ANNUAL REPORT
for the Fiscal Year Ended June 30, 2017
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 29, 2018

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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 parties to the Continuing Disclosure Certificates (as defined below) 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 2012 Bonds, and the 2013A Bonds are referred to herein as the "Senior Bonds." The 2004 Bonds and the 2016A Bonds are referred to herein as the "Subordinate Bonds." The 2016B Bonds are referred to herein as the "Second Subordinate Bonds". The Senior Bonds, Subordinate Bonds, and the Second Subordinate Bonds are referred to herein as the "Bonds."

This Report is provided pursuant to covenants made by 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") 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 events 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, 2016 (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, 2017 (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

Recent Events

On March 23, 2018, Fitch Ratings affirmed the rating on the Senior Bonds at "A", the rating on the Subordinate Bonds at "BBB+", and the rating on the Second Subordinate Bonds at "BBB".

Listed Events

Since March 22, 2017, 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 22, 2017, 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 22, 2017, the date of the Authority's last Annual Report with respect to the Bonds, the Authority has filed the following notice with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access website, which notice may be obtained at www.emma.msrb.org:

- Notice of Estimated Shortfall Advances and Reserve Account Funding dated March 24, 2017.
- Notice of Ratings Update dated March 31, 2017.
- Supplement to Annual Report or the Fiscal Year Ended June 30, 2016 dated April 6, 2017.
- Notice of Estimated Shortfall Advances and Reserve Account Funding dated March 12, 2018.

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.

FURTHER INFORMATION

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

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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, 2018)

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	$ 136,371,620[2]
1999C	Senior	Current Interest	Taxable	2037	430,155,000	357,390,000
1999C	Senior	Capital Appreciation	Taxable	2037	67,298,396	241,459,678[2]
2004A	First Subordinate	Capital Appreciation	Tax-Exempt	2030	200,300,101	96,024,847[2]
2004A	First Subordinate	Convertible Capital Appreciation	Tax-Exempt	2025	274,992,286	-[3]
2004B	First Subordinate	Capital Appreciation	Taxable	2033	210,731,702	311,420,532[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[6]	First Subordinate	Current Interest	Tax-Exempt	2025	34,280,000	34,280,000
2016B[6]	Second Subordinate	Current Interest	Tax-Exempt	2037	556,860,000	556,860,000
Total						$ 2,065,841,675

* 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 April 1, 2018, 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.

(6) The Series 2016A First Subordinate Lien Bonds and the Series 2016B Second Subordinate Lien Bonds were issued to advance refund a portion of the 2004A Bonds maturing in 2016 through 2025.

Source: The Authority

The following table lists Use Fees in effect as of January 1, 2018.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
SCHEDULE OF USE FEES*
(As of January 1, 2018)

Waterborne Containers(1)(2)	$24.51 per TEU (Loaded)
Waterborne Containers(1)(2)	5.87 per TEU (Empty)
Non-Waterborne Containers(1)	5.87 per TEU (Loaded or Empty)
Automobiles	11.74 per Railcar
Coal	11.74 per Railcar
White Bulk(3)	11.74 per Railcar
Iron & Steel	11.74 per Railcar
Liquid Bulk(4)	11.74 per Railcar
Miscellaneous Carload	11.74 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 based upon the subsequent Shortfall Advance payment required by October 1, 2011 debt service. 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, 2013 through June 30, 2017.

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

Fiscal Year Ended June 30	Use Fees and Container Charges[1]
2013[2]	$ 99,358,973
2014[2]	108,998,890
2015[2][3]	105,518,770
2016[2][3]	103,551,936
2017[2][3]	102,802,942

* 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) 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.

(3) See "AUTHORITY REVENUES—Recent and Budgeted Cargo Throughput and Revenue Collections" in the 2016 Official Statement and "Ports of Long Beach and Los Angeles and Authority Container Throughput" 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 2013 through 2017.

PORTS OF LONG BEACH AND LOS ANGELES AND AUTHORITY CONTAINER THROUGHPUT CALENDAR YEARS 2013-2017 (HISTORICAL)*
(TEUs)

	2013	2014	2015	2016	2017
Ports					
Inbound(2)	7,432,017	7,787,274	7,784,725	7,987,323	8,579,276
Outbound(2)	3,625,999	3,536,409	3,182,237	3,347,998	3,370,448
Empties	3,541,139	3,837,191	4,385,562	4,296,631	4,937,976
Total TEUs	14,599,155	15,160,874	15,352,524	15,631,952	16,887,700
% Change From Prior Year	3.37%	3.85%	1.26%	1.82%	8.03%
Authority(1)					
Inbound(2)	2,769,596	2,959,071	2,843,550	2,657,908	2,734,306
Outbound(2)	1,720,652	1,636,401	1,392,488	1,444,289	1,479,548
Empties	342,344	505,239	682,773	397,665	513,415
Total TEUs	4,832,592	5,100,711	4,918,811	4,499,862	4,727,269
% Change From Prior Year	3.23%	5.55%	-3.57%	-8.52%	5.05%
Authority's % of Ports' Throughput	33.10%	33.64%	32.04%	28.79%	27.99%

* 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) Includes domestic (the Authority's Non-Waterborne component).
(2) 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, 2013 through June 30, 2017.

PORTS OF LONG BEACH AND LOS ANGELES AND AUTHORITY CONTAINER THROUGHPUT*
AUTHORITY FISCAL YEARS
FISCAL YEARS 2013-2017 (HISTORICAL)
(TEUs)

	2013	**2014**	**2015**	**2016**	**2017**
Ports					
Inbound(2)	7,226,875	7,694,431	7,685,145	7,918,215	8,190,391
Outbound(2)	3,526,385	3,692,128	3,276,342	3,215,970	3,426,507
Empties	3,471,564	3,634,542	4,053,965	4,427,181	4,530,268
Total TEUs	14,224,824	15,021,101	15,015,452	15,561,366	16,147,166
% Change From Prior Year	0.89%	5.60%	-0.04%	3.64%	3.76%
Authority(1)					
Inbound(2)	2,679,466	2,887,833	2,916,201	2,834,495	2,678,274
Outbound(2)	1,652,343	1,741,295	1,553,228	1,494,245	1,573,484
Empties	344,759	395,927	643,635	594,643	431,831
Total TEUs	4,676,569	5,025,055	5,113,064	4,923,382	4,683,589
% Change From Prior Year	-5.51%	7.45%	1.75%	-3.71%	-4.87%
Authority's % of Ports' Throughput	32.88%	33.45%	34.05%	31.64%	29.01%

* 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) Includes domestic (the Authority's Non-Waterborne component).
(2) Fully loaded.
Sources: The Ports for Port cargo information and for Authority TEUs, the Authority.

The following table summarizes for calendar years 2009 through 2018 the Authority's Use Fees and Container Charges.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
CONTAINER CHARGES AND USE FEES*
(Effective January 1, 2009-2018)[(1)]

Year	Loaded Waterborne/TEU	Empty TEU or Loaded Non-Waterborne/TEU	Miscellaneous Full Railcar	CPI Increase[(2)]
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
2018	24.51[(3)(6)]	5.87	11.74	3.10

* 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, 2013 through 2017.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
CONTAINER CHARGE AND USE FEE REVENUE IN FISCAL YEARS 2013-2017[(1)*]
(Fiscal Years ended June 30)

Component	2013[(2)(3)(4)]		2014[(2)(3)(4)]		2015[(2)(3)(4)]		2016[(2)(3)(4)]		2017[(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	$ 95,818,966	96.44%	$ 104,859,129	96.20%	$ 100,128,456	94.89%	$ 99,513,410	96.10%	$ 98,576,102	95.88%
Waterborne Empty	1,823,295	1.84	2,149,683	1.97	3,475,207	3.29	2,381,695	2.30	2,331,736	2.27
Non-Waterborne	672,416	0.68	685,034	0.63	730,053	0.69	621,312	0.60	819,044	0.80
Misc. Full Railcars	1,044,296	1.05	1,305,044	1.20	1,185,054	1.12	1,035,519	1.00	1,076,059	1.05
Totals	$ 99,358,973	100.00%	$ 108,998,890	100.00%	$ 105,518,770	100.00%	$ 103,551,936	100.00%	$ 102,802,942	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) Includes the Surcharge, plus the CPI increase for Loaded Waterborne TEUs in each year beginning 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, 2013 through 2017.

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

	2013(1)	2014(1)	2015	2016	2017
Operating revenues:					
Use fees and container charges	$ 99,358,973	$ 108,998,890	$ 105,518,770	$ 103,551,936	$ 102,802,942
Maintenance-of-way charges(2)	4,557,706	4,788,030	4,856,519	5,052,440	4,871,474
Total operating revenues	$ 103,916,679	$ 113,786,920	$ 110,375,289	$ 108,604,376	$ 107,674,416
Operating expenses:					
Salaries and benefits	$ 2,154,998	$ 1,708,783	$ 1,860,394	$ 1,742,411	$ 1,877,585
Administrative expenses	1,821,842	1,524,456	1,521,284	1,483,085	2,100,338
Professional services	736,069	949,450	744,920	1,252,914	1,535,750
Maintenance-of-way	6,204,519	6,039,975	6,738,543	7,154,542	6,956,695
Depreciation	21,304,024	21,308,675	21,244,199	21,053,229	21,034,560
Total operating expenses	$ 32,221,452	$ 31,531,339	$ 32,109,340	$ 32,686,181	$ 33,504,928
Operating income	$ 71,695,227	$ 82,255,581	$ 78,265,949	$ 75,918,195	$ 74,169,488
Nonoperating revenues:					
Interest and investment revenue, net	$ 3,111,174	$ 2,230,983	$ 2,413,719	$ 3,375,680	$ 1,635,412
Grants(3)	4,168,478	8,158,398	3,479,593	1,949,517	1,323,195
Miscellaneous revenue	499,967	188,533	193,220	1,009,872	621,419
Total nonoperating revenues	$ 7,779,619	$ 10,577,914	$ 6,086,532	$ 6,335,069	$ 3,580,026
Nonoperating expenses:					
Interest expense	$ 109,435,367	$ 116,183,634	$ 111,683,412	$ 138,639,697	$ 104,578,086
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	1,682,241
Bond issuance costs	4,372,302	--	--	11,059,040	--
Total nonoperating expenses	$ 119,024,149	$ 132,655,493	$ 142,207,329	$ 251,273,263	$ 106,260,327
Change in net position(5)	$ (39,549,303)	$ (39,821,998)	$ (57,854,848)	$ (169,019,999)	$ (28,510,813)
Net position, beginning of the year, as restated	$ (18,590,091)	$ (93,327,062)	$ (133,149,060)	$ (192,692,420)	$ (361,712,419)
Cumulative effect of change in accounting principle	(35,187,668)(6)(7)	--	(1,688,512)(8)	--	--
Net position, beginning of the year, as restated	$ (53,777,759)	$ (93,327,062)	$ (134,837,572)	$ (192,692,420)	$ (361,712,419)
Net position, - end of year	$ (93,327,062)	$ (133,149,060)	$ (192,692,420)	$ (361,712,419)	$ (390,223,232)

* 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, 2008 through June 30, 2017 debt service coverage. The following table shows for Fiscal Years ended June 30, 2008 through 2018 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 2008 through 2017. 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 $56.0 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 2008-2017

Fiscal Year Ending June 30	Use Fees and Container Charges(1)	Senior Lien Bonds Debt Service(2)	Debt Service Coverage for Senior Lien Bonds	Subordinate Lien Bonds Debt Service(3)	Debt Service Coverage for Senior Lien Bonds and Subordinate Lien Bonds	Shortfall Advances	Additional Funds Used for Debt Service(5)
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(4)	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
2017	102,802,942	62,933,626	1.63x	23,691,830	1.19x	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) Includes debt service on the Series 1999 Senior Lien Bonds, the Series 2012 Senior Lien Bonds and the Series 2013A Senior Lien Bonds.
(3) Includes debt service on the 1999 First Subordinate Lien Bonds, Series 2004 First Subordinate Lien Bonds and Series 2016 First and Second Subordinate Lien Bonds.
(4) The amount of Debt Service shown for Fiscal Year 2012 does not include debt service on the Series 2012 Senior Lien 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 Senior Lien 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.
(5) 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, 2008 through 2017 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 2008-2017

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))
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
2017	102,802,942	34,650,182	137,453,124	62,933,626	2.18x	23,691,830	1.59x

* 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 2017. 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 2017*
(amounts in U.S. $)

Date	Type	Invoice Amount	Payment Amount	Credit Memo Applied	Balance
Jan-17	Monthly M&O	$ 327,691.08	$ (325,604.59)	-	-
Feb-17	Monthly M&O	327,691.08	(325,604.59)	-	-
Mar-17	Monthly M&O	327,691.08	(325,604.59)	-	-
Apr-17	Monthly M&O	327,691.08	(165,568.26)	$ (149,802.07)	-
May-17	Monthly M&O	327,691.08	(89,502.17)	(60,097.01)	-
Jun-17	Monthly M&O	327,691.08	(270,485.30)	-	-
Jul-17	Monthly M&O	327,691.08	(325,604.59)	-	-
Aug-17	Monthly M&O	327,691.08	(325,604.59)	-	-
Sep-17	Monthly M&O	327,691.08	(325,604.59)	-	-
Oct-17	Monthly M&O	327,691.08	(325,604.59)	-	-
Nov-17	Monthly M&O	327,691.08	(325,604.59)	-	-
Dec-17	Monthly M&O	327,691.08	(325,604.59)	-	-
	Reconciliations	(22,737.96)	(187,161.12)	209,899.08	-
	Insurance	1,244,322.61	(1,244,322.61)	-	-
	Total M&O	$ 5,153,877.61	$ (5,153,877.61)	$ -	$ -

* 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, 2017.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
AUTHORITY REVENUE IN BOND YEAR 2017*(1)

Revenue Component	Estimated Revenue	% of Total Revenue
Waterborne Full	$ 100,394,261	95.31%
Waterborne Empty	2,719,519	2.58
Non-Waterborne	1,102,310	1.05
Misc. Full Railcars	1,122,457	1.07
Total	$ 105,339,547	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 2017.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
RAILROAD CORRIDOR TRAFFIC IN BOND YEAR 2017

Category	Railroad Traffic
Full International TEUs[(1)]	4,247,577
Empty International TEUs	479,439
Total	4,727,016
Domestic combined TEUs[(2)]	194,155

* 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, 2017 (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

Capitalized terms used in the POLA Information but not defined herein have the meanings given to them in the POLA Report. Nothing contained in the POLA Report is incorporated herein.

PORT OF LOS ANGELES
REVENUE TONNAGE BY CARGO TYPE*[(1)]
FISCAL YEARS 2008-2017
(In thousands of metric revenue tons)

Fiscal Year Ended June 30	General Cargo	Liquid Bulk	Dry Bulk[(2)]	Total[(3)]	Increase (Decrease) in Total Tonnage over Prior Year
2008	161,900	6,200	1,900	170,000	(10.6)[(4)]
2009	144,400	11,100	2,000	157,500	(7.4)[(4)]
2010	145,800	10,700	1,300	157,800	0.2
2011[(5)]	149,100	10,600	1,200	160,900	2.0
2012[(5)]	163,900	9,900	1,100	174,900	8.7
2013	156,300	7,800	1,000	165,100	(5.6)[(6)]
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
2017	184,300	13,200	600	198,100	8.4

* 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) Dry bulk cargo includes steel slabs, pipe, beams, scrap metal and cement.

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

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

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

(6) 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
CONTAINER TRAFFIC*
CALENDAR YEARS 2013-2017 (HISTORICAL)
(TEUs[1])

	2013	2014	2015	2016	2017
Inbound[2]	3,976,692	4,269,760	4,159,462	4,544,748	4,716,089
Outbound[2]	1,921,069	1,932,014	1,656,677	1,818,502	1,899,934
Empties	1,970,821	2,138,292	2,344,319	2,493,533	2,727,170
Total TEUs	7,868,582	8,340,066	8,160,458	8,856,783	9,343,193

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* 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 2013-2017 (HISTORICAL)
(TEUs[(1)])

	2013	2014	2015	2016	2017
Inbound[(2)]	3,936,484	4,178,641	4,188,823	4,297,004	4,662,882
Outbound[(2)]	1,909,019	1,976,387	1,786,913	1,692,091	1,921,635
Empties	1,931,957	2,054,828	2,215,623	2,401,418	2,621,239
Total TEUs	7,777,460	8,209,856	8,191,359	8,390,513	9,205,755

* 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 2008-2017

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
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)
2017	398,300	198,100	2.01	(0.5)

* 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) 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 2008-2017

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
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	39.32	35,800	13,800	2.59
2013[(2)]	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[(3)]	39.73	39,400	15,100	2.61
2016	368,500	324,100	8,391[(3)]	38.62	44,400	18,500	2.40
2017	398,300	351,800	9,206[(3)]	38.21	46,500	17,300	2.69

* 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) 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) TEU figures for the Fiscal Years ended June 30, 2015, 2016 & 2017 may differ slightly from those provided within those TEU figures provided within the Fiscal Year 2017 Comprehensive Annual Financial Report due to post-close adjustments and rounding.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
MAJOR PERMITTEES (TENANTS)[*(1)]
As of June 30, 2017

APM Terminals Pacific LTD/Maersk
China Shipping Holding Company, Ltd.
Eagle Marine Services Ltd.
Everport Terminal Services Inc.
Kinder Morgan/GATX Terminals Corporation
Parking Concepts, Inc.
PBF Energy Western Region, LLC
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
Transmarine Navigation Corp.
Trapac, Inc.
Union Pacific Railroad Company
Vopak/Wilimgton 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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* 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.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
TEU COUNT BY COUNTRY*
FISCAL YEAR 2017

Country	Exports TEUs	% of Total	Country	Imports TEUs	% of Total
China	570,490	33.7%	China	2,718,684	59.5%
Japan	211,405	12.5	Vietnam	296,791	6.5
South Korea	165,419	9.8	Japan	241,425	5.3
Taiwan	161,696	9.5	Taiwan	240,076	5.2
Vietnam	95,683	5.6	Thailand	207,576	4.5
Hong Kong	71,533	4.2	South Korea	178,582	3.9
Indonesia	70,514	4.2	Hong Kong	118,495	2.6
Thailand	64,342	3.8	Indonesia	112,183	2.5
Philippines	28,191	1.7	Malaysia	75,697	1.7
Singapore	28,108	1.6	India	52,639	1.2
All Others	227,377	13.4	All Others	329,431	7.1
Total Exports	1,694,758	100.0%	Total Imports	4,571,579	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, 2013 THROUGH JUNE 30 2017

(In thousands of dollars)

	2013	2014	2015	2016	2017
Operating revenues:					
Shipping services					
Wharfage	$ 322,821	$ 350,928	$ 336,997	$ 342,703	$ 369,714
Dockage	4,689	4,930	6,097	5,629	4,113
Demurrage	228	223	329	216	213
Cranes	--	--	--	--	--
Pilotage	6,954	7,540	7,110	7,064	9,558
Assignment charges	13,184	13,592	14,365	12,858	14,657
Storage	--	--	--	--	--
Total shipping services	$ 347,876	$ 377,213	$ 364,899	$ 368,470	$ 398,255
Rentals					
Land	$ 38,856	$ 38,189	$ 45,255	$ 45,763	$ 50,554
Other	4,034	1,967	978	808	704
Total rentals	$ 42,890	$ 40,156	$ 46,233	$ 46,571	$ 51,258
Royalties, fees, and other operating Revenues(1)(2)	6,602	8,582	35,763	21,085	25,019
Total operating revenues(3)	$ 397,368(2)	$ 425,951	$ 446,895	$ 436,126	$ 474,532
Operating and administrative expenses:					
Salaries and benefits	$ 101,861	$ 93,668	$ 92,786	$ 94,281	$ 94,677
Pension Expense Adjustment(4)	--	18,385	19,002	20,438	23,905
City services and payments	31,074	33,633	34,749	37,421	39,554
Outside services	29,690	26,331	28,983	28,970	25,022
Utilities(1)	5,726	12,335	19,373	15,060	15,573
Material and supplies	5,989	6,883	6,257	6,340	5,314
Pollution Remediation Expenses	11,635	1,268	(211)	5,194	1,489
Marketing and public relations	2,877	2,711	2,771	2,567	2,583
Workers' Compensation, Claims and Settlements	3,550	1,959	2,503	245	4,977
Clean Truck Program Expenses	934	1,100	949	897	704
Travel and Entertainment	1,139	548	512	611	536
Other operating expenses	10,694	6,533	26,575	14,238	13,341
Total operating and administrative expenses	$ 205,169	$ 205,354	$ 234,249	$ 226,261	$ 227,675
Income from operations before depreciation	$ 192,199	$ 220,597	$ 212,646	$ 209,865	$ 246,857
Depreciation	108,037	124,221	137,384	163,933	172,895
Operating income	$ 84,162	$ 96,376	$ 75,262	$ 45,932	$ 73,962
Nonoperating revenues/(expenses):					
Income from investments in JPAs and other entities	$ 2,049	$ 2,129	$ 2,811	$ 2,544	$ 2,162
Interest and Investment Income	826	4,654	5,039	9,326	1,118
Interest Expense	(2,473)	(1,530)	(330)	(507)	(604)
Other Income and Expenses, net	784	(27,364)	(2,226)	(3,850)	(1,146)
Net Nonoperating Revenues/(Expenses)	$ 1,186	$ (22,111)	$ 5,293	$ 7,512	$ 1,530
Income Before Capital Contributions	$ 85,348	$ 74,265	$ 80,555	$ 53,444	$ 75,492
Capital contributions	17,630	80,374	111,852	40,489	18,801
Special item(2)	13,387	15,002	-	5,123	9,150
Changes in net assets	$ 116,365	$ 169,641	$ 192,407	$ 99,056	$ 103,443
Total net assets – beginning of year	$2,776,126	$2,884,351	$3,064,554	$3,062,899	$3,161,955
Net adjustment for prior year amortization of bond premium/discount	--	10,562	--	--	--
Net Adjustment for Prior Year Pension Expense(5)	--	--	(194,062)	--	--
Net adjustment for write off of bond issuance costs	(8,142)	--	--	--	--
Total net assets – end of year	$2,884,351	$3,064,554	$3,062,899	$3,161,955	$3,265,398

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 the fiscal year ended June 30, 2016 were restated within the subsequent fiscal year end financial statements due to a reclassification of approximately $5.1 million in one-time insurance reimbursements which have now been presented as a "Special Item" for the fiscal year ended June 30, 2016.

(2) Royalties, Fees and Other Operating Revenues in the fiscal year ended June 30, 2016 were restated within the subsequent fiscal year end financial statements due to a reclassification of approximately $5.1 million in one-time insurance reimbursements which have now been presented as a "Special Item" for the fiscal year ended June 30, 2016.

(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.

(4) Pension expenses incurred in fiscal years ended June 30, 2014 and thereafter have been reported separately from "Salaries and Benefits" expense as a result of the implementation of Government Accounting Standards Board ("GASB") "Statement No 68, Accounting and Financial Reporting for Pensions" ("GASB 68") and GASB "Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measure Date" ("GASB 71"). Pension expenses incurred in the fiscal year ended June 30, 2013 have been reported within "Salaries and Benefits" expense.

(5) One-time adjustment required by GASB 68. Prior to GASB 68, all pension payments made by POLA on behalf of current employees were charged to employee benefits expense in the fiscal year in which the pension payment occurred. Any Department pension plan contributions made after fiscal year ended June 30, 2014 must be reflected as a "Deferred Outflows of Resources" rather than being expensed.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
GENERAL CARGO TARIFFS AND
BASIC DOCKAGE CHARGES*
Fiscal years 2008-2017

Fiscal year Ending June 30	General Cargo Tariff(1)	Basic Dockage Charge(2)
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
2017	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 2018-2022

Fiscal year Ending June 30	Minimum Lease Revenue (000$)
2018	$ 326,975
2019	334,327
2020	335,940
2021	336,402
2022	336,955

* 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 2013-2017
(In thousands of dollars)

Fiscal Year Ended June 30	Total Revenues[1]	Operating Expenses[2]	Available Revenues	Debt Service[3]	Debt Service Coverage[4]
2013	$ 416,974[5]	$ 205,169	$ 211,805	$ 72,401	2.9x
2014	446,910	205,354	241,556	65,488	3.7
2015	460,364	234,249	226,115	69,988	3.2
2016	452,398[6]	226,261	226,137[6]	91,831[7]	2.5
2017	487,806	227,675	260,131	87,570	3.0

* 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.

(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.

(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.

(6) Total Revenues in the fiscal year ended June 30, 2016 were restated within the subsequent fiscal year end financial statements due to a reclassification of approximately $5.1 million in one-time insurance reimbursements which have now been presented as a "Special Item" for the fiscal year ended June 30, 2016.

(7) Debt service for the fiscal year ended June 30, 2016 was $84.4 million plus $7.4 million related to the early redemption of POLA's Refunding Revenue Bonds 2005 Series C-1. POLA has no subordinate debt outstanding.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
HISTORICAL ENDING CASH BALANCES*
Fiscal Years 2013-2017
(In thousands of dollars)

	2013	2014	2015	2016	2017
UNRESTRICTED FUNDS					
Harbor Revenue Fund	$ 99,095[(1)]	$ 53,774[(2)]	$ 230,429[(3)]	$ 227,483	$ 406,992
Harbor Special Operating Fund	199,533	160,591	160,449	161,808	159,716
Emergency/ACTA Reserve Fund	47,439	47,475	47,511	47,704	47,928
Others	5,726	889	3,445	8,294	4,777
Total Unrestricted Funds	$ 351,793	$ 262,729	$ 441,834	$ 445,289	$ 619,413
RESTRICTED FUNDS					
China Shipping Mitigation Fund	$ 34,305	$ 26,836	$ 22,623	$ 19,168	$ 13,439
Community Aesthetic Fund for Parks	475	--	--	--	--
Community Mitigation Trust Fund – Trapac	108	108	109	112	112
Clean Truck Fee Fund	521	227	226	30	5
Batiquitos L/T Investment Fund [(4)]	6,000	6,006	6,011	6,032	6,250
Bond Funds	57,913	58,054	97,461	95,769	62,283
Customer Security Deposits	3,183	3,184	3,159	3,166	3,024
Other	3,261	2,699	2,638	2,832	2,925
Total Restricted Funds	$ 105,766	$ 97,114	$ 132,224	$ 127,109	$ 88,038
TOTAL FUNDS	$ 457,559	$ 359,843	$ 574,058	$ 572,398	$ 707,451

* 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, POLA 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 $992,980,000, consisting of $667,980,000 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.

PORT OF LONG BEACH
OPERATING REVENUES
FISCAL YEARS ENDED SEPTEMBER 30, 2013 THROUGH 2017*[(1)]
(thousands)

	2017	2016[(2)]	2015	2014	2013
Berths and special facilities					
Wharfage	$ 342,022	$ 322,522	$ 312,074	$ 307,561	$ 296,623
Dockage	7,134	8,089	10,773	10,877	12,055
Bunkers	1,269	1,412	1,048	703	1,375
Special facilities rental	13,289	15,612	16,247	13,758	12,426
Crane rentals	-	-	2,372	12,789	12,789
Other	771	536	620	570	601
Total berths and special facilities	**$ 364,486**	**$ 348,171**	**$ 343,134**	**$ 346,258**	**$ 335,869**
Rental properties	13,732	9,958	9,881	9,360	9,374
Utilities/Miscellaneous	2,592	2,531	2,435	1,262	1,001
Total operating revenues	**$ 380,810**	**$ 360,660**	**$ 355,450**	**$ 356,880**	**$ 346,244**

* 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 2017*

Carson Cogeneration Company	Mitsubishi Cement Corporation
CEMEX USA	Oxbow Carbon & Minerals, LLC
Chemoil Corp.	Pacific Container Terminal
Crescent Terminals, Inc.	Pacific Crane Maintenance Company
CSA Equipment	SA Recycling, LLC
Energia Logistics Ltd.	SSA Terminal C60 / Matson Navigation
International Transportation Service, Inc.	SSA Terminals Long Beach, LLC
Jacobsen Pilot Service, Inc.	Tesoro Refining & Marketing
Koch Carbon, Inc.	Tesoro Logistics LP
Long Beach Container Terminal, Inc.	Total Terminals International, LLC
Metropolitan Stevedore Company	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, 2013 THROUGH 2017[*]
(in metric revenue tons)

	2017	2016	2015	2014	2013
Municipal berths					
INBOUND CARGO					
Foreign	99,467,872	93,927,997	98,464,085	104,245,298	101,026,699
Coastwise/Intercoastal	30,977,282	29,008,568	26,060,757	17,998,456	18,476,723
Total inbound cargo	**130,445,155**	**122,936,565**	**124,524,842**	**122,243,754**	**119,503,422**
OUTBOUND CARGO					
Foreign	32,922,688	32,737,305	33,592,125	37,066,641	36,768,609
Coastwise/Intercoastal	3,257,747	3,995,516	4,843,410	5,348,303	5,141,434
Bunkers	1,474,261	1,652,476	1,313,215	866,945	843,291
Total outbound cargo	**37,654,696**	**38,385,297**	**39,748,750**	**43,281,889**	**42,753,334**
Total municipal cargo	**168,099,851**	**161,321,863**	**164,273,592**	**165,525,643**	**162,256,756**
Private Berths[(2)]					
Inbound	--	--	--	--	--
Outbound	--	--	--	--	--
Total private cargo	--	--	--	--	--
GRAND TOTAL	**168,099,851**	**161,321,863**	**164,273,592**	**165,525,643**	**162,256,756**
Total inbound cargo (including private berths)	130,445,155	122,936,565	124,524,842	122,243,754	119,503,422
Total outbound cargo	37,654,696	38,385,297	39,748,750	43,281,889	42,753,334
Container count in TEUs[(3)]	7,230,758	6,946,257	7,087,699	6,817,591	6,647,975

* 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, 2016 AND 2017*
(in thousands of metric revenue tons)[1]

	2016				2017			
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%	127,037	76%	$291,421	80%
Dry bulk	31,174	19	17,177	5	32,628	19	18,126	5
General cargo	6,028	4	29,389	8	7,170	4	34,719	10
Petroleum/liquid bulk	1,106	1	26,873	8	1,265	1	20,221	6
Totals	**161,322**	**100%**	**$348,171**	**100%**	**168,100**	**100%**	**$364,486**	**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 2013-2017 (HISTORICAL)*
(TEUs(1))

	2013	2014	2015	2016(3)	2017
Inbound(2)	3,455,323	3,517,514	3,625,264	3,442,575	3,863,187
Outbound(2)	1,704,932	1,604,394	1,525,560	1,529,497	1,470,514
Empties	1,570,318	1,698,898	2,041,244	1,803,098	2,210,806
Total TEUs	6,730,573	6,820,806	7,192,068	6,775,171	7,544,507

* 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.

(3) Restated.

PORT OF LONG BEACH
CONTAINER TRAFFIC*
FISCAL YEARS 2013-2017 (HISTORICAL)
(TEUs(1))

	2013	2014	2015	2016	2017
Inbound(2)	3,419,793	3,522,875	3,595,595	3,514,306	3,698,164
Outbound(2)	1,670,749	1,664,050	1,528,318	1,538,041	1,451,151
Empties	1,557,433	1,630,665	1,963,786	1,893,909	2,081,443
Total TEUs	6,647,975	6,817,590	7,087,699	6,946,256	7,230,758

* 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, 2013 THROUGH 2017*[(1)]
(in thousands)

	2017	2016	2015[(2)]	2014	2013
Port Operating Revenues:					
Berths/Special Facilities	$ 364,486	$ 348,171	$ 343,134	$ 346,258	$ 335,869
Rental Properties	13,732	9,958	9,881	9,360	9,374
Miscellaneous	2,793	2,531	2,435	1,262	1,001
Total Port Operating Revenues	$ 381,010	$ 360,660	$ 355,450	$ 356,880	$ 346,244
Port Operating Expenses:					
Operation/Administrative	$ 142,641	$ 143,873	$ 133,771	$ 108,455	$ 97,696
Depreciation/Amortization	148,445	146,721	137,709	117,966	90,849
Total Port Operating Expenses	$ 291,086	$ 290,594	$ 271,480	$ 226,421	$ 188,545
Income from Port Operations	**$ 89,924**	**$ 70,066**	**$ 83,970**	**$ 130,459**	**$ 157,699**
Non-operating Income and Expense					
Clean Air Action Plan Income (Loss)	$ (1,127)	$ (4,656)	$ (3,488)	$ (2,474)	$ (3,420)
Gain (Loss) from Harbor Oil Operations	-	-	-	-	-
Gain (Loss) on Sale of Property	42	48	35,979	16	(6)
Income from Equity in Joint Ventures, Net	2,162	2,544	2,811	-	-
Interest Expense, Net of Interest Capitalized	(5,883)	(13,244)	(878)	(1,205)	(65)
Interest Income	1,706	4,637	4,036	6,776	2,789
Other, Income (Expense) Net	5,662	139	5,048	(298)	(182)
Total Non-Operating Income (expense)	$ 2,562	$ (10,532)	$ 43,508	$ 2,816	$ (884)
Income Before Operating Transfers	$ 92,486	$ 59,534	$ 127,478	$ 133,274	$ 156,815
Net Operating Transfers	$ (19,448)	$ (14,685)	$ (17,772)	$ (17,844)	$ (17,312)
Capital Grants	73,072	128,282	121,008	178,295	250,543
Loss on Long Term Receivable from Redevelopment Agency	-	-	-	-	-
Contributions to Others	-	-	-	(10,203)	-
Change in Net Position	**$ 146,110**	**$ 173,131**	**$ 230,714**	**$ 283,522**	**$ 390,046**
Total Net Position (beginning of fiscal year)	**3,780,027**	**3,609,818**	**3,462,209**	**3,178,686**	**2,793,319**
Adjustment for GASB 65 Implementation	-	-	-	-	(4,678)
Adjustment for GASB 68 Implementation	-	-	(83,104)		
Adjustment for GASB 75 Implementation	-	(2,922)			
Adjustment for Prop 1B Grant Revenue	-	-			
Total Restated Net Position (beginning of fiscal year)	**3,780,027**	**3,606,896**	**3,379,105**	**3,178,686**	**2,788,641**
Total Net Position (end of fiscal year)	**3,926,137**	**3,780,027**	**3,609,819**	**3,462,208**	**3,178,687**

* 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, 2017 and 2016 (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, 2017 and 2016 (with Independent Auditors' Report Thereon) ("POLA Financial Statements") are attached hereto as APPENDIX B.[2]

A copy of the Harbor Department of the City of Long Beach Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017 (with Independent Auditors' Report Thereon) ("POLB Financial Statements" and together with the Authority Financial Statements and the POLA Financial Statements, the "Financial Statements") are attached hereto as APPENDIX C.[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 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

APPENDIX A

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016 (WITH INDEPENDENT AUDITORS' REPORT THEREON)

REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTARY INFORMATION

FOR

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

June 30, 2017 and 2016

Table of Contents

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, 2017 and 2016, 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, 2017 and 2016, 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 3–9 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 47–49 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 October 31, 2017, 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 solely 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 the effectiveness of 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
October 31, 2017

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, 2017 and 2016, respectively, was $390,223,232 and $361,712,419. Of this amount, $14,815,507 and $14,319,910, respectively, are invested in the Authority's capital assets, net of related debt, at June 30, 2017 and 2016. The Authority's net position decreased by $28,510,813 and $169,019,999 in the years ended June 30, 2017 and 2016, respectively.

The 2017 and 2016 fiscal years marked the fifteenth and fourteenth full years of operations for the Authority. The Authority earned $107,674,416 and $108,604,376 from use fees, container charges, and maintenance-of-way charges during fiscal years ended June 30, 2017 and 2016, respectively. The Authority's use fees and container charges for the year 2017 were less than the 2016 total by 0.7%. 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, 2017, 2016, and 2015:

	Year Ended June 30			Change Between 2017 and 2016	Change Between 2016 and 2015
	2017	2016	2015		
Assets					
Capital assets, net	$ 1,598,384,791	$ 1,619,413,295	$1,640,450,554	$ (21,028,504)	$ (21,037,259)
Other assets	217,131,724	208,455,018	314,350,204	8,676,706	(105,895,186)
Total assets	1,815,516,515	1,827,868,313	1,954,800,758	(12,351,798)	(126,932,445)
Deferred outflows of resources	20,464,996	21,550,240	196,611	(1,085,244)	21,353,629
Liabilities					
Long-term liabilities	2,171,477,106	2,170,567,053	2,079,148,645	910,053	91,418,408
Current liabilities	54,619,159	40,335,492	68,138,117	14,283,667	(27,802,625)
Total liabilities	2,226,096,265	2,210,902,545	2,147,286,762	15,193,720	63,615,783
Deferred inflows of resources	108,478	228,427	403,027	(119,949)	(174,600)
Net position					
Net investment in capital assets	14,815,507	14,319,910	155,907,566	495,597	(141,587,656)
Restricted for debt service	98,757,783	94,423,740	88,219,461	4,334,043	6,204,279
Restricted for capital projects	-	224,541	542,172	(224,541)	(317,631)
Restricted by Master Trust Indenture	66,146,811	57,688,600	74,479,257	8,458,211	(16,790,657)
Unrestricted (deficit)	(569,943,333)	(528,369,210)	(511,840,876)	(41,574,123)	(16,528,334)
Total net position	$ (390,223,232)	$ (361,712,419)	$ (192,692,420)	$ (28,510,813)	$ (169,019,999)

Capital Assets

Capital assets, net, made up of infrastructure and equipment, decreased by $21.0 million, or 1.3%, and $21.0 million, or 1.3%, between 2017 and 2016, and 2016 and 2015, respectively. These decreases are due primarily to depreciation of capital assets of $21.0 and $21.1 million in fiscal years 2017 and 2016, respectively,

Deferred Outflows of Resources

Deferred outflows of resources decreased by $1.1 million, or 5.0%, primarily due to amortization of discount premiums and/or discounts of 2016 bond refunding which offsets by net difference between projected and actual earnings on pension plan investments and pension contributions. The 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.

Other Assets

Other assets increased by $8.7 million, or 4.2%, during fiscal year 2017 primarily due to increases in restricted cash and investments due to lower debt service payments as a result of 2016 Bond refunding.

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 increased by $14.3 million, or 35.4%, and decreased by $27.8 million, or 40.8%, during the fiscal years ended June 30, 2017 and 2016, respectively.

The $14.3 million increase in fiscal year 2017 is primarily due to an increase in accrued short-term debt.

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.

Long-Term Liabilities

Long-term liabilities increased by $0.9 million, or 0%, in fiscal year 2017 compared to fiscal year 2016. The 2017 increase was due to the increase in bonds payable.

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.

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 $28.5 million, or 7.9%, and $169.0 million, or 87.7%, during the years ended June 30, 2017 and 2016, respectively. The change in net position was primarily the result of interest and operating expenses continuing to exceed operating income. In fiscal years 2017 and 2016, operating revenues of $107.7 million and $108.6 million, respectively, were sufficient to cover the interest expense of $104.6 million in 2017, but not sufficient for the $138.6 million in 2016. The remaining change is the result of depreciation of $21.0 million in fiscal year 2017 and $21.1 million in fiscal year 2016. In addition, in 2016, there was $99.5 million expense related to the adjustment in the carrying value of assets held for transfer and bond issuance costs of $11.1 million.

Summary of Changes in Net Position

The table below summarizes the changes in net position for the years ended June 30, 2017, 2016, and 2015:

	Year Ended June 30			Change	Change
	2017	2016	2015	Between 2017 and 2016	Between 2016 and 2015
Operating revenues					
Use fees and container charges	$ 102,802,942	$ 103,551,936	$ 105,518,770	$ (748,994)	$ (1,966,834)
Maintenance-of-way charges	4,871,474	5,052,440	4,856,519	(180,966)	195,921
Total operating revenues	107,674,416	108,604,376	110,375,289	(929,960)	(1,770,913)
Operating expenses					
Salaries and benefits	1,877,585	1,742,411	1,860,394	135,174	(117,983)
Administrative expenses and professional services	3,636,088	2,735,999	2,266,204	900,089	469,795
Maintenance-of-way charges	6,956,695	7,154,542	6,738,543	(197,847)	415,999
Depreciation	21,034,560	21,053,229	21,244,199	(18,669)	(190,970)
Total operating expenses	33,504,928	32,686,181	32,109,340	818,747	576,841
Operating income	74,169,488	75,918,195	78,265,949	(1,748,707)	(2,347,754)
Nonoperating revenues (expenses)					
Interest and investment income, net	1,635,412	3,375,680	2,413,719	(1,740,268)	961,961
Interest expense	(104,578,086)	(138,639,697)	(111,683,412)	34,061,611	(26,956,285)
Grant revenues	1,323,195	1,949,517	3,479,593	(626,322)	(1,530,076)
Miscellaneous revenues	621,419	1,009,872	193,220	(388,453)	816,652
Expenses for public benefit	(1,682,241)	(2,028,509)	(4,195,569)	346,268	2,167,060
Loss on sale and transfers of assets held for sale and transfer	-	-	(26,328,348)	-	26,328,348
Carrying value adjustment to assets held for transfer	-	(99,546,017)	-	99,546,017	(99,546,017)
Bond issuance costs	-	(11,059,040)	-	11,059,040	(11,059,040)
Total nonoperating expenses	(102,680,301)	(244,938,194)	(136,120,797)	142,257,893	(108,817,397)
Changes in net position	(28,510,813)	(169,019,999)	(57,854,848)	140,509,186	(111,165,151)
Net position, beginning of the year, as originally presented	(361,712,419)	(192,692,420)	(133,149,060)	(169,019,999)	(59,543,360)
Cumulative effect of change in accounting principle	-	-	(1,688,512)	-	1,688,512
Net position, beginning of the year, after cumulative effect	(361,712,419)	(192,692,420)	(134,837,572)	(169,019,999)	(57,854,848)
Net position, end of year	$ (390,223,232)	$ (361,712,419)	$ (192,692,420)	$ (28,510,813)	$ (169,019,999)

Operating Revenues

Use fees and container charges revenues, representing 95.5% and 95.3% of operating revenues, decreased by $0.7 million and $2.0 million, or 0.7% and 1.9%, in 2017 and 2016, respectively. The fiscal year 2016 decrease is primarily due to the ongoing volume decrease following the 2014/2015 productivity and labor disruption.

Operating Expenses

Operating expenses consist of salaries and benefits, administrative expenses, professional services, maintenance of way, and depreciation. During the year ended June 30, 2017, operating expenses increased by $0.8 million or 2.5%. The increase in 2017 is primarily related to increase of salaries and benefits, administrative expenses, and professional services which was offset by a decrease in maintenance-of-way charges. 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.

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 2017 decrease in nonoperating expenses of $142.3 million was primarily due to a $99.6 million carrying value adjustment to assets held for transfer and an $11.1 million debt issuance cost expense that occurred in 2016, but not 2017. Interest expense decreased by $34.1 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, investment income decreased by $1.7 million.

The 2016 increase in nonoperating expenses of $108.8 million was primarily due to the loss of $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 CABs interest on the 2004A defeased bonds and new 2016 bonds. Additionally, bond issuance costs relating to the May 2016 bond transaction, totaling $11.1 million, 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.

Capital Assets and Debt Administration

At June 30, 2017 and 2016, the Authority had approximately $1.60 billion and $1.62 billion, respectively, of capital assets, net of accumulated depreciation, and approximately $2.2 billion and $2.2 billion, respectively, in outstanding long-term debt.

Long-Term Debt

As of June 30, 2017 and 2016, the Authority's total long-term debt in revenue bonds was $1.689 billion and $1.728 billion. In addition, accrued interest payable was $460.8 million and $419.5 million, during fiscal years 2017 and 2016, respectively.

As of June 30, 2017, 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 of Los Angeles and Long Beach (collectively known as 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, 2017, approximately $1.330 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.

Other Developments (continued)

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 March 2020, with full closeout set to occur in late 2020.

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. 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. 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, 2017	June 30, 2016
CURRENT ASSETS		
Restricted cash and cash equivalents	$ 29,891,291	$ 26,639,953
Restricted investments	83,094,736	68,732,599
Receivables	11,370,587	10,969,030
Prepaid expenses	1,127,821	1,268,710
Total current assets	125,484,435	107,610,292
Restricted investments held with fiscal agent	8,136,078	10,106,159
Restricted investments	69,783,691	77,025,223
Assets held for transfer	13,347,625	13,347,625
Net OPEB asset	379,895	365,719
Capital assets not being depreciated	438,148,732	438,148,732
Capital assets, net of accumulated depreciation	1,160,236,059	1,181,264,563
Total assets	1,815,516,515	1,827,868,313
DEFERRED OUTFLOWS OF RESOURCES		
Charges on refunding	19,820,392	21,314,804
Pension contributions and differences in experience	644,604	235,436
Total assets and deferred outflows of resources	$ 1,835,981,511	$ 1,849,418,553

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	June 30, 2017	June 30, 2016
CURRENT LIABILITIES		
Accounts payable	$ 2,631,015	$ 2,645,749
Unearned revenue	1,329,353	1,059,468
Accrued interest payable, current portion	20,685,602	12,985,235
Revenue bonds payable, current portion	29,444,651	23,170,000
Other liabilities	528,538	475,040
Total current liabilities	54,619,159	40,335,492
Collateral deposit	8,136,078	10,106,159
Shortfall advances to Ports	11,934,966	11,874,268
Net pension liability	1,842,521	1,445,588
Accrued interest payable, net current portion	460,752,146	419,488,812
Revenue bonds payable, net of current portion and unamortized discount	1,688,811,395	1,727,652,226
Total liabilities	2,226,096,265	2,210,902,545
DEFERRED INFLOWS OF RESOURCES	108,478	228,427
NET POSITION		
Net investments in capital assets	14,815,507	14,319,910
Restricted, expendable for		
Debt service	98,757,783	94,423,740
Capital projects	-	224,541
Master Trust Indenture	66,146,811	57,688,600
Unrestricted (deficit)	(569,943,333)	(528,369,210)
Total net position	(390,223,232)	(361,712,419)
Total liabilities, deferred inflows of resources, and net position	$ 1,835,981,511	$ 1,849,418,553

See accompanying notes.

	Years Ended June 30,	
	2017	2016
OPERATING REVENUES		
Use fees and container charges	$ 102,802,942	$ 103,551,936
Maintenance-of-way charges	4,871,474	5,052,440
Total operating revenues	107,674,416	108,604,376
OPERATING EXPENSES		
Salaries and benefits	1,877,585	1,742,411
Administrative expenses	2,100,338	1,483,085
Professional services	1,535,750	1,252,914
Maintenance of way	6,956,695	7,154,542
Depreciation	21,034,560	21,053,229
Total operating expenses	33,504,928	32,686,181
Operating income	74,169,488	75,918,195
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue, net	1,635,412	3,375,680
Grant revenues	1,323,195	1,949,517
Miscellaneous revenue	621,419	1,009,872
Interest expense	(104,578,086)	(138,639,697)
Expenses for public benefit	(1,682,241)	(2,028,509)
Costs of issuance	-	(11,059,040)
Extraordinary expenses-transferred ROW	-	(99,546,017)
Total nonoperating expenses, net	(102,680,301)	(244,938,194)
Changes in net position	(28,510,813)	(169,019,999)
NET POSITION, beginning of the year	(361,712,419)	(192,692,420)
NET POSITION, end of year	$ (390,223,232)	$ (361,712,419)

See accompanying notes.

Alameda Corridor Transportation Authority
Statements of Cash Flows

	Years Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers for services	$ 107,258,423	$ 114,883,574
Payment to suppliers for goods and services	(10,466,628)	(8,984,637)
Payments to employees	(1,970,447)	(1,907,003)
Net cash provided by operating activities	94,821,348	103,991,934
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant receipts	1,590,360	2,950,467
Payments for legal and other costs for the transfer of assets held for transfer.	-	(710,715)
Payments for expenses for public benefit	(1,682,241)	(2,028,509)
Receipts for miscellaneous income	621,419	1,364,239
Net cash provided by noncapital financing activities	529,538	1,575,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(6,056)	(15,970)
Proceeds placed in escrow for bond defeasance and principal paid on notes and bonds payable	(21,827,076)	(591,129,354)
Proceeds from advanced refunding	-	687,054,612
Payments for debt issuance costs	-	(11,059,040)
Interest payments on capital debt	(64,798,379)	(193,788,534)
Net cash used in capital and related financing activities	(86,631,511)	(108,938,286)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(242,896,932)	(200,285,561)
Sales of investments	235,776,327	212,701,799
Interest received	1,652,568	3,535,970
Net cash (used in) provided by investing activities	(5,468,037)	15,952,208
NET INCREASE IN RESTRICTED CASH AND CASH EQUIVALENTS	3,251,338	12,581,338
RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	26,639,953	14,058,615
RESTRICTED CASH AND CASH EQUIVALENTS, end of year	$ 29,891,291	$ 26,639,953

See accompanying notes.

	Years Ended June 30, 2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 74,169,488	$ 75,918,195
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	21,034,560	21,053,229
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables	(415,993)	6,279,198
Prepaid expenses	140,889	125,731
Net OPEB asset	(14,176)	(9,844)
Deferred outflows/inflows of resources	(529,117)	(213,425)
Accounts payable	(14,734)	780,173
Net pension liability	396,933	7,580
Other liabilities	53,498	51,097
Net cash provided by operating activities	$ 94,821,348	$ 103,991,934
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Losses on carrying value adjustment to assets held for transfer	$ -	$ 99,546,017

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, 2017, the members of the Authority's Governing Board were the following:

Chairperson – Mr. Joe Buscaino, Council member, City of Los Angeles
Vice Chairperson – Ms. Suzie Price, Council member, City of Long Beach
Member – Hon. Janice Hahn, Supervisor, County of Los Angeles and Chairperson, LACMTA
Member – Ms. Lori Ann Guzman, Commissioner, Port of Long Beach
Member – Mr. Eugene Seroka, Executive Director, Port of Los Angeles
Member – Mr. Mario Cordero, Executive Director, 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, 2018.

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. On December 15, 2016, an Amended and Restated Alameda Corridor Use and Operating Agreement was executed by and among the Ports, the Railroads, and ACTA, which, among other things, incorporates the amendments set forth in the First Amendment dated as of July 5, 2006; replaces the Operating Committee with direct decision making authority by the Ports and Railroads for the management of Alameda Corridor maintenance and operations; and removes construction related provisions and updates certain other provisions to reflect current conditions and practices. Dissolving the Operating Committee and modifying the decision making process did not have any impact on the day-to-day operation of the Alameda Corridor or the collection of ACTA's revenues. 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 $66,146,811 and $57,688,600 as of June 30, 2017 and 2016, 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.

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

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.

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, 2017 and 2016. 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
Highway bridge structures	100 years
Trench structures	100 years
Rail bridge structures	100 years

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

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.

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. As of June 30, 2017, the monies restricted for capital projects have been fully expended. 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, 2017, is a negative $390.2 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, 2017 and 2016, 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 $250,502 and $229,901 as of June 30, 2017 and 2016, 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, 2017 and 2016, the carrying value was $8,136,078 and $10,106,159, respectively, 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, 2017 and 2016, are classified in the accompanying basic financial statements as follows:

	June 30, 2017 Fair Value	June 30, 2016 Fair Value
Current restricted cash and cash equivalents	$ 29,891,291	$ 26,639,953
Current restricted investments	83,094,736	68,732,599
Noncurrent restricted investments held with fiscal agent	8,136,078	10,106,159
Noncurrent restricted investments	69,783,691	77,025,223
Total restricted cash, cash equivalents, and investments	$ 190,905,796	$ 182,503,934

Deposits – At June 30, 2017 and 2016, the net carrying amount of the Authority's deposit account with Bank of America was $430,367 and $1,216,594, while the corresponding bank balance was $457,947 and $1,268,569, 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. Amounts up to $10 million can be withdrawn on demand. At June 30, 2017 and 2016, the balance of such deposits is $8,439,596 and $8,348,106, 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	5 years	None	None
U.S. local agency bonds, notes, or warrants	5 years	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
Supernationals - U.S. Denominated	5 years	30%	10%

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	5 years	None	None
State warrants or bonds	5 years	None	None
U.S. local agency bonds, notes, or warrants	5 years	None	None
Federal Agency obligations	5 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	5 years	50%	20%
Mortgage- or asset-backed securities	5 years	20%	None

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

	2017		2016	
	Reported Amount	Weighted-Average Maturity (in Years)	Reported Amount	Weighted-Average Maturity (in Years)
Cash and investment type				
Cash	$ 430,867	-	$ 1,217,094	-
Money market fund	13,192,963	-	11,792,095	-
LAIF	8,439,596	-	8,348,106	-
U.S. Treasury notes	61,103,224	1.36	42,366,891	1.53
U.S. corporate notes	19,782,872	1.66	17,995,352	1.84
Commercial paper	1,699,468	0.20	972,348	0.30
Federal agency obligations	86,256,806	1.54	99,812,048	1.52
	$ 190,905,796		$ 182,503,934	

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, 2017								
Investment type	AAA / AA+	AA	AA- / A+	A	A-	A-1+	A-1	NR	Total
Cash and money market	$ 13,192,963	$ -	$ -	$ -	$ -	$ -	$ -	$ 430,867	$ 13,623,830
LAIF	-	-	-	-	-	-	-	8,439,596	8,439,596
U.S. Treasury notes	55,329,401	-	-	-	-	5,773,823	-	-	61,103,224
U.S. corporate notes	1,535,718	1,597,725	8,951,018	7,698,411	-	-	-	-	19,782,872
Commercial paper	-	-	-	-	-	566,115	1,133,353	-	1,699,468
Federal agency obligations	51,652,676	-	-	-	-	34,604,130	-	-	86,256,806
Total	$ 121,710,758	$ 1,597,725	$ 8,951,018	$ 7,698,411	$ -	$ 40,944,068	$ 1,133,353	$ 8,870,463	$ 190,905,796

	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

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	
		2017	2016
Federal Home Loan Bank	Federal agency obligations	$ 23,189,107	$ 22,368,653
Federal National Mortgage Association	Federal agency obligations	45,513,391	44,802,644
Federal Home Loan Mortgage Corporation	Federal agency obligations	15,132,420	29,380,737
		$ 83,834,918	$ 96,552,034

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.

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, 2017 and 2016.

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, 2017 and 2016.

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments				
Commercial paper				
Domestic	$ 1,699,468	$ -	$ 1,699,468	$ -
Federal agencies and municipalities				
U.S. Treasury notes	61,103,224	-	61,103,224	-
U.S. corporate notes	19,782,872	-	19,782,872	-
Federal agency obligations	86,256,806	-	86,256,806	-
	168,842,370	$ -	$ 168,842,370	$ -
Cash and equivalents not measured at fair value				
Cash	430,867			
LAIF	8,439,596			
Money market fund	13,192,963			
	$ 190,905,796			

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments				
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	-
	161,146,639	$ -	$ 161,146,639	$ -
Cash and equivalents not measured at fair value				
Cash	1,217,094			
LAIF	8,348,106			
Money market fund	11,792,095			
	$ 182,503,934			

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	
	2017	2016
Grants receivable	$ 732,413	$ 729,693
Interest receivable	678,892	696,048
Use fees and other receivables	9,959,282	9,543,289
Total	$ 11,370,587	$ 10,969,030

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. No transfers took place during fiscal year 2017 that had an associated monetary value.

The following schedule summarizes assets held for transfer for the years ended June 30, 2017 and 2016:

	Balance, June 30, 2016	Additions	Sales/Transfers	Balance, June 30, 2017
Assets held for sale and transfer	$ 13,347,625	$ -	$ -	$ 13,347,625

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

Note 5 – Capital Assets

The following schedule summarizes capital assets for the years ended June 30, 2017 and 2016:

	Balance, June 30, 2016	Additions	Deletions	Balance, June 30, 2017
Buildings and equipment				
Automotive vehicles	$ 20,524	$ -	$ (20,524)	$ -
Office equipment	305,860	6,056	(23,614)	288,302
Buildings	1,102,594	-	-	1,102,594
Revenue assessment and verification system and other software	7,050,307	-	-	7,050,307
Total buildings and equipment	8,479,285	6,056	(44,138)	8,441,203
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	1,914,866,019	6,056	(44,138)	1,914,827,937
Less accumulated depreciation for				
Trench structures	(145,821,522)	(10,430,222)	-	(156,251,744)
Track and signals	(42,047,314)	(3,309,085)	-	(45,356,399)
Rail bridge structures	(73,540,150)	(5,292,827)	-	(78,832,977)
Highway bridge structures	(26,154,263)	(1,948,030)	-	(28,102,293)
Automotive vehicles	(20,524)	-	20,524	-
Office equipment	(288,604)	(11,578)	23,614	(276,568)
Buildings	(548,234)	(36,753)	-	(584,987)
Revenue assessment and verification system and other software	(7,032,113)	(6,065)	-	(7,038,178)
Total accumulated depreciation	(295,452,724)	(21,034,560)	44,138	(316,443,146)
Capital assets, net	$ 1,619,413,295	$ (21,028,504)	$ -	$ 1,598,384,791

Note 5 – Capital Assets (continued)

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 6 – Bonds Payable

The 1999A Series Senior Lien Tax-Exempt Bonds (1999A Bonds), the 1999C Senior Lien Taxable Bonds (1999C 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.

As of June 30, 2017 and 2016, the unamortized premium and discount balance on the 1999A and 1999C, 2004A and 2004B, 2013A, and 2016A and 2016B Bonds was $114,866,369 and $124,262,549, respectively.

Long-term liability activity for the years ended June 30, 2017 and 2016, was as follows:

	Balance, June 30, 2016	Additions	Payments	Balance, June 30, 2017	Due Within One Year
Bonds payable					
1999A Bonds	$ 50,453,617	$ -	$ -	$ 50,453,617	$ -
1999C Bonds	473,033,396	-	(23,170,000)	449,863,396	25,175,000
2004A Bonds	48,765,254	-	-	48,765,254	4,269,651
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	1,626,559,677	-	(23,170,000)	1,603,389,677	29,444,651
Less unamortized bond premium (discounts)	124,262,549	-	(9,396,180)	114,866,369	-
Accrued interest payable	432,474,047	112,419,156	(63,455,455)	481,437,748	20,685,602
Net long-term liabilities	$ 2,183,296,273	$ 112,419,156	$ (96,021,635)	$ 2,199,693,794	$ 50,130,253

Note 6 – Bonds Payable (continued)

	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
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

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, 2017 and 2016, are $50,453,617 and $81,297,625, and $50,453,617 and $74,605,631, 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)			
2028 - 2032	$ 14,298,474	$ 61,326,526	$ 75,625,000
2033 - 2037	30,751,197	165,033,803	195,785,000
2038	5,403,946	34,936,054	40,340,000
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 $382,565,000 at June 30, 2017. 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)			
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	-	19,831,680	19,831,680
2023 - 2027	151,920,000	80,077,800	231,997,800
2028 - 2032	148,560,000	15,196,500	163,756,500
Total	$ 382,565,000	$ 202,723,289	$ 585,288,289

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, 2017 and 2016, are $67,298,396 and $163,967,127 and $67,298,396 and $148,979,519, 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	7,350,591	25,269,409	32,620,000
2023 - 2027	6,993,264	26,151,736	33,145,000
2028 - 2032	13,320,113	102,004,887	115,325,000
2033 - 2037	27,335,658	271,219,342	298,555,000
2038	4,589,634	56,925,366	61,515,000
Total	$ 67,298,396	$ 505,961,604	$ 573,260,000

Note 6 – Bonds Payable (continued)

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 were 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)			
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	-	-	-
2023 - 2027	-	-	-
2028 - 2032	36,349,420	121,330,580	157,680,000
Total	$ 48,765,254	$ 134,374,745	$ 183,139,999

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 at June 30, 2017 and 2016.

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

Note 6 – Bonds Payable (continued)

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 $167,508,301 and $131,132,410 and $149,410,784, 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)			
2023 - 2027	$ 25,085,189	$ 75,589,810	$ 100,674,999
2028 - 2032	72,790,086	272,884,914	345,675,000
2033 - 2037	33,257,135	168,087,865	201,345,000
Total	$ 131,132,410	$ 516,562,589	$ 647,694,999

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.

Note 6 – Bonds Payable (continued)

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
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	-	2,059,266	2,059,266
2023 - 2027	38,760,000	8,319,058	47,079,058
2028 - 2032	33,835,000	3,272,761	37,107,761
2033 - 2037	11,115,000	374,474	11,489,474
Total	$ 83,710,000	$ 22,262,623	$ 105,972,623

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, 2017 and June 30, 2016. 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.

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
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	18,710,000	9,888,700	28,598,700
2023 - 2027	114,135,000	33,624,025	147,759,025
2028 - 2032	86,870,000	5,856,031	92,726,031
Total	$ 248,325,000	$ 95,245,306	$ 343,570,306

Note 6 – Bonds Payable (continued)

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 on June 30, 2017 and June 30, 2016. 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)			
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	5,685,000	1,494,000	7,179,000
2023 - 2027	28,595,000	2,497,950	31,092,950
Total	$ 34,280,000	$ 10,422,750	$ 44,702,750

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 $1,494,412 and $151,488 for the years ended June 30, 2017 and 2016, respectively. The remaining portion is included in deferred outflows of resources on the accompanying statements of net position, in the amount of $19,820,392 and $21,314,804 at June 30, 2017 and 2016, respectively.

Note 6 – Bonds Payable (continued)

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 $556,860,000 on June 30, 2017 and June 20, 2016, 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)			
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	-	26,174,250	26,174,250
2023 - 2027	-	130,871,250	130,871,250
2028 - 2032	-	130,871,250	130,871,250
2033 - 2037	407,920,000	103,008,125	510,928,125
2038	148,940,000	3,548,500	152,488,500
Total	$ 556,860,000	$ 499,170,375	$ 1,056,030,375

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

	June 30, 2017		
	Current Interest Bond	Long-Term CABs	Total
1999A Bonds	$ -	$ 81,297,625	$ 81,297,625
1999C Bonds	6,291,800	163,967,127	170,258,927
2004A Bonds	3,985,349	47,979,094	51,964,443
2004B Bonds	-	167,508,300	167,508,300
2012 Bonds	516,227	-	516,227
2013A Bonds	2,946,738	-	2,946,738
2016A Bonds	401,925	-	401,925
2016B Bonds	6,543,563	-	6,543,563
Total	$ 20,685,602	$ 460,752,146	$ 481,437,748

Note 6 – Bonds Payable (continued)

	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

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

	Annual Debt Service Requirement		
	Principal	Interest	Total
Fiscal year(s)			
2018	$ 29,444,650	$ 69,962,533	$ 99,407,183
2019	32,995,584	70,290,675	103,286,259
2020	42,611,850	64,419,655	107,031,505
2021	25,767,886	85,620,889	111,388,775
2022	31,745,591	84,717,305	116,462,896
2023 - 2027	365,488,453	357,131,630	722,620,083
2028 - 2032	406,023,092	712,743,450	1,118,766,542
2033 - 2037	510,378,990	707,723,609	1,218,102,599
2038	158,933,581	95,409,919	254,343,500
Total	$ 1,603,389,677	$ 2,248,019,665	$ 3,851,409,342

Note 7 – Operating Leases

ACTA leases office space, three vehicles, and a postage machine under operating lease agreements. Total lease expense amounted to approximately $243,324 and $226,056 in the fiscal years ended June 30, 2017 and 2016, respectively. There will be rent abatement for three months from September 2017 to November 2017. Minimum future lease payments on existing noncancelable leases as of June 30, 2017, are as follows:

2018	$	192,285
2019		249,321
2020		167,189
Total minimum lease payments	$	608,795

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. No liability was recorded for the years ended June 30, 2017 and 2016.

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, 2017, 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	8.880%	6.555%
Employer annual lump sum prepayment	$ 124,441	$ -

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 years ended June 30, 2017 and 2016, the contributions recognized as part of pension expense for the Plan were $112,143 and $196,611, respectively.

The Authority reported net pension liability for its proportionate shares of the net pension liability of each Plan as follows:

	June 30, 2017	June 30, 2016
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
Net pension liability as reported by CalPERS	$ 1,842,521	$ 1,445,588
Adjustment to reported value	-	-
Total net pension liability	$ 1,842,521	$ 1,445,588

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, 2016, 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, 2015, rolled forward to June 30, 2016, 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, 2015 and 2016, 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, 2015	$ 7,301,772	$ 5,856,184	$ 1,445,588	$ -	$ 1,445,588
Balance at June 30, 2016	7,826,401	5,983,880	1,842,521	-	1,842,521
Net changes during 2015-16	524,629	127,696	396,933	-	396,933

Note 9 – Pension Plan (continued)

For the years ended June 30, 2017 and 2016, the Agency recognized pension expense of $132,183 and $216,007, respectively. At June 30, 2017, 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	$ 7,989	$ (1,831)
Changes in assumptions	-	(75,586)
Net difference between projected and actual earnings on Plan investments	393,399	-
Change in employer's proportion	-	(28,238)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(2,823)
Pension contributions subsequent to measurement date	243,216	-
Total	$ 644,604	$ (108,478)

The $243,216 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Fiscal Year Ended June 30
2018	$ (431)
2019	15,117
2020	176,330
2021	101,895
2022	-
	$ 292,911

Note 9 – Pension Plan (continued)

Actuarial assumptions – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Investment rate of return	7.65%

1) The mortality table includes 20 years of mortality improvements using Society of Actuaries Scale BB. The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2015, 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	20.00%	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	1.00%	-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	$ 2,896,199
Current discount rate	7.65%
Net pension liability, as adjusted	$ 1,842,521
1% increase	8.65%
Net pension liability	$ 971,709

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 2017, the Authority contributed $94,915 to the Plan, including $14,915 for current benefit payments and administrative fees, and $80,000 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	$	(63,000)
Interest on net OPEB asset		22,857
Adjustment to annual required contribution		(40,597)
Annual OPEB cost		(80,740)
Contributions		94,915
Increase in net OPEB asset		14,175
Net OPEB asset, beginning of year		365,720
Net OPEB asset, end of year	$	379,895

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2017 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, 2015	$	131,049	94%	$	355,875
June 30, 2016		80,464	112%		365,720
June 30, 2017		80,740	118%		379,895

Funded status and funding progress (OPEB) – The funded status of the plan as of June 30, 2017, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$	1,456,000
Actuarial value of plan assets		1,743,000
Unfunded (overfunded) actuarial accrued liability (UAAL)	$	(287,000)
Funded ratio (actuarial value of plan assets/AAL)		120%
Covered payroll (active plan members)	$	1,337,670
UAAL as a percentage of covered payroll		-21%

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, 2017, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.50% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, a 2.75% general inflation assumption, an annual pre-Medicare eligible medical cost trend rate of 7.5% for 2019 decreasing to 6.75% after 4 years (the post-Medicare eligible medical cost trend rate started 1% lower for 2019). 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, 2017, UAAL was amortized as a level percentage of projected payroll over 12 years from June 30, 2017.

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.

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.

Note 11 – Commitments and Contingencies (continued)

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

	6/30/2017	6/30/2016	6/30/2015
Plan’s proportion of the net pension liability/(asset)	0.02129%	0.02106%	0.02327%
Plan’s proportionate share of the net pension liability/(asset)	$ 1,842,521	$ 1,445,588	$ 1,438,008
Plan’s covered-employee payroll	$ 1,318,017	$ 1,259,844	$ 1,207,037
Plan’s proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	139.79%	114.74%	119.14%
Plan’s proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	79.44%
Plan’s proportionate share of aggregate employer contributions	$ 222,835	$ 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.

	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	$ 243,216	$ 222,836	$ 196,611
Contributions in relation to the actuarially determined contribution	(243,216)	(222,836)	(196,611)
Contribution deficiency/(excess)	$ -	$ -	$ -
Covered-employee payroll	$ 1,337,670	$ 1,318,017	$ 1,259,844
Contributions as a percentage of covered-employee payroll	18.18%	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.

Alameda Corridor Transportation Authority
Schedule of Funding Progress for Other Postemployment Benefits
June 30, 2017

	Funding History					
OPEB Biennial Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Accrued Liabilities (AL)	Unfunded/(Overfunded) Liabilities (UAL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UAL as % of Payroll
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%
June 30, 2017	1,743,000	1,456,000	(287,000)	120%	1,337,670	-21%

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, 2017 AND 2016 (WITH INDEPENDENT AUDITORS' REPORT THEREON)

PORT OF LOS ANGELES

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA

Comprehensive Annual Financial Report
June 30, 2017 and 2016

THE PORT
OF LOS ANGELES

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

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2017 and 2016

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Prepared by: Finance and Administration Bureau of Port of Los Angeles

INTRODUCTORY SECTION

THE PORT OF LOS ANGELES
425 S. Palos Verdes Street Post Office Box 151 San Pedro, CA 90733-0151 TEL/TDD 310 SEA-PORT www.portoflosangeles.org

December 18, 2017

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(the Port), Harbor Department of the City of Los Angeles, California (the City), for the years ended June 30, 2017 and 2016, is hereby submitted.

Introduction

The management of 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, 2017 and 2016, 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 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, Basic Financial Statements, and Required Supplementary Information. Management's Discussion and Analysis presents a comparative review of financial position and changes in financial position for fiscal years 2017, 2016, and 2015. 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 basic financial statements are prepared on an accrual basis and use an economic resources measurement focus. The basic financial statements comprise the statements of net position that present the financial position as of June 30, 2017 and 2016, statements of revenues, expenses, and changes in net position depicting financial performance for fiscal years 2017 and 2016, 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 2017 and 2016, and notes to the basic financial statements. The accompanying notes to the basic 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 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, approved by the Mayor and confirmed by the City Council (the Council).

Most of the properties on which the Port's land, docks, wharves, transit sheds, terminals and other facilities are located is owned by the State and administered 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.

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 basic 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 of External Affairs 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, commercial fishing operations, cruise operations, restaurants, and recreational facilities.

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.

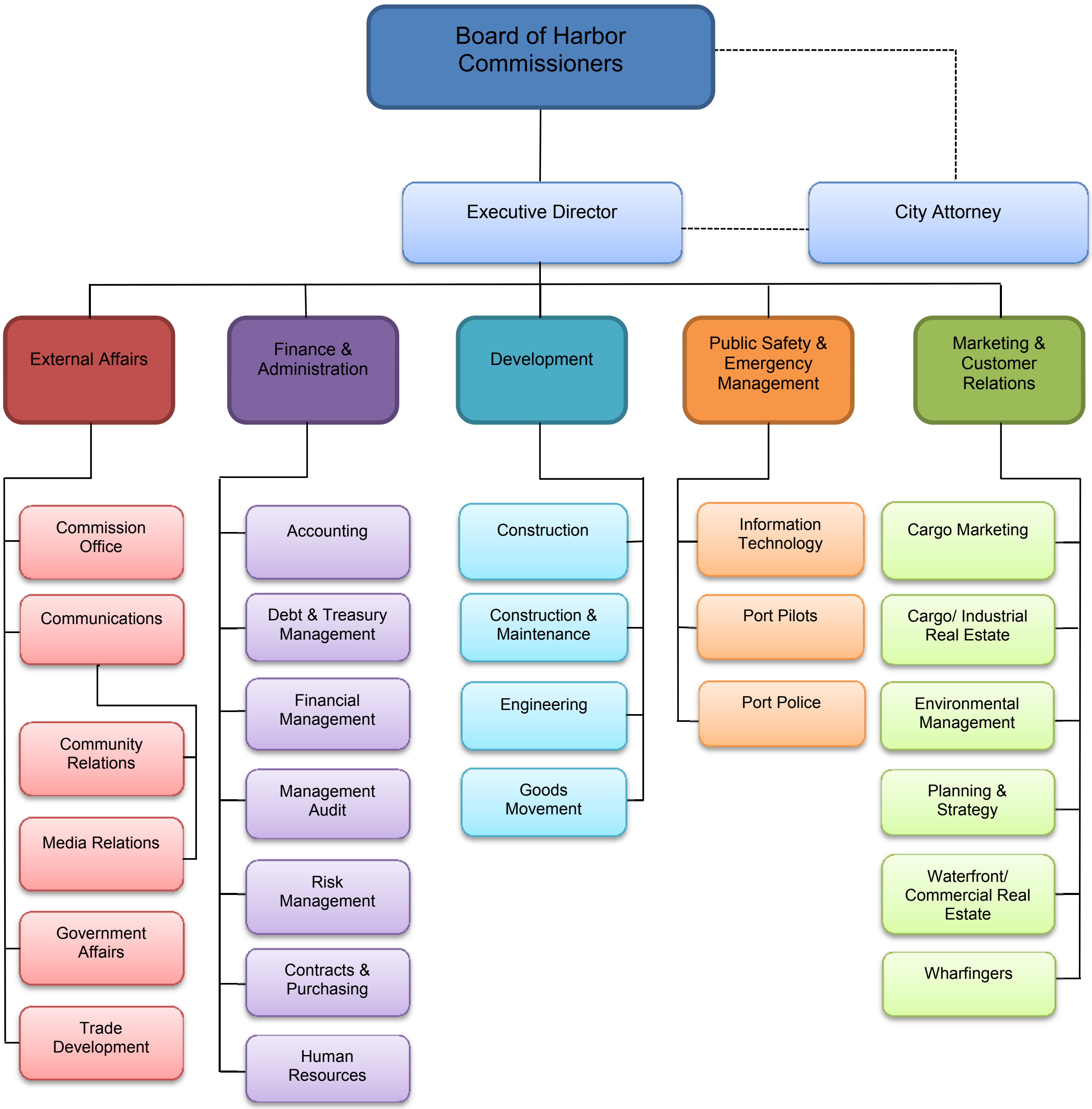
Publication of this CAFR is a reflection of the excellence and professionalism of the Port's entire staff. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Bureau. We wish to thank all Port's divisions for their assistance in providing the data necessary to prepare this report.

Sincerely,

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)
Organizational Chart
Fiscal Year 2016-2017



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

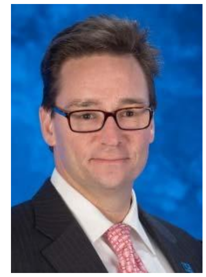
BOARD OF HARBOR COMMISSIONERS

Ambassador Vilma S. Martinez
President

David Arian
Vice President

Lucia Moreno-Linares
Commissioner

Anthony Pirozzi, Jr.
Commissioner



Edward R. Renwick
Commissioner

SENIOR MANAGEMENT

Eugene D. Seroka
Executive Director

Vacant
Deputy Executive Director
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

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. John Dwyer
Pilot Service

Capt. David Craig Flinn
Pilot Service

Michael Galvin
Director of Waterfront & Commercial Real Estate

Jack Hedge
Director of Cargo/Industrial Real Estate

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

Tim Clark
Director of Construction & Maintenance

Kathy Merkovsky
Director of Risk Management

Jim Olds
Director of Management Audits

Timothy Riley
Assistant Chief of Port Police

Soheila Sajadian
Director of Debt & Treasury Management

Phillip Sanfield
Director of Media Relations

Shaun Shahrestani
Chief Harbor Engineer of Construction

Jeffrey Strafford
Director of Financial Management

Dave Walsh
Chief Harbor Engineer of Design

Damien Young
Interim Chief Wharfinger

CITY ATTORNEY STAFF

Janna Sidley
General Counsel

FINANCIAL SECTION

Certified Public Accountants

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 years ended June 30, 2017 and 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 audits. We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the financial position of the Port, as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
777 S. Figueroa Street, Suite 2500
Los Angeles, CA 90017

www.mgocpa.com

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, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the fiscal years 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 related ratios and schedule of contributions, 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 18, 2017 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. The purpose of that report is solely 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 the Port's 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 18, 2017

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, 2017 and 2016. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-3 and the Port's basic 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, 2017 and 2016. 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 Basic 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.

Continued…..

Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City of Los Angeles, California (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 basic financial statements on pages 47 to 103 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights for Fiscal Year 2017

- Current assets exceeded current liabilities by $495.1 million.
- Capital assets, net of accumulated depreciation and amortization of $2.0 billion amounted to $3.9 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.3 billion.
- Bonded debt net of unamortized discounts/premiums of $77.6 million, totaled $969.3 million.
- Operating revenue amounted to $474.5 million.
- Net operating expenses excluding depreciation of $172.9 million amounted to $227.7 million.
- Capital contributions amounted to $18.8 million.

Continued…..

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 $436.1 million.
- Net operating expenses excluding depreciation of $163.9 million amounted to $226.3 million.
- Capital contributions amounted to $40.5 million.

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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, 2017, 2016, and 2015 (in thousands):

Condensed Net Position

				Increase (Decrease) Over Prior Year	
	FY 2017	FY 2016	FY 2015	FY 2017	FY 2016
Assets					
Current and other assets	$ 753,106	$ 634,124	$ 637,824	$ 118,982	$ (3,700)
Capital assets, net	3,925,084	3,950,902	3,912,136	(25,818)	38,766
Total assets	4,678,190	4,585,026	4,549,960	93,164	35,066
Deferred outflows of resources	79,575	44,857	50,714	34,718	(5,857)
Liabilities					
Current liabilities	180,120	164,471	176,498	15,649	(12,027)
Long-term liabilities	1,282,205	1,281,576	1,317,027	629	(35,451)
Total liabilities	1,462,325	1,446,047	1,493,525	16,278	(47,478)
Deferred inflows of resources	30,042	21,881	44,250	8,161	(22,369)
Net position					
Net investment in capital assets	2,972,442	2,945,412	2,856,561	27,030	88,851
Restricted for debt service	62,255	66,599	68,373	(4,344)	(1,774)
Unrestricted	230,701	149,944	137,965	80,757	11,979
Total net position	$ 3,265,398	$ 3,161,955	$ 3,062,899	$ 103,443	$ 99,056

Net Position, Fiscal Year 2017

The largest portion of the Port's net position ($3.0 billion or 91.0%) 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 ($62.3 million or 1.9%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $230.7 million or 7.1% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $119.0 million or 18.8% from $634.1 million in fiscal year 2016 to $753.1 million in fiscal year 2017. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

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 increase of $135.1 million from $572.4 million at June 30, 2016 to $707.5 million at June 30, 2017 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash was driven higher over the course of the fiscal year as record cargo volumes drove operating income to levels which more than sufficiently covered annual capital spending and debt service obligations. In addition, unrestricted cash was driven higher by the receipt of one-time legal settlement awards and insurance settlement proceeds. At June 30, 2017, the Port's share in the fair value measurement of the City's pooled investments reflected a decline of $0.1 million. The Port reported additional investments of $34.8 million from its share in the City's investment purchases on June 30, 2017, and $4.4 million in securities lending transactions.

Grants receivable decreased by $9.2 million as grant funded projects progressed over the course of the fiscal year and their associated grant funds were drawn down.

Capital assets, net of depreciation decreased by $25.8 million due to the salvage of old cranes and lower spending on certain projects at Trapac, cruise and WWL Auto terminals.

Current liabilities increased by $15.6 million or 9.5% mainly due to an increase in other current liabilities for the Port's share in the City's investment purchases on June 30, 2017 settled subsequently in the next fiscal year.

Long-term liabilities increased by $0.6 million as increases in long-term environmental remediation obligations and net pension liabilities slightly exceeded the decline in bonds payable arising from the customary repayment of principal in conjunction with the Port's annual servicing of its debt.

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 the debt service reserve fund. 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.

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.

Continued…..

Grants receivable increased by $5.1 million mainly because more eligible projects were completed and 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.

Continued…..

Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2017, 2016 and 2015 (in thousands):

Condensed Changes in Net Position

				Increase (Decrease) Over Prior Year	
	FY 2017	FY 2016	FY 2015	FY 2017	FY 2016
Operating revenue	$ 474,532	$ 436,126	$ 446,895	$ 38,406	$ (10,769)
Less: Operating expenses	227,675	226,261	234,249	1,414	(7,988)
Operating income before depreciation and amortization	246,857	209,865	212,646	36,992	(2,781)
Less: Depreciation and amortization	172,895	163,933	137,384	8,962	26,549
Operating income	73,962	45,932	75,262	28,030	(29,330)
Net nonoperating revenue (expenses)	1,530	7,512	5,293	(5,982)	2,219
Income before capital contributions	75,492	53,444	80,555	22,048	(27,111)
Capital contributions	18,801	40,489	111,852	(21,688)	(71,363)
Extraordinary Item	9,150	5,123	--	4,027	5,123
Changes in net position	103,443	99,056	192,407	4,387	(93,351)
Net position, July 1	3,161,955	3,062,899	3,064,554	99,056	(1,655)
Cumulative effect of change in accounting principles	--	--	(194,062)	--	194,062
Net position, July 1, restated	3,161,955	3,062,899	2,870,492	99,056	192,407
Net position, June 30	$ 3,265,398	$ 3,161,955	$ 3,062,899	$ 103,443	$ 99,056

Changes in Net Position, Fiscal Year 2017

Net position for the Port posted a $103.4 million or 3.3% increase in fiscal year 2017. Approximately $449.5 million or 94.7% 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 $1.4 million in fiscal year 2017 compared to the previous fiscal year.

Depreciation expense increased by $9.0 million to $172.9 million in fiscal year 2017 from $163.9 million in fiscal year 2016, primarily due to the completion of capital projects that have been put into service in recent years.

Nonoperating revenues for fiscal year 2017 totaled $13.2 million, while nonoperating expenses were $11.7 million, thereby resulting in net nonoperating revenue of $1.5 million. Nonoperating revenues of $13.2 million include: $2.2 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $1.1 million from interest and investment income from the Port's cash in the City's pooled investments, $1.2 million from noncapital grants, $7.9 million from pass through grant revenue, as well as $0.8 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating

Continued…..

expenses of $11.7 million include $0.6 million of interest on indebtedness, $7.9 million from pass through grant expenditures, $0.8 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, 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 $22.1 million or 41.3% to $75.5 million in fiscal year 2017 from $53.4 million in fiscal year 2016.

Capital contributions of $18.8 million represented funds for capital grants obtained in fiscal year 2017, and decreased by $21.7 million compared to the $40.5 million received in fiscal year 2016. Capital grant reimbursements in fiscal year 2017 funded initiatives such as the Yusen Terminal Efficiency Enhancements and Truck Trip Redesign Program ($7.7 million), I-110/C-Street Access Ramp Improvements ($4.5 million), I-110/SR-47/Harbor Boulevard Connectors ($2.3 million), Trapac Terminal Construction ($1.5 million), the South Wilmington Grade Separation ($1.4 million), San Pedro Waterfront Development ($0.7 million) and Rail Yard Track Connections at Berth 200 ($0.7 million).

Insurance recovery for the fire damage to Berths 177-178 and a portion of Berth 179 in 2014 in the amount of $9.2 million was received in fiscal year 2017 and reflected as Extraordinary Item. See page 103 of this report for additional information.

Changes in Net Position, 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 95.2% 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 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 $27.1 million or 33.7% to $53.4 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).

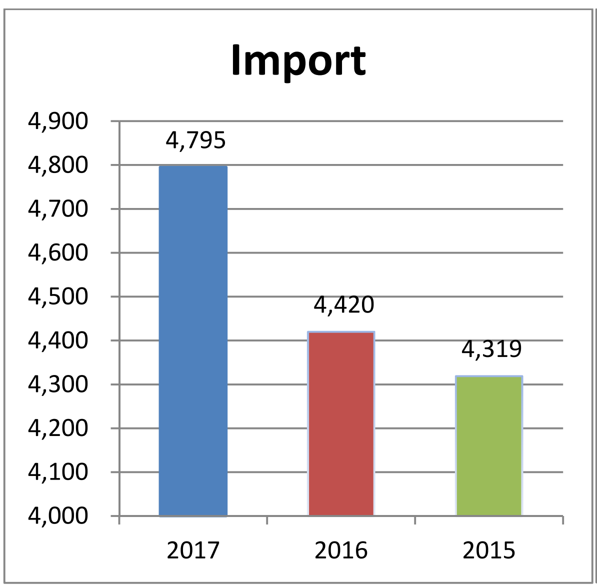
Insurance recovery for the fire damage to Berths 177-178 and a portion of Berth 179 in 2014 in the amount of $5.1 million was received in fiscal year 2016 and reflected as Extraordinary Item. See page 103 of this report for additional information.

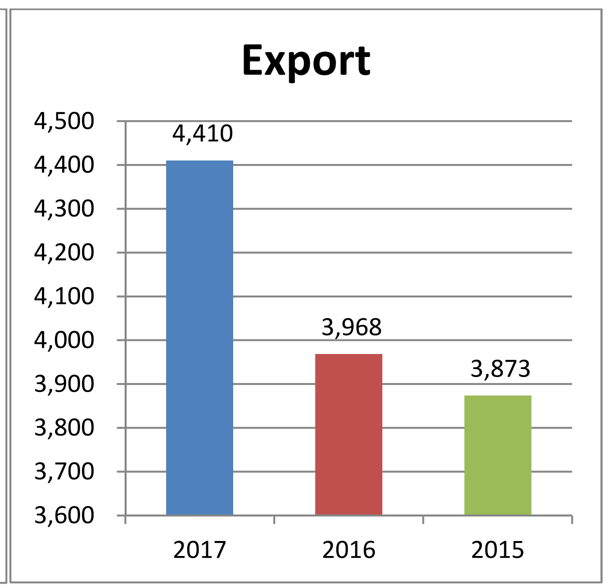
Operating Revenue

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 2017	FY 2016	FY 2015	FY 2017	FY 2016
Import	4,795	4,420	4,319	8.5%	2.3%
Export	4,410	3,968	3,873	11.1%	2.5%
Total	9,205	8,388	8,192	9.7%	2.4%

Following is the graphical presentation of the Port's container counts (in thousands TEUs) for fiscal years 2015 to 2017:





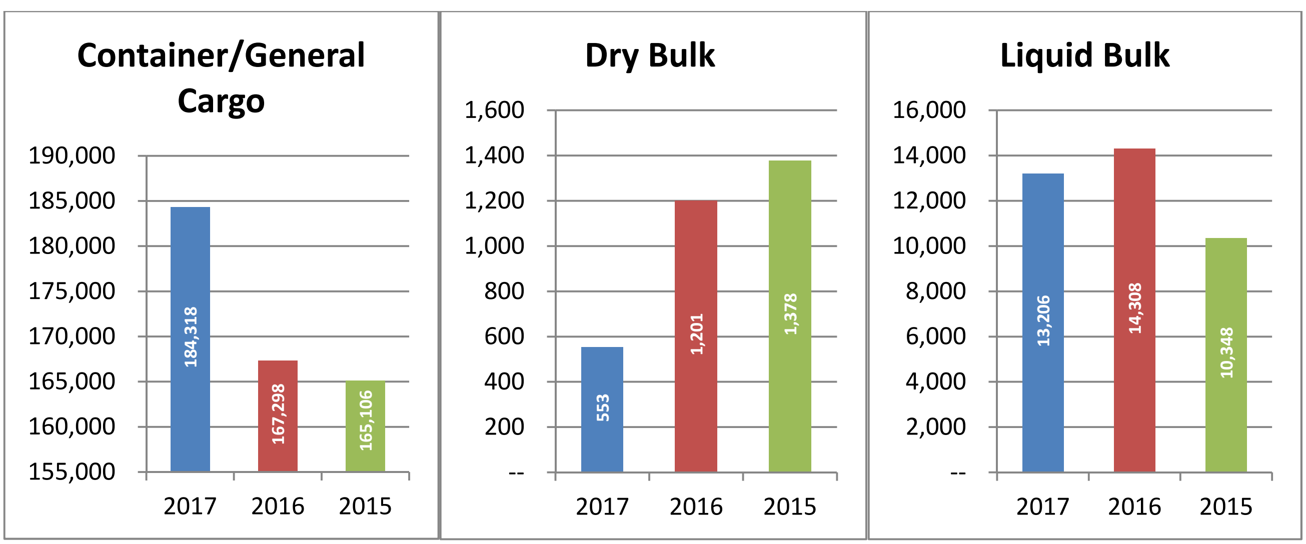
In Thousand TEUs

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 2017	FY 2016	FY 2015	FY 2017	FY 2016
Container/general cargo	184,318	167,298	165,106	10.2%	1.3%
Dry bulk	553	1,201	1,378	-54.0%	-12.8%
Liquid bulk	13,206	14,308	10,348	-7.7%	38.3%
Total	198,077	182,807	176,832		

Information for the cargo volume that moved through the Port for the last ten fiscal years may be found in the Statistical Section on page 107.

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2015 to 2017 in thousand metric tons:



In Thousand Metric Tons

Continued…..

The Port is the number one port by container volume in North America. Fiscal Year 2017 cargo volumes of 9.2 million TEUs represented a 9.7% increase relative to the prior fiscal year. Total loaded containers of 6.6 million represented a 9.9% increase relative to the prior fiscal year, and this increase was driven by an 8.5% increase in loaded imports. Empty containers totaling 2.6 million TEUs represented a year-over-year increase of 9.2%.

Many of the largest global container shipping lines, such as Maersk, China-COSCO Shipping, CMA CGM/APL, Evergreen, NYK, MOL, and Yang Ming have interests in the Port's major container leaseholds. While their collective efforts drove the success of the Port's TEU results, a significant contributor to the increase in container volumes was the shift of cargo from the Port of Long Beach to the Eagle Marine Services facility at the Port of Los Angeles following the acquisition of APL by CMA CGM.

Ultimately, the Port closed its fiscal year 2017 with total cargo volumes of 9.2 million TEUs, a new annual record for most container throughput for a Western Hemisphere port and the busiest year in the Port's 110-year history.

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 2017, 2016 and 2015 (in thousands):

Summary of Operating Revenues

				Increase (Decrease) Over Prior Year	
	FY 2017	FY 2016*	FY 2015	FY 2017	FY 2016
Shipping services					
Wharfage	$ 369,459	$ 341,765	$ 336,090	$ 27,694	$ 5,675
Dockage and demurrage	4,326	5,845	6,426	(1,519)	(581)
Pilotage	9,558	7,064	7,110	2,494	(46)
Assignment and other charges	14,912	13,796	15,273	1,116	(1,477)
Total shipping services	398,255	368,470	364,899	29,785	3,571
Rentals					
Land	50,554	45,763	45,255	4,791	508
Other	704	808	978	(104)	(170)
Total rentals	51,258	46,571	46,233	4,687	338
Royalties and other fees					
Fees, concession and royalties	10,436	10,655	14,968	(219)	(4,313)
Clean truck program fees	2,340	2,384	3,520	(44)	(1,136)
Other	12,243	8,046	17,275	4,197	(9,229)
Total royalties and other fees	25,019	21,085	35,763	3,934	(14,678)
Total operating revenues	$ 474,532	$ 436,126	$ 446,895	$ 38,406	$ (10,769)

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

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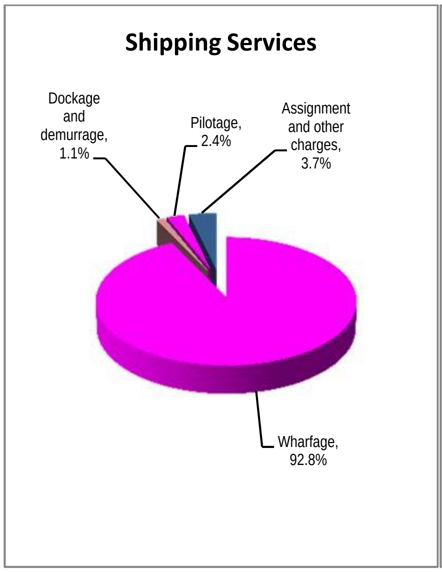
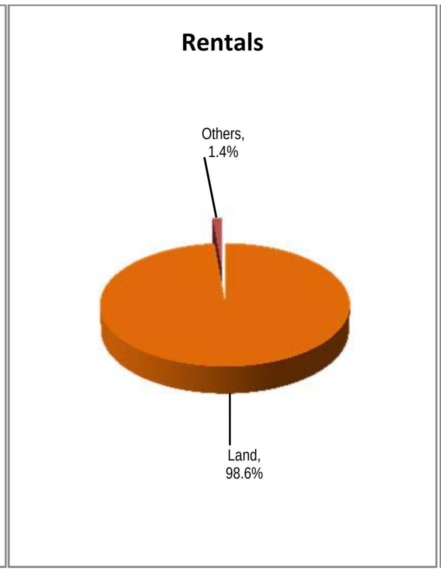
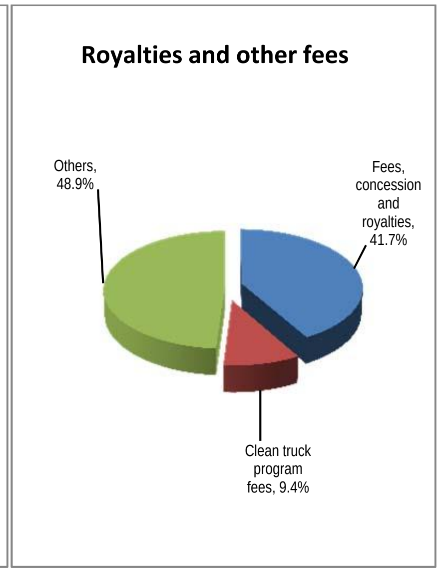
The following charts show the major components of the Port's sources of operating revenue for fiscal years 2017 and 2016:

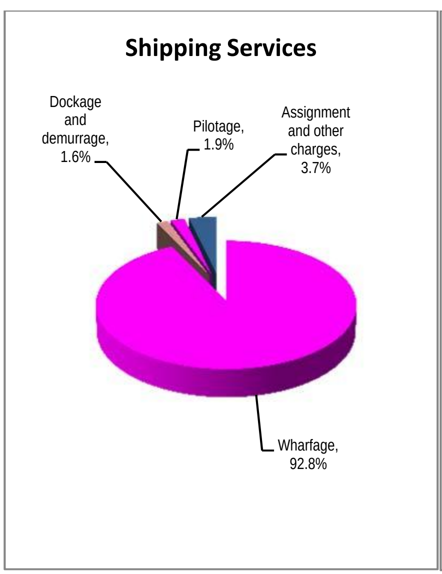
<u>Fiscal Year 2017</u>

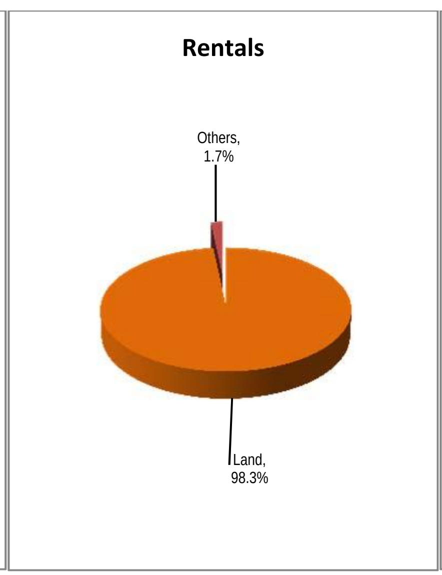


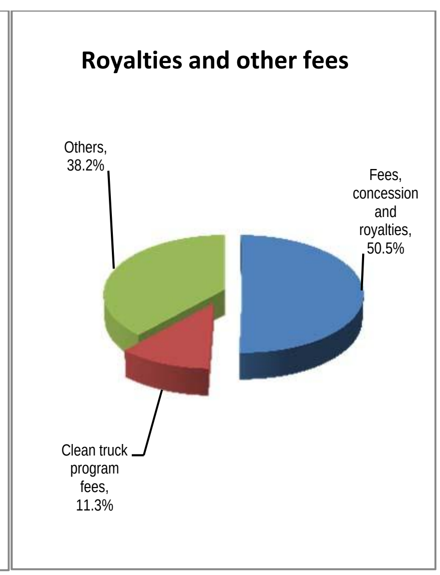




<u>Fiscal Year 2016</u>







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Operating Revenue, Fiscal Year 2017

Operating revenue for fiscal year 2017 increased to $474.5 million, reflecting an 8.8% increase from the prior year revenue of $436.1 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 represented 83.9% of fiscal year 2017 total operating revenues and 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 2017. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $27.7 million higher compared to fiscal year 2016 mainly due to higher cargo volumes moved through terminals. Net other shipping services revenues were $2.1 million higher as pilotage revenue and assignment revenue increased by $2.5 million and $1.1 million, respectively, while dockage and demurrage revenues decreased by $1.5 million.

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 2017, rental income at the Port, which represented 10.8% of fiscal year 2017 total operating revenues, increased by $4.7 million, or 10.1%, over last fiscal year. The increase was due to $6.7 million in net rental rate increases and new permits offset by $1.4 million in the non-recurrence of one-time payments and $0.6 million in permit terminations.

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 fiscal year 2017 was $25.0 million or 5.3% of the total operating revenues. This represented an increase of $3.9 million in this revenue category compared with fiscal year 2016 mainly due to the receipt of $3.0 million in Harbor Maintenance Tax proceeds and $0.9 million in other miscellaneous receipts.

Continued…..

Operating Revenue, Fiscal Year 2016

Operating revenue for fiscal year 2016 decreased to $436.1 million, reflecting a 2.4% 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 represented 84.5% of the fiscal year 2016 total operating revenues and 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 and demurrage revenues and assignment revenue 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 10.7% of fiscal year 2016 total operating revenues, increased by $0.3 million, or 0.7%, over the prior 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 fiscal year 2016 was $21.1 million or 4.8% of the total operating revenues. This represented a decrease of $14.7 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, $4.5 million in lower utility reimbursements, $3.9 million in lower one-time settlement receipts, $1.1 million in lower clean truck program revenues, and $0.5 million in lower miscellaneous other operating revenues.

Continued…..

Operating Expenses

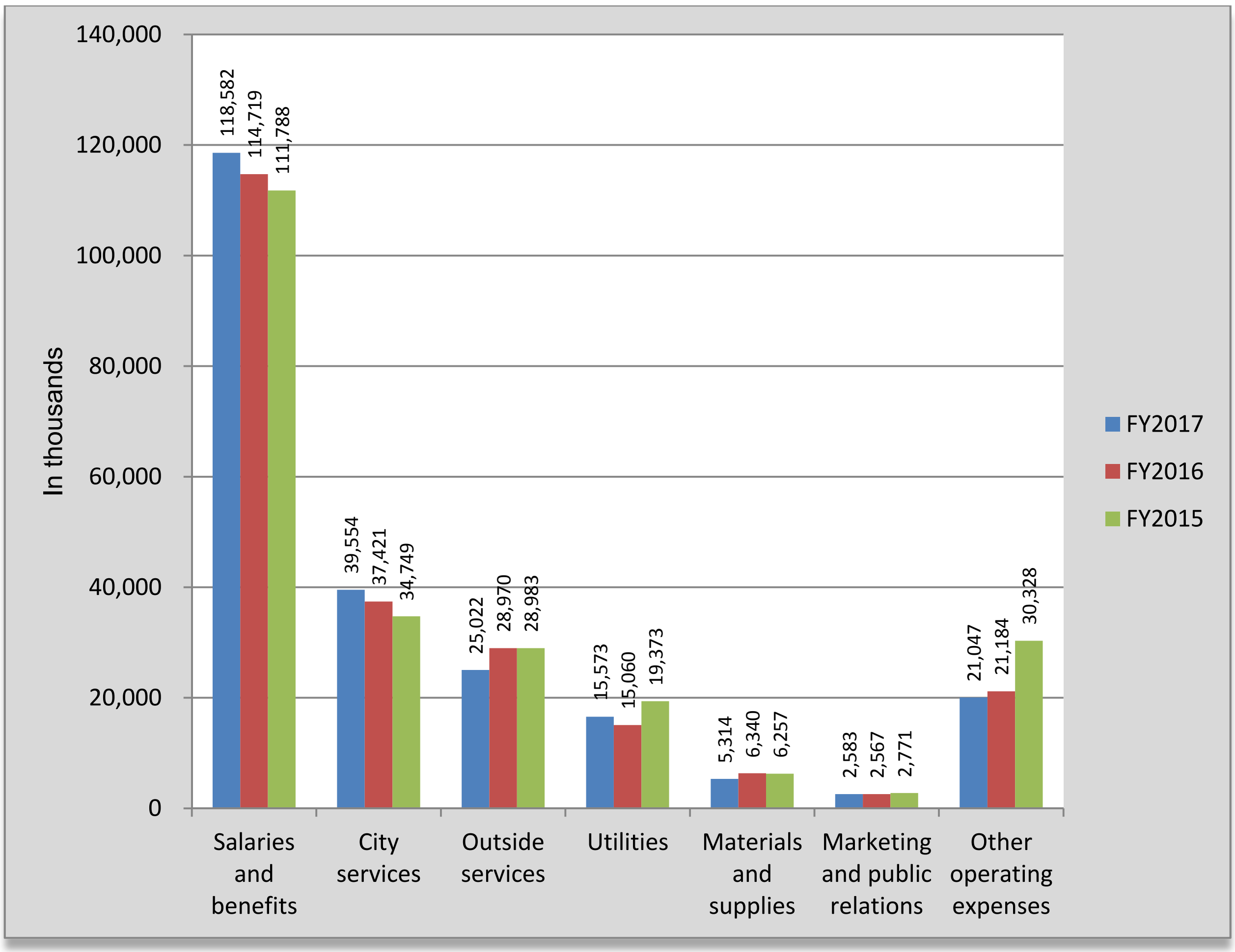
The following table presents a summary of the Port's operating expenses, net of direct and indirect costs allocated to capitalized construction projects for fiscal years 2017, 2016 and 2015. Included in other operating expenses are expenses for workers' compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payouts, and miscellaneous other items.

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

				Increase(Decrease) Over Prior Year	
	FY2017	FY2016	FY2015	FY2017	FY2016
Salaries and benefits	$ 118,582	$ 114,719	$ 111,788	$ 3,863	$ 2,931
City services	39,554	37,421	34,749	2,133	2,672
Outside services	25,022	28,970	28,983	(3,948)	(13)
Utilities	15,573	15,060	19,373	513	(4,313)
Materials and supplies	5,314	6,340	6,257	(1,026)	83
Marketing and public relations	2,583	2,567	2,771	16	(204)
Other operating expenses	21,047	21,184	30,328	(137)	(9,144)
Total Operating Expenses	$ 227,675	$ 226,261	$ 234,249	$ 1,414	$ (7,988)

Continued…..

The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2017, 2016 and 2015:



Operating Expenses, Fiscal Year 2017

Operating expenses are 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 111-112.

In fiscal year 2017, operating expenses increased by $1.4 million to $227.7 million, a 0.6% increase from prior fiscal year expenses of $226.3 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension expense increased by $3.9 million to $118.6 million, or 3.4% higher than the prior year expense of $114.7 million due to Memorandum of Understanding (MOU) salary increases for employees throughout the Port.

Total payments for City services increased by $2.1 million due to higher cost allocation plan rates and MOU mandated salary increases.

Outside services expenses of $25.0 million declined by $3.9 million or 13.6% relative to the prior fiscal year of $29.0 million with $5.1 million in spending declines offset by spending increases totaling $1.2 million across various divisions throughout the Port. These decreases in outside services expenses were primarily attributable to the following: lower demolition expenses by $1.9 million, lower security technology expenses by $0.9 million, lower legal expenses by $0.9 million, lower environmental assessment spending by $0.6 million and lower spending on miscellaneous outside services by $0.8 million. Increases in outside services expenses were comprised of: higher spending on building maintenance costs by $0.8 million and less capitalization of outside services overhead costs by $0.4 million.

Utilities increased by $0.5 million to $15.6 million or 3.4% from the prior fiscal year expense of $15.1 million mainly due to higher water and gas expenses relative to fiscal year 2016.

Materials and supplies expenses of $5.3 million declined by $1.0 million or 16.2% relative to the prior fiscal year of $6.3 million primarily due to $1.0 million in lower materials and supplies purchases within the construction and maintenance division.

Other operating expenses of $21.0 million represented a decrease of $0.1 million, or 0.6%, relative to prior fiscal year other operating expenses of $21.1 million. This decrease in other operating expenses was primarily attributable to lower provisioning for pollution remediation obligations by $3.7 million, lower provisioning for litigation and claim expenses by $0.8 million, lower provisioning for bad debt by $0.7 million, and lower miscellaneous other operating expenses by $0.4 million almost completely offset by an increase in provisioning for workers' compensation liabilities of $5.5 million.

Additional information regarding pollution remediation for these sites may be found in Note 9 on page 74.

Continued…..

Operating Expenses, 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 111-112.

In fiscal year 2016, operating expenses decreased by $8.0 million to $226.3 million, a 3.4% decrease from prior fiscal year expenses of $234.2 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

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 increases 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 may be found in Note 9 on page 74.

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 2017, 2016 and 2015:

Summary of Nonoperating Revenues and Expenses
(amounts in thousands)

				Increase (Decrease) Over Prior Year	
	FY 2017	FY 2016	FY 2015	FY 2017	FY 2016
Nonoperating revenues					
Income from investments in Joint Powers Authorities	$ 2,162	$ 2,544	$ 2,811	$ (382)	$ (267)
Interest and investment income	1,118	9,326	5,039	(8,208)	4,287
Other nonoperating revenue	9,994	4,402	5,619	5,592	(1,217)
Total nonoperating revenues	13,274	16,272	13,469	(2,998)	2,803
Nonoperating expenses					
Interest expense	604	507	331	97	176
Other nonoperating expenses	11,140	8,253	7,845	2,887	408
Total nonoperating expenses	11,744	8,760	8,176	2,984	584
Net nonoperating revenues (expenses)	$ 1,530	$ 7,512	$ 5,293	$ (5,982)	$ 2,219

Nonoperating Revenues and Expenses, Fiscal Year 2017

Net nonoperating revenues (expenses) for fiscal year 2017 of $1.5 million decreased by $6.0 million relative to net nonoperating revenues of $7.5 million in fiscal year 2016.

Nonoperating revenues decreased by $3.0 million due to lower interest and investment income by $8.2 million and lower other nonoperating revenues by $1.2 million offset by higher grant receipts by of $6.4 million.

Nonoperating expenses increased by $3.0 million in fiscal year 2017 primarily due to higher pass-through grant funding disbursements by $6.4 million and higher other nonoperating expenses by $1.1 million offset by lower discontinued capital projects by $4.5 million.

Continued…..

Nonoperating Revenues and Expenses, 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, higher pass-through grant revenue by $1.0 million and higher other nonoperating revenues by $0.9 million offset by lower grant receipts of $3.4 million.

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

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, 2017 and 2016, the Port's outstanding long-term debt was $891.7 million and $951.1 million, 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. See Note 7 on page 65 of this report for additional information.

Bonded Debt

Under Section 609 of the City Charter 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, 2017, the Port's debt service coverage ratio was 3.0x debt service 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, 2017, 2016, and 2015 (in thousands):

	FY 2017	FY 2016	FY 2015
Revenue bonds payable	$ 891,740	$ 951,120	$ 1,000,910
Net unamortized premiums	77,603	57,202	58,693
Total	$ 969,343	$ 1,008,322	$ 1,059,603

Capital Assets

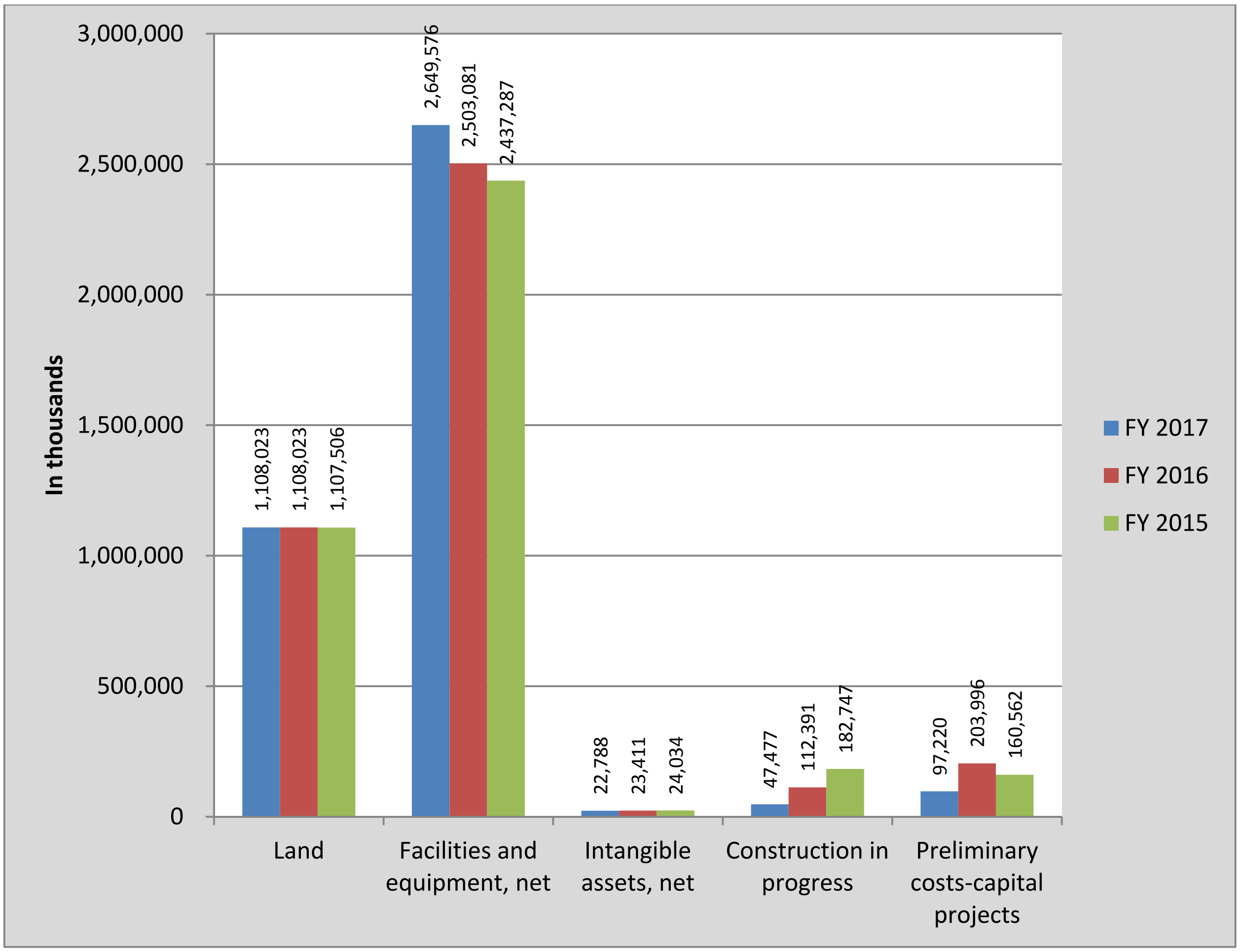
The Port's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2017, 2016 and 2015 amounted to $3.9 billion, $4.0 billion, and $3.9 billion, respectively. These accounted for 83.9%, 86.2%, and 86.0%, of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2017, 2016 and 2015 (in thousands):

Summary of Capital Assets

				Increase(Decrease) Over Prior Year	
	FY 2017	FY 2016	FY 2015	FY 2017	FY 2016
Land	$ 1,108,023	$ 1,108,023	$ 1,107,506	$ --	$ 517
Facilities and equipment, net	2,649,576	2,503,081	2,437,287	146,495	65,794
Intangible assets, net	22,788	23,411	24,034	(623)	(623)
Construction in progress	47,477	112,391	182,747	(64,914)	(70,356)
Preliminary costs-capital projects	97,220	203,996	160,562	(106,776)	43,434
Total	$ 3,925,084	$ 3,950,902	$ 3,912,136	$ (25,818)	$ 38,766

See Note 5 on pages 62 – 63 of this report for additional information.

The following chart shows the graphical presentation of the Port's capital assets for the fiscal years 2017, 2016 and 2015:



Continued…..

Capital Assets, Fiscal Year 2017

Major capital assets activities during fiscal year 2017 are as follows:

- $25.6 million – completion of Phases 2-4 of backland improvements at Berths 142-143 as well as continued construction of the crane maintenance buildings, terminal buildings, main gate, and intermodal container transfer facility expansion at Berths 134-147 leased by Trapac.
- $24.3 million – completion of Berth 214-220 redevelopment which will enable the tenant, Yusen Terminals Inc. (YTI), to service larger ships as well as provide ships calling at the YTI terminal with better AMP service while docked.
- $8.5 million – completion of design and construction of C-Street/I-110 access ramp improvements which will realign the I-110 off-ramp to accommodate heavy truck volumes and provide improved connectivity to Harry Bridges Boulevard.
- $6.9 million – continued design and construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to Sampson Way roadway improvements, the Wilmington Waterfront Promenade, the Avalon Promenade and Gateway, Ports O' Call Promenade and Town Square, retrofitting the Berth 57 wharf and Signal Street improvements.
- $6.4 million – various transportation projects including construction completion of John S. Gibson Intersection/North I-110 access ramp improvements, close out of final construction payments related to the South Wilmington Grade Separation, construction completion of Berth 200 rail yard track connections, and construction completion of I-110/SR-47 connector improvements.

Continued…..

Capital Assets, Fiscal Year 2016

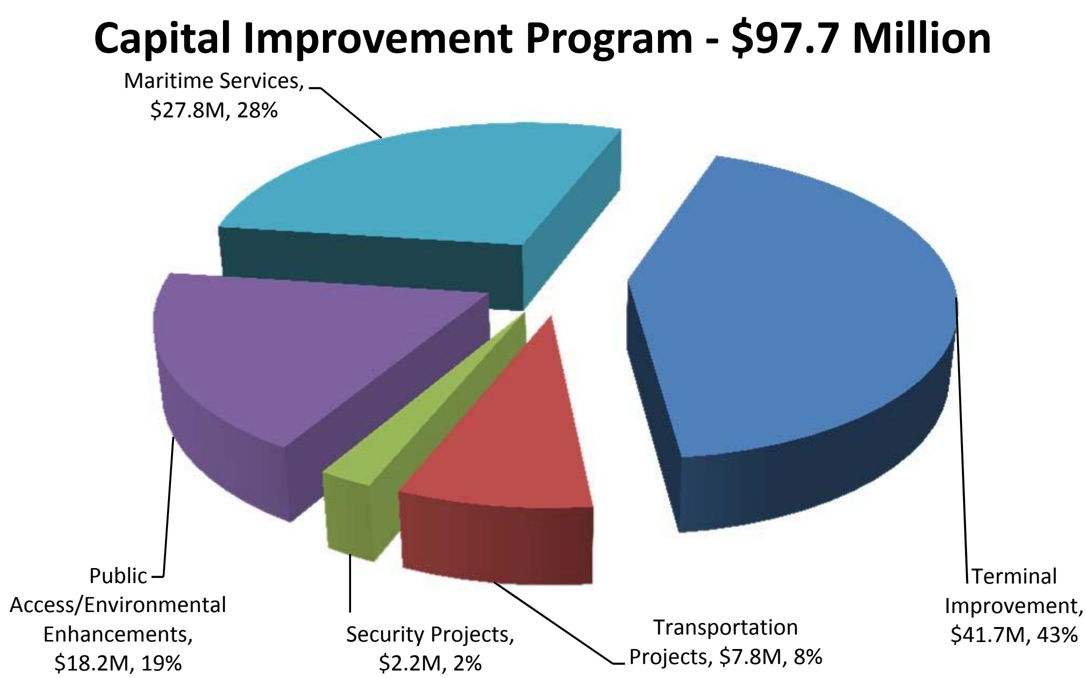
Major capital assets activities during fiscal year 2016 are as follows:

- $74.0 million – continued construction of backland improvements at the TraPac (Berths 135-147) including terminal buildings, main gate, and intermodal facility expansion.
- $24.5 million – continued construction of terminal redevelopment and AMP improvements at Yusen Terminals Inc. (YTI) contain terminal.
- $13.7 million – design and continued 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…..

Capital Improvement Expenditures (CIP) for Fiscal Year 2018

The Port aims to continue to maintain its competitive edge by developing infrastructure that supports growth and efficiency, secure, and sustainable port operations. As such, the Port has adopted a capital budget of $160.5 million in fiscal year 2018. Comprising 13.7% of its total budget of $1.2 billion, the adopted capital expenditures include $97.7 million for direct costs of capital improvement projects, indirect costs of $45.9 million in allocated capitalized overhead and interest costs, $1.0 million for land and property acquisition, and $16.0 million for capital equipment. The adopted capital expenditures of $97.7 million include $41.7 million for terminal improvement projects, $7.8 million for transportation and infrastructure projects, $18.2 million for public access/environmental enhancement projects, $2.2 million for security projects, and $27.8 million for maritime services. Below is the graphical presentation of the fiscal year 2018 adopted capital improvement projects budget:



Continued…..

The components of the CIP are as follows:

Terminal Development Projects

Approximately $41.7 million or 42.6% of the total CIP direct cost budget of $97.7 million is dedicated to development projects at various Port terminals.

- $11.2 million for the upgrade and retrofit of an AMP installation and security improvements at the World Cruise Center.
- $8.2 million for various wharf rehabilitation, bollard repair, and seawall improvements projects throughout the Port.
- $8.1 million for redevelopment at the YTI Terminal, including wharf upgrades, berth dredging, crane rail extensions, electrical improvements, expansion of the terminal, backland improvements, and construction of loading track and modifications of utilities within the backland area.
- $7.9 million for projects at berths with liquid bulk oil cargo handling facilities to be in compliance with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $2.6 million for the construction of the final phase of projects at TraPac Terminal.
- $1.9 million for the preparation of environmental documents, planning, and initial design of new development at the Everport container terminal.
- $1.4 million for the preparation of supplemental environmental and other planning documents at the Yang Ming and China Shipping container terminals.

Transportation and Infrastructure Projects

Approximately $7.8 million or 8.0% of the total CIP direct cost budget of $97.7 million is designated for transportation improvement projects.

- $4.2 million for various transportation projects such as preparation of the interchange reconfiguration at SR-47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, 4,951 linear feet of rail road track extensions at the Trapac terminal, and resurfacing project on Water Street, Reeves Avenues, Miner Street, Pier A Street, and Swinford Street.
- $2.0 million for the construction of a drainage collection system and relocation of waterline underneath railroad tracks to adhere to industry standards.
- $1.6 million for the construction of the I-110 access ramp which will accommodate heavy truck volumes by providing free-flowing right turn lanes, while also allowing for improved connectivity to Harry Bridges Boulevard.

Continued…..

Public Access and Environmental Enhancement Projects

Approximately $18.2 million or 18.6% of the total CIP direct cost budget of $97.7 million is designated for public access and environmental enhancement projects.

- $8.7 million for the construction of the Harbor Boulevard Roadway Improvement project which will allow for organized traffic flow into the San Pedro Public Market (Market).
- $3.0 million for various construction projects at the Wilmington Waterfront Promenade, including reconstruction of sites and facilities, planning and design of a new pedestrian bridge, and refurbishment of signs and landscaping.
- $2.0 million for the design and construction of the Market's Promenade and Town Square.
- $1.9 million for demolition, clean-up, wharf retrofit, and roadway and waterway improvements at San Pedro Waterfront.
- $1.9 million for the construction of multi-use concrete walkway along Front Street from the Vincent Thomas Bridge to Pacific Avenue.
- $0.7 million for environmental assessments at the AltaSea site.

Port Security Projects

$2.2 million or 2.3% of the total CIP direct cost budget of $97.7 million is designated for the finalization of Phase 2 of the Port Fiber Optic Program and the new radio system for the Port Police.

Maritime Services

$27.8 million or 28.5% of the total CIP direct cost budget of $97.7 million is designated for miscellaneous purchases and projects including the Badger Avenue Bridge, the Maritime Museum, Ports O' Call, the Municipal Fish Market, 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 which 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 2017, 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, 2017, six major container ports controlled 99.6% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, Oakland, San Diego in California, and the ports of Seattle and Tacoma in Washington State. The ports of Los Angeles and Long Beach together had 72.8% 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…..

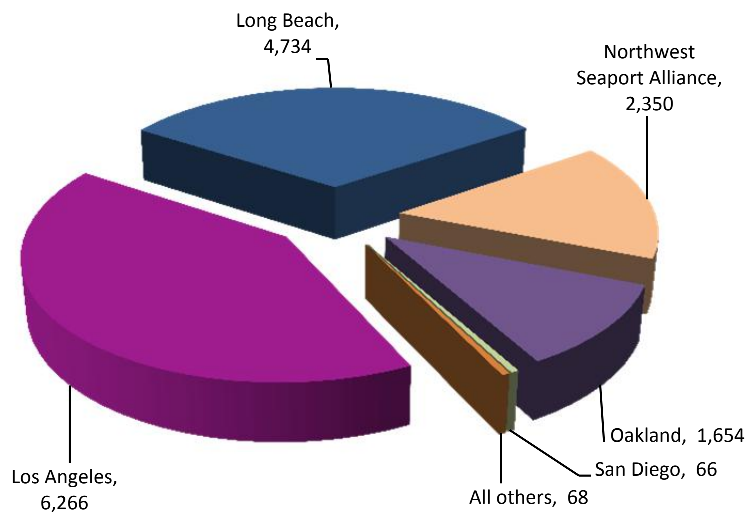
The following presents a summary of the West Coast container market share for fiscal years 2015 to 2017:

	Loaded TEUs (in thousands)*			Percentage Market Share		
Ports	FY 2017	FY 2016	FY 2015	FY 2017	FY 2016	FY 2015
Los Angeles	6,266	5,727	5,601	41.5%	39.4%	39.2%
Long Beach	4,734	4,852	4,858	31.3%	33.3%	34.1%
Northwest Seaport Alliance**	2,350	2,233	2,075	15.5%	15.3%	14.6%
Oakland	1,654	1,622	1,522	10.9%	11.1%	10.7%
San Diego	66	67	57	0.4%	0.5%	0.4%
All others	68	60	143	0.4%	0.4%	1.0%
	15,138	14,561	14,256	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 2017:



Loaded TEUs (in thousands)

Continued…..

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.

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

Statements of Net Position
June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents, unrestricted	$ 619,413	$ 445,289
Cash and cash equivalents, restricted	15,915	21,581
Accounts receivable, net of allowance for doubtful accounts:		
2017 - $26,503; 2016 - $20,493	34,324	42,226
Grants receivable	920	10,098
Materials and supplies inventories	2,561	2,777
Prepaid expenses	132	227
Accrued interest receivable	1,986	828
Total current assets	675,251	523,026
Noncurrent Restricted Assets		
Restricted investments – bond funds	62,283	95,769
Other restricted cash and investments	9,840	9,759
Total noncurrent restricted assets	72,123	105,528
Capital assets		
Land	1,108,023	1,108,023
Facilities and equipment net of accumulated depreciation:		
2017 - $2,049,121; 2016 - $1,905,179	2,649,576	2,503,081
Intangible assets, net of amortization:		
2017 - $2,572; 2016 - $1,949	22,788	23,411
Construction in progress	47,477	112,391
Preliminary costs – capital projects	97,220	203,996
Total capital assets	3,925,084	3,950,902
Investment in Joint Powers Authorities	5,732	5,570
TOTAL ASSETS	4,678,190	4,585,026
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	16,700	2,832
Deferred outflows of resources - pensions	62,875	42,025
TOTAL DEFERRED OUTFLOWS OF RESOURCES	79,575	44,857

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

Statements of Net Position
June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
LIABILITIES		
Current Liabilities		
Accounts payable	$ 31,617	$ 30,569
Current maturities of notes payable and bonded debt	37,615	41,695
Accrued interest payable	18,023	19,806
Accrued salaries and employee benefits	17,542	16,859
Obligations under securities lending transactions	4,384	7,929
Accrued construction cost payable	3,060	3,239
Other current liabilities	67,879	44,374
Total current liabilities	180,120	164,471
Long-term liabilities		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of unamortized discount/premium: 2017 - $77,603; 2016 - $57,202	931,728	966,627
Accrued salaries and employee benefits	7,537	8,114
Net pension liabilities	231,325	215,829
Other liabilities	101,316	80,931
Total long-term liabilities payable from unrestricted assets	1,271,906	1,271,501
Long-term liabilities payable from restricted assets	10,299	10,075
Total long-term liabilities	1,282,205	1,281,576
TOTAL LIABILITIES	1,462,325	1,446,047
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	30,042	21,881
TOTAL DEFERRED INFLOWS OF RESOURCES	30,042	21,881
NET POSITION		
Net investment in capital assets	2,972,442	2,945,412
Restricted for debt service	62,255	66,599
Unrestricted	230,701	149,944
TOTAL NET POSITION	$ 3,265,398	$ 3,161,955

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
OPERATING REVENUE		
Shipping services		
Wharfage	$ 369,459	$ 341,765
Dockage	4,113	5,629
Demurrage	213	216
Lay day fees	255	938
Pilotage	9,558	7,064
Assignment charges	14,657	12,858
Total shipping services	398,255	368,470
Rentals		
Land	50,554	45,763
Buildings	206	221
Warehouses	85	88
Wharf and shed	413	499
Total rentals	51,258	46,571
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	10,436	10,655
Clean truck program fees	2,340	2,384
Other	12,243	8,046
Total royalties, fees, and other operating revenues	25,019	21,085
Total operating revenue	474,532	436,126
OPERATING EXPENSES		
Salaries and other benefits	94,677	94,281
Pension expense	23,905	20,438
City services	39,554	37,421
Outside services	25,022	28,970
Utilities	15,573	15,060
Materials and supplies	5,314	6,340
Marketing and public relations	2,583	2,567
Workers' compensation, claims and settlement	4,977	245
Clean truck program expenses	704	897
Travel and entertainment	536	611
Other operating expenses	14,830	19,431
Total operating expenses before depreciation and amortization	227,675	226,261
Operating Income before depreciation and amortization	246,857	209,865

continued….

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
Operating Income before depreciation and amortization	$ 246,857	$ 209,865
Depreciation and amortization	172,895	163,933
OPERATING INCOME	73,962	45,932
NONOPERATING REVENUE (EXPENSES)		
Nonoperating revenue		
Income from investments in Joint Powers Authorities	2,162	2,544
Interest and investment income	1,118	9,326
Noncapital grant revenue	1,199	662
Pass through grant revenue	7,931	1,566
Other nonoperating revenue	864	2,174
Total nonoperating revenue	13,274	16,272
Nonoperating expenses		
Interest expense	(604)	(507)
Pass through grant expenses	(7,931)	(1,566)
Discontinued capital projects	(773)	(5,279)
Other nonoperating expenses	(2,436)	(1,408)
Total nonoperating expenses	(11,744)	(8,760)
Net nonoperating revenue (expenses)	1,530	7,512
INCOME BEFORE CAPITAL CONTRIBUTIONS	75,492	53,444
Capital contributions	18,801	40,489
Extraordinary item	9,150	5,123
CHANGES IN NET POSITION	103,443	99,056
NET POSITION, JULY 1	3,161,955	3,062,899
NET POSITION, JUNE 30	$ 3,265,398	$ 3,161,955

See accompanying notes to basic financial statements.

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 404,886	$ 369,753
Rentals collected	52,111	46,733
Royalties, fees, and other operating revenues collected	25,435	21,177
Payments for employee salaries and benefits, net of capitalized amounts: 2017 - $23,563; 2016 - $22,832	(115,671)	(115,548)
Payments for goods and services	(92,180)	(137,246)
Net cash provided by operating activities	274,581	184,869
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from noncapital grants	1,199	662
Net cash provided by noncapital financing activity	1,199	662
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(111,717)	(162,874)
Proceeds from sale of capital assets	76	1,750
Proceeds from capital grants and contributions	27,980	35,416
Proceeds from insurance recovery for damage of capital assets	9,150	5,123
Principal repayment and redemption – bonds	(30,434)	(43,193)
Receipts from (payments to) bond reserve fund	33,486	1,692
Interest and issuance costs paid	(60,340)	(49,643)
Net cash used in capital and related financing activities	(131,799)	(211,729)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	5,784	5,364
(Decrease) increase in cash collateral received under the securities lending transactions	(3,545)	5,064
(Decrease) increase in fair value of investments	(5,904)	3,927
Net sale of investments	26,142	3,749
Net payments received on notes receivable	--	5,095
Distribution from Joint Powers Authorities	2,000	3,000
Net cash provided by investing activities	24,477	26,199
NET INCREASE IN CASH AND CASH EQUIVALENTS	168,458	1
CASH AND CASH EQUIVALENTS, JULY 1	466,870	466,869
CASH AND CASH EQUIVALENTS, JUNE 30	$ 635,328	$ 466,870

continued….

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and cash equivalents, unrestricted	$ 619,413	$ 445,289
Cash and cash equivalents, restricted	15,915	21,581
Total cash and cash equivalents	$ 635,328	$ 466,870
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 73,962	$ 45,932
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	172,895	163,933
Provision for doubtful accounts	6,010	6,742
Changes in assets, liabilities, and deferred outflows and inflows of resources		
Accounts receivable	1,892	(5,206)
Materials and supplies inventories	216	(136)
Prepaid expenses	95	166
Deferred outflows of resources - pensions	(20,850)	4,662
Accounts payable	1,048	(16,688)
Net pension liabilities	15,496	17,067
Accrued salaries and employee benefits	106	(189)
Other liabilities	15,550	(9,045)
Deferred inflows of resources - pensions	8,161	(22,369)
Total adjustments to reconcile operating income to net cash provided by operation activities	200,619	138,937
Net cash provided by operating activities	$ 274,581	184,869
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets with construction payable	$ 3,060	$ 3,239
Acquisition of capital assets with accounts payable	2,106	624
Write-off of discontinued construction projects	773	5,279
Capitalized interest expense, net	35,589	41,216
Revenue bond proceeds received in escrow trust fund	230,506	43,647
Debt defeased and related costs paid through escrow trust fund	(230,506)	(43,647)

See accompanying notes to basic financial statements.

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

Notes to the Basic Financial Statements

June 30, 2017 and 2016

The Notes to the Basic 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, California), 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 a proprietary department of the City of Los Angeles, California (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 and subject to the State of California Tidelands Trust Act.

Most of the properties of the Port including land, docks, wharves, transit sheds, 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, 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 basic financial statements.

B. Summary of Significant Accounting Policies

Method of Accounting – The Port's 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/ask 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 acquisition 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 2017 and 2016 are $97.2 million and $204.0 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 2017 and 2016 were $35.5 million and $41.2 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 2017 and 2016 were $18.3 million and $16.2 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. 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.

Deferred inflows and outflows of resources related to pensions result from diverse pension related transactions and events including pension contributions subsequent to measurement date, changes of assumptions or other inputs, difference between expected and actual experience in the total pension liabilities, changes in proportionate share of contributions, and net differences between projected and actual pension plan investment earnings.

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

Continued…..

administrative expenses, maintenance salaries and City services are allocated to projects based on the average outstanding balance of capitalized construction projects.

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 111-112.

Operating Leases – The Port leases a substantial portion of lands and facilities to others. Leases relating to terminal operations tend to be long-term in nature (as long as 50 years), which generate 84.7% of the Port's operating revenues. Leases relating to revocable permits and space assignments that are short-term in nature provide for cancellation on a 30-day notice by either party. Majority of the Port's leases provide 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.

Continued…..

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 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 2016 to conform to the fiscal year 2017 presentation. Such reclassification had no impact on the change in net position previously reported. See Note 20 on page 103 of this report for additional information.

2. Adoption of New GASB Pronouncements

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 is effective for financial statements of applicable OPEB plans in fiscal year 2017. The statement has no impact on the Port's financial statements because the Port does not administer an OPEB plan. The Port's two retirement plans are implementing the statement in the plans' separately issued financial reports.

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. The statement has no impact on the Port's financial statements 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. The statement has no impact on the Port's financial statements because the pension plans for the Port employees do not have the characteristics described in the statement.

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. The Port implemented this statement in fiscal year 2017. The statement has no material impact on the Port's financial statements.

Continued…..

3. Recent GASB Pronouncements for Future Adoption

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. 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.

GASB Statement No. 83, *"Certain Asset Retirement Obligations."* Issued in November 2016, this statement addresses accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital assets. The statement will enhance comparability and usefulness in governmental financial statements by establishing uniform criteria for governments to recognize and measure certain AROs and requiring disclosure related to those AROs. This statement will be effective beginning fiscal year 2019.

GASB Statement No. 84, *"Fiduciary Activities."* Issued in January 2017, this statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and describes four fiduciary funds that should be reported, if applicable. The statement will be effective beginning fiscal year 2020.

GASB Statement No. 85, *"Omnibus 2017."* Issued in March 2017, this statement addresses issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The statement will be effective beginning fiscal year 2018.

Continued…..

GASB Statement No. 86, *"Certain Debt Extinguishment Issues."* Issued in May 2017, this statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The statement will be effective beginning fiscal year 2018.

GASB Statement No. 87, *"Leases."* Issued in June 2017, this statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement will be effective beginning fiscal year 2021.

Continued…..

4. Cash and Investments

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

	2017	2016
Cash in bank and certificates of deposit	$ 229	$ 332
Investment in U.S. Treasury and money market fund	62,283	95,769
Equity in the City of Los Angeles Investment Pool	644,939	476,297
Total cash and investments	$ 707,451	$ 572,398

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):

	2017	2016
Unrestricted cash and cash equivalents	$ 619,413	$ 445,289
Restricted cash and cash equivalents		
Current		
China Shipping Mitigation Fund	13,439	19,168
Community Mitigation Trust Fund – Trapac	112	112
Narcotics/Customs Enforcement Forfeiture Fund	611	531
Clean Truck Program and Fee Fund	5	30
Other	1,748	1,740
Subtotal – Current	15,915	21,581
Noncurrent		
Harbor Revenue Bond Funds	62,283	95,769
Customer Security Deposits	3,023	3,166
Batiquitos Environmental Fund	6,250	6,032
Harbor Restoration Fund	567	561
Subtotal – Noncurrent	72,123	105,528
Total restricted cash and investments	88,038	127,109
Total cash and investments	$ 707,451	$ 572,398

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A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.2 million and $0.3 million for fiscal years ended June 30, 2017 and 2016, respectively. 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 California 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 $644.9 million and $476.3 million invested in the City's General Pool and three Special Investment Pools, representing approximately 7.2% and 4.8% of the City Treasury's General Pool and Special Investment Pools at June 30, 2017 and 2016, 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 $644.9 million and $476.3 million invested in the City's pooled investments, $54.7 million and $54.2 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 Government Code Sections 53600-53635 and the City's Policy.

At June 30, 2017 and 2016, investments held in the City's Special Investment Pools and their maturities are as follows (in thousands):

Fiscal Year 2017

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Agencies Securities	$ 51,755	$ 7,717	$ 37,788	$ --	$ 6,250
Supranational Obligations	2,987	--	--	2,987	--
Short Term Investment Funds	2	2	--	--	--
Total investments in special pools	$ 54,744	$ 7,719	$ 37,788	$ 2,987	$ 6,250

Fiscal Year 2016

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 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	$ --

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, supranational obligations, 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). Investment in supranational obligations must have a minimum of AA rating. The Port's investments in supranational obligations of $3.0 million were not rated.

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

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can be invested in the U.S. Treasury and government agencies. The City's pooled investments comply with these requirements.

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 $62.3 million at June 30, 2017 versus $66.6 million at June 30, 2016. The reserve funds were invested in money market funds 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%.

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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 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 2017 and 2016, 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 $4.4 million and $7.9 million as of June 30, 2017 and 2016, 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, 2017:

	Total	Level 1	Level 2	Level 3
U.S. Treasury notes	$ 61,965	$ 61,965	$ --	$ --
Money market fund	317	--	317	--
Total investments - bond funds	$ 62,282	$ 61,965	$ 317	$ --
U.S. Agencies Securities	$ 51,755	$ --	$ 51,755	$ --
Supranational obligations	2,987	--	2,987	--
Total investments - special pools	$ 54,742	$ --	$ 54,742	$ --

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	$ --

Investments in Short Term Investment Funds of the City's Special Investment Pools are considered cash equivalents due to their liquidity and are excluded from the fair value measurement.

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5. Capital Assets

The Port's capital assets consist of the following activities for fiscal year ended June 30, 2017 (in thousands):

	Balance July 1, 2016	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2017
Capital assets not depreciated					
Land	$ 1,108,023	$ --	$ --	$ --	$ 1,108,023
Construction in progress	112,391	169,717	--	(234,631)	47,477
Preliminary costs – capital projects	203,996	--	(25,614)	(81,162)	97,220
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,437,310	169,717	(25,614)	(315,793)	1,265,620
Capital assets depreciated/amortized					
Wharves and sheds	1,178,292	--	--	3,089	1,181,381
Buildings/facilities	3,068,220	--	(22,562)	308,031	3,353,689
Equipment	161,748	3,793	(6,587)	4,673	163,627
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	4,420,720	3,793	(29,149)	315,793	4,711,157
Less accumulated depreciation/ amortization					
Wharves and sheds	(472,511)	(28,224)	--	--	(500,735)
Buildings/facilities	(1,321,566)	(117,376)	21,742	--	(1,417,200)
Equipment	(111,102)	(26,671)	6,587	--	(131,186)
Intangible assets	(1,949)	(623)	--	--	(2,572)
Total accumulated depreciation/amortization	(1,907,128)	(172,894)	28,329	--	(2,051,693)
Total capital assets depreciated/ amortized, net	2,513,592	(169,101)	(820)	315,793	2,659,464
Capital assets, net	$ 3,950,902	$ 616	$ (26,434)	$ --	$ 3,925,084

Continued…..

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

	Balance July 1, 2015	Increase	Decrease	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

Net interest expense of $35.5 million and $41.2 million was capitalized for fiscal years 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016 totaled $5.7 million and $5.6 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, 2017 and 2016, and accordingly, they have not been recorded in the accompanying basic 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

Bonds issued by the Port are payable solely from the Port's revenues pledged under indentures and are not general obligations of the City. The Port has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that the Port's revenues, as defined under indentures, will be sufficient to pay future bond interest and principal maturities.

The Port's activities for bonded debt and other indebtedness for fiscal year 2017 are as follows (in thousands):

Parity Bonds	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2016	Additions	Deductions	Ending Balance June 30, 2017	Principal Due Within One Year
Issue 2006, Series A	8/1/2016 @ 102%	5/4/2006	5.00%	2025	$ 200,710	$ 48,760	$ --	$ (48,760)	$ --	$ --
Issue 2006, Series B	8/1/2016 @ 102%	8/3/2006	5.00%	2026	209,815	72,560	--	(72,560)	--	--
Issue 2006, Series C	8/1/2016 @ 102%	8/3/2006	5.00%	2026	16,545	11,155	--	(11,155)	--	--
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2030	100,000	78,665	--	(4,095)	74,570	4,255
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	180,435	--	(8,860)	171,575	2,265
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	56,795	--	(7,130)	49,665	7,490
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	201,005	--	(3,420)	197,585	4,595
Issue 2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00% – 5.00%	2045	89,105	87,745	--	(1,425)	86,320	1,480
Issue 2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00% – 5.00%	2045	44,890	44,130	--	(780)	43,350	805
Issue 2015, Series A	8/1/2025 @ 100%	9/18/2014	2.00% – 5.00%	2027	37,050	37,050	--	(2,755)	34,295	2,835
Issue 2016, Series A	8/1/2026 @ 100%	10/13/2016	3.00% – 5.00%	2025	97,970	--	97,970	--	97,970	13,055
Issue 2016, Series B	8/1/2026 @ 100%	10/13/2016	2.00% – 5.00%	2037	68,385	--	68,385	--	68,385	835
Issue 2016, Series C	8/1/2026 @ 100%	10/13/2016	4.00%	2040	35,205	--	35,205	--	35,205	--
Total parity bonds					$ 1,524,865	951,120	201,560	(260,940)	891,740	37,615
Unamortized bond premium						57,202	28,946	(8,545)	77,603	--
Net parity bonds						1,008,322	230,506	(269,485)	969,343	37,615
Less: current maturities of long-term debt						(41,695)	(50,570)	54,650	(37,615)	--
Total long-term debt net of current maturities						$ 966,627	$ 179,936	$ (214,835)	$ 931,728	$ 37,615

Continued…..

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%	2016	43,730	7,410	--	(7,410)	--	--
Issue 2006, Series A	8/1/2016 @ 102%	5/4/2006	5.00%	2025	200,710	48,760	--	--	48,760	195
Issue 2006, Series B	8/1/2016 @ 102%	8/3/2006	5.00%	2026	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%	2030	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

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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 2017 and 2016 are as follows (in thousands):

Harbor Revenue Bonds	2017 Premium (Discount)	2016 Premium (Discount)
Issue of 2006, Series A	$ --	$ 740
Issue of 2006, Series B	--	816
Issue of 2006, Series C	--	236
Issue of 2009, Series A	643	799
Issue of 2009, Series B	--	(1,984)
Issue of 2009, Series C	2,597	3,062
Issue of 2011, Series A	1,584	2,311
Issue of 2011, Series B	2,188	2,460
Issue of 2014, Series A	22,478	24,491
Issue of 2014, Series B	11,565	12,414
Issue of 2014, Series C	5,657	6,018
Issue of 2015, Series A	4,815	5,839
Issue of 2016, Series A	9,417	--
Issue of 2016, Series B	12,645	--
Issue of 2016, Series C	4,014	--
Total	$ 77,603	$ 57,202

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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
2018	$ 37,615	$ 42,531	$ 80,146
2019	44,015	40,868	84,883
2020	46,515	38,836	85,351
2021	48,295	36,547	84,842
2022	51,280	34,069	85,349
2023 – 2027	290,210	127,383	417,593
2028 – 2032	99,985	78,115	178,100
2033 – 2037	127,065	50,399	177,464
2038 – 2042	98,525	22,619	121,144
2043 – 2045	48,235	3,698	51,933
Total	$ 891,740	$ 475,065	$ 1,366,805

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D. New Issuances

Fiscal Year 2017

2016 Series A Refunding Bonds

The 2016 Series A Refunding Bonds were issued in October 2016 in aggregate principal amount of $98.0 million to refund the outstanding principal of $48.6 million of the 2006 Series A Refunding Bonds and $60.4 million of 2006 Series B Refunding Bonds. The 2016 Series A Refunding transaction resulted in cash flow savings of $14.7 million and economic gain of $11.8 million over the life of the bonds.

Interest on the 2016 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2017. The bonds bear interest at coupon rates from 3% to 5% with maturity dates ranging from August 2017 to August 2024.

2016 Series B Refunding Bonds

The 2016 Series B Refunding Bonds were issued in October 2016 in aggregate principal amount of $68.4 million to refund the outstanding principal of $10.2 million of the 2006 Series C Refunding Bonds and a portion of $100 million outstanding principal of 2009 Series B Bonds. The 2016 Series B Refunding transaction resulted in cash flow savings of $19.1 million and economic gain of $13.6 million over the life of the bonds.

Interest on the 2016 Series B Refunding Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2017.The bonds bear interest at coupon rates from 2% to 5% with maturity dates ranging from August 2017 to August 2036.

The Bonds with stated maturities on or after August 1, 2030 shall be subject to optional redemption prior to their maturities on or after August 1, 2026 without early redemption premium.

Continued…..

2016 Series C Refunding Green Bonds

The 2016 Series C Refunding Green Bonds were issued in October 2016 in aggregate principal amount of $35.2 million to refund a portion of $100 million outstanding principal of 2009 Series B Bonds. The 2016 Series C Refunding transaction resulted in cash flow savings of $7.8 million and economic gain of $7.1 million over the life of the bonds.

Interest on the 2016 Series C Refunding Green Bonds is payable semiannually on February 1 and August 1 of each year starting from February 1, 2017. These bonds are term bonds bearing interest at coupon rate of 4% with maturity dates ranging from August 2036 to August 2039.

The Bonds with stated maturities on or after August 1, 2036 shall be subject to optional redemption prior to their maturities on or after August 1, 2026 without early redemption premium.

Fiscal Year 2016

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.

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, 2017 and 2016.

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, 2017 and 2016, $20.8 million and $30.1 million, respectively, of defeased 1988 bonds remain outstanding.

An escrow for the advance refunding of 2009 Series B Bonds was established in October 2016 with remaining balance of $110.8 million as June 30, 2017.

Continued…..

8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2017 are as follows (in thousands):

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due within one year
Revenue bonds	$ 951,120	$ 201,560	$ (260,940)	$ 891,740	$ 37,615
Unamortized (discount)/ premium	57,202	28,946	(8,545)	77,603	--
Net revenue bonds	1,008,322	230,506	(269,485)	969,343	37,615
Accrued employee benefits	8,663	133,757	(134,173)	8,247	710
Litigation	1,524	531	(146)	1,909	1,909
Workers compensation	12,508	4,353	(2,106)	14,755	1,820
Pollution remediation	74,826	50,100	(29,865)	95,061	11,776
Deposits	13,342	440	(235)	13,547	--
Net pension liabilities	215,829	15,496		231,325	--
Others	23,043	8,726	(13,836)	17,933	16,084
Total long-term liabilities	$ 1,358,057	$ 443,909	$ (449,846)	$ 1,352,120	$ 69,914

Continued…..

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
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	$ 1,395,246	$ 221,743	$ (258,932)	$ 1,358,057	$ 76,484

Continued…..

9. Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2017 and 2016 totaled $95.1 million and $74.8 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 2017 are as follows (in thousands):

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ --	$ 1,130	$ --	$ 1,130	$ 600
Named by regulator as a potential party to remediation	69,635	27,899	(9,095)	$ 88,439	$ 10,493
Voluntary commencement	5,191	684	(383)	5,492	683
Total	$ 74,826	$ 29,713	$ (9,478)	$ 95,061	$ 11,776
Pollution Type					
Soil and/or groundwater remediation	$ 74,826	$ 29,713	$ (9,478)	$ 95,061	$ 11,776

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

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, special events, 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, 2017 and 2016 were $14.8 million and $12.5 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, 2017 and 2016 were $1.9 million and $1.5 million, respectively.

Continued…..

The changes in the Port's estimated claims payable are as follows (in thousands):

	2017	2016	2015
Unpaid claims, July 1			
Workers compensation	$ 12,508	$ 15,335	$ 15,826
General liability/litigation	1,524	1,601	333
Total unpaid claims, July 1	14,032	16,936	16,159
Provision for current year's events and changes in provision for prior year's events			
Workers compensation	4,353	(1,167)	936
General liability/litigation	624	621	1,567
Total provision	4,977	(546)	2,503
Claims payments			
Workers compensation	(2,106)	(1,660)	(1,427)
General liability/litigation	(239)	(698)	(299)
Total claims payments	(2,345)	(2,358)	(1,726)
Unpaid claims, June 30			
Workers' compensation	14,755	12,508	15,335
General liability/litigation	1,909	1,524	1,601
Total unpaid claims, June 30	$ 16,664	$ 14,032	$ 16,936
Current portion			
Workers compensation	$ 1,820	$ 1,504	$ 1,783
General liability/litigation	1,909	1,524	1,601
Total current portion	$ 3,729	$ 3,028	$ 3,384

Continued…..

12. Leases, Rentals, and Minimum Annual Guarantee (MAG) Agreements

The Port leases a substantial portion of lands and facilities to others. Leases relating to terminal operations tend to be long-term in nature (as long as 50 years), which generate 84.7% of the Port's operating revenues. Leases relating to revocable permits and space assignments that are short-term in nature provide for cancellation on a 30-day notice by either party. Majority of the Port's leases provide 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.

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 50 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, 2017 and 2016, the minimum rental income from such lease agreements was approximately $51.3 million and $46.6 million, respectively. For the years ended June 30, 2017 and 2016, the MAG payments were approximately $269.5 million and $248.6 million, respectively, and were reported under shipping services revenue. 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
2018	$ 51,770	$ 275,205
2019	52,288	282,039
2020	52,810	283,130
2021	53,339	283,063
2022	53,872	283,083
Total	$ 264,079	$ 1,406,520

The carrying cost and related accumulated depreciation of property held for operating leases as of June 30, 2017 and 2016 are as follows (in thousands):

	2017	2016
Wharves and sheds	$ 1,181,381	$ 1,178,292
Cranes and bulk facilities	29,879	52,441
Municipal warehouses	13,766	13,578
Port pilot facilities and equipment	9,512	7,386
Buildings and other facilities	1,046,651	1,024,378
Cabrillo Marina	179,942	179,791
Total	2,461,131	2,455,866
Less accumulated depreciation	(1,201,865)	(1,146,489)
Net	$ 1,259,266	$ 1,309,377

Continued…..

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 2017 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 10 or more years of continuous service may retire if they are at age 60 or at least 30 years of service at age 55, or with any years of service at age 70 or older. Full-unreduced retirement benefits are determined as 2.16% per year of the employee's service credit (not greater than 100%), multiplied by the employee's average monthly pensionable salary during the employee's last 12 months of service, or during any other 12 consecutive months of service. Normal retirement allowances are reduced for employees who retire at age 55 with 10 or more years of continues service, or at any age with 30 or more years 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. However, on July 9, 2015, the City and the Coalition of the Los Angeles City Unions representing more than half City's civilian workforce reached an agreement which rescinded Tier 2 and created a new tier of benefits. As a result, Ordinance 184134 was adopted on January 12, 2016, and all active Tier 2 members were transferred to Tier 1 as of February 21, 2016.

On or after February 21, 2016, new members became Tier 3 members of LACERS. Under Tier 3, employees may retire at age 60 with at least 10 or more years of service (including 5 years of continuous service) to receive full-unreduced benefits with a 1.50% retirement factor, or at age 55 with at least 30 years of service (including 5 years of continuous service) to receive full-unreduced retirement benefits with a 2.0% retirement factor. In addition, the employee may retire at age 63 with at least 10 years of service to receive an enhanced retirement benefit with a 2.0% retirement factor, or at age 63 with 30 years of service with a 2.1% retirement factor. Full-unreduced retirement benefits are determined as the applicable retirement factor (1.5%, 2.0%, or 2.1%) per year of the employee's service credit (not greater than 80%), multiplied by the employee's last 36 months of final average compensation or any other 36 consecutive months of service. Normal retirement allowances are reduced for employees who retire prior to age 55. LACERS does not have a mandatory retirement age.

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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 3 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. For fiscal year 2017, the employer contribution rate as calculated by LACERS' actuary is 28.16% for Tier 1 members (i.e., all LACERS members hired prior to February 21, 2016) and 24.96% Tier 3 members (i.e., all City employees who became members of LACERS on or after February 21, 2016). For fiscal year 2016, the employer contribution rate as calculated by LACERS' actuary is 28.75% for Tier 1 members and 22.62% for Tier 2 members.

Based on the Port's reported covered payroll of $79.9 million for fiscal year 2017, $79.1 million is subject to the 28.16% rate and $0.8 million is subject to the 24.96% rate. The Port's actual contribution to LACERS, including family death benefit, excess benefit, and limited term plans is $21.8 million (100% of the actuarially determined contribution) and $21.9 million (100% of actuarially determined contribution) for the fiscal years ended June 30, 2017 and 2016, respectively.

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, Tiers 1 and 3 members contribute at 11% 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, 2017 and 2016, the Port reported a liability of $221.3 million and $207.2 million, respectively, for its proportionate shares of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2016 and 2015, 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 was determined to be 3.940% and 4.152% for fiscal years June 30, 2016 and 2015.

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Fiscal Year 2017

For the year ended June 30, 2017, the Port recognized pension expense of $21.2 million. At June 30, 2017, 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	$ 17,582	$ --
Changes of assumptions or other inputs	14,428	--
Differences between expected and actual experience in the total pension liability	--	15,941
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	10,980
Net difference between projected and actual earnings on pension plan investments	25,325	--
Total	$ 57,335	$ 26,921

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	
2018	$ 1,805
2019	1,805
2020	8,240
2021	1,994
2022	(1,012)
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, 2016 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 assumption at 3.25%
Cost-of-living adjustments	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3.

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.

Continued…..

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%
Public Real Assets	5.00%	3.41%
Private Equity	12.00%	10.51%
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 rates equal to actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of 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 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	$311,864	$221,275	$145,830

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

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		
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.

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.

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 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

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, 2016, all non-retired Tier 1 and Tier 3 LACERS 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, 2016 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)
06/30/16	$ 105,983	100%	$ --
06/30/15	100,467	100%	--
06/30/14	97,841	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, 2016, 2015, and 2014 (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)
06/30/2016	$ 2,248,753	$ 2,793,689	$ 544,936	80.5%	$ 1,968,703	27.7%
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%

The actuarial valuation methods and assumptions used for LACERS OPEB as of June 30, 2016 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, range from 2.22% to 8.39% depending on age groups and carrier in fiscal year 2017, 6.38% in fiscal year 2018 decreasing by 0.25% for each year until it reaches an ultimate rate of 5.00%, and dental premium trend rate – 5.00% for all years.

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 2017 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) was 9.60% of compensation paid biweekly.

In fiscal year 2017, the Port's contribution rate for sworn employees that are members of the Harbor Tier 5 plan, as determined by the actuary is 33.92% of covered payroll. The Harbor Tier 6 rate is 29.51%. Based on the Port's reported sworn covered payroll of $12.5 million for Tier 5, and $1.0 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 $4.5 million (100% of actuarially determined contribution) and $4.2 million (100% of actuarially determined contribution) for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the Port reported a liability of $10.1 million and $8.7 million, respectively, for its proportionate shares of the net pension liability of LAFPP. The net pension liability was measured as of June 30, 2016 and 2015, 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 was determined to be 0.408% and 0.425% for fiscal years June 30, 2017 and 2016.

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Fiscal Year 2017

For the year ended June 30, 2017, the Port recognized pension expense of $2.7 million. At June 30, 2017, 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	$ 3,716	$ --
Changes of assumptions or other inputs	--	228
Differences between expected and actual experience in the total pension liability	--	2,891
Net difference between projected and actual earnings on pension plan investments	1,825	--
Total	$ 5,541	$ 3,119

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	
2018	$ (614)
2019	(614)
2020	105
2021	28
2022	(199)
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, 2016 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.

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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. 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.

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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 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	$20,648	$10,050	$1,550

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

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		
2017	$	(965)
2018		(965)
2019		(965)
2020		(246)
2021		(322)
Thereafter		--

The amortization table does not include pension contributions made after the measurement date.

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.

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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. 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.

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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 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

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, 2016, 2015, and 2014 are as follows (in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/16	$ 161,911	99.50%	$ (132,506)
06/30/15	160,865	99.14%	(131,698)
06/30/14	149,877	98.97%	(130,319)

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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, 2016, 2015, and 2014 (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)
06/30/2016	$ 1,480,810	$ 3,079,670	$ 1,598,860	48.08%	$ 1,400,808	114.14%
06/30/2015	1,344,333	2,962,703	1,618,370	45.38%	1,405,171	115.17%
06/30/2014	1,200,874	2,783,283	1,582,409	43.15%	1,402,715	112.81%

The actuarial valuation methods and assumptions used for LAFPP OPEB as of June 30, 2016 were as follows: actuarial cost method used - entry age normal; amortization method – closed amortization periods; remaining amortization period – multiple layers, range from 5 to 30 years; 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 2016-2017 and 2017-2018, 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% for all years.

Note 14. A to D on LAFPP retirement and OPEB plans were derived from information prepared by LAFPP and the City.

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15. Commitments, Litigation and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $26.0 million as of June 30, 2017. 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 2017 and 2016.

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

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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. There were no Shortfall payments in both fiscal years 2017 and 2016.

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 PCMTF funding of $12.0 million and $4.0 million in a special Community Mitigation Trust Fund (CMTF) account maintained by the Port to meet its obligations 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 for incremental volume.

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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 an independent financial manager. In accordance with the Operating Agreement, in 2011 the Port transferred the unspent balance of PCMTF funding from its CMTF to the PCMTF, an escrow account maintained by an independent financial manager, which is currently J.P. Morgan.

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 a list of specific expansion projects that have environmental impact reports certified within five years after the first HCBF Board of Directors meeting (said certification deadline established as May 19, 2016). The Operating Agreement provides that if the listed MOU expansion projects have EIRs certified by the May 2016 deadline and proceeds 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 the PCMTF based upon the Yusen container terminal project contract award. There were no contributions made during fiscal year 2017.

As of June 30, 2017, a total of $17.5 million has been disbursed from the Port's CMTF. The remaining fund balance including interest earned as of June 30, 2017 is $0.1 million.

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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, and legal services. Total amounts charged by the City for services approximate $39.6 million and $37.4 million in fiscal years 2017 and 2016, respectively. In addition, the amounts charged by the City for water and electricity usage approximate $14.8 million and $14.0 million in fiscal years 2017 and 2016, 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, 2017 and 2016, the Port reported capital contributions of $18.8 million and $40.5 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 settlement 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.

In November 2015, two separate Memoranda of Agreements were approved and authorized to transfer $5.2 million to the Harbor Community Benefit Foundation (HCBF) to administer air quality improvement projects and $4 million to the South Coast Air Quality Management District to assist in funding the demonstration of a catenary zero emission truck project.

As of June 30, 2017, 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, 2017 and 2016, the Port had $969.3 million and $1.0 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, 2017, the balance in the Common Reserve fund totaled $62.3 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 invested in the U.S. Treasury securities and money market funds.

20. Extraordinary Item

On September 22, 2014, a fire caused extensive damage to Berth 177-178 and to a portion of Berth 179. The Port filed claims under its all-risk property insurance policy. Total insurance recovery of $14.3 million was received by the Port. During the fiscal years 2017 and 2016, the Port received insurance recovery in the amounts of $9.2 million and $5.1 million, respectively.

Continued…..

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – 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 Payroll [(1)]	Proportionate Share of Net Pension Liability as a Percentage of Covered 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%
2017	3.940%	$ 221,275	$ 75,092	294.67%	67.77%

(1) Covered 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 Payroll [(2)]	Proportionate Share of Net Pension Liability as a Percentage of Covered 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	$ 12,301	70.49%	83.98%
2017	0.408%	$ 10,050	$ 12,148	82.49%	83.02%

(2) Covered 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 three years are shown.

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

Required Supplementary Information

Schedule of Contributions – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2017	2016	2015
Actuarially determined contribution	$ 17,582	$ 17,557	$ 15,765
Contributions in relation to the actuarially determined contribution	17,582	17,557	15,765
Contribution deficiency (excess)	$ --	$ --	$ --
Port's covered payroll	$ 79,924	$ 78,061	$ 77,126
Contributions as a percentage of covered payroll	22.00%	22.49%	20.44%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2017	2016	2015
Actuarially determined contribution	$ 3,716	$ 3,462	$ 3,648
Contributions in relation to the actuarially determined contribution	3,716	3,462	3,648
Contribution deficiency (excess)	$ --	$ --	$ --
Port's covered payroll	$ 12,514	$ 12,184	$ 12,301
Contributions as a percentage of covered payroll	29.69%	28.41%	29.66%

* Fiscal year 2015 was the first year of implementation, therefore only three 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, CALIFORNIA)
Summary of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating revenues										
Shipping services	$ 374,878	$ 329,347	$ 327,630	$ 343,498	$ 357,716	$ 347,876	$ 377,213	$ 364,899	$ 368,470	$ 398,255
Rentals	45,524	42,368	43,141	45,428	43,143	42,890	40,156	46,233	46,571	51,258
Royalties, fees, and other operating revenues	5,943	30,509	36,047	11,577	8,928	6,602	8,582	35,763	21,085	25,019
Total operating revenues	426,345	402,224	406,818	400,503	409,787	397,368	425,951	446,895	436,126	474,532
Operating expenses										
Salaries and benefits	92,979	95,429	92,930	98,837	98,614	101,861	112,053	111,788	114,719	118,582
Marketing and public relations	5,137	3,531	2,490	2,912	3,177	2,877	2,711	2,771	2,567	2,583
Travel and entertainment	1,099	609	546	804	932	1,139	548	512	611	536
Outside services	36,957	34,977	25,776	29,367	27,660	29,690	26,331	28,983	28,970	25,022
Materials and supplies	8,719	7,800	6,366	6,249	6,314	5,989	6,883	6,257	6,340	5,314
City services	32,129	30,680	37,147	29,964	32,014	31,074	33,633	34,749	37,421	39,554
Other operating expenses	44,732	81,117	44,980	41,562	31,095	32,539	23,195	49,189	35,633	36,084
Total operating expenses before depreciation	221,752	254,143	210,235	209,695	199,806	205,169	205,354	234,249	226,261	227,675
Operating Income before depreciation	204,593	148,081	196,583	190,808	209,981	192,199	220,597	212,646	209,865	246,857
Depreciation	78,295	83,413	87,255	90,468	100,485	108,037	124,221	137,384	163,933	172,895
Operating Income	126,298	64,668	109,328	100,340	109,496	84,162	96,376	75,262	45,932	73,962
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	4,440	2,980	2,270	(333)	1,851	2,049	2,129	2,811	2,544	2,162
Interest and investment income	34,863	18,824	15,233	6,436	9,486	826	4,654	5,039	9,326	1,118
Interest expense	(38,052)	(36,979)	(35,663)	(3,704)	(10,538)	(2,473)	(1,530)	(331)	(507)	(604)
Other income and expenses, net	(2,536)	(7,625)	(2,951)	(6,667)	(8,359)	784	(27,364)	(2,226)	(3,851)	(1,146)
Net nonoperating revenues (expenses)	(1,285)	(22,800)	(21,111)	(4,268)	(7,560)	1,186	(22,111)	5,293	7,512	1,530
Income before capital contributions	125,013	41,868	88,217	96,072	101,936	85,348	74,265	80,555	53,444	75,492
Capital contributions	14,161	4,103	16,950	12,059	31,307	17,630	80,374	111,852	40,489	18,801
Special and extraordinary items	--	--	--	--	--	13,387	15,002	--	5,123	9,150
Changes in net position	139,174	45,971	105,167	108,131	133,243	116,365	169,641	192,407	99,056	103,443
Total net position – beginning of year	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	3,161,955
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	2,337,869	2,383,616	2,429,587	2,534,754	2,642,885	2,767,986	2,894,913	2,870,492	3,062,899	3,161,955
Total net position – end of year	$ 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	$ 3,265,398
Net position:										
Net investment in capital assets	1,985,653	2,101,396	2,164,885	2,286,360	2,397,744	2,634,840	2,863,795	2,856,561	2,945,412	2,972,442
Restricted	9	61,608	67,844	67,341	67,796	57,913	58,054	68,373	66,599	62,255
Unrestricted	491,381	266,583	302,025	289,184	310,588	191,598	142,705	137,965	149,944	230,701
Total net position	$ 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	$ 3,265,398

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

Summary of Debt Service Coverage (Pledged Revenue)
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating revenues (including investment/interest income and noncapital grant revenues) (1)	$ 465,648	$ 424,028	$ 424,306	$ 412,962	$ 435,291	$ 416,974	$ 446,910	$ 460,364	$ 452,398	$ 487,806
Operating expenses (2)	221,752	254,143	210,235	209,695	199,806	205,169	205,354	234,249	226,261	227,675
Net available revenue	$ 243,896	$ 169,885	$ 214,071	$ 203,267	$ 235,485	$ 211,805	$ 241,556	$ 226,115	$ 226,137	$ 260,131
Debt service, revenue bonds	$ 61,318	$ 61,298	$ 66,851	$ 72,736	$ 71,382	$ 72,204	$ 65,323	$ 69,916	$ 91,831	$ 87,570
Debt service, commercial papers	—	—	—	191	227	194	165	187	—	—
Total debt service (3)	$ 61,318	$ 61,298	$ 66,851	$ 72,927	$ 71,609	$ 72,398	$ 65,488	$ 70,103	$ 91,831	$ 87,570
Net available revenue coverage	4.0	2.8	3.2	2.8	3.3	2.9	3.7	3.2	2.5	3.0
Net cash flow from operations	$ 252,898	$ 151,264	$ 185,416	$ 158,268	$ 217,113	$ 234,234	$ 131,284	$ 213,184	$ 184,869	$ 274,581
Net operating cash flow coverage	4.1	2.5	2.8	2.2	3.0	3.2	2.0	3.0	2.0	3.1

(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.

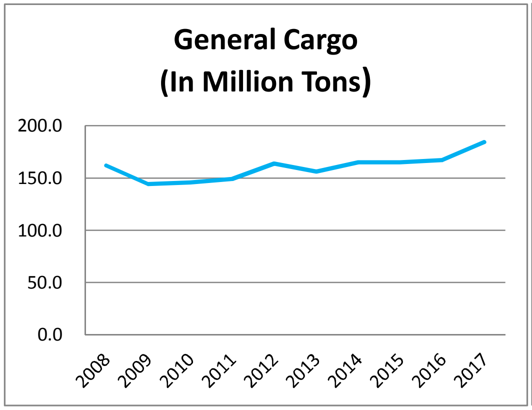
(3) Debt service includes principal and interest payments on issued bonds as well as on commercial paper notes, which are senior debt backed by pledged-revenue. Debt service does not include loans from the California Department of Boating and Waterways, which are not backed by pledged-revenue.

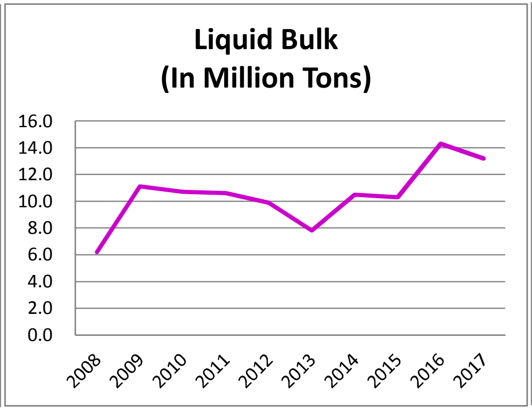
Note: Details regarding the Port of Los Angeles' outstanding debt can be found in the notes to the basic financial statements.

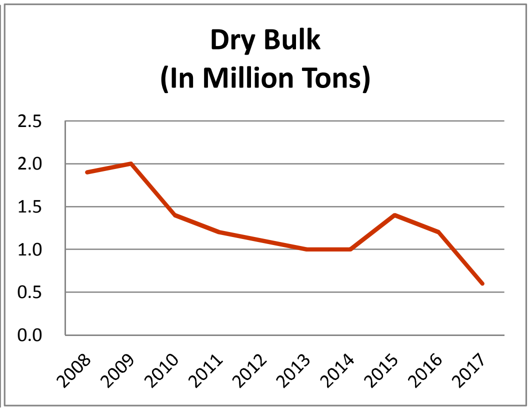
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Revenue Statistics
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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)	8.1	7.3	7.2	7.9	8.2	7.8	8.2	8.2	8.4	9.2
Inbound tonnage (million tons)	105.2	94.4	88.2	93.7	98.3	93.1	99.1	102.9	105.6	105.8
Outbound tonnage (million tons)	65.1	66.1	66.7	67.8	74.6	71.5	74.3	74.6	79.3	92.4
Revenue tons (million)										
General cargo	161.9	144.3	145.8	149.1	163.9	156.3	165.0	165.1	167.3	184.3
Liquid bulk	6.2	11.1	10.7	10.6	9.9	7.8	10.5	10.3	14.3	13.2
Dry bulk	1.9	2.0	1.4	1.2	1.1	1.0	1.0	1.4	1.2	0.6
Total revenue tons (million)	170.0	157.4	157.9	160.9	174.9	165.1	176.5	176.8	182.8	198.1



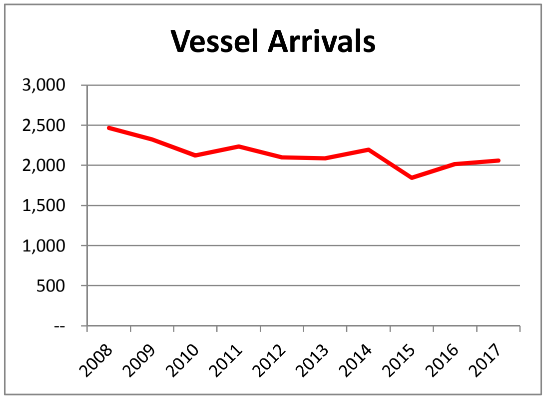


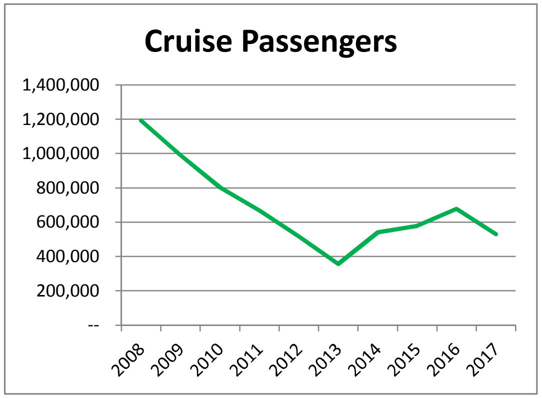


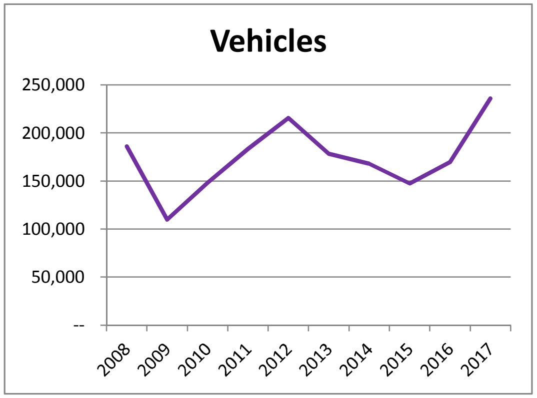
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Other Operating Information
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	24	24	24	24	23	23	23	23
Vessel arrivals	2,467	2,322	2,124	2,236	2,100	2,089	2,196	1,846	2,014	2,060
Cruise passengers	1,191,449	990,965	802,899	667,434	515,827	355,875	541,418	578,902	676,644	529,031
Vehicles	185,978	109,634	147,935	183,126	215,374	178,252	167,826	147,457	169,561	235,862
Full time employees	935	971	948	959	958	947	949	885	906	883







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

Operating Expenses Net of Direct and Indirect Costs
Fiscal Year Ended June 30, 2017
(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	$ 142,053	$ (13,337)	$ 128,716	$ (10,134)	$ 118,582
City services	53,388	(10,240)	43,148	(3,594)	39,554
Outside services	92,808	(66,199)	26,609	(1,587)	25,022
Utilities	17,114	(557)	16,557	(984)	15,573
Materials and supplies	7,681	(1,555)	6,126	(812)	5,314
Marketing and public relations	2,894	(15)	2,879	(296)	2,583
Workers’ compensation, claims and settlements	4,977	—	4,977	—	4,977
Clean truck program expenses	704	—	704	—	704
Travel and entertainment	614	(3)	611	(75)	536
Other operating expenses	16,318	(645)	15,673	(843)	14,830
Total operating expenses	$ 338,551	$ (92,551)	$ 246,000	$ (18,325)	$ 227,675

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

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

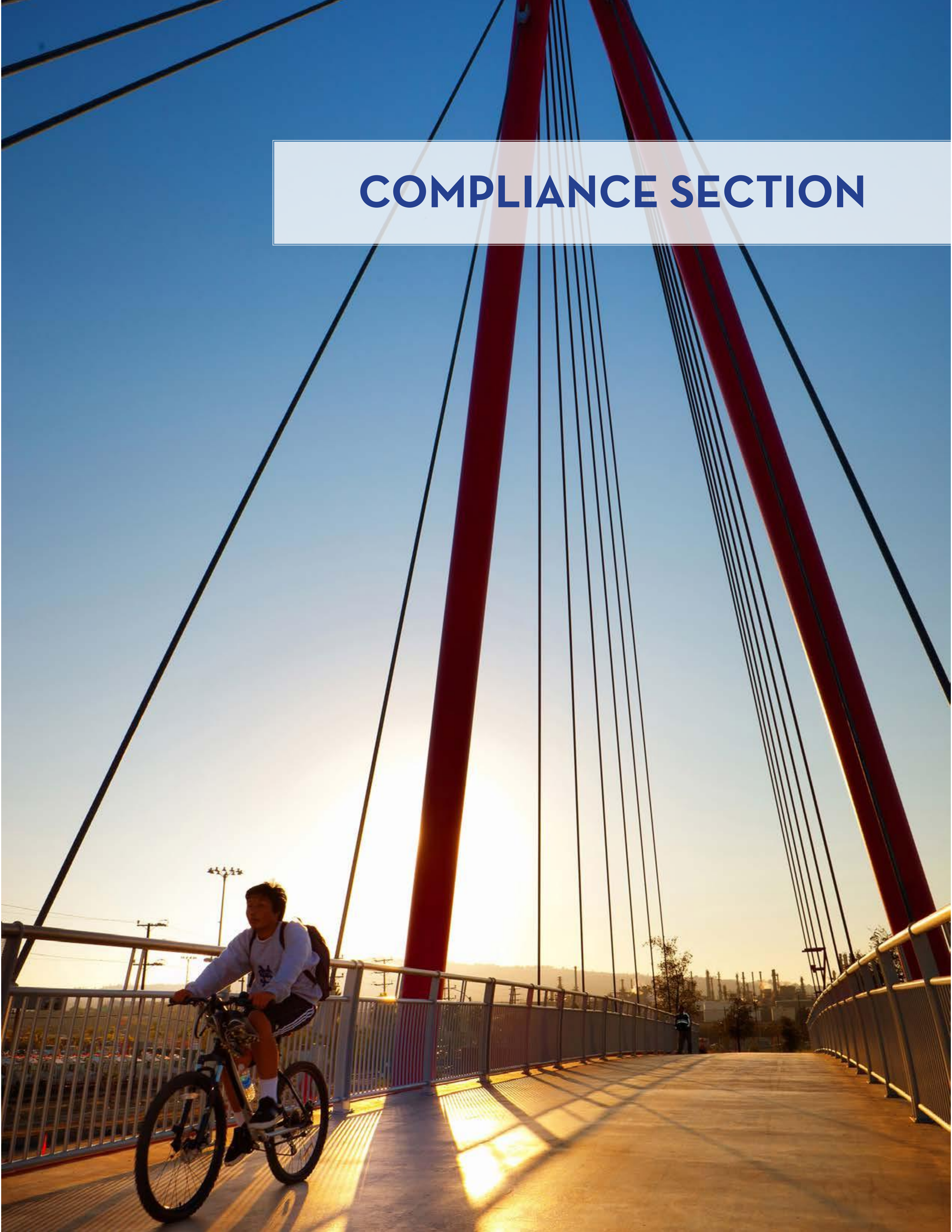
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Capital Development Program Expenditures Per Adopted Budget
For Fiscal Year 2017-2018
(In Thousands)
(Unaudited)

Project Description		Expenditures per Adopted Budget
Berth 90-93 World Cruise Center	$	11,159
Berth 100-102 Development - China Shipping Container Terminal		393
Berth 121-131 Development - Yang Ming Container Terminal		1,124
Berth 135-147 Development - TraPac Container Terminal		2,563
Berth 212-224 Development - YTI Container Terminal		8,058
Berth 222-236 Development - Everport Container Terminal		1,975
Berth 400-409 Development - Maersk/Cut		313
Motems (Marine Oil Terminal Engineering and Maintenance Standards)		7,853
Miscellaneous Terminal Improvements		8,199
Transportation Improvement		7,809
Security Projects		2,219
Port-wide Public Enhancements - Community		1,926
Los Angeles Waterfront		16,248
Harbor Department Facilities		749
Miscellaneous Projects		12,081
Unallocated Capital Improvement Program Fund		15,000
Total	$	97,669

Note: Schedule above excludes capital equipment.

COMPLIANCE SECTION



MGO Certified Public Accountants

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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*.

Macias Gini & O'Connell LLP
777 S. Figueroa Street, Suite 2500
Los Angeles, CA 90017

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 18, 2017

APPENDIX C

HARBOR DEPARTMENT OF THE CITY OF LONG BEACH COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017 (WITH INDEPENDENT AUDITOR'S REPORT THEREON)

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

(An Enterprise Fund and Component Unit of the
City of Long Beach, California)

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2017

(With Independent Auditors' Report Thereon)

Mario Cordero
Executive Director

Sam Joumblat
Managing Director of Finance and Administration

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

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THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

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INTRODUCTORY SECTION

4801 Airport Plaza Drive, Long Beach, CA 90815 Tel 562.283.7000 www.polb.com

Port of
LONG BEACH
The Green Port

Letter of Transmittal

March 15, 2018

The Board of Harbor Commissioners
The Harbor Department of the City of Long Beach
Long Beach, California

Members of the Board of Harbor Commissioners:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted government auditing standards (GAGAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California (the City), for the fiscal year ended September 30, 2017. The Department's operations are included in the City's reporting entity as an enterprise fund.

This report consists of management's representations concerning the finances of the Department. Management is responsible for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. The costs of internal controls should not exceed their benefits; therefore, the comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of its knowledge and belief, this financial report is complete and reliable in all material aspects.

The Department's basic financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the Department's financial statements for the fiscal year ended September 30, 2017 are free of material misstatement. The independent audit entails examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit performed, that there was a reasonable basis for rendering an unmodified opinion, and that the Department's financial statements for the fiscal year ended September 30, 2017 are fairly presented in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is intended to complement the MD&A, and should be read in conjunction with it. The Department's MD&A immediately follows the report of the independent auditors.

Profile of the Department

In 1911, the State of California conveyed to the City, in trust, certain tidal and submerged lands for the establishment and maintenance of the Harbor District (which includes the Port of Long Beach or the Port). Consistent with this grant, the City Charter confers on the Board of Harbor Commissioners (the Board) exclusive control and management of the Department (or the Port). The Board has authority, on behalf of the City, to provide for the needs of commerce, navigation, recreation, and fishery; to develop and maintain all waterfront properties; to dredge and reclaim land; and to construct and operate terminals, railroad tracks, and other facilities both inside and outside the Department's jurisdiction. The Port has succeeded in becoming a landlord port providing the region, state, and nation with state-of-the-art seaport facilities and serving as a safe international gateway for trade. The Port of Long Beach has evolved into the second-busiest container seaport in North America.

The Department generates revenues through leases, tariffs, and other charges assessed to its customers. No local, state, or federal taxes support port operations. The Department does not contribute to the City general fund or governmental activities, but compensates the City for services such as public safety, human resources, civil service, and centralized financial, legal, and audit services.

The Department maintains a financial and cost accounting system independent of other City departments. The focus of the statement of revenues, expenses, and changes in net position is on inflows and outflows of economic resources using the accrual basis of accounting. Changes in net positions are recognized as soon as the cause of the change occurs, regardless of the timing of related cash flows; that is, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred. All the assets and liabilities associated with the Department's operations are included in the statement of net position. Net position is segregated into net investment in capital assets, restricted for related debt service, and unrestricted.

Commercial and Economic Outlook

The Port provides best in class customer service in order to attract more commercial activity and maximize revenue opportunities. By aligning its product with the customers' demands, the Port employs a strategic and customized approach with all customer segments. Focused customer outreach ensures the Port has a full understanding of the customers' needs and successfully promotes the benefits of our services.

Commercial performance in calendar year 2017 was led by record container volumes at the Port, increasing approximately 11.4% from the prior year. This was driven by healthy consumer markets, ocean carrier alliance changes, recovery of business at Pier T container terminal following the Hanjin bankruptcy and growing capacity at Long Beach Container Terminal. Three trends continue to shape the fortunes of the maritime industry: ocean carrier mergers and acquisitions, carrier alliances, and vessel upsizing.

The expansion or contraction of foreign trade directly affects local, regional, and national economies. The Port, as a crucial economic engine for the region and beyond, must continually strengthen its competitiveness by anticipating and responding to economic challenges, and seizing opportunities to continue to be the preferred seaport for trans-Pacific trade.

During fiscal year 2017, the industry experienced numerous organizational changes with announcements of potential merger and acquisition activities. In April, the four ocean carrier alliances reorganized to three alliances (2M+H Alliance, OCEAN Alliance, and THE Alliance). Recently, Maersk Line had purchased Hamburg Sud, the three Japanese carriers ("K" Line, MOL, and NYK) had consolidated into one much larger company, and COSCO's purchase of OOCL is in the final stage of regulatory approval.

As container ships capable of transporting more than 14,000 twenty-foot-equivalent units (the so-called big ships) continue to call at the Port, the Port's ability to accommodate these vessels and handle the additional cargo volume has become a key objective to retain its competitive advantage over other gateways. In preparation for the next generation of even larger vessels, the Port had embarked on a 10-year, $4.0 billion capital program to upgrade its infrastructure and modernize its facilities in order to improve fluidity and efficiency in its cargo operations and enhance reliability. This program continues with $3.0 billion projected capital spends over the next 10 years. When completed, the capital program will make the Port one of the most efficient ports in the world.

Infrastructure projects are currently underway that will extend customer service operations and position the Port for increased volume and revenue focusing on terminal, road, and rail improvements. They include the following:

- Middle Harbor Redevelopment: A $1.5 billion project to combine and modernize two aging shipping terminals. The project more than quintuples on-dock rail capacity and adds shore power connections and advanced technology that will allow the new terminal to move twice the cargo with half the air pollution. Construction began in 2011 and is expected to be completed in 2020.
- Gerald Desmond Bridge Replacement: A $1.5 billion project to build a new bridge to span the Port's main channel. The new bridge will be taller, to allow additional clearance for ships, and will also be wider, to ease the flow of cars and trucks that use the bridge. Construction began in early 2013 and will continue through late 2019.
- Pier B Rail Support Facility: The Pier B On-Dock Rail Facility will provide for more efficient transfer of cargo between marine terminals and the Class 1 railroads, resulting in greater cargo velocity and better customer satisfaction.
- Pier G & Pier J modernization: Berth and rail facility improvements at these piers will allow ITS and PCT to accommodate larger vessels and expedite rail containers to and from vessels.
- The Port plans for additional deepening for berths to accommodate the latest generation of mega-ships.
- To accommodate the increase in volume expected during the next 20 years, the Port will continue to seek innovative solutions for developing facilities and related infrastructure while ensuring that air, water, and soil quality continues to improve.

In addition to its capital program, the Port is also committed to finding solutions to challenges throughout the entire ocean transportation supply chain: truck turn-times, chassis supply, and cargo visibility, to name a few. The influx of larger amounts of cargo over a shorter period of time is further testing the Port's cargo handling capability. However, the Port is taking a leadership role by working with its partners to formulate solutions to permanently eliminate the inefficiencies in the supply chain. Through a combination of infrastructure enhancements, operational improvements, and investment in innovative environmental programs, the Port is on track to ensure efficient and sustainable growth.

Environmental Protection

The optimal utilization of Port resources brings environmental issues that need to be addressed to guarantee economic growth with responsible stewardship of the environment. In 2005, the Long Beach Board of Harbor Commissioners adopted the Green Port Policy, which committed to reducing the Port's impact on the environment and the community. In 2006, at a historic joint board session of Long Beach and Los Angeles Boards of Harbor Commissioners (the Ports), the San Pedro Bay Clean Air Action Plan (CAAP) was approved. This ambitious plan identified specific strategies to reduce emissions from port-related equipment. The CAAP has led to major air-quality improvements at the Ports. Diesel Particulate Matter, for example, has been reduced by 88% from 2005 levels, as identified in the 2016 emissions inventory. The CAAP was updated in 2010, and most recently in 2017, to adjust ongoing strategies to improve their effectiveness and to identify new strategies to produce necessary emission reductions into the future. As guided by the Green Port Policy, the Port has established itself as a world leader in sustainable seaport operations and development.

Under the Green Port Policy and the Clean Air Action Plan, the Port has:

- Cut diesel particulates by 88%, sulfur oxides by 97%, smog-forming nitrogen oxides by 56%, and greenhouse gases by 22% from 2005 levels, identified in the 2016 annual air emissions inventory.
- Supported the use of lower-sulfur, cleaner fuels in ocean going ships.
- Completed a successful changeover of the truck fleet through the landmark Clean Trucks Program, which has achieved a 98% reduction in diesel particulate pollution from the truck fleet.
- Continued the Green Flag Vessel Speed Reduction Program within 20 nautical miles or 40 nautical miles of the Port (where greater than 90% of ships slow down to 12 knots), to reduce air pollution emissions.
- Completed the building of shore power facilities to allow the shipping lines to comply with the state's new shore power regulation, requiring half of all vessel calls to plug in at berth for cleaner air.
- Nurtured the development of new clean air technologies through the Technology Advancement Program including zero emission terminal equipment.

Risk Management

The Port has developed a comprehensive, all-hazard business continuity plan that works to facilitate the efficient and environmentally sound movement of cargo following a business disruption event. The plan focuses on maintaining a safe and secure port environment and on keeping the land and water infrastructure operational to the greatest extent possible and works to achieve those objectives in a legal and financially responsible manner.

Security

The Port continues its commitment to safety and security and is dedicated to being the safest and most secure port in the world. Since 2009, the Port has operated the Joint Command and Control Center (JCCC). This state-of-the-art facility houses not only the Port of Long Beach Security Division and Harbor Patrol, but also the Long Beach Police Department's Port Police Division. The Long Beach Fire Department is also represented in the JCCC by an assistant chief. The Port takes an above the water, on the water, and below the water approach to Maritime Domain Awareness. This is accomplished through the use of the latest integrated, high-tech surveillance systems to maintain vigilance and share data with the many agencies responsible for port security. The JCCC monitors close to 500 cameras throughout the port complex, including long-range and night-vision units, as well as access control and radar detection systems.

Since 2001, the Port has secured approximately $154 million in grants to aid in safety and security efforts. The Port is protected by multiple layers of security, including the U.S. Coast Guard, U.S. Customs and Border Protection, Long Beach Police Department, and other federal, state, and local law enforcement agencies. Additionally, the Port has its own harbor patrol, a cadre of highly trained public officers who are responsible for security and public safety on the property owned by the Port and any public roadways within its boundaries 24 hours a day, seven days a week. The Long Beach Police Department Port Police Division also provides a dedicated force of police officers who patrol land side and water side in the port complex 24 hours a day, seven days a week. The Long Beach Fire Department has two land based stations, one with a hazardous materials response unit, as well as two fireboat stations within the port complex.

The Port has made significant investments in technology to mitigate threats against the port. This includes the development of the Virtual Port system. Virtual Port is a geo-spatial-based maritime domain and common operating picture system. It integrates over 60 independent information sources and databases into a single platform, providing the status of port operations in real time. Virtual Port allows users to view and interact with a variety of modules to track vessels, monitor suspicious activities, monitor land and water-based assets, share information with port security partners, view news and social media alerts associated with port incidents, and coordinate response activities.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Harbor Department of the City of Long Beach California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2016

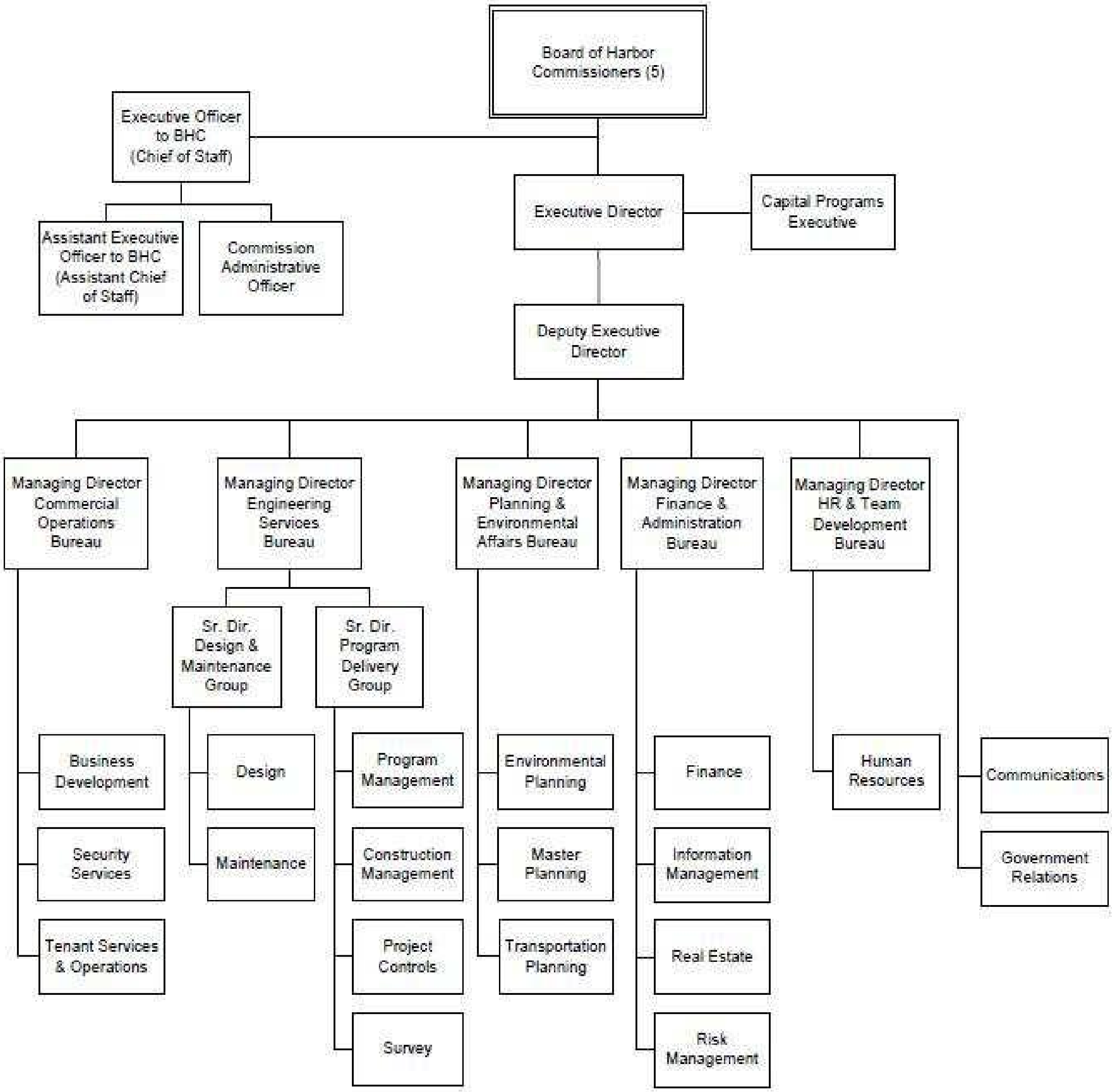
Christopher P. Morrill

Executive Director/CEO

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Organizational Chart

September 30, 2017



THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Board of Harbor Commissioners and Senior Management

September 30, 2017

Board of Harbor Commissioners

Lou Anne Bynum, President
Tracy J. Egoscue, Vice President
Lori Ann Guzman, Secretary and Commissioner
Bonnie Lowenthal, Commissioner
Frank Colonna, Commissioner

Executive Officer to the Board	Richard Jordan
Executive Offices	
Executive Director	Mario Cordero (effective May 2017)
Acting Deputy Executive Director	Duane Kenagy (effective May 2017)
Capital Program Executive	Vacant
Communications Division	Director, Kerry Gerot (effective August 2017)
Government Relations Division	Director, Samantha Ashley
Human Resources Division	Director, Stacey Lewis (effective July 2017)
Finance and Administration Bureau	Managing Director, Sam Joumblat (effective August 2017)
Finance Division	Acting Director, Don Kwok (effective September 2017)
Information Management Division	Director, Nyariana Maiko
Real Estate Division	Director, Karl J. Adamowicz
Risk Management Division	Director, Richard S. Baratta
Commercial Operations Bureau	Managing Director, Noel Hacegaba
Business Development Division	Director, Donald B. Snyder
Security Division	Director, Randy Parsons
Tenant Services and Operations Division	Director, Glenn Farren
Planning and Environmental Affairs Bureau	Managing Director, Richard D. Cameron
Environmental Planning Division	Director, Heather Tomley
Master Planning Division	Director, Matt Plezia
Transportation Planning Division	Director, Allison Yoh
Engineering Services Bureau	Managing Director, Sean Gamette (effective Feburary 2017)
Program Delivery Group	Senior Director, Suzanne Plezia (effective April 2017)
Program Management Division	Director, Tom Baldwin (effective April 2017)
Construction Management Division	Acting Director, Darrin Lambrigger (effective April 2017)
Design and Maintenance Group	Senior Director, Neil Morrison (retired September 2017)
Design Division	Director, John Chun
Maintenance Division	Director, Fred Greco
Project Controls Division	Director, Vacant
Surveys Division	Director, Robert Seidel

FINANCIAL SECTION

KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Honorable Members of the Board of Harbor Commissioners
The Harbor Department of the City of Long Beach
Long Beach, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California, as of and for the year ended September 30, 2017, and the related notes to the financial statements, as described in the accompanying 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 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 Harbor Department of the City of Long Beach, California as of September 30, 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 11–19 and the OPEB liability and related ratios on page 56 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information identified in the table of contents as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018 on our consideration of the Department'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. The purpose of that report is solely 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 the effectiveness of the Department's 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 Department's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 26, 2018

The following discussion and analysis of the financial performance of the Harbor Department of the City of Long Beach, California (the Department) provides an overview of the financial activities for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Department's financial statements and related notes and our letter of transmittal that precedes this section.

Using this Financial Report

This annual financial report consists of the Department's financial statements and the required supplementary information, and reflects the self-supporting activities of the Department that are funded primarily through leasing property, tariffs, and other charges to its tenants.

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

- *The statement of net position* – Reports all of the Department's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes, and which assets are restricted as a result of bond covenants and other requirements
- *The statement of revenue, expenses, and changes in net position* – Reports the results of all revenue and expenses of the Department's operation for the fiscal periods presented
- *The statement of cash flows* – Reports 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 basic financial statements* – Report information that supplements and clarifies significant elements of the financial statements; such information is essential to a full understanding of the Department's financial activities 11

Overview of the Department's Financial Statements

The Department is an enterprise fund, and is a fiscally independent component unit of the City of Long Beach, California (the City). The Department's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles supported by the Governmental Accounting Standards Board.

Analysis of Net Position

The following condensed financial information provides an overview of the Department's financial position as of September 30, 2017 and 2016:

Condensed Schedule of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

September 30, 2017 and 2016

(Amounts expressed in thousands)

		2017	2016
Assets:			
Capital assets, net	$	4,551,990	4,365,376
Current and other assets		802,925	671,277
Total assets		5,354,915	5,036,653
Deferred outflows of resources		42,089	41,884
Total assets and deferred outflows	$	5,397,004	5,078,537
Liabilities:			
Current liabilities	$	166,005	171,932
Long-term obligations, net of current portion		1,291,776	1,114,917
Total liabilities		1,457,781	1,286,849
Deferred inflows of resources		13,086	11,661
Total liabilities and deferred inflows	$	1,470,867	1,298,510
Net position:			
Net investment in capital assets	$	3,491,506	3,442,251
Restricted:			
Capital projects		39,351	75,610
Debt service		12,092	13,961
Unrestricted		383,188	248,205
Total net position	$	3,926,137	3,780,027

The changes in net position over time may serve as a useful indicator of the Department's financial activities and position. As of September 30, 2017, $3.5 billion, or 88.9%, of the Department's total net position represents its net investment in capital assets. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowings attributable to those assets that have been expended at September 30, 2017. These capital assets are used to facilitate the operations of the Port of Long Beach (the Port) and its tenants.

(Continued)

The restricted portion of the Department's net position of $51.4 million, or 1.3%, is comprised of $39.4 million in environmental mitigation credits for use on landfill capital projects and $12.1 million of a debt service reserve fund required by the bonds' indenture. The remaining balance of $383.2 million, or 9.8%, reflects unrestricted resources that may be used for ongoing and future operations of the Department.

Current and other assets increased by $131.6 million, or 19.6%, from $671.3 million in the prior fiscal year to $802.9 million in fiscal year 2017. This increase was a result of the 2017 revenue bonds issuance discussed further in (note 12).

Capital assets, net of depreciation increased by $186.6 million, or 4.3%, from the prior fiscal year mostly on capital expenditures of projects such as the Gerald Desmond Bridge, Middle Harbor, and the Port's new headquarter. Refer to (page 18) and on (note 17) for additional discussion related to capital assets.

Long-term liabilities, net of current portion increased by $176.9 million due to the 2017 revenue bonds issuance with premiums of $200.5 million partially offset by a $25.0 million payoff on the line of credit. Refer to (page 18) and on (note 11 and 12) for additional discussion related to long-term liabilities and debt service.

Analysis of Changes in Net Position

The following condensed financial information provides an overview of the changes of the Department's net position during fiscal years 2017 and 2016:

Condensed Schedule of Revenue, Expenses, and Changes in Net Position

Years ended September 30, 2017 and 2016

(Amounts expressed in thousands)

		2017	2016
Operating revenues	$	381,010	360,660
Operating expenses:			
Facility and infrastructure		42,632	36,274
Fire and Safety		42,205	40,379
General and administrative		57,804	67,220
Total operating expenses		142,641	143,873
Depreciation and amortization		148,445	146,721
Operating income		89,924	70,066

Condensed Schedule of Revenue, Expenses, and Changes in Net Position

Years ended September 30, 2017 and 2016

(Amounts expressed in thousands)

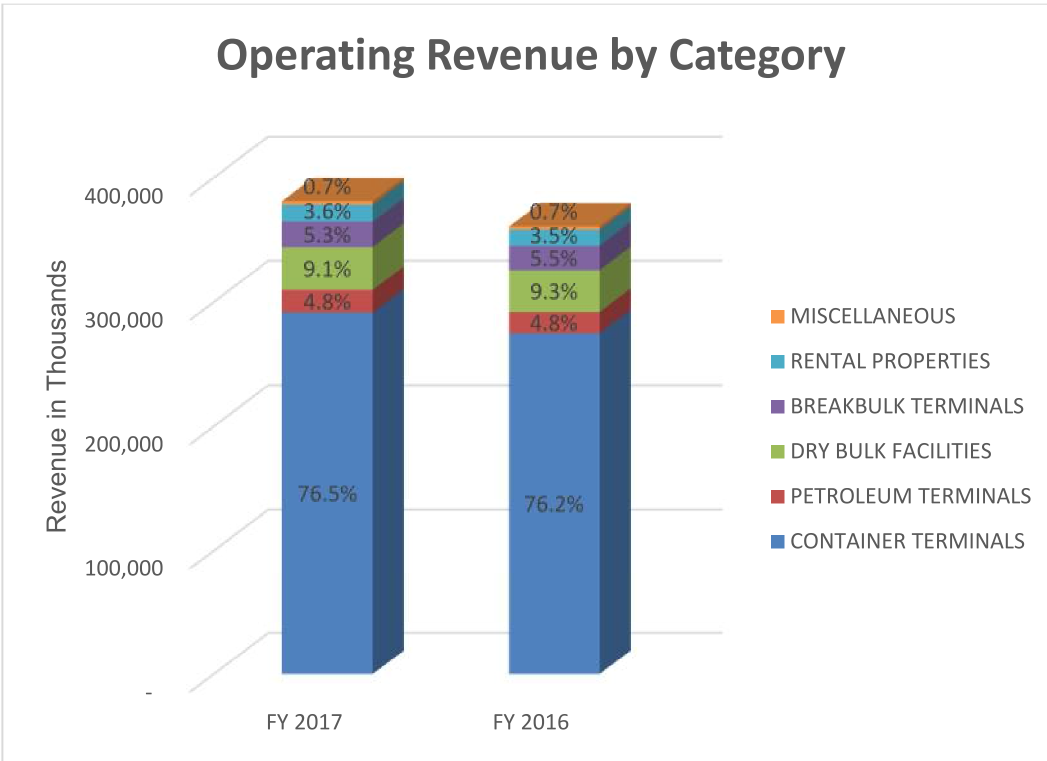
		2017	2016
Nonoperating revenue (expenses):			
Interest income, net of interest expense	$	(2,015)	(6,063)
Gain on sale of capital assets, net		42	48
Clean Air Action Plan (CAAP), net		(1,127)	(4,656)
Other income (loss), net		5,662	138
Net nonoperating revenues (expenses)		2,562	(10,533)
Income before capital grants and transfer		92,486	59,533
Transfer to the City		(19,448)	(18,693)
Contribution from the City – Land for new Port headquarters		—	4,008
Capital grants		73,072	128,282
Change in net position		146,110	173,130
Total net position – beginning of year, as restated		3,780,027	3,606,897
Total net position – end of year	$	3,926,137	3,780,027

Operating Revenues

Operating revenues for fiscal year 2017 were $381.0 million, an increase of $20.4 million, or 5.6%, from the prior fiscal year, primarily due to a $16.7 million, or 6.1%, increase in the container terminal revenue where approximately 76.5% of total operating revenue is generated. The increase was primarily due to placing in service about 94 acres in additional rental property at Pier E due to the completion of the second phase of the Middle Harbor development project.

Noncontainerized revenue in the categories of liquid bulk, dry bulk, and breakbulk cargos also increased by $2.5 million, or 3.5%, driven by healthy market demands.

The chart below depicts the revenue categories as a percentage of total operating revenues:



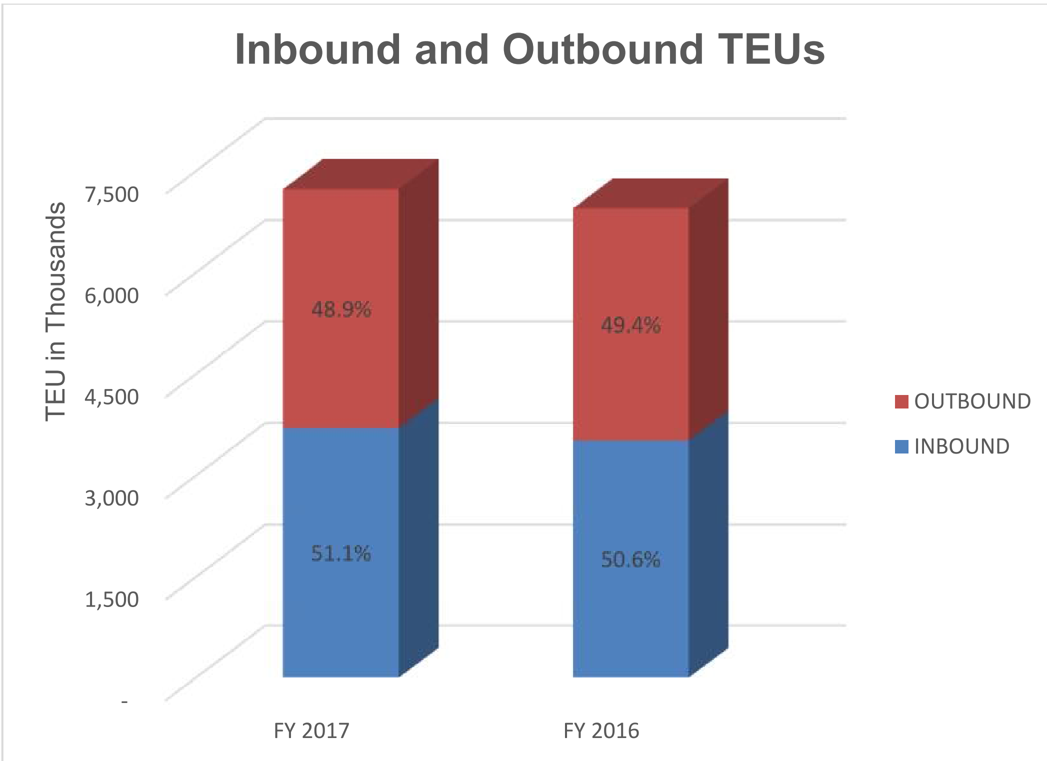
Cargo Volumes

The Port is one of the top two largest ports in North America by container volume and services many of the major ocean carriers shipping goods inbound and outbound throughout the United States. Some of these major carriers are COSCO Shipping, OOCL, K Line, Mediterranean Shipping, Hyundai Merchant Marine, Matson and SM lines.

Cargo volumes, measured in Metric Revenue Tons (MRTs), increased by 4.2% to 168.1 million MRTs versus 161.3 million MRTs in the prior fiscal year. All cargo categories posted increases compared to the prior fiscal year with the exception of vehicles. Containerized cargo increased 3.3% to 127.1 million MRTs, dry bulk increased 18.9% to 7.1 million MRTs, break-bulk and steel increased 31.6% to 0.7 million MRTs, liquid bulk increased 4.7% to 32.6 million MRTs, and lumber increased 8.7% to 0.3 million MRTs. Vehicles decreased 1.6% to 0.3 million MRTs. The Port continues its realignment of cargo terminals in advance of an anticipated growth in trade volumes. Its terminals and installations continue to provide one of the best alternatives for shipping lines to move cargo into and out of the continental United States.

Container count, measured in Twenty-Foot Equivalent Units (TEUs) as a standard measurement used in the maritime industry for measuring containers of varying lengths, increased 4.1% to 7.2 million TEUs versus 6.9 million TEUs in the prior fiscal year.

The chart below depicts the components of inbound and outbound TEUs as a percentage of total volume:



Change in Net Position

Net income for fiscal year 2017 was $146.1 million, a decrease of $27.0 million, or 15.6%, versus the prior fiscal year. This was primarily the result of $55.2 million lower grant revenue recognition, partially offset by a $20.4 million increase in operating revenue. The following section provides a further discussion of the operations.

Operating Expense and Other Income and Expense

Fiscal year 2017 operating expenses (excluding depreciation and amortization) totaled $142.6 million, or $1.2 million lower than the prior fiscal year. The facility and infrastructure expense of $42.6 million was $6.4 million higher than the prior fiscal year primarily due to capital expenditures that were written off to expense based on project cancellation or revaluation. The fire and safety expense of $42.2 million had an increase of $1.8 million over prior the fiscal year, a result of the renegotiated costs increase for services provided by the City of Long Beach Fire and Police Departments. The general and administrative expense was $57.8 million, a decrease of $9.4 million mostly due to a lower expense allocation of the retirement program for pension plan, and other postretirement employee benefits totaling $6.9 million as compared to the prior fiscal year. Additionally, a payment of $2.2 million was not requested from the City for the new Enterprise Resource Planning (ERP) system in fiscal year 2017, which had occurred in the prior fiscal year. The Port's total ERP cost share portion is approximately $6.7 million and the Port had made two consecutive payments of $2.2 million each in fiscal years 2015 and 2016. The final payment is to be made in fiscal year 2018.

Depreciation expense is affected by fixed assets being placed into service or being retired in accordance with their useful lives. Depreciation expense for fiscal year 2017 was $148.4 million, and $1.7 million higher than the prior fiscal year, a result of placing in service various assets from the Port's multibillion capital improvement program that will continue over the next decade.

Net interest expense was a decrease of $4.1 million, primarily due to the offset of the interest amount being applied to capital projects (capitalized interest) was higher for fiscal year 2017 versus the prior fiscal year. Interest expenses, before allocated capitalized interest, for fiscal years 2017 and 2016 were $26.4 million and $24.7 million, respectively, increased by $1.7 million; allocated capitalized interest amounts for fiscal years 2017 and 2016 were $20.6 million and $11.5 million, respectively, increased by $9.1 million. Interest income was $3.3 million less than the prior fiscal year, a result of lower short-term market rates.

The CAAP, started in 2006, continues to support the Port's efforts to improve air quality. With this initiative, the Clean Trucks Program (CTP) was launched in fiscal year 2008 to reduce truck-related emissions throughout the Port complex. The CTP replaced or retrofitted many drayage trucks by requiring all trucks entering the port to comply with 2007 EPA emission standards. To help ease this financial burden on the local truck industry, the Port developed a lease subsidy program subsidizing the costs of the truck owners in upgrading their old trucks with new "clean diesel" and "liquefied natural gas" trucks. Overall, the CAAP expenses decreased by $3.5 million when compared to the prior fiscal year, basically due to a few remaining lease closeouts of the CTP lease subsidy in midyear of 2017.

Net other income increased by $5.5 million due to a tenant cost share contribution towards leasehold improvement of $3.5 million, and a reduction in other miscellaneous expenses of $2.0 million versus the prior fiscal year.

Transfers to the City totaled $19.5 million in fiscal year 2017, an increase of $0.75 million versus the prior fiscal year. The Department accrued $19.1 million for the operating transfer to the City Tidelands Operating Fund with payment to occur in fiscal year 2018. Another transfer of $0.4 million was for the Colorado Lagoon Restoration Project and the Port's mitigation grant program for tree planting.

In fiscal year 2016, the Department acquired land with a cost of $8.0 million from the City for the Port's new headquarters. The land was valued by the City at $12.0 million, which resulted in a net contribution from the City in the amount of $4.0 million during fiscal year 2016. There was no similar contribution in fiscal year 2017.

Grant revenue totaled $73.1 million, a decrease of $55.2 million in fiscal year 2017 in comparison to the prior fiscal year. This decrease was primarily due to a lower recognition of grant revenue on the Gerald Desmond Bridge project as a result of construction delays in fiscal year 2017. Other smaller grants, such as for Port security related projects and maintenance dredging (Harbor Maintenance Tax) varies year over year.

Capital Assets and Debt Administration

Capital Assets

The Department's capital assets, net of accumulated depreciation as of September 30, 2017 and 2016 are as follows:

		2017	2016
Nondepreciable capital assets:			
Land	$	1,215,767	951,918
Construction in progress		1,348,274	1,484,889
Rights-of-way		207,032	207,032
Total nondepreciable capital assets		2,771,073	2,643,839
Depreciable capital assets (net):			
Structures and facilities		1,690,303	1,656,860
Furniture, fixtures, and equipment		90,614	64,677
Total depreciable capital assets (net)		1,780,917	1,721,537
Total capital assets, net	$	4,551,990	4,365,376

The capital asset accounts, net of accumulated depreciation totaled $4.6 billion, a net increase of $186.6 million from the prior fiscal year. The increase in capital spending during fiscal year 2017 comprised largely the following: Middle Harbor terminal development for $53.6 million; Gerald Desmond Bridge replacement project for $138.8 million; New Port Headquarters building for $60.5 million and partially offset by various write-offs to expense due to project cancellation or revaluation. The amount of capital assets transferred out of construction in progress and into service totaled approximately $470.0 million for the year ended September 30, 2017. Among the major projects throughout the Port, a substantial portion, approximately $250.0 million, of the assets placed into service was attributed to the constructed land for the Middle Harbor development project.

Debt Administration

The following table summarizes the Department's debt as of September 30, 2017 and 2016:

		2017	2016
Short-term notes (principal and net premiums)	$	343,404	355,522
Lines of credit		—	25,000
Bond debt (principal and net premiums)		737,536	588,392
Total	$	1,080,940	968,914

(Continued)

The Department's total debt increased by $112.0 million, or 11.6%. The increase was due to the issuance of 2017 revenue bonds for $200.5 million with premiums, partially offset by the payment on the line of credit of $25.0 million and the principal payment on debt of $44.9 million.

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's AA, stable outlook; Moody's Investors Services Aa2, stable outlook; and Fitch Ratings AA, stable outlook.

The debt service coverage ratio for fiscal year 2017 was 2.73. The minimum rate required by the Department's various bond indenture documents is 1.25.

Factors that May Affect the Department

The availability of alternate ports and competition affects the use of the Department's facilities and, therefore, the operating revenues of the Department. There is significant competition for container trade among North American ports. The Department cannot predict the impact of this competition. Ports in the U.S. West Coast, Canada, and Mexico compete for discretionary intermodal cargo headed from the Asia to midwestern and eastern United States, which is more heavily populated. This discretionary cargo moves eastward primarily by rail. Discretionary cargo makes up more than half of the container cargo arriving at the Port.

The Port is subject to legal and regulatory requirements relating to air emissions that may be generated by ships, trains, trucks, and other operational activities within the Port. Paying for mandated air pollution reduction, infrastructure, and other measures has become a significant portion of the Department's capital and operating budgets. Such expenditures are necessary even if the Department does not undertake any new revenue generating capital improvements, and the Department cannot provide assurances that the actual cost of the required measures will not exceed the amounts forecasted. In fiscal year 2019, the Department will implement GASB Statement No. 83, *Certain Asset Retirement Obligations*. The Department is evaluating the impact of this standard, however, the standard may require that some of these activities are reported on the financial statements.

The Department is continuing to evaluate the impact of recent tax reform. The most likely impacts would be the elimination of advance refunding option for tax exempt financing and the taxability of moving expenses and other fringe benefit. Until the Department has completed further evaluation, a determination of the impact to the financial statements cannot be made.

Notes to Financial Statements

The notes to the Department's financial statements can be found on pages 25-55 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for people or entities interested in the financial aspects of the Department. Questions concerning any of the information provided in this report should be addressed to the Director of Finance, 4801 Airport Plaza Drive, Long Beach, CA 90815. This report and other financial reports can be viewed on the Port's Web site at www.polb.com under the Finance menu. On the home page, select Finance; there are links to reports by title and reporting date.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2017

(Dollars in thousands)

Assets and Deferred Outflows

Current assets:		
Pooled cash and cash equivalents (note 2)	$	408,288
Trade accounts receivable, net of allowance (note 3)		67,074
Due from other governmental agencies (note 3)		54,105
Other current assets		4,150
Subtotal		533,617
Harbor Revenue Bond Funds and other funds restricted as to use:		
Pooled cash and cash equivalents (note 2)		29,466
Restricted pooled cash and cash equivalents (note 2)		24,172
Restricted nonpooled cash and cash equivalents (note 2)		103,205
Total current assets		690,460
Noncurrent assets:		
Capital assets (note 4):		
Land		1,215,767
Construction in progress		1,348,274
Right-of-way (note 6)		207,032
Structures and facilities		3,460,396
Furniture, fixtures, and equipment		166,102
Less accumulated depreciation		(1,845,581)
Net capital assets		4,551,990
Other assets:		
Long-term receivables (note 3)		1,300
Environmental mitigation credits (note 7)		39,351
Investment in joint venture (note 8)		5,374
Restricted nonpooled investments (note 2)		58,371
Other noncurrent assets (note 10)		8,069
Total other assets		112,465
Total noncurrent assets		4,664,455
Total assets		5,354,915
Deferred outflows (note 18)		42,089
Total assets and deferred outflows	$	5,397,004

(Continued)

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Net Position

September 30, 2017

(Dollars in thousands)

Liabilities and Deferred Inflows

Current liabilities payable from current assets:		
Accounts payable and accrued expenses	$	65,706
Compensated absences		3,532
Due to the City of Long Beach (note 9)		19,267
Liability claims (note 10)		5,000
Security deposits and unearned revenue		7,935
Total current liabilities payable from current assets		101,440
Current liabilities payable from restricted assets:		
Accrued interest – bonds		17,375
Current portion of bonds indebtedness (note 12)		47,190
Total current liabilities payable from restricted assets		64,565
Total current liabilities		166,005
Long-term obligations net of current portion:		
Bonded indebtedness (note 12)		690,346
Series 2014C Senior notes (note 13)		343,404
Compensated absences		8,800
Net OPEB liability (note 15)		3,250
Net pension liability (note 15)		129,893
Unearned revenue		2,751
Environmental remediation liability (note 16)		3,800
Other long-term liability (note 17)		109,532
Total noncurrent liabilities		1,291,776
Total liabilities		1,457,781
Deferred inflows (note 18)		13,086
Total liabilities and deferred inflows		1,470,867
Net position:		
Net investment in capital assets		3,491,506
Restricted – capital projects		39,351
Restricted – debt service		12,092
Unrestricted		383,188
Total net position	$	3,926,137

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Revenues, Expenses, and Changes in Net Position

Year ended September 30, 2017

(Dollars in thousands)

Port operating revenues:		
Berths and special facilities	$	364,486
Rental properties		13,732
Miscellaneous		2,792
Total port operating revenues		381,010
Port operating expenses:		
Facility maintenance		14,384
Infrastructure maintenance		15,986
Fire and safety		42,205
Other indirect operating		12,262
General and administrative		57,804
Total operating expenses before depreciation		142,641
Depreciation		148,445
Total operating expenses		291,086
Income from operations		89,924
Nonoperating revenues, net:		
Investment income, net		1,706
Equity in income from joint venture		2,162
Interest expense		(5,883)
Gain on disposition of capital assets		42
Clean Air Action Program, net		(1,127)
Other income		5,662
Total nonoperating revenues, net		2,562
Income before transfers and capital grants		92,486
Transfers (note 9)		(19,448)
Capital grants and contributions		73,072
Increase in net position		146,110
Total net position – beginning of year		3,780,027
Total net position – end of year	$	3,926,137

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2017

(Dollars in thousands)

Cash flows from operating activities:		
Cash received from customers	$	364,427
Cash paid to employees		(57,992)
Cash paid to suppliers		(85,332)
Other income		6,566
Clean Air Action Plan (net)		(2,582)
Net cash provided by operating activities		225,087
Cash flows from noncapital/financing activities:		
Transfers to City Tidelands Fund		(18,431)
Net cash used for noncapital financing activities		(18,431)
Cash flows from capital and related financing activities:		
Grants provided		85,257
Interest paid		(43,525)
Principal payments made on bonds payable		(44,905)
Payments on lines of credit		(25,000)
Proceeds from issuance of bonds		200,731
Debt issuance costs		(624)
Payments for capital acquisitions – employees		(8,019)
Payments for capital acquisitions – vendors		(244,453)
Prepaid dredging costs		416
Proceeds from sales of capital assets		42
Net cash used for capital and related financing activities		(80,080)
Cash flows from investing activities:		
Interest received		1,706
Proceeds from non-pooled investments		15,566
Return on investment in joint venture		2,000
Net cash provided by investing activities		19,272
Net increase in cash and cash equivalents		145,848
Cash and cash equivalents, beginning of year		419,283
Cash and cash equivalents, end of the year	$	565,131
Reconciliation of cash and cash equivalents:		
Unrestricted pooled cash and cash equivalents	$	408,288
Restricted pooled cash and cash equivalents		53,638
Bond reserve held by the City Treasurer		103,205
	$	565,131

(Continued)

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statement of Cash Flows

Year ended September 30, 2017

(Dollars in thousands)

Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$	89,924
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization		148,445
Other Income, net		3,984
Increase in accounts receivable		(16,467)
Increase in inventory		(51)
Decrease in accounts payable		(4,177)
Increase in accrued liabilities		3,800
Decrease in accrued claims and judgments		(3,600)
Decrease in unearned revenues		(115)
Decrease in due to other funds		(1,893)
Increase in pension liability and related deferred inflows		8,171
Decrease in net pension liability and related deferred outflows		(997)
Increase in net OPEB liability and related deferred outflows		146
Decrease in compensated absences		(2,083)
Total adjustments		135,163
Net cash provided by operating activities	$	225,087
Supplemental schedule of noncash capital and financing activities:		
Accrued capital assets costs	$	52,638
Accumulated costs of the Port’s new headquarters building		60,465
Accrued capitalized interest		20,554
Amortization of bond premium		18,799
Amortization of deferred outflows on debt refunding		792
Amortization of deferred inflows on debt refunding		(1,024)
Accrued transfers to the City's tidelands fund		19,100

See accompanying notes to financial statements

(1) Summary of Significant Accounting Policies

(a) The Reporting Entity

Article XII of the City Charter of the City of Long Beach, California (the City) created the Harbor Department of the City of Long Beach (the Department) to promote and develop the Port of Long Beach (the Port). The Department's operations are included in the City's reporting entity as an enterprise fund; its activities are conducted in the Tidelands Trust area of the City and are subject to coastal area laws of the State of California and to the terms of the trust agreement between the City and the State of California. The financial statements present only the financial activities of the Department and are not intended to present the financial position and results of operations of the City.

The Harbor Facilities Corporation (the Corporation), a nonprofit public benefit corporation, was created in November 1971 under the laws of the State of California. The Corporation was established as a financing mechanism for construction of harbor improvements. It was authorized to issue bonds, debentures, notes, and other forms of debt. The Corporation has been inactive since 1995. If the Corporation had any transactions with financial implications, they would be included in the Department's financial statements.

The Department, together with the Harbor Department of the City of Los Angeles, formed a joint venture to finance the construction of the Intermodal Container Transfer Facility (ICTF). The ICTF venture has been recorded as an investment under the equity method of accounting in the accompanying financial statements.

In 1989, the cities of Los Angeles and Long Beach entered into a Joint Exercise of Powers Agreement to create the Alameda Corridor Transportation Authority (ACTA). This agreement was amended and restated in 1996. The purpose of ACTA was to acquire, construct, finance, and operate the Alameda Corridor. The Alameda Corridor consists of a 20-mile-long rail cargo expressway connecting the ports in San Pedro Bay to the transcontinental rail yards near downtown Los Angeles, and it began operating in April 2004. ACTA prepares its own financial statements and its transactions are not included as part of the Department's financial statements due to the separate legal status.

(b) Basis of Accounting and Measurement Focus

Disbursement of funds derived from the Department's operations is restricted to Harbor Trust Agreement purposes. The costs of providing port services are recovered entirely through leases, tariffs, and other charges assessed to the Department's tenants. Consistent with U.S. generally accepted accounting principles for enterprise funds, the accounting policies of the Department conform to the accrual basis of accounting. The measurement focus of the accompanying financial statements is on the determination of changes in net position.

Operating revenue and expenses are generated and incurred through cargo activities performed by port tenants; operating expenses include maintenance of facilities and infrastructure, security, and payments to other city departments for services provided to the Port. Administration and depreciation expenses are also considered operating expenses. Other revenue and expenses not included in the above categories are reported as nonoperating income. The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations.

(c) City of Long Beach Investment Pool

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other city funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee, whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

The Department's share of the Pool is stated at fair value.

For a complete description of the Pool and its underlying investments, refer to the City's separately issued financial statements.

(d) *Cash Equivalents*

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the pool operates as a demand account for the Department.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents.

(e) Investments

Investments are reflected at fair value using quoted market prices in active and inactive markets. Realized and unrealized gains and losses are included in the accompanying statement of revenue, expenses, and changes in net position as investment income, net.

(f) *Fair Value Measurements*

Fair value is defined as the exchange price that would be received to sell 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.

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

(i) Level 1: Quoted prices for identical investments in active markets

(ii) Level 2: Observable inputs other than quoted market prices

(iii) Level 3: Unobservable inputs

(g) Inventories

Inventories of supplies are valued at the lower of average cost or market. Inventory is recorded when purchased and expensed at the time the inventory is consumed.

(h) Capital Assets

An asset is classified as a capital asset if it is a nonconsumable, tangible item, valued at a single amount greater than $10 thousand, and with a useful life of more than one year. Capital assets are valued at historical costs. The historical cost of acquiring an asset includes the cost necessarily incurred to bring it to the condition and location necessary for its intended use. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures is a part of the historical cost of acquiring the asset.

Identifiable intangible assets are recognized as such if they are separable or when they arise from contractual or other legal right, regardless of whether those rights are transferable or separable from the entity, or from other rights and obligations.

Depreciation is determined using the straight-line method with no allowance for salvage values. The estimated economic lives used to determine annual rates of depreciation are subject to periodic review and revision, if appropriate, to assure that the cost of the respective assets will be written off over their economic lives. Estimated useful lives used in the computation of depreciation of capital assets are as follows:

Structures and facilities:	
Bridges and overpasses	75 years
Wharves and bulkheads	40 years
Transit sheds and buildings	5–20 years
State highway connections	15 years
Others	5–50 years
Furniture, fixtures, and equipment	5–15 years

Capitalized interest, which represents the cost of borrowed funds used for the construction of capital assets, is included as part of the cost of capital assets and as a reduction of interest expense.

(i) Investment in Joint Venture

The investment in the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) is accounted for using the equity method. The amount realized by the Department is proportional to the reported value and is based on the Department’s share of ICTF. The reported profit is proportional to the size of the equity investment.

(j) Compensated Absences

The Department records all accrued employee benefits, including accumulated sick leave and vacation, as a liability in the period when the benefits are earned. Accrued employee benefits are classified into

(Continued)

current and noncurrent liability for financial statement presentation. The current liability is calculated based on a five years average of vacation taken or used annually.

(k) Transfers to the City Tidelands Operating Fund

City Charter Chapter XII, Section 1209 (c) (4), as amended, provides for the transfer of a maximum of 5% of Harbor Department operating revenue. The City Charter provides that the City Council, by a 2/3 vote expressed by resolution, may request the transfer to meet the lawful obligations of the Tidelands Operations Fund. The provision requires a majority vote of the Board of Harbor Commissioners, expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department operations.

(l) Net Position

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position is classified into the following categories:

Net investment in capital assets – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt

Restricted – Net position subject to externally imposed conditions or constraints that can be fulfilled by the actions of the Department or by the passage of time; the restrictions are externally imposed by creditors, grantors, contributors, laws, or regulations of other governments, or by law through constitutional provisions or enabling legislation

Unrestricted – All other categories of net position; additionally, unrestricted net position may be designated for use by management of the Department. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

(m) Revenue Recognition

The Department recognizes revenue on an accrual basis when earned. Rents, tariffs, or other miscellaneous receipts that are received in advance of earnings are unearned revenue until earned.

Grant revenue is recognized in the fiscal year in which all eligibility requirements are met. Proceeds from federal or state grants are considered as nonoperating revenue, recognized as such when reimbursable and grant-eligible expenses are incurred, and are identified as capital grants in the statement of revenue, expenses, and changes in net position. Operating revenue or capital grant funds that have been received but not earned are identified as unearned revenue in the statement of net position.

(n) Allowance for Doubtful Accounts

The allowance for doubtful accounts (allowance) is estimated at a level to absorb expected accounts receivable losses. The allowance is established to reflect the amount of the Department's receivables that management estimates will be uncollectible.

The allowance is set at the greater of (1) one half of one percent (0.5%) of actual annual operating revenues or (2) the sum of 75% of aged receivable amounts over 120 days delinquent, plus 50% of amounts over 90 days delinquent, plus 25% of amounts over 60 days delinquent, plus 10% of amounts over 30 days delinquent.

In addition, management reviews the adequacy of the allowance on a monthly basis by reviewing the aging report and assesses whether any further adjustment is necessary. To determine uncollectible amounts, the Department's Finance Division reviews all delinquent accounts in August of each year. Amounts deemed uncollectible are written off.

(o) 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 the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(p) Recent Accounting Pronouncements

(i) Effective in the Current Year

GASB Statement No. 82, *Pension Issues*: Issued in March 2016, effective for periods beginning after June 15, 2017. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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. Specifically, 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 plan member contribution requirements. This statement did not have a material impact on the Department.

(ii) Effective in Future Years

GASB Statement No. 83, *Certain Asset Retirement Obligations*: Issued in November 2016, effective for periods beginning after June 15, 2018. The objective of this statement is to address accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. This statement establishes criteria for (1) determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources, (2) requires that recognition occur when the liability is both incurred and reasonably estimable, and (3) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The Department is evaluating the impact of this statement on its financial statements.

GASB Statement No. 87, *Leases*, issued in June 2017: Effective for periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The Department is evaluating the impact of this statement on its financial statements.

(q) Reclassifications

Certain reclassifications have been made to the 2016 financial data to conform to the 2017 presentation.

(2) Cash, Cash Equivalents, and Other Investments

The Department's cash and cash equivalents and investments as of September 30, 2017 is classified in the accompanying statement of net position as follows (in thousands):

		Unrestricted	Restricted	Total
Equity in the City's investment pool	$	408,288	53,638	461,926
Other cash equivalents		—	103,205	103,205
Investments held by fiscal agent		—	58,371	58,371
Total cash, cash equivalents, and investments	$	408,288	215,214	623,502

The Department's investment policy allows funds to be invested with the City. The City's investment policy limits the permitted investments in the investment pool to the following: obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, LAIF, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities, and money market mutual funds.

As of September 30, 2017 and 2016, the City's investment pool has a weighted average maturity of less than two years and is not rated. The Department's investment in the pool is not categorized. At September 30, 2017, the Department had $462.0 million equity in the pool, representing approximately 24.8% of the pool.

The Department also held reserves with a fiscal agent for the 2010A, 2010B, 2015C, 2015D, and the 2014C notes. At September 30, 2017, the Department's amounts held by fiscal agents totaled $58.4 million and were invested in U.S. Treasury notes that are rated AAA and have a weighted average maturity of 1.4 years. These investments are reported at fair value using observable inputs; however, $23.2 million are traded in nonactive markets and are accordingly categorized as Level 2 in the fair value hierarchy. The remaining $35.2 million are traded in active markets and therefore categorized as Level 1 in the fair value hierarchy.

(3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30, 2017, included the following (expressed in thousands):

Trade accounts receivable	$	68,979
Less allowance for doubtful accounts		(1,905)
Accounts receivable, net	$	67,074

Other receivables as of September 30, 2017 included the following (expressed in thousands):

Due from other governmental agencies:		
Current:		
Federal and state grants	$	54,105
Long term:		
Tidelands – Beaches and Waterways		1,300
Total due from other governmental agencies	$	55,405

The due from other governmental agencies is related to the grant programs from various governmental agencies, which include, but are not limited to: The Federal Highway Bridge Program; the Trade Corridor Improvement Program; and the Port Security Grant Program. Funds from these grant programs are available to the Department on a reimbursement basis. Most of these programs require a matching contribution from the Department.

(4) Capital Assets

Capital assets' schedule as of September 30, 2017 is as follows: (expressed in thousands):

Description	Balance, October 1, 2016	Additions	Adjustments/ disposals	Placed in service	Balance, September 30, 2017
Nondepreciable capital assets:					
Purchased land	$ 462,009	—	—	99	462,108
Constructed land	489,909	—	—	263,750	753,659
Construction in progress	1,484,888	339,739	(6,079)	(470,274)	1,348,274
Right of way (note 5)	207,032	—	—	—	207,032
Subtotal	2,643,838	339,739	(6,079)	(206,425)	2,771,073
Depreciable capital assets:					
Structures and facilities	3,288,418	—	(196)	172,174	3,460,396
Furniture, fixtures, and equipment	130,575	1,595	(319)	34,251	166,102
Subtotal	3,418,993	1,595	(515)	206,425	3,626,498
Total capital assets	6,062,831	341,334	(6,594)	—	6,397,571
Less accumulated depreciation:					
Structures and facilities	1,631,501	138,592	—	—	1,770,093
Furniture, fixtures, and equipment	65,954	9,853	(319)	—	75,488
Total accumulated depreciation	1,697,455	148,445	(319)	—	1,845,581
Net capital assets	$ 4,365,376	192,889	(6,275)	—	4,551,990

(5) Operating Property Leases to Tenants

The major portion of the Department's property is leased to others. Such property includes marine terminal facilities, special-purpose facilities, office and commercial space, and land.

Some marine terminal facilities are leased under agreements that provide the tenants with preferential but not exclusive use of the facilities. Some leases provide for rentals based on gross revenues or, in the case of marine terminal facilities, on annual usage of the facilities. The leases and the preferential assignments generally provide for minimum rentals.

Property under lease at September 30, 2017 consisted of the following (expressed in thousands):

Land	$	741,243
Structures and facilities:		
Docks and wharves		683,711
Warehouses and sheds		24,345
Cranes and shiploaders		70,683
Buildings and other facilities		818,961
Infrastructure		1,560,233
Historical cost of leased property		3,899,176
Less accumulated depreciation		(1,643,710)
Carrying value of leased property	$	2,255,466

The future minimum rental income under noncancelable operating leases having an initial term in excess of one year is as follows (expressed in thousands):

2018	$	333,318
2019		333,406
2020		334,951
2021		356,541
2022		327,222
2023–2027		1,341,490
2028–2032		480,717
2033–2037		424,199
2038 and thereafter		1,158,300
Total	$	5,090,144

(6) Right-of-Way Purchase

Alameda Corridor Transportation Authority (ACTA)

In December 1994, the Department and the Harbor Department of the City of Los Angeles (collectively, the Ports) executed the purchase of the rights of way needed for the development of the Alameda Corridor Project (the Project), which is a comprehensive transportation corridor between the Ports and the central Los Angeles area. The Ports purchased these rights, sharing the cost on a 50/50 basis, from the three railroad companies then serving the Ports: Union Pacific Railroad Company (Union Pacific), Southern Pacific Railroad Company (Southern Pacific), and Atchison, Topeka and Santa Fe Railroad companies (Atchison, Topeka and Santa Fe). After the purchase, Atchison, Topeka and Santa Fe merged with Burlington Northern becoming Burlington Northern Santa Fe; Union Pacific merged with Southern Pacific.

The total purchase involved the right-of-way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right of way to access local businesses along the Project. Construction of the Project began in 1997 and was completed in April 2002. Funding for the Project came from federal, state, and local sources, and from issuance of debt. By the end of fiscal 2003, the Department had paid a total of $207.0 million for its share related to this right-of-way purchase.

In the future, when ACTA is able and entitled to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally. Refer to (note 10) for additional discussion related to the guarantee the Department has made related to the ACTA.

(7) Environmental Mitigation Credits

The Bolsa Chica Mitigation Agreement of 1996 established a "Project for Wetland Acquisition and Restoration at the Bolsa Chica Lowlands in Orange County, California, for the purpose, among others, of Compensating for Marine Habitat Losses Incurred by the Port Development Landfills within the Harbor Districts of the cities of Los Angeles and Long Beach, California."

In exchange for contributions that the Ports made to restore Bolsa Chica Lowlands, the Bolsa Chica Mitigation Agreement granted the Ports mitigation credits that the Ports may use when they undertake landfill as part of port developments. The agreement established a ratio between the number of mitigation credits to be used and the number of acres to be developed based on whether development occurred within the inner or outer harbors. The agreement established that Bolsa Chica mitigation credits could be used by the Ports at one credit for each acre of outer harbor landfill and in accordance with Section 15(a), that "…inner harbor landfills shall be debited from this account at half the rate of outer harbor landfills…." Section 15(a) of the Bolsa Chica Mitigation Agreement also provided that the inner and outer harbor boundaries could be adjusted based on biological surveys.

The Department contributed a total of $50.8 million to federal and state regulatory agencies, $39.4 million in fiscal year 1997 and $11.4 million in fiscal 2006, to secure environmental mitigation credits that would allow the Department to complete land fill projects within its harbor. The cost incurred in the acquisition of the environmental credits has been classified as a noncurrent asset. The balance of environmental mitigation credits will be adjusted in the future as landfill credits are used for the Port's development.

As of September 30, 2017, the Department has utilized a total of $11.4 million of environmental credits for completed landfill as part of capital projects within the port boundaries to date, of which $1.8 million was incurred in fiscal year 2017. No other environmental credit has been acquired. The existing $39.4 million or 238 credits will be partially used in completing the Middle Harbor project that is currently underway and estimated to be completed in fiscal year 2020; and other remaining credits will be used in future projects.

(8) Investment in Joint Venture

Intermodal Container Transfer Facility (ICTF)

The Department and the Port of Los Angeles (POLA) 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 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 to operate as Union Pacific Corporation. The Department appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. The Department and POLA share income and equity distributions equally.

The ICTF's operations are financed from lease revenue from ICTF activities. The Department's share of the ICTF's net position at September 30, 2017 totaled $5.4 million. Separate ICTF financial statements for the year ended June 30, 2017 are available on their Web site at http://ictf-jpa.org/document_library.php.

(9) Transfers to the City Tidelands Operating Fund

City Charter Chapter XII, Section 1209 (c)(4), as amended, provides for the transfer of a maximum of 5% of Harbor Department's operating revenue. The City Charter provides that the City Council, by a two-third vote expressed by Resolution, may request the transfer to meet the lawful obligations of the Tidelands Operations Fund. The provision requires a majority vote of the Board of Harbor Commissioners, expressed by Resolution, to enact the transfer, determining that the funds will not be needed for Harbor Department's operations. During fiscal year 2017, the Department accrued $19.1 million as operating transfers due to the City Tidelands Fund, to be paid in fiscal year 2018.

(10) Commitments and Contingencies

The Department is subject to claims and lawsuits arising from the normal course of business. The City Attorney's office evaluates these claims on a regular basis. Department management may make a provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Department.

Claims expenditures and liabilities are reported 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. Based on an opinion from legal counsel, the Department reserved a litigation claim liability of $5.0 million for fiscal year 2017, all of which is related to construction claims.

Contract commitments and purchase orders, mostly related to capital projects, for which materials or services were not received at September 30, 2017, aggregated $74.5 million.

(a) Risk Management

The Department currently carries an all-risk property insurance program covering loss or damage by fire and other risks (excluding earthquake and flood) with a loss limit of $1.4 billion in aggregate. The coverage also includes terrorism exposure.

(i) Construction related

The Department also carries two insurance programs known as "Builder's Risk," which cover property under construction in the Port. One policy, specific to the construction of the Gerald Desmond Bridge replacement, has an overall policy limit of $781.1 million that includes an earthquake limit of $65.0 million. The second policy is a master builder's risk insurance program that covers all other active Department's construction projects currently underway. The coverage limit for each construction project in this program is equivalent to the contract's contract price. Exclusive of earthquake coverage, the maximum per project coverage is $125.0 million without expressed underwriter approval, but can be increased as needed with underwriter approval.

(ii) General Liability

To address third-party liability exposure, an excess liability insurance program is carried by the Department with total limits of $150.0 million in excess of a $1.0 million self-insured retention. The excess liability insurance program covers the Department's operations and includes acts of terrorism within the $150.0 million limit. In addition, the Department carries specialized insurance policies providing coverage for damage to owned vessels, damage to other vessels, and pollution liability.

The amount of settlements reached by the Department did not exceed the amount of insurance coverage in any of the past three fiscal years.

The following is a summary of insurance coverage for the Department (in thousands):

Insurance coverage for fire and other risks	$	1,426,842
Builder's risk for Gerald Desmond Bridge project		781,122
Builder's risk for other projects		125,000
Comprehensive general liability		150,000
Self-insured retention		1,000

The Port has a provision that requires tenants, contractors, and vendors to carry various types and levels of insurance, including general liability insurance on leased premises. The insurance must include coverage for bodily injury and property damage liabilities, and name of the City, its Board of Harbor Commissioners, and the Department's officers and employees as additional insured. This provision helps the Port in mitigating its insurance liabilities.

(iii) Workers Compensation

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2017, it made payments to the City's Insurance Fund totaling $1.6 million, for permanent and temporary Department employees. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

(b) Potential Obligations Related to the ACTA

The Alameda Corridor Use and Operating Agreement was executed by the Department, the Harbor Department of the City of Los Angeles (Port of Los Angeles), ACTA, and the Burlington Northern Santa Fe and Union Pacific Railroads (the Railroads) in 1998. This agreement provides for a payment of funds, known as a "Shortfall Advance," to be made, under certain circumstances, to ACTA by the Department and the POLA. Revenue generated by use fees and container charges, paid by the Railroads, will be used to pay debt service on ACTA financing, to establish and maintain bond repayment and reserve funds, to establish and replenish a reserve account, and to pay ACTA's reasonable expenses relating to administration of the rail corridor.

To the extent that the revenue from use fees and container charges is not sufficient to meet ACTA's obligations, the Department and the POLA have agreed to advance the funds necessary to make up the difference. This obligation began after completion of the corridor project and is limited to a total of 40% of the total annual debt service, with the Department and the POLA each responsible for one-half or 20% of the total amount due in such calendar year.

Prior to April 1 of each year, ACTA is required to provide a Notice of Estimated Shortfall Advances and Reserve Account Funding (the Notice); estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. It is anticipated that there will be differences between estimates and actual results; the differences may be material.

In 2011 and 2012, the Department funded Shortfall Advances of $2.95 million each year. The balance reimbursable by ACTA of $5.9 million, recorded under “other noncurrent assets”, for the previously paid Shortfall Advances remained unchanged as of September 30, 2017. Shortfall Advances made by the Department and the POLA are reimbursable, with interest, upon ACTA’s ability to pay, which is undefined in the near term.

On May 24, 2016, ACTA issued the Series 2016 Bonds and restructured a portion of its debt. This potentially helped reduced the frequency and amount of future Shortfall Advances. The most recent notice date, March 24, 2017, indicates that there is no projected shortfall for ACTA’s fiscal year ending June 30, 2018.

(c) Gerald Desmond Bridge Replacement Project

The Gerald Desmond Bridge Replacement Project consists of replacing the existing four-lane Gerald Desmond Bridge, which spans the Port’s Main Channel, with a new six-lane bridge. Currently, the Gerald Desmond Bridge is only two lanes in each direction with no shoulder and, depending on tide conditions, is too low to accommodate passage of the largest ships. The new bridge is being built with a cable-stayed design under a design-build contract and will feature three lanes in each direction for improved traffic flow, emergency lanes on both the inner and outer shoulders in each direction to reduce traffic delays and safety hazards from accidents and vehicle breakdowns, a 200-foot vertical clearance to accommodate the world’s largest vessels, a reduction in the bridge’s steep grades, and a bicycle/pedestrian path with scenic overlooks. Additional improvements include reconstruction of the Terminal Island East Interchange and a new interchange with the 710 Freeway. Construction of the new bridge began in 2013 and is expected to be completed by the end of 2019.

The bridge budget is $1.492 billion and is a joint effort between Caltrans and the Department. The Department anticipates that funding of the project will come from various sources including federal, state, and local grants. Commitments from these funding sources total $894.0 million and are available as reimbursement for expenditures on the bridge project; and local matching and Port’s contribution of $598.0 million. As these expenditures are incurred, amounts eligible for reimbursement from the funding sources are recognized as capital grant revenues in the accompanying statement of revenues, expenses, and change in net position. As of September 30, 2017, the Department has incurred approximately $1.012 billion in costs to construct the replacement bridge with an increase of $131.3 million during the year ended September 30, 2017. Of this total amount, approximately $561.8 million has been recognized as capital grant revenue from inception, with $52.7 million reported as part of due from other governmental agencies on the statement of net position as of September 30, 2017.

Upon completion of the Gerald Desmond Bridge Replacement Project, the agreement with Caltrans provides for transfer of ownership of the new bridge to Caltrans assuming all conditions of the agreement are met, as a component of the State highway system. The transfer will result in a loss from contributed asset and a reduction of the Department's capital asset. Additionally, the Department has agreed to pay Caltrans operating and maintenance costs with respect to the new bridge for a 30-year period commencing on the date ownership of the new bridge is transferred to Caltrans.

(11) Long Term Liabilities

Schedule of Changes in Long-Term Liabilities (In thousands)

Description	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due in one year
Revenue bonds	$ 542,630	170,255	44,905	667,980	47,190
Premium	45,762	30,195	6,401	69,556	—
Total revenue bonds	588,392	200,450	51,306	737,536	47,190
2014C Note	325,000	—	—	325,000	—
Premium	30,522	—	12,118	18,404	—
Total notes payable	355,522	—	12,118	343,404	—
Line of credit	25,000	—	25,000	—	—
Compensated absences	12,914	6,919	7,501	12,332	3,532
Net pension liability	124,170	5,723	—	129,893	—
Net OPEB liability	3,103	147	—	3,250	—
Unearned revenues	3,685	—	934	2,751	—
Environmental remediation liability	—	3,800	—	3,800	—
Other long term obligation (Port Headquarters Construction Costs)	49,067	60,465	—	109,532	—
Total long term liability	$ 1,161,853	277,504	96,859	1,342,498	50,722

(12) Bonds and Other Indebtedness

Bond premiums and discounts of long-term debt issues are amortized over the life of the related debt. The Harbor department's bonded indebtedness issues and transactions are as follows (in thousands):

Description	Date of issue	Interest rate	Fiscal term and maturity year	Original principal	Ending balance October 1, 2016	Additions	Payments	Ending balance September 30, 2017	Principal due within one year
Revenue bonds:									
1998	2/1/1998	6 %	2018–19	$ 206,330	47,030	—	14,770	32,260	15,660
2010A	3/31/2010	3%–5%	2018–25	200,835	136,715	—	12,470	124,245	13,060
2010B	4/29/2010	4%–5%	2018–27	158,085	127,660	—	130	127,530	2,675
2014A	4/24/2014	4%–5%	2016–17	38,465	12,730	—	12,730	—	—
2014B	4/24/2014	3%–5%	2018–27	20,570	20,570	—	3,390	17,180	5,480
2015A	4/16/2015	4%–5%	2018–23	44,845	44,845	—	1,415	43,430	10,315
2015B	4/16/2015	5 %	2018–25	20,130	20,130	—	—	20,130	—
2015C	7/15/2015	5 %	2018–32	66,085	66,085	—	—	66,085	—
2015D	7/15/2015	5 %	2018–42	66,865	66,865	—	—	66,865	—
2017A	6/28/2017	5 %	2018–40	101,610	—	101,610	—	101,610	—
2017B	6/28/2017	5 %	2018–43	25,985	—	25,985	—	25,985	—
2017C	6/28/2017	5 %	2018–47	42,660	—	42,660	—	42,660	—
Subtotal bonds				992,465	542,630	170,255	44,905	667,980	47,190
2014C Note	6/12/2017	3%–5%	2019	325,000	325,000	—	—	325,000	—
Line of credit	7/1/2013		2017	25,000	25,000	—	25,000	—	—
Total indebtedness				$ 1,342,465	892,630	170,255	69,905	992,980	47,190
Unamortized bond premium					106,760	—	18,798	87,960	—
Net total indebtedness					$ 999,390	170,255	88,703	1,080,940	47,190

Annual Debt Service Requirements to Maturity – All Bonded Debt

Scheduled annual principal bond maturities and interest are summarized as follows (in thousands):

	Principal	Interest	Total
Fiscal year(s) ending September 30:			
2018	$ 47,190	32,378	79,568
2019	45,965	31,059	77,024
2020	37,300	28,647	65,947
2021	39,110	26,808	65,918
2022	41,065	24,852	65,917
Thereafter	457,350	229,511	686,861
	$ 667,980	373,255	1,041,235

Details of each outstanding debt issue are as follows:

(a) 1998 Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 1998A (the 1998 Bonds) are secured by the Department's gross revenue. The 1998 Bonds, dated February 1, 1998, amounting to $206.3 million were issued to refund all of the City's Harbor Revenue Bonds Series 1989A (the 1989

Bonds). The 1989 Bonds were defeased and the liability for those bonds was removed from the Department's statement of net position.

Serial bonds aggregating to $32.0 million are outstanding and will mature on May 15 of each year from 2018 to 2019 in amounts ranging from $15.6 million to $16.6 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 6.0%. The 1998 Bonds are not subject to optional or mandatory redemption before their respective maturity dates.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service payments. As of September 30, 2017, the Department has allocated $6.6 million and $17.6 million to a debt service account and reserve account, respectively.

The refunding of the 1989 Bonds resulted in a difference between the reacquisition price and net carrying amount on the old debt of $8.6 million. The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statements of net position as component of deferred outflow of resources. As of September 30, 2017, $0.6 million remained as a deferred outflow to be amortized.

(b) 2010A Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Bonds Series 2010A (the 2010A Bonds) are secured by the Department's gross revenue. The 2010A Bonds, dated March 31, 2010, amounting to $200.8 million were issued to finance certain capital improvements at the Port, to fund a reserve fund for the 2010A Bonds, and to pay the costs of issuing the 2010A Bonds.

Serial bonds aggregating to $124.2 million will mature on May 15 of each year from 2018 to 2025 in amounts ranging from $13.1 million to $18.3 million with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%.

The 2010A Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The 2010A Bonds maturing on or after May 15, 2021 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2020, at a redemption price equal to 100% of the principal amount of the 2010A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirements. As of September 30, 2017, $7.4 million and $19.5 million were allocated to the debt service account and reserve account, respectively.

(c) 2010B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 2010B (the 2010B Bonds) are secured by the Department's gross revenue. The 2010B Bonds, dated April 29, 2010, amounting to $158.1 million were issued to refund $63.1 million aggregate principal amount of the City's Harbor Revenue Bonds Series 2002B, $12.1 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds Series 2004A, and $78.4 million aggregate principal amount of the City's Harbor Revenue Refunding Bonds Series 2005A to fund a reserve fund for the 2010B Bonds and to pay the costs of issuing the 2010B Bonds.

The difference between the reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statement of net position as of September 30, 2017. The remaining balance of $3.2 million is to be amortized in the statement of net position as a component of deferred outflow of resources.

Serial bonds aggregating to $127.5 million will mature on May 15 of each year from 2018 to 2027 in amounts ranging from $2.6 million to $24.0 million, with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

The 2010B Bonds maturing on or before May 15, 2020 are not subject to redemption prior to maturity. The 2010B Bonds maturing on or after May 15, 2021 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2020, at a redemption price equal to 100% of the principal amount of the 2010B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current and maximum annual debt service requirements. As of September 30, 2017, $3.4 million and $16 million were allocated to debt service account and reserve account, respectively.

(d) 2014A Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2014A (the 2014A Bonds) are secured by the Department's gross revenue. The 2014A Bonds, dated April 24, 2014, amounting to $38.5 million were issued in conjunction with the 2014B Senior Bonds described below to (a)(i) refund all of the City of Long Beach, California, Harbor Revenue Bonds Series 2002B, which were outstanding in the aggregate principal amount of $43.4 million, (a)(ii) the City of Long Beach, California, Harbor Revenue Refunding Bonds Series 2004A, which were outstanding in the aggregate principal amount of $13.1 million, and (a) (iii) the City of Long Beach, California, Harbor Revenue Refunding Bonds Series 2004B, which were outstanding in the aggregate principal amount of $32.0 million (collectively, the Refunded Bonds), and (b) pay the costs of issuing the 2014A Bonds.

The 2014A Bonds matured and were fully paid on May 15, 2017.

(e) 2014B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2014B (the 2014B Bonds) are secured by the Department's gross revenue. The 2014B Bonds, dated April 24, 2014, amounting to $20.6 million were issued in conjunction with the 2014A Bonds described above to refund all of (a)(i) the City of Long Beach, California, Harbor Revenue Bonds, Series 2002B, which were outstanding in the aggregate principal amount of $43.4 million, (a) (ii) the City of Long Beach, California, Harbor Revenue Refunding Bond, Series 2004A, which were outstanding in the aggregate principal amount of $13.1 million, and (a)(iii) the City of Long Beach, California, Harbor Revenue Refunding Bonds Series 2004B, which were outstanding in the aggregate principal amount of $32.0 million (collectively, the Refunded Bonds), and (b) pay the costs of issuing the 2014 Bonds.

Serial bonds aggregating to $17.2 million will mature on May 15 of each year from 2018 to 2027 in amounts ranging from $0.9 million to $7.7 million, with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%. The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the statements of net position as of September 30, 2017; $0.5 million remained as a deferred inflow to be amortized in the statements of net position as a component of deferred inflows.

The 2014B Bonds maturing on or before May 15, 2024 are not subject to redemption prior to maturity. The 2014B Bonds maturing on or after May 15, 2025 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2024, at a redemption price equal to 100% of the principal amount of the 2014B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemptions, without premium.

The bond resolution requires maintaining sufficient fund to meet current and maximum annual debt service requirement. As of September 30, 2017, $2.4 million was allocated to a debt service account.

(f) 2015A Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015A (the 2015A Bonds) are secured by the Department's gross revenue. The 2015A Bonds, dated April 16, 2015, amounting to $44.8 million were issued in conjunction with the 2015B Bonds described below and other available moneys to (a) current refund and/or defeased all or a portion of the Series 2005 Senior Bonds, and (b) pay the costs of issuing the 2015A Bonds. This refunding was undertaken to reduce total debt service payments over the next 10 years by $36.2 million with an economic gain of $12.1 million.

Serial bonds aggregating to $43.4 million will mature on May 15 of each year from 2018 to 2023 in amounts ranging from $4.8 million to $14.4 million, with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%.

The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds, reported as a deferred inflow of $1.3 million in the statement of net position as of September 30, 2017. The 2015A Bonds are not redeemable prior to maturity.

The bond resolution requires maintaining sufficient funds to meet current and maximum annual debt service requirements. As of September 30, 2017, $4.6 million was allocated to a debt service account.

(g) 2015B Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015B (the 2015B Bonds) are secured by the Department's gross revenue. The 2015B Bonds, dated April 16, 2015, amounting to $20.1 million, were issued in conjunction with the 2015A Bonds described above and other available money to (a) current refund and/or defeased all or a portion of the Series 2005 Senior Bonds, and (b) pay the costs of issuing the 2015 Bonds. Even though this refunding resulted in an increase of $0.8 million in the total of debt service payments over the next 10 years, it resulted in an economic gain of $1.7 million.

Serial bonds aggregating to $20.1 million will mature on May 15 of each year from 2023 to 2025 in amounts ranging from $3.3 million to $9.8 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The difference between reacquisition price and net carrying amount is amortized using the straight-line method over the life of the new bonds and is reported in the accompanying statement of net position as of September 30, 2017; $0.1 million remained as a deferred inflow to be amortized in the statement of net position as a component of deferred inflows.

The 2015B Bonds are not subject to redemption prior to maturity.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, $0.4 million was allocated to a debt service account.

(h) 2015C Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015C (the 2015C Bonds) are secured by the Department's gross revenue. The 2015C Bonds, dated July 15, 2015, amounting to $66.1 million were issued in conjunction with the 2015D Bonds (the Series 2015 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department at the Port of Long Beach, including, but not limited to, the Series 2015 Projects, and/or repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bond.

Serial bonds aggregating to $66.1 million will mature on May 15 of each year from 2026 to 2032 in amounts ranging from $6.9 million to $16.8 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2015 Senior Revenue Bonds are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, or after May 15, 2025, at a redemption price equal to 100% of the principal amount of the Series 2015 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, $1.3 million was allocated to a debt service account.

(i) 2015D Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2015D (the 2015D Bonds) are secured by the Department's gross revenue. The 2015D Bonds, dated July 15, 2015, amounting to $66.8 million were issued in conjunction with the 2015C Bonds (the Series 2015 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2015 Projects, and/or repaying all or a portion of the outstanding Series A Subordinate Obligations and Series B Subordinate Obligations and (b) paying the financing costs and the costs of issuing the Series 2015 Senior Revenue Bond.

Serial bonds aggregating to $66.9 million will mature on May 15 of each year from 2033 to 2042 in amounts ranging from $5.3 million to $8.2 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2015 Senior Revenue Bonds are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, or after May 15, 2025, at a redemption price equal to 100% of the principal amount of the Series 2015 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2016, $1.3 million was allocated to a debt service account.

(j) 2017A Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2017A (the 2017A Bonds) are secured by the Department's gross revenue. The 2017A Bonds, dated June 28, 2017, amounting to $101.6 million were issued in conjunction with the 2017B and 2017C Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2017 Projects, and (b) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

Serial bonds aggregating to $101.6 million will mature on May 15 of each year from 2026 to 2040 in amounts ranging from $4.7 million to $9.3 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2017 Senior Revenue Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The Series 2017 Senior Revenue Bonds maturing on or after May 15, 2028 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2027, at a redemption price equal to 100% of the principal amount of the Series 2017 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, $1.3 million was allocated to a debt service account.

(k) 2017B Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2017B (the 2017B Green Bonds) are secured by the Department's gross revenue. The 2017B Bonds, dated June 28, 2017, amounting to $26.0 million were issued in conjunction with the 2017A and 2017C Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, the Series 2017B Green Projects, and (b) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

Serial bonds aggregating to $26.0 million will mature on May 15 of each year from 2041 to 2043 in amounts ranging from $8.4 million to $8.9 million with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2017 Senior Revenue Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The Series 2017 Senior Revenue Bonds maturing on or after May 15, 2028 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2027, at a redemption price equal to 100% of the principal amount of the

Series 2017 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, $0.3 million was allocated to a debt service account.

(l) 2017C Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Senior Bonds Series 2017C (the 2017C Bonds) are secured by the Department's gross revenue. The 2017C Bonds, dated June 28, 2017, amounting to $42.7 million were issued in conjunction with the 2017A and 2017B Bonds (the Series 2017 Senior Revenue Bonds) described above to (a) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department, including, but not limited to, Series 2017 Projects, (b) repay all of the outstanding Series B Subordinate Revolving Obligations, and (c) pay the financing costs and the costs of issuing the Series 2017 Senior Revenue Bond.

Serial bonds aggregating to $42.7 million will mature on May 15 of each year from 2043 to 2047 in amounts ranging from $0.6 million to $11.3 million, with interest payable semiannually on May 15 and November 15 at a coupon rate of 5.0%.

The Series 2017 Senior Revenue Bonds maturing on or before May 15, 2027 are not subject to redemption prior to maturity. The Series 2017 Senior Revenue Bonds maturing on or after May 15, 2028 are subject to redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2027, at a redemption price equal to 100% of the principal amount of the Series 2017 Senior Revenue Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

The bond resolution requires the Department to maintain sufficient funds in order to meet current debt service requirement. As of September 30, 2017, $0.5 million was allocated to a debt service account.

(13) 2014C Harbor Revenue Notes and Transportation Infrastructure Finance and Innovation Act Loan Transportation Infrastructure Finance and Innovation Act (TIFIA) commitment

The City of Long Beach Harbor Revenue Notes Series 2014C Senior Notes (the 2014C Notes) are secured by the Department's gross revenue. The 2014C Notes were issued on June 12, 2014 for $325.0 million plus a premium of $53.4 million, less an underwriter's discount of $659.0 thousand. The 2014C Notes were issued to finance a portion of the costs of constructing a replacement bridge for the existing Gerald Desmond Bridge, including capitalized interest associated with the 2014C Notes themselves. The notes were also used to refund a portion of the Subordinate Harbor Revolving Obligations (Series A and Series B) and to pay for the costs of issuance. The 2014C Notes were issued to achieve interest savings during a favorable market for short-term effective-interest rate while deferring the need to draw on the TIFIA loan. It is anticipated that the proceeds from the TIFIA loan, when it is drawn, will be used to repay the 2014C Notes.

The 2014C Notes are outstanding as of September 30, 2017, and will mature on November 15, 2018 with interest payable semiannually of May 15 and November 15 at coupon rates ranging from 3.0% to 5.0%. The Series 2014C will not be subject to redemption prior to maturity.

The original issue premium is being amortized over the loan term using the effective-interest method. Unamortized premium totaled $18.4 million for the year ended September 30, 2017.

As of September 30, 2017, the balance of the debt service account $24.0 million is restricted to meet debt service requirements in conformity with the note resolution.

Scheduled annual principal note maturities and interest are summarized as follows (in thousands):

		Principal	Interest	Total
Fiscal year ending September 30:				
2018	$	—	15,643	15,643
2019		325,000	7,822	332,822
	$	325,000	23,465	348,465

TIFIA Loan Commitment

In May 2014, the Harbor Department entered into a loan agreement (the TIFIA Loan) with the United States Department of Transportation (USDOT) under the TIFIA. Under the TIFIA Loan, the USDOT will allow the Department to borrow up to $325.0 million, provided the amount so borrowed will be used to finance and refinance the costs related to the replacement of the Gerald Desmond Bridge, including, but not limited to, the repayment of the 2014C Notes. The loan is secured by a subordinate lien on the Department's gross revenue. The loan is expected to be drawn no later than one year after substantial completion of the replacement bridge currently expected in December 2019. As such, there is no outstanding liability for the TIFIA Loan as of September 30, 2017. Once drawn upon, the TIFIA Loan will be repaid over a period not to exceed 35 years at an interest rate of 3.42%.

(14) Lines of Credit

On June 30, 2016, the Board of Harbor Commissioners approved a three-year revolving credit agreement in connection with a tax-exempt and taxable revolving line of credit to be provided by MUFG Union Bank, N.A. in an aggregate principal amount not to exceed $200.0 million outstanding at any one time. The tax-exempt and taxable interest rates to be paid by the Department for borrowings under the revolving lines of credit with Union Bank will be based on a percentage of the one-month London Interbank Offered Rate (LIBOR). The purpose of this line of credit is to provide more flexibility to access unrestricted funds when the Department has a need.

As of September 30, 2017, the Department has no outstanding balance under this revolving line of credit with Union Bank.

(15) Retirement Program

(a) Pension Plan

(i) Plan Description – California Public Employees' Retirement System (CalPERS)

The City contributes to the CalPERS agent multiple-employer defined-benefit pension plan. The City is considered the employer and the Department is a department of the City. The Department's employees are enrolled in the City Miscellaneous Plan. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established by the State's statute and the City's resolution. All City departments are considered collectively to be a single employer, and the Department's pension elements are determined as the Department's percentage of the City as a single employer.

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees' Retirement Law.

The Miscellaneous Plan's provisions and benefits in effect at September 30, 2017, are summarized in the following table

	Miscellaneous		
Hire date	**Tier 1 Prior to October 1, 2006**	**Tier 2 On or after October 1 2006 and prior to January 1 2013**	**Tier 3 On or after January 1 2013**
Benefit formula	2.7% at 55	2.5% at 55	2.0% at 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50–55	50–55	52–62
	Required contribution rates		
Employee	8.0 %	8.0 %	6.5 %
Employer	20.586 %	20.586 %	20.586 %

	Miscellaneous		
Hire date	**Tier 1 Prior to October 1, 2006**	**Tier 2 On or after October 1 2006 and prior to January 1 2013**	**Tier 3 On or after January 1 2013**
	Percentage of eligible compensation		
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

Contributions – 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 the 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(ii) Allocation Methodology

The City used a calculated percentage based on the Department's share of the pensionable compensation to the City's total pensionable compensation amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's proportionate share totaled 19.2% as of September 30, 2017.

(iii) Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows Related to Pensions

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2017 (measurement date), using the actuarial valuation report as of June 30, 2016, rolled forward using standard update procedures. The Department's share of the net pension liability for the Miscellaneous Plan was $124.2 million at the beginning of the measurement period and $129.9 million at June 30, 2017. For the measurement period ending June 30, 2017 (the measurement date) the Department incurred pension expense of $20.8 million.

As of September 30, 2017, the Department had deferred outflows and deferred inflows related to pensions as follows (in thousands):

Deferred outflows of resources:		
Pension contributions after measurement date	$	6,958
Difference between actual and expected CalPERS investment returns		11,554
CalPERS change in assumptions		17,811
CalPERS change in proportion		1,203
Total deferred outflows of resources	$	37,526
Deferred inflows of resources:		
CalPERS difference between actual and expected experience	$	8,666
CalPERS change in proportion		1,766
Total deferred inflows of resources	$	10,432

Exclusive of deferred outflows related to payments after the measurement date, which will be recognized in pension expense in the following year, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in pension expense during the next four years is as follows (in thousands):

Measurement period ending June 30		Total
2018	$	10,626
2019		10,058
2020		2,225
2021		(2,772)
Total	$	20,137

(iv) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

	Miscellaneous
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.15 %
Inflation	2.75
Payroll growth	3.00
Projected salary increase	Varies by entry age and service
Investment rate of return	7.50*1
Mortality	See note*2

*1 Net of Pension Plan Investment and Administrative Expenses; includes inflation.

*2 The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2017 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, 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, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called *GASB Crossover Testing Report* that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

The table on the following page reflects the long-term expected real rate of return by asset class for the Miscellaneous Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric 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	47.0 %	4.90 %	5.38 %
Global fixed income	19.0	0.80	2.27
Inflation sensitive	6.0	0.60	1.39
Private equity	12.0	6.60	6.63
Real estate	11.0	2.80	5.21
Infrastructure and forestland	3.0	3.90	5.36
Liquidity	2.0	(2.20)	(1.05)

[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 Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the City's Miscellaneous plan as of the measurement date, calculated using the discount rate of 7.15%, compared to a discount rate that is 1.0% age point lower (6.15%) or 1.0% age point higher (8.15%). Amounts shown below are for the City's Miscellaneous plan in thousands:

Sensitivity to Net Pension Liability	
Net pension liability	**Total**
1.0% Decrease (6.15%)	$ 196,401
Current discount rate (7.15%)	129,893
1.0% Increase (8.15%)	74,979

(b) Postretirement Healthcare Benefits (OPEB)

(i) Plan Description

The Department participates in the City of Long Beach Retiree Health Care plan (the Plan), a single-employer plan administer by the City of Long Beach. The Plan covers all eligible full-time employees of the City. City Council has the authority to establish and amend the benefit terms currently permitted by Ordinance No. C-7556.

(ii) Benefits Provided

The Plan provides health, dental and long-term care insurance for retirees and their dependents as long as (a) that employee participated in a City provided insurance program of that type (PPO or HMO) during the year immediately preceding retirement, (b) has not attained the eligibility age for Medicare payments, and (c) has attained the minimum retirement age for the employee's retirement plan. Benefits are administered through a third-party provider, and the full cost of the benefits is covered by the Plan.

(iii) Total OPEB Liability

At September 30, 2017, the Department reported a total OPEB liability of $3.2 million for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2016 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2016. The Departments proportion of the total OPEB liability was based on the Department's share of sick leave balances. At June 30, 2016, the Department's proportion was 6.5%.

For the year ended September 30, 2017, the Department recognized OPEB expense of $146 thousand. At September 30, 2017, the Department reported $52 thousand of deferred outflows of resources related to OPEB from contributions made subsequent to the measurement date, $635 thousand in deferred outflows of resources related to actuarial changes in assumptions, and $510 thousand deferred inflow of resources related to actuarial determined difference between expected and actual experience.

Amounts reported as deferred outflows and deferred outflows related to OPEB from the Department's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2018. Amounts related to both the deferred outflow of resources and deferred inflow of resources will be amortized over the next 7.3 years. Amounts reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense over the next five years as follows (in thousands):

Year ending September 30		Amount to be recognized
2018	$	17.0
2019		17.0
2020		17.0
2021		17.0
2022		17.0
2023–2027		39.0

(iv) Actuarial Assumptions

The total OPEB liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions.

Valuation date	September 30, 2016	
Measurement date	September 30, 2016	
Actuarial cost method	Entry age	
Actuarial assumptions:		
Inflation	2.75%	
Discount rate	3.75%	Based on Fidelity Municipal Bond GO AA 20-year Bond Index
Payroll increases	3.00%	Aggregate
	Merit	CalPERS 1997-2011 Experience
Mortality		CalPERS 1997-2011 Experience Study
Withdrawal		CalPERS 1997-2011 Experience Study
Disability		CalPERS 1997-2011 Experience Study
Healthcare trend		ultimate rate of 4.00% for 2076 and beyond

(v) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.1%) or 1-percentage-point higher (4.1%) than the current discount rate (in thousands):

	1 Percent Decrease (2.1%)	Discount rate (3.1%)	1 Percent Increase (4.1%)
Total OPEB liability	$ 3,586	3,249	2,943

(vi) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or higher than the current healthcare cost trend rates:

	1 Percent Decrease (6.5%)	Healthcare Cost Trend Rate (7.5%)	1 Percent Increase (8.5%)
Total OPEB liability	$ 2,870	3,249	3,695

(c) Termination Benefits

As of September 30, 2017, the City has recorded a liability in the Employee Benefits Internal Service Fund of $135.2 million based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 16). The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees. An additional amount relating to negotiated public safety health benefit supplements for employees who retired during calendar year 2009 is described as follows:

The actuarial study assumes an investment return of 3.8% and wage increases of 3.0% per year for safety employees. The $135.2 million long-term portion of the liability is being funded over time through burden rates, applied as a percentage of current productive salaries, and charged to the various City funds.

For the year ended September 30, 2017, the Department has recorded noncurrent liabilities totaling $8.8 million which represents the Departments share of these liabilities.

(d) Deferred Compensation Plan

The City offers its employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 allowing them to defer or postpone receipt of income. Amounts deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee. Further information regarding the City's deferred compensation plan may be found in the City's Comprehensive Annual Financial Report for the years ended September 30, 2017.

(e) Compensated Absences

The Department records all accrued employee benefits, including accumulated vacation, as a liability in the period when the benefits are earned. Accrued employee benefits are classified into current and noncurrent liability for financial statement presentation. The current liability in the amount of $3.5 million as of September 30, 2017, is calculated based on a five years average of vacation taken or used annually. The remaining amount of the liability is recorded as non-current.

(16) Environmental Remediation Obligation

On July 2017, as a result of a hazardous building materials survey of a warehouse, the Department identified the presence of environmentally sensitive materials requiring abatement activities. The estimates abatement cost stands at $3.8 million and a remediation liability for this amount has been recognized in the fiscal year 2017. This warehouse has a net carrying value of zero and there is no reasonable expectation of any recovery associated with these remediation efforts.

(17) Port Headquarter Building and Civic Center Project

In January 2016, the Board of Harbor Commissioners (BHC) authorized the Department to enter into a project agreement with the City of Long Beach and Plenary Edgemoor Civic Partners LLC (PECP) for the Port Headquarter Building, Shared Facilities (Council/Board Chambers, central utility plant, and new underground parking), Shared Rooms and Shared Civic Plaza of the City of Long Beach Civic Center Project. The Board also approved a Memorandum of Understanding (MOU) between the Port and the City to provide for mutual performance obligations and internal cost allocations to ensure accurate project cost accounting for construction costs, ongoing costs, utility costs and lifecycle replacement costs. After reviewing a number of alternative financing structures, the Port adopted a modified Design-Build-Finance-Operate-Maintain structure. PECP will finance the Port project during construction. The Port total approved project budget is $235.0 million, comprising PECP project completion payment of $212.6 million, project support cost of $14.4 million and the land purchase of $8.0 million.

On April 20, 2016, at Financial Close, the Project Agreement was executed with a fixed price Project Completion Payment of $212.6 million and a schedule Port occupancy date of June 30, 2019. PECP will provide the Port a limited amount of Operation and Maintenance Services and Life-Cycle Replacement Costs over the 40 year post-occupancy period.

The Port acquired the land upon which Port’s headquarter is located with a purchase price of $8.0 million in early 2016. The land had a book value of $12.0 million at the date of purchase, accordingly a contribution for $4.0 million was recorded for the year ended September 30, 2016. The shared facilities will be owned by the City and Port under a form of joint ownership in accordance with their respective allocation and subject to easements or other right of access of each other.

The Project Company, PECP, reported 52% of project completion for Port Headquarter project at September 30, 2017. For this modified Design-Build-Finance-Operate-Maintain financing model, the Port recorded $109.5 million for the 52% of Project Completion Payment as construction in progress and long term liability for Port Headquarter project. At completion, the Port plans to issue bonds to finance this project.

(18) Deferred Outflows/Inflows of Resources

The deferrals of accounting gains and losses are related to cumulative bond refunding activity from current year and prior year bonds. The deferred outflows and deferred inflows of resources related to net pension liability are certain changes in total pension liability and fiduciary net position of the pension plan that are to be recognized in future pension expense.

The schedule of deferrals as of September 30, 2017 is as follows (expressed in thousands):

Deferred outflows of resources:		
Loss on debt refunding	$	3,876
Pension related deferred outflows:		
Pension contributions after measurement date		6,958
Difference between actual and expected CalPERS investment returns		11,554
Change in assumptions		17,811
Change in the Department's proportion of pension obligation		1,203
OPEB related deferred outflows:		
OPEB contributions after measurement date		52
Change in assumptions		635
Total deferred outflows of resources	$	42,089
Deferred inflows of resources:		
Gain on debt refunding	$	1,998
Pension related deferred inflows:		
Change in the Department's proportion of pension obligation		1,766
Difference between actual and expected experience		8,666
OPEB related deferred inflows:		
Difference between actual and expected experience		510
Change in the Department's proportion of OPEB obligation		146
Total deferred inflows of resources	$	13,086

REQUIRED SUPPLEMENTARY INFORMATION

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

OPEB Liability and Related Ratios[1]

(As of September 30, dollars in thousands)

Last 10 Years [1, 2]

		2017	2016
Department's percentage of total city OPEB liability		6.5 %	6.9 %
Department's total OPEB liability – ending	$	3,250	3,103
Department covered-employee payroll		48,381	47,203
Total department OPEB liability as a percentage of covered payroll		6.7 %	6.6 %

Notes to schedule:

1 No assets are accumulated in a trust to pay related benefits

2 Fiscal year 2016 was the first year of implementation of GASB Statement No. 75.

See accompanying independent auditors' report.

STATISTICAL SECTION

Exhibit 1

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statements of Net Position

Last 10 fiscal years

(In millions)

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assets and deferred outflows:											
Current	$	563	487	501	453	441	673	634	581	1,005	1,068
Other		4,792	4,550	4,474	4,229	3,612	2,931	2,858	2,883	2,403	2,336
Deferred outflows		42	42	22	10	11	13	—	—	—	—
Total assets and deferred outflows	$	5,397	5,079	4,997	4,692	4,064	3,617	3,492	3,464	3,408	3,404
Liabilities and deferred inflows:											
Current	$	101	111	100	123	153	123	104	108	135	206
Current – restricted*		65	61	60	67	61	59	58	57	56	54
Long term		1,292	1,115	1,215	1,037	672	641	678	751	791	841
Deferred inflows		13	12	15	3	—	—	—	—	—	—
Total liabilities and deferred inflows	$	1,471	1,299	1,390	1,230	886	823	840	916	982	1,101
Net position:											
Net investment in capital assets	$	3,492	3,442	3,077	2,975	2,848	2,105	1,916	1,859	1,487	1,440
Restricted		51	90	265	199	62	157	178	208	197	153
Unrestricted		383	248	267	289	269	531	558	481	744	710
Total net position	$	3,926	3,780	3,609	3,463	3,179	2,793	2,652	2,548	2,428	2,303
Working capital	$	462	376	401	330	288	550	530	473	870	862
Current ratio		3.4	2.8	3.1	2.4	2.1	3.7	3.9	3.5	5.3	4.1
Debt to asset ratio		30.4 %	28.3 %	30.9 %	29.0 %	24.5 %	28.0 %	29.4 %	31.8 %	40.9 %	47.1 %

* Current liabilities payable from restricted assets

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

Exhibit 2

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Changes in Fund Net Position

Last 10 fiscal years

(In millions)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenue	$ 381	361	355	357	346	334	345	321	312	359
Operating expense	291	291	271	227	188	176	166	185	184	196
Income from operations	90	70	84	130	158	158	179	136	128	163
Other income (expense)	—	(15)	39	(12)	—	(16)	(50)	(13)	(15)	(24)
Capital grants	73	132	121	178	251	14	7	19	11	4
Investment earnings	2	5	4	7	1	3	5	8	19	33
Transfers to City Tidelands Fund	(19)	(19)	(18)	(18)	(17)	(17)	(37)	(30)	(19)	(16)
Change in net position	$ 146	173	230	285	393	142	104	120	124	160
Return on investment	— %	0.1 %	7.4 %	9.4 %	14.4 %	6.7 %	5.2 %	6.2 %	8.7 %	13.0 %
Capital expenditures (includes personnel costs)	$ 252	367	363	552	792	373	228	273	189	92
Personnel:										
Wages and benefits *	$ 60	62	55	48	45	43	42	41	39	34

* From operations

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

Exhibit 3

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Operating Revenue by Type

Last 10 fiscal years

(In millions)

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Berth and special facilities:											
Wharfage	$	342	323	312	308	297	269	280	258	244	290
Dockage		7	8	11	11	12	12	12	11	13	14
Bunkers		1	1	1	1	1	1	1	2	1	1
Special facilities rentals		13	16	16	14	12	28	23	21	20	22
Crane rentals		—	—	2	13	13	13	13	13	13	13
Other		1	1	1	1	1	—	—	—	—	—
Total berths and special facilities		364	349	343	348	336	323	329	305	291	340
Rental properties		14	10	10	9	9	10	14	14	16	14
Miscellaneous		3	3	2	1	1	2	2	3	4	4
Total operating revenue	$	381	362	355	358	346	335	345	322	311	358
Growth (reduction)%		5.6	1.5	(1.1)	3.4	3.6	(3.5)	7.4	3.3	(13.1)	(3.2)
Special facility revenue by terminal commodity:											
Containers	$	291	275	270	280	268	256	267	247	233	280
Liquid bulk		18	17	17	16	17	17	16	17	18	18
Dry bulk		35	29	29	26	26	24	22	19	20	18
Vehicles		15	15	14	13	12	13	10	10	10	10
Steel		4	8	8	8	8	8	8	6	7	9
Lumber		1	1	1	1	1	1	1	1	1	1
Miscellaneous		—	3	3	3	3	3	3	3	2	4
Total special facility revenue	$	364	348	342	347	335	322	327	303	291	340

Source: Finance Division, Harbor Department

See accompanying independent auditors’ report.

Exhibit 4

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Revenue Bonds Debt Service Coverage

Last 10 fiscal years

(In millions)

Fiscal year		Revenue (a)	Maintenance costs (b)	Net revenue (a–b)	Revenue bonds debt service	Times debt service covered
2017	$	383	143	240	88	2.73
2016		365	144	221	89	2.48
2015		359	134	225	78	2.88
2014		360	108	252	80	3.15
2013		347	98	249	80	3.11
2012		337	87	250	80	3.13
2011		350	81	269	80	3.36
2010		330	98	232	82	2.83
2009		330	98	232	82	2.83
2008		393	116	277	93	2.98

(a) Total port operating revenue and interest earned only

(b) Port operating expenses before depreciation and amortization

Source: Finance Division, Harbor Department

See accompanying independent auditors’ report.

Exhibit 5

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Tonnage Summary

Last 10 fiscal years

(Thousands of Metric Revenue Tons)

	Inbound tonnage			Outbound tonnage			Port of Long Beach
Fiscal year	**Municipal**	**Private***	**Total**	**Municipal**	**Bunkers**	**Total**	**total**
2017	130,435	—	130,435	36,190	1,474	37,664	168,099
2016	122,937	—	122,937	36,733	1,652	38,385	161,322
2015	124,525	—	124,525	38,436	1,313	39,749	164,274
2014	122,244	—	122,244	42,415	867	43,282	165,526
2013	119,504	—	119,504	41,910	843	42,753	162,257
2012	107,283	—	107,283	36,947	914	37,861	145,144
2011	112,962	192	113,154	39,717	1,546	41,263	154,417
2010	108,278	209	108,487	36,667	2,412	39,079	147,566
2009	99,835	233	100,068	33,077	2,110	35,187	135,255
2008	118,563	654	119,217	41,605	2,088	43,693	162,910
Average annual growth (reduction)	1.4 %	— %	1.3 %	(1.0)%	— %	(1.2)%	0.7 %

Metric revenue ton = 1 metric ton or 1 cubic meter, whichever is the basis for tariff assessment

* Private berth information is no longer available. Revenue from private berth leases is revenue of the terminal operator and not part of the Port's revenue. Beginning in 2012, the Port implemented a new automated billing system that no longer collects private berth statistics.

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

Exhibit 6

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Tonnage by Commodity Group and Vessel Calls

Last 10 fiscal years

(Thousands of metric revenue tons)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Total	Average annual growth
Containerized:												
In	98,941	93,614	95,798	94,310	91,047	77,910	83,482	79,058	69,354	88,398	871,912	1.9 %
Out	28,174	29,400	29,307	31,262	30,525	27,584	29,623	28,251	24,800	33,234	292,160	(1.2)%
Other break bulk:												
In	1,127	1,008	1,039	1,002	854	917	752	814	869	1,570	9,952	(1.5)%
Out	61	99	101	92	108	98	827	613	644	619	3,262	(10.0)%
Liquid bulk:												
In	30,130	27,971	27,479	26,696	27,398	28,197	28,585	28,138	29,139	27,782	281,515	1.0 %
Out	2,497	3,203	3,521	2,995	3,197	2,466	3,239	4,151	3,800	3,924	32,993	(3.3)%
Dry bulk:												
In	238	344	209	235	259	259	333	393	653	1,458	4,381	(13.2)%
Out	6,933	5,684	6,820	8,934	8,869	7,713	7,576	6,148	5,996	5,925	70,598	2.9 %
Total:												
In	130,436	122,937	124,525	122,243	119,558	107,283	113,152	108,403	100,015	119,208	1,167,760	1.3 %
Out	37,665	38,386	39,749	43,283	42,699	37,861	41,265	39,163	35,240	43,702	399,013	(1.2)%
Vessel calls*	2,149	2,227	2,676	2,752	3,425	3,993	4,758	4,826	4,933	5,140	36,879	
Annual decline	(0.04)%	(0.17)%	(2.76)%	(19.65)%	(14.22)%	(16.08)%	(1.41)%	(2.17)%	(4.03)%	(9.07)%		
TEU's	7,231	6,946	7,088	6,818	6,648	5,857	6,298	5,936	5,282	6,737	64,841	
TEU annual growth/ (decline)	0.04 %	(0.02)%	3.96 %	2.56 %	13.51 %	(7.00)%	6.10 %	12.38 %	(21.60)%	(8.49)%		

* Beginning in FY 2014, only billable vessel calls are included in the total vessel call number.

Metric revenue ton = 1 metric ton or 1 cubic meter, whichever is the basis for the tariff assessment

See accompanying independent auditors' report.

Exhibit 7

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Metric Revenue Tons and Container Counts

Last 10 fiscal years

(In thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Municipal berths[1]:										
Foreign	$ 99,468	93,928	98,464	104,245	101,027	91,490	96,908	91,335	82,621	103,777
Coastwise/intercoastal	30,977	29,009	26,061	17,998	18,477	15,793	16,054	16,733	17,214	14,785
Total inbound cargo	130,445	122,937	124,525	122,243	119,504	107,283	112,962	108,068	99,835	118,562
Outbound cargo:										
Foreign	32,923	32,737	33,592	37,067	36,769		36,210	33,340	29,557	37,529
Coastwise/intercoastal	3,258	3,996	4,843	5,348	5,141	3,270	3,507	3,536	3,519	4,075
Bunkers	1,474	1,653	1,313	867	843	1,311	1,546	2,412	2,110	2,088
Total outbound cargo	37,655	38,386	39,748	43,282	42,753	4,581	41,263	39,288	35,186	43,692
Total municipal cargo	168,100	161,323	164,273	165,525	162,257	111,864	154,225	147,356	135,021	162,254
Private berths[1]:										
Inbound	—	—	—	—	—	—	192	209	233	654
Outbound	—	—	—	—	—	—	—	—	—	—
Total private cargo	—	—	—	—	—	—	192	209	233	654
Grand total	$ 168,100	161,323	164,273	165,525	162,257	111,864	154,417	147,565	135,254	162,908
Container count summary (000's)[2]										
Loaded inbound TEUs	$ 3,698	3,514	3,596	3,523	3,420	2,932	3,139	2,982	2,612	3,338
Loaded outbound TEUs	1,451	1,538	1,528	1,664	1,671	1,491	1,582	1,485	1,332	1,782
Total loaded	5,149	5,052	5,124	5,187	5,091	4,423	4,721	4,467	3,944	5,120
Full containers annual growth (decline)	— %	— %	(1.2)%	1.9 %	15.1 %	(6.3)%	5.7 %	13.3 %	(23.0)%	(1.8)%
Total empty	2,081	1,894	1,964	1,631	1,557	1,434	1,577	1,469	1,338	1,617
Empty containers annual growth (decline)	0.1 %	— %	20.4 %	4.8 %	8.6 %	(9.1)%	7.3 %	9.8 %	(17.2)%	(24.7)%
Total TEUs	$ 7,230	6,946	7,088	6,818	6,648	5,857	6,298	5,936	5,282	6,737
Annual growth	0.4 %	— %	4.0 %	2.6 %	13.5 %	(7.0)%	6.1 %	12.4 %	21.6 %	(8.5)%

1 Metric revenue tons is equal to either 1,000 kilograms or one cubic meter.

2 A TEU represents a 20-foot equivalent unit.

Source: Finance Division, Harbor Department

See accompanying independent auditors' report.

Exhibit 8

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Principal Customers

The Port's Largest Customers	Effective date	Expiration date
CEMEX Construction Materials Pacific, LLC – CEMEX USA	09/1981	08/2021
Chemoil Corporation	07/2010	06/2025
Crescent Terminals, Inc.	07/2000	Month-to-month
CSA Equipment	02/2013	02/2023
Energia Logistics Ltd.	01/2013	Month-to-month
International Transportation Service, Inc.	09/2006	08/2026
Jacobsen Pilot Service, Inc.	08/1982	07/2017
Koch Carbon, Inc.	01/1988	12/2027
OOCL, LLC – Long Beach Container Terminal, LLC	07/2011	09/2051
Metropolitan Stevedore Company	09/2014	09/2034
Oxbow Carbon & Minerals, LLC	09/2014	09/2029
Pacific Maritime Services – Pacific Container Terminal	05/2002	04/2022
SA Recycling, LLC	11/1994	11/2019
SSA Terminals, LLC – SSA Terminal C60/Matson Navigation	05/2002	04/2022
SSA Terminals (Long Beach), LLC	12/2002	12/2027
Tesoro Refining & Marketing	01/1995	Month-to-month
Tesoro Refining & Marketing Co – Tesoro Logistics LP	01/2012	01/2032
Carson Cogeneration Company – Tesoro Refining & Marketing	06/1983	05/2023
Total Terminals International, LLC	08/2002	08/2027
Toyota Logistics Services	01/2009	12/2028

Contractual obligations between the Port and its customers prevent the Port from releasing information related to tenant revenue.

Source: Real Estate Division, Harbor Department.

See accompanying independent auditors' report.

Exhibit 9

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Number of Employees by Division/Bureau

Last 10 fiscal years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Executive administration	14.0	18.0	17.0	11.9	9.3	15.4	17.3	15.6	16.3	13.6
Business development	13.0	13.0	11.0	—	—	—	—	—	—	—
Communications	14.0	14.0	16.0	15.0	12.8	14.0	14.8	14.7	14.1	13.0
Construction management	45.0	47.0	46.0	—	—	—	—	—	—	—
Design	51.0	49.0	48.0	—	—	—	—	—	—	—
Engineering	—	—	—	140.7	128.8	128.0	117.1	115.2	109.7	105.3
Environmental planning	21.0	24.0	23.0	—	—	—	—	—	—	—
Finance	25.0	25.0	25.0	24.5	24.9	26.0	21.2	17.9	15.5	14.2
Government relations/affairs	4.0	3.0	4.0	4.0	4.0	4.0	3.4	3.8	3.9	3.3
Human resources	16.0	18.0	18.0	17.4	16.3	17.0	17.8	17.6	16.9	15.3
Information management	22.0	22.0	22.0	20.6	20.8	21.0	18.6	18.0	13.1	7.3
Maintenance	90.0	92.0	84.0	76.3	81.1	81.0	76.8	72.7	72.1	69.6
Master planning	7.0	5.0	6.0	31.7	30.6	31.0	30.3	28.6	25.3	21.1
Program delivery	3.0	3.0	2.0	—	—	—	—	—	—	—
Program management	27.0	28.0	25.0	—	—	—	—	—	—	—
Project controls	11.0	11.0	8.0	—	—	—	—	—	—	—
Real estate	9.0	9.0	8.0	8.8	9.0	9.0	8.0	7.3	6.1	6.7
Risk management	9.0	10.0	10.0	8.3	7.6	8.0	7.0	6.4	6.0	5.2
Security	81.0	74.0	79.0	68.0	71.2	76.5	69.8	63.8	58.7	50.7
Survey	22.0	22.0	23.0	—	—	—	—	—	—	—
Tenant services/trade relations	12.0	9.0	9.0	19.3	16.5	16.0	14.9	15.8	15.6	14.5
Transportation planning	7.0	6.0	6.0	—						
Full-time/permanent subtotal	503.0	501.0	490.0	446.5	432.9	446.9	417.0	397.4	373.3	339.8
Growth/decline	0.4 %	2.2 %	9.7 %	3.1 %	(3.1)%	7.2 %	4.9 %	6.5 %	9.9 %	N/A
Part-time/temporary subtotal	31.0	29.0	34.0	25.5	29.4	13.0	18.9	27.3	27.7	30.6
Growth/decline	6.9 %	(14.7)%	33.3 %	(13.3)%	126.2 %	(31.2)%	(30.8)%	(1.4)%	(9.5)%	N/A
Total number of employees	534.0	530.0	524.0	472.0	462.3	459.9	435.9	424.7	401.0	370.4
Growth/decline	0.8 %	1.1 %	11.0 %	2.1 %	0.5 %	5.5 %	2.6 %	5.9 %	8.3 %	N/A

Note:
FY2015 - FY2017 presented the count at year-end (personnel inventory report)
FY 2006–FY2014 presented the count average of the year
Board of Harbor Commissioners are not included

Source: Human Resources, Harbor Department

See accompanying independent auditors' report.