing Disclosure Report for the Fiscal Year Ended June 30, 2016 (the "POLA Report") for the following bonds has been filed with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access website and may be obtained at www.emma.msrb.org:

- $100,000,000 aggregate principal amount of Revenue Bonds 2009 Series A
- $230,160,000 aggregate principal amount of Refunding Revenue Bonds 2009 Series C
- $58,930,000 aggregate principal amount of Refunding Revenue Bonds, 2011 Series A
- $32,820,000 aggregate principal amount of Refunding Revenue Bonds, 2011 Series B
- $203,280,000 Revenue Bonds and Refunding Revenue Bonds 2014 Series A
- $89,105,000 Refunding Revenue Bonds 2014 Series B
- $44,890,000 Revenue Bonds 2014 Series C
- $37,050,000 Refunding Revenue Bonds 2015 Series A
- $97,970,000 Refunding Revenue Bonds 2016 Series A
- $68,385,000 Refunding Revenue Bonds 2016 Series B
- $35,205,000 Refunding Revenue Bonds 2016 Series C

PORT OF LOS ANGELES
REVENUE TONNAGE BY CARGO TYPE*(1)
FISCAL YEARS 2007-2016
(In thousands of metric revenue tons)

Fiscal Year Ended June 30	General Cargo	Liquid Bulk(2)	Dry Bulk(3)	Total(4)	Increase (Decrease) in Total Tonnage over Prior Year
2007	171,900	15,400	2,800	190,100	8.8
2008	161,900	6,200	1,900	170,000	(10.6)(5)
2009	144,400	11,100	2,000	157,500	(7.4)(5)
2010	145,800	10,700	1,300	157,800	0.2
2011(6)	149,100	10,600	1,200	160,900	2.0
2012(6)	163,900	9,900	1,100	174,900	8.7
2013	156,300	7,800	1,000	165,100	(5.6)(7)
2014	165,000	10,500	900	176,400	6.8
2015	165,100	10,300	1,400	176,800	0.2
2016	167,300	14,300	1,200	182,800	3.4

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate.

(1) Numbers are rounded.

(2) For fiscal year ended June 30, 2007, the number includes 7,354 metric revenue tons (in 000s), which represents a correcting entry for multiple prior years.

(3) Dry bulk cargo includes steel slabs, sulfur, pipe, beams, scrap metal, coal, ores, cement, fertilizers and bauxite.

(4) Computed on an accrual basis, adjusted for unverified amounts.

(5) Due to the global economic downturn that began in December 2007, the Department experienced declines in total revenue tonnage in fiscal years ended June 30, 2008 and June 30, 2009.

(6) Tonnage changes due to post-close adjustments.

(7) In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from the Port of Los Angeles to the Port of Long Beach, and, initially, it impacted both cargo volume and associated revenue at the Port of Los Angeles. The Port of Los Angeles has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
CONTAINER TRAFFIC*
CALENDAR YEARS 2012-2016 (HISTORICAL)
(TEUs[1])

	2012	2013	2014	2015	2016
Inbound[2]	4,092,621	3,976,692	4,269,760	4,159,462	4,544,748
Outbound[2]	2,043,076	1,921,069	1,932,014	1,656,677	1,818,502
Empties	1,942,017	1,970,821	2,138,292	2,344,319	2,493,533
Total TEUs	8,077,714	7,868,582	8,340,066	8,160,458	8,856,783

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table B-4 of the 2013A Official Statement and Table B-4 of the 2016 Official Statement.

(1) A TEU represents a twenty-foot equivalent unit.

(2) Fully loaded

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
CONTAINER TRAFFIC*
FISCAL YEARS 2012-2016 (HISTORICAL)
(TEUs[1])

	2012	2013	2014	2015	2016
Inbound[2]	4,172,744	3,936,484	4,178,641	4,188,823	4,297,004
Outbound[2]	2,159,949	1,909,019	1,976,387	1,786,913	1,692,091
Empties	1,852,814	1,931,957	2,054,828	2,215,623	2,401,418
Total TEUs	8,185,507	7,777,460	8,209,856	8,191,359	8,390,513

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table B-5 of the 2013A Official Statement and Table B-5 of the 2016 Official Statement.

(1) A TEU represents a twenty-foot equivalent unit.

(2) Fully loaded

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
SHIPPING REVENUES PER TON*(1)
FISCAL YEARS 2007-2016

Fiscal Year Ended June 30	Total Shipping Revenues (000$)	Total Revenue Tonnage(2) (Thousands)	Shipping Revenues per Revenue Ton	% Increase (Decrease) in Shipping Revenues per Revenue Ton
2007	$375,500	190,100	$1.98	(7.5)%
2008	374,900	170,000	2.21	11.6
2009	329,300	157,500	2.09	(5.4)
2010	327,600	157,800	2.08	(0.5)
2011	343,500	160,900(3)	2.13	2.4
2012	357,700	174,900(3)	2.05	(3.8)
2013	347,900(4)	165,100(4)	2.11	2.9
2014	377,200	176,400	2.14	1.4
2015	364,900	176,800	2.06	(3.7)
2016	368,500	182,800	2.02	(1.9)

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate.

(1) Numbers are rounded.

(2) Computed on an accrual basis, adjusted for unverified amounts.

(3) Tonnage changes due to post-close adjustments.

(4) In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from POLA to POLB and initially it impacted both cargo volume and associated revenue at POLA. POLA has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
SHIPPING REVENUE BREAKDOWN*(1)
FISCAL YEARS 2007-2016

Fiscal Year Ended June 30	Total Shipping Revenues (000$)	Container Shipping Revenues (000$)	TEUs (000)	Container Shipping Revenue $ Per TEU	Non-Container Shipping Revenues (000$)	Non-Container Tons (000)	Non-Container Shipping Revenue $ Per Ton
2007	375,500	$ 324,200	8,650	$ 37.48	$ 51,300	21,731	$ 2.36
2008	374,900	328,800	8,083	40.68	46,100	18,450	2.50
2009	329,300	293,100	7,262	40.36	36,200	14,518	2.49
2010	327,600	296,500	7,228	41.02	31,100	12,525	2.48
2011	343,500	306,300	7,935	38.60	37,200	14,896	2.50
2012	357,700	321,900	8,186(2)	39.32	35,800	13,800	2.59
2013(3)	347,900	313,700	7,777	40.34	34,200	11,700	2.92
2014	377,200	335,700	8,210	40.89	41,500	14,900	2.79
2015	364,900	325,500	8,191	39.73	39,400	15,100	2.61
2016	368,500	324,100	8,391	38.62	44,400	18,500	2.40

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table B-6 of the 2013A Official Statement and Table B-6 of the 2016 Official Statement.

(1) Numbers are rounded.

(2) TEU change due to post-close adjustments.

(3) In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from POLA to POLB and initially it impacted both cargo volume and associated revenue at POLA. POLA has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
MAJOR PERMITTEES (TENANTS)*(1)
As of June 30, 2016

APM Terminals Pacific LTD/Maersk
Ardagh Metal Packaging USA, Inc.
China Shipping Holding Company, LTD
Eagle Marine Services Ltd.
Everport Terminal Services Inc.
Exxon-Mobil Oil Corporation
Kinder Morgan/GATX Terminals Corporation
Parking Concepts, Inc.
Phillips 66 Company
Ports America Cruise, Inc.
Princess Cruise Lines, Inc.
Rio Doce Pasha Terminal, L.P.
SA Recycling/Hugo Neu-Proler Corp
Shell Oil Company
Trapac, Inc.
Union Pacific Railroad Company
Vopak/Wilmington Liquid Bulk Terminal
WWL Vehicle Services Americas/Distribution and Auto Service
Yang Ming Transport Ltd.
Yusen Terminal Inc./N.Y.K. (North America) Inc.

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Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
TEU COUNT BY COUNTRY*
FISCAL YEAR 2016

Country	Exports TEUs	% of Total	Country	Imports TEUs	% of Total
China	554,482	37.0%	China	2,463,194	58.4%
Japan	238,815	16.0	Japan	310,380	7.4
South Korea	160,452	10.7	Taiwan	237,322	5.6
Taiwan	125,520	8.4	Vietnam	208,681	4.9
Vietnam	55,940	3.7	South Korea	191,460	4.5
Hong Kong	47,519	3.2	Thailand	172,846	4.1
Thailand	35,875	2.4	Indonesia	104,272	2.5
Indonesia	31,926	2.1	Hong Kong	91,831	2.2
UAE	25,479	1.7	Malaysia	65,202	1.5
Singapore	23,155	1.5	India	53,034	1.3
All Others	197,556	13.3	All Others	320,246	7.6
Total	1,496,719	100.0%	Total	4,218,468	100.0%

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate.

Source: Ports Import Export Reporting Services

PORT OF LOS ANGELES
HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES*
SUMMARY OF REVENUES, EXPENSES, AND NET ASSETS
FISCAL YEARS ENDED JUNE 30, 2012 THROUGH JUNE 30 2016

(In thousands of dollars)

	2012	2013	2014	2015	2016
Operating revenues:					
Shipping services					
Wharfage	$ 333,757	$ 322,821	$ 350,928	$ 336,997	$ 342,703
Dockage	4,813	4,689	4,930	6,097	5,629
Demurrage	230	228	223	329	216
Cranes	--	--	--	--	--
Pilotage	7,131	6,954	7,540	7,110	7,064
Assignment charges	11,785	13,184	13,592	14,365	12,858
Storage	--	--	--	--	--
Total shipping services	$ 357,716	$ 347,876	$ 377,213	$ 364,899	$ 368,470
Rentals					
Land	$ 40,127	$ 38,856	$ 38,189	$ 45,255	$ 45,763
Other	3,016	4,034	1,967	978	808
Total rentals	$ 43,143	$ 42,890	$ 40,156	$ 46,233	$ 46,571
Royalties, fees, and other operating Revenues(1)	8,928	6,602	8,582	35,763	26,208
Total operating revenues	$ 409,787	$ 397,368(2)	$ 425,951	$ 446,895	$ 441,249
Operating and administrative expenses:					
Salaries and benefits	$ 98,614	$ 101,861	$ 93,668	$ 92,786	$ 94,281
Pension Expense Adjustment(2)	--	--	18,385	19,002	20,438
City services and payments	32,014	31,074	33,633	34,749	37,421
Outside services	27,660	29,690	26,331	28,983	28,970
Utilities	6,653	5,726	12,335	19,373	15,060
Material and supplies	6,314	5,989	6,883	6,257	6,340
Pollution Remediation Expenses	11,635	11,635	1,268	(211)	5,194
Marketing and public relations	3,177	2,877	2,711	2,771	2,567
Workers' Compensation, Claims and Settlements	7,507	3,550	1,959	2,503	245
Clean Truck Program Expenses	790	934	1,100	949	897
Travel and Entertainment	932	1,139	548	512	611
Other operating expenses	4,511	10,694	6,533	26,575	14,238
Total operating and administrative expenses	$ 199,807	$ 205,169	$ 205,354	$ 234,249	$ 226,261
Income from operations before depreciation	$ 209,980	$ 192,199	$ 220,597	$ 212,646	$ 214,989
Depreciation	100,485	108,037	124,221	137,384	163,933
Operating income	$ 109,495	$ 84,162	$ 96,376	$ 75,262	$ 51,055
Nonoperating revenues/(expenses):					
Income from investments in JPAs and other entities	$ 1,851	$ 2,049	$ 2,129	$ 2,811	$ 2,544
Interest and Investment Income	9,486	826	4,654	5,039	9,327
Interest Expense	(10,538)	(2,473)	(1,530)	(330)	(507)
Other Income and Expenses, net	(8,359)	784	(27,364)	(2,226)	(3,850)
Net Nonoperating Revenues/(Expenses)	$ (7,560)	$ 1,186	$ (22,111)	$ 5,293	$ 7,512
Income Before Capital Contributions	$ 101,935	$ 85,348	$ 74,265	$ 80,555	$ 58,568
Capital contributions	31,307	17,630	80,374	111,852	40,489
Special item	-	13,387	15,002	-	-
Changes in net assets	$ 133,242	$ 116,365	$ 169,641	$ 192,407	$ 99,057
Total net assets – beginning of year	$2,642,885	$2,776,126	$2,884,351	$3,064,554	$3,062,899
Net adjustment for prior year amortization of bond premium/discount	--	--	10,562	--	--
Net Adjustment for Prior Year Pension Expense(3)	--	--	--	(194,062)	--
Net adjustment for write off of bond issuance costs	--	(8,142)	--	--	--
Total net assets – end of year	$2,776,126	$2,884,351	$3,064,554	$3,062,899	$3,161,955

See next page for footnotes.

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate.

(1) Royalties, Fees and Other Operating Revenues in fiscal years ended June 30, 2015 and 2016 increased relative to prior years due in part to tenant reimbursements related to the alternative maritime power ("AMP") program at the Port of Los Angeles. As part of this program, the Department pays electricity costs which are subsequently reimbursed by terminal operators. Electricity expenses related to AMP are recorded as "Utilities" expense by the Department.

(2) In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from POLA to POLB and initially it impacted both cargo volume and associated revenue at POLA. POLA has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic.

(3) Pension expenses incurred in Fiscal Year 2014 and Fiscal Year 2015 have been reported separately from Salaries and Benefits expense as provided within POLA's Fiscal Year 2016 Comprehensive Annual Financial Report. Pension expenses incurred from Fiscal Year 2012 through Fiscal Year 2013 are included within Salaries and Benefits expense in those fiscal years.

(4) One-time adjustment required by Governmental Accounting Standards Board Statement No. 68. See "Notes to the Financial Statements – Summary of Significant Accounting Policies – Restatement" within the POLA's Fiscal Year 2016 Comprehensive Annual Financial Report for additional information with respect to this adjustment.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
GENERAL CARGO TARIFFS AND
BASIC DOCKAGE CHARGES*
Fiscal years 2007-2016

Fiscal year Ending June 30	General Cargo Tariff(1)	Basic Dockage Charge(2)
2007	$6.25	$2,465
2008	6.25	2,465
2009	6.25	2,465
2010	6.25	2,465
2011	6.25	2,465
2012	6.25	2,465
2013	6.25	2,465
2014	6.25	2,465
2015	6.25	2,465
2016	6.25	2,465

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate.

(1) Per metric ton or cubic meter of cargo.

(2) Per overall length of vessel between 180 and 195 meters.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
ESTIMATED MINIMUM LEASE REVENUE
UNDER EXISTING CONTRACTS*
Fiscal Years 2017-2021

Fiscal year Ending June 30	Minimum Lease Revenue (000$)
2017	$ 301,665
2018	302,142
2019	302,250
2020	302,730
2021	303,215

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE*
Fiscal Years 2012-2016
(In thousands of dollars)

Fiscal Year Ended June 30	Total Revenues[1]	Operating Expenses[2]	Available Revenues	Debt Service[3]	Debt Service Coverage[4]
2012	$ 435,291	$ 199,806	$ 235,485	$ 71,609	3.3x
2013	416,974[5]	205,169	211,805	72,401	2.9
2014	446,910	205,354	241,556	65,488	3.7
2015	460,364	234,249	226,115	69,988	3.2
2016	457,521	226,261	231,260	91,831	2.5

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate.

(1) Total Revenues also include income from investments and interest and other non-operating revenues.

(2) Operating Expenses also include payroll, fringe benefits and payments for City services.

(3) Debt Service includes only the principal and interest payments on parity debt. The Department has no subordinate debt outstanding.

(4) Available Revenues divided by Debt Service.

(5) In October 2012, Transpacific 8, a service route jointly operated by Mediterranean Shipping Co., Maersk Line and CMA CGM, transferred from POLA to POLB and initially it impacted both cargo volume and associated revenue at POLA. POLA has since recovered from the initial impact through ongoing capital investment to enhance capacity and recent favorable movement of alliance traffic.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
HISTORICAL ENDING CASH BALANCES*
Fiscal Years 2012-2016
(In thousands of dollars)

	2012	2013	2014	2015	2016
UNRESTRICTED FUNDS					
Harbor Revenue Fund	$ 182,253	$ 99,095[1]	$ 53,774[2]	$ 230,429[3]	$ 227,483
Harbor Special Operating Fund	202,396	199,533	160,591	160,449	161,808
Emergency/ACTA Reserve Fund	47,368	47,439	47,475	47,511	47,704
Others	12,338	5,726	889	3,445	8,294
Total Unrestricted Funds	$ 444,355	$ 351,793	$ 262,729	$ 441,834	$ 445,289
RESTRICTED FUNDS					
China Shipping Mitigation Fund	$ 34,041	$ 34,305	$ 26,836	$ 22,623	$ 19,168
Community Aesthetic Fund for Parks	2,572	475	--	--	--
Community Mitigation Trust Fund – Trapac	122	108	108	108	112
Clean Truck Fee Fund	3,717	521	227	227	30
Batiquitos L/T Investment Fund [4]	5,993	6,000	6,006	6,011	6,032
Bond Funds	67,796	57,913	58,054	97,461	95,769
Customer Security Deposits	3,225	3,183	3,184	3,155	3,166
Other	3,356	3,261	2,699	2,638	2,832
Total Restricted Funds	$ 120,821	$ 105,766	$ 97,114	$ 132,223	$ 127,109
TOTAL FUNDS	$ 565,176	$ 457,559	$ 359,843	$ 574,057	$ 572,398

* Subsequent to the issuance of the 1999 Bonds and the 2004 Bonds and the date of the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate, due to changes in POLA's business, POLA updated the type of information and operating information contained in its official statements and annual reports provided in connection with its obligations under its continuing disclosure undertakings. As such, POLA now provides information in the form of this table. Provided to comply with the 1999 Continuing Disclosure Certificate and the 2004 Continuing Disclosure Certificate.

(1) In fiscal year ended June 30, 2013, POLA funded its increased level of capital improvement projects, and repaid its 2002 Series A Bonds and a loan provided by the State of California from its cash flows from operations and cash position.

(2) In fiscal year ended June 30, 2014, POLA funded its increased level of capital improvement projects from its cash flows from operations and cash position.

(3) In fiscal year ended June 30, 2015, POLA reimbursed the Harbor Revenue Fund with a portion of the proceeds of the 2014 Bonds for capital improvement expenditures that had previously been funded with cash on deposit in the Harbor Revenue Fund.

(4) As environmental mitigation, the Department created a fund to pay certain maintenance expenses at the Batiquitos Lagoon.

Source: Harbor Department of the City of Los Angeles

PORT OF LONG BEACH FINANCIAL AND OPERATING INFORMATION

The information contained and incorporated by reference under "PORT OF LONG BEACH FINANCIAL AND OPERATING INFORMATION" has been provided to the Authority by POLB (the "POLB Information"). The Authority is relying upon, and has not independently confirmed or verified, the accuracy or the completeness of the POLB Information. The Authority undertakes no responsibility for and makes no representation as to the accuracy or completeness of the POLB Information.

The information previously provided to comply with the 1999 Continuing Disclosure Certificate and 2004 Continuing Disclosure Certificate and as required pursuant to the 2013 Continuing Disclosure Certificate in the form of Table 21 and Table 22 of the 1999 Official Statements, Table 17 and Table 18 of the 2004 Official Statement and Table C-6 and Table C-7 of the 2013A Official Statement is no longer available as POLB's third party provider no longer provides the applicable information.

As of the date hereof, there are outstanding under POLB Resolution No. HD 1475, adopted by POLB on November 8, 1989, as amended and supplemented (the "POLB Master Senior Resolution"), the aggregate principal amount of $867,630,000, consisting of $542,630,000 of Bonds (as such term is defined in the POLB Master Senior Resolution) and $325,000,000 of City of Long Beach, California Harbor Revenue Short-Term Notes, Series 2014C. As of the date hereof there are outstanding under POLB Resolution No. HD-2726, adopted by the Board on July 16, 2013 (the "Master Subordinate Resolution"), $25,000,000 aggregate principal amount of Subordinate Revolving Obligations (as such term is defined in the Master Subordinate Resolution).

PORT OF LONG BEACH
OPERATING REVENUES
FISCAL YEARS ENDED SEPTEMBER 30, 2012 THROUGH 2016*(1)
(thousands)

	2016	2015(2)	2014	2013	2012
Berths and special facilities					
Wharfage	$ 322,522	$ 312,074	$ 307,561	$ 296,623	$ 268,080
Dockage	8,089	10,773	10,877	12,055	11,705
Bunkers	1,412	1,048	703	1,375	1,373
Special facilities rental	15,612	16,247	13,758	12,426	28,188
Crane rentals	-	2,372	12,789	12,789	12,760
Other	536	620	570	601	319
Total berths and special facilities	**$ 348,171**	**$ 343,134**	**$ 346,258**	**$ 335,869**	**$ 322,425**
Rental properties	9,958	9,881	9,360	9,374	9,577
Utilities/Miscellaneous	2,531	2,435	1,262	1,001	1,885
Total operating revenues	**$ 360,660**	**$ 355,450**	**$ 356,880**	**$ 346,244**	**$ 333,887**

* Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 18 of the 1999 Official Statements, Table 13 of the 2004 Official Statement, Table C-1 of the 2013A Official Statement and Table C-1 of the 2016 Official Statement.
(1) Totals may not add due to rounding.
(2) Unaudited.
Source: Harbor Department of the City of Long Beach

PORT OF LONG BEACH
LEADING REVENUE PRODUCERS
AS OF FISCAL YEAR 2016*

Carson Cogeneration Company
CEMEX USA
Chemoil Corp.
Crescent Terminals, Inc.
Crescent Warehouse
CSA Equipment
Energia Logistics Ltd.
International Transportation Service, Inc.
Jacobson Pilot Service, Inc.
Koch Carbon, Inc.
Long Beach Container Terminal, Inc.
Metropolitan Stevedore Company
Mitsubishi Cement Corporation
Oxbow Carbon & Minerals, LLC
Pacific Container Terminal
Pacific Crane Maintenance Company
SA Recycling, LLC
SSA Terminal C60/Matson Navigation
SSA Terminals Long Beach, LLC
Tesoro Refining & Marketing
Tesoro Logistics LP
Total Terminals International, LLC
Toyota Logistics Services

* Provided to comply with the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 14 of 2004 Official Statement, Table C-2 of the 2013A Official Statement and Table C-2 of the 2016 Official Statement.

Source: Harbor Department of the City of Long Beach

PORT OF LONG BEACH
REVENUE TONNAGE SUMMARY[1]
FISCAL YEARS ENDED SEPTEMBER 30, 2012 THROUGH 2016*
(in metric revenue tons)

	2016	2015	2014	2013	2012
Municipal berths					
INBOUND CARGO					
Foreign	93,927,997	98,464,085	104,245,298	101,026,699	91,490,396
Coastwise/Intercoastal	29,008,568	26,060,757	17,998,456	18,476,723	15,793,069
Total inbound cargo	**122,936,565**	**124,524,842**	**122,243,754**	**119,503,422**	**107,283,465**
OUTBOUND CARGO					
Foreign	32,737,305	33,592,125	37,066,641	36,768,609	33,278,391
Coastwise/Intercoastal	3,995,516	4,843,410	5,348,303	5,141,434	3,270,377
Bunkers	1,652,476	1,313,215	866,945	843,291	1,311,310
Total outbound cargo	**38,385,297**	**39,748,750**	**43,281,889**	**42,753,334**	**37,860,078**
Total municipal cargo	**161,321,863**	**164,273,592**	**165,525,643**	**162,256,756**	**145,143,540**
Private Berths[2]					
Inbound	--	--	--	--	--
Outbound	--	--	--	--	--
Total private cargo	--	--	--	--	--
GRAND TOTAL	**161,321,863**	**164,273,592**	**165,525,643**	**162,256,756**	**145,143,540**
Total inbound cargo (including private berths)	122,936,565	124,524,842	122,243,754	119,503,422	107,283,465
Total outbound cargo	38,385,297	39,748,750	43,281,889	42,753,334	37,860,078
Container count in TEUs[3]	6,946,257	7,087,699	6,817,591	6,647,975	5,857,206

* Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 19 of the 1999 Official Statements, Table 15 of the 2004 Official Statement, Table C-3 of the 2013A Official Statement and Table C-3 of the 2016 Official Statement.

(1) A metric revenue ton is equal to either 1,000 kilograms or one cubic meter.

(2) Private berth information is no longer available. Revenues from private berth leases are revenues of the terminal operator and not a part of POLB's revenue. Beginning in 2012, POLB implemented a new automated billing system that no longer collects private berth statistics.

(3) A TEU represents a twenty-foot equivalent unit.

Source: Harbor Department of the City of Long Beach

PORT OF LONG BEACH
REVENUE TONNAGE BY CARGO TYPE
FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2016*
(in thousands of metric revenue tons)[(1)]

	2016				2015[(2)]			
Cargo Type	**Metric Revenue Tons (000s)**	**Percent of Total Tons**	**Berth/Special Facility Revenue (000s)[(2)]**	**Percent of Shipping Revenue[(2)]**	**Metric Revenue Tons (000s)**	**Percent of Total Tons**	**Berth/Special Facility Revenue (000s)[(2)]**	**Percent of Shipping Revenue[(2)]**
Containerized	123,014	76%	$274,732	79%	125,105	76%	$269,886	78%
Dry bulk	31,174	19	17,177	5	7,029	4	29,253	9
General cargo	6,028	4	29,389	8	1,140	1	26,695	8
Petroleum/liquid bulk	1,106	1	26,873	8	31,000	19	17,299	5
Totals	**161,322**	**100%**	**348,171**	**100%**	**164,274**	**100%**	**$343,133**	**100%**

* Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 20 of the 1999 Official Statements, Table 16 of the 2004 Official Statement, Table C-5 of the 2013A Official Statement and Table C-4 of the 2016 Official Statement.

(1) Reflects cargo handled at municipal berths only.

(2) Total revenues include operating revenues from wharfage, dockage, storage/demurrage, bunkers, special facilities rentals, crane rentals and other sources.

Source: Harbor Department of the City of Long Beach

PORT OF LONG BEACH
CONTAINER TRAFFIC
CALENDAR YEARS 2012-2016 (HISTORICAL)*
(TEUs[1])

	2012	2013	2014	2015	2016
Inbound[2]	3,062,290	3,455,323	3,517,514	3,625,264	3,625,264
Outbound[2]	1,540,188	1,704,932	1,604,394	1,525,560	1,525,560
Empties	1,443,184	1,570,318	1,698,898	2,041,244	2,041,244
Total TEUs	6,045,662	6,730,573	6,820,806	7,192,068	7,192,068

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table C-8 of the 2013A Official Statement and Table C-6 of the 2016 Official Statement.

(1) A TEU represents a twenty-foot equivalent unit.

(2) Fully loaded.

PORT OF LONG BEACH
CONTAINER TRAFFIC*
FISCAL YEARS 2012-2016 (HISTORICAL)
(TEUs(2))

	2012	2013	2014	2015	2016
Inbound(2)	2,932,078	3,419,793	3,522,875	3,595,595	3,514,306
Outbound(2)	1,491,390	1,670,749	1,664,050	1,528,318	1,538,041
Empties	1,433,750	1,557,433	1,630,665	1,963,786	1,893,909
Total TEUs(3)	5,857,218	6,647,975	6,817,590	7,087,699	6,946,256

* Provided to comply with the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table C-9 of the 2013A Official Statement and Table C-7 of the 2016 Official Statement.

(1) A TEU represents a twenty-foot equivalent unit.

(2) Fully loaded.

PORT OF LONG BEACH
COMPARATIVE SUMMARY OF STATEMENT OF REVENUES AND EXPENSES
FISCAL YEARS ENDED SEPTEMBER 30, 2012 THROUGH 2016*(1)
(in thousands)

	2016	2015(2)	2014	2013	2012
Port Operating Revenues:					
Berths/Special Facilities	$ 378,171	$ 343,134	$ 346,258	$ 335,869	$ 322,425
Rental Properties	9,958	9,881	9,360	9,374	9,577
Miscellaneous	2,531	2,435	1,262	1,001	1,885
Total Port Operating Revenues	$ 360,660	$ 355,450	$ 356,880	$ 346,244	$ 333,887
Port Operating Expenses:					
Operation/Administrative	$ 144,533	$ 133,771	$ 108,455	$ 97,696	$ 87,637
Depreciation/Amortization	146,721	137,709	117,966	90,849	88,523
Total Port Operating Expenses	$ 291,254	$ 271,480	$ 226,421	$ 188,545	$ 176,160
Income from Port Operations	**$ 69,406**	**$ 83,970**	**$ 130,459**	**$ 157,699**	**$ 157,727**
Non-operating Income and Expense					
Clean Air Action Plan Income (Loss)	$ (4,656)	$ (3,488)	$ (2,474)	$ (3,420)	$ (3,926)
Gain (Loss) from Harbor Oil Operations	-	-	-	-	-
Gain (Loss) on Sale of Property	48	35,979	16	(6)	7
Income from Equity in Joint Ventures, Net	2,544	2,811	-	-	-
Interest Expense, Net of Interest Capitalized	(13,244)	(878)	(1,205)	(65)	(10,341)
Interest Income	4,637	4,036	6,776	2,789	3,302
Other, Income (Expense) Net	139	5,048	(298)	(182)	(1,904)
Total Non-Operating Income (expense)	$ (10,532)	$ 43,508	$ 2,816	$ (884)	$ (12,862)
Income Before Operating Transfers	$ 58,874	$ 127,478	$ 133,274	$ 156,815	$ 144,865
Net Operating Transfers	$ (18,033)	$ (17,772)	$ (17,844)	$ (17,312)	$ (16,694)
Capital Grants	128,282	121,008	178,295	250,543	13,627
Loss on Long Term Receivable from Redevelopment Agency	-	-	-	-	-
Contributions to Others	4,008	-	(10,203)	-	-
Change in Net Position	**$ 173,131**	**$ 230,714**	**$ 283,522**	**$ 390,046**	**$ 141,798**
Total Net Position (beginning of fiscal year)	**3,609,818**	**3,462,209**	**3,178,686**	**2,793,319**	**2,651,522**
Adjustment for GASB 65 Implementation	-	-	-	(4,678)	-
Adjustment for GASB 68 Implementation	-	(83,104)			
Adjustment for GASB 75 Implementation	(2,922)				
Total Restated Net Position (beginning of fiscal year)	**3,606,896**	**3,379,105**	**3,178,686**	**2,788,641**	**2,651,522**
Total Net Position (end of fiscal year)	**3,780,027**	**3,609,819**	**3,462,208**	**3,178,687**	**2,793,320**

* Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate and to present current information in the form of Table 23 of the 1999 Official Statements, Table 19 of the 2004 Official Statement, Table C-10 of the 2013A Official Statement and Table C-8 of the 2016 Official Statement.

(1) Revised table to conform with data reported in the City of Long Beach's Comprehensive Annual Financial Report. Totals may not add due to rounding.

(2) Unaudited.

Source: Harbor Department of the City of Long Beach

AUDITED FINANCIAL STATEMENTS

A copy of the Alameda Corridor Transportation Authority Basic Financial Statements for the fiscal years ended June 30, 2016 and 2015 (with Independent Auditors' Report Thereon) ("Authority Financial Statements") are attached hereto as APPENDIX A.[1]

A copy of the Port of Los Angeles (Harbor Department of the City of Los Angeles) Comprehensive Annual Financial Report for the fiscal years ended June 30, 2016 and 2015 (with Independent Auditors' Report Thereon) ("POLA Financial Statements" and together with the Authority Financial Statements, the "Financial Statements") are attached hereto as APPENDIX B.[2]

The Harbor Department of the City of Long Beach Annual Financial Report for the fiscal year ended September 30, 2016 (with Independent Auditors' Report Thereon) is not complete as of the date of this Report and will be filed when complete.[3]

Due to its date of publication, certain of the information contained in this Report is more current than certain of the information contained in the Financial Statements, as applicable, including but not limited to the unaudited information identified as such therein.

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1 Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate.

2 Provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate. The POLA Financial Statements include the outstanding principal amount of POLA's Parity Obligations.

3 To be provided to comply with the 1999 Continuing Disclosure Certificate, the 2004 Continuing Disclosure Certificate, the 2013 Continuing Disclosure Certificate and the 2016 Continuing Disclosure Certificate.

CERTIFICATION

The undersigned hereby states and certifies that:

1. I am the duly appointed, qualified, and acting Chief Financial Officer of the Authority, familiar with the facts herein certified, and I am authorized to certify the same on behalf of the Authority.

2. The execution and delivery of this Report to the Municipal Securities Rulemaking Board have been duly authorized by the Authority.

3. This certification is being provided in connection with this Report being delivered by the Authority pursuant to the Continuing Disclosure Certificates.

4. To the best of my knowledge, with respect to information provided by the Authority, the statements and information contained in this Report are true, correct, and complete in all material respects and, as of the date hereof, this Report does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. With respect to POLA Information and the POLB Information, the Authority is relying upon, and has not independently confirmed or verified, the accuracy or completeness of such information, or of other information incorporated by reference therein.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

By: /s/ James P. Preusch
James P. Preusch,
Chief Financial Officer

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APPENDIX A

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015 (WITH INDEPENDENT AUDITORS' REPORT THEREON)

Report of Independent Auditors
and Financial Statements
with Required Supplementary Information for

Alameda Corridor Transportation Authority

June 30, 2016 and 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

The Governing Board
Alameda Corridor Transportation Authority
Long Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda Corridor Transportation Authority (the Authority), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. 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 auditors' 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 entity'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 entity'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 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 financial position of the Alameda Corridor Transportation Authority as of June 30, 2016 and 2015, and the respective changes in its financial position and its cash flows for the years then ended, in accordance 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 accompanying management's discussion and analysis on pages 3–10 and the schedule of proportionate share of the net pension liability, schedule of contributions, and schedule of funding progress for other postemployment benefits on pages 49–51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Moss Adams LLP

Irvine, California
November 2, 2016

Description of Basic Financial Statements

The Alameda Corridor Transportation Authority (the Authority) presents its basic financial statements using the economic resources measurement focus and full accrual basis of accounting. The Authority's basic financial statements include statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. The basic financial statements also include notes that explain the information presented in the basic financial statements.

Financial Highlights

The net deficit of the Authority at June 30, 2016 and 2015, respectively, was $361,712,419 and $192,692,420. Of this amount, $14,319,910 and $155,907,566, respectively, are invested in the Authority's capital assets, net of related debt, at June 30, 2016 and 2015. The Authority's net position decreased by $169,019,999 and $59,543,360 in the years ended June 30, 2016 and 2015, respectively.

The 2016 and 2015 fiscal years marked the fourteenth and thirteenth full years of operations for the Authority. The Authority earned $108,604,376 and $110,375,289 from use fees, container charges, and maintenance-of-way charges during fiscal years ended June 30, 2016 and 2015, respectively. The Authority's use fees and container charges for the year 2016 were less than the 2015 total by 1.9%. All of the use fee and container charges and all of the maintenance-of-way charges are received from the Union Pacific (UP) and Burlington Northern Santa Fe (BNSF) railroads that utilize the Authority's Alameda Corridor.

Condensed Financial Information

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ended June 30, 2016, 2015, and 2014:

	Year Ended June 30			Change	Change
	2016	2015	2014 (As Restated)	Between 2016 and 2015	Between 2015 and 2014
Assets					
Capital assets, net	$ 1,619,413,295	$ 1,640,450,554	$ 1,661,605,137	$ (21,037,259)	$ (21,154,583)
Other assets	208,455,018	314,350,204	353,169,593	(105,895,186)	(38,819,389)
Total assets	1,827,868,313	1,954,800,758	2,014,774,730	(126,932,445)	(59,973,972)
Deferred outflows of resources	21,550,240	196,611	-	21,353,629	196,611
Liabilities					
Long-term liabilities	2,170,567,053	2,079,148,645	2,078,499,894	91,418,408	648,751
Current liabilities	40,335,492	68,138,117	69,423,896	(27,802,625)	(1,285,779)
Total liabilities	2,210,902,545	2,147,286,762	2,147,923,790	63,615,783	(637,028)
Deferred inflows of resources	228,427	403,027	-	(174,600)	403,027
Net position					
Net investment in capital assets	14,319,910	155,907,566	135,232,427	(141,587,656)	20,675,139
Restricted for debt service	94,423,740	88,219,461	91,301,757	6,204,279	(3,082,296)
Restricted for capital projects	224,541	542,172	1,640,793	(317,631)	(1,098,621)
Restricted by Master Trust Indenture	57,688,600	74,479,257	83,618,810	(16,790,657)	(9,139,553)
Unrestricted (deficit)	(528,369,210)	(511,840,876)	(444,942,847)	(16,528,334)	(66,898,029)
Total net position	$ (361,712,419)	$ (192,692,420)	$ (133,149,060)	$ (169,019,999)	$ (59,543,360)

Capital Assets

Capital assets, net, made up of infrastructure and equipment, decreased by $21.0 million, or 1.3%, and $21.2 million, or 1.3%, between 2016 and 2015, and 2015 and 2014, respectively. These decreases are due to depreciation of capital assets of $21.1 and $21.2 million in fiscal years 2016 and 2015, respectively, which were partially offset by the addition of capitalized costs during the years ended June 30, 2016 and 2015.

Deferred Outflows of Resources

Deferred outflows of resources increased by $21.4 million or 10,861% primarily due to deferred charges resulting from the advance refunding of the 2004A capital appreciation bonds and current interest bonds. These deferred outflows are calculated as the difference between the reacquisition price (the amount paid on extinguishment including call premiums and miscellaneous costs of reacquisition) and the net carrying value (amount due at maturity, adjusted for unamortized premiums and/or discounts). The deferred outflows are being amortized over the shorter of the remaining life of the old debt or the new debt. There were no advance refundings in 2015.

Other Assets

Other assets decreased by $105.9 million, or 33.7%, during fiscal year 2016 primarily due to a decrease in cash and investments and an adjustment to the carrying value of certain assets held for transfer. During the development and construction of the Corridor, certain ancillary costs associated with the acquisition of right-of-way were capitalized. Since the completion of construction, in accordance with the terms of the Use Permit between ACTA and the ports of Los Angeles and Long Beach (collectively referred to as the Ports), ACTA has been seeking to transfer those parcels and easements no longer necessary for the Corridor's operations. All remaining parcels or easements will be turned over to the Ports. Management anticipates that the remaining assets will be transferred within the next one or two years. As a result, all ancillary costs originally capitalized not attributed to these remaining assets held for transfer were expensed in the current year.

In fiscal year 2015, the Authority incurred a loss of $26.3 million on the transfer of multiple parcels and easements to the City of Los Angeles and the County of Los Angeles and the sale of two parcels.

Current Liabilities

Current liabilities consist of the current portion of accrued interest and revenue bonds payable, accounts payable, unearned revenue, and other liabilities. Current liabilities decreased by $27.8 million, or 40.8%, and decreased by $1.3 million, or 1.9%, during the fiscal years ended June 30, 2016 and 2015, respectively.

The $27.8 million decrease in fiscal year 2016 is primarily due to $28.3 million in principal and interest payments made during fiscal year 2016.

The $1.3 million decrease in fiscal year 2015 is primarily due to $1.3 million in principal and interest payments made during fiscal year 2015.

Long-Term Liabilities

Long-term liabilities increased by $91.4 million, or 4.4%, in fiscal year 2016 compared to fiscal year 2015. The 2016 increase was due to the increase in bonds payable, due to the May 2016 bond issuance.

Long-term liabilities increased by $0.6 million, or 0.0%, in fiscal year 2015 compared to fiscal year 2014. The 2015 increase was due to the decrease in bond payable, offset by an increase in the net pension liability which is due to the adoption of GASB Statement No. 68, increase of interest payable and Bank of America's collateral deposit, a function of the reduction in Bank of America liability, consistent with remaining payment on the Forward Delivery Agreement.

The Master Trust Indenture

In conjunction with the sale of project revenue and refunding bonds in 1999, 2004, 2012, 2013A, and 2016 (Bonds), the Authority entered into a Master Trust Indenture (MTI) with U.S. Bank, the bond trustee (Trustee), pursuant to which the Authority assigned all of its rights, title, and interest in and to the Corridor, including the receipt of certain use fees and container charges and other revenues known as "Authority Revenues" to the Trustee as security for the repayment of the Bonds. Pursuant to the terms of the MTI, the Trustee is required to establish certain funds and accounts and to apply the Authority's revenues for the purposes specifically set forth therein. The MTI establishes debt service funds, debt service reserve funds, construction funds, maintenance and capital reserve funds, and certain other restricted funds. The MTI also establishes a priority of payments, which restricts the manner, timing, and sequence of transfers into and out of such funds and accounts, and among such funds and accounts. The MTI requires that the Authority comply with certain operational and financial covenants, restricts the types of investments the Trustee and Authority may make, and requires regular financial reporting and disclosure.

Net Position

Net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, decreased by $169.0 million, or 87.7%, and $59.5 million, or 44.7%, during the years ended June 30, 2016 and 2015, respectively. The change in net position was primarily the result of interest expenses continuing to exceed operating income and losses on the transfer and write down of assets. In fiscal years 2016 and 2015, operating revenues of $108.6 million and $110.4 million, respectively, were not sufficient to cover the interest expense of $138.6 million and $111.7 million. The remaining change is the result of depreciation of $21.1 million in fiscal year 2016 and $21.2 million in fiscal year 2015. In addition, in 2016, there was $99.5 million expense related to the adjustment in the carrying value of assets held for transfer.

Summary of Changes in Net Position

The table below summarizes the changes in net position for the years ended June 30, 2016, 2015, and 2014:

	Year Ended June 30			Change	Change
	2016	2015	2014 (As Restated)	Between 2016 and 2015	Between 2015 and 2014
Operating revenues					
Use fees and container charges	$ 103,551,936	$ 105,518,770	$ 108,998,890	$ (1,966,834)	$ (3,480,120)
Maintenance-of-way charges	5,052,440	4,856,519	4,788,030	195,921	68,489
Total operating revenues	108,604,376	110,375,289	113,786,920	(1,770,913)	(3,411,631)
Operating expenses					
Salaries and benefits	1,742,411	1,860,394	1,708,783	(117,983)	151,611
Administrative expenses and professional services	2,735,999	2,266,204	2,473,906	469,795	(207,702)
Maintenance-of-way charges	7,154,542	6,738,543	6,039,975	415,999	698,568
Depreciation	21,053,229	21,244,199	21,308,675	(190,970)	(64,476)
Total operating expenses	32,686,181	32,109,340	31,531,339	576,841	578,001
Operating income	75,918,195	78,265,949	82,255,581	(2,347,754)	(3,989,632)
Nonoperating revenues (expenses)					
Interest and investment income, net	3,375,680	2,413,719	2,230,983	961,961	182,736
Interest expense	(138,639,697)	(111,683,412)	(116,183,634)	(26,956,285)	4,500,222
Grant revenues	1,949,517	3,479,593	8,158,398	(1,530,076)	(4,678,805)
Miscellaneous revenues	1,009,872	193,220	188,533	816,652	4,687
Expenses for public benefit	(2,028,509)	(4,195,569)	(3,460,496)	2,167,060	(735,073)
Loss on transfer of assets held for transfer	-	(26,328,348)	(13,011,363)	26,328,348	(13,316,985)
Carrying value adjustment to assets held for transfer	(99,546,017)	-	-	(99,546,017)	-
Debt issuance costs	(11,059,040)	-	-	(11,059,040)	-
Total nonoperating expenses	(244,938,194)	(136,120,797)	(122,077,579)	(108,817,397)	(14,043,218)
Changes in net position	(169,019,999)	(57,854,848)	(39,821,998)	(111,165,151)	(18,032,850)
Net position, beginning of the year, as restated	(192,692,420)	(133,149,060)	(93,327,062)	(59,543,360)	(39,821,998)
Cumulative effect of change in accounting principle	-	(1,688,512)	-	1,688,512	(1,688,512)
Net position, beginning of the year, after cumulative effect	(192,692,420)	(134,837,572)	(93,327,062)	(57,854,848)	(41,510,510)
Net position, end of year	$ (361,712,419)	$ (192,692,420)	$ (133,149,060)	$ (169,019,999)	$ (59,543,360)

Operating Revenues

Use fees and container charges revenues, representing 95.3% and 95.6% of operating revenues, decreased by $2.0 million and decreased by $3.5 million, or 1.9% and 3.2%, in 2016 and 2015, respectively. The fiscal year 2016 decrease is primarily due to the ongoing volume decrease following the 2014/2015 productivity and labor disruption, which was responsible for the fiscal year 2015 decrease, as well.

Operating Expenses

Operating expenses consist of salaries and benefits, administrative expenses, professional services, maintenance of way, and depreciation. During the year ended June 30, 2016, operating expenses increased by $0.6 million or 1.8%. The increase in 2016 is primarily related to increased maintenance-of-way charges as well as higher administrative expenses and professional services. During the year ended June 30, 2015, operating expenses increased by $0.6 million, or 1.8%. The increase in 2015 is primarily related to increased maintenance-of-way charges as well as higher salary and benefit costs.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of interest and investment earnings, interest expense, grant revenues, miscellaneous revenues, losses on assets held for transfer and carrying value adjustment, expenses for public benefit, and bond issuance costs.

The 2016 expense increase in nonoperating revenues and expenses of $108.8 million was primarily due to the loss of an additional $73.2 million from assets held for transfer and carrying value adjustment in relation to the loss in 2015. Interest expense increased by $27.0 million as a result of the May 2016 bond transaction, which resulted in additional capital appreciation bonds (CAB) interest on the 2004A defeased bonds and new 2016 bonds. Additionally, bond issuance costs relating to the May 2016 bond transaction, totaling $11.0, were expensed during the fiscal year. Grant revenues related to the State Route 47 (SR-47) decreased during the year with a proportionate decrease in project expenses.

The 2015 increase in nonoperating revenues and expenses was primarily due to $13.3 million of additional losses from the transfer of assets held for transfer in relation to 2014 and the decrease of $4.7 million in grant revenue due to recognition of grant funds previously reported as unearned revenue. Excess parcels or portions thereof and easement rights are in the process of being transferred, as appropriate. At the conclusion of this process, all remaining parcels and easement rights will be transferred to the Ports of Los Angeles and Long Beach, as tenants in common. This increase was partially offset by a $4.5 million decrease in interest expense.

Capital Assets and Debt Administration

At June 30, 2016 and 2015, the Authority had approximately $1.62 billion and $1.64 billion, respectively, of capital assets and approximately $2.2 billion and $2.1 billion, respectively, in outstanding long-term debt.

Capital Assets

During fiscal years 2016 and 2015, the Authority expended $0.02 million and $0.09 million, respectively, on capital project activities. In 2016, the Authority's additions were primarily related to office equipment. In 2015, the Authority's additions were primarily related to office equipment and closeout activities related to infrastructure.

Long-Term Debt

As of June 30, 2016 and 2015, the Authority's total long-term debt in revenue bonds was $1.728 billion and $1.601 billion. In addition, accrued interest payable was $419.5 million and $455.9 million, during fiscal years 2016 and 2015, respectively.

As of June 30, 2016, ACTA's credit ratings for the Senior Bonds (1999A, 1999C, 2012, and 2013A) are A3, A-, and A by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively. For the first subordinated debt (2004A, 2004B, and 2016A), the ratings are Baa2, BBB+, and BBB+ by Moody's Investor Service, Standard & Poor's, and Fitch Ratings, respectively, and for the second subordinated debt (2016B), the ratings are Baa2, BBB+, and BBB by Moody's Investor Service, Standard & Poor's, and Fitch Ratings respectively.

Additional debt information can be found in Note 6 to the basic financial statements.

Other Developments

The Authority's Alameda Corridor Project opened on April 15, 2002. On that date, the Authority commenced operations and began collecting revenues for intermodal containers and rail cars using the Corridor, as authorized in the Use and Operating Agreement between the Authority and the participating railroads (Use and Operating Agreement). The Authority's bonds are payable solely from and secured by a pledge of, among other revenues, use fees, container charges to be paid by the railroads, and shortfall advances to be paid under certain circumstances by the Ports. To the extent that the revenues from use and container charges are not sufficient to meet the Authority's obligations, the Ports have agreed to advance the funds necessary to pay up to the maximum amount of 20% each for any debt service payment. From inception until the fiscal year ended June 30, 2016, approximately $1.229 billion has been received from the railroads. These revenues, combined with remaining interest income and other surplus cash balances, have been sufficient to meet debt services, fund reserve account required deposits, and pay the cost of revenue collections, monitoring, and administrative fees, except for in fiscal years 2012 and 2013, when shortfall advances totaling $11.8 million were needed.

The Authority's program manager, Alameda Corridor Engineering Team (ACET), together with the Authority's staff are actively working to close out the remaining completed projects from the original Corridor projects as well as to support Caltrans on the SR-47 project as outlined in cooperative agreements. Remaining work involves property transfers, right-of-way closeouts, and support on the SR-47 Project.

The Authority's Governing Board (the Board) modified the Corridor to include the addition of several Corridor-related projects, consistent with the Authority's Joint Powers Agreement, Use and Operating Agreement between the Authority and participating railroads (the Use and Operating Agreement), and its bond-related documents. Significant among those projects are the Pacific Coast Highway (PCH) and SR-47 Projects. The PCH project was completed in August 2004. The SR-47 Project has progressed, and the Authority is currently working in conjunction with Caltrans to advance the Heim Bridge portion of the project. The National Environmental Policy Act (NEPA) Record of Decision was approved on August 12, 2009; the Notice of Determination was received on August 17, 2009. The final design for replacement of the Bridge was completed in October 2010. Construction of the bridge is being administered by Caltrans and is underway. Construction is expected to be completed in November 2018, with full closeout set to occur in 2019.

At June 30, 2015, the Authority's total net position is a negative $192.7 million as total liabilities were greater than total assets. The Authority's net position continued to decline during fiscal 2016 primarily due to interest expenses exceeding operating and nonoperating revenue, and the one-time write-off of assets being held for transfer. The Authority has continued to engage in activities to prevent further decline in its net position and improve the overall financial condition of the Authority. In May 2016, the Authority issued bonds in order to reduce debt service costs in the short-term by refinancing a portion of its outstanding debt. Although the Authority does not expect to require shortfall advances from the Ports within the next fiscal year based upon current revenue projections, the ability to request advances remains an option to the Authority. The Authority has forecasted that cargo volumes will increase in the future based on cargo volumes projected from the Ports, resulting in greater revenues for the Authority to fund future debt service requirements.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Alameda Corridor Transportation Authority, 3760 Kilroy Airport Way, Suite 200, Long Beach, California, 90806.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	June 30, 2016	June 30, 2015
CURRENT ASSETS		
Restricted cash and cash equivalents	$ 26,639,953	$ 14,058,615
Restricted investments	68,732,599	54,079,502
Receivables	10,969,030	18,761,083
Prepaid expenses	1,268,710	1,394,441
Total current assets	107,610,292	88,293,641
Restricted investments held with fiscal agent	10,106,159	9,068,836
Restricted investments	77,025,223	104,094,558
Assets held for transfer	13,347,625	112,537,294
Net OPEB asset	365,719	355,875
Capital assets, net	1,619,413,295	1,640,450,554
Total assets	1,827,868,313	1,954,800,758
DEFERRED OUTFLOWS OF RESOURCES		
Charges on refunding	21,314,804	-
Pension contributions and differences in experience	235,436	196,611
Total assets and deferred outflows of resources	$ 1,849,418,553	$ 1,954,997,369

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 2,645,749	$ 1,865,576
Unearned revenue	1,059,468	1,411,083
Accrued interest payable, current portion	12,985,235	27,424,030
Revenue bonds payable, current portion	23,170,000	37,013,485
Other liabilities	475,040	423,943
Total current liabilities	40,335,492	68,138,117
Collateral deposit	10,106,159	9,068,836
Shortfall advances to Ports	11,874,268	11,837,523
Net pension liability	1,445,588	1,438,008
Accrued interest payable, net current portion	419,488,812	455,877,061
Revenue bonds payable, net of current portion and unamortized discount	1,727,652,226	1,600,927,217
Total liabilities	2,210,902,545	2,147,286,762
DEFERRED INFLOWS OF RESOURCES		
Net difference between expected and actual earnings on pension plan investments	228,427	403,027
NET POSITION		
Net investments in capital assets	14,319,910	155,907,566
Restricted, expendable for		
Debt service	94,423,740	88,219,461
Capital projects	224,541	542,172
Master Trust Indenture	57,688,600	74,479,257
Unrestricted (deficit)	(528,369,210)	(511,840,876)
Total net position	(361,712,419)	(192,692,420)
Total liabilities, deferred inflows of resources, and net position	$ 1,849,418,553	$ 1,954,997,369

See accompanying notes.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended June 30, 2016	2015
OPERATING REVENUES		
Use fees and container charges	$ 103,551,936	$ 105,518,770
Maintenance-of-way charges	5,052,440	4,856,519
Total operating revenues	108,604,376	110,375,289
OPERATING EXPENSES		
Salaries and benefits	1,742,411	1,860,394
Administrative expenses	1,483,085	1,521,284
Professional services	1,252,914	744,920
Maintenance of way	7,154,542	6,738,543
Depreciation	21,053,229	21,244,199
Total operating expenses	32,686,181	32,109,340
Operating income	75,918,195	78,265,949
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue, net	3,375,680	2,413,719
Grant revenues	1,949,517	3,479,593
Miscellaneous revenue	1,009,872	193,220
Interest expense	(138,639,697)	(111,683,412)
Expenses for public benefit	(2,028,509)	(4,195,569)
Debt issuance costs	(11,059,040)	-
Carrying value adjustment to assets held for transfer	(99,546,017)	-
Loss on transfer of assets held for transfer	-	(26,328,348)
Total nonoperating expenses, net	(244,938,194)	(136,120,797)
Changes in net position	(169,019,999)	(57,854,848)
NET POSITION, beginning of the year	(192,692,420)	(133,149,060)
Cumulative effect of change in accounting principle	-	(1,688,512)
NET POSITION, end of year	$ (361,712,419)	$ (192,692,420)

	Years Ended June 30, 2016	Years Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers for services	$ 114,883,574	$ 103,799,828
Payment to suppliers for goods and services	(8,984,637)	(9,143,941)
Payments to employees	(1,907,003)	(1,864,454)
Net cash provided by operating activities	103,991,934	92,791,433
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant receipts	2,950,467	3,311,492
Payments for legal and other costs for the transfer of assets held for transfer.	(710,715)	(10,876)
Payments for expenses for public benefit	(2,028,509)	(4,195,569)
Receipts for miscellaneous income	1,364,239	671,009
Net cash provided by (used in) noncapital financing activities	1,575,482	(223,944)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(15,970)	(89,616)
Proceeds placed in escrow for bond defeasance and principal paid on notes and bonds payable	(591,129,354)	(41,829,724)
Proceeds from advanced refunding	687,054,612	-
Payments for debt issuance costs	(11,059,040)	-
Interest payments on capital debt	(193,788,534)	(72,828,924)
Net cash used in capital and related financing activities	(108,938,286)	(114,748,264)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(200,285,561)	(79,778,463)
Sales of investments	212,701,799	88,194,686
Interest received	3,535,970	2,426,749
Net cash provided by investing activities	15,952,208	10,842,972
NET INCREASE (DECREASE) IN RESTRICTED CASH AND CASH EQUIVALENTS	12,581,338	(11,337,803)
RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	14,058,615	25,396,418
RESTRICTED CASH AND CASH EQUIVALENTS, end of year	$ 26,639,953	$ 14,058,615

See accompanying notes.

	Years Ended June 30, 2016	Years Ended June 30, 2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 75,918,195	$ 78,265,949
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	21,053,229	21,244,199
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables	6,279,198	(6,575,461)
Prepaid expenses	125,731	65,079
Net OPEB asset	(9,844)	7,305
Deferred outflows/inflows of resources	(213,425)	206,416
Accounts payable	780,173	(204,273)
Net pension liability	7,580	(250,504)
Other liabilities	51,097	32,723
Net cash provided by operating activities	$ 103,991,934	$ 92,791,433
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Losses on transfers of assets held for transfer and carrying value adjustment	$ 99,546,017	$ 26,328,348

Note 1 - Organization and Summary of Significant Accounting Policies

Reporting entity - The Alameda Corridor Transportation Authority (the Authority) was established in August 1989 through a Joint Exercise of Powers Agreement (JPA) between the cities of Los Angeles and Long Beach, California. The purpose of the Authority is to acquire, construct, finance, and operate a consolidated transportation corridor; including an improved railroad expressway between the ports of Los Angeles and Long Beach (collectively known as the Ports) and downtown Los Angeles (the route between the two locations has become known as the Alameda Corridor).

The Authority's independent Governing Board has seven members, comprising two members each from the Ports, one member each from the cities of Los Angeles and Long Beach, and one member representing the Los Angeles County Metropolitan Transportation Authority (LACMTA).

As of June 30, 2016, the members of the Authority's Governing Board were the following:

Chairperson - Ms. Lena Gonzalez, Council member, City of Long Beach
Vice Chairperson - Mr. Joe Buscaino, Council member, City of Los Angeles
Member - Hon. Don Knabe, Supervisor, County of Los Angeles and Chairperson, LACMTA
Member - Mr. Eugene Seroka, Executive Director, Port of Los Angeles
Member - Mr. Jon Slangerup, Executive Director, Port of Long Beach
Member - Mr. Richard Dines, Commissioner, Port of Long Beach
Member - Mr. Edward Renwick, Commissioner, Port of Los Angeles

The Authority is empowered to explore alternative methods of financing, to develop existing property, and to coordinate other governmental efforts necessary for a consolidated transportation corridor, including the completion of the Alameda Corridor Project (the Project). The Authority may issue revenue bonds to carry out its obligations under the JPA. Such bonds will be payable from revenues generated from the Alameda Corridor, from one or more pledges of revenues from the Authority, the Board of Harbor Commissioners of Long Beach and Los Angeles, from pledges of revenues from other responsible agencies, or from any other legally available funds.

Program management agreement - In January 1996, the Authority's Governing Board entered into a 10-year Program Management Agreement (Agreement) with the Alameda Corridor Engineering Team (ACET), a joint venture comprising Daniel, Mann, Johnson, and Mendenhall (now AECOM); Moffatt and Nichol Engineers; Jenkins, Gales, and Martinez, Inc.; and TELACU Construction Management, Inc., to provide the broad program management services necessary to assist the Authority in implementing the Alameda Corridor. The Agreement calls for ACET to provide the Authority with professional services related to management, engineering, construction support, procurement, coordination, and administration of the Alameda Corridor Project Construction Program. This Agreement was amended twice by the Governing Board and is now extended through June 30, 2017.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Use and operating agreement - In October 1998, the cities of Long Beach and Los Angeles, the Authority, Union Pacific Railroad Company (UP), and Burlington Northern Santa Fe Railway Company (BNSF) entered into a use and operating agreement (the Use and Operating Agreement or UOA), which outlines the provisions for the construction, operation, and use of the Rail Corridor (as defined in the UOA). Specifically, it grants UP and BNSF the right to use the Rail Corridor constructed by the Authority for all Through Train (as defined in the UOA) movements upon substantial completion in exchange for paying maintenance, operating charges, container charges, and use fees to the Authority. Proceeds of the container charges and use fees will be used to repay the revenue bonds. The Use and Operating Agreement was amended in 2006 to resolve a dispute involving application of the container charge and use fee provisions of the Agreement to transloaded cargo. The UOA requirements are to be in effect until the earlier of April 15, 2062, or repayment of all obligations under the UOA.

Master trust indenture - In conjunction with the sale of project revenue and refunding bonds in 1999, 2004, 2012, 2013A, and 2016 (Bonds), the Authority entered into a Master Trust Indenture (MTI) with U.S. Bank, the bond trustee (Trustee), pursuant to which the Authority assigned all of its rights, title, and interest in and to the Project, including the receipt of certain use fees and container charges and other revenues known as “the Authority revenues” to the Trustee as security for the repayment of the Bonds. Pursuant to the terms of the MTI, the Trustee is required to establish certain funds and accounts and to apply the Authority’s revenues for the purposes specifically set forth therein, which include the payment of most operating expenses and debt service payments. The MTI establishes debt service funds, debt service reserve funds, construction funds, maintenance and capital reserve funds, and certain other restrictive funds. The MTI also establishes a priority of payments, which restricts the manner, timing, and sequence of transfers into and out of such funds and accounts, and among such funds and accounts. The MTI requires that the Authority comply with certain operational and financial covenants, restricts the types of investments the Trustee and Authority may make, and requires regular financial reporting and disclosure. The Authority’s net position restricted by the MTI included in the accompanying statements of net position of $57,688,600 and $74,479,257 as of June 30, 2016 and 2015, respectively, represents the accumulation of the Authority’s revenues in excess of operating expenses and debt payments that can only be used for the aforementioned purposes noted in the MTI.

Basis of presentation - The basic financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units and the State Controller’s Minimum Audit Requirements and Reporting Guidelines. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments within the United States of America.

In accordance with GAAP, the Authority’s operations are accounted for as a business-type activity. In this regard, the Authority follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned, and expenses are recorded when they are incurred, irrespective of when paid.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Restricted cash and cash equivalents - The Authority has defined, for purposes of the preparation of its statements of cash flows, that cash and cash equivalents include deposits, money market accounts, and investments with an original maturity date of three months or less, including investments in the State of California Local Agency Investment Fund (LAIF). The Authority participates in the State of California's LAIF, a non-Securities and Exchange Commission registered investment pool open to all government units in the State of California and is able to withdraw amounts from LAIF on demand without penalty.

Investments - Investments are stated at fair value. The value of each investment security has been determined based on the published closing price of the security as of June 30, 2016 and 2015. The net changes in fair value of investments, consisting of realized gains or losses and the unrealized appreciation/depreciation on those investments, have been included in interest and investment revenue as shown in the accompanying statements of revenues, expenses, and changes in net position.

The Authority's investment practices are governed by a board-approved investment policy. The types of investment authorized by the policy are described further in Note 2.

Assets held for transfer - Remaining right-of-way parcels or easements that require a transfer are valued based upon the known costs paid at the time the parcel was originally acquired. These assets are not held for investment purposes. The carrying value of certain right-of-way assets was adjusted during 2016 and further described in Note 4.

Capital assets - Capital assets purchased or constructed are carried at cost, including capitalized interest during construction. Donated assets are valued at the estimated fair value on the date received. Depreciation is provided over the estimated useful life of each asset and computed on a straight-line basis beginning with the fiscal year after the asset is placed in service. Trench structures, tracks and signals, rail bridge structures, and highway bridge structures include both depreciable and nondepreciable components.

Estimated useful lives of classes of capital assets are as follows:

Tenant improvements	3 years
Automotive vehicles	5 years
Office and other equipment	3-5 years
Buildings	30 years
Revenue assessment and verification system and other software	5 years
Tracks and signal systems	40 years
Roads	50 years
Highway bridge structures	100 years
Trench structures	100 years
Rail bridge structures	100 years

Infrastructure and equipment acquired with state and local grants are also included in capital assets. Depreciation on these assets is recorded as an operating expense.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Restricted assets and net position - Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants. The revenue bonds' accrued interest, debt service reserve, indemnity, and revenue fund accounts have been classified as restricted assets, because these accounts are first restricted to the payment of interest and principal on the outstanding revenue bonds. These amounts, offset by any related outstanding debt, are reported as net position restricted for debt service. After payment of debt service, remaining revenues, if any, are restricted to the payment of the Authority's other costs and legal obligations (e.g., Port Shortfall Advances) as defined by the Authority's Use and Operating Agreement. The Reserve Account has also been classified as restricted assets, because the amount in this account is restricted for specific purposes under the Use and Operating Agreement and the revenue bond covenants. These amounts, offset by any related outstanding liabilities, are reported as net position restricted by the Master Trust Indenture.

Remaining long-term debt proceeds that have been set aside for capital projects are also reported as restricted assets. When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, and then unrestricted resources as they are needed.

The Authority's net position as of June 30, 2016, is a negative $361.7 million because total liabilities and deferred inflows of resources were greater than total assets and deferred outflows of resources due to accumulating accreted interest on revenue bonds payable. The Authority's interest cash payments are lower than recorded interest expense because the bonds are capital appreciation bonds (CABs), which compound interest until final maturity. As a result, the Authority is able to maintain a liquid financial position. Management believes that it will be able to sustain its liquidity based on the terms of the bonds payable and through shortfall advances from the Ports, if necessary, as discussed further in Note 6.

Compensated absences - All Authority employees accumulate time off for vacation and sick leave each pay period. While sick leave hours are accrued at a uniform rate among all employees, vacation accrual is based on length of service. Vacation hours are payable to employees when used at the individual employee's current rate of pay. Any unused vacation remaining at the time of termination is also payable to the employee at his/her then rate of pay. All vacation hours that have been earned but not paid as of June 30, 2016 and 2015, have been accrued in the accompanying statements of net position in other liabilities. Sick hours are paid to employees when used. The Authority's sick leave policy also provides that employees will be paid 50% of the remaining value of their sick leave hours upon termination. Consequently, 50% of all unused sick hours for all employees totaling $229,901 and $208,316 as of June 30, 2016 and 2015, respectively, have also been accrued in other liabilities of the accompanying statement of net position.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Collateral deposit - In conjunction with the 1999, 2012, and 2013A series bonds issued by the Authority, the Authority also entered into a Forward Delivery Agreement (FDA) for debt service funds with a Trustee and a Provider. As noted in the FDA, the Provider guarantees a rate of return on debt service funds deposited with the Trustee. The FDA also includes a provision, which requires that, in the event of a downgrade of the Provider's long-term unsecured credit rating, the Provider is required to (i) procure a guarantor, (ii) assign its rights to another higher-rated financial institution, or (iii) deliver collateral to the Trustee in the name of the Authority and the Trustee. In 2011, the Provider's credit rating was downgraded and the Provider elected to deliver collateral to comply with the FDA. As a result, the Authority received the collateral in the form of approximately $11.0 million in U.S. Treasury securities. As of June 30, 2016 and 2015, the carrying value was $10,106,159 and $9,068,836, and recorded within restricted investments held with fiscal agent on the statements of net position. If the Provider's credit rating recovers, the Authority will then return the collateral; therefore, the Authority has recorded a corresponding liability for the collateral deposit due to the Provider.

Pensions - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency of California Public Employees' Retirement System (CalPERS) plans (Plans), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating revenues and expenses - Operating revenues and expenses generally result from the operation of the Rail Corridor. The principal operating revenues of the Authority are fees assessed to the railroads for use and maintenance of the Rail Corridor. These fees are recognized in the period earned. Operating expenses include revenue collection and other administrative expenses, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of estimates - The preparation of basic financial statements in conformity with GAAP requires that management make estimates and assumptions that may affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Restricted Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2016 and 2015, are classified in the accompanying basic financial statements as follows:

	June 30, 2016 Fair Value	June 30, 2015 Fair Value
Current restricted cash and cash equivalents	$ 26,639,953	$ 14,058,615
Current restricted investments	68,732,599	54,079,502
Noncurrent restricted investments held with fiscal agent	10,106,159	9,068,836
Noncurrent restricted investments	77,025,223	104,094,558
Total restricted cash, cash equivalents, and investments	$ 182,503,934	$ 181,301,511

Deposits - At June 30, 2016 and 2015, the net carrying amount of the Authority's deposit account with Bank of America was $1,216,594 and $2,519,786, while the corresponding bank balance was $1,268,569 and $2,530,520, respectively. Outstanding checks account for the respective differences between the carrying amounts and bank balances. Of the aforementioned bank balance, $250,000 is covered by the Federal Deposit Insurance Corporation, with the excess being secured with collateral of securities held by the pledging financial institution's trust or agent in the Authority's name.

The California Government Code Section 53601 requires California banks and savings and loan associations to secure a public agency's deposits not covered by federal depository insurance by pledging government securities as collateral. The carrying amount of pledged securities must equal at least 110% of the agency's deposits. California law also allows financial institutions to secure agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total deposits. The collateral must be held at the pledging bank's trust department or other bank acting as the pledging bank's agent in the Authority's name.

Investments - The Authority's investments are invested pursuant to the investment policy guidelines adopted by the Governing Board of the Authority. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses the types of investment instruments and the percentage of the portfolio in which the Authority may invest its funds as permitted by the California Government Code. Generally, investments shall be made in the context of the "prudent investor" rule.

Investment in State of California Local Agency Investment Pool - The Authority is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying statements of net position as restricted cash equivalents at amounts based upon the Authority's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded at fair value. Amounts up to $10 million can be withdrawn on demand. At June 30, 2016 and 2015, the fair value of the balance of such deposits is $8,348,106 and $6,975,577, respectively.

Note 2 - Restricted Cash, Cash Equivalents, and Investments (continued)

Interest rate risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and medium-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted-average maturity of its portfolio. The Authority has no specific limitations with respect to this metric.

Under provision of the Authority's investment policy, and in accordance with Section 53601 of the California Government Code, the Authority may invest in the following types of investments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Authority bonds	N/A	None	N/A
U.S. Treasury bills, notes, or bonds	5 years	None	None
State warrants or bonds	None	None	None
U.S. local agency bonds, notes, or warrants	None	None	None
Federal Agency obligations	5 years	None	None
Callable federal agency securities	5 years	20%	None
Bankers' acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	2 years	30%	None
Repurchase agreements	90 days	50%	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
Time deposits	1 year	15%	None
L.A. County Treasurer Investment Pool	N/A	None	None
Money market funds	None	20%	10%
Medium-term maturity corporate notes	None	30%	10%
Mortgage- or asset-backed securities	5 years	20%	None

Note 2 - Restricted Cash, Cash Equivalents, and Investments (continued)

The MTI allows for exception of the maximum maturity prescript in the Authority's investment policy. The Authority is allowed a maximum maturity of five years for investments in the debt service reserve funds:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury bills, notes, or bonds	10 years	None	None
State warrants or bonds	10 years	None	None
U.S. local agency bonds, notes, or warrants	10 years	None	None
Federal Agency obligations	10 years	None	None
Bankers' acceptances	270 days	40%	10%
Commercial paper	180 days	15%	10%
Negotiable certificates of deposit	2 years	30%	None
Repurchase agreements	90 days	50%	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
L.A. County Treasurer Investment Pool	N/A	None	None
Money market funds	None	20%	10%
Medium-term maturity corporate notes	3 years	30%	8%
Guaranteed Investment Contracts and Investment Agreements	10 years	50%	20%
Mortgage- or asset-backed securities	10 years	20%	None

The following schedules indicate the interest rate risk of the Authority's investments as of June 30:

	2016		2015	
	Reported Amount	Weighted-Average Maturity (in Years)	Reported Amount	Weighted-Average Maturity (in Years)
Cash and investment type				
Cash	$ 1,217,094	-	$ 500	-
Money market fund	11,792,095	-	7,082,538	-
LAIF	8,348,106	-	6,975,577	-
U.S. Treasury notes	42,366,891	1.53	39,026,620	1.78
U.S. corporate notes	17,995,352	1.84	17,299,445	2.08
Commercial paper	972,348	0.30	1,278,161	0.34
Federal agency obligations	99,812,048	1.52	109,638,670	1.80
	$ 182,503,934		$ 181,301,511	

Note 2 - Restricted Cash, Cash Equivalents, and Investments (continued)

Disclosure relating to credit risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum of a rating by (where applicable) the Authority's investment policy, debt agreements, and the actual rating as of year-end for each investment type:

	Ratings as of June 30, 2016								
Investment type	AAA / AA+	AA	AA- / A+	A	A-	A-1+	A-1	NR	Total
Cash and money market	$ 11,792,095	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,217,094	$ 13,009,189
LAIF	-	-	-	-	-	-	-	8,348,106	8,348,106
U.S. Treasury notes	42,366,891	-	-	-	-	-	-	-	42,366,891
U.S. corporate notes	2,246,593	736,968	8,192,708	6,234,644	584,439	-	-	-	17,995,352
Commercial paper	-	-	-	-	-	124,421	847,927	-	972,348
Federal agency obligations	72,218,877	-	-	-	-	27,593,171	-	-	99,812,048
Total	$ 128,624,456	$ 736,968	$ 8,192,708	$ 6,234,644	$ 584,439	$ 27,717,592	$ 847,927	$ 9,565,200	$ 182,503,934

	Ratings as of June 30, 2015								
Investment type	AAA / AA+	AA	AA- / A+	A	A-	A-1+	A-1	NR	Total
Cash and money market	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,083,038	$ 7,083,038
LAIF	-	-	-	-	-	-	-	6,975,577	6,975,577
U.S. Treasury notes	39,026,620	-	-	-	-	-	-	-	39,026,620
U.S. corporate notes	2,445,457	1,329,453	7,387,776	6,136,759	-	-	-	-	17,299,445
Commercial paper	-	-	-	-	-	548,891	729,270	-	1,278,161
Federal agency obligations	77,746,347	-	-	-	-	31,892,323	-	-	109,638,670
Total	$ 119,218,424	$ 1,329,453	$ 7,387,776	$ 6,136,759	$ -	$ 32,441,214	$ 729,270	$ 14,058,615	$ 181,301,511

Concentration of credit risk - The Authority's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority's investments are as follows:

		June 30	
		2016	2015
Federal Home Loan Bank	Federal agency obligations	$ 22,368,653	$ 20,378,661
Federal National Mortgage Association	Federal agency obligations	44,802,644	49,652,821
Federal Home Loan Mortgage Corporation	Federal agency obligations	29,380,737	36,669,151
		$ 96,552,034	$ 106,700,633

Investment valuation and revenue recognition – Governmental Accounting Standards Board (GASB) Statement number 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and expands disclosures about fair value measurements. The Authority adopted this standard effective July 1, 2015.

Note 2 - Restricted Cash, Cash Equivalents, and Investments (continued)

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB Statement Number 72 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. The standard describes three levels of inputs that may be used to measure fair value as:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2016 and 2015.

U.S. government securities, mortgage-backed securities and other debt and equity securities – Valued at the closing price reported on the major market on which the individual securities are traded or have reported broker trades which may be considered indicative of an active market. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows, and other observable inputs. Such securities are classified within Level 2 of the valuation hierarchy.

Commercial paper – Valued using pricing models maximizing the use of observable inputs for similar securities, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Note 2 - Restricted Cash, Cash Equivalents, and Investments (continued)

Fair values of investments have been determined by ACTA from observable market quotations, as reflected below. The following tables present ACTA's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2016 and 2015.

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments				
LAIF	$ 8,348,106	$ -	$ 8,348,106	$ -
Commercial paper				
Domestic	972,348	-	972,348	-
Federal agencies and municipalities				
U.S. Treasury notes	42,366,891	-	42,366,891	-
U.S. corporate notes	17,995,352	-	17,995,352	-
Federal agency obligations	99,812,048	-	99,812,048	-
	169,494,745	$ -	$ 169,494,745	$ -
Cash and investments not measured at fair value				
Cash	1,217,094			
Money market fund	11,792,095			
	$ 182,503,934			

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Investments				
LAIF	$ 6,975,577	$ -	$ 6,975,577	$ -
Commercial paper				
Domestic	1,278,161	-	1,278,161	-
Federal agencies and municipalities				
U.S. Treasury notes	39,026,620	-	39,026,620	-
U.S. corporate notes	17,299,445	-	17,299,445	-
Federal agency obligations	109,638,670	-	109,638,670	-
	174,218,473	$ -	$ 174,218,473	$ -
Cash and investments not measured at fair value				
Cash	500			
Money market fund	7,082,538			
	$ 181,301,511			

Note 3 - Receivables

Receivables consist of grants, use fees, and other amounts due from private entities. The following provides a summary of the amounts of accounts and other receivables:

	June 30	
	2016	2015
Grants receivable	$ 729,693	$ 2,082,258
Interest receivable	696,048	856,338
Use fees and other receivables	9,543,289	15,822,487
Total	$ 10,969,030	$ 18,761,083

Note 4 - Assets Held for Transfer

Assets held for transfer represent right-of-way land and land improvements that were acquired by the Authority. Hundreds of parcels and easement rights were acquired in order to complete the construction of the Alameda Corridor. The Authority, under the terms of the joint powers agreement, is not permitted to own any land or land easement rights. The Ports own the land that the trench was built on and the Authority has the right to use and occupy the property under the terms of a Use Permit that was executed between the Ports and the Authority on October 12, 1998. Title to all land and easement rights necessary to operate the Alameda Corridor is in the process of being deeded to the Ports, as tenants in common. Due to the proximity of the Authority completing its remaining transfers within the next year or two, it was determined that all ancillary costs originally capitalized and not attributed to these remaining assets held for transfer be written off as of June 30, 2016, leaving only the known costs associated with the remaining parcels and easement rights in the account.

The following schedule summarizes assets held for transfer for the years ended June 30, 2016 and 2015:

	Balance, June 30, 2015	Additions	Transfers / Adjustments	Balance, June 30, 2016
Assets held for transfer	$ 112,537,294	$ 710,715	$ (99,900,384)	$ 13,347,625

	Balance, June 30, 2014 (As Restated)	Additions	Transfers / Adjustments	Balance, June 30, 2015
Assets held for transfer	$ 139,332,555	$ 10,876	$ (26,806,137)	$ 112,537,294

Note 5 - Capital Assets

The following schedule summarizes capital assets for the years ended June 30, 2016 and 2015:

	Balance, June 30, 2015	Additions	Deletions	Balance, June 30, 2016
Buildings and equipment				
Automotive vehicles	$ 82,097	$ -	$ (61,573)	$ 20,524
Office equipment	624,607	15,970	(334,717)	305,860
Other equipment	186,825	-	(186,825)	-
Tenant improvements	72,334	-	(72,334)	-
Buildings	1,102,594	-	-	1,102,594
Revenue assessment and verification system and other software	9,827,107	-	(2,776,800)	7,050,307
Total buildings and equipment	11,895,564	15,970	(3,432,249)	8,479,285
Alameda Corridor Project				
Infrastructure				
Capital assets, being depreciated				
Trench structures	715,581,463	-	-	715,581,463
Track and signals	196,509,123	-	-	196,509,123
Rail bridge structures	408,972,328	-	-	408,972,328
Highway bridge structures	147,175,088	-	-	147,175,088
Capital assets, not being depreciated				
Trench structures	224,167,723	-	-	224,167,723
Track and signals	66,493,773	-	-	66,493,773
Rail bridge structures	101,783,053	-	-	101,783,053
Highway bridge structures	45,704,183	-	-	45,704,183
Alameda Corridor Project Infrastructure	1,906,386,734	-	-	1,906,386,734
Total capital assets	1,918,282,298	15,970	(3,432,249)	1,914,866,019
Less accumulated depreciation for				
Trench structures	(135,391,299)	(10,430,223)	-	(145,821,522)
Track and signals	(38,738,228)	(3,309,086)	-	(42,047,314)
Rail bridge structures	(68,247,322)	(5,292,828)	-	(73,540,150)
Highway bridge structures	(24,206,233)	(1,948,030)	-	(26,154,263)
Automotive vehicles	(82,096)	(1)	61,573	(20,524)
Office equipment	(606,369)	(16,952)	334,717	(288,604)
Other equipment	(189,492)	2,667	186,825	-
Tenant improvements	(72,334)	-	72,334	-
Buildings	(511,483)	(36,751)	-	(548,234)
Revenue assessment and verification system and other software	(9,786,888)	(22,025)	2,776,800	(7,032,113)
Total accumulated depreciation	(277,831,744)	(21,053,229)	3,432,249	(295,452,724)
Capital assets, net	$ 1,640,450,554	$ (21,037,259)	$ -	$ 1,619,413,295

Note 5 - Capital Assets (continued)

The following schedule summarizes capital assets for the years ended June 30, 2015 and 2014:

	June 30, 2014 (As Restated)	Additions	Deletions	Balance, June 30, 2015
Buildings and equipment				
Automotive vehicles	$ 82,097	$ -	$ -	$ 82,097
Office equipment	611,899	12,708	-	624,607
Other equipment	186,825	-	-	186,825
Tenant improvements	72,334	-	-	72,334
Buildings	1,102,594	-	-	1,102,594
Revenue assessment and verification system and other software	9,827,107	-	-	9,827,107
Total buildings and equipment	11,882,856	12,708	-	11,895,564
Alameda Corridor Project				
Infrastructure				
Capital assets, being depreciated				
Trench structures	715,581,463	-	-	715,581,463
Track and signals	196,509,123	-	-	196,509,123
Rail bridge structures	408,956,034	16,294	-	408,972,328
Highway bridge structures	147,132,504	42,584	-	147,175,088
Capital assets, not being depreciated				
Trench structures	224,167,723	-	-	224,167,723
Track and signals	66,493,773	-	-	66,493,773
Rail bridge structures	101,779,388	3,665	-	101,783,053
Highway bridge structures	45,689,818	14,365	-	45,704,183
Alameda Corridor Project Infrastructure	1,906,309,826	76,908	-	1,906,386,734
Total capital assets	1,918,192,682	89,616	-	1,918,282,298
Less accumulated depreciation for				
Trench structures	(124,961,077)	(10,430,222)	-	(135,391,299)
Track and signals	(35,468,053)	(3,270,175)	-	(38,738,228)
Rail bridge structures	(62,950,761)	(5,296,561)	-	(68,247,322)
Highway bridge structures	(22,225,091)	(1,981,142)	-	(24,206,233)
Automotive vehicles	(82,096)	-	-	(82,096)
Office equipment	(603,898)	(2,471)	-	(606,369)
Other equipment	(186,825)	(2,667)	-	(189,492)
Tenant improvements	(72,334)	-	-	(72,334)
Buildings	(474,730)	(36,753)	-	(511,483)
Revenue assessment and verification system and other software	(9,562,680)	(224,208)	-	(9,786,888)
Total accumulated depreciation	(256,587,545)	(21,244,199)	-	(277,831,744)
Capital assets, net	$ 1,661,605,137	$ (21,154,583)	$ -	$ 1,640,450,554

Note 6 - Bonds Payable

The 1999A Series Senior Lien Tax-Exempt Bonds (1999A Bonds), the 1999C Senior Lien Taxable Bonds (1999C Bonds), the 1999D Subordinate Lien Taxable Bonds (1999D Bonds), the 2004A Series Subordinate Lien Tax-Exempt Bonds (2004A Bonds), the 2004B Subordinate Lien Taxable Bonds (2004B Bonds), the 2012 Series Taxable Senior Lien Bonds (2012 Bonds), the 2013A Series Tax-Exempt Senior Lien Bonds (2013A Bonds), the 2016A Series Subordinate Lien Tax-Exempt Bonds (2016A Bonds), and 2016B Series Second subordinate Lien Tax-Exempt Bonds (2016B Bonds) are payable solely from and secured by a pledge of, among other revenues, use fees and container charges to be paid by the UP and BNSF for use of the Project and from shortfall advances to be paid under certain circumstances by the City of Long Beach, acting by and through its Board of Harbor Commissioners, and the City of Los Angeles, acting by and through its Board of Harbor Commissioners. The 1999D Bonds were paid off on October 1, 2014.

As of June 30, 2016 and 2015, the unamortized premium and discount balance on the 1999A and 1999C, 2004A and 2004B, 2013A, and 2016A and 2016B Bonds was $124,262,549 and $32,857,963, respectively.

Long-term liability activity for the years ended June 30, 2016 and 2015, was as follows:

	Balance, June 30, 2015	Additions	Payments	Balance, June 30, 2016	Due Within One Year
Bonds payable					
1999A Bonds	$ 50,453,617	$ -	$ -	$ 50,453,617	$ -
1999C Bonds	494,323,396	-	(21,290,000)	473,033,396	23,170,000
1999D Bonds	-	-	-	-	-
2004A Bonds	597,138,316	-	(548,373,062)	48,765,254	-
2004B Bonds	131,132,410	-	-	131,132,410	-
2012 Bonds	83,710,000	-	-	83,710,000	-
2013A Bonds	248,325,000	-	-	248,325,000	-
2016A Bonds	-	34,280,000	-	34,280,000	-
2016B Bonds	-	556,860,000	-	556,860,000	-
Total bonds payable	1,605,082,739	591,140,000	(569,663,062)	1,626,559,677	23,170,000
Less unamortized bond premium (discounts)	32,857,963	95,914,612	(4,510,026)	124,262,549	-
Accrued interest payable	483,301,091	103,699,784	(154,526,828)	432,474,047	12,985,235
Net long-term liabilities	$ 2,121,241,793	$ 790,754,396	$ (728,699,916)	$ 2,183,296,273	$ 36,155,235

Note 6 - Bonds Payable (continued)

	Balance, June 30, 2014	Additions	Payments	Balance, June 30, 2015	Due Within One Year
Bonds payable					
1999A Bonds	$ 50,453,617	$ -	$ -	$ 50,453,617	$ -
1999C Bonds	497,453,396	-	(3,130,000)	494,323,396	21,290,000
1999D Bonds	16,240,000	-	(16,240,000)	-	-
2004A Bonds	615,657,829	-	(18,519,513)	597,138,316	15,723,485
2004B Bonds	131,132,410	-	-	131,132,410	-
2012 Bonds	83,710,000	-	-	83,710,000	-
2013A Bonds	248,325,000	-	-	248,325,000	-
Total bonds payable	1,642,972,252	-	(37,889,513)	1,605,082,739	37,013,485
Less unamortized bond premium (discounts)	36,798,174	-	(3,940,211)	32,857,963	-
Accrued interest payable	444,456,660	115,613,565	(76,769,134)	483,301,091	27,424,030
Net long-term liabilities	$ 2,124,227,086	$ 115,613,565	$ (118,598,858)	$ 2,121,241,793	$ 64,437,515

1999 Series A Capital Appreciation Bonds - The 1999A Capital Appreciation Bonds (CABs) were issued by the Authority in the aggregate amount of $50,453,617 on February 2, 1999. Proceeds from the sale of these insured 1999A CABs were used to finance a portion of the cost of design and construction of the Project.

The first maturity of the bonds will commence on October 1, 2030. The 1999A CABs, which mature between October 1, 2030 and October 1, 2037, have an accretion yield to maturity at rates ranging from 5.25% to 5.27%. The principal and accrued interest balance outstanding on the 1999A CABs at June 30, 2016 and 2015, are $50,453,617 and $74,605,631, and $50,453,617 and $68,252,697, respectively. The 1999A CABs are not subject to optional redemption.

The remaining debt service of the 1999A CABs is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2027 - 2031	$ 7,298,874	$ 30,326,126	$ 37,625,000
2032 - 2036	32,114,863	161,730,137	193,845,000
2037 - 2041	11,039,880	69,240,120	80,280,000
Total	$ 50,453,617	$ 261,296,383	$ 311,750,000

1999 C Bonds - The 1999C Bonds include both current interest bonds (CIBs) and capital appreciation bonds (CABs).

1999 Series C Current Interest Bonds - The 1999C CIBs were issued by the Authority in the aggregate amount of $430,155,000 on January 1, 1999. Proceeds from the sale of these insured 1999C CIBs were used to finance a portion of the cost of the design and construction of the Project.

Note 6 - Bonds Payable (continued)

Interest on the 1999C CIBs is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2014. The 1999C CIBs Series, which mature annually each October 1, from 2015 through 2029, bear interest at rates ranging from 6.50% to 6.60%. The principal balance outstanding on the 1999C CIBs is $405,735,000 at June 30, 2016. The 1999C CIBs are not subject to optional redemption. The remaining debt service of the Authority's 1999C CIBs is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2017	$ 23,170,000	$ 25,920,230	$ 49,090,230
2018	25,175,000	24,349,018	49,524,018
2019	27,315,000	22,643,093	49,958,093
2020	29,595,000	20,793,518	50,388,518
2021	-	19,831,680	19,831,680
2022 - 2026	109,420,000	88,702,020	198,122,020
2027 - 2031	191,060,000	26,403,960	217,463,960
Total	$ 405,735,000	$ 228,643,519	$ 634,378,519

1999C CABs - The 1999C CABs were issued by the Authority in the aggregate amount of $67,298,396 on February 9, 1999. Proceeds from the sale of these insured 1999C CABs were used to finance a portion of the cost of the design and construction of the Project.

The first maturity of the bonds will commence on October 1, 2020. The 1999C CABs, which mature between October 1, 2020 and October 1, 2037, have an accretion yield to maturity at rates ranging from 6.69% to 6.83%. The principal balance and accrued interest outstanding on the 1999C CABs at June 30, 2016 and 2015, are $67,298,396 and $148,979,519, and $67,298,396 and $134,961,101, respectively. The 1999C CABs are not subject to optional redemption.

The Authority's remaining debt service on the 1999C CABs is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2021	$ 7,709,136	$ 24,390,864	$ 32,100,000
2022 - 2026	14,343,854	51,421,146	65,765,000
2027 - 2031	6,850,575	50,524,425	57,375,000
2032 - 2036	28,944,977	266,655,023	295,600,000
2037 - 2041	9,449,854	112,970,147	122,420,001
Total	$ 67,298,396	$ 505,961,605	$ 573,260,001

Note 6 - Bonds Payable (continued)

1999 Series D Bonds - 1999D Bonds were issued by the Authority in the aggregate principal amount of $145,635,000 on January 1, 1999. Proceeds from the sale of these insured 1999D Bonds were used to finance a portion of the cost of the design and construction of the Project.

Interest on the 1999D Bonds was payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2003. The 1999D Bonds, which matured on October 1, 2014, bore interest at rates ranging from 5.47% to 6.37%. No 1999D Bonds remain outstanding as of June 30, 2016 or June 30, 2015.

2004A Bonds - The 2004A Bonds include both Capital Appreciation Bond - Non Convertible (CABs) and Capital Appreciation Bonds - Convertible (CCIBs).

2004 Series A Capital Appreciation Bonds - Non Convertible - The 2004A Bonds were initially all capital appreciation bonds. Of the total $475,292,386, $274,992,286 were convertible and converted to current interest bonds on October 1, 2012, and are callable on October 1, 2017 (CCIBs). $200,300,100 are not convertible or callable (CABs). The 2004 Bonds were issued by the Authority in the aggregate amount of $475,292,386 on April 22, 2004. Proceeds from the sale of these insured 2004A Bonds were used to refund a portion of the U.S. Department of Transportation Loan. The 2004A CABs mature between fiscal years 2012 and 2031 and have an accretion yield to maturity at rates ranging from 4.30% to 5.72%.

On May 24, 2016, all of the 2004A CABs maturing during fiscal year 2017 and a portion of the 2004A CABs maturing during fiscal years 2018 through 2021 were advance refunded, defeased, and escrowed to maturity. As a result, the Authority's remaining debt service on the 2004A CABs is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2017	$ -	$ -	$ -
2018	4,269,651	3,985,349	8,255,000
2019	5,680,583	6,019,416	11,699,999
2020	1,896,850	2,273,150	4,170,000
2021	568,750	766,250	1,335,000
2022 - 2026	-	-	-
2027 - 2031	36,349,420	121,330,580	157,680,000
Total	$ 48,765,254	$ 134,374,745	$ 183,139,999

Note 6 - Bonds Payable (continued)

2004 Series A Capital Appreciation Bond - Convertible - On May 24, 2016, these bonds were advance refunded, defeased, and escrowed to October 1, 2017. The 2004A CCIBs were convertible and callable, and accreted to full face value of $5,000 per bond on October 1, 2012. These bonds converted automatically and pay interest semiannually on April 1 and October 1 of each year commencing with April 1, 2013. The first maturity of the 2004A CCIBs will commence on October 1, 2021. The 2004 CCIBs mature between fiscal years 2021 and 2025, and bear interest at rates ranging from 5.25% to 5.45%. These bonds are callable at par, with accrued interest, if any, on October 1, 2017, or any date thereafter. As a result of the May 24, 2016 advance refunding, all 2004A CCIBs will be called on October 1, 2017. The principal balance outstanding on the 2004 CCIBs is $0 and $428,390,000 at June 30, 2016 and 2015, respectively.

The Authority has no remaining debt service on the 2004A CCIBs.

2004B Bonds - The 2004B Bonds are capital appreciation bonds that were issued by the Authority in the aggregate amount of $210,731,703 on April 22, 2004. Proceeds from the sale of these insured 2004B Bonds were used to repay a portion of the U.S. Department of Transportation Loan.

The first maturity of the 2004B Bonds commenced October 1, 2006. The 2004B Bonds mature between October 1, 2006 and October 1, 2033, and have an accretion yield to maturity at rates ranging from 3.05% to 6.33%. The 2004B Bonds are not subject to optional redemption. The principal balance and accrued interest outstanding on the 2004B Bonds are $131,132,410 and $149,410,784, and $131,132,410 and $132,407,082, at June 30, 2016 and 2015, respectively.

The Authority's remaining debt service on the 2004B Bonds is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2027 - 2031	$ 79,625,818	$ 266,054,182	$ 345,680,000
2032 - 2036	51,506,592	250,508,408	302,015,000
Total	$ 131,132,410	$ 516,562,590	$ 647,695,000

Note 6 - Bonds Payable (continued)

2012 Bonds - The 2012 Bonds were issued by the Authority in the aggregate amount of $83,710,000 on June 21, 2012. Proceeds from the sale of these 2012 Bonds were used on July 24, 2012, to call and refund all 1999A Bonds maturing on October 1, 2014 through 2018, and a portion of the 1999A Bonds maturing on October 1, 2019.

The 2012 Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing October 1, 2012, with principal payments commencing October 1, 2023 through 2035, all at an interest rate of 2.46%. The principal balance on the 2012 Bonds is $83,710,000 on June 30, 2016 and June 30, 2015. The 2012 Bonds are redeemable at par at the option of the Authority at any time, in whole or in part, from any available moneys that may be provided for such purpose.

The Authority's remaining debt service on the 2012 Bonds is a follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2017	$ -	$ 2,056,445	$ 2,056,445
2018	-	2,059,266	2,059,266
2019	-	2,059,266	2,059,266
2020	-	2,062,087	2,062,087
2021	-	2,056,445	2,056,445
2022 - 2026	29,955,000	9,163,956	39,118,956
2027 - 2031	37,340,000	4,147,957	41,487,957
2032 - 2036	16,415,000	713,646	17,128,646
Total	$ 83,710,000	$ 24,319,068	$ 108,029,068

2013A Series Bonds - The 2013A Bonds were issued by the Authority in the aggregate amount of $248,325,000 on February 12, 2013. Proceeds from the sale of these 2013A Bonds were used on February 14, 2013, to call and refund all remaining 1999A CIBs.

The 2013A Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing April 1, 2013, with principal payments commencing October 1, 2019 through 2029, at interest rates ranging from 3.00% to 5.00%. The principal balance on the 2013A Bonds is $248,325,000 on June 30, 2016 and June 30, 2015. The 2013A Bonds are redeemable at par at the option of the Authority at any time, in whole or in part, from any available moneys that may be provided for such purpose.

Note 6 - Bonds Payable (continued)

The Authority's remaining debt service on the 2013A Bonds is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2017	$ -	$ 11,786,950	$ 11,786,950
2018	-	11,786,950	11,786,950
2019	-	11,786,950	11,786,950
2020	11,120,000	11,508,950	22,628,950
2021	17,490,000	10,793,700	28,283,700
2022 - 2026	107,030,000	39,095,000	146,125,000
2027 - 2031	112,685,000	10,273,756	122,958,756
Total	$ 248,325,000	$ 107,032,256	$ 355,357,256

2016A and B Bonds - The 2016A and B Tax-Exempt Current Interest Bonds were issued on May 24, 2016.

2016A Bonds - The 2016A Bonds were issued by the Authority in the aggregate amount of $34,280,000 on May 24, 2016. Proceeds from the sale of these first subordinate lien 2016A Bonds were used on May 24, 2016, to advance refund, defease, and escrow to maturity certain 2004A CABs.

The 2016A Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing on October 1, 2016, with principal payments commencing October 1, 2021 through 2025 at interest rates ranging from 4.00% to 5.00%. The principal balance on the 2016A Bonds is $34,280,000 and $0 on June 30, 2016 and June 30, 2015, respectively. The 2016A Bonds are not subject to optional redemption prior to stated maturity dates.

The Authority's remaining debt service on the 2016A Bonds is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2017	$ -	$ 1,371,011	$ 1,371,011
2018	-	1,607,700	1,607,700
2019	-	1,607,700	1,607,700
2020	-	1,607,700	1,607,700
2021	-	1,607,700	1,607,700
2022 - 2026	34,280,000	3,991,950	38,271,950
Total	$ 34,280,000	$ 11,793,761	$ 46,073,761

Note 6 - Bonds Payable (continued)

2016B Bonds - The 2016B Bonds were issued by the Authority in the aggregate amount of $556,860,000 on May 24, 2016. Proceeds from the sale of these second subordinate lien 2016B Bonds were used on May 24, 2016, to advance refund, defease, and escrow to October 1, 2017, all 2004A CCIBs. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding resulted in a loss of $297,845,470. The economic loss on the refunding was $35,511,343.

The difference between the reacquisition price (the amount paid on extinguishment including call premiums and miscellaneous costs of reacquisition) and the net carrying value (amount due at maturity, adjusted for unamortized premiums and/or discounts) resulted in deferred charges on these refundings, in the amount of $21,466,292. These deferred outflows are being amortized over the shorter of the remaining life of the old debt or the new debt as a component of interest expense. Amortization of these charges amounted to $151,488 and $0 for the years ended June 30, 2016 and 2015, respectively. The remaining portion is included in deferred outflows of resources on the accompanying statements of net position, in the amount of $21,3148,804 and $0 at June 30, 2016 and 2015, respectively.

The 2016B Bonds are current interest bonds. Interest is payable semiannually on April 1 and October 1 of each year commencing on October 1, 2016, with principal payments commencing on October 1, 2034 through 2037, at interest rates ranging from 3.125% to 5.00%. The principal balance on the 2016B Bonds is $556,860,000 and $0 on June 30, 2016 and June 20, 2015, respectively. The 2016B Bonds are redeemable at the option of the Authority on or after October 1, 2026, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the 2016B Bonds to be redeemed plus interest accrued to the date fixed for redemption.

The Authority's remaining debt service on the 2016B Bonds is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2017	$ -	$ 22,320,819	$ 22,320,819
2018	-	26,174,250	26,174,250
2019	-	26,174,250	26,174,250
2020	-	26,174,250	26,174,250
2021	-	26,174,250	26,174,250
2022 - 2026	-	130,871,250	130,871,250
2027 - 2031	-	-	-
2032 - 2036	265,625,000	-	265,625,000
2036 - 2038	291,235,000	3,991,950	295,226,950
Total	$ 556,860,000	$ 261,881,019	$ 818,741,019

Note 6 - Bonds Payable (continued)

Accrued interest payable - The Authority's accrued interest payable is as follows:

	June 30, 2016		
	Current Interest Bond	Long-Term CABs	Total
1999A Bonds	$ -	$ 74,605,631	$ 74,605,631
1999C Bonds	6,668,314	148,979,519	155,647,833
2004A Bonds	-	46,492,878	46,492,878
2004B Bonds	-	149,410,784	149,410,784
2012 Bonds	514,817	-	514,817
2013A Bonds	2,946,738	-	2,946,738
2016A Bonds	165,236	-	165,236
2016B Bonds	2,690,130	-	2,690,130
Total	$ 12,985,235	$ 419,488,812	$ 432,474,047

	June 30, 2015		
	Current Interest Bond	Long-Term CABs	Total
1999A Bonds	$ -	$ 68,252,697	$ 68,252,697
1999C Bonds	7,014,276	134,961,101	141,975,377
2004A Bonds	16,946,789	120,256,181	137,202,970
2004B Bonds	-	132,407,082	132,407,082
2012 Bonds	516,227	-	516,227
2013A Bonds	2,946,738	-	2,946,738
Total	$ 27,424,030	$ 455,877,061	$ 483,301,091

Note 6 - Bonds Payable (continued)

Combined on all outstanding bonds debt service - The Authority's debt service of the 1999A, 1999C, 1999D, 2004A, 2004B, 2012, 2013A, 2016A, and 2016B Bonds in aggregate is as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2017	$ 23,170,000	$ 63,455,455	$ 86,625,455
2018	29,444,651	69,962,533	99,407,184
2019	32,995,583	70,290,675	103,286,258
2020	42,611,850	64,419,655	107,031,505
2021	25,767,886	85,620,889	111,388,775
2022 - 2026	295,028,854	323,245,322	618,274,176
2027 - 2031	471,209,687	509,060,986	980,270,673
2032 - 2036	394,606,432	679,607,214	1,074,213,646
2037 - 2041	311,724,734	186,202,217	497,926,951
Total	$ 1,626,559,677	$ 2,051,864,946	$ 3,678,424,623

Note 7 - Operating Leases

ACTA leases office space, two vehicles, and a postage machine under operating lease agreements. Total lease expense amounted to approximately $226,056 and $189,710 in the fiscal years ended June 30, 2016 and 2015, respectively. Minimum future lease payments on existing noncancelable leases as of June 30, 2016, are as follows:

2017	$ 226,056
2018	228,209
2019	229,006
2020	232,735
2021	38,907
Total minimum lease payments	$ 954,913

Note 8 - Pollution Remediation Obligations

On December 21, 2010, a crude oil release from a then-unknown origin was discovered in the Dominguez Channel and nearby storm water drainage system adjacent to the Alameda Corridor. The U.S. Environmental Protection Agency (EPA), the California Department of Fish and Game (DFG), the U.S. Coast Guard, and others have been involved in the mitigation, containment, investigation, and immediate cleanup efforts, and have contained the release.

On January 7, 2011, the EPA issued an order to the Port of Los Angeles, the Port of Long Beach, and the Authority, to assume responsibility for these activities effective January 14, 2011. The EPA agreed to limit the Authority's and the Ports' role to maintaining the containment systems and cleaning up the Los Angeles City pump station and sewer line leading to the pump station. The Authority and the Ports have completed the work required by the EPA. The EPA and DFG have managed the remaining work, including the source investigation.

On March 30, 2011, after identifying an oil pipeline owned and operated by Crimson Pipeline Management Company (Crimson) as the source of the release, the EPA issued an Order to Crimson for removal, mitigation, or prevention of a substantial threat of oil discharge. The Authority has been notified that Crimson has taken over responsibility for the oil release containment facilities effective June 15, 2011, and has assumed financial and operational responsibilities from that date.

Crimson filed a lawsuit against ACTA, the City of Los Angeles, the City of Long Beach, and Herzog Contracting Corporation on April 27, 2012, alleging that these other entities, and not Crimson, were responsible for the oil spill and/or were prevented from recovering damages from Crimson for the oil spill. ACTA, the City of Long Beach, and the City of Los Angeles, counterclaimed against Crimson.

The Authority and other named parties engaged in confidential mediation in regard to this matter. In September 2015, settlement agreements were executed by all parties. Baring cessation of business by Crimson or similar circumstance, the Authority is not expected to have further financial obligations on this matter. The Authority and the Ports are continuing to cooperate with Crimson, EPA, DFG, and other agencies to assist as necessary with containment, investigation, and cleanup, with related costs to be reimbursed by Crimson.

Note 9 - Pension Plan

Plan description - All qualified employees are eligible to participate in the Authority's Miscellaneous Employee Pension Plan (Plan), cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (age 52 for members hired after 2012) with statutorily reduced benefits. All members are eligible for non-duty disability retirement benefits after five years of service. The death benefit is one of the following: the Post Retirement Basic Lump Sum Death Benefit or the Pre-Retirement Optional Settlement 2W Death Benefit and, if applicable, the 1959 Survivor Benefit Level 3. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013 (Classic Employees)	On or after January 1, 2013 (PEPRA Employees)
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63+	52 - 67+
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.250%
Required employer contribution rates	8.512%	6.237%
Employer annual lump sum prepayment	$ 112,143	$ -

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Note 9 - Pension Plan (continued)

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were $196,611.

As of June 30, 2016, the Authority reported net pension liability for its proportionate shares of the net pension liability of each Plan as follows:

	June 30, 2016	June 30, 2015
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
Net pension liability as reported by CalPERS	$ 1,445,588	$ 1,448,169
Adjustment to reported value	-	(10,161)
Total net pension liability	$ 1,445,588	$ 1,438,008

The Authority's net pension liability is measured as the proportionate share of the Plan's net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015, was as follows:

	Increase (Decrease)				
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability/(Asset) (c) = (a) - (b)	Adjustment Report to Value	Adjusted Value
Balance at June 30, 2014	$ 7,041,934	$ 5,593,765	$ 1,448,169	$ -	$ 1,448,169
Balance at June 30, 2015	7,301,772	5,856,184	1,445,588	-	1,445,588
Net changes during 2014-15	259,838	262,419	(2,581)	-	(2,581)

Note 9 - Pension Plan (continued)

For the year ended June 30, 2016, the Agency recognized pension expense of $216,007. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,601	$ -
Changes in assumptions	-	(119,219)
Net difference between projected and actual earnings earnings on Plan investments	-	(59,766)
Change in employer's proportion	-	(45,051)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(4,391)
Pension contributions subsequent to measurement date	222,836	-
Total	$ 235,437	$ (228,427)

The $222,836 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

2017	$ (103,520)
2018	(102,177)
2019	(86,524)
2020	76,395
2021	-

Note 9 - Pension Plan (continued)

Actuarial assumptions - The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	6/30/2014
Measurement Date	6/30/2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality Rate Table (3)	

(1) Depending on age, service, and type of employment.
(2) Net of pension plan investment expenses, including inflation.
(3) The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2014, valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount rate - The discount rate CalPERS used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans, CalPERS stress-tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress-test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11–60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Note 9 - Pension Plan (continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global equity	51.00%	5.25%	5.71%
Global fixed income	19.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	10.00%	6.83%	6.95%
Real estate	10.00%	4.50%	5.13%
Infrastructure and forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate - The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous
1% decrease	6.65%
Net pension liability	$ 2,439,992
Current discount rate	7.65%
Net pension liability, as adjusted	$ 1,445,588
1% increase	8.65%
Net pension liability	$ 624,592

Pension plan fiduciary net position - Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 10 - Other Postemployment Benefits (OPEB)

Plan description (OPEB) - The Alameda Corridor Transportation Authority Retiree Healthcare Plan is a single-employer defined-benefit health care plan administered by the Authority. The plan provides health care benefits to eligible retirees and their dependents. Employees must retire directly from the Authority under a CalPERS disability retirement or service retirement (age 50 and five years of service for Classic employees, but age increases to 52 for PEPRA employees hired after 1/1/2013). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

The Authority provides retiree medical benefits through the California Public Employees' Retirement System Healthcare Program (PEMHCA). The Authority contributes, for eligible retirees and their dependents, using the Los Angeles Regional Kaiser rate structure at 5% of the active member contribution amount multiplied by years in PEMHCA (increase each year not greater than $100 per month, total amount not to exceed the active amount). The Authority joined PEMHCA in 2000 for all bargaining units, and contributes up to the Kaiser premium based on coverage level for active employees.

The Authority participates in the California Employers' Retiree Benefit Trust (CERBT) Fund, which is administered by CalPERS. CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to prefund retiree health care benefits. CERBT, an agent multiple-employer trust, issues a publicly available financial report including GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, disclosure information in aggregate with the other CERBT participating employers. That report can be obtained from the CalPERS website at www.calpers.ca.gov.

Funding policy (OPEB) - The contribution requirements of the plan members and the Authority are established by and may be amended by the Authority. The Authority prefunds plan benefits through the CERBT by contributing at least 100% of the ARC.

The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For fiscal year 2016, the Authority contributed $90,308 to the Plan, including $12,308 for current benefit payments and administrative fees, and $78,000 to prefund plan benefits.

Note 10 - Other Postemployment Benefits (OPEB) (continued)

Annual OPEB cost and net OPEB asset - The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB asset:

Annual required contribution	$	(66,000)
Interest on net OPEB asset		22,242
Adjustment to annual required contribution		(36,706)
Annual OPEB cost		(80,464)
Contributions		90,308
Increase in net OPEB asset		9,844
Net OPEB asset, beginning of year		355,875
Net OPEB asset, end of year	$	365,719

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2014	$ 123,384	104%	$ 363,180
June 30, 2015	131,049	94%	355,875
June 30, 2016	80,464	112%	365,719

Funded status and funding progress (OPEB) - The funded status of the plan as of June 30, 2016, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$	1,223,000
Actuarial value of plan assets		1,343,000
Unfunded (overfunded) actuarial accrued liability (UAAL)	$	(120,000)
Funded ratio (actuarial value of plan assets/AAL)		110%
Covered payroll (active plan members)	$	1,259,844
UAAL as a percentage of covered payroll		-10%

Note 10 - Other Postemployment Benefits (OPEB) (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions (OPEB) - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.25% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, a 3.0% general inflation assumption, an annual pre-Medicare eligible medical cost trend rate of 7.0% for 2017 decreasing to 5.0% after 4 years (the post-Medicare eligible medical cost trend rate started 0.2% higher for 2017). The actuarial value of assets is based on market value, but investment gains and losses are spread over a 5-year rolling period. In addition, the actuarial value of assets can never be less than 80% or more than 120% of market value. The June 30, 2015, UAAL was amortized as a level percentage of projected payroll over 12 years from June 30, 2015.

Note 11 - Commitments and Contingencies

The Authority is subject to claims and lawsuits arising in the normal course of business. Such claims are routinely evaluated by the Authority's legal counsel. Management may make provisions for probable losses if deemed appropriate on advice of legal counsel. To the extent that provisions for damages are considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. It is the opinion of the Authority's management, based on consultation with legal counsel, that the estimated liability for unreserved claims and suits will not have a material impact on the Authority's basic financial statements.

Note 11 - Commitments and Contingencies (continued)

The Authority is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors, and omissions; and natural disasters for which the Authority carries commercial insurance. In each of the past three fiscal years, the Authority has experienced no losses that have not been covered by existing insurance policy limits, beyond applicable deductible amounts.

As a recipient of federal and state grant funds, the Authority is subject to periodic audits and compliance reviews by, or on behalf of, the granting agencies to determine whether the expenditure of granted funds has been made in accordance with grant provisions. Such audits and compliance reviews could result in the potential disallowance of expenditures claimed by the Authority. The Authority's management believes that the Authority has complied with the terms of its grant agreements and that the possible adverse effects, if any, of disallowed grant expenditures that may be determined by the granting agencies upon the Authority would not be material to the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2016

	6/30/2016	6/30/2015
Plan's proportion of the net pension liability/(asset)	0.02106%	0.02327%
Plan's proportionate share of the net pension liability/(asset)	$ 1,445,588	$ 1,438,008
Plan's covered-employee payroll	$ 1,259,844	$ 1,207,037
Plan's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	114.74%	119.14%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.40%	79.44%
Plan's proportionate share of aggregate employer contributions	$ 202,570	$ 151,265

Note: GASB 68 requires ten years of historical information. Fiscal year 2015 was the first year of implementation; therefore only information for the year ended June 30, 2015, and later has been presented.

SCHEDULE OF CONTRIBUTIONS

JUNE 30, 2016

	6/30/2016	6/30/2015
Actuarially determined contribution	$ 222,836	$ 196,611
Contributions in relation to the actuarially determined contribution	(222,836)	(196,611)
Contribution deficiency/(excess)	$ -	$ -
Covered-employee payroll	$ 1,318,017	$ 1,259,844
Contributions as a percentage of covered-employee payroll	16.91%	15.61%

Note: GASB 68 requires ten years of historical information. Fiscal year 2015 was the first year of implementation; therefore only information for the year ended June 30, 2015, and later has been presented

	Funding History					
OPEB Biennial Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Accrued Liabilities (AL)	Unfunded (Overfunded) Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	ULAs as % of Payroll
June 30, 2011	$ 650,000	$ 711,000	$ 61,000	91%	$ 1,459,000	4%
June 30, 2013	936,000	1,296,000	360,000	72%	1,065,000	34%
June 30, 2015	1,343,000	1,223,000	(120,000)	110%	1,259,844	-10%

APPENDIX B

PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES) COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015 (WITH INDEPENDENT AUDITORS' REPORT THEREON)

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Comprehensive Annual Financial Report
June 30, 2016 and 2015

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2016 and 2015

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Introductory Section

THE PORT OF LOS ANGELES
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December 23, 2016

Mr. Eugene D. Seroka
Executive Director
Port of Los Angeles
San Pedro, California

This Comprehensive Annual Financial Report (CAFR) of the Port of Los Angeles, Harbor Department of the City of Los Angeles, California, for the years ended June 30, 2016 and 2015, is hereby submitted.

Introduction

The management of the Port of Los Angeles (the Port) has prepared this annual report. The responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the Port. To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included. The report contains the audited financial statements of the Port for the fiscal years ended June 30, 2016 and 2015, which have received an unmodified opinion from the Port's independent auditors and are presented in accordance with generally accepted accounting principles (GAAP). The report is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section outlines the relationship of the Port to the City of Los Angeles and describes the organization and reporting entity. It additionally provides an overview of Port properties, operations, and key personnel.

The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis, Financial Statements, and Required Supplementary Information. The Management's Discussion and Analysis presents a comparative review of financial position and changes in financial position for fiscal years 2016, 2015, and 2014. Also included in this section are a description of current and proposed capital development plans, a discussion of revenue growth, and an overview of the economic conditions and the competitive environment in which the Port operates.

The financial statements are prepared on an accrual basis and use an economic resources measurement focus. The financial statements comprise the statements of net position that present the financial position as of June 30, 2016 and 2015, statements of revenues, expenses, and changes in net position depicting financial performance for fiscal years 2016 and 2015, statements of cash flows that present the source and application of funds from operations, financing (noncapital and capital related), and investment activities for fiscal years 2016 and 2015, and notes to the financial statements. The accompanying notes to the financial statements further explain and support the information in the statements.

The Port of Los Angeles

The Port is a proprietary department of the City of Los Angeles (the City) and is held in trust by the City for the people of the State of California (the State) pursuant to a series of tidelands grants. The Port is operated independently from the City, generating its own revenues, and administering and controlling its own expenses and fiscal activities. The Port is governed by the Board of Harbor Commissioners (the Board) which consists of five commissioners, subject to the oversight by the City Council (the Council).

Most of the property on which the Port's land, docks, wharves, transit sheds, terminals and other facilities are located is owned by the State and administrated by the City through the Port, pursuant to certain tidelands grants from the State. The Port has the duty to provide for the needs of maritime commerce, navigation, fishing and recreation and environmental activities that are water-related and are intended to be of statewide benefit. In accordance with GAAP, the accompanying financial statements are included as an Enterprise Fund of the City, based upon the primary oversight responsibility that the Council and the City have on all matters affecting Port activities.

In addition, based on the foregoing criteria of oversight responsibility and accountability of all Port-related entities, the operations of the Los Angeles Harbor Improvements Corporation, a nonprofit corporation, have been included in the accompanying financial statements. Two joint ventures with the Port of Long Beach have been recorded as investments of the Port in accordance with the equity method of accounting. Additional information regarding these joint ventures and shareholders agreement may be found in the notes to the financial statements for the Port.

The management and operation of the Port are under the direction of the Executive Director, who is responsible for coordinating and directing the activities of several major management groups or bureaus. These bureaus each consist of multiple divisions and fall under the responsibilities of five senior executives who report directly to the Executive Director. The Port's management structure is described in more detail below.

- The Deputy Executive Director & Chief of Staff leads the External Affairs Bureau, which consists of the Communications (including Community Relations and Media Relations), Government Affairs, Trade Development, and Commission Office divisions.

- The Deputy Executive Director & Chief Financial Officer leads the Finance and Administration Bureau, which consists of the Contracts and Purchasing, Human Resources, Accounting, Debt and Treasury Management, Financial Management, Management Audit, and Risk Management divisions.

- The Chief of Public Safety & Emergency Management leads the Public Safety & Emergency Management Bureau, which consists of the Los Angeles Pilot Service, Port Police, and Information Technology divisions.

- The Deputy Executive Director of Marketing & Customer Relations leads the Marketing & Customer Relations Bureau, which consists of the Planning & Strategy, Cargo Marketing, Environmental Management, Waterfront/Commercial Real Estate, Cargo/Industrial Real Estate, and Wharfingers divisions.

- The Deputy Executive Director of Development leads the Development Bureau, which consists of the Construction, Goods Movement, Construction and Maintenance, and Engineering divisions.

The Port is located in the San Pedro Bay, approximately 20 miles south of downtown Los Angeles. The Port's facilities lie within the shelter of a nine-mile long breakwater constructed by the federal government in several stages, the first of which commenced in 1899. The breakwater encloses the largest man-made harbor in the Western hemisphere.

The Port operates primarily as a landlord, as opposed to an operating port. Its docks, wharves, transit sheds, and terminals are leased to shipping or terminal companies, agents, and to other private firms. Although the Port owns these facilities, it has no direct hand in managing the daily movement of cargo. The Port is a landlord to close to 300 entities. In addition to major terminal operators, other tenants include marinas, fish markets, railroads, restaurants, and shipyards.

The major sources of income for the Port are from shipping services (wharfage, dockage, pilotage, assignment charges, etc.), land rentals, fees, concessions, and royalties. It currently serves approximately 80 shipping companies and agents with facilities that include 270 berthing facilities along 43 miles of waterfront.

In terms of its size and volume, the Port is one of the world's largest and busiest ports. The Port encompasses approximately 4,300 acres of land and 3,200 acres of water. The Port is a deep-water port with a minimum depth of 45 feet below mean low water mark and 53 feet in its main channel and at the bulk loader and supertanker channels. Two major railroads serve the Port.

The Port lies at the terminus of two major freeways within the Los Angeles freeway system. Subsurface pipelines link the Port to major refineries and petroleum distribution terminals within the Los Angeles Basin.

The Port handles the largest volume of containerized cargo of all U.S. ports, and additionally ranks as number one in cargo value for U.S. waterborne foreign traffic. The Port's major trading partners, concentrated along the Pacific Rim, include China/Hong Kong, Japan, South Korea, Taiwan, and Vietnam. Cargo to and from these countries represents the bulk of the total value of all cargo shipped through the Port.

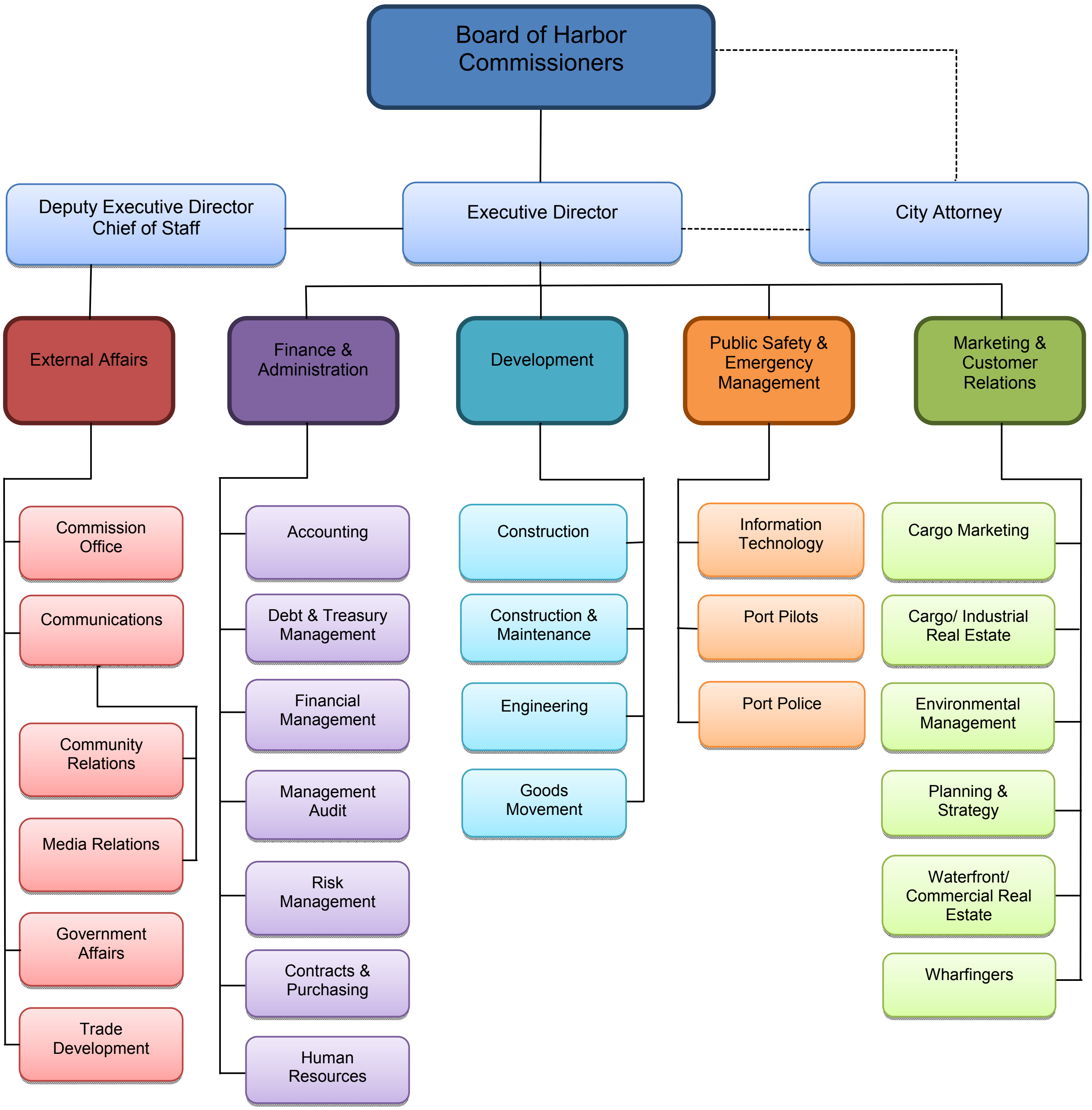
The Port must be financially self-sufficient through the revenues it generates as it has no taxing authority. When appropriate, it seeks to obtain State and Federal funding for defined projects. The Port continues to maintain an AA/Aa2/AA credit ratings with Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings, respectively, with a "stable" outlook. These are the highest credit ratings for any stand-alone U.S. port.

Sincerely,

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Organizational Chart
Fiscal Year 2015-2016



PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

BOARD OF HARBOR COMMISSIONERS

Ambassador Vilma S. Martinez
President

David Arian
Vice President

Patricia Castellanos
Commissioner

Anthony Pirozzi, Jr.
Commissioner

Edward R. Renwick
Commissioner

SENIOR MANAGEMENT

Eugene D. Seroka
Executive Director

Doane Liu
Deputy Executive Director &
Chief of Staff
External Relations

Marla Bleavins
Deputy Executive Director &
Chief Financial Officer
Finance & Administration

Thomas Gazsi
Chief of Public Safety &
Emergency Management

Michael Di Bernardo
Deputy Executive Director
Marketing & Customer Relations

Tony Gioiello
Deputy Executive Director
Development

MANAGEMENT STAFF

Theresa Adams Lopez
Director of Community Relations

Arley Baker
Senior Director of Communications

Diane Boskovich
Chief Wharfinger

Christopher Cannon
Director of Environmental Management

Tricia Carey
Director of Contracts & Purchasing

Eric Caris
Director of Cargo Marketing

Kerry Cartwright
Director of Goods Movement

Capt. Bent Christiansen
Pilot Service

Michael Galvin
Director of Waterfront & Commercial Real Estate

Jack Hedge
Director of Cargo/Industrial Real Estate

Michael Hillmann
Assistant Chief of Port Police

Julie Huerta
Commission Office

Lance Kaneshiro
Director of Information Technology

Michael Keenan
Director of Planning & Economic Development

David Libatique
Senior Director of Governmental Affairs

Frank Liu
Director of Accounting

Tish Lorenzana
Director of Human Resources

James MacLellan
Director of Business & Trade Development

Joe Maldonado
Director of Construction & Maintenance

Kathy Merkovsky
Director of Risk Management

Jim Olds
Director of Management Audits

Capt. Mike Rubino
Pilot Service

Soheila Sajadian
Director of Debt & Treasury Management

Phillip Sanfield
Director of Media Relations

Shaun Shahrestani
Chief Harbor Engineer of Construction

Dave Walsh
Chief Harbor Engineer of Design

CITY ATTORNEY STAFF

Janna Sidley
General Counsel

Financial Section

Independent Auditor's Report

Honorable Members of the Board of Harbor Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles)

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (Port), an enterprise fund of the City of Los Angeles, California, as of and for the fiscal year ended June 30, 2016, 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 audit. We conducted our audit 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. Those standards require that we plan and perform the audit 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 entity'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 entity'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 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 2016 financial statements referred to above present fairly, in all material respects, the financial position of the Port, as of June 30, 2016, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Port as of June 30, 2015, were audited by other auditors whose report dated November 23, 2015, expressed an unmodified opinion on those financial statements.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Port and do not purport to, and do not, present fairly the financial position of the City of Los Angeles, California, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and schedule of contributions on pages, 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.

Other Information

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2016. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Los Angeles, California
December 23, 2016

Using This Financial Report

The management of the Port of Los Angeles (the Port) presents an overview of the Port's financial performance during the years ended June 30, 2016 and 2015. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-3 and the Port's financial statements starting from page 40.

The Port's financial report consists of this management's discussion and analysis (MD&A), and the following financial statements:

- *Statements of Net Position* – present information of all of the Port's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2016 and 2015. The sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as net position, which over time may increase or decrease and, serves as an indicator of the Port's financial position.

- *Statements of Revenues, Expenses, and Changes in Net Position* – present the results of operations during the current and prior fiscal year. These show the sources of the Port's revenues and its expenses. Revenues and expenses are recorded and reported for some items that will result in cash flows in future periods. Changes in net position are reported when the underlying events occurred, regardless of the timing of the related cash flows.

- *Statements of Cash Flows* – present the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. A reconciliation is also provided to assist in understanding the difference between operating income and cash flows from operating activities.

- *Notes to the Financial Statements* – present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of the Port's financial activities.

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Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City. The Port's financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The notes to the financial statements on pages 47 to 111 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights for Fiscal Year 2016

- Current assets exceeded current liabilities by $358.6 million.
- Capital assets, net of accumulated depreciation and amortization of $1.9 billion amounted to $4.0 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.2 billion.
- Bonded debt net of unamortized discounts/premiums of $57.2 million, totaled $1.0 billion.
- Operating revenue amounted to $441.2 million.
- Net operating expenses excluding depreciation of $163.9 million amounted to $226.3 million.
- Capital grants amounted to $40.5 million.

Continued…..

Financial Highlights for Fiscal Year 2015

- Current assets exceeded current liabilities by $348.1 million.
- Capital assets, net of accumulated depreciation of $1.7 billion amounted to $3.9 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.1 billion.
- Bonded debt net of unamortized discounts/premiums of $58.7 million, totaled $1.1 billion.
- Outstanding commercial paper of $150.0 million was refunded.
- Operating revenue amounted to $446.9 million.
- Net operating expenses excluding depreciation of $137.4 million amounted to $234.2 million.
- Capital grants amounted to $111.9 million.

Continued…..

Analysis of Net Position

Net position is the sum of assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Port's financial position is improving or deteriorating. The following is a condensed summary of the Port's net position as of June 30, 2016, 2015, and 2014 (in thousands):

Condensed Net Position

				Increase (Decrease) Over Prior Year	
	FY 2016	FY 2015	FY 2014	FY 2016	FY 2015
Assets					
Current and other assets	$ 634,124	$ 637,824	$ 422,527	$ (3,700)	$ 215,297
Capital assets, net	3,950,902	3,912,136	3,764,716	38,766	147,420
Total assets	4,585,026	4,549,960	4,187,243	35,066	362,717
Deferred outflows of resources	44,857	50,714	5,073	(5,857)	45,641
Liabilities					
Current liabilities	164,471	176,498	138,750	(12,027)	37,748
Long-term liabilities	1,281,576	1,317,027	989,012	(35,451)	328,015
Total liabilities	1,446,047	1,493,525	1,127,762	(47,478)	365,763
Deferred inflows of resources	21,881	44,250	--	(22,369)	44,250
Net position					
Net investment in capital assets	2,945,412	2,856,561	2,863,795	88,851	(7,234)
Restricted for debt service	66,599	68,373	58,054	(1,774)	10,319
Unrestricted	149,944	137,965	142,705	11,979	(4,740)
Total net position	$ 3,161,955	$ 3,062,899	$ 3,064,554	$ 99,056	$ (1,655)

Net Position, Fiscal Year 2016

The largest portion of the Port's net position ($2.9 billion or 93.2%) reflects its net investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($66.6 million or 2.1%) represents resources that are restricted for debt service. The remaining balance of $150.0 million or 4.7% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets decreased by $3.7 million or 0.6% from $637.8 million in fiscal year 2015 to $634.1 million in fiscal year 2016. Fluctuations in current and other assets resulted from a decrease in notes receivable of $5.1 million as the notes matured in fiscal year 2016.

Continued…..

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The decrease of $1.7 million from $574.1 million at June 30, 2015 to $572.4 million at June 30, 2016 was due to the decrease in the debt service reserve fund resulting from the early redemption of bonds during fiscal year 2016. At June 30, 2016, the Port's share in the fair value measurement of the City's pooled investments totaled $4.5 million. The Port reported additional investments of $8.6 million from its share in the City's investment purchases on June 30, 2016, and $7.9 million in securities lending transactions.

Grants receivable increased by $5.1 million mainly because more eligible projects were completed yet reimbursed by grantors at fiscal year-end relative to prior fiscal year.

Capital assets, net of depreciation increased by $38.8 million due to continued commercial and terminal development, various building and facilities improvements, and acquisition of equipment.

Current liabilities decreased by $12.0 million or 6.8% mainly due to a decrease in accounts payable as invoices were paid more quickly relative to prior fiscal year.

Long-term liabilities decreased by $35.5 million primarily due to customary repayment of principal in conjunction with the Port's annual servicing of its debt, as well as an early redemption of debt in September 2015.

Net Position, Fiscal Year 2015

The largest portion of the Port's net position ($2.9 billion or 93.3%) reflects its net investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($68.4 million or 2.2%) represents resources that are restricted for debt service. The remaining balance of $138.0 million or 4.5% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $215.3 million or 51.0% from $422.5 million in fiscal year 2014 to $637.8 million in fiscal year 2015. Fluctuations in current and other assets resulted from an increase in cash and investments of $214.3 million.

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $214.3 million from $359.8 million at June 30, 2014 to $574.1 million at June 30, 2015 occurred following the Port's issuance of bonds, which included new money in September 2014. Restricted investments increased by $39.4 million also due to the aforementioned bond issuance in September 2014. At June 30, 2015, the Port's share in the fair value measurement of the City's pooled investments totaled $1.2 million. The Port reported additional investments of $4.9 million from its share in the City's investment purchases on June 30, 2015, and $2.9 million in securities lending transactions.

Grants receivable increased by $4.6 million mainly due to the higher level of grant contributions in FY 2015 as the Port had received $97.8 million from various agencies of the State of California for the Port's transportation and air quality programs.

Continued…..

Capital assets, net of depreciation increased by $147.4 million due to continued commercial and terminal development, various building and facilities improvements, and acquisition of equipment.

Current liabilities increased by $37.7 million or 27.2% mainly due to the increases of $21.2 million in accounts payable resulting from timing difference in payments and an increase of $15.6 million in the current portion of notes payable and bonded debt due to new issuance of bonds during the fiscal year.

These increases were offset by a $5.7 million decrease in other current liabilities resulting from a $6.8 million payment made for China Shipping and Community Aesthetic Mitigation liabilities and a decrease of $2.6 million in pollution remediation liabilities. Please refer to page 110 of the notes to the financial statements for additional information on the payments from the China Shipping and Community Aesthetic Mitigation Funds, and page 82 for the decrease in pollution remediation liabilities.

Long-term liabilities increased by $328.1 million mainly due to the Port's issuance of bonds in September 2014 and recognition of $198.8 million in net pension liabilities under the new accounting standards. These increases were offset by a $125.0 million decrease in commercial paper notes which were refunded as part of the Port's issuance of bonds in September 2014, a $100.9 million decrease in outstanding debt, a portion of which was refunded as part of the Port's issuance of bonds in September 2014, and a $7.4 million decrease in estimated pollution remediation liabilities. Additional information on the decrease in pollution remediation liabilities is found on page 82 of the notes to the financial statements.

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Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2016, 2015 and 2014 (in thousands):

Condensed Changes in Net Position

				Increase (Decrease) Over Prior Year	
	FY 2016	FY 2015	FY 2014	FY 2016	FY 2015
Operating revenue	$ 441,249	$ 446,895	$ 425,951	$ (5,646)	$ 20,944
Operating expenses	(226,261)	(234,249)	(205,354)	7,988	(28,895)
Operating income before depreciation and amortization	214,988	212,646	220,597	2,342	(7,951)
Depreciation and amortization	(163,933)	(137,384)	(124,221)	(26,549)	(13,163)
Operating income	51,055	75,262	96,376	(24,207)	(21,114)
Net nonoperating revenue (expenses)	7,512	5,293	(22,111)	2,219	27,404
Income before capital contributions	58,567	80,555	74,265	(21,988)	6,290
Capital contributions	40,489	111,852	80,374	(71,363)	31,478
Special Item	--	--	15,002	--	(15,002)
Changes in net position	99,056	192,407	169,641	(93,351)	22,766
Net position, July 1	3,062,899	3,064,554	2,884,351	(1,655)	180,203
Net adjustment for prior year amortization of bond premium/discount	--	--	10,562	--	(10,562)
Cumulative effect of change in accounting principles	--	(194,062)	--	194,062	(194,062)
Net position, July 1, restated	3,062,899	2,870,492	2,894,913	192,407	(24,421)
Net position, June 30	$ 3,161,955	$ 3,062,899	$ 3,064,554	$ 99,056	$ (1,655)

Fiscal Year 2016

Net position for the Port posted a $99.1 million or 3.2% increase in fiscal year 2016. Approximately $415.0 million or 94.1% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were lower by $8.0 million in fiscal year 2016 compared to the previous fiscal year.

Depreciation expense increased by $26.5 million to $163.9 million in fiscal year 2016 from $137.4 million in fiscal year 2015, primarily due to the completion of capital projects that have been put into service in recent years.

Nonoperating revenues for fiscal year 2016 totaled $16.3 million, while nonoperating expenses were $8.8 million, thereby resulting in net nonoperating revenue of $7.5 million. Nonoperating revenues of $16.3

Continued…..

million include: $2.5 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $9.3 million from interest and investment income from the Port's cash in the City's pooled investments, $0.7 million from noncapital grants, $1.6 million from pass through grant revenue, as well as $2.2 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating expenses of $8.8 million include $0.5 million of interest on indebtedness, $1.6 million from pass through grant expenditures, $5.3 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, and $1.4 million related to the costs of issuing debt and maintaining liquidity support for the commercial paper program during the fiscal year.

As a result, income before capital contributions decreased by $22.0 million or 27.3% to $58.6 million in fiscal year 2016 from $80.6 million in fiscal year 2015.

Capital contributions of $40.5 million represented funds for capital grants obtained in fiscal year 2016, and decreased by $71.4 million compared to the $111.9 million received in fiscal year 2015. Capital grant reimbursements in fiscal year 2016 came from the California Transportation Commission for the Proposition 1B transportation projects ($23.1 million), Metropolitan Transit Authority for the Trade Corridor Improvement project ($7.1 million), U.S. Department of Homeland Security for the Information Technology Cyber Security projects ($1.4 million), U.S. Environmental Protection Agency for various clean diesel programs ($1.6 million), and U.S. Department of Transportation for various transportation projects ($7.3 million).

Fiscal Year 2015

Net position for the Port posted a $1.7 million or 0.1% decrease in fiscal year 2015. Approximately $411.1 million or 92.0% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were higher by $28.9 million in fiscal year 2015 compared to the previous fiscal year.

Depreciation expense increased by $13.2 million to $137.4 million in fiscal year 2015 from $124.2 million in fiscal year 2014, primarily due the net addition of $791.8 million in net depreciable assets in fiscal year 2015.

Nonoperating revenues for fiscal year 2015 totaled $13.5 million, while nonoperating expenses were $8.2 million, thereby resulting in net nonoperating revenue of $5.3 million. Nonoperating revenues of $13.5 million include: $2.8 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $5.0 million from interest and investment income from the Port's cash in the City's pooled investments, $4.0 million from noncapital grants, $0.6 million from pass through grant revenue, as well as $1.1 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating expenses of $8.2 million include $0.3 million of interest on indebtedness, $0.6 million from pass through grant expenditures, $3.5 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, $1.4 million loss on sale of assets, and $2.4 million related to the costs of issuing debt and maintaining liquidity support for the commercial paper program during the fiscal year.

As a result, income before capital contributions increased by $6.3 million or 8.5% to $80.6 million in fiscal year 2015 from $74.3 million in fiscal year 2014.

Continued…..

Capital contributions of $111.9 million represented funds for capital grants obtained in fiscal year 2015, or an increase of $31.5 million compared to the $80.4 million received in fiscal year 2014. Capital grant reimbursements in fiscal year 2015 came from the California Transportation Commission and California Air Resource Board for the Proposition 1B transportation projects ($81.6 million), Metropolitan Transit Authority for the Trade Corridor Improvement project ($16.1 million), U.S. Department of Homeland Security for the Integrated Command and Control Fiber Connectivity and Information Technology Cyber Security projects ($5.4 million), and U.S. Department of Transportation for various transportation projects ($8.7 million).

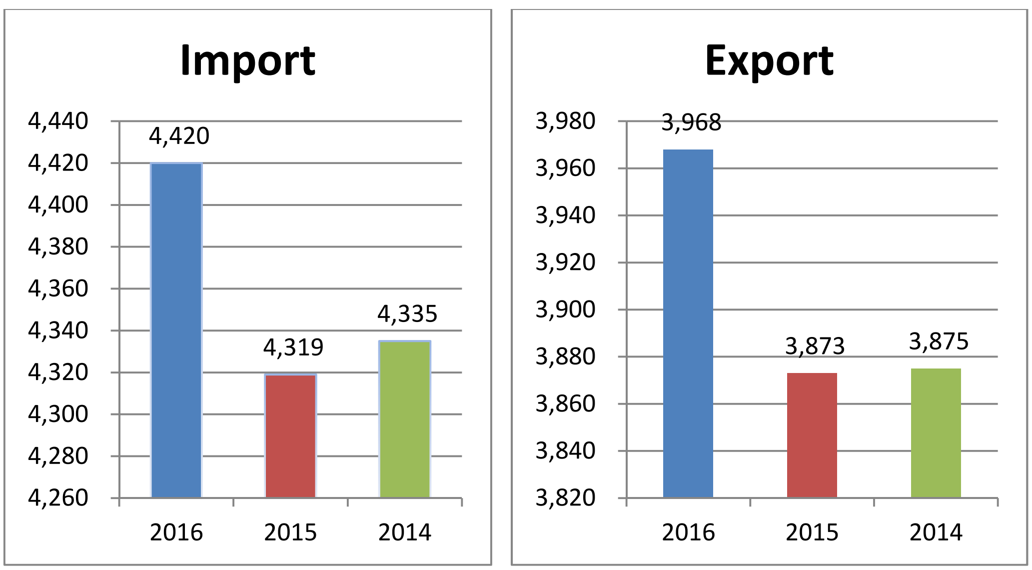
Continued…..

Operating Revenue

Annual container counts for the Port in twenty-foot equivalent units (TEUs), a standard measurement used in the maritime industry for measuring containers of varying lengths, for the last three fiscal years are as follows (in thousands):

	In TEUs			% Change Over Prior Year	
Container Volume	FY 2016	FY 2015	FY 2014	FY 2016	FY 2015
Import	4,420	4,319	4,335	2.3%	-0.4%
Export	3,968	3,873	3,875	2.5%	-0.1%
Total	8,388	8,192	8,210	2.4%	-0.2%

Following is the graphical presentation of the Port's container counts (in thousands TEUs) for fiscal years 2014 to 2016:



In Thousand TEUs

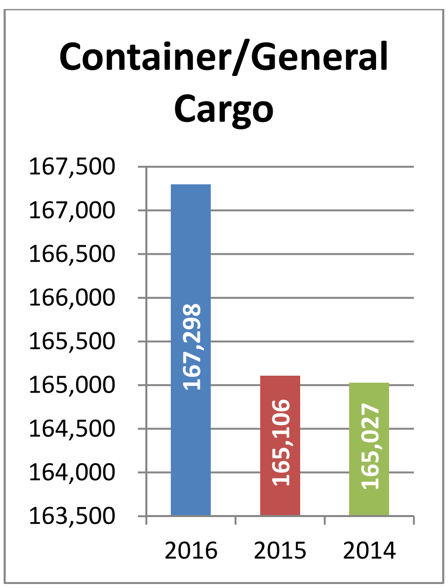
Continued…..

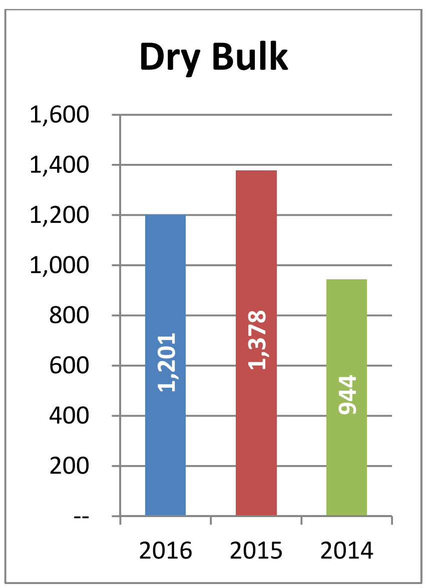
The Port is the leading seaport in North America in terms of shipping container volume. The following presents a summary of cargo volumes by major classification handled by the Port for the last three fiscal years (in thousands):

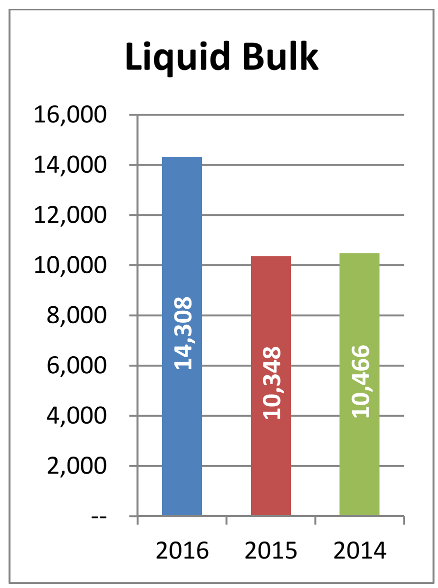
	In Metric Revenue Tons			% Change Over Prior Year	
Cargo Type	FY 2016	FY 2015	FY 2014	FY 2016	FY 2015
Container/general cargo	167,298	165,106	165,027	1.3%	0.1%
Dry bulk	1,201	1,378	944	-12.8%	46.0%
Liquid bulk	14,308	10,348	10,466	38.3%	-1.1%
Total	182,807	176,832	176,437		

Information for the cargo volume that moved through the Port for the last ten fiscal years is found in the Statistical Section on page 117.

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2014 to 2016 in thousand metric tons:







In Thousand Metric Tons

Continued…..

The Port is the number one port by container volume in North America. Fiscal Year 2016 cargo volumes of 8.4 million TEUs represented a 2.4% increase relative to the prior fiscal year. Total loaded containers of 6.0 million represented a 0.2% increase relative to the prior fiscal year, and this increase was driven by a 2.6% increase in loaded imports. Empty containers totaling 2.4 million TEUs represented a year-over-year increase of 8.4%.

The Port of Los Angeles has terminal operating companies as their major leaseholders. These companies include: APM Terminals Pacific, Everport Terminal Services, Eagle Marine Services, Yusen Terminals, Wallenius Wilhelmsen Logistics (WWL) Vehicle Americas, China-Cosco Shipping, Yang Ming, and TraPac. Their collective efforts drove the success of the Harbor Department's TEU results. Additionally, the Port has facilitated the development of various supply chain initiatives, and these initiatives also contributed to the success of cargo growth. Included amongst these initiatives are the facilitation of Supply Chain Efficiency meetings with all stakeholders, the assistance in developing a Common Chassis Pool (also known as the "Pool of Pools", an interoperable chassis pool), the expanded use of peel-off programs for beneficial cargo owners, and the testing of creative, driver-friendly, drayage technology such as USDOT FRATIS and GEOSTAMP.

In support of these initiatives, in February 2016, the Federal Maritime Commission directed one of its commissioners to work with international supply chain stakeholders to form Supply Chain Innovation Teams in order to develop commercial solutions to supply chain challenges and related port congestion concerns nationwide. Concurrently, the Department of Commerce is planning to launch a national technology competition to help U.S. seaports and stakeholders develop and use port information-sharing technologies, also known as port community systems, in the United States. The Harbor Department is playing a key role in both of these national initiatives.

Ultimately, calendar year 2015 represented the fourth busiest year in the Port's 109-year history and only the fifth time it has surpassed the 8-million TEU mark. With TEU volumes over the first 10 months of calendar year 2016 up 5.3% relative to the first 10 months of calendar year 2015, and assuming continued improvement in U.S. consumer confidence as well as shipper confidence in the Port, cargo volumes are expected to again exceed 8 million TEUs in calendar year 2016.

Continued…..

The Port's major sources of its operating revenue are derived from shipping services, rental fees, royalties and other concession fees. The following table presents a summary of the Port's operating revenues during fiscal years 2016, 2015 and 2014 (in thousands):

Summary of Operating Revenues

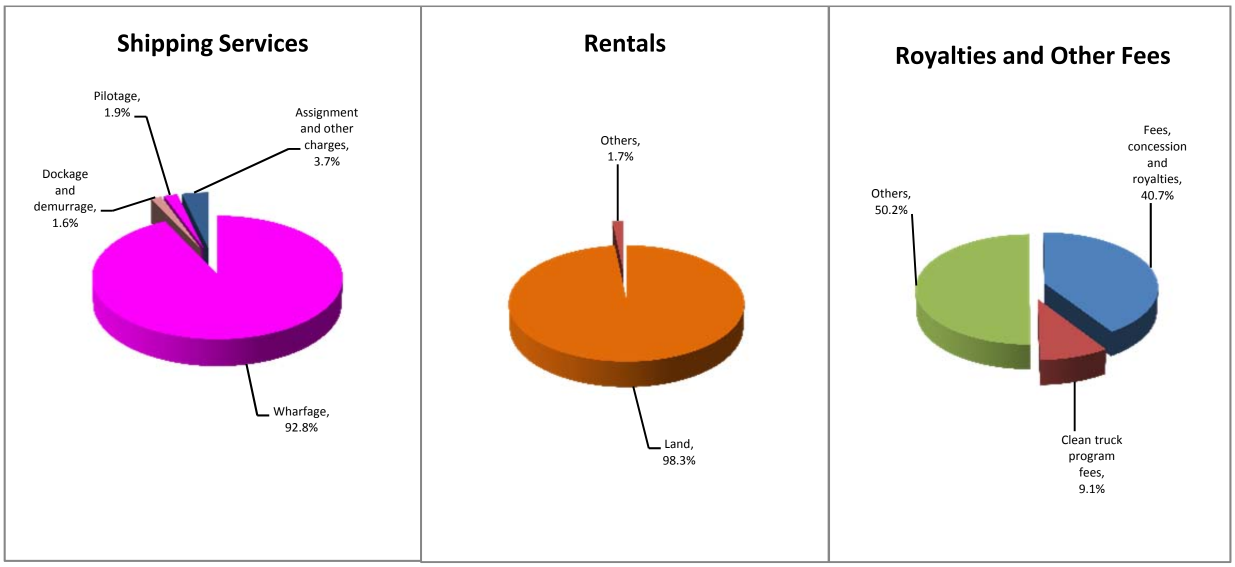
				Increase (Decrease) Over Prior Year	
	FY 2016	FY 2015	FY 2014*	FY 2016	FY 2015
Shipping services					
Wharfage	$ 341,765	$ 336,090	$ 349,953	$ 5,675	$ (13,863)
Dockage and demurrage	5,845	6,426	5,153	(581)	1,273
Pilotage	7,064	7,110	7,540	(46)	(430)
Assignment and other charges	13,796	15,273	14,567	(1,477)	706
Total shipping services	368,470	364,899	377,213	3,571	(12,314)
Rentals					
Land	45,763	45,255	38,189	508	7,066
Other	808	978	1,967	(170)	(989)
Total rentals	46,571	46,233	40,156	338	6,077
Royalties and other fees					
Fees, concession and royalties	10,655	14,968	2,767	(4,313)	12,201
Clean truck program fees	2,384	3,520	2,119	(1,136)	1,401
Other	13,169	17,275	3,696	(4,106)	13,579
Total royalties and other fees	26,208	35,763	8,582	(9,555)	27,181
Total operating revenues	$ 441,249	$ 446,895	$ 425,951	$ (5,646)	$ 20,944

* Certain information was reclassified to conform to current year's presentation.

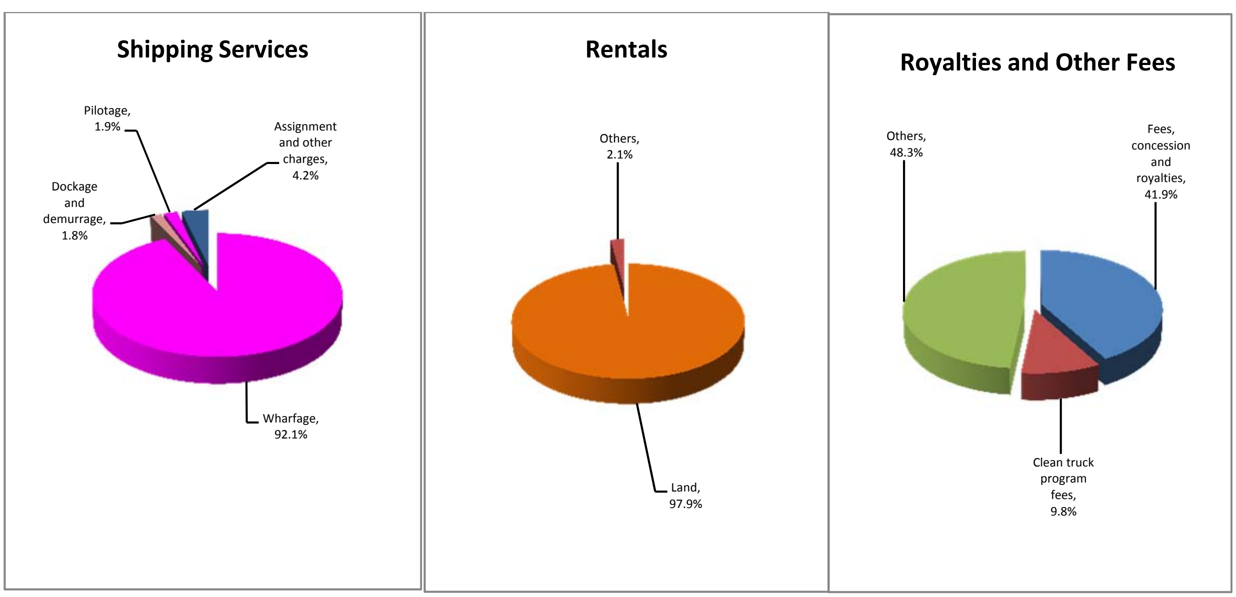
Continued…..

The following charts show the major components of the Port's sources of operating revenue for fiscal years 2016 and 2015:

Fiscal Year 2016



Fiscal Year 2015



Continued…..

Operating Revenue, Fiscal Year 2016

Operating revenue for fiscal year 2016 decreased to $441.2 million, reflecting a 1.3% decrease from the prior year revenue of $446.9 million. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 92.8% of the total shipping service revenues in fiscal year 2016. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $5.7 million higher compared to fiscal year 2015 mainly due to higher cargo volumes moved through terminals. Net other shipping revenues were $2.1 million lower as dockage/demurrage and assignment revenues decreased by $0.6 million and $1.5 million, respectively.

Rentals

The Port generates revenues from making available various types of rental properties such as land, buildings, warehouses, wharves, and sheds. Rates are negotiated for these properties based upon two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these properties. Rates ultimately set in land rental agreements may be adjusted, within reason, to reflect general market conditions. Rates for other categories of properties are also set taking into account the condition, location, utility, and other aspects of the property.

During fiscal year 2016, rental income at the Port, which represented 10.6% of fiscal year 2016 total operating revenues, increased by $0.3 million, or 0.7%, over last fiscal year. The increase was due to $5.9 million in higher compensation resets, CPI increases and new leases offset by $5.6 million in catch-up payments related to the Intermodal Container Transfer Facility in the prior fiscal year.

Royalties, Fees, and Other Operating Revenue

The Port levies fees for a variety of activities conducted on the Port properties. Examples include royalties from the production of oil and natural gas, fees for parking lots, motion picture productions, foreign trade zone operations, miscellaneous concessions, distribution of utilities, and maintenance and repair services conducted by the Port at the request of customers.

Revenues from royalties, fees, and other operating revenues in 2016 was $26.2 million or 5.9% of the total operating revenue. This represented a decrease of $9.6 million in this revenue category compared with fiscal year 2015 mainly due to $4.7 million in lower license fees related to the BNSF/SCIG facility and $4.5 million in lower utility reimbursements.

Continued…..

Operating Revenue, Fiscal Year 2015

Operating revenue for fiscal year 2015 increased to $446.9 million, reflecting a 4.9% increase from the prior year revenue of $426.0 million. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 92.1% of the total shipping service revenues in fiscal year 2015. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $13.9 million lower compared to fiscal year 2014 mainly due to TEUs qualifying for lower rates as higher cargo volumes moved through terminals with lower overall TEU rates and lower cargo volumes moved through terminals with higher overall TEU rates. Net other shipping revenues were $1.5 million higher as dockage, demurrage and assignment revenues increased by $1.2 million, $0.1 million, and $0.8 million, respectively. Increases in net other shipping revenues were due to bigger ships and longer vessels stay at the Port as well as more space assignments provided due to additional areas requested by terminal operators.

Rentals

The Port generates revenues from making available various types of rental properties such as land, buildings, warehouses, wharves, and sheds. Rates are negotiated for these properties based upon two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these properties. Rates ultimately set in land rental agreements may be adjusted, within reason, to reflect general market conditions. Rates for other categories of properties are also set taking into account the condition, location, utility, and other aspects of the property.

During fiscal year 2015, rental income at the Port which represented 10.3% of fiscal year 2015 total operating revenues increased by $6.1 million, or 15.1%, over last fiscal year. Rental revenues from land increased by $7.1 million or 18.5% due to a one-time adjustment which recovered higher Minimum Annual Guaranteed rental rates and increased container charges related to the Intermodal Container Transfer Facility retroactive to December 2011.

Continued…..

Royalties, Fees, and Other Operating Revenue

The Port levies fees for a variety of activities conducted on the Port properties. Examples include royalties from the production of oil and natural gas, fees for parking lots, motion picture productions, foreign trade zone operations, miscellaneous concessions, distribution of utilities, and maintenance and repair services conducted by the Port at the request of customers.

Revenues from royalties, fees, and other operating revenues in 2015 was $35.8 million or 8.0% of the total operating revenue. This represented an increase of $27.2 million more in this revenue category compared with fiscal year 2014 due to $10.9 million in higher license fees related to the BNSF/SCIG facility, $9.4 million in higher utility reimbursements, $5.1 million in higher refunds/reimbursements, and $1.4 million in higher Clean Truck Program revenues.

Operating Expenses

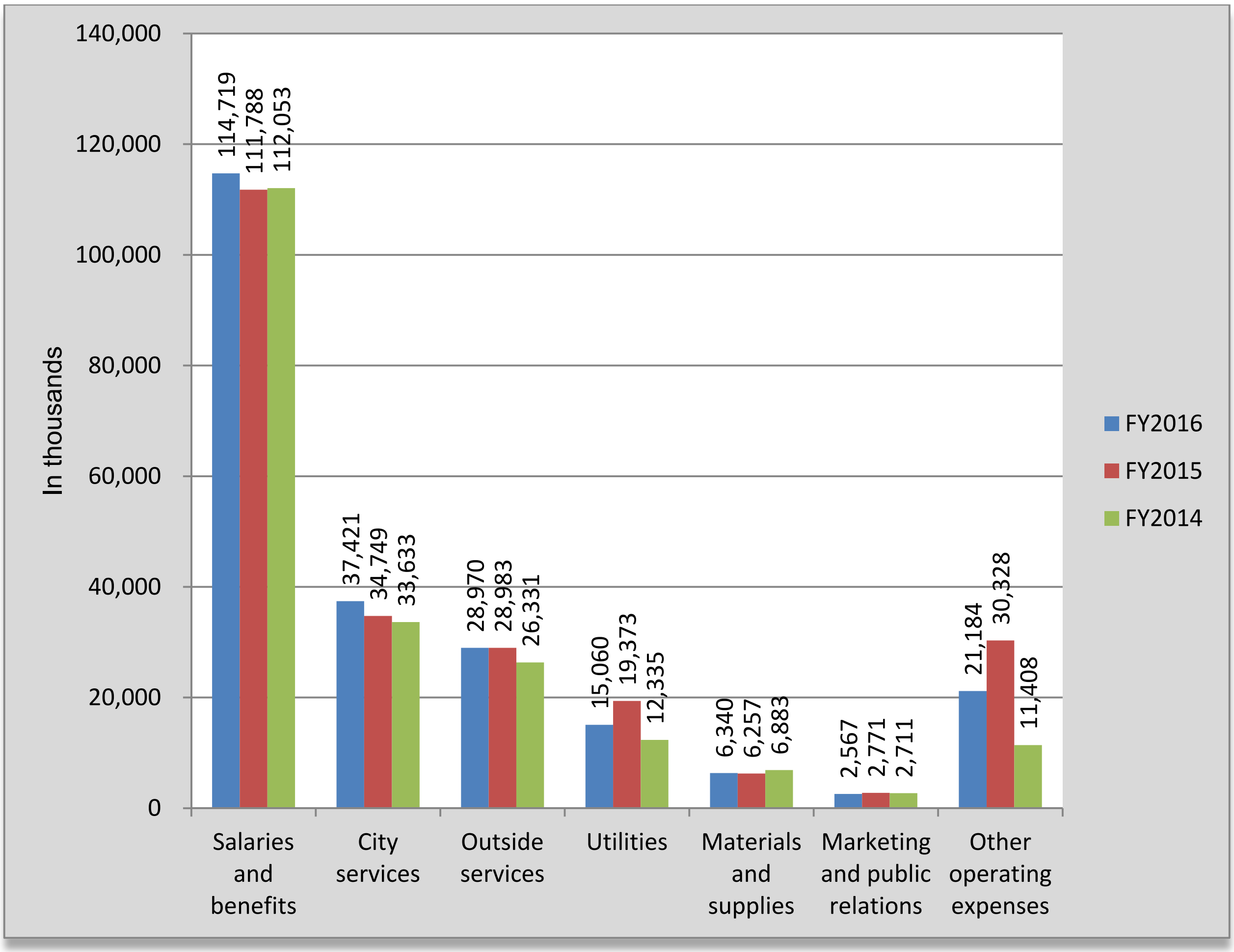
The following table presents a summary of the Port's operating expenses, net of direct and indirect costs allocated to capitalized construction projects for fiscal years 2016, 2015 and 2014. Included in other operating expenses are expenses for workers compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payout, and miscellaneous other items.

Operating Expenses, Net of Direct and Indirect Costs
(amounts in thousands)

				Increase(Decrease) Over Prior Year	
	FY2016	FY2015	FY2014	FY2016	FY2015
Salaries and benefits	$ 114,719	$ 111,788	$ 112,053	$ 2,931	$ (265)
City services	37,421	34,749	33,633	2,672	1,116
Outside services	28,970	28,983	26,331	(13)	2,652
Utilities	15,060	19,373	12,335	(4,313)	7,038
Materials and supplies	6,340	6,257	6,883	83	(626)
Marketing and public relations	2,567	2,771	2,711	(204)	60
Other operating expenses	21,184	30,328	11,408	(9,144)	18,920
Total Operating Expenses	$ 226,261	$ 234,249	$ 205,354	$ (7,988)	$ 28,895

Continued…..

The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2016, 2015 and 2014:



Continued…..

Fiscal Year 2016

Operating expenses were presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects. Information on direct and indirect costs deducted from operating expenses and charged to capitalized construction projects are presented on pages 119-120 of the Statistical Section.

In fiscal year 2016, operating expenses decreased by $8.0 million to $226.3 million, a 3.4% decrease from prior fiscal year expense of $234.2 million. This decrease primarily resulted from the expiration of the Ocean Common Carrier Incentive Program in calendar year 2014.

Salaries and benefits expense including pension expense increased by $2.9 million to $114.7 million, or 2.6% higher than the prior year expense of $111.8 million due to Memorandum of Understanding (MOU) salary increase for employees throughout the Port.

Total payments for City services increased by $2.7 million due to higher cost allocation plan rates and MOU mandated salary increases.

Outside services expenses of $29.0 million was approximately unchanged relative to the prior fiscal year with $6.1 million in spending declines offset by spending increases totaling $6.0 million across various divisions throughout the Port. These decreases in outside services expenses was primarily attributable to the following: higher capitalization of construction costs of $3.9 million, lower spending for environmental assessment services of $1.2 million, lower red car project spending by $0.8 million, and lower spending on cargo forecast costs by $0.2 million. Increases in outside services expenses were comprised of: higher spending on computer aided dispatch, port security and various police technology by $2.8 million, higher demolition expenses of a transit shed by $2.4 million, and higher spending on environmental legal services by $0.7 million.

Utilities decreased by $4.3 million to $15.1 million or 22.3% from the prior fiscal year expense of $19.4 million mainly due to lower Alternative Maritime Power (AMP) electricity consumption as ships were loaded and unloaded more efficiently relative to fiscal year 2015.

Materials and supplies expenses of $6.3 million was approximately unchanged relative to the prior fiscal year.

Other operating expenses of $21.2 million represented a decrease of $9.1 million, or 30.2%, relative to prior fiscal year expenses of $30.3 million. This decrease in other operating expenses was primarily attributable to lower provisions for bad debt of $4.1 million for possible non-collection of BNSF/SCIG license fees and $10.5 million in lower payouts related to the Ocean Common Carrier Incentive Program in fiscal year 2015 offset by an increase in pollution remediation obligations of $5.5 million.

Additional information regarding pollution remediation for these sites is found on page 82 of the notes to the financial statements.

Continued…..

Fiscal Year 2015

Operating expenses were presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects. Information on direct and indirect costs deducted from operating expenses and charged to capitalized construction projects are presented on pages 119-120 of the Statistical Section.

In fiscal year 2015, operating expenses increased by $28.9 million to $234.2 million, a 14.1% increase from prior fiscal year expenses of $205.4 million as a GASB Statement No. 68 pension expense adjustment, higher provisioning for BNSF/SCIG license fees, higher Ocean Common Carrier incentive payouts and higher AMP-related electricity expenses were only modestly offset by lower average headcounts throughout the Port.

Salaries and benefits expense including pension expense decreased by $0.3 million to $111.8 million, or 0.2% lower than the prior fiscal year expenses of $112.1 million due to lower average full-time levels. Average full-time filled positions in fiscal year 2015 were 910 versus 937 in fiscal year 2014, and these lower staffing levels offset the effects of MOU salary increases for employees throughout the Port.

Total payments for City services increased by $1.1 million due to higher street paving services relative to the prior fiscal year.

Outside services expenses of $29.0 million represented an increase of $2.7 million, or 10.1%, relative to prior year expenses of $26.3 million. This increase in outside services expenses was primarily attributable to expense increases resulting from the following: lower direct allocations to capital of $3.6 million, higher spending for environmental assessment services of $1.1 million and higher cruise terminal operating expenses of $0.5 million. These increases in outside services were partially offset by: $0.4 million in lower hiring hall salaries, $0.4 million in lower spending on expert witnesses and legal services, $0.3 million in lower public relations spending, $0.2 million in lower spending on grants monitoring and administrative expenses, $0.2 million in lower spending on external audits, $0.2 million in lower spending on miscellaneous professional executive services, and $0.1 million in lower spending on Port Pilot equipment.

Utilities increased by $7.1 million to $19.4 million or 57.7% from prior year of $12.3 million mainly as a result of the additional AMP electricity consumption as fiscal year 2015 represented the first full fiscal year in which all container terminals utilized AMP services over a 12-month period.

Materials and supplies expenses decreased by $0.6 million to $6.3 million or 9.1% from the prior fiscal year expenses of $6.9 million due primarily to $0.6 million in higher capitalization of materials and supplies expenses relative to prior year.

Continued…..

Other operating expenses of $30.3 million represented an increase of $18.9 million, or 165.8%, relative to prior fiscal year expenses of $11.4 million. This increase in other operating expenses was primarily attributable to a charge of $10.9 million for possible non-collection of BNSF/SCIG license fees and $10.5 million in higher payouts related to the Ocean Common Carrier Incentive Program.

Continued…..

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include income from investment in a joint powers authority, interest income, and expenses along with receipts and expenses related with noncapital grant as well as pass through grant awards. The following table presents a summary of the Port's nonoperating revenues and expenses for fiscal years 2016, 2015 and 2014:

				Increase (Decrease) Over Prior Year	
	FY 2016	FY 2015	FY 2014	FY 2016	FY 2015
Nonoperating revenues					
Income from investments in Joint Powers Authorities	$ 2,544	$ 2,811	$ 2,129	$ (267)	$ 682
Interest and investment income	9,326	5,039	4,654	4,287	385
Other nonoperating revenue	4,402	5,619	14,176	(1,217)	(8,557)
Total nonoperating revenues	16,272	13,469	20,959	2,803	(7,490)
Nonoperating expenses					
Interest expense	507	331	1,530	176	(1,199)
Other nonoperating expenses	8,253	7,845	41,540	408	(33,695)
Total nonoperating expenses	8,760	8,176	43,070	584	(34,894)
Net nonoperating revenues (expenses)	$ 7,512	$ 5,293	$ (22,111)	$ 2,219	$ 27,404

Fiscal Year 2016

Net nonoperating revenues (expenses) for fiscal year 2016 of $7.5 million increased by $2.2 million relative to net nonoperating revenues of $5.3 million in fiscal year 2015.

Nonoperating revenues increased by $2.8 million due to primarily higher interest and investment income by $4.3 million offset by lower grant receipts of $1.3 million.

Nonoperating expenses increased by $0.6 million in fiscal year 2016 primarily due to higher discontinued capital projects.

Continued…..

Fiscal Year 2015

Net nonoperating revenues (expenses) for fiscal year 2015 of $5.3 million increased by $27.4 million from net nonoperating expenses of $22.1 million in fiscal year 2014.

Nonoperating revenues decreased by $7.5 million due to lower pass-through grant receipts by $6.3 million and lower settlement/rebates receipts by $4.9 million. These decreases were offset by higher Federal/State noncapital grant receipts by $2.7 million, higher income from investment in joint powers authorities by $0.7 million, and higher interest and investment income by $0.4 million.

Nonoperating expenses decreased by $34.9 million in fiscal year 2015 mainly because of a $29.5 million decrease in discontinued capital projects together with lower pass-through grant disbursement by $6.3 million and higher interest capitalization by $7.7 million during the year. Partially offsetting this decrease was $6.5 million increase in interest expense, $1.4 million in greater losses on asset sales, and $1.1 million in higher bond issuance costs.

Long-Term Debt

The Port's long-term debt is comprised of senior lien debt in the form of Harbor Revenue Bonds. As of June 30, 2016 and 2015, the Port's outstanding long-term debt was $1.0 billion and $1.1 billion, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA, and AA credit ratings from Moody's Investor Services (Moody's), Standard & Poor's Rating Service (S&P), and Fitch Ratings (Fitch), respectively.

Bonded Debt

Under Section 609 of the City Charter of the City of Los Angeles and the Bond Procedural Ordinance, the Port's capacity to issue debt is not limited. However, the Port's capacity is constrained under covenants of the currently outstanding debt to an aggregate ratio of revenue to annual debt service of at least one hundred twenty-five percent (125%). The Port's financial policy requires that a minimum of 2.0x debt service coverage ratio be maintained at all times. At June 30, 2016, the Port's debt service coverage ratio was 2.5x using the additional bond test method as defined in its bond indentures.

The Port's long-term debt consisted of the following as of June 30, 2016, 2015, and 2014 (in thousands):

	FY 2016	FY 2015	FY 2014
Revenue bonds payable	$ 951,120	$ 1,000,910	$ 764,505
Net unamortized premiums	57,202	58,693	16,488
Commercial paper	--	--	125,000
Total	$ 1,008,322	$ 1,059,603	$ 905,993

Continued…..

Capital Assets

The Port's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2016, 2015 and 2014 amounted to $4.0 billion, $3.9 billion, and $3.8 billion, respectively. These accounted for 86.2%, 86.0%, and 89.8% of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2016, 2015 and 2014 (in thousands):

Summary of Capital Assets

				Increase(Decrease) Over Prior Year	
	FY 2016	FY 2015	FY 2014	FY 2016	FY 2015
Land	$ 1,108,023	$ 1,107,506	$ 1,094,732	$ 517	$ 12,774
Facilities and equipment, net	2,503,081	2,437,287	1,773,059	65,794	664,228
Intangible assets, net	23,411	24,034	24,657	(623)	(623)
Construction in progress	112,391	182,747	646,727	(70,356)	(463,980)
Preliminary costs-capital projects	203,996	160,562	225,541	43,434	(64,979)
Total	$ 3,950,902	$ 3,912,136	$ 3,764,716	$ 38,766	$ 147,420

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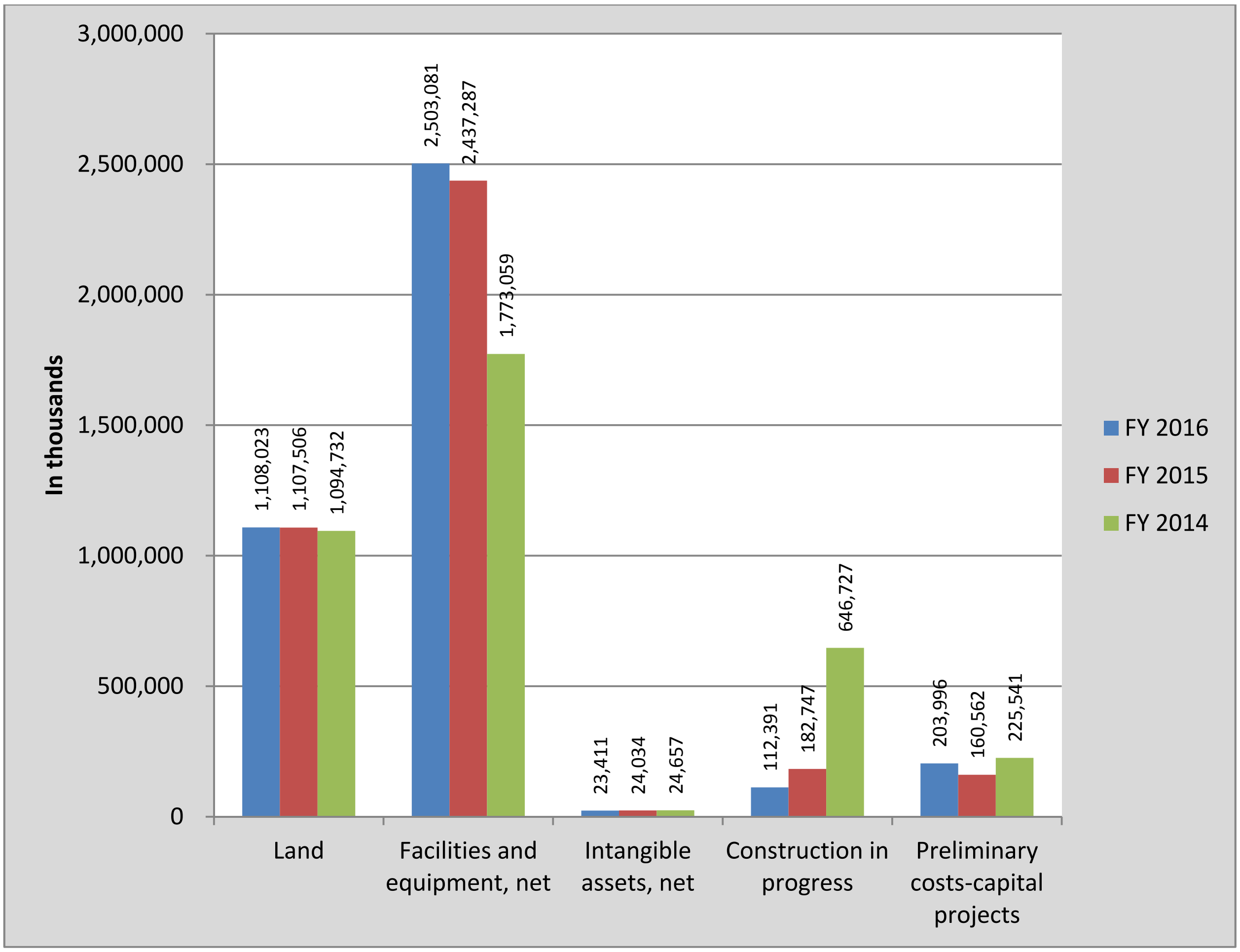
The following chart shows the graphical presentation of the Port's capital assets for the fiscal years 2016, 2015 and 2014:



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Fiscal Year 2016

Major capital assets activities during fiscal year 2016 are as follows:

- $74.0 million – backland improvements at the TraPac (Berths 135-147) including terminal buildings, main gate, and intermodal facility expansion.
- $24.5 million – terminal redevelopment and AMP improvements at Yusen Terminals Inc. (YTI) contain terminal.
- $13.7 million - design and construction of C-Street/I-110 access ramp improvements.
- $19.6 million – various transportation projects including South Wilmington grade separation, John S. Gibson Intersection/North I-110 access ramp improvements, Berth 200 rail yard track connections, and I-110/SR-47 connector improvements.

Continued…..

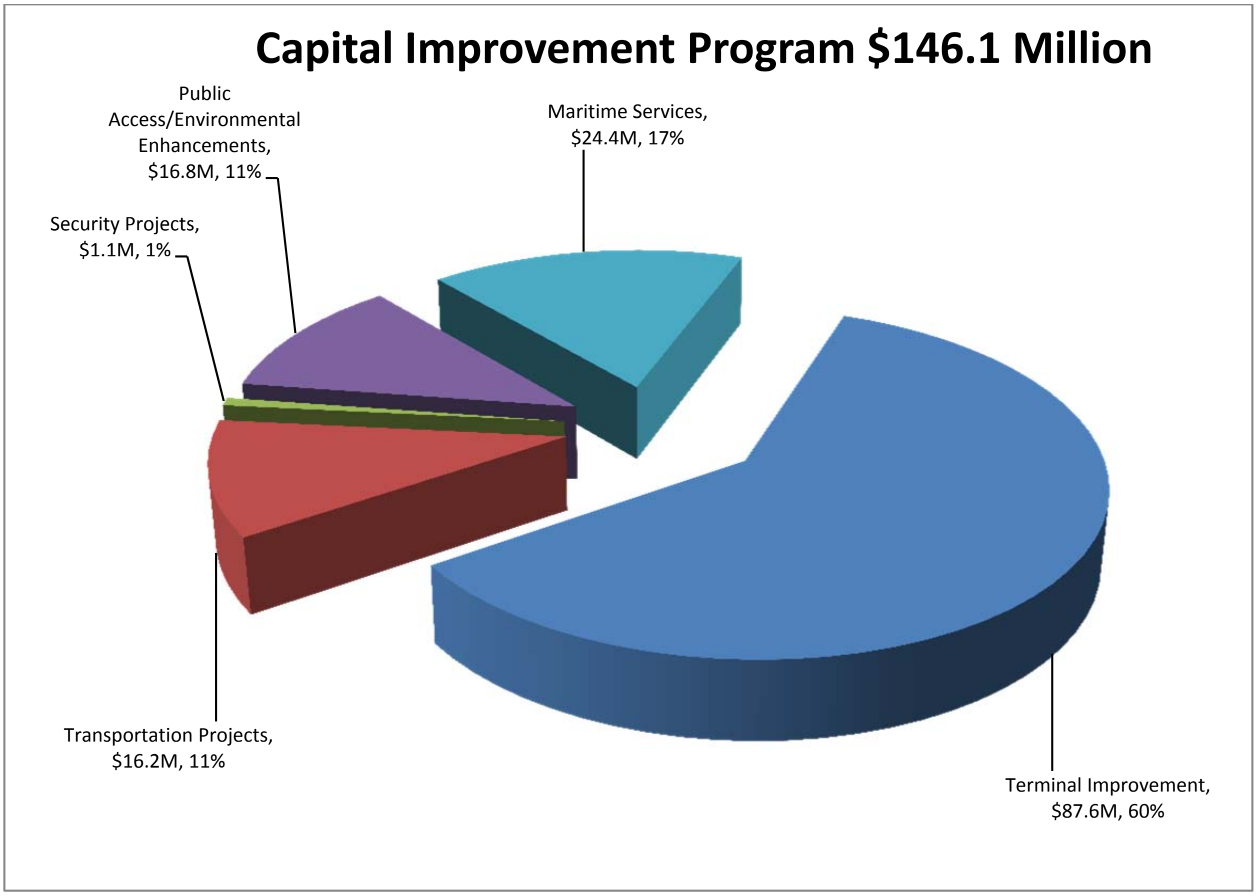
Fiscal Year 2015
Major capital assets activities during fiscal year 2015 are as follows:

- $114.3 million - automatic stacking crane infrastructure at the TraPac (Berths 135-147) including backland improvements, terminal buildings and main gate, and facility expansion.
- $9.2 million - design and construction of yard site, tracks, yard office building, diesel engine service facility and rail yard track connections at Berth 200 Rail Yard.
- $19.5 million - design and construction of a grade separation in South Wilmington to carry vehicular traffic over railroad tracks to Port terminals.
- $43.8 million – various transportation projects including rail yard track connections, C-Street/I-110 access ramp improvements, South Wilmington grade separation, John S. Gibson Intersection/I-110 access ramp improvements, and I-110/SR-47 connector improvements.

Continued…..

Capital Improvement Expenditures (CIP) for Fiscal Year 2017

The Port aims to continue to maintain its competitive edge and support the community and local economy by adopting a capital budget of $210.3 million in fiscal year 2017. Comprising 18.0% of its total budget of $1.2 billion, the adopted capital expenditures include $146.1 million of direct costs of capital improvement projects, indirect costs of $58.6 million in allocated capitalized overhead and interest costs, and $5.6 million for capital equipment. The adopted capital expenditures of $146.1 million include $87.6 million for terminal development projects, $16.2 million for transportation and infrastructure projects, $16.8 million for public access/environmental enhancement projects, $1.1 million for security projects, and $24.4 million for maritime services. Below is the graphical presentation of the fiscal year 2017 adopted capital improvement projects budget:



Continued…..

The components of the CIP are as follows:

Terminal Development Projects

- Approximately $87.6 million or 60.0% of the total CIP direct cost budget of $146.1 million is dedicated to development projects at various Port terminals.
- $33.5 million for projects at TraPac Terminal, including $22.6 million for backland expansion and improvement projects and $10.9 million for constructing the crane maintenance building.
- $29.8 million for redevelopment at the YTI Terminal, including $16.5 million for wharf upgrades, berth dredging, crane rail extensions, electrical improvements, expansion of the terminal, and backland improvements, $8.5 million for installation of AMP at Berth 214 and 220, and $3.0 million for construction of loading track and modifications of utilities within the backland area.
- $2.0 million for project planning and development at the Everport Terminal including environmental assessment, wharf and backland improvements, and an AMP upgrade and retrofit.
- $8.0 million for the upgrade and retrofit of an AMP installation and security improvements at the World Cruise Center.
- $6.0 million for wharf rehabilitation efforts at the WWL Auto Terminal.
- $5.3 million for the audit, design, and construction of required upgrades at liquid bulk oil cargo handling facilities throughout the Port.

Continued…..

Transportation and Infrastructure Projects

- Approximately $16.2 million or 11.1% of the total CIP direct cost budget of $146.1 million is designated for transportation improvement projects.
- $7.4 million for the C Street/I-110 access ramp improvements that will provide free-flowing right turn lanes to accommodate heavy right-turn truck volumes.
- $2.4 million for the John S. Gibson Intersection and Northbound I-110 ramp access improvements that will improve road geometry and allow trucks to make wider turns.
- $2.0 million for I-110/SR-47 connector improvements that will add an additional lane to the SR-47 connector to the northbound I-110 freeway.
- $4.4 million for various transportation projects such as preparation of a traffic analysis studying an interchange reconfiguration at SR-47 and Front Street, resurfacing project on Water Street, Reeves Avenues, Navy Way, and Miner Street.

Public Access and Environmental Enhancement Projects

- $16.8 million for Los Angeles Waterfront projects including the San Pedro Market development, Sampson Way Roadway improvement, Market Promenade and Town Square projects.

Port Security Projects

- $1.1 million for the completion of design as well as construction of Phase 2 of the Port Fiber Optic Program which will install necessary links between the project's communication system and its users within the Port Police and Construction and Maintenance divisions.

Maritime Services

- $24.4 million of miscellaneous projects including the Badger Avenue Bridge, the Maritime Museum, Banning's Landing, Liberty Hill Plaza, the Harbor Administrative Building, and other future projects.

Continued…..

Factors That May Affect the Port's Operations

There is significant competition for container traffic among North American ports. The availability of alternate port facilities at competitive prices affects the use of the Port's facilities and therefore the revenues of the Port. Formation of shipping alliances adds to the complexity as shipping lines who have ownership in terminals route cargo to terminals that are not owned by them, but by their Alliance partners. While the shipping industry remains volatile in 2016, shipping lines are searching for the best terminal handling rates and even looking to the Port to provide incentives. The Port cannot predict the scope of such impact.

All of the ports on the West Coast of the U.S. compete for discretionary intermodal cargo destined for locations across the U.S. and Canada. Discretionary cargo makes up approximately 33% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward both by rail and through the Panama Canal or through the Suez Canal. The use of all-water routes primarily through the Panama and Suez Canal to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through U.S. West Coast ports. Routing cargo via all water service has a longer transit time and is usually less expensive to the beneficial cargo owner vs. routing via West Coast Ports and loading via rail. The newly completed Panama Canal Expansion Program added a new set of locks, which allows ships of greater size (up to 12,500 TEU) to transit the Canal. The expansion creates a route to the East and Gulf Coast for ships of greater capacity than the current "Panamax" ships. While the effects of an expanded Canal are unknown, the Port has an existing ability to handle the New Panamax and Super Post-Panamax ships and continues to maintain and improve its strong infrastructure and intermodal capabilities.

The activities at the Port may generate air emissions that are subject to legal and regulatory requirements. Such requirements mandate and offer certain incentives for reductions of air pollution from ships, trains, trucks and other operational activities. Paying for mandated air pollution reduction infrastructure, equipment and other measures may become a significant portion of the Port's capital budget and operating budget. Such expenditures may be necessary even if the Port does not undertake any new revenue-generating capital improvements. The Port cannot provide assurances that the actual cost of the required measures will not exceed the forecasted amount.

Competitive Environment

As of fiscal year ended June 30, 2016, six major container ports controlled 99.6% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California; the ports of Seattle and Tacoma in Washington State; and the port of Portland in Oregon. The ports of Los Angeles and Long Beach together controlled 73.4% of all U.S. West Coast market share based on a loaded TEU basis.

The industry is capital intensive and requires long lead times to plan and develop new facilities and infrastructure. Resources are typically allocated and facilities developed upon the commitment of customers to long-term permits at the Port that currently range from 15 to 30 years before expiration. Occupancy remains high and West Coast ports have limited land areas for expansion. Additionally, the greater Los Angeles area represents not only a large destination market for waterborne goods, but also the most attractive point of origin for trans-shipments to points east as the Port has extensive on-dock rail facilities creating intermodal connections that provide for time-to-market advantages.

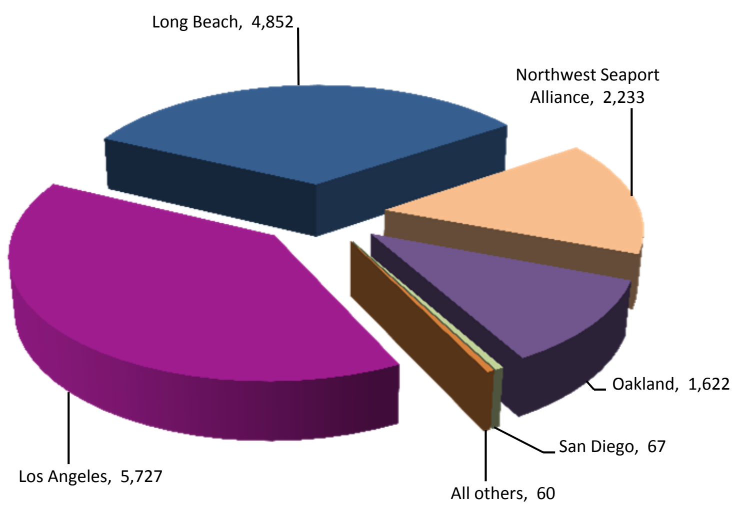
Continued…..

The following presents a summary of the West Coast container market share for fiscal years 2014 to 2016:

	Loaded TEUs (in thousands)			Percentage Market Share		
Ports	FY 2016*	FY 2015*	FY 2014*	FY 2016	FY 2015	FY 2014
Los Angeles	5,727	5,601	5,903	39.4%	39.2%	39.6%
Long Beach	4,852	4,858	4,977	33.3%	34.1%	33.3%
Northwest Seaport Alliance**	2,233	2,075	2,197	15.3%	14.6%	14.7%
Oakland	1,622	1,522	1,617	11.1%	10.7%	10.8%
San Diego	67	57	52	0.5%	0.4%	0.3%
All others	60	143	198	0.4%	1.0%	1.3%
	14,561	14,256	14,944	100.0%	100.0%	100.0%

* Source: PIERS
** Northwest Seaport Alliance consists of Seattle and Tacoma, effective August 1, 2015.

Following is the graphical presentation of the West Coast container market share for fiscal year 2016:



Loaded TEUs in Thousands

Request for Information

This financial report is designed to provide a general overview of the Port of Los Angeles' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Marla Bleavins, Deputy Executive Director and Chief Financial Officer, Port of Los Angeles (Harbor Department of the City of Los Angeles), 425 S. Palos Verdes St., San Pedro, CA 90731.

Continued…..

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Net Position
June 30, 2016 and 2015
(amounts In thousands)

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents, unrestricted	$ 445,289	$ 441,834
Cash and cash equivalents, restricted	21,581	25,035
Accounts receivable, net of allowance for doubtful accounts:		
2016 - $20,493; 2015 - $13,752	42,226	43,763
Grants receivable	10,098	5,025
Materials and supplies inventories	2,777	2,641
Prepaid expenses	227	393
Accrued interest receivable	828	824
Current portion of notes receivable	--	5,095
Total current assets	523,026	524,610
Noncurrent Restricted Assets		
Restricted investments – bond funds	95,769	97,461
Other restricted cash and investments	9,759	9,727
Total noncurrent restricted assets	105,528	107,188
Capital assets		
Land	1,108,023	1,107,506
Facilities and equipment net of accumulated depreciation:		
2016 - $1,905,179; 2015 - $1,742,483	2,503,081	2,437,287
Intangible assets, net of amortization:		
2016 - $1,949; 2015 - $1,326	23,411	24,034
Construction in progress	112,391	182,747
Preliminary costs – capital projects	203,996	160,562
Total capital assets	3,950,902	3,912,136
Investment in Joint Powers Authorities	5,570	6,026
TOTAL ASSETS	4,585,026	4,549,960
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	2,832	4,027
Deferred outflows of resources - pensions	42,025	46,687
TOTAL DEFERRED OUTFLOWS OF RESOURCES	44,857	50,714

continued…..

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Net Position
June 30, 2016 and 2015
(amounts In thousands)

	2016	2015
LIABILITIES		
Current Liabilities		
Accounts payable	$ 30,569	$ 47,257
Current maturities of notes payable and bonded debt	41,695	42,910
Accrued interest payable	19,806	20,833
Accrued salaries and employee benefits	16,859	16,876
Obligations under securities lending transactions	7,929	2,865
Accrued construction cost payable	3,239	4,631
Other current liabilities	44,374	41,126
Total current liabilities	164,471	176,498
Long-term liabilities		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of unamortized discount/premium:		
2016 - $57,202; 2015 - $58,693	966,627	1,016,693
Accrued salaries and employee benefits	8,114	8,286
Net pension liabilities	215,829	198,762
Other liabilities	80,931	83,786
Total long-term liabilities payable from unrestricted assets	1,271,501	1,307,527
Long-term liabilities payable from restricted assets	10,075	9,500
Total long-term liabilities	1,281,576	1,317,027
TOTAL LIABILITIES	1,446,047	1,493,525
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	21,881	44,250
TOTAL DEFERRED INFLOWS OF RESOURCES	21,881	44,250
NET POSITION		
Net investment in capital assets	2,945,412	2,856,561
Restricted for debt service	66,599	68,373
Unrestricted	149,944	137,965
TOTAL NET POSITION	$ 3,161,955	$ 3,062,899

See accompanying notes to financial statements.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2016 and 2015
(amounts In thousands)

	2016	2015
OPERATING REVENUE		
Shipping services		
Wharfage	$ 341,765	$ 336,090
Dockage	5,629	6,097
Demurrage	216	329
Lay day fees	938	908
Pilotage	7,064	7,110
Assignment charges	12,858	14,365
Total shipping services	368,470	364,899
Rentals		
Land	45,763	45,255
Buildings	221	237
Warehouses	88	115
Wharf and shed	499	626
Total rentals	46,571	46,233
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	10,655	14,968
Clean truck program fees	2,384	3,520
Other	13,169	17,275
Total royalties, fees, and other operating revenues	26,208	35,763
Total operating revenue	441,249	446,895
OPERATING EXPENSES		
Salaries and other benefits	94,281	92,786
Pension expense	20,438	19,002
City services	37,421	34,749
Outside services	28,970	28,983
Utilities	15,060	19,373
Materials and supplies	6,340	6,257
Marketing and public relations	2,567	2,771
Workers' compensation, claims and settlement	245	2,503
Clean truck program expenses	897	949
Travel and entertainment	611	512
Other operating expenses	19,431	26,364
Total operating expenses before depreciation and amortization	226,261	234,249
Operating Income before depreciation and amortization	214,988	212,646

continued….

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2016 and 2015
(amounts In thousands)

	2016	2015
Operating Income before depreciation and amortization	$ 214,988	$ 212,646
Depreciation and amortization	163,933	137,384
OPERATING INCOME	51,055	75,262
NONOPERATING REVENUE (EXPENSES)		
Nonoperating revenue		
Income from investments in Joint Powers Authorities	2,544	2,811
Interest and investment income	9,326	5,039
Noncapital grant revenue	662	4,035
Pass through grant revenue	1,566	550
Other nonoperating revenue	2,174	1,034
Total nonoperating revenue	16,272	13,469
Nonoperating expenses		
Interest expense	(507)	(331)
Pass through grant expenses	(1,566)	(550)
Discontinued capital projects	(5,279)	(3,466)
Other nonoperating expenses	(1,408)	(3,829)
Total nonoperating expenses	(8,760)	(8,176)
Net nonoperating revenue (expenses)	7,512	5,293
INCOME BEFORE CAPITAL CONTRIBUTIONS	58,567	80,555
Capital contributions	40,489	111,852
CHANGES IN NET POSITION	99,056	192,407
NET POSITION, JULY 1	3,062,899	3,064,554
Cumulative effect of change in accounting principle	--	(194,062)
Net position, July 1, restated	3,062,899	2,870,492
NET POSITION, JUNE 30	$ 3,161,955	$ 3,062,899

See accompanying notes to financial statements.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2016 and 2015
(amounts In thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 369,753	$ 364,506
Rentals collected	46,733	46,184
Royalties, fees, and other operating revenues collected	26,300	35,725
Payments for employee salaries and benefits, net of capitalized amounts: 2016 - $22,832; 2015 - $25,069	(115,548)	(111,728)
Payments for goods and services	(137,246)	(121,503)
Net cash provided by operating activities	189,992	213,184
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from noncapital grants	662	4,035
Net cash provided by noncapital financing activity	662	4,035
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(162,874)	(244,519)
Proceeds from sale of capital assets	1,750	163
Proceeds from capital grants and contributions	35,416	107,256
Payments for refunding of commercial paper notes	--	(50,000)
Net proceeds from issuance of commercial paper notes	--	25,000
Net proceeds from issuance of bonds	--	211,390
Principal repayment and redemption – bonds	(43,193)	(25,982)
Receipts from (payments to) bond reserve fund	1,692	(39,407)
Interest paid	(49,643)	(43,454)
Net cash used in capital and related financing activities	(216,852)	(59,553)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	5,364	4,655
Cash collateral received under the securities lending transactions	5,064	2,506
Increase in fair value of investments	3,927	260
Net sale of investments	3,749	2,785
Net payments received on notes receivable	5,095	5,034
Distribution from Joint Powers Authorities	3,000	2,000
Net cash provided by investing activities	26,199	17,240
NET INCREASE IN CASH AND CASH EQUIVALENTS	1	174,906
CASH AND CASH EQUIVALENTS, JULY 1	466,869	291,963
CASH AND CASH EQUIVALENTS, JUNE 30	$ 466,870	$ 466,869

continued….

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2016 and 2015
(amounts In thousands)

	2016	2015
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and cash equivalents, unrestricted	$ 445,289	$ 441,834
Cash and cash equivalents, restricted	21,581	25,035
Total cash and cash equivalents	$ 466,870	$ 466,869
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 51,055	$ 75,262
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	163,933	137,384
Provision for doubtful accounts	6,742	10,842
Changes in assets, liabilities, and deferred outflows and inflows of resources		
Accounts receivable	(5,206)	(11,322)
Materials and supplies inventories	(136)	(35)
Prepaid expenses	166	28
Deferred outflows of resources - pensions	4,662	(46,687)
Accounts payable	(16,688)	21,159
Net pension liabilities	17,067	--
Accrued salaries and employee benefits	(189)	2,496
Other liabilities	(9,045)	(20,193)
Deferred inflows of resources - pensions	(22,369)	44,250
Total adjustments to reconcile operating income to net cash	138,937	137,922
Net cash provided by operating activities	$ 189,992	213,184
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets with construction payable	$ 3,239	$ 4,631
Acquisition of capital assets with accounts payable	624	2,310
Write-off of discontinued construction projects	5,279	3,466
Capitalized interest expense, net	41,216	42,130
Revenue bond proceeds received in escrow trust fund	43,647	174,888
Debt defeased and related costs paid through escrow trust fund	(43,647)	(174,888)

See accompanying notes to financial statements.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Notes to the Financial Statements

June 30, 2016 and 2015

The Notes to the Financial Statements include disclosures considered necessary for a better understanding of the accompanying financial statements. An index to the Notes follows:

Continued…..

1. Organization and Summary of Significant Accounting Policies

The financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles), hereafter referred to as "Port of Los Angeles" or "Port," have been prepared in conformity with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port's significant accounting policies are described below.

A. Organization and Reporting Entity

The Port of Los Angeles is an independent, self-supporting department of the City of Los Angeles (the City), formed for the purpose of providing shipping, fishing, recreational, and other resources and benefits for the enjoyment of the citizens of California. The Port is under the control of a five-member Board of Harbor Commissioners (BHC), who are appointed by the Mayor and approved by the City Council. The Port is administered by an Executive Director, subject to the State of California Tidelands Trust Act.

Most of the property of the Port including land, docks, wharves, transit shed, terminals, and other facilities are owned by the City and administered by the Port, subject to a trust created pursuant to certain tideland grants from the State. All monies arising out of the operation of the Port are limited as to use for the operation and maintenance of Port facilities, the acquisition and construction of improvements, and other such trust considerations under the Tidelands Trust and the Charter of the City.

The Port prepares and controls its own financial plan, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port operates as principal landlord for the purpose of assigning or leasing port facilities and land areas. The Port's principal source of revenue is from shipping services under tariffs (dockage and wharfage, etc.), rental of land and facilities, fees (parking and foreign trade zones), and royalties (oil wells). Capital construction is financed by cash from operations, and debt secured by future revenues and federal and state grants. The Port's permanent work force attends to the daily operation of the Port facilities and its regular maintenance. Generally, the Port uses commercial contractors for large construction projects.

Operations of the Port are financed in a manner similar to that of a private business. The Port recovers its costs of providing services and improvements through tariff charges for shipping services and the leasing of facilities to Port customers.

In evaluating how to define the Port for financial reporting purposes, management has considered all potential component units by applying the criteria set forth by the GASB. The financial statements present only the financial activities of the Port in conformity with GAAP and are not intended to present the financial position and results of operations of the City.

Continued…..

Reporting Entity

The Los Angeles Harbor Improvements Corporation (LAHIC) is a nonprofit public benefit corporation organized under the laws of the state of California for public purposes. LAHIC was formed to assist the Port in undertaking financing third party capital expenditures at potentially advantageous terms that the BHC deems necessary for the promotion and accommodation of commerce.

The board of directors of LAHIC consists of five members. Election of the LAHIC board of directors occurs by vote of the BHC. The BHC is financially responsible for LAHIC's activities. Further, although LAHIC is legally separate from the Port, it is reported as if it were part of the Port, because its sole purpose is to help finance and construct facilities and improvements, related to Port activities.

LAHIC is included in the reporting entity of the Port, and accordingly, the operations of LAHIC are blended in the Port's accompanying financial statements.

B. Summary of Significant Accounting Policies

Method of Accounting – The Port activities are accounted for as an enterprise fund, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when the related liabilities are incurred.

Cash, Cash Equivalents, and Investments – The Port pools its available cash with that of the City. All cash and investments pooled with the City, plus any other cash deposits or investments with initial maturities of three months or less are considered cash and cash equivalents.

Interest income and realized gains and losses arising from such pooled cash and investments are apportioned to each participating City department fund based on the relationship of such department fund's respective average daily cash balances to aggregate pooled cash and investments. The change in the fair value of pooled investments is allocated to each participating City department fund based on the aggregate respective cash balances at year-end.

The Port's investments, including its share of the City's Investment Pool, are stated at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of investments with no regular market is estimated based on similar traded investments. The fair value of mutual funds, government-sponsored investment pools, and other similar investments is stated at share value or an allocation of fair value of the pool, if separately reported. Certain money market investments with initial maturities at the time of purchase of less than one year are recorded at amortized cost. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year and the current year.

Continued…..

Securities Lending – As a participant in the City's Investment Pool, the Port's funds are also part of the City's securities lending program (SLP). The investment collateral received by the City together with the corresponding liability is allocated among the City's participating funds based on the aggregate respective cash balances at fiscal year-end.

Materials and Supplies Inventories – Inventories of materials and supplies are stated at lower of average cost or market.

Capital Assets – Capital assets are carried at cost or at appraised fair value at the date received, in the case of properties acquired by donation, and by termination of leases for tenant improvements, less allowance for accumulated depreciation. The Port has a capitalization threshold of $5,000. Capital assets include intangible assets for the Port's radio frequency and emission mitigation credits, and capitalized costs of the Port's integrated financial accounting system, the Enterprise Resource Planning System.

Development costs for proposed capital projects that are incurred prior to the finalization of formal construction contracts are capitalized. Upon completion of capital projects, such preliminary costs are transferred to the appropriate property account. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment. Preliminary costs - capital projects for fiscal years 2016 and 2015 are $204.0 million and $160.6 million, respectively.

The Port capitalizes interest costs incurred on indebtedness issued in connection with the acquisition, construction or improvement of capital assets, net of interest revenue on reinvested debt proceeds. Interest capitalized in fiscal years 2016 and 2015 were $41.2 million and $42.1 million, respectively.

The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects. Indirect project costs allocated to construction projects for fiscal years 2016 and 2015 were $16.2 million and $18.4 million, respectively.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the Port's depreciable assets are as follows:

Wharves and sheds	15 to 30 years
Buildings and facilities	10 to 50 years
Equipment	3 to 18 years
Intangible assets	20 years

Investments in Joint Powers Authorities – Investments in joint power authorities are accounted for by the equity method.

Continued…..

Accrued Salaries and Employee Benefits – Aside from accrued salaries, the Port records as liabilities all accrued employee benefits, including estimated liabilities for certain unused vacation and sick leave in the period the benefits are earned. Port employees accumulate annual vacation and sick leave based on their length of service up to a designated maximum. Upon termination or retirement, employees are paid the cash value of their accumulated leave benefits.

Deferred Outflows and Inflows of Resources – In addition to assets, the Port reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Port has two items that qualified for reporting in this category. They are deferred charges on debt refunding and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Port reports a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Port has only one item that qualified for reporting in this category – deferred inflows of resources related to pensions in accordance with GASB Statement No. 68.

Operating and Nonoperating Revenues and Expenses – The Port differentiates between operating revenues and expenses, and nonoperating revenues and expenses. Operating revenues and expenses generally result from the Port's primary ongoing operations. All revenues and expenses other than these are reported as nonoperating revenues and expenses.

Revenues from shipping services, rental fees, and royalties are the major sources of the Port's revenues. Shipping services revenues consist of fees assessed for various activities relating to vessel and cargo movement. Twenty-foot equivalent units (TEUs) and metric tons are the measures used to determine cargo volumes that move through the Port. Rental fees are collected from the lease of various types of rental properties in Port-controlled lands. Rental rates are set using various methodologies, and are appraised periodically to evaluate and establish benchmark rates. Rental rates may be adjusted, within reason, to reflect general market conditions. The Port levies fees for various activities such as royalties from oil and natural gas production, fees for parking lots, and miscellaneous concessions.

Operating Expenses – The Port presents operating expenses at net of direct and indirect overhead costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capitalized construction projects. Indirect costs are those that are not directly identifiable with a particular capital project and hence, are allocated to all outstanding construction projects. Indirect overhead costs such as administrative expenses, maintenance salaries and City services are allocated to projects based on the average outstanding balance of capitalized construction projects.

Continued…..

Indirect overhead costs are defined to be the costs not directly attributable to those activities related to a capital project. The overhead rate is calculated based on the ratio of the costs of the direct amount of work assigned to capital projects to the total amount of hours worked by Port staff. The resulting rate is defined as the indirect overhead rate and is applied to the operating expenses of those divisions that participate both directly and indirectly in the activities related to capital projects. The resulting indirect overhead amount is then allocated on a pro-rata basis to capitalized construction projects based on the outstanding balance of each project.

Details of operating expenses net of allocated direct and indirect costs may be found on pages 119-120 of the Statistical Section.

Operating Leases – The Port leases a substantial portion of lands and facilities to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property to pre-leased conditions at the expiration of the agreement; accordingly, no leases are considered capital leases.

Pension and Other Postemployment Benefits (OPEB) – All full-time civilian Port employees are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a defined benefit single-employer pension plan. All full-time Port police officers are eligible to participate in the City of Los Angeles Fire and Police Pension System (LAFPP), a defined benefit single-employer pension plan. The Port funds fully its entire annual share of LACERS and LAFPP pensions and the respective OPEB contributions. The funding amounts are determined at the start of each fiscal year and are incorporated as part of the Port's payroll to reimburse the City for the Port's pro rata contribution share.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expenses, information about the fiduciary net positions of LACERS and LAFPP, and additions to/deductions from LACERS and LAFPP's fiduciary net positions have been determined on the same basis as they are reported by LACERS and LAFPP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Capital Contributions – The Port may receive grants for the purpose of acquisition or construction of property and equipment. These grants are generally structured as reimbursements against expenditures. Grants and similar items are recognized as capital contributions as soon as all eligibility requirements imposed by the provider have been met.

Net Position – The statements of net position are designed to display the financial position of the Port. The Port's equity is reported as net position, which is classified into the following categories:

- *Net investment in capital assets* – This category consists of capital assets, reduced by accumulated depreciation and by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are

Continued…..

attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this category.

- *Restricted* – This category consists of restrictions placed on net position through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments. Constraints may also be imposed by law or constitutional provisions or enabling legislation.
- *Unrestricted* – This category consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Port's policy to use unrestricted resources as needed and restricted resources for the purpose for which the restriction exists first.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to amounts reported in fiscal year 2015 to conform to the fiscal year 2016 presentation. These reclassifications have no material impact on the Port's financial statements.

Restatement – In fiscal year 2015, the Port implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, which requires the Port to record its proportionate share of the defined benefit pension obligation for pensions provided under LACERS and LAFPP. The cumulative effect of applying the provisions of GASB Statements No. 68 and 71 has been reported as a restatement of beginning net position for the year ended June 30, 2015, in accordance with the statements. The cumulative effect of this adjustment to net position is $194.1 million and comprises the addition of the net pension liability of $215.1 million and deferred outflows of resources in the amount of $18.4 million and reduction of the net pension obligation of $2.6 million.

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2. Adoption of New GASB Pronouncements

GASB Statement No. 72, *"Fair Value Measurement and Application."* Issued in February 2015, this statement enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Port implemented this statement retroactively to 2015. See Note 4.F. for disclosures on fair value measurement.

GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* Issued in June 2015, this statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, "*Accounting and Financial Reporting for Pensions*", as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, "*Financial Reporting for Pension Plans*", and Statement 68 for pension plans and pensions that are within their respective scopes. The Port implemented this statement in fiscal year 2016. This statement has no material impact on the Port's financial statements.

GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* Issued in June 2015, this statement improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. The Port implemented this statement in fiscal year 2016. This statement has no material impact on the Port's financial statements.

GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants."* Issued in December 2015, this statement establishes (1) criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes and (2) additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The Port implemented this statement in fiscal year 2016. This statement has no material impact on the Port's financial statements.

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3. Recent GASB Pronouncements for Future Adoption

GASB Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* Issued in June 2015, this statement establishes new accounting and financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement will be effective beginning fiscal year 2017. The statement is not expected to have an impact on the Port's financial statements because the Port does not administer an OPEB plan.

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* Issued in June 2015, this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This statement will be effective beginning fiscal year 2018.

GASB Statement No. 77, *"Tax Abatement Disclosures."* Issued in August 2015, this statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This statement will be effective beginning fiscal year 2017. The statement is not expected to have an impact on the Port because the Port does not have transactions related to tax abatements.

GASB Statement No. 78, *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans."* Issued in December 2015, this statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state and local government employers through certain cost-sharing multiple-employer defined benefit pension plans. This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described in the statement. This statement will be effective beginning fiscal year 2017.

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GASB Statement No. 80, *"Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14."* Issued in January 2016, this statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement will be effective beginning fiscal year 2017.

GASB Statement No. 81, *"Irrevocable Split-Interest Agreements."* Issued in March 2016, this statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement will be effective beginning fiscal year 2018.

GASB Statement No. 82, *"Pension Issues-an Amendment of GASB Statements No. 67, No. 68, and No. 73."* Issued in March 2016, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. For items (1) and (3), the statement will be effective beginning fiscal year 2017. For item (2), the statement will be effective for actuarial valuations with the measurement date of June 30, 2017 for the Port's financial statements as of June 30, 2018.

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4. Cash and Investments

The Port's cash and investments consist of the following (in thousands):

	2016	2015
Cash in bank and certificates of deposit	$ 332	$ 388
Investment in U.S. Treasury money market fund	95,769	97,461
Equity in the City of Los Angeles Investment Pool	476,297	476,208
Total cash and investments	$ 572,398	$ 574,057

Certain of the Port's cash and investments are restricted as to use by reason of bond indenture requirements or similar legal mandate. The Port's unrestricted and restricted cash and investments are as follows (in thousands):

	2016	2015
Unrestricted cash and cash equivalents	$ 445,289	$ 441,834
Restricted cash and cash equivalents		
Current		
China Shipping Mitigation Fund	19,168	22,623
Community Mitigation Trust Fund – Trapac	112	108
Narcotics/Customs Enforcement Forfeiture Fund	531	384
Clean Truck Program and Fee Fund	30	227
Other	1,740	1,693
Subtotal – Current	21,581	25,035
Noncurrent		
Harbor Revenue Bond Funds	95,769	97,461
Customer Security Deposits	3,166	3,155
Batiquitos Environmental Fund	6,032	6,011
Harbor Restoration Fund	561	561
Subtotal – Noncurrent	105,528	107,188
Total restricted cash and investments	127,109	132,223
Total cash and investments	$ 572,398	$ 574,057

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A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.3 million for both fiscal years ended June 30, 2016 and 2015. The deposits were entirely covered by federal depository insurance or collateralized by securities held by the financial institutions in the Port's name in conformance with the State Government Code.

B. Pooled Investments

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities but safety and liquidity still take precedence over return. Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Los Angeles City Council (City Council) and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Investments in the City Treasury are stated at fair value based on quoted market prices except for money market investments that have remaining maturities of one year or less at time of purchase, which are reported at amortized cost.

Pursuant to California Government Code Section 53607 (State Code) and the City Council File No. 94-2160, the City Treasury provides the City Council a statement of investment policy (the Policy) annually. City Council File No. 11-1740 was adopted on February 12, 2014, as the City's investment policy. This Policy shall remain in effect until the City Council and the Mayor approve a subsequent revision. The Policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the City Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53638, 16340 and 16429.1. The City Treasury further reports that the current policy allows for the purchase of investments with maturities up to thirty (30) years.

Examples of investments permitted by the Policy are obligations of the U.S. Treasury and agencies, local agency bonds, commercial paper notes, certificates of deposit (CD) placement service, bankers' acceptances, medium term notes, repurchase agreements, mutual funds, money market mutual funds, and the State of California Local Agency Investment Fund.

The Port had $476.3 million and $476.2 million invested in the City's General Pool and three Special Investment Pools, representing approximately 4.8% and 5.2% of the City Treasury's General Pool and Special Investment Pools at June 30, 2016 and 2015, respectively.

The complete disclosures for the entire cash and investment pool are included in a publicly available financial report issued by the City. The report may be obtained by writing or calling: City of Los Angeles Office of the City Controller, 200 N. Main Street, City Hall East Room 300, Los Angeles, CA 90012, (213) 978-7555 or the Los Angeles City Controller's website http://www.lacontroller.org/reports.

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C. Special Investment Pools

Out of $476.3 million and $476.2 million invested in the City's pooled investments, $54.2 million and $54.1 million were invested in the City's Special Investment Pools. They are Emergency/ACTA Reserve Fund 751, Restoration Fund 70L, and Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pools are managed in accordance with the California State Government Code Sections 53600-53635 and the City's Policy. Funds in the three funds were invested in U.S. government agency securities with maturities of 180 days or less.

At June 30, 2016 and 2015, investments held in the City's Special Investment Pools and their maturities are as follows (in thousands):

Fiscal Year 2016

		Investment Maturities		
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days
U.S. Agencies Securities	$ 54,200	$ 7,660	$ 37,541	$ 8,999
Short Term Investment Funds	1	1	--	--
Total investments in special pools	$ 54,201	$ 7,661	$ 37,541	$ 8,999

Fiscal Year 2015

		Investment Maturities		
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days
U.S. Agencies Securities	$ 54,081	$ 6,010	$ 7,647	$ 40,424
Short Term Investment Funds	2	2	--	--
Total investments in special pools	$ 54,083	$ 6,012	$ 7,647	$ 40,424

Interest Rate Risk. The Policy limits the maturity of its investments to five years for the U.S. Treasury and government agency securities, medium term notes, CD placement service, negotiable certificates of deposit, collateralized bank deposits, mortgage pass-through securities, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances; 92 days for reverse repurchase agreements; and no maturity for mutual funds. The Policy also allows City funds with longer-term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. Investments in U.S. Agencies securities were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

Concentration of Credit Risk. The Policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers' acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds or mortgage pass-through securities. The Policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies. The City's pooled investments comply with these requirements.

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D. Other Investments

In each issuance of a parity obligation, the Port is required to establish a reserve fund with a trustee pursuant to the indenture. All moneys in the reserve funds or accounts shall be invested by the trustee solely in permitted investments. Permitted investments on deposit in the debt service reserve funds should be valued at fair market value and marked to market at least once per half year to meet the specific requirement under the indenture. Investments held in the debt service reserve funds shall mature no later than the final maturity of the bonds.

The Port evaluates the value of the reserve funds on or at August 1 of each year, in accordance with the Indenture of Trust (Indenture). The common reserve was $66.6 million at June 30, 2016 versus $68.4 million at June 30, 2015 . The reserve funds were invested in Federal Agency Securities rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s (S&P), and U.S. Treasuries.

Proceeds from any new money bonds should be invested in the “Permitted Investments” specified as follows: (1) direct obligations of the United States of America or obligations of the principal of and interest on which are unconditionally guaranteed by the United States of America; (2) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by the federal or U.S. government agencies identified in the Indenture; (3) money market funds registered under the Federal Securities Act of 1933, and having a rating of AAAm-G, AAA-m, or AA-m by S&P and Aaa, Aa1, or Aa2 by Moody’s; (4) certificates of deposit issued by commercial bank, savings and loan associations, or mutual saving banks and secured at all times by collateral held by a third party; (5) certificates of deposits, savings accounts, deposit accounts, or money market deposits, which are fully insured by the Federal Deposit Insurance Corporation (FDIC), including the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF); (6) investment agreements including guaranteed investment contracts, forward purchase agreements, and reserve fund agreements with a provider whose long-term unsecured debt is rated not lower than the second highest rating category of Moody’s, and S&P; (7) commercial paper rated at the time of purchase, “Prime-1” by Moody’s, and “A-1” or better by S&P; (8) bonds or notes issued by any state or municipality, which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies; (9) federal funds or bankers acceptances with a maximum term of one year of any bank, which has an unsecured, uninsured, and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P; and (10) repurchase agreements between the Port and a dealer bank and securities firm. The term of the repurchase agreement may be up to 30 days and the value of the collateral must be equal to 104% of the amount of cash transferred to the dealer bank plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Port, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) then the value of collateral must equal to 105%.

E. City of Los Angeles Securities Lending Program

Portions of the Port funds are also used by the City in a Securities Lending Program (SLP) as part of the investment strategy relative to the total pool of funds invested by the City. The SLP is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies

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with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for within two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period, the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the General Investment Pool (the Pool) is available for lending. The City loans out U.S. Treasury Notes, U.S. Agencies securities (e.g., Fannie Mae, Freddie Mac, Federal Home Loan Bank, Farmer Mac, Federal Farm Credit Bank and Tennessee Valley Authority), Medium-term Notes, and Supranational Obligations. The City receives cash as collateral on the loaned securities, which is reinvested in securities permitted under the Policy. In addition, the City receives securities as collateral on loaned securities, which the City has no ability to pledge or sell without borrower default. In accordance with the California Government Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 60 days. Earnings from securities lending accrue to the Pool and are allocated on a pro-rata basis to all Pool participants.

During the fiscal years 2016 and 2015, collateralizations on all loaned securities were compliant with the required 102% of the market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

The Port's share in the assets and liabilities from the reinvested cash collateral amounted to $7.9 million and $2.9 million as of June 30, 2016 and 2015, respectively.

The above disclosures on "Note 4.E. City of Los Angeles Securities Lending Program" were derived from information prepared by the City and furnished to the Port.

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F. Fair Value Measurement

The Port categorizes its fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

The Port has the following recurring fair value measurements as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 66,292	$ 66,292	$ --	$ --
Money market fund	29,477	--	29,477	--
Total investments - bond funds	$ 95,769	$ 66,292	$ 29,477	$ --
U.S. Agencies Securities	$ 54,200	$ --	$ 54,200	$ --
Total investments - special pools	$ 54,200	$ --	$ 54,200	$ --

The Port has the following recurring fair value measurements as of June 30, 2015:

	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 67,187	$ 67,187	$ --	$ --
Money market fund	30,274	--	30,274	--
Total investments - bond funds	$ 97,461	$ 67,187	$ 30,274	$ --
U.S. Agencies Securities	$ 54,081	$ --	$ 54,081	$ --
Total investments - special pools	$ 54,081	$ --	$ 54,081	$ --

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5. Capital Assets

The Port's capital assets consist of the following activities for fiscal year ended June 30, 2016 (in thousands):

	Balance July 1, 2015	Additions	Retirements and Disposals	Adjustments and Transfers	Balance June 30, 2016
Capital assets not depreciated					
Land	$ 1,107,506	$ 1,211	$ (900)	$ 206	$ 1,108,023
Construction in progress	182,747	153,153	--	(223,509)	112,391
Preliminary costs – capital projects	160,562	47,662	--	(4,228)	203,996
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,463,715	202,026	(900)	(227,531)	1,437,310
Capital assets depreciated/amortized					
Wharves and sheds	1,163,742	--	--	14,550	1,178,292
Buildings/facilities	2,857,903	116	(404)	210,605	3,068,220
Equipment	158,125	1,464	(589)	2,748	161,748
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	4,192,230	1,580	(993)	227,903	4,420,720
Less accumulated depreciation/ amortization					
Wharves and sheds	(437,206)	(35,305)	--	--	(472,511)
Buildings/facilities	(1,213,414)	(108,556)	404	--	(1,321,566)
Equipment	(91,863)	(19,449)	582	(372)	(111,102)
Intangible assets	(1,326)	(623)	--	--	(1,949)
Total accumulated depreciation/amortization	(1,743,809)	(163,933)	986	(372)	(1,907,128)
Total capital assets depreciated/ amortized, net	2,448,421	(162,353)	(7)	227,531	2,513,592
Capital assets, net	$ 3,912,136	$ 39,673	$ (907)	$ --	$ 3,950,902

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The Port's capital assets consist of the following activities for fiscal year ended June 30, 2015 (in thousands):

	Balance July 1, 2014	Additions	Retirements and Disposals	Adjustments and Transfers	Balance June 30, 2015
Capital assets not depreciated					
Land	$ 1,094,732	$ --	$ (792)	$ 13,566	$ 1,107,506
Construction in progress	646,727	267,142	--	(731,122)	182,747
Preliminary costs – capital projects	225,541	14,446	--	(79,425)	160,562
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,979,900	281,588	(792)	(796,981)	1,463,715
Capital assets depreciated/amortized					
Wharves and sheds	881,300	--	--	282,442	1,163,742
Buildings/facilities	2,366,180	--	--	491,723	2,857,903
Equipment	140,540	5,172	(10,403)	22,816	158,125
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	3,400,480	5,172	(10,403)	796,981	4,192,230
Less accumulated depreciation/ amortization					
Wharves and sheds	(410,856)	(26,350)	--	--	(437,206)
Buildings/facilities	(1,119,739)	(93,675)	--	--	(1,213,414)
Equipment	(84,366)	(16,736)	9,239	--	(91,863)
Intangible assets	(703)	(623)	--	--	(1,326)
Total accumulated depreciation/amortization	(1,615,664)	(137,384)	9,239	--	(1,743,809)
Total capital assets depreciated/ amortized, net	1,784,816	(132,212)	(1,164)	796,981	2,448,421
Capital assets, net	$ 3,764,716	$ 149,376	$ (1,956)	$ --	$ 3,912,136

Net interest expense of $41.2 million and $42.1 million was capitalized for fiscal years 2016 and 2015, respectively.

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6. Investment in Joint Powers Authorities and Other Entities

The Port has entered into two joint powers agreements as follows:

A. Intermodal Container Transfer Facility Joint Powers Authority

The Port of Los Angeles (POLA) and the Harbor Department of the City of Long Beach, California (POLB) entered into a joint powers agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. The POLA contributed $2.5 million to the ICTF as part of the agreement. The facility, which began operations in December 1986, was developed and operated by Southern Pacific Transportation Company (SPTC) under a long-term lease agreement. SPTC was subsequently merged and continues operations as Union Pacific Corporation (UPC). The POLA appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. Both the POLA and POLB share income and equity distributions equally.

ICTF has issued bonds in prior years. At June 30, 2016 and 2015, there were no outstanding bonds.

The ICTF's operations are financed from lease revenues by ICTF activities. The ICTF is empowered to perform those actions necessary for the development of the facility, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's net position at June 30, 2016 and 2015 totaled $5.6 million and $6.0 million, respectively. Separate financial statements for ICTF may be obtained from the Executive Director, Intermodal Container Transfer Facility Joint Powers Authority, 4801 Airport Plaza Drive, Long Beach, California 90815 or the ICTF's website at http://ictf-jpa.org/document_library.php.

B. Alameda Corridor Transportation Authority

In August 1989, the Alameda Corridor Transportation Authority (ACTA) as established through a Joint Exercise of Powers Agreement between the Cities of Los Angeles and Long Beach, California. The purpose of ACTA is to acquire, construct, finance, and operate a consolidated transportation corridor; including an improved railroad expressway between the POLA and the Port of Long Beach (the POLB and, together with the POLA, the Ports) and downtown Los Angeles.

The POLA has no share of the ACTA's net position and income at June 30, 2016 and 2015, and accordingly, they have not been recorded in the accompanying financial statements. If in the future, ACTA is entitled to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally.

Separate financial statements for ACTA may be obtained from the Chief Financial Officer, Alameda Corridor Transportation Authority, One Civic Plaza Drive, Suite 350, Carson, California 90745 or the ACTA's website http://www.acta.org/revenue_finance/financial_statement.asp.

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7. Long-Term Debt

A. Bonded Debt, Commercial Paper and Other Indebtedness

The Port's activities for bonded debt and other indebtedness for fiscal year 2016 are as follows (in thousands):

Parity Bonds	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2015	Additions	Deductions	Ending Balance June 30, 2016	Principal Due Within One Year
Issue 2005, Series A	8/1/2015 @ 102%	10/13/2005	3.25% – 5.00%	2027	$ 29,930	$ 24,250	$ --	$ (24,250)	$ --	$ --
Issue 2005, Series B	8/1/2015 @ 102%	10/13/2005	3.00% – 5.00%	2027	30,110	22,680	--	(22,680)	--	--
Issue 2005, Series C-1	8/1/2015 @ 102%	10/13/2005	4.00% – 5.00%	2018	43,730	7,410	--	(7,410)	--	--
Issue 2006, Series A	8/1/2016 @ 102%	5/4/2006	5.00%	2027	200,710	48,760	--	--	48,760	195
Issue 2006, Series B	8/1/2016 @ 102%	8/3/2006	5.00%	2027	209,815	84,100	--	(11,540)	72,560	12,140
Issue 2006, Series C	8/1/2016 @ 102%	8/3/2006	5.00%	2026	16,545	12,005	--	(850)	11,155	895
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2029	100,000	82,570	--	(3,905)	78,665	4,095
Issue 2009, Series B	8/1/2019 @ 100%	7/9/2009	5.25%	2040	100,000	100,000	--	--	100,000	--
Issue 2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00% – 5.25%	2032	230,160	190,110	--	(9,675)	180,435	8,860
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	58,930	--	(2,135)	56,795	7,130
Issue 2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00% – 5.00%	2026	32,820	32,820	--	--	32,820	--
Issue 2014, Series A	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	203,280	203,280	--	(2,275)	201,005	3,420
Issue 2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00% – 5.00%	2045	89,105	89,105	--	(1,360)	87,745	1,425
Issue 2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	44,890	44,890	--	(760)	44,130	780
Issue 2015, Series A	8/1/2025 @ 100%	9/18/2014	2.00% – 5.00%	2026	37,050	--	37,050	--	37,050	2,755
Total parity bonds					$ 1,427,075	1,000,910	37,050	(86,840)	951,120	41,695
Unamortized bond (discount) premium						58,693	6,597	(8,088)	57,202	--
Net parity bonds						1,059,603	43,647	(94,928)	1,008,322	41,695
Less: current maturities of long-term debt						(42,910)	(41,695)	42,910	(41,695)	--
Total long-term debt net of current maturities						$ 1,016,693	$ 1,952	$ (52,018)	$ 966,627	$ 41,695

Continued…..

The Port's activities for bonded debt, commercial paper and other indebtedness for fiscal year 2015 are as follows (in thousands):

Parity Bonds	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2014	Additions	Deductions	Ending Balance June 30, 2015	Principal Due Within One Year
Issue 2005, Series A	8/1/2015 @ 102%	10/13/2005	3.25% – 5.00%	2027	$ 29,930	$ 25,685	$ --	$ (1,435)	$ 24,250	$ 1,510
Issue 2005, Series B	8/1/2015 @ 102%	10/13/2005	3.00% – 5.00%	2027	30,110	24,095	--	(1,415)	22,680	1,490
Issue 2005, Series C-1	8/1/2015 @ 102%	10/13/2005	4.00% – 5.00%	2018	43,730	7,880	--	(470)	7,410	7,410
Issue 2006, Series A	8/1/2016 @ 102%	5/4/2006	5.00%	2027	200,710	50,130	--	(1,370)	48,760	--
Issue 2006, Series B	8/1/2016 @ 102%	8/3/2006	5.00%	2027	209,815	84,100	--	--	84,100	11,540
Issue 2006, Series C	8/1/2016 @ 102%	8/3/2006	5.00%	2026	16,545	12,815	--	(810)	12,005	850
Issue 2006, Series D	8/1/2014 @ 102%	8/31/2006	4.50% – 5.00%	2037	111,300	75,935	--	(75,935)	--	--
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2029	100,000	86,290	--	(3,720)	82,570	3,905
Issue 2009, Series B	8/1/2019 @ 100%	7/9/2009	5.25%	2040	100,000	100,000	--	--	100,000	--
Issue 2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00% – 5.25%	2032	230,160	205,825	--	(15,715)	190,110	9,675
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	58,930	--	--	58,930	2,135
Issue 2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00% – 5.00%	2026	32,820	32,820	--	--	32,820	--
Issue 2014, Series A	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	203,280	--	203,280	--	203,280	2,275
Issue 2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00% – 5.00%	2045	89,105	--	89,105	--	89,105	1,360
Issue 2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	44,890	--	44,890	--	44,890	760
Total parity bonds					$ 1,501,325	764,505	337,275	(100,870)	1,000,910	42,910
Unamortized bond (discount) premium						16,488	49,003	(6,798)	58,693	--
Net parity bonds						780,993	386,278	(107,668)	1,059,603	42,910
Commercial paper notes						125,000	25,000	(150,000)	--	--
Less: current maturities of long-term debt						(27,270)	(42,910)	27,270	(42,910)	--
Total long-term debt net of current maturities						$ 878,723	$ 368,368	$ (230,398)	$ 1,016,693	$ 42,910

Continued…..

B. Bond Premium and Discount

Original bond premium or discount is amortized over the life of the bonds. At the time of bond refunding, the unamortized discount or premium is amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

The unamortized discount or premium for the outstanding bonds for fiscal years 2016 and 2015 are as follows (in thousands):

Harbor Revenue Bonds	2016 Premium (Discount)	2015 Premium (Discount)
Issue of 2005, Series A	$ --	$ 758
Issue of 2005, Series B	--	699
Issue of 2005, Series C-1	--	111
Issue of 2006, Series A	740	924
Issue of 2006, Series B	816	1,117
Issue of 2006, Series C	236	290
Issue of 2009, Series A	799	969
Issue of 2009, Series B	(1,984)	(2,043)
Issue of 2009, Series C	3,062	3,613
Issue of 2011, Series A	2,311	3,196
Issue of 2011, Series B	2,460	2,721
Issue of 2014, Series A	24,491	26,612
Issue of 2014, Series B	12,414	13,327
Issue of 2014, Series C	6,018	6,399
Issue of 2015, Series A	5,839	--
Total	$ 57,202	$ 58,693

Continued…..

C. Principal Maturities and Interest

The Port's scheduled annual debt service payments for bonded debt and other indebtedness are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2017	$ 41,695	$ 46,594	$ 88,289
2018	36,680	44,811	81,491
2019	46,300	42,859	89,159
2020	48,120	40,552	88,672
2021	51,030	38,086	89,116
2022 – 2026	293,230	148,483	441,713
2027 – 2031	133,370	89,545	222,915
2032 – 2036	122,545	61,224	183,769
2037 – 2041	115,375	29,001	144,376
2042 – 2045	62,775	6,473	69,248
Subtotal	951,120	547,628	1,498,748
Unamortized bond premium (discount), net	57,202	--	57,202
Current maturities of long-term debt	(41,695)	--	(41,695)
Total	$ 966,627	$ 547,628	$ 1,514,255

Continued…..

D. Summary of the Port's Bonded Indebtedness and Pledged Revenues

2005 Series A Refunding Bonds

The 2005 Series A Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $29.9 million to advance refund, on a crossover basis, $30.9 million of the 1996 Series A Bonds on their call date (the Crossover Date) of August 1, 2006.

Interest on the 2005 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2006. The 2005 Series A Bonds with maturity dates ranging from August 1, 2010 to 2026 bear coupon interest rates from 3.25% to 5.00%.

The bonds maturing on or after August 1, 2016 are subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

All outstanding balances of 2005 Series A Refunding Bonds of $22.7 million were refunded upon the issuance of 2015 Series A Refunding Bonds in October 2015.

2005 Series B Refunding Bonds

The 2005 Series B Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $30.1 million, on a crossover basis, to advance refund $31.7 million of the 1996 Series B Bonds on their call date of November 1, 2006 (the Crossover Date).

Interest on the 2005 Series B Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2006. The 2005 Series B Refunding Bonds with maturity dates ranging from August 1, 2008 to 2026 bear coupon interest rates from 3.00% to 5.00%.

The bonds maturing on or after August 1, 2016 are subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

All outstanding balances of 2005 Series B Refunding Bonds of $21.2 million were refunded upon the issuance of 2015 Series A Refunding Bonds in October 2015.

Continued…..

2005 Series C-1 Refunding Bonds

The 2005 Series C-1 Refunding Bonds, associated with the purchase on the open market of the purchased 1996 Bonds, were issued on October 13, 2005 in the aggregate principal amount of $43.7 million.

Interest on the 2005 Series C-1 Refunding Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2006. The 2005 Series C-1 Bonds with maturity dates ranging from August 1, 2006 to August 1, 2017 bear coupon interest rates from 4.00% to 5.00%.

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The 2005 Series C-2 Refunding Bonds were issued for $4.1 million to pay certain issuance costs. The 2005 Series C-2 Bonds Refunding Bonds were sold with a coupon rate of 4.75%.

To take advantage of the American Recovery and Reinvestment Act (ARRA) of 2009, the Port issued the 2009 Series C (Non-AMT) Refunding Bonds in an aggregate amount of $230.2 million on July 9, 2009. A portion of the Refunding bond proceeds was to provide funds to refund $2.7 million of the 2005 Series C-1 AMT Bonds.

All outstanding balance of 2015 Series C-1 Refunding Bonds of $7.4 million were redeemed in September 2015.

Continued…..

2006 Series A Refunding Bonds

The 2006 Series A Refunding Bonds were issued on May 4, 2006 in the aggregate principal amount of $200.7 million, on a forward-delivery basis, to currently refund $202.7 million of the 1996A Bonds.

Interest on the 2006 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year. Principal and interest are payable commencing August 1, 2006. The 2006 Series A Bonds bear a coupon interest rate of 5.00% with maturity dates ranging from August 1, 2006 to August 1, 2026.

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

To take advantage of the ARRA, the Port issued the 2009 Series C (Non-AMT) Refunding Bonds on July 9, 2009. A portion of the 2009 Refunding Bond proceeds was to provide funds to refund $121.1 million of the 2006 Series A AMT Bonds.

At June 30, 2016 and 2015, the outstanding balances of the 2006 Series A Refunding Bonds, plus the unamortized premium of $0.7 million and $0.9 million, were $49.5 million and $49.7 million, respectively.

2006 Series B Refunding Bonds

The 2006 Series B Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $209.8 million, on a forward-delivery basis, to currently refund $211.9 million of the 1996 Series B Bonds.

Interest on the 2006 Series B Refunding Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series B Bonds bear a coupon interest rate of 5.00% with maturity dates ranging from August 1, 2007 to August 1, 2026.

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

To take advantage of the ARRA, the Port issued the 2009 Series C (Non-AMT) Refunding Bonds on July 9, 2009. A portion of the 2009 Refunding Bond proceeds was to provide funds to refund $94.1 million of the 2006 Series B AMT Bonds.

The outstanding balances of the 2006 Series B Refunding Bonds, plus the unamortized premium of $0.8 million and $1.1 million, were $73.4 million and $85.2 million at June 30, 2016 and 2015, respectively.

Continued…..

2006 Series C Refunding Bonds

The 2006 Series C Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $16.5 million, on a forward-delivery basis, to currently refund $17.1 million of the 1996 Series C Bonds.

Interest on the 2006 Series C Refunding Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series C Refunding Bonds bear coupon interest at a rate of 5.00% with maturity dates ranging from August 1, 2008 to August 1, 2025.

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balances of the 2006 Series C Refunding Bonds, plus the unamortized premium of $0.2 million and $0.3 million, were $11.4 million and $12.3 million at June 30, 2016 and 2015, respectively.

Continued…..

2009 Series A New Money Bonds

The 2009 Series A New Money Bonds were issued on July 9, 2009 in the aggregate principal amount of $100.0 million, in accordance with ARRA. The Bonds were issued to (i) finance certain Private Activity Projects; (ii) fund a debt service reserve fund with respect to the 2009A Bonds; and (iii) pay the costs incidental to the issuance of the 2009A Bonds.

Interest on the 2009 Series A Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009. The Bonds bear coupon interest at rates ranging from 2.00% to 5.25% with maturity dates from August 1, 2010 to August 1, 2029.

The Bonds with stated maturities on or after August 1, 2020 shall be subject to optional redemption prior to their maturities on or after August 1, 2019 without early redemption premium. The Bonds are not subject to mandatory sinking fund redemption. Principal and interest on these bonds are payable solely from Harbor revenues and pledged under the indenture.

The outstanding balances of the 2009 Series A Bonds, plus the unamortized premium of $0.8 million and $1.0 million, were $79.5 million and $83.5 million at June 30, 2016 and 2015, respectively.

2009 Series B New Money Bonds

Along with the issuance of the 2009 Series A New Money Bonds, the Port issued its 2009 Series B Bonds in the aggregate principal amount of $100.0 million in accordance with the ARRA of 2009. The Bonds were issued to (i) finance certain Governmental Projects in Fiscal Years 2009 and 2010; (ii) fund a debt service reserve fund with respect to the 2009B Bonds; and (iii) pay the costs incidental to the issuance of the 2009B Bonds.

Interest on the 2009 Series B Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009. The Bonds bear a coupon interest rate at 5.25% with maturity dates from August 1, 2030 to August 1, 2039.

The Bonds with stated maturities on or after August 1, 2020 shall be subject to optional redemption on or after August 1, 2019 without early redemption premium. The Bonds maturing on August 1, 2034 (the 2009B 2034 Term Bonds) and on August 1, 2039 (the 2009B 2039 Term Bonds) are subject to mandatory sinking fund redemption. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balance of the 2009 Series B Bonds, net of unamortized discount of $2.0 million and $2.0 million were $98.0 million and $98.0 million at June 30, 2016 and 2015, respectively.

Continued…..

2009 Series C Refunding Bonds

Contemporaneously with the issuance of the 2009 Series A and Series B New Money Bonds, the Port issued the 2009 Series C Refunding Bonds in the aggregate principal amount of $230.2 million. The Bonds were issued to provide funds for the purchase of certain maturities of the Port's outstanding (i) Refunding Revenue Bonds 2005 Series C-1 (AMT) of $2.7 million, (ii) Refunding Revenue Bonds 2006 Series A (AMT) of $121.1 million, (iii) Refunding Revenue Bonds 2006 Series B (AMT) of $94.1 million, and (iv) Revenue Bonds 2006 Series D (AMT) of $22.5 million.

Interest on the 2009 Series C Refunding Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2009. The Bonds bear coupon interest rates ranging from 4.00% to 5.25% with maturity dates from August 1, 2011 to August 1, 2031.

The Bond maturing on August 1, 2021, which bears coupon interest at 5.25% per annum, and the Bonds maturing on or after August 1, 2022 are subject to optional redemption on or after August 1, 2019 prior to their respective stated maturities without early redemption premium. The Bonds maturing on August 1, 2031 (the Term Bonds) are subject to mandatory sinking fund redemption. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balances of the 2009 Series C Refunding Bonds, plus the unamortized premium of $3.1 million and $3.6 million, were $183.5 million and $193.7 million at June 30, 2016 and 2015, respectively.

Continued…..

2011 Series A Refunding Bonds

The 2011 Series A Refunding Bonds were issued in 2011 in the aggregate principal amount of $58.9 million to refund the outstanding principal of $64.9 million of the 2001 Series B Refunding Bonds.

Interest on the 2011 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from August 1, 2012. The bonds bear interest at coupon rates from 3.00% to 5.00% with maturity dates ranging from August 2015 to 2022.

The 2011 Series A Refunding Bonds are subject to optional redemption on or after August 1, 2021 without early redemption premium. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balance of the 2011 Series A Refunding Bonds, plus the unamortized premium of $2.3 million and $3.2 million, were $59.1 million and $62.1 million at June 30, 2016 and 2015, respectively.

2011 Series B Refunding Bonds

The 2011 Series B Refunding Bonds were issued in 2011 in the aggregate principal amount of $32.8 million to refund the outstanding principal of $36.2 million of the 2001 Series A Refunding Bonds. The refunding transaction resulted in cash flow savings of $5.7 million and economic gain of $4.0 million.

Interest on the 2011 Series B Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2012. The bonds bear coupon interest rates from 4.00% to 5.00% with maturity dates ranging from August 2022 to 2025.

The 2011 Series B Refunding Bonds are subject to optional redemption on or after August 1, 2021 without early redemption premium. Principal and interests on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balance of the 2011 Series B Refunding Bonds, plus the unamortized premium of $2.5 million and $2.7 million, were $35.3 million and $35.5 million at June 30, 2016 and 2015, respectively.

Continued…..

2014 Series A Revenue Bonds and Refunding Revenue Bonds

The 2014 Series A Revenue Bonds and Refunding Revenue Bonds were issued on September 18, 2014 in the aggregate principal amount of $203.3 million to cover the construction costs of private activity projects, primarily the TraPac Container Terminal, China Shipping Container Terminal and Alternative Maritime Power (AMP) installation at several berths, as well as to refund all of the outstanding principal of $73.6 million of the 2006 Series D Refunding Bonds, make deposit to the Reserve Fund and pay the cost of issuance of the Series 2014A bonds. The refunding transaction resulted in present value savings of $9.0 million or cash flow savings of $7.3 million over the remaining life of these bonds.

Interest on the 2014 Series A Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The Bonds bear coupon interest at rates ranging from 2.00% to 5.00% with maturity dates from August 1, 2015 to August 1, 2044. The Bonds with stated maturities on or after August 1, 2025 shall be subject to optional redemption prior to their maturities on or after August 1, 2024 without early redemption premium. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balance of the 2014 Series A Bonds, plus the unamortized premium of $24.5 million and $26.6 million, were $225.5 million and $229.9 million at June 30, 2016 and 2015, respectively.

2014 Series B Refunding Revenue Bonds

Included in the 2014 transaction was the issuance of the 2014 Series B Bonds in the aggregate principal amount of $89.1 million, to refund $100.0 million of exempt facility Commercial Paper Notes that were originally issued during the ARRA period (2009-2010) to finance private activity projects such as China Shipping, TraPac, and AMP projects, to make a deposit to the Reserve Fund, and to pay for cost of issuance of the 2014 Series B bonds.

Interest on the 2014 Series B Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The Bonds bear coupon interest rates ranging from 3.00% to 5.00% with maturity dates from August 1, 2015 to August 1, 2044. The Bonds with stated maturities on or after August 1, 2025 bear interest of 5.00%, and shall be subject to optional redemption prior to their maturities on or after August 1, 2024 without early redemption premium. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balance of the 2014 Series B Bonds, plus the unamortized premium of $12.4 million and $13.3 million, were $100.2 million and $102.4 million at June 30, 2016 and 2015, respectively.

Continued…..

2014 Series C Revenue Bonds

Contemporaneous with the issuance of the 2014 Series A Revenue Bonds and Refunding Revenue Bonds and the Series B Refunding Revenue Bonds, the Port issued the 2014 Series C Revenue Bonds in the aggregate principal amount of $44.9 million, to reimburse the construction cost of government projects, mainly the San Pedro Waterfront Landside Improvements project and the in-kind match of transportation projects primarily financed by State and Federal grants, to make deposit into the Reserve Fund, and pay the costs of issuance of the 2014 Series C bonds.

Interest on the 2014 Series C Revenue Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The Bonds bear coupon interest rates ranging from 2.00% to 5.00% with maturity dates from August 1, 2015 to August 1, 2044. The Bonds with stated maturities on or after August 1, 2025 shall be subject to optional redemption prior to their maturities on or after August 1, 2024 without early redemption premium. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balance of the 2014 Series C Bonds, plus the unamortized premium of $6.0 million and $6.4 million, were $50.1 million and $51.3 million at June 30, 2016 and 2015, respectively.

Continued…..

2015 Series A Refunding Bonds

The 2015 Series A Refunding Bonds were issued in October 2015 in the aggregate principal amount of $37.1 million to refund the outstanding principal of $22.7 million of the 2005 Series A Refunding Bonds and $21.2 million of the 2005 Series B Refunding Bonds. The refunding transaction resulted in cash flow savings of $9.3 million and economic gain of $8.4 million over the life of the bonds.

Interest on the 2015 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2016. The bonds bear interest at coupon rates from 2.00% to 5.00% with maturity dates ranging from August 2016 to August 2026.

Bonds maturing on August 1, 2026 total of $3.2 million are subject to optional redemption on or after August 1, 2025 without early redemption premium. Principal and interest on these bonds are payable solely from Harbor revenues pledged under the indenture.

The outstanding balance of the 2015 Series A Bonds, plus the unamortized premium of $5.8 million was $42.9 million at June 30, 2016.

Continued…..

E. Commercial Paper

The Port has established a Commercial Paper program (Program) supported by bank credit lines to issue commercial paper notes (Notes) to provide interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment needs. The total credit available under the current credit facilities that support the Program is at $200.0 million. The term of the Program will expire in August 2018.

There was no outstanding commercial paper as of June 30, 2016 and 2015.

F. Prior Years' Defeasance of Debt

The Port defeased those bonds refunded by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Port's financial statements.

At June 30, 2016 and 2015, $30.1 million and $38.8 million, respectively, of defeased bonds remain outstanding.

Continued…..

8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2016 are as follows (in thousands):

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due within one year
Revenue bonds	$ 1,000,910	$ 37,050	$ (86,840)	$ 951,120	$ 41,695
Unamortized (discount)/ premium	58,693	6,597	(8,088)	57,202	--
Net revenue bonds	1,059,603	43,647	(94,928)	1,008,322	41,695
Compensated absences	9,619	21,115	(20,759)	9,975	9,975
Accrued employee benefits	9,345	147,690	(148,372)	8,663	550
Litigation	1,601	621	(698)	1,524	1,524
Workers compensation	15,335	--	(2,827)	12,508	1,504
Pollution remediation	73,403	5,194	(3,771)	74,826	10,002
Deposits	12,751	739	(148)	13,342	--
Net pension liabilities	198,762	18,858	(1,791)	215,829	--
Others	24,446	4,994	(6,397)	23,043	21,209
Total long-term liabilities	$ 1,404,865	$ 242,858	$ (279,691)	$ 1,368,032	$ 86,459

Continued…..

The changes in the Port's long-term liabilities for the year ended June 30, 2015 are as follows (in thousands):

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due within one year
Revenue bonds	$ 764,505	$ 337,275	$ (100,870)	$ 1,000,910	$ 42,910
Unamortized (discount)/ premium	16,488	49,003	(6,798)	58,693	--
Net revenue bonds	780,993	386,278	(107,668)	1,059,603	42,910
Commercial paper	125,000	25,000	(150,000)	--	--
Compensated absences	9,543	22,476	(22,400)	9,619	9,619
Accrued employee benefits	9,883	97,998	(98,536)	9,345	1,060
Litigation	333	1,611	(343)	1,601	1,601
Workers compensation	15,826	1,271	(1,762)	15,335	1,783
Pollution remediation	80,832	11,730	(19,159)	73,403	8,227
Deposits	12,925	198	(372)	12,751	--
Net pension obligation/liabilities	2,673	198,762	(2,673)	198,762	--
Others	31,730	215,151	(222,435)	24,446	22,640
Total long-term liabilities	$ 1,069,738	$ 960,475	$ (625,348)	$ 1,404,865	$ 87,840

Continued…..

9. Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2016 and 2015 totaled $74.8 million and $73.4 million, respectively. These costs relate mostly to soil and ground water contamination on sites within the Port premises. As certain sites were formerly used for a variety of industrial purposes, legacy contamination or environmental impairments exist. As environmental risks may be managed, the Port has adopted the "Managed Environmental Risk" approach in estimating the remediation liability. The Port uses a combination of in-house specialists as well as outside consultants to perform estimates of potential liability. Certain remediation contracts are included in site development plans as final uses for the sites have been identified.

The changes in the Port's pollution remediation obligations for fiscal year 2016 are as follows (in thousands):

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Obligating Event					
Named by regulator as a potential party to remediation	$ 68,250	$ 4,594	$ (3,209)	$ 69,635	$ 9,117
Voluntary commencement	5,153	600	(562)	5,191	885
Total	$ 73,403	$ 5,194	$ (3,771)	$ 74,826	$ 10,002
Pollution Type					
Soil and/or groundwater remediation	$ 73,403	$ 5,194	$ (3,771)	$ 74,826	$ 10,002

The changes in the Port's pollution remediation obligations for fiscal year 2015 are as follows (in thousands):

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Obligating Event					
Named by regulator as a potential party to remediation	$ 74,303	$ 11,730	$ (17,783)	$ 68,250	$ 7,934
Voluntary commencement	6,529	--	(1,376)	5,153	293
Total	$ 80,832	$ 11,730	$ (19,159)	$ 73,403	$ 8,227
Pollution Type					
Soil and/or groundwater remediation	$ 80,832	$ 11,730	$ (19,159)	$ 73,403	$ 8,227

Continued…..

10. Employee Deferred Compensation Plan

The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to its employees, in which Port employees participate, allowing them to defer receipt of income. All amounts deferred by the Port's employees are paid to the City, which in turn pays them to the deferred compensation plan administrator. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. Information on the Port employees' share of plan assets is not available and is not recorded in the Port's financial statements.

While the City has full power and authority to administer and to adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the plan or terminate service with the City, they may be eligible to receive payments under the plan in accordance with the provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the plan by the participants, along with their allocated contributions.

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11. Risk Management

The Port purchases insurance for a variety of exposures associated with property, automobiles, vessels, employment practices, travel, police, pilotage, and terrorism. The City is self-insured for workers compensation, and the Port participates in the City's self-insurance program. Third party general liability exposures are self-insured by the Port for $1.0 million and the excess liability is maintained over the self-insured retention. There have been no settlements in the past three years that have exceeded the Port's insurance coverage.

The actuarially determined accrued liability for workers compensation includes provision for incurred but not reported claims and loss adjustment expenses. The Port's accrued workers compensation liability at June 30, 2016 and 2015 were $12.5 million and $15.3 million, respectively.

A number of lawsuits were pending against the Port that arose in the normal course of operations. The Port recognizes a liability for claims and when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The City Attorney provides estimates for the amount of liabilities to be probable of occurring from lawsuits. The Port's liability for litigation and other claims at June 30, 2016 and 2015 were $1.5 million and $1.6 million, respectively.

Continued…..

The changes in the Port's estimated claims payable are as follows (in thousands):

	2016	2015	2014
Unpaid claims, July 1			
Workers compensation	$ 15,335	$ 15,826	$ 15,175
General liability/litigation	1,601	333	441
Total unpaid claims, July 1	16,936	16,159	15,616
Provision for current year's events and changes in provision for prior year's events			
Workers compensation	(1,167)	936	2,686
General liability/litigation	621	1,567	--
Total provision	(546)	2,503	2,686
Claims payments			
Workers compensation	(1,660)	(1,427)	(2,035)
General liability/litigation	(698)	(299)	(108)
Total claims payments	(2,358)	(1,726)	(2,143)
Unpaid claims, June 30			
Workers' compensation	12,508	15,335	15,826
General liability/litigation	1,524	1,601	333
Total unpaid claims, June 30	$ 14,032	$ 16,936	$ 16,159
Current portion			
Workers compensation	$ 1,504	$ 1,783	$ 1,939
General liability/litigation	1,524	1,601	333
Total current portion	$ 3,028	$ 3,384	$ 2,272

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12. Leases, Rentals, and Minimum Annual Guarantee (MAG) Agreements

A substantial portion of the Port's lands and facilities are leased to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property at the expiration of the agreement; accordingly, no leases are considered capital leases for purposes of financial reporting.

MAG agreements relate to shipping services and certain concessions provide for the additional payment beyond the fixed portion, based upon tenant usage, revenues, or volumes.

Agreements relating to terminal operations tend to be long-term in nature (as long as 30 years) and are made to provide the Port with a firm tenant commitment. These agreements are subject to periodic review and reset of base amounts. For the years ended June 30, 2016 and 2015, the minimum rental income from such lease agreements was approximately $46.6 million and $46.2 million, respectively. For the years ended June 30, 2016 and 2015, the MAG payments were approximately $248.6 million and $248.7 million, respectively, and were reported under shipping services revenue.

The carrying cost and related accumulated depreciation of property held for operating leases as of June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Wharves and sheds	$ 1,178,292	$ 1,163,742
Cranes and bulk facilities	52,441	52,441
Municipal warehouses	13,578	13,578
Port pilot facilities and equipment	7,386	7,363
Buildings and other facilities	1,024,378	839,816
Cabrillo Marina	179,791	200,804
Total	2,455,866	2,277,744
Less accumulated depreciation	(1,146,489)	(1,065,032)
Net	$ 1,309,377	$ 1,212,712

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Assuming that current agreements are carried to contractual termination, minimum tenant commitments due to the Port over the next five years are as follows (in thousands):

Fiscal Year	Rental income	MAG income
2017	$ 47,037	$ 254,628
2018	47,507	254,635
2019	47,982	254,268
2020	48,462	254,268
2021	48,947	254,268
Total	$ 239,935	$ 1,272,067

13. Los Angeles City Employees' Retirement System

A. General Information about the Plan

Plan description. All full-time employees of the Port are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Plan). LACERS serves as a common investment and administrative agent for various City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by statutes in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Changes to the benefit terms require approval of the City Council.

LACERS issues a publicly available financial report that may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012, (800) 779-8328 or LACERS' website http://lacers.org/aboutlacers/reports/index.html. As of the completion date of the Port's financial statements, LACERS' financial statements and the plan's actuarial valuation study for fiscal year 2016 are not yet available.

Benefits provided. LACERS provides retirement, disability, death benefits, postemployment healthcare benefits, and annual cost-of-living adjustments based on employees' years of service, age, and final compensation. There are two tiers of memberships. Under Tier 1, employees with ten or more years of service may retire if they are at least 55 years old, or if the retirement date is between October 2, 1996 and September 30, 1999 at age 50 or older with at least 30 years of service. Normal retirement allowances are reduced for employees under age 55 with ten or more years of service at the time of retirement, unless they have more than 30 years of service at any age at the time of retirement. Employees aged 70 or above may retire at any time with no required minimum period of service. Membership to Tier 1 is closed to new entrants. Eligible employees hired on or after July 1, 2013 become members of Tier 2. Under Tier 2, employees with ten or more years of service may retire if they are at age 65, or at age 70 or older regardless of length of service. Normal retirement allowances are reduced for

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employees under age 55 with ten or more years of service at the time of retirement. LACERS does not have a mandatory retirement age.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are the change in the Consumer Price Index, to a maximum increase in retirement allowance of 3% per year, excess banked, for Tier 1 members and 2% per year, excess not banked, for Tier 2 members.

LACERS covers all full-time personnel and department-certified part-time employees of the Port, except for sworn employees of certain Port Police officers.

Contributions. The Board of Administration of LACERS establishes and may amend the contribution requirements of System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The employer contribution rate as calculated by LACERS' actuary is 28.75% and 26.56% for Tier 1 members and 22.62% and 19.63% for Tier 2 members for fiscal years 2016 and 2015, respectively.

Based on the Port's reported covered payroll of $78.1 million for fiscal year 2016, $75.9 million is subject to the 28.75% rate and $2.2 million is subject to the 22.62% rate. The Port's actual contribution to LACERS, including family death benefit, excess benefit, and limited term plans is $21.9 million (100% of the actuarially determined contribution) and $20.8 million (100% of actuarially determined contribution) for the fiscal years ended June 30, 2016 and 2015, respectively.

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, most Tier 1 members contribute at 11% of compensation and all Tier 2 members contribute at 10% of compensation.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued LACERS financial report.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2016 and 2015, the Port reported a liability of $207.2 million and $188.3 million, respectively, for its proportionate shares of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Port's proportionate share were determined to be 4.152% and 4.224% for fiscal years June 30, 2015 and 2014.

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Fiscal Year 2016

For the year ended June 30, 2016, the Port recognized pension expense of $18.4 million. At June 30, 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 17,557	$ --
Changes of assumptions or other inputs	21,006	--
Differences between expected and actual experience in the total pension liability	--	8,928
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	3,522
Net difference between projected and actual earnings on pension plan investments	--	5,968
Total	$ 38,563	$ 18,418

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30	
2017	$ (872)
2018	(872)
2019	(872)
2020	5,906
2021	(702)
Thereafter	--

The amortization table does not include pension contributions made after the measurement date.

Continued…..

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	Ranges from 4.40% to 10.50% based on years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	Tier 1: 3.00%, Tier 2: 2.00%, actuarial increases are contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.

Postemployment mortality rates for healthy retirees and beneficiaries were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set back one year for males and with no setback for females. Postemployment mortality rates for disabled retirees were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set forward seven years for males and set forward eight years for females.

For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, gender, and/or service.

The actuarial assumptions used were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014.

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	20.40%	5.94%
U.S. Small Cap Equity	3.60%	6.64%
Developed International Equity	21.75%	6.98%
Emerging Market Equity	7.25%	8.48%
Core Bonds	16.53%	0.71%
High Yield Bonds	2.47%	2.89%
Private Real Estate	5.00%	4.69%
Private Equity	12.00%	10.51%
Public Real Assets	5.00%	3.41%
Credit Opportunities	5.00%	3.07%
Cash	1.00%	-0.46%
Total	100.00%	

Discount rate. The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (in thousands):

	1% Decrease (6.50%)	Discount rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability	$300,730	$207,158	$129,286

Fiscal Year 2015

For the year ended June 30, 2015, the Port recognized pension expense of $16.3 million. At June 30, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 15,765	$ --
Changes of assumptions or other inputs	27,274	--
Differences between expected and actual experience in the total pension liability	--	5,621
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	922
Net difference between projected and actual earnings on pension plan investments	--	34,396
Total	$ 43,039	$ 40,939

Continued…..

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30		
2016	$	(4,112)
2017		(4,112)
2018		(4,112)
2019		(4,112)
2020		2,783
Thereafter		--

The amortization table does not include pension contributions made after the measurement date.

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	Ranges from 4.40% to 10.50% based on years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	Tier 1: 3.00%, Tier 2: 2.00%, actuarial increases are contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.

Postemployment mortality rates for healthy retirees and beneficiaries were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set back one year for males and with no setback for females. Postemployment mortality rates for disabled retirees were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set forward seven years for males and set forward eight years for females.

For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, gender, and/or service.

The actuarial assumptions used were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2014.

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	20.40%	5.94%
U.S. Small Cap Equity	3.60%	6.64%
Developed International Equity	21.75%	6.98%
Emerging Market Equity	7.25%	8.48%
Core Bonds	16.53%	0.71%
High Yield Bonds	2.47%	2.89%
Private Real Estate	5.00%	4.69%
Private Equity	12.00%	10.51%
Public Real Assets	5.00%	3.41%
Credit Opportunities	5.00%	3.07%
Cash	1.00%	-0.46%
Total	100.00%	

Discount rate. The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (in thousands):

	1% Decrease (6.50%)	Discount rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability	$281,113	$188,299	$111,166

C. Other Postemployment Benefits (OPEB)

The Port, as a participant in LACERS, also provides a retiree health insurance premium subsidy. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. Employees with ten or more years of service who retire after age 55, or employees who retire at age 70 with no minimum service requirement, are eligible for a health premium subsidy with a City approved health carrier. LACERS is advance funding the retiree health benefits on an actuarially determined basis.

During fiscal year 2011, the City adopted an ordinance to freeze the maximum medical subsidy at $1,190 for LACERS members who retire on or after July 1, 2011. However, LACERS members who at any time prior to retirement contribute the additional 2% or 4% of pay are exempted from the freeze and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2013, approximately 97% of non-retired members were making the additional contributions, and therefore are not subject to the medical subsidy freeze.

Projections of benefits include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset (obligation) for fiscal years ended June 30, 2015 and the two preceding years for the plan are as follows (in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/15	$ 100,467	100%	$ --
06/30/14	97,841	100%	--
06/30/13	72,916	100%	--

D. Funded Status of LACERS OPEB

Actuarial valuations involve the estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Following is the funded status information of the plan for fiscal years ended June 30, 2015, 2014, and 2013 (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)]/(c)
06/30/2015	$ 2,108,925	$ 2,646,989	$ 538,064	79.7%	$ 1,907,665	28.2%
06/30/2014	1,941,225	2,662,853	721,628	72.9%	1,816,171	39.7%
06/30/2013	1,734,733	2,412,484	677,751	71.9%	1,846,970	36.7%

The most recent actuarial valuation methods and assumptions used for LACERS OPEB as of June 30, 2015 were as follows: actuarial cost method used – entry age normal; amortization method - level percent of payroll; amortization period - multiple layers, closed not exceeding 30 years. Initial years range from 5 to 30 years; asset valuation method - 7-year fair value of assets less unrecognized return in each of the last 7 years; investment rate of return - 7.50%; projected salary increases – ranges from 10.50% to 4.40%; inflation rate - 3.25%; and healthcare cost trend rates – for medical, 7.75%, decreasing by 0.25% for each year until it reaches an ultimate rate of 5.00%, and 5.00% for dental.

Information related to the funded status of LACERS for fiscal year 2016 is not yet available as of the completion date of the Port's financial statements. Separate information for the Port is not available.

Note 13. A to D on LACERS retirement and OPEB plans were derived from information prepared by LACERS and the City.

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14. City of Los Angeles Fire and Police Pension System

A. General Information about the Plan

Plan description. The Los Angeles Fire and Police Pension System (LAFPP) operates under the City of Los Angeles Charter and Administrative Code provisions as a single-employer defined benefit pension plan covering all full-time active sworn firefighters, police officers, and certain Harbor Port Police officers of the City of Los Angeles. LAFPP is composed of six tiers.

Tier 6 is the current tier for all Harbor Port Police Officers hired on or after July 1, 2011. Tier 5 was the tier for all Harbor Port Police officers hired on or after January 8, 2006 through June 30, 2012. The Los Angeles City Council approved Ordinance No. 177214 that allows Harbor Port Police Officers the option to transfer from LACERS to Tier 5 of LAFPP. The election period was from January 8, 2006 to January 5, 2007 and the decision to transfer is irrevocable.

Only “sworn” service with the Port is transferable to LAFPP. Other “non-sworn” services with other City Departments are not eligible for transfer. All new employees hired by the Port after the effective date of the Ordinance automatically go into either Tier 5 or Tier 6 of LAFPP.

Under provisions of the City Charter, the City Administrative Code and the State Constitution, the Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension system, 360 E. Second Street, Suite 400, Los Angeles, CA 90012, (213) 978-4545 or LAFPP’s website https://www.lafpp.com/about/financial-reports. As of the completion date of the Port’s financial statements, the LAFPP’s financial statements and the plan’s actuarial valuation study for fiscal year 2016 are not yet available.

Benefits provided. Information about benefits for Tiers 1 through 4 members is available in the separately issued LAFPP financial report. Tier 5 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 5 provides for postemployment COLAs based on the Consumer Price Index (CPI) to a maximum of 3% per year. However, any increase in CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a

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discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

Contributions. The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP regardless of tier in which they are included. However, members are exempt from making contributions when their continuous service exceeds 30 years for Tier 1 through 4, and 33 years for Tier 5 and Tier 6. The average member contribution rates for fiscal year 2015-16 (based on the June 30, 2014 valuation) were 10.30% (the Harbor Tier 5) and 10.61% (the Harbor Tier 6) of compensation.

In fiscal year 2016, the Port's contribution rate for sworn employees that are members of the Harbor Tier 5 plan, as determined by the actuary is 34.80% of covered payroll. The Harbor Tier 6 rate is 33.59%. Based on the Port's reported sworn covered payroll of $11.9 million for Tier 5, and $0.2 million for Tier 6, the Port's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $4.2 million (100% of actuarially determined contribution) and $4.4 million (100% of actuarially determined contribution) for the years ended June 30, 2016 and 2015, respectively.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued LAFPP financial report.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2016 and 2015, the Port reported a liability of $8.7 million and $10.5 million, respectively, for its proportionate shares of the net pension liability of LAFPP. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Port's proportionate share were determined to be 0.425% and 0.559% for fiscal years June 30, 2016 and 2015.

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Fiscal Year 2016

For the year ended June 30, 2016, the Port recognized pension expense of $2.7 million. At June 30, 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,462	$ --
Changes of assumptions or other inputs	--	312
Differences between expected and actual experience in the total pension liability	--	2,020
Net difference between projected and actual earnings on pension plan investments	--	1,131
Total	$ 3,462	$ 3,463

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30	
2017	$ (965)
2018	(965)
2019	(965)
2020	(246)
2021	(322)
Thereafter	--

The amortization table does not include pension contributions made after the measurement date.

Continued…..

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	Ranges from 4.75% to 11.50% based on years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	3.25% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5 and 6 retirement income

Postemployment mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males or Females, as appropriate, projected to 2022 with scale BB with different age adjustment (i.e., set back or set forward) for healthy and disabled members, including beneficiaries. For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, service, gender, membership classification and tier.

The actuarial assumptions used were based on the results of an actuarial experience study for the period from July 1, 2010 through June 30, 2013.

Continued…..

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	6.03%
Small Cap U.S. Equity	6.00%	6.71%
Developed International Equity	16.00%	6.71%
Emerging Market Equity	5.00%	8.02%
U.S. Core Fixed Income	14.00%	0.52%
High Yield Bonds	3.00%	2.81%
Real Estate	10.00%	4.73%
TIPS	5.00%	0.43%
Commodities	5.00%	4.67%
Cash	1.00%	-0.19%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	10.00%	9.25%
Total	100.00%	5.12%

Discount rate. The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate for each tier and that contributions from the employers will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Continued…..

Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate what is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (in thousands):

	1% Decrease (6.50%)	Discount rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability	$18,490	$8,671	$810

Fiscal Year 2015

For the year ended June 30, 2015, the Port recognized pension expense of $2.7 million. At June 30, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,648	$ --
Changes of assumptions or other inputs	--	396
Differences between expected and actual experience in the total pension liability	--	175
Net difference between projected and actual earnings on pension plan investments	--	2,740
Total	$ 3,648	$ 3,311

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30	
2016	$ (806)
2017	(806)
2018	(806)
2019	(806)
2020	(87)
Thereafter	--

Continued…..

The amortization table does not include pension contributions made after the measurement date.

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	Ranges from 4.75% to 11.50% based on years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	3.25% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5 and 6 retirement income

Postemployment mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males or Females, as appropriate, projected to 2022 with scale BB with different age adjustment (i.e., set back or set forward) for healthy and disabled members, including beneficiaries. For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, service, gender, membership classification and tier.

The actuarial assumptions used were based on the results of an actuarial experience study as of June 30, 2013 and economic assumptions study as of June 30, 2014.

Continued…..

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	6.03%
Small Cap U.S. Equity	6.00%	6.71%
Developed International Equity	16.00%	6.71%
Emerging Market Equity	5.00%	8.02%
U.S. Core Fixed Income	14.00%	0.52%
High Yield Bonds	3.00%	2.81%
Real Estate	10.00%	4.73%
TIPS	5.00%	0.43%
Commodities	5.00%	4.67%
Cash	1.00%	-0.19%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	10.00%	9.25%
Total	100.00%	5.12%

Discount rate. The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate for each tier and that contributions from the employers will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Continued…..

Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate what is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (in thousands):

	1% Decrease (6.50%)	Discount rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability	$19,892	$10,463	$3,527

C. Other Postemployment Benefits (OPEB)

The City Charter, the Administrative Code, and related ordinance define the postemployment healthcare benefits. There are no member contributions for healthcare benefits. The Port, as a participant in LAFPP, also provides a retiree health insurance premium subsidy.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the LAFPP plan, and the net OPEB asset (obligation) for fiscal years ended June 30, 2015, 2014, and 2013 are as follows (in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/15	$ 160,865	99%	$ (131,698)
06/30/14	149,877	99%	(130,319)
06/30/13	144,569	99%	(128,780)

From the most recent data made available by the City, as of June 30, 2016, amounts contributed specifically to the retiree health insurance premium subsidy by the Port alone are not available.

Continued…..

D. Funded Status of LAFPP OPEB

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARC of the City are subject to continual revision as actual results are compared to expectations and new estimates are made about the future. Following is the funded status information for the LAFPP OPEB plan for fiscal years ended June 30, 2015, 2014, and 2013 (in thousands).

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)]/(c)
06/30/2015	$ 1,344,333	$ 2,962,703	$ 1,618,370	45.4%	$ 1,405,171	115.2%
06/30/2014	1,200,874	2,783,283	1,582,409	43.1%	1,402,715	112.8%
06/30/2013	1,013,400	2,633,793	1,620,393	38.5%	1,367,237	118.5%

The most recent actuarial valuation methods and assumptions used for LAFPP OPEB as of June 30, 2015 were as follows: actuarial cost method used - entry age normal; amortization method – closed amortization periods; remaining amortization period – multiple layers, closed, 22 years for prior to June 30, 2012, 18 years on June 30, 2012, and 19 years on June 30, 2013; asset valuation method – market value of assets less unrecognized returns in each of the last seven years; investment rate of return - 7.50%; projected salary increases - 4.00%; inflation rate - 3.25%; medical healthcare cost trend rate of 7.00% in 2014 and 2015, decreasing by 0.25% for each year for eight years until it reaches an ultimate rate of 5.00%; and dental healthcare cost trend of 5.00%.

The LAFPP's financial statements and actuarial study for fiscal year 2016 are not yet available as of the completion date of the Port's financial statements.

Note 14. A to D on LAFPP retirement and OPEB plans were derived from information prepared by LAFPP and the City.

Continued…..

15. Commitments, Litigation and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $25.9 million as of June 30, 2016. Such open commitments do not lapse at the end of the Port's fiscal year and are carried forth to succeeding periods until fulfilled.

In 1985, the Port received a parcel of land, with an estimated value of $14.0 million from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to $14.0 million from excess revenues, if any, generated from marina operations after the Port has recovered all costs of construction. No such payments were made in fiscal years 2016 and 2015.

B. Litigation

The Port is also involved in certain litigation arising in the normal course of business. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect the financial position of the Port.

C. Alameda Corridor Transportation Authority (ACTA) Agreement

In August 1989, the Port and the POLB (the Ports) entered into a joint exercise of powers agreement and formed ACTA for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports in San Pedro Bay, linking the Ports to the central Los Angeles area. The Alameda Corridor began operating on April 15, 2002. ACTA is governed by a seven-member board, which is comprised of two members from each Port, one each from the Cities of Los Angeles and Long Beach and one from the Metropolitan Transportation Authority. If in the future, ACTA is able to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally.

In October 1998, the Ports, ACTA, and the railroad companies, which operate on the corridor, entered into a Corridor Use and Operating Agreement (Corridor Agreement). The Corridor Agreement provides for operation of the corridor to transport cargo into and out of the Ports. Payment of use fees and container charges, as defined in the Corridor Agreement are used to pay (a) the debt service that ACTA incurs on approximately $2.2 billion of outstanding bonds, (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, and (c) repayment and reimbursement obligations to the Ports, (collectively, ACTA Obligations). Use fees end in 2062 or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations outlined in (a) and (b) above, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) for each debt service payment date. If this event occurs, the Ports' payments to ACTA are intended to provide cash for debt service payments and to assure that the Alameda

Continued…..

Corridor is available to maintain continued cargo movement through the Ports. The Ports are required to include expected Shortfall payments in their budgets, but Shortfall payments are subordinate to other obligations of the Port, including the bonds and commercial paper currently outstanding. The Port does not and is not required to take Shortfall payments into account when determining whether it may incur additional indebtedness or when calculating compliance with rate covenants under the respective bond indentures and resolutions related to each Port bond or indebtedness.

An amended and restated Corridor Agreement became effective December 15, 2016, which (1) incorporated the July 5, 2006 First Amendment to the Corridor Agreement; (2) replaced the Operating Committee with an alternative decision making process for management of Alameda Corridor maintenance and operations; and (3) removed construction related provisions and updated certain other provisions to reflect current conditions and practices. The Los Angeles Board of Harbor Commissioners approved the amended and restated Corridor Agreement at a meeting held on October 24, 2016.

In 2016, ACTA issued Tax-Exempt First and Second Subordinate Lien Revenue Refunding Bonds, Series 2016A and Series 2016B (Series 2016 Bonds). The issuance of the Series 2016 Bonds advance refunded most of ACTA's Refunding Series 2004A Bonds and reduced potential future Shortfall payments.

D. TraPac Project and Environmental Impact Report

On December 6, 2007, the Board of Harbor Commissioners (BHC) certified the Final Environmental Impact Report for TraPac, Inc. (TraPac), a terminal operator, and approved the TraPac project. The TraPac project involves the development and improvements to Berths 136-147, currently occupied by TraPac. Subsequent to the project approval, certain entities (Appellants) appealed to the City Council the certification/project approval under the provisions of the California Environmental Quality Act (CEQA).

On April 3, 2008, the BHC approved a Memorandum of Understanding (MOU) between the City and the Appellants to resolve the appeal of the TraPac Environmental Impact Report (EIR). The MOU provides for the revocation of the appeals and the establishment of a Port Community Mitigation Trust Fund (PCMTF) to be operated by a nonprofit entity to pay for off-Port environmental impacts from Port-related operations. The nonprofit created to provide administrative services for this fund is the Harbor Community Benefit Foundation (HCBF).

The Port had provided the first two years funding of $12.0 million and $4.0 million to the PCMTF for the identified TraPac projects in the MOU. The MOU required additional contributions of $2.00 per TEU to be made in the event that future cargo exceeded calendar year 2007 levels in future years. Based on the reduced volume of cargo processed in the applicable term due to the recession, no additional PCMTF funding has been necessary based on incremental volume.

Continued…..

On October 26, 2010, the BHC approved the Operating Agreement of the TraPac MOU (Operating Agreement) which provided for more detailed procedures for the implementation of the MOU. The Operating Agreement also provided for the management of the PCMTF by California Community Foundation (CCF) or other appropriate independent financial manager. CCF managed the PCMTF funds pursuant to the Operating Agreement from 2011 to 2013.

While the five-year MOU expired in April 2013, the Operating Agreement provided that the Port shall continue to fund the PCMTF with contributions on account of certain expansion projects that have environmental impact reports certified within five years after the first HCBF Board of Directors meeting, which time expired in May 2016. The Operating Agreement provides that if the identified MOU expansion projects have EIRs certified and will proceed with construction; the Port will make a one-time additional contribution at a rate of $3.50 per TEU (or $1.50 per cruise passenger, and $0.15 per ton of bulk cargo) per project for growth associated with such expansion projects. Funds will be transferred to the PCMTF within 21 days following award of a construction contract or commencement of construction of each project that had an EIR certified prior to May 19, 2016. In fiscal year 2016, $0.8 million was contributed to PCMTF based upon the Yusen container terminal project contract award. There were no contributions made during fiscal year 2015.

As of June 30, 2016, a total of $17.5 million has been disbursed from the PCMTF fund held by the Port. The remaining fund balance including interest earned as of June 30, 2016 is $0.1 million.

Continued…..

16. Related-Party Transactions

During the normal course of business, the Port is charged for services provided and use of land owned by the City, the most significant of which is related to fire protection, museum/park maintenance, utilities and legal services. Total amounts charged by the City for services approximate $45.5 million and $45.9 million in fiscal years 2016 and 2015, respectively.

17. Capital Contributions

Amounts either received or to be reimbursed for the restricted purpose of the acquisition, construction of capital assets, or other grant-related capital expenditures are recorded as capital contributions. During the years ended June 30, 2016 and 2015, the Port reported capital contributions of $40.5 million and $111.9 million, respectively, for certain capital construction and grant projects.

18. Natural Resources Defense Council Settlement Judgment

In March 2003, the Port settled a lawsuit entitled: Natural Resources Defense Council, Inc., et al. v. City of Los Angeles, et al., regarding the environmental review of a Port project at the China Shipping Terminal. The settlement called for a total of $50.0 million in mitigation measures to be undertaken by the Port. This $50.0 million charge was recorded as an expense in fiscal year 2003.

The terms of the agreement require that the Port fund various mitigation activities in the amount of $10.0 million per year over a five-year term ending in fiscal year 2007. As of June 30, 2009, a total of $50.0 million were transferred from Harbor Revenue Fund to the restricted mitigation funds.

In June 2004, the Port agreed to amend the original settlement to include, and transferred to the restricted mitigation fund, an additional $3.5 million for the creation of parks and open space in San Pedro.

Pursuant to the settlement agreement, the Port is also obligated to expend up to $5.0 million to retrofit customer vessels to receive shore-side power as an alternative to using on-board diesel fueled generators. Through the end of fiscal year 2009, the Port has spent $5.0 million for this program.

The settlement agreement also established a throughput restriction at China Shipping Terminal per calendar year. Actual throughput at the terminal exceeded the cap for calendar years 2008, 2007, 2006, and 2005, and payments of $1.8 million, $6.9 million, $5.8 million, and $3.9 million, respectively, were made for having exceeded the caps. The Port charged to nonoperating expense and deposited in the restricted mitigation fund the said amounts in June 2009, June 2008, May 2007, and April 2006, respectively. Total deposits for the four years were $18.4 million, with the June 2009 deposit for calendar year 2008 being the last payment for excess throughput required under the settlement agreement.

Continued…..

In April 2011, the Port contributed $3.2 million to the restricted mitigation funds as payment for four low profile cranes installed on Berth 102 designed to reduce visual impact by the use of a horizontal boom that does not need to be raised up when the crane is not in use.

As of June 30, 2016, the Port has contributed a total of $75.0 million to the restricted mitigation funds in accordance with the provisions of the settlement.

19. Cash Funding of Reserve Fund

As of June 30, 2016 and 2015, the Port had $1.0 billion and $1.1 billion of outstanding parity bonds (including net unamortized premiums). The Port holds cash reserves for each Indenture of the outstanding bonds as the BHC, on September 18, 2008, approved the full cash funding of the entire reserve requirement of $61.5 million and transferred it to the Port's bond trustee in December 2008. The cash funding of the reserve took place to reassure bond holders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the surety companies that had provided insurance for the bonds that the Port had issued.

As of June 30, 2016, the balance in the Common Reserve fund totaled $66.6 million. Subsequent to the issuance of the 2016 Refunding Revenue Bonds in October 2016, the reserve requirement was reduced to $62.4 million. Any excess amounts in the Common Reserve resulting from principal repayments will be transferred to the interest fund and/or redemption fund to be used to pay interest and redeem bonds. The required amount for the reserve fund will be reevaluated on a yearly basis. The funds in the reserve are fully invested in the U.S. Treasury securities.

20. Subsequent Events

On October 13, 2016, the Port issued $201.6 million Refunding Revenue Bonds 2016 Series A, Series B, and Series C Green Bonds to refund 2006 Series A, Series B, Series C, as well as advance refund 2009 Series B Bonds. The 2016 Refunding Revenue Bonds have maturities from August 2017 through August 2039 with interest rates varying from 2.0% in 2017, to 5.0% in later years. The Port achieved net present value savings of 14.8% or $32.5 million in debt service as a result of this refunding.

Continued…..

Required Supplementary Information

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered-employee Payroll (1)	Proportionate Share of Net Pension Liability as a Percentage of Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2015	4.224%	$ 188,299	$ 76,040	247.60%	72.57%
2016	4.152%	$ 207,158	$ 75,963	272.71%	70.49%

(1) Covered-employee payroll represents the collective total of the LACERS pensionable wages of all LACERS membership tiers.

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered-employee Payroll (2)	Proportionate Share of Net Pension Liability as a Percentage of Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2015	0.559%	$ 10,463	$ 11,619	90.05%	79.16%
2016	0.425%	$ 8,671	$ 12,311	70.44%	83.98%

(2) Covered-employee payroll represents the collective total of the LAFPP eligible wages of all LAFPP membership tiers.

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Required Supplementary Information

Schedule of Contributions – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2016	2015
Actuarially determined contribution	$ 17,557	$ 15,765
Contributions in relation to the actuarially determined contribution	17,557	15,765
Contribution deficiency (excess)	$ --	$ --
Port's covered-employee payroll	$ 78,061	$ 77,126
Contributions as a percentage of covered-employee payroll	22.49%	20.44%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2016	2015
Actuarially determined contribution	$ 3,462	$ 3,648
Contributions in relation to the actuarially determined contribution	3,462	3,648
Contribution deficiency (excess)	$ --	$ --
Port's covered-employee payroll	$ 12,184	$ 12,301
Contributions as a percentage of covered-employee payroll	28.41%	29.66%

* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

See Note to Schedule on the following page.

Required Supplementary Information

Schedule of Contributions – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Notes to Schedule:

	LACERS	LAFPP
Valuation date	As of June 30, two years prior to the end of the fiscal year in which contributions are reported	As of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry age, level percentage of salary	Entry age, level percentage of salary
Amortization cost method	Level percentage of payroll	Level percentage of payroll
Amortization period	15 years for actuarial gains/losses, 20 years for assumption changes, and 15 years for plan changes, 30 years for actuarial surplus	20 years for actuarial gains/losses, 25 years for assumption changes, and 15 years for plan changes
Asset valuation method	Market value less unrecognized returns	Market value less unrecognized returns
Investment rate of return	7.50%	7.50%
Inflation	3.25%	3.25%
Project salary increases	Ranges from 10.50% to 4.40%, based on years of service	Ranges from 4.75% to 11.50% based on years of service
Mortality	RP-2000 Combined Healthy Mortality Table	RP-2000 Combined Healthy Mortality Table

Statistical Section

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Summary of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues										
Shipping services	$ 369,972	$ 374,878	$ 329,347	$ 327,630	$ 343,498	$ 357,716	$ 347,876	$ 377,213	$ 364,899	$ 368,470
Rentals	40,322	45,524	42,368	43,141	45,428	43,143	42,890	40,156	46,233	46,571
Royalties, fees, and other operating revenues	6,867	5,943	30,509	36,047	11,577	8,928	6,602	8,582	35,763	26,208
Total operating revenues	417,161	426,345	402,224	406,818	400,503	409,787	397,368	425,951	446,895	441,249
Operating expenses										
Salaries and benefits	72,183	92,979	95,429	92,930	98,837	98,614	101,861	112,053	111,788	114,719
Marketing and public relations	4,391	5,137	3,531	2,490	2,912	3,177	2,877	2,711	2,771	2,567
Travel and entertainment	587	1,099	609	546	804	932	1,139	548	512	611
Outside services	32,323	36,957	34,977	25,776	29,367	27,660	29,690	26,331	28,983	28,970
Materials and supplies	5,646	8,719	7,800	6,366	6,249	6,314	5,989	6,883	6,257	6,340
City services	32,514	32,129	30,680	37,147	29,964	32,014	31,074	33,633	34,749	37,421
Other operating expenses	16,131	44,732	81,117	44,980	41,562	31,095	32,539	23,195	49,189	35,633
Total operating expenses before depreciation	163,775	221,752	254,143	210,235	209,695	199,806	205,169	205,354	234,249	226,261
Operating Income before depreciation	253,386	204,593	148,081	196,583	190,808	209,981	192,199	220,597	212,646	214,988
Depreciation	88,106	78,295	83,413	87,255	90,468	100,485	108,037	124,221	137,384	163,933
Operating Income	165,280	126,298	64,668	109,328	100,340	109,496	84,162	96,376	75,262	51,055
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	4,675	4,440	2,980	5,832	(333)	1,851	2,049	2,129	2,811	2,544
Interest and investment income	23,773	34,863	18,824	11,671	6,436	9,486	826	4,654	5,039	9,326
Interest expense	(50,038)	(38,052)	(36,979)	(35,663)	(3,704)	(10,538)	(2,473)	(1,530)	(331)	(507)
Other income and expenses, net	11,018	(2,536)	(7,625)	(2,951)	(6,667)	(8,359)	784	(27,364)	(2,226)	(3,851)
Net nonoperating revenues (expenses)	(10,572)	(1,285)	(22,800)	(21,111)	(4,268)	(7,560)	1,186	(22,111)	5,293	7,512
Income before capital contributions	154,708	125,013	41,868	88,217	96,072	101,936	85,348	72,322	80,555	58,567
Capital contributions	4,145	14,161	4,103	16,950	12,059	31,307	17,630	80,374	111,852	40,489
Special item	(22,291)	--	--	--	--	--	13,387	16,945	--	--
Changes in net position	136,562	139,174	45,971	105,167	108,131	133,243	116,365	169,641	192,407	99,056
Total net position – beginning of year	2,201,307	2,337,869	2,383,616	2,429,587	2,534,754	2,642,885	2,776,128	2,884,351	3,064,554	3,062,899
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--	--	(194,062)	--
Net adjustment for write off prior period bond issues costs	--	--	--	--	--	--	(8,142)	10,562	--	--
Net position July 1, restated	2,201,307	2,337,869	2,383,616	2,429,587	2,534,754	2,642,885	2,767,986	2,894,913	2,870,492	3,062,899
Total net position – end of year	$ 2,337,869	$ 2,477,043	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899	$ 3,161,955
Net position:										
Net investment in capital assets	1,931,037	1,985,653	2,101,396	2,164,885	2,278,052	2,397,744	2,634,840	2,863,795	2,856,561	2,945,412
Restricted	62	9	61,608	67,844	67,341	67,796	57,913	58,054	68,373	66,599
Unrestricted	406,770	491,381	266,583	302,025	297,492	310,588	191,598	142,705	137,965	149,944
Total net position	$ 2,337,869	$ 2,477,043	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899	$ 3,161,955

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Summary of Debt Service Coverage (Pledged Revenue)
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenues (including investment/interest income and noncapital grant revenues) (1)	$ 445,609	$ 465,648	$ 424,028	$ 424,306	$ 412,962	$ 435,291	$ 416,974	$ 446,910	$ 460,364	$ 457,521
Operating expenses (2)	163,775	221,752	254,143	210,235	209,695	199,806	205,169	205,354	234,249	226,261
Net available revenue	$ 281,834	$ 243,896	$ 169,885	$ 214,071	$ 203,267	$ 235,485	$ 211,805	$ 241,556	$ 226,115	$ 231,260
Debt service, revenue bonds	$ 58,293	$ 61,318	$ 61,298	$ 66,851	$ 72,736	$ 71,382	$ 72,204	$ 65,323	$ 69,916	$ 91,831
Debt service, commercial papers	792	—	—	—	191	227	194	165	187	—
Total debt service (3)	$ 59,085	$ 61,318	$ 61,298	$ 66,851	$ 72,927	$ 71,609	$ 72,398	$ 65,488	$ 70,103	$ 91,831
Net available revenue coverage	3.6	4.8	4.0	2.8	3.2	3.3	2.9	3.7	3.2	2.5
Net cash flow from operations	$ 201,575	$ 246,665	$ 252,898	$ 151,264	$ 185,416	$ 158,228	$ 217,113	$ 131,284	$ 213,184	$ 189,992
Net operating cash flow coverage	3.4	4.0	4.1	2.3	2.5	2.2	3.0	2.0	3.0	2.1

(1) Operating revenues include pledged pooled investment/interest income and non-capital grant revenues.

(2) Depreciation and amortization expenses, interest expense, and other nonoperating expenses are not included.

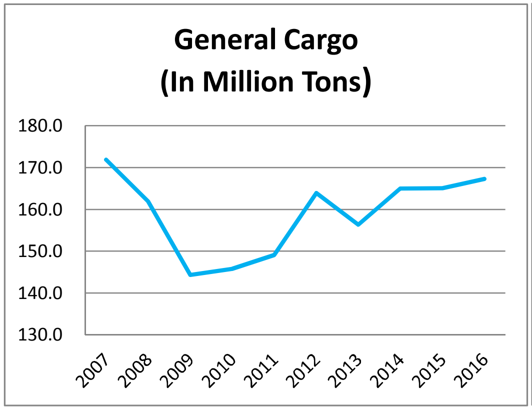
(3) Debt service includes principal and interest payments on issued bonds as well as on commercial paper notes, which are senior debt backed by pledged-revenue. Debt service does not include loans from the California Department of Boating and Waterways, which are not backed by pledged-revenue.

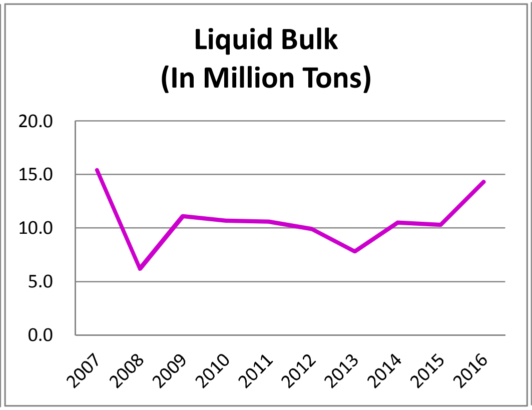
Note: Details regarding the Port of Los Angeles' outstanding debt can be found in the notes to the financial statements.

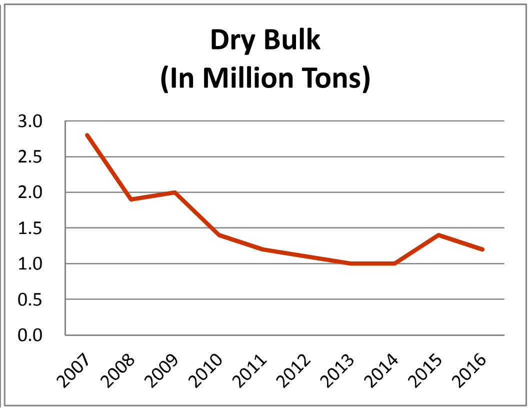
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Revenue Statistics
Last Ten Fiscal Years
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue Information										
Revenue Rates										
General cargo tariff rate	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25
Basic dockage (600')	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465
Required rate of return on improvements	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Required rate of return on land	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Containerized cargo volume										
(in millions of TEUs)	8.7	8.1	7.3	7.2	7.9	8.2	7.8	8.2	8.2	8.4
Inbound tonnage (million tons)	118	105	94	88	94	98	93	99	103	106
Outbound tonnage (million tons)	72	65	66	67	68	75	72	74.3	74.6	79.3
Revenue tons (million)										
General cargo	171.9	161.9	144.3	145.8	149.1	163.9	156.3	165.0	165.1	167.3
Liquid bulk	15.4	6.2	11.1	10.7	10.6	9.9	7.8	10.5	10.3	14.3
Dry bulk	2.8	1.9	2.0	1.4	1.2	1.1	1.0	1.0	1.4	1.2
Total revenue tons (million)	190.1	170.0	157.4	157.9	160.9	174.9	165.1	176.5	176.8	182.8



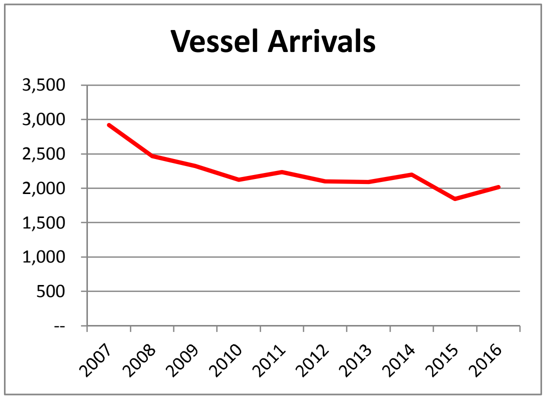


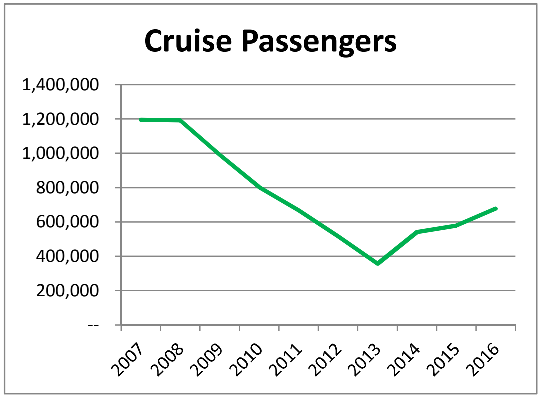


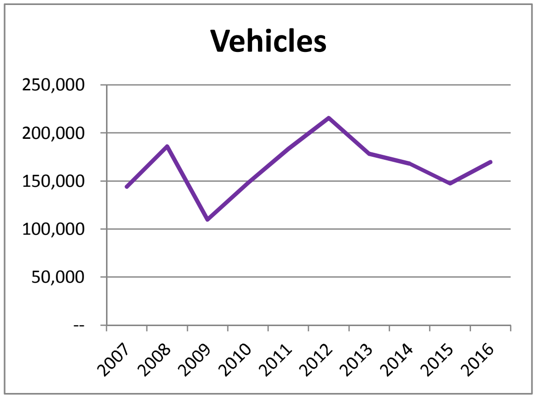
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Other Operating Information
Last Ten Fiscal Years
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Miles of waterfront	43	43	43	43	43	43	43	43	43	43
Number of major container terminals	8	8	8	8	8	8	8	8	8	8
Number of cargo terminals	25	25	25	24	24	24	24	23	23	23
Vessel arrivals	2,920	2,467	2,322	2,124	2,236	2,100	2,089	2,196	1,846	2,014
Cruise passengers	1,194,984	1,191,449	990,965	802,899	667,434	515,827	355,875	541,418	578,902	676,644
Vehicles	144,068	185,978	109,634	147,935	183,126	215,374	178,252	167,826	147,457	169,561
Full time employees	806	935	971	948	959	958	947	949	885	906







PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Operating Expenses Net of Direct and Indirect Costs
Fiscal Year Ended June 30, 2016
(In Thousands)
(Unaudited)

	Expenses Before Allocation of Direct and Indirect Costs	Direct Costs Allocated to Projects	Expenses After Allocation of Direct Costs	Indirect Overhead Costs Allocated to Capital Projects	Net Operating Expenses
Salaries and benefits	$ 137,382	$ (13,773)	$ 123,609	$ (8,890)	$ 114,719
City services	45,492	(4,884)	40,608	(3,187)	37,421
Outside services	157,765	(126,847)	30,918	(1,948)	28,970
Utilities	15,834	(64)	15,770	(710)	15,060
Materials and supplies	9,191	(2,362)	6,829	(489)	6,340
Marketing and public relations	2,830	(21)	2,809	(242)	2,567
Workers' compensation, claims and settlements	245	—	245	—	245
Clean truck program expenses	897	—	897	—	897
Travel and entertainment	707	(5)	702	(91)	611
Other operating expenses	20,475	(373)	20,102	(671)	19,431
Total Operating Expenses	$ 390,818	$ (148,329)	$ 242,489	$ (16,228)	$ 226,261

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Operating Expenses Net of Direct and Indirect Costs
Fiscal Year Ended June 30, 2015
(In Thousands)
(Unaudited)

	Expenses Before Allocation of Direct and Indirect Costs	Direct Costs Allocated to Projects	Expenses After Allocation of Direct Costs	Indirect Overhead Costs Allocated to Capital Projects	Net Operating Expenses
Salaries and benefits	$ 136,857	$ (15,490)	$ 121,367	$ (9,579)	$ 111,788
City services	45,874	(8,112)	37,762	(3,013)	34,749
Outside services	239,137	(208,214)	30,923	(1,940)	28,983
Utilities	20,772	(93)	20,679	(1,306)	19,373
Materials and supplies	9,849	(3,079)	6,770	(513)	6,257
Marketing and public relations	3,036	(8)	3,028	(257)	2,771
Workers' compensation, claims and settlements	2,503	—	2,503	—	2,503
Clean truck program expenses	949	—	949	—	949
Travel and entertainment	575	(16)	559	(47)	512
Other operating expenses	30,299	(2,145)	28,154	(1,790)	26,364
Total Operating Expenses	$ 489,851	$ (237,157)	$ 252,694	$ (18,445)	$ 234,249

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Capital Development Program Expenditures Per Adopted Budget
For Fiscal Year 2016-2017
(In Thousands)
(Unaudited)

Project Description	**Expenditures per Adopted Budget**
Berth 90-93 World Cruise Center	$ 8,049
Berth 100-102 Development - China Shipping Container Terminal	45
Berth 121-131 - Yang Ming Container Terminal	1,618
Berth 135-147 Development - TraPac Container Terminal	33,470
Berth 212-224 Development - YTI Container Terminal	29,820
Berth 222-236 Development - Evergreen Container Terminal	1,984
Berth 300-306 Development - APL Container Terminal	571
Berth 400-409 Development - Maersk/Cut	270
Motems (Marine Oil Terminal Engineering and Maintenance Standards)	5,251
Miscellaneous Terminal Improvements	6,560
Transportation Improvement	16,176
Security Projects	1,068
Port-wide Public Enhancements - Community	3,887
Los Angeles Waterfront	11,967
Environmental Enhancement	987
Harbor Department Facilities	2,664
Miscellaneous Projects	11,704
Unallocated Capital Improvement Program Fund	10,000
Total	$ 146,091

Note: Schedule above excludes capital equipment.

Compliance Section

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*

Honorable Members of the Board of Harbor Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles)

We have audited, in accordance with the 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 Los Angeles (Harbor Department of the City of Los Angeles) (Port), an enterprise fund of the City of Los Angeles (City), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2016.

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 entity'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California
December 23, 2016