PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Comprehensive Annual Financial Report
June 30, 2012 and 2011
(With Independent Auditors' Report Thereon)

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

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

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Introductory Section

THE PORT OF LOS ANGELES
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November 9, 2012

Ms. Geraldine Knatz, Ph.D.
Executive Director
Port of Los Angeles
San Pedro, California

This Annual Financial Report of the Port of Los Angeles, Harbor Department of the City of Los Angeles, California, for the years ended June 30, 2012 and 2011, is hereby submitted.

Introduction

The management of the Port of Los Angeles (the Port) has prepared this annual report. The responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the Port. To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included. The report contains the audited financial statements of the Port for the years ended June 30, 2012 and 2011, which have received an unqualified opinion from the Port's independent auditors and are presented in accordance with Governmental Accounting Standards Board Statement No. 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The report is presented in five sections: Introductory, Financial, Management's Discussion and Analysis, Financial Statements, and Supplemental Information.

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

The Financial Section includes the independent auditors' report. The Management's Discussion and Analysis presents a comparative review of financial position and changes in financial position for fiscal years 2012, 2011, and 2010. Also included in this section are a description of current and proposed capital development plans, a discussion of revenue growth, and an overview of the economic conditions and the competitive environment in which the Port operates.

The financial statements are prepared on an accrual basis and use an economic resources measurement focus. The Financial Statements Section comprise statements of net assets that present the financial position of the Port as of June 30, 2012 and 2011, statements of revenues, expenses, and changes in net assets depicting financial performance for fiscal years 2012 and 2011, statements of cash flows that present the source and application of funds from operations, financing, and investment activities for fiscal years 2012 and 2011, and the notes to the financial statements. The accompanying notes to the financial statements explain some of the information in the financial statements and provide more detailed information, generally presented on a multiyear basis that further explain and support the information in the statements.

The Port of Los Angeles

The Port is a proprietary department of the City of Los Angeles (the City) and was created by the City Charter to promote and develop a deep-water port facility. It is governed by a five-member Board of Harbor Commissioners (the Board), which has the duty to provide for the needs of commerce, navigation, and fishery for the citizens of California. It operates similar to a private business and is substantially autonomous from the City. In accordance with generally accepted accounting principles (GAAP), the accompanying financial statements are included as an Enterprise Fund of the City, based upon the primary oversight responsibility that the City Council (the Council) and the City have on all matters affecting Port activities.

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

The management and operation of the Port are under the direction of the Executive Director, who is responsible for coordinating and directing the activities of several major management groups. These groups fall under the responsibilities of the Deputy Executive Director of Development, Deputy Executive Director of Finance & Administration, Deputy Executive Director of Operations, Deputy Executive Director of Business Development, and Deputy Executive Director of External Relations.

The Deputy Executive Director of Development is responsible for the Commission Office, Environmental Management, Goods Movement, Construction, and Engineering divisions of the Port.

The Deputy Executive Director of Finance & Administration oversees the financial affairs as well as administrative side of the Port. Reporting to this position are the Contracts and Purchasing, Finance, Human Resources, and Information Technology divisions. The Finance Division made up of the Chief Financial Officer and the following sections: Accounting, Debt and Treasury Management, Financial Management, Management/Internal Audit, and Risk Management.

Reporting to the Deputy Executive Director of Operations are the Construction & Maintenance, Los Angeles Pilot Service, Port Police, and Wharfingers divisions of the Port.

The Deputy Executive Director of Business Development directs the divisions of Planning and Economic Development, Business & Trade Development, and Real Estate.

Reporting to the Deputy Executive Director of External Relations are the Senior Director of Communications and the Senior Director of Governmental Affairs. The Senior Director of Communications is responsible for the planning, direction, and management of the Port's public relations divisions. This position leads strategic analyses to develop and implement policies and programs in the areas of public, community, and media relations; and represents the Port before elected and appointed officials, council committees, and news media.

The Senior Director of Governmental Affairs is responsible for coordinating legislative representation for the Port and oversees all in-house and contracted lobbying efforts in Sacramento and Washington D.C. The position helps establish and implement the Port's legislative objectives; reviews legislative bills and serves as the primary contact for the Port with elected officials, Council, state, and federal government.

The Port is located by 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 cargoes. The Port is landlord to more than 300 entities, in addition to major terminal operators, other tenants include marinas, fish markets, boat repair yards, railroads, restaurants, a shipyard, and other similar activities.

The major sources of income for the Port are from shipping services (wharfage, dockage, pilotage, assignment charges, etc.), land rentals, and fees, concessions, and royalties. It currently serves over 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 largest and busiest West Coast ports. The Port encompasses approximately 4,300 acres of land and 3,200 acres of water. The majority of the main channel has at least a minimum depth of 53 feet below the mean low water mark.

Within the Port are 27 terminals. Two major railroads serve the Port, and it 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, Japan, Taiwan, Thailand, and South Korea. Cargo to and from these countries represents the bulk of the total value of all cargo shipped through the Port.

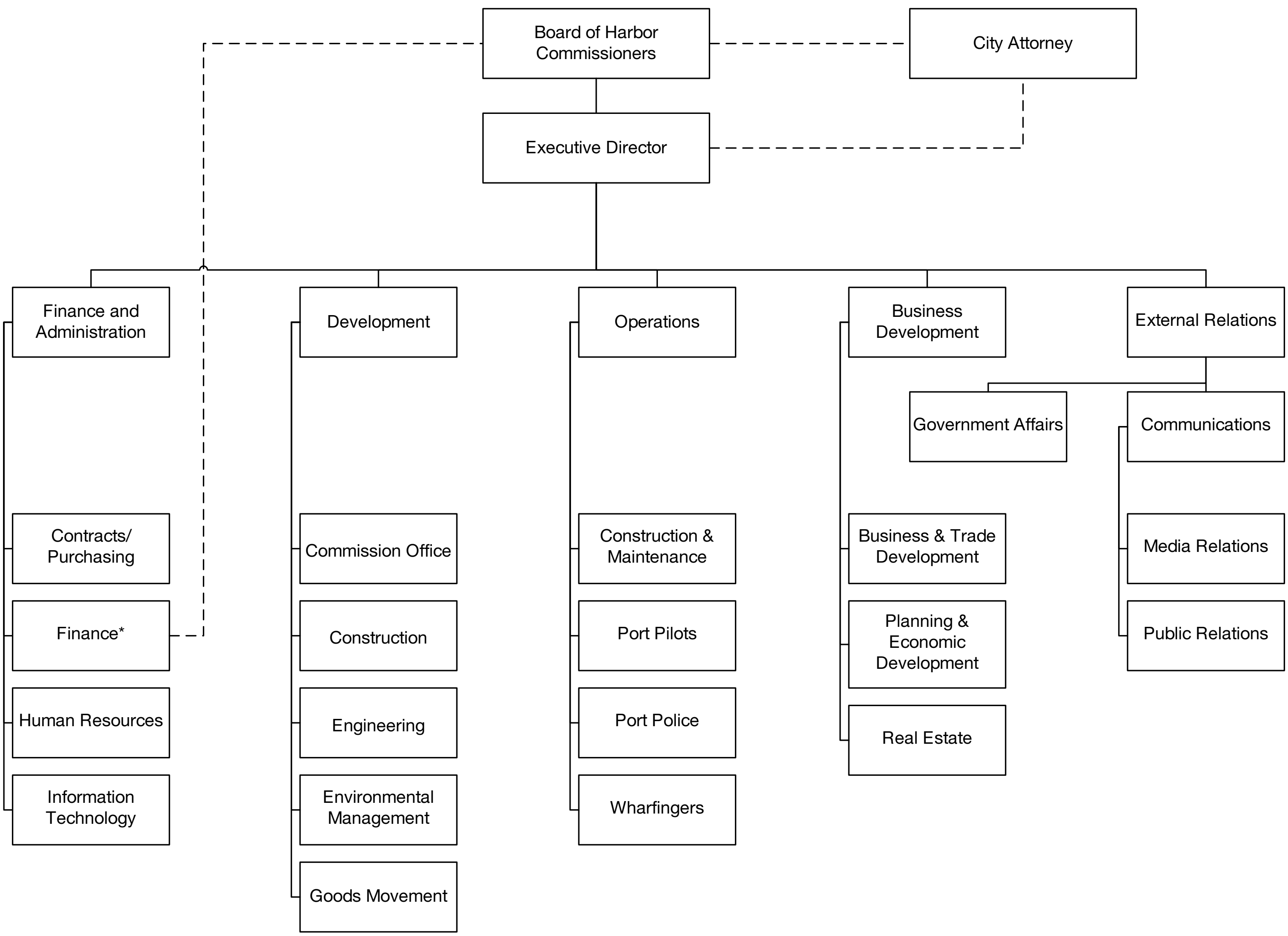
The Port is not subsidized by tax dollars and has maintained its financial strength through self-generated revenues. The Port continues to maintain a AA/Aa2/AA credit ratings with a "stable" outlook with Standard & Poor's, Moody's, and Fitch Investor Services, respectively. These are the highest credit rating for any stand-alone U.S. port and reflect the confidence of the rating agencies in the financial strength of the Port.

Sincerely,

Karl Pan

KARL K.Y. PAN
Chief Financial Officer

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Fiscal Year 2011-2012
Organizational Chart



*The Chief Financial Officer and Departmental Audit Manager have additional reporting responsibilities to the Board of Harbor Commissioners.

Board of Harbor Commissioners

Cindy Miscikowski,
President

David Arian,
Vice President

Robin Kramer,
Commissioner

Dr. Sung Won Sohn,
Commissioner

Douglas P. Krause,
Commissioner

Senior Management

Geraldine Knatz, Ph.D.,
Executive Director

Michael Christensen,
Deputy Executive Director – Development

Molly Campbell,
Deputy Executive Director – Finance & Administration

Capt. John M. Holmes,
Deputy Executive Director – Operation

Kathryn McDermott,
Deputy Executive Director – Business Development

Cynthia Ruiz,
Deputy Executive Director of External Relations

Arley Baker,
Senior Director of Communications

David Libatique,
Senior Director of Governmental Affairs

Management Staff

Theresa Adams Lopez,
Director of Public Relations

Diane Boskovich,
Chief Wharfinger

Ronald Boyd,
Chief of Port Police

Kerry Cartwright,
Director of Goods Movement

Capt. Bent Christiansen and Capt. Mike Rubino,
Pilot Service

Tony Gioiello,
Chief Harbor Engineer of Design

Annie Gregorio,
Director of Accounting

Jack Hedge,
Director of Real Estate

Lance Kaneshiro,
Director of Information Technology

Tish Lorenzana,
Director of Human Resources

David Mathewson,
Director of Planning & Economic Development

Kathy Merkovsky,
Director of Risk Management

Jim Morgan,
Director of Construction & Maintenance

Jim Olds,
Director of Management Audits

Karl K.Y. Pan,
Chief Financial Officer

Glenn Robison,
Director of Contracts & Purchasing

Soheila Sajadian
Director of Debt & Treasury

Phillip Sanfield,
Director of Media Relations

Shaun Shahrestani,
Chief Harbor Engineer of Construction

Julie Wichmann Huerta,
Commission Office

Christopher Cannon,
Director of Environmental Management

Eileen Yohsimura,
Director of Financial Management

Financial Section

KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles):

We have audited the accompanying financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an enterprise fund of the City of Los Angeles, California, as of and for the years ended June 30, 2012 and 2011, as listed in the accompanying table of contents. These financial statements are the responsibility of the Port's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Port are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the City of Los Angeles, California that is attributable to the transactions of the Port. They do not purport to, and do not, present fairly the financial position of the City of Los Angeles, California as of June 30, 2012 and 2011, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Los Angeles (Harbor Department of the City of Los Angeles) as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

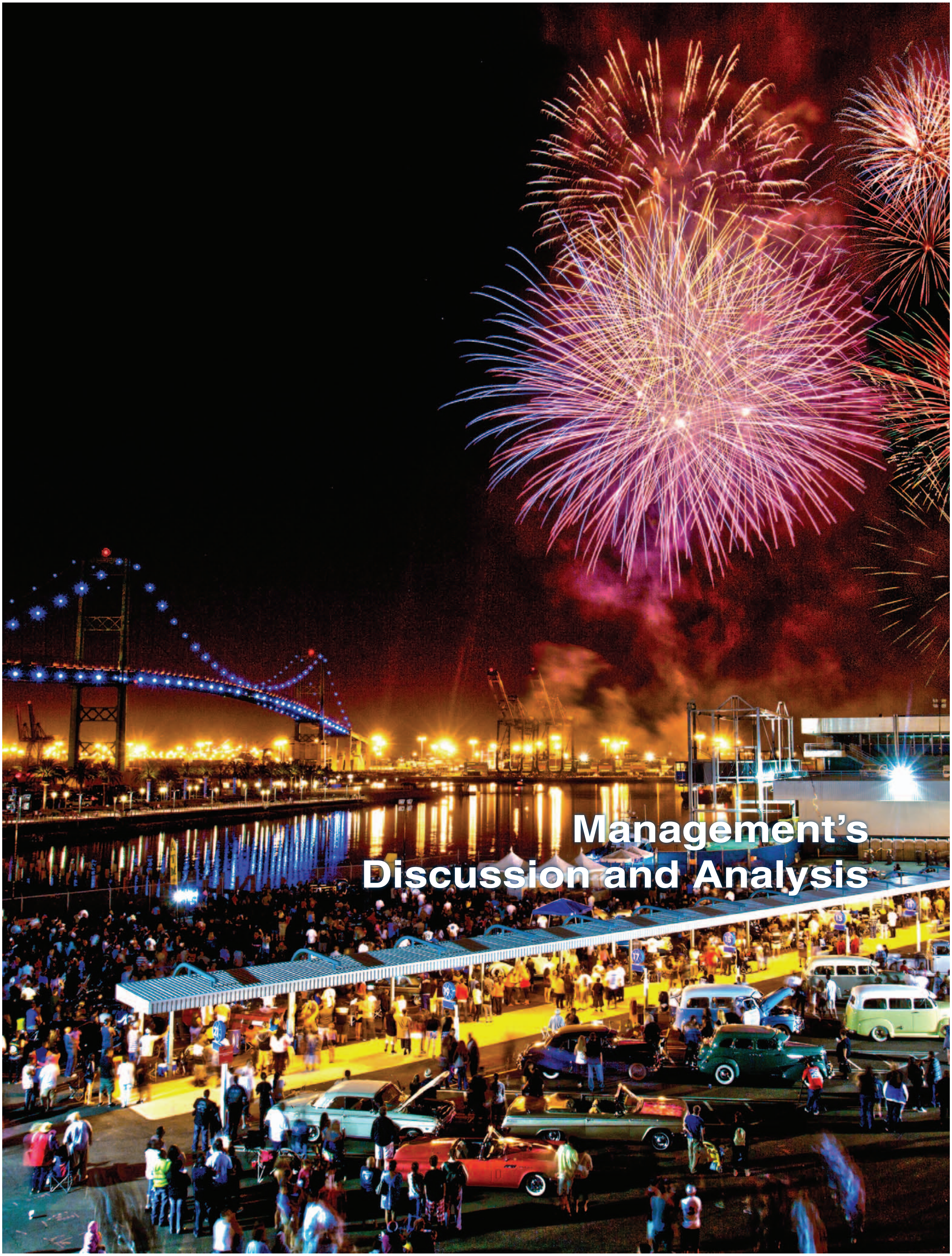
In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2012, on our consideration of the Port's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 8 – 30 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.

Our audit was conducted for the purpose of forming an opinion on the Port's basic financial statements. The introductory and supplemental information sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

KPMG LLP

November 14, 2012



Management's Discussion and Analysis

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, 2012 and 2011. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-3 and the Port's financial statements starting from page 31.

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

- *Statements of Net Assets* – present information of all of the Port's assets and liabilities as of June 30, 2012 and 2011. The difference between assets and liabilities is reported as net assets, 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 Assets* – present the results of operations during the current and prior fiscal year. These show how the Port recovered its costs through operating revenues from shipping, rentals, royalties and other fees. Changes in net assets were reported when the underlying events occurred, regardless of the timing of the related cash flows.
- *Statements of Cash Flows* – present the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. A reconciliation is also provided to assist in understanding the difference between operating income and cash flows from operating activities.
- *Notes to the Financial Statements* – present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of the Port's financial activities.

The Port is the leading seaport in North America in terms of shipping container volume and cargo value. 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 2012	FY 2011	FY 2010	FY 2012	FY 2011
Container/general cargo	164,196	149,136	145,760	10.1%	2.3%
Liquid bulk	9,906	10,644	10,661	-6.9%	-0.2%
Dry bulk	1,059	1,166	1,354	-9.2%	-13.9%
Total	175,161	160,946	157,775		

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

Information for the cargo volume that moved through the Port for the last ten fiscal years is found in the supplemental information on page 89.

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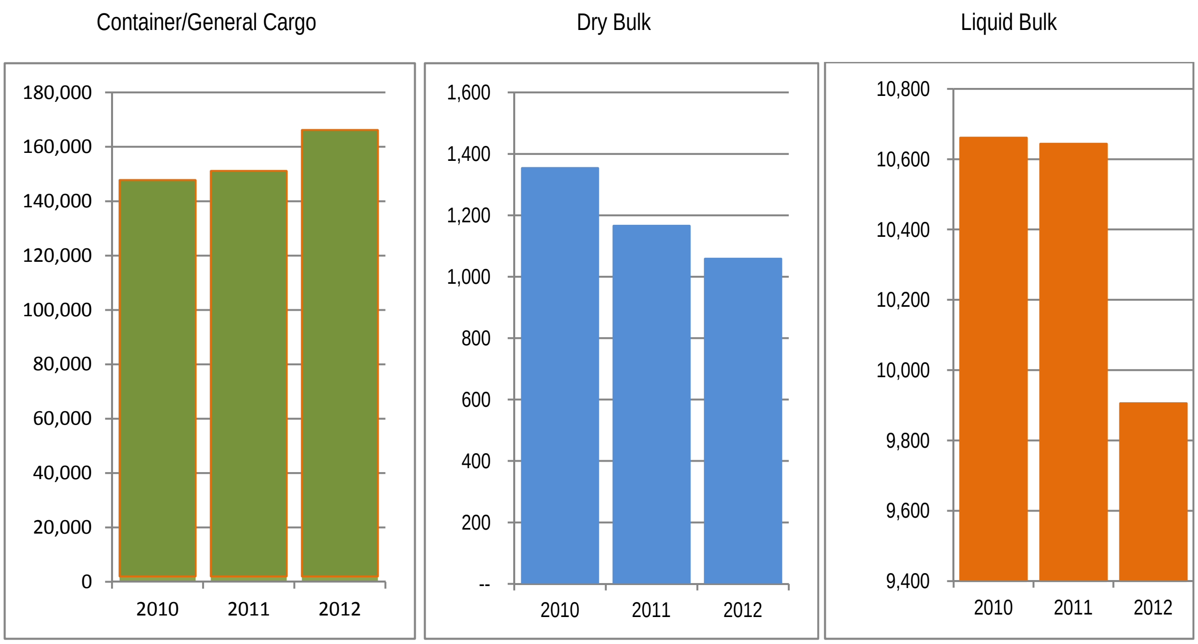
Following is the graphical presentation of the Port's cargo volumes for fiscal years 2010 to 2012 in thousand metric tons:



In Thousand Metric Tons

The Port is the number one container port by volume in the United States. For fiscal years 2010 to 2012, the Port experienced record breaking export container volumes. 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 are as follows (in thousands):

	In TEUs			% Change Over Prior Year	
Container Volume	FY 2012	FY 2011	FY 2010	FY 2012	FY 2011
Import	4,318	4,186	3,786	3.2%	10.6%
Export	3,868	3,749	3,442	3.2%	8.9%
Total	8,186	7,935	7,228	3.2%	9.8%

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Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City. The Port's financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The notes to the financial statements on pages 38 to 87 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights for Fiscal Year 2012

- Current assets exceeded current liabilities by $381.8 million.
- Capital assets, net of accumulated depreciation of $1.4 billion amounted to $3.4 billion.
- Application development costs of $ 4.1 million, incurred during the fiscal year, for the design, installation, coding and testing of the Port's new financial system, the Enterprise Resource Planning System (ERP), was capitalized as Intangible Assets. The ERP system will go live in fiscal year 2013.
- Total assets exceeded total liabilities by $2.8 billion.
- Bonded debt net of unamortized discounts, premiums and refunding charges of $26.6 million, totaled $866.8 million.
- Borrowings in the form of commercial paper continue to total $100.0 million.
- Operating revenue amounted to $409.8 million.
- Operating expenses excluding depreciation of $100.5 million, and net of capitalized charges of $11.8 million, amounted to $199.8 million.
- Capital grants amounted to $31.3 million.

Financial Highlights for Fiscal Year 2011

- Current assets exceeded current liabilities by $348.7 million.
- Capital assets, net of accumulated depreciation of $1.3 billion amounted to $3.3 billion.
- Total assets exceeded total liabilities by $2.6 billion.
- Bonded debt net of unamortized discounts, premiums and refunding charges of $19.1 million, totaled $899.0 million.
- Commercial paper outstanding totaled $100.0 million.
- Operating revenue amounted to $400.5 million.

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- Operating expenses excluding depreciation of $90.5 million, and net of capitalized charges of $15.7 million amounted to $209.7 million.
- Capital grants amounted to $12.1 million.

Analysis of Net Assets

Net assets is the difference between the Port's assets and liabilities. Over time, increases or decreases in net assets 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 assets as of June 30, 2012, 2011, and 2010 (in thousands):

Condensed Net Assets

				Increase (Decrease) Over Prior Year	
	FY 2012	FY 2011	FY 2010	FY 2012	FY 2011
Assets					
Current and other assets	$ 653,844	$ 657,535	$ 669,593	$ (3,691)	$ (12,058)
Capital assets, net	3,358,320	3,278,907	3,087,544	79,413	191,363
Total assets	4,012,164	3,936,442	3,757,137	75,722	179,305
Liabilities					
Current liabilities	167,256	197,938	205,849	(30,682)	(7,911)
Long term liabilities	1,068,780	1,095,619	1,016,534	(26,839)	79,085
Total liabilities	1,236,036	1,293,557	1,222,383	(57,521)	71,174
Net assets					
Invested in capital assets, net of related debt	2,397,744	2,286,360	2,164,885	111,384	121,475
Restricted for debt service	67,796	67,341	67,844	455	(503)
Unrestricted	310,588	289,184	302,025	21,404	(12,841)
Total net assets	$ 2,776,128	$ 2,642,885	$ 2,534,754	$ 133,243	$ 108,131

Net Assets, Fiscal Year 2012

The largest portion of the Port's net assets ($2.4 billion or 86.4%) reflects its investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets) less any related outstanding debt used to acquire those assets. These assets are used for operation and maintenance of Port facilities, and construction of various capital projects and improvements. An additional portion of the Port's net assets ($67.8 million or 2.4%) represents resources that are subject to debt restrictions. The remaining balance of $310.6 million or 11.2% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Continued…..

Current and other assets decreased by a marginal $3.7 million or 0.6% from $657.5 million in fiscal year 2011 to $653.8 million in fiscal year 2012. Fluctuations in current and other assets result from: decrease in cash and investments of $4.8 million, increase of $9.1 million in accounts and grants receivables, decrease of $1.5 million in inventories and prepaid expenses, decline of $4.7 million in notes receivable, and $1.9 million lower investments in joint powers authorities and other assets.

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasurer on behalf of the Port. The decrease of $4.8 million from $569.9 million at June 30, 2011 to $565.2 million at June 30, 2012 was due mainly to the decrease in cash collateral from securities lending transactions due to the suspension of the City's securities lending program (SLP) in fiscal year 2012. This decrease however, was offset by increased cash from operating activities, increase in grant reimbursements, and higher investment income. At June 30, 2012, the Port's share in the mark to market valuation of the City's pooled investments totaled $7.2 million, an increase of $1.4 million from $5.9 million in the prior fiscal year. The Port also reported additional investments of $11.9 million from its share in the City's investment purchases on June 30, 2012.

Capital assets, net of depreciation increased by $79.4 million due to continued commercial and terminal development, various building and facilities improvements, and acquisition of various facilities and equipment.

Current liabilities decreased by $30.7 million or 15.5% mainly due to timing differences in payments, and decrease of $41.1 million in liabilities under the SLP due its suspension in the current fiscal year. A payment of $9.8 million from the TraPac Mitigation Fund, offset by additional liability of $11.9 million for Port's share in investment purchases at June 30, 2012, accounted for the net increase of $1.8 million in other current liabilities. Please refer to pages 84-85 of the notes to financial statements for additional information on the $9.8 million payment from the TraPac Mitigation Fund.

Long-term liabilities decreased by $26.8 million mainly due to the decrease in bonds payable of $33.1 million. Increase in workers' compensation liability accrual due to higher actuarial valuation accounted for the increase in other long-term liabilities.

Net Assets, Fiscal Year 2011

The largest portion of the Port's net assets ($2.3 billion or 86.5%) reflects its investment in capital assets (e.g. land, facilities, construction in progress and intangible assets) less any related outstanding debt used to acquire those assets. These assets are used for the operation and maintenance of Port facilities and the construction of various capital projects and improvements. An additional portion of the Port's net assets ($67.3 million or 2.6%) represents resources that are subject to debt restrictions. The remaining balance of $289.2 million or 10.9% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets decreased by $ 0.01 million or 1.8% to $657.5 million in fiscal year 2011, mainly due to the increased disbursements in restricted funds.

Unrestricted and restricted cash and investments consist primarily of cash and pooled investments, including reinvested cash collateral held by the City Treasurer. The decrease of $8.4 million from

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$578.3 million at June 30, 2010 to $569.9 million at June 30, 2011 was due mainly to increased disbursements of the restricted funds, as well as lower cash from operating activities.

Capital assets, net of depreciation, increased by $191.4 million due to increased commercial and terminal development, and acquisition of various facilities and equipment.

Current liabilities decreased by $7.9 million or 3.8%. Significant decreases in accounts payable of $28.3 million, accrued interest of $2.7 million, accrued salaries and employee benefits of $4.4 million, and accrued construction cost payable of $1.9 million, were offset by a $29.6 million increase in obligations under the City's securities lending program.

The net increase in long-term liabilities of $79.1 million was mainly due to the issuance of $100.0 million in commercial paper, offset by decrease of $31.5 million in bonds payable, net of unamortized charges/credits on bond issuances.

Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net assets changed during fiscal years 2012, 2011 and 2010 (in thousands):

Condensed Statement of Net Assets

				Increase (Decrease) Over Prior Year	
	FY 2012	FY 2011	FY 2010	FY 2012	FY 2011
Operating revenue	$ 409,787	$ 400,503	$ 406,818	$ 9,284	$ (6,315)
Operating expenses	(199,806)	(209,695)	(210,235)	(9,889)	(540)
Operating income before depreciation and amortization	209,981	190,808	196,583	19,173	(5,775)
Depreciation and amortization	(100,485)	(90,468)	(87,255)	(10,017)	(3,213)
Operating income	109,496	100,340	109,328	9,156	(8,988)
Net nonoperating expenses	(7,560)	(4,268)	(21,111)	3,292	(16,843)
Capital contributions	31,307	12,059	16,950	19,248	(4,891)
Change in net assets	133,243	108,131	105,167	25,112	2,964
Net assets, July 1	2,642,885	2,534,754	2,429,587	108,131	105,167
Net asssets, June 30	$ 2,776,128	$ 2,642,885	$ 2,534,754	$ 133,243	$ 108,131

Fiscal Year 2012

Net assets for the Port posted a $133.2 million or 5.0% increase in fiscal year 2012. Approximately $400.9 million or 97.8% 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 and administrative expenses were lower by $9.9 million or 4.7%.

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Depreciation expense increased by $10.0 million to $100.5 million in fiscal year 2012 from $90.5 million in fiscal year 2011, primarily due the net addition of $432.2 million in net depreciable assets in fiscal year 2012.

Net nonoperating transactions increased by $3.3 million to $7.6 million in fiscal year 2012 primarily as a result of recognizing an $8.5 million loss on sale of POLA High School (POLAHS), offset by higher nonoperating revenue of $13.4 million. During the fiscal year, the Port's investment income was $3.1 million higher than the prior fiscal year. Credits received from the Department of Water and Power's solar energy program due to the Port's initiatives towards installing solar energy equipment mainly accounted for the $8.1 million increase in other nonoperating revenue. $2.2 million higher investment in joint powers authorities also contributed to the increase in nonoperating revenue.

As a result, income before capital contributions increased by $5.9 million to $101.9 million, a 6.1% increase over fiscal year 2011.

Capital contributions of $31.3 million represented funds for capital grants obtained in fiscal year 2012, or an increase of $19.2 million compared to the $12.1 million received in fiscal year 2011. Increases in federal capital grants during the year included $1.8 million for Police patrol and boats, $2.0 million for information technology data storage security project, $7.0 million for Harry Bridges Boulevard improvement, $2.0 million for computer aided dispatch and record management system, $5.6 million for the Port-wide fiber optic continuance project, and $1.6 million for Port security grant's supplemental projects.

Fiscal Year 2011

Net assets for the Port increased by $108.1 million in fiscal year 2011. Approximately 97.1% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Operating and administrative expenses decreased by $0.5 million, or 0.2% from fiscal year 2010.

Depreciation expense increased by $3.2 million to $90.5 million in fiscal year 2011 primarily due to the net addition of $235.3 million in net depreciable assets.

Other expenses increased by $3.7 million to $6.7 million in fiscal year 2011, from $3.0 million in fiscal year 2010 as a first time shortfall payment to the Alameda Corridor Transportation Authority (ACTA) was accrued for $3.0 million in fiscal year 2011.

As a result, income before capital contributions increased by $7.9 million to $96.1 million, an 8.9% increase over the fiscal year 2010 amount of $88.2 million. This increase reflected the combined effect of greater levels of capitalized interest expense offset by lower interest income and reduced revenue from clean truck fees.

Capital contributions of $12.1 million represented funds for capital grants obtained in fiscal year 2011, or a reduction of $4.9 million compared to the $17.0 million received in fiscal year 2010. The increase in capital grants earned was due to proactive and successful efforts on part of the Port in applying for and obtaining more capital grants for its projects.

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Operating Revenue

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 2012, 2011 and 2010 (in thousands):

Summary of Operating Revenues

	FY 2012	FY 2011	FY 2010	Increase (Decrease) Over Prior Year FY 2012	Increase (Decrease) Over Prior Year FY 2011
Shipping services					
Wharfage	$ 333,757	$ 317,621	$ 304,653	$ 16,136	$ 12,968
Dockage and demurrage	5,043	6,086	7,068	(1,043)	(982)
Pilotage	7,131	7,417	7,025	(286)	392
Assignment and other charges	11,785	12,374	8,884	(589)	3,490
Total shipping services	357,716	343,498	327,630	14,218	15,868
Rentals					
Land	40,127	42,693	39,741	(2,566)	2,952
Others	3,016	2,735	3,400	281	(665)
Total rentals	43,143	45,428	43,141	(2,285)	2,287
Royalties, and other fees					
Fees, concession and royalties	1,866	2,333	2,561	(467)	(228)
Clean truck program fees	3,250	6,376	30,505	(3,126)	(24,129)
Others royalties and fees	3,812	2,868	2,981	944	(113)
Total royalties, and other fees	8,928	11,577	36,047	(2,649)	(24,470)
Total operating revenues	$ 409,787	$ 400,503	$ 406,818	$ 9,284	$ (6,315)

Continued…..

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

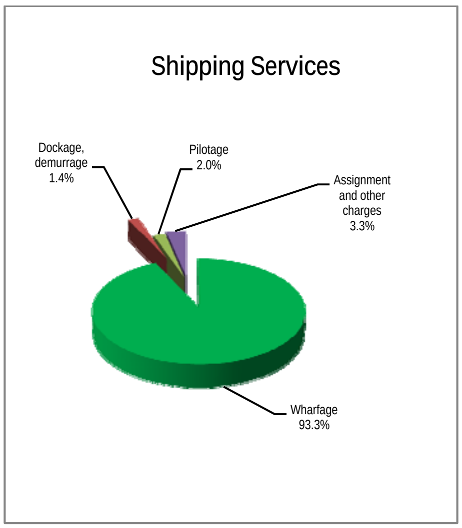
Management's Discussion and Analysis

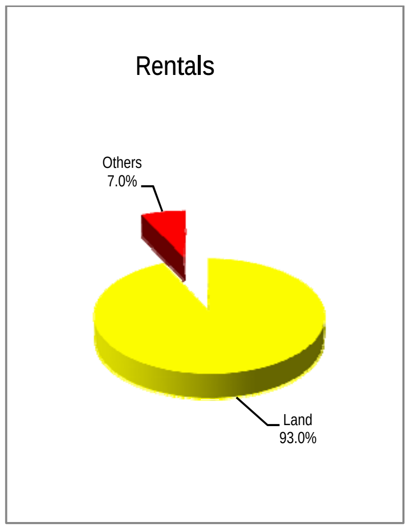
June 30, 2012 and 2011

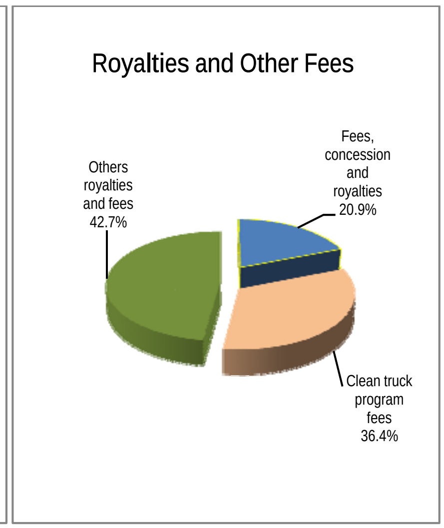
(Unaudited)

The following charts show the major components of each of the Port's sources of operating revenue for fiscal years 2012 and 2011:

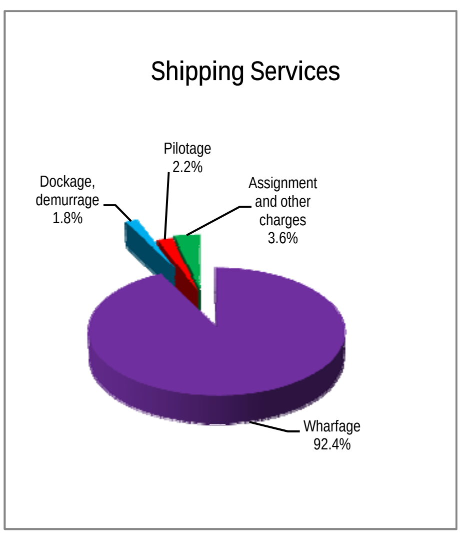
Fiscal Year 2012

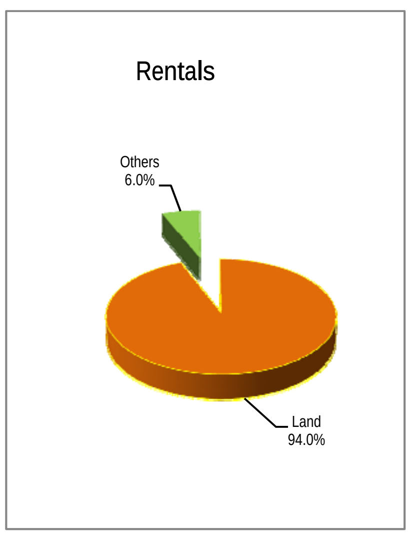


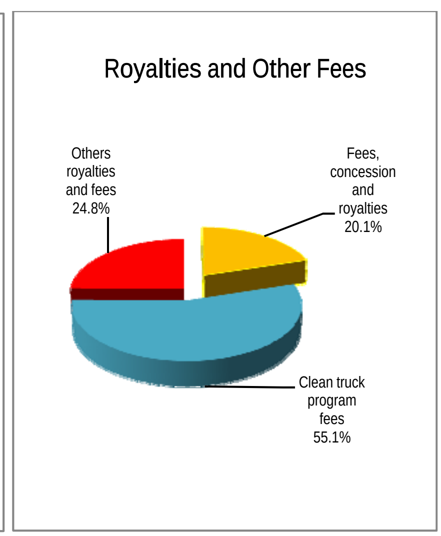




Fiscal year 2011







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Operating Revenue, Fiscal Year 2012

Operating revenue for fiscal year 2012 increased to $409.8 million, reflecting a 2.3% increase from the prior year revenue of $400.5 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 service revenues consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 93.3% of the total shipping service revenue in fiscal year 2012. Wharfage is the fee charged against merchandise for passage over wharf premises, from vessels, and barges. Wharfage is $16.1 million higher compared to fiscal year 2011 mainly due to a 3.2% increase in container cargo volume. Net other shipping revenues were $0.6 million lower as space assignments were converted to revocable permits moving revenues from assignment charges to wharfage, as well as $1.0 million and $0.3 million decreases in dockage and pilotage revenues respectively.

Rentals

The Port makes available to customers various types of rental properties on Port-controlled lands. These properties include 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. In all cases, the Port seeks to achieve a 12.0% rate of return on improvements and 10.0% return on land set by the Board of Harbor Commissioners (the Board).

During fiscal year 2012, rental income at the Port decreased by $2.3 million, or 5.0%, over last fiscal year and represented 10.5% of fiscal year 2012 total operating revenues. Land rental was down $2.6 million or 6.0% compared to prior year. The decrease in land rentals was primarily from a $3.5 million adjustment of an overstatement of a tenant's prior year rental permit.

Royalties, Fees, and Other Operating Revenue

The Port levies fees for a variety of activities conducted on 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 2012 was $8.9 million or 2.2% of the total revenue. This represented a 22.9% decline or $2.6 million less in this revenue category compared with fiscal year 2011. The decline was mainly due to a decrease of $3.1 million from collection of fees from noncompliant trucks under the Port's Clean Truck Program (CTP), as the collection of fees for non-compliant trucks ended in December of 2011.

Continued…..

Operating Revenue, Fiscal Year 2011

Operating revenues for fiscal year 2011 decreased to $400.5 million, reflecting a 1.6% decline from the prior year revenues of $406.8 million. The decrease was principally attributed to $24.1 million drop in CTP revenues as the number of non-EPA compliant trucks subject to a fee declined. Revenues from shipping services grew $15.9 million, or a 4.8% increase from prior year as the number of twenty-foot equivalent units (TEUs) moved through the Port during fiscal year 2011 versus 2010 grew to 7.9 million TEUs from 7.2 million TEUs.

Shipping Services

Shipping services revenue in fiscal year 2011 was $343.5 million, $15.9 million or 4.8% higher than fiscal year 2010. The growth mainly came from increase of $13.0 million in wharfage and $3.5 million in space assignments and positive growth in demurrage and pilotage charges, but offset by $0.9 million in reduced crane rentals as older Port-owned cranes were replaced by new cranes owned by terminal operators.

Rentals

During fiscal year 2011, rental income at the Port increased by $2.3 million, or 5.3%, over last year and represented 11.3% of fiscal year 2011 total operating revenues. Land rental was up $3.0 million compared to prior year but as noted in the comments for fiscal year 2012, was due to a technical adjustment of a previous entry. Overall, the market value of land and the associated rent remained flat.

Royalties, Fees, and Other Operating Revenue

Revenues from royalties, fees, and other operating revenues in fiscal year 2011 were $11.6 million, 2.9% of the total revenue. This represented a 67.8% decline or $24.4 million less compared with fiscal year 2010. The decline was mainly due to the decrease in collection of fees from noncompliant trucks under the CTP.

Operating and Administrative Expenses

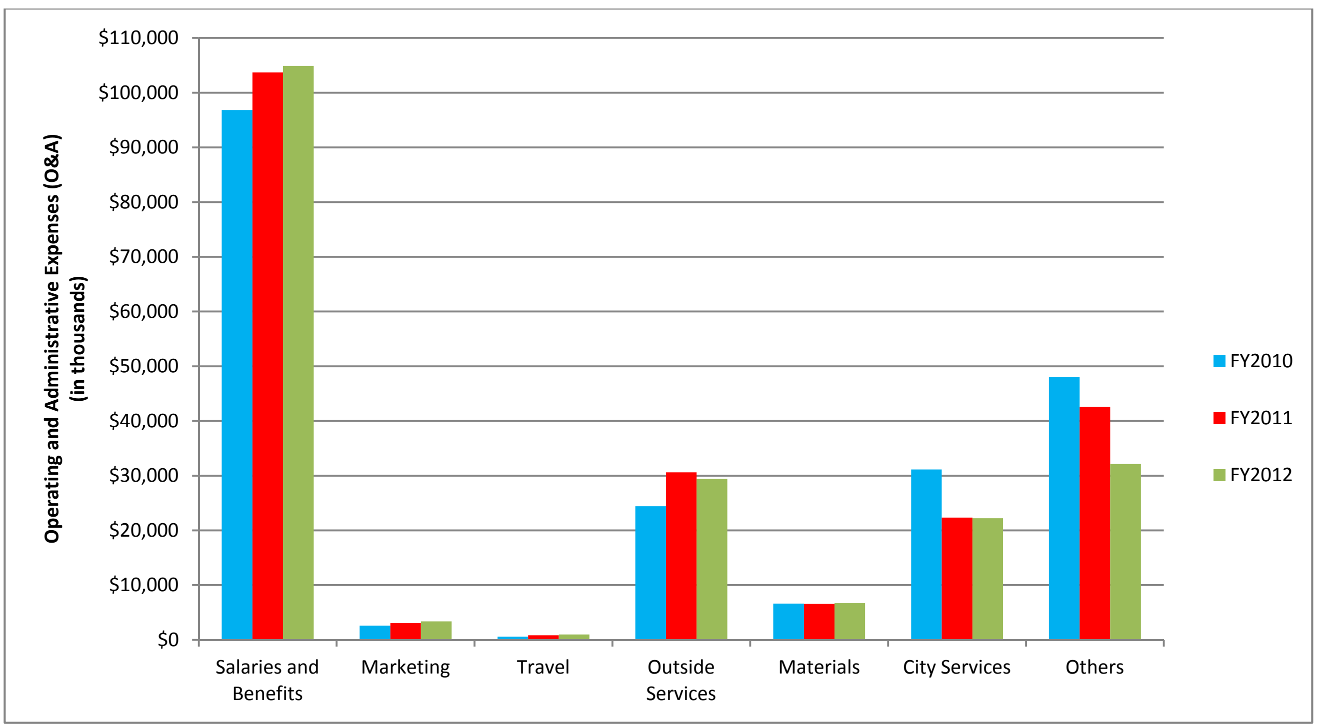
The following table presents a summary of the Port's operating expenses for fiscal years 2012, 2011 and 2009. Included in other operating expenses are expenses for litigation, claims, settlements, clean truck program, pollution remediation and miscellaneous other items:

Continued…..

Summary of Operating and Administrative Expenses (O&A)
(amounts in thousands)

				Increase (Decrease) Over Prior Year	
	FY 2012	FY 2011	FY 2010	FY 2012	FY 2011
Salaries and benefits	$ 104,910	$ 103,693	$ 96,838	$ 1,217	$ 6,855
Marketing and public relations	3,380	3,055	2,594	325	461
Travel and entertainment	991	843	569	148	274
Outside services	29,426	30,601	24,428	(1,175)	6,173
Materials and supplies	6,717	6,556	6,634	161	(78)
City services	22,236	22,353	31,142	(117)	(8,789)
Other operating expenses	32,146	42,594	48,030	(10,448)	(5,436)
Total O&A	$ 199,806	$ 209,695	$ 210,235	$ (9,889)	$ (540)

The following chart shows the graphical comparison of the Port's operating and administrative expenses for fiscal years 2012, 2011 and 2010:



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Fiscal Year 2012

In fiscal year 2012, operating and administrative expenses decreased by $9.9 million to $199.8 million, a 4.7% decrease from prior fiscal year expense of $209.7 million. Significant drivers in operating and administrative expenses include outside services, allocations to capital overhead, the Clean Truck Program, City services and benefits.

Salaries and benefits expense increased by $1.2 million to $104.9 million, or 1.2% higher than prior year of $103.7 million. Fluctuations in salaries and benefits were caused primarily by the following: $1.5 million increase in salaries due to 0.75% increase in cost of living allowances (COLA) for Port employees covered by various MOUs effective July 1, 2011, and a 3% COLA increase for non-represented employees effective January 1, 2012; $0.2 million increase in pension and retirement contributions; $0.2 million increase in medical and dental insurance costs; and $0.4 million increase in overtime pay. Allocation of portions of the cost of salaries and benefits to capital projects increased by $1.3 million which offset the increases in salaries and benefits account. Average full time employee headcount increased by 4 to 954.

As part of its strategic plan to retain and increase market share, the Port increased its spending for domestic trade promotion, business, government and other commercial promotion, accounting for the $0.3 million increase in marketing and public relations expenses.

Outside services decreased by $1.2 million to $29.4 million or 3.8% from prior year of $30.6 million primarily due to $0.9 million lower maintenance expenses, even as the Port completed and opened the 29.2 acre Wilmington Waterfront Park.

Additional maintenance, administrative and operating supplies, offset by decrease in inventory at the end of the fiscal year accounted for the slight increase of $0.2 million in materials and supplies expense.

Total payments for City services slightly decreased by $0.1 million. Fluctuations in City services payments were: $3.2 million higher charges primarily from Fire services ($1.4 million), the Recreation and Parks ($1.0 million) Department, the City Attorney's Office ($0.5 million), City Administrative Office and Information Technology Agency ($0.3 million). These increases were offset by lower net payments of $2.8 million mainly to Building and Safety, Public Works and the Los Angeles Police departments.

Provision for workers' compensation was $5.8 million higher mainly due to an increase of $3.7 million in valuation of the medical component of the fiscal year 2012 workers compensation actuarial study, $1.1 million in the permanent disability component, and $1.1 million in temporary disability and other expenses components. As the Port is part of the overall City workers' compensation self-insurance program, the City allocated these costs to the Port on a pro-rata basis.

In prior fiscal year 2011, litigation and settlement expenses were $3.0 million higher than the current fiscal year due to a payment of $3.2 million for community aesthetic mitigation, representing cost of four cranes acquired at $0.8 million each, as stipulated in the environmental impact report for China Shipping.

Lesser administrative expenditures for clean truck monitoring of trucks entering the Port, as well as lower CTP subsidy payments, accounted for $4.7 million reduction in CTP expenses during the fiscal year.

Continued…..

The decrease of $8.6 million in pollution remediation expenses was mainly due to lower remediation costs incurred in the current fiscal year, particularly for the site cleanup of 800 Southerland Ave. and the petroleum carbon remediation of HY"C" Tane Tank Farm. Major cleanup costs for these projects were incurred in fiscal year 2011.

Fiscal Year 2011

In fiscal year 2011, operating and administrative expenses decreased by $0.5 million to $209.7 million, a 0.3% decrease from prior fiscal year expense of $210.2 million as the Port continued to exercise close controls over expenses.

Although salaries and benefits expense rose by $6.9 million to $103.7 million, or 7.1% higher than prior year of $96.8 million, the increase was primarily attributable to 4.9 percentage points increase in pension rates and an average $760 per position increase in health benefits despite a control of headcount of full time employees to an average of 950.

Outside services increased by $6.2 million to $30.6 million or 25.3% from prior year of $24.4 million due to an increase in expenses from hiring workers from the Hiring Hall of $1.8 million, accommodation work projects closed to expense of $1.3 million, and Port's facility security enhancement of $1.1 million plus increases in other projects.

City services, net of capitalized amount and overhead allocation, decreased by $8.8 million to $22.4 million or 28.2% lower than previous year of $31.1 million mainly due to lower costs incurred from City's Fire Department and Recreation & Parks Department, resulting from lower overhead allocation costs as the City reduced its work force costs.

Other operating expenses for fiscal year 2011 decreased by $5.4 million to $42.6 million or 11.3% from prior year of $48.0 million primarily due to the decline in CTP's subsidy payments and administrative costs of $15.2 million, and a $4.0 million reduction in contribution to the Community Mitigation Fund. Offsetting these decreases were the $6.9 million increase in estimated pollution remediation expenses, a $3.2 million increase in China Shipping Mitigation expense, and $2.7 million increase in provision for bad debts and workers compensation costs.

Nonoperating Revenue and Expenses

Nonoperating revenue and expenses are derived from transactions that do not result from providing services in connection with the Port's ongoing operations. The following table presents a summary of the Port's nonoperating revenue and expenses for fiscal years 2012, 2011 and 2010:

Continued…..

Summary of NonOperating Revenue and Expenses
(amounts in thousands)

	FY 2012	FY 2011	FY 2010	Increase (Decrease) Over Prior Year FY 2012	Increase (Decrease) Over Prior Year FY 2011
Nonoperating revenue					
Income from investments in Joint Powers Authorities	$ 1,851	$ (333)	$ 2,270	$ 2,184	$ (2,603)
Interest and investment income	9,486	6,436	15,233	3,050	(8,797)
Other nonoperating revenue	14,167	6,023	--	8,144	6,023
Total nonoperating revenue	25,504	12,126	17,503	13,378	(5,377)
Nonoperating expenses					
Interest expense	10,538	3,704	35,663	6,834	(31,959)
Other nonoperating expenses	22,526	12,690	2,951	9,836	9,739
Total nonoperating expenses	33,064	16,394	38,614	16,670	(22,220)
Net nonoperating revenue (expenses)	$ (7,560)	$ (4,268)	$ (21,111)	$ (3,292)	$ 16,843

Fiscal Year 2012

Net nonoperating expenses for fiscal year 2012 increased by $3.3 million or 77.1% to $7.6 million from prior year's of $4.3 million.

In prior fiscal year 2011, POLA wrote down $2.3 million in receivables from the Intermodal Container Transfer Facility Joint Powers Authority (ICTF JPA). The charge was an accounting adjustment against an overstatement of receivables that resulted from timing differences in the calculation of receipts.This resulted in a negative $0.3 million share in ICTF's operations in the prior year. ICTF reported income of $3.9 million in the fiscal year 2012, thereby resulting in $1.9 million increase in investment in JPA.

Interest and investment income increased by $3.1 million or 47.4% to $9.5 million from the prior fiscal year's $6.4 million due to higher interest earnings on investments.

Interest expense increased by $6.8 million or 184.2% to $10.5 million from the prior fiscal year of $3.7 million. The Port incurred bond interest expense of $3.8 million from the issuance of the 2011 Series A and B Refunding bonds, but the refunding along with the repayment of $101.1 million of refunded bonds reduced overall interest obligations, thereby generating a $6.6 million decrease in interest expenses. In addition, in fiscal year 2012, the Port made an adjustment to its capitalized interest, thereby reducing interest capitalized to the construction in progress account from $40.1 million in fiscal year 2011 to $30.6 million in fiscal year 2012. The exclusion of the costs of certain completed projects from the calculation of capitalized interest resulted in an adjustment of $9.5 million in capitalized interest, which was charged to current year's interest expense.

Continued…..

In fiscal year 2012, the Port recorded as other nonoperating revenue a $2.5 million solar power incentive received from the Department of Water and Power. Other sources of nonoperating revenues during the year were $0.3 million in delinquency penalties, $0.1 million from sale of equipment and other fixed assets, and $0.6 million credits from rebates and other reimbursements. Included also in nonoperating revenues were noncapital grants received by the Port. During the fiscal year, federal and state grants of $2.1 million as well as $5.9 million of federal and state pass-through grants were received.

During the fiscal year, the Port recorded as nonoperating expense a loss of $8.5 million from the sale of POLA High School, which mainly accounted for the increase of $9.8 million in nonoperating expenses. Please see page 25 for details on the sale of this property.

Fiscal Year 2011

Net nonoperating revenues and expenses for fiscal year 2011 decreased by $16.8 million or 79.8% to $4.3 million from prior year of $21.1 million.

Interest and investment income decreased by $8.8 million or 57.8% to $6.4 million from the prior fiscal year of $15.2 million. The interest income decrease of $3.9 million was mainly due to the 21.3% drop in average yields in fiscal year 2011 from 2010. In addition, there was a loss of $1.3 million in the fair value of the investment pool in fiscal year 2011 as compared to a gain of $3.6 million in fiscal year 2010.

Interest expense decreased by $32.0 million or 89.6% to $3.7 million from the prior fiscal year of $35.7 million due to increase in capitalized interest expense in fiscal year 2011. In the past, the computation of interest to be capitalized was based only on certain ongoing capital projects that were identified as directly financed by the external debts. Beginning fiscal year 2011, the Port adopted the computation of interest to be capitalized based on the average accumulated expenditures for all ongoing capital projects. The Port capitalized a total of $40.1 million in interest expense out of a gross interest expense of $43.8 million in fiscal year 2011.

Other income, net of other expense, declined by $3.7 million to negative $6.7 million in fiscal year 2011, from negative $3.0 million in prior year.

Other income increased by $3.4 million from $2.6 million to $6.0 million mainly due to the increase of $3.3 million in Federal pass-through grants.

Other expenses increased by $7.1 million from $5.6 million to $12.7 million primarily due to the estimated ACTA shortfall charge of about $3.0 million as well as the Federal pass-through grant expense of $3.0 million.

Long-Term Debt

The Port's long-term debt comprises of senior debt in the form of Harbor Revenue Bonds, commercial paper, and subordinated debt in the form of a loan. As of June 30, 2012 and 2011, the Port's outstanding long-term debt was $968.1 million and $1.0 billion, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA, and AA credit ratings from Moody's, Standard & Poor's, and Fitch Ratings, respectively.

Bonded Debt

Under Section 609 of the City Charter of the City of Los Angeles and the Bond Procedural Ordinance, the Port's capacity to issue debt is not limited. However, the Port's capacity is constrained under covenants of the currently outstanding debt to an aggregate ratio of revenue to annual debt service of at least one hundred twenty-five percent (125%). The Port's financial policy requires that a minimum of 2.0x debt service coverage ratio be maintained at all times. At June 30, 2012, the Port's debt service coverage ratio stood at 3.0x.

The Port's long-term debt consisted of the following as of June 30, 2012, 2011, and 2010 (in thousands):

	2012	2011	2010
Revenue bonds payable	$ 866,762	$ 898,981	$ 929,202
Notes payable	1,366	1,874	2,360
Commercial paper	100,000	100,000	--
Total	$ 968,128	$ 1,000,855	$ 931,562

During fiscal year 2012, the Port issued 2011 Series A and B Refunding Bonds of $58.9 million and $32.8 million respectively, to refund the outstanding principal of $36.2 million and $64.9 million, of the 2001 Series A and B Refunding Bonds, respectively. Principal and interest on these bonds are payable solely from the Port's revenues and other amounts pledged under the bond indenture. The refunding transaction resulted in cash flow savings of $16.4 million and economic gain of $12.6 million. The deferred amount on refunding of $3.7 million will be amortized through fiscal year 2026.

Capital Assets

The Port's investment in capital assets, net of accumulated depreciation as of June 30, 2012, 2011 and 2010 amounted to $3.4 billion, $3.3 billion and $3.1 billion respectively. These accounted for 83.7%, 83.3%, and 82.2% of total assets respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2012, 2011 and 2010 (in thousands):

Summary of Capital Assets

				Increase(Decrease) Over Prior Year	
	FY 2012	FY 2011	FY 2010	FY 2012	FY 2011
Land	$ 1,072,398	$ 1,058,404	$ 1,042,081	$ 13,994	$ 16,323
Facilities and equipment, net	1,788,966	1,468,867	1,324,063	320,099	144,804
Intangible assets	16,953	12,900	12,800	4,053	100
Construction in progress	328,026	524,158	500,129	(196,132)	24,029
Preliminary costs-capital projects	151,977	214,578	208,471	(62,601)	6,107
Total	$ 3,358,320	$ 3,278,907	$ 3,087,544	$ 79,413	$ 191,363

Continued…..

Fiscal Year 2012

Major capital assets activities during fiscal year 2012 with the total cost of the projects are as follows:

- $162.6 million - Cabrillo Way Marina Phase II development.
- 113.7 million - various wharves improvement, including $12.3 million for landfill and wharf demolition.
- $77.7 million - Harry Bridges Boulevard improvement.
- $26.7 million - improvement of various terminals including $23.3 million for cruise terminals.
- $22.1 million - improvement of various warehouses, buildings and facilities.
- $9.5 million - improvement of waterfront and other public areas in Wilmington and San Pedro.
- $6.8 million - fiber optic network programs.
- $5.1 million - POLA electric truck program.
- $11.8 million - for Port Police headquarters, Port Police integrated command and control system and other security enhancement projects, and passenger complex perimeter security enhancement projects.
- $1.1 million - acquisition of vehicles, parts and accessories.
- $3.1 million - acquisition of boats, barge, boat hardware and parts.
- $0.8 million - expended for electronic equipment, devices including computer hardware for the Port's new financial accounting system to be implemented in fiscal year 2013.
- $3.2 million - police data center equipment, mobile command center and various computer equipments for the new Port police building and headquarters.
- Sale of POLA High School (POLAHS) costing $14.3 million with accumulated depreciation of $2.7 million on October 14, 2011. The lease permit with POLAHS provided for the sale of this property as prescribed under California Government Code Section 54220, the City Charter, and the Administrative Code. A notice of intent to purchase this property was received from POLAHS on October 8, 2008. Subsequently, on August 13, 2009, the POLA Board declared this property as surplus to the needs of the POLA. POLA received cash of $3.5 million on the sale and credited rental income of $0.4 million. This sale resulted in a loss of $8.5 million, which was reflected as nonoperating expense in the Port's financial statements.

Continued…..

Fiscal Year 2011

Major capital assets activities during fiscal year 2011 are as follows:

- $62.6 million - construction of Port Police Headquarters.
- $32.3 million - improvements of various Port facilities and buildings.
- $60.7 million - development, improvement and rehabilitation of various wharves.
- $51.6 million - improvement and upgrade of terminal facilities.
- $10.1 million - Port facilities security enhancement.
- $1.4 million - waterfront and public area improvements at Wilmington and San Pedro.
- $28.2 million - costs of area survey, planning, site restoration and demolition.
- $2.1 million - acquisition of vehicles, barge, boat and related parts and accessories.
- $3.2 million - acquisition of various equipments including $1.6 million storage tank and canopy, $1.0 million Port Police equipments and other marine and scanning devices, and $0.5 million network computer and electronic parts and devices.

Estimated Capital Improvement Expenditures for Fiscal Year 2013

Estimated expenditures for the Port's fiscal year 2013 capital improvement program is $285.7 billion. Two-thirds of next fiscal year's construction in progress (CIP) budget is expected to be spent on actual construction. The more significant activities for next fiscal year including expenditures for terminal development, waterfront development, transportation projects, port security, and environmental initiatives are as follows:

Terminal Development Projects

- $132.4 million of CIP budget dedicated to development projects at existing Port terminals.
- $29.3 million for projects at TraPac terminal, including the construction of four new terminal buildings and a new main gate for $9.8 million, and $17.7 million for design and physical development of backlands throughout the terminal.
- $38.2 million for the expansion of China Shipping Terminal, including $3.5 million for a new marine operations building, $18.8 million for backland development throughout the terminal, $13.2 million for the southern extension of the wharf at Berth 100, and $1.4 million for an Alternative Maritime Power (AMP) installation.
- $54.7 million funding to be provided for AMP installations at the Yang Ming, YTI, Evergreen, and APM terminals.

Continued…..

Waterfront Development Projects

- $18.5 million will be spent on L.A. Waterfront projects.
- $11.3 million funding for the construction of the Downtown Harbor Water Cut, which will create a new downtown harbor between 5th and 6th streets, and will be available for berthing guest boaters and Tall Ships visiting San Pedro.
- Parking lot improvements construction at Berths 87-93 required to incorporate the operations of USS Iowa Battleship.
- Design of the Front Street Beautification Project, the downtown Harbor landslide improvements, the 3rd Street crossing/traffic signal and rail improvements, the Urban Marine Research Center at City Dock No. 1, and the Maritime Museum concrete wharf.

Transportation and Infrastructure Projects

- $80.4 million estimated for transportation projects to improve the movement of goods and vehicular traffic in the Port and its surrounding roads and highways.
- $40.4 million for the construction of the Berth 200 Rail Yard project and $17.2 million for the South Wilmington Grade Separation project.
- Construction of the John S.Gibson access ramp to the I-110/SR 147 connector.
- $11.2 million estimated for the completion of the Port's channel deepening which will deepen the Main Channel and turn basins to -53 MLLW (Mean Lower Low Water), allowing for cargo vessels to call at the Port's container terminals.

Port Security Projects

- Estimated port security related projects of $5.5 million, which include the Port's fiber optic network program phase I, the Front Street inspection facility, the Port police computer aided dispatch and records management system, the 120 W "C" Street Port police K9 facility, and the Port-wide surveillance radar projects. Other projects include the Port police tactical radio improvement, and the initial construction of the Port's fiber optic network Phase II.

Environmental Initiatives

- $16.1 million committed to environmental programs which include: $6.3 million for various Clean Air Action Plan activities, $2.0 million for the successful vessel speed reduction, and $0.4 million for the new Environmental Ship Index incentive program.
- $1.5 million dedicated to technology advancement in a joint venture with the Port of Long Beach.
- $2.2 million to be spent on the CTP, for concession and grant administration, enforcement, data collection and analysis, outreach, and other support services.

Continued…..

- $2.7 million funding for hazardous materials-related activities.
- Environmental project priorities include allocation of $1.8 million for air quality and climate change measures, $1.5 million for water quality projects, $0.7 million for technical support to the implementation of the Total Daily Maximum Load Requirements, $0.3 million for Water Resources Action Plan control measures, and $0.3 million for biological resource assessment and management.
- Over $0.9 million for mitigation monitoring and reporting of environmental assessments.
- $3.0 million for remediation of Port property for current as well as future development and use.

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. 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 in the Central and Eastern U.S. and Canada. Discretionary cargo makes up approximately 50% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward primarily by rail, after being off loaded at West Coast ports in the U.S. and Canada. The use of all-water routes to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through US West Coast ports. All-water service from Asia to the Gulf of Mexico and East Coast ports move primarily through the Panama Canal. The Panama Canal is in the process of expanding its locks such that its capacity will double. Although recent reports indicate that the opening of the new locks will be delayed to April 2015 from the original scheduled date of October 2014, the widening and deepening of the lock chambers will allow ships of greater size to transit the Canal. The expansion creates a potential 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 ships, and continues to maintain and improve its strong infrastructure and intermodal capabilities.

The Port is subject to legal and regulatory requirements relating to air emissions that may be generated by activities at the Port. 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 are necessary even if the Port does not undertake any new revenue-generating capital improvements, and 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, 2012, six major container ports controlled 99.3% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California; the ports of Seattle and Tacoma in Washington State; and the port of Portland in Oregon. The ports of Los Angeles and Long Beach together controlled 71.5% of all U.S. West Coast market share based on a loaded TEU basis.

Continued…..

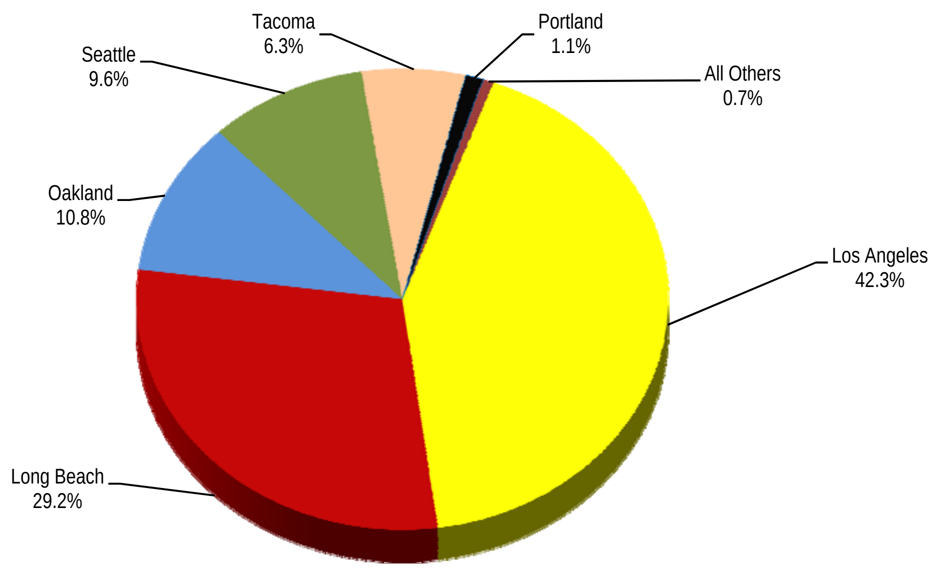
The industry is capital intensive and requires long lead times to plan and develop new facilities and infrastructure. Resources are typically allocated and facilities developed upon the commitment of customers to long-term leases of 25 to 30 years. Occupancy remains high and West Coast ports have limited land areas for expansion. Additionally, the greater Los Angeles area represents not only a large destination market for waterborne goods, but is also the most attractive point of origin for trans-shipments to Midwest and East Coast destinations as the Port has extensive on-dock rail facilities creating intermodal connections that provide for time to market advantages.

The following table presents a summary of the West Coast container market share* for fiscal years 2010 to 2012:

	Loaded TEUs (in thousands)			Percentage Market Share		
Ports	FY 2012	FY 2011	FY 2010	FY 2012	FY 2011	FY 2010
Los Angeles	6,146	5,764	5,318	42.3%	40.0%	40.2%
Long Beach	4,238	4,595	4,093	29.2%	31.9%	30.9%
Oakland	1,573	1,570	1,470	10.8%	10.9%	11.1%
Seattle	1,399	1,403	1,305	9.6%	9.7%	9.9%
Tacoma	914	848	831	6.3%	5.9%	6.3%
Portland	157	144	143	1.1%	1.0%	1.1%
All others	97	84	81	0.7%	0.6%	0.5%
	14,524	14,408	13,241	100.0%	100.0%	100.0%

*Source: UBM Global Trade

Below is the graphical presentation of the West Coast container market share for fiscal year 2012:



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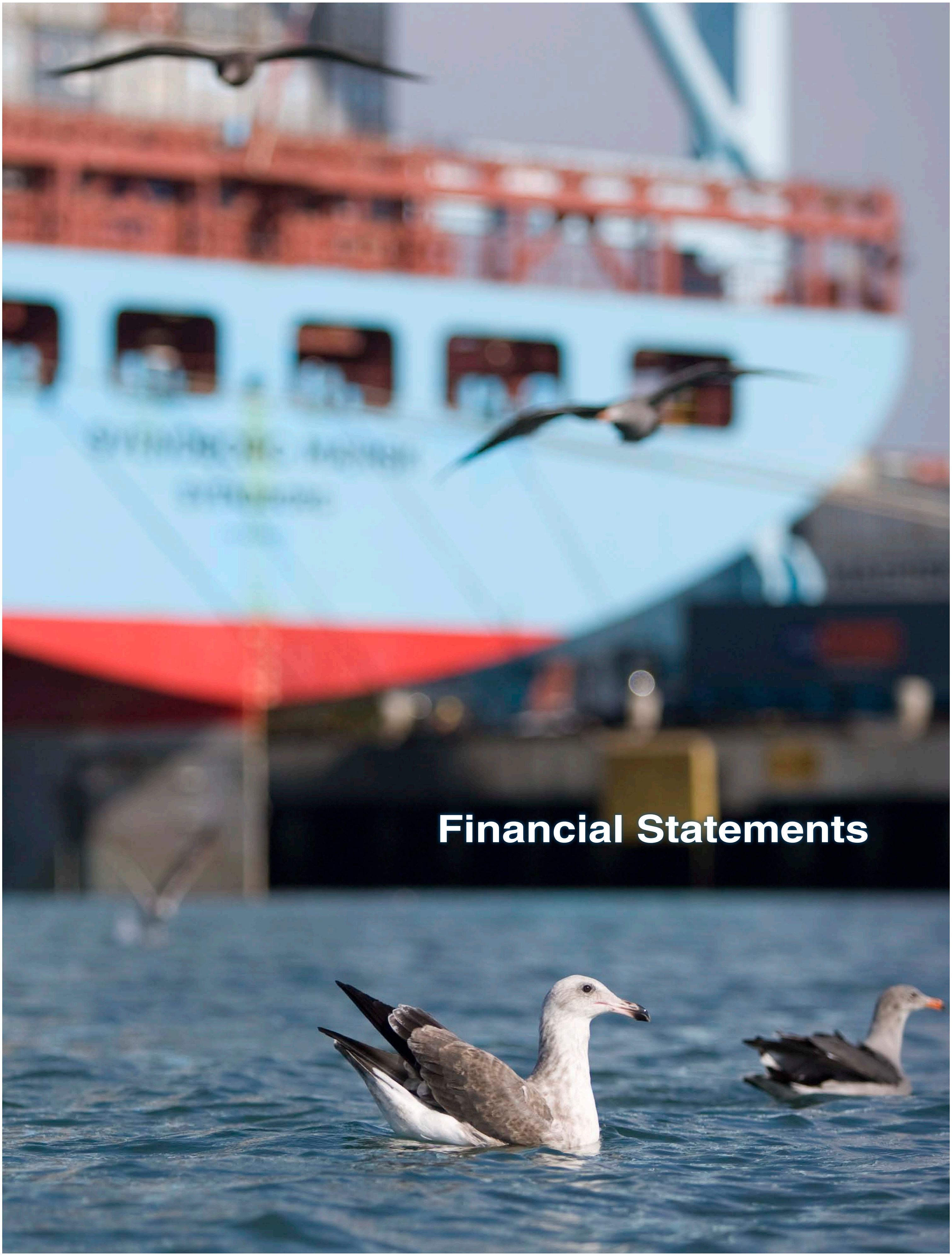
Request for Information

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 Karl Pan, Chief Financial Officer, Port of Los Angeles (Harbor Department of the City of Los Angeles), 425 S. Palos Verdes St., San Pedro, CA 90731.

Continued…..



Financial Statements

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

Statements of Net Assets
June 30, 2012 and 2011
(amounts In thousands)

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents, unrestricted	$ 444,355	$ 441,411
Cash and cash equivalents, restricted	43,236	51,412
Accounts receivable, net of allowance for doubtful accounts:		
2012 - $5,368; 2011 - $8,310	33,646	27,363
Grants receivable	19,460	16,596
Materials and supplies inventories	2,103	2,223
Prepaid and deferred expenses	724	2,136
Accrued interest receivable	859	965
Current portion of notes receivable	4,663	4,528
Total current assets	549,046	546,634
Noncurrent Restricted Assets		
Restricted investments – bond funds	67,796	67,341
Other restricted cash and investments	9,790	9,773
Accrued interest receivable	2	5
Total noncurrent restricted assets	77,588	77,119
Capital assets		
Land	1,072,398	1,058,404
Facilities and equipment net of accumulated depreciation:		
2012 - $1,388,644; 2011 - $1,292,186	1,788,966	1,468,867
Intangible assets	16,953	12,900
Construction in progress	328,026	524,158
Preliminary costs – capital projects	151,977	214,578
Total capital assets	3,358,320	3,278,907
Notes receivable	14,975	19,659
Investment in Joint Powers Authorities	5,037	6,186
Other assets	7,198	7,937
TOTAL ASSETS	$ 4,012,164	$ 3,936,442

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

Statements of Net Assets (continued)
June 30, 2012 and 2011
(amounts In thousands)

LIABILITIES AND NET ASSSETS	**2012**	**2011**
Current Liabilities		
Accounts payable	$ 41,118	$ 31,928
Current maturities of notes payable and bonded debt	31,816	30,958
Accrued interest payable	17,650	16,440
Accrued salaries and employee benefits	10,786	13,149
Unearned revenue and other deferred credits	1,006	1,532
Obligations under securities lending transactions	--	41,077
Accrued construction cost payable	2,171	1,985
Other current liabilities	62,709	60,869
Total current liabilities	167,256	197,938
Long-term liabilities:		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of deferred amount on refunding and unamortized discount/premium: 2012 - $26,637 ; 2011 - $19,051	835,477	868,531
Notes payable, net of current portion	835	1,366
Commercial paper	100,000	100,000
Accrued employee benefits	11,241	10,854
Other liabilities	111,633	105,263
Total long-term liabilities payable from unrestricted assets	1,059,186	1,086,014
Long-term liabilities payable from restricted assets	9,594	9,605
Total long-term liabilities	1,068,780	1,095,619
TOTAL LIABILITIES	1,236,036	1,293,557
Net assets		
Invested in capital assets, net of related debt	2,397,744	2,286,360
Restricted for debt service	67,796	67,341
Unrestricted	310,588	289,184
TOTAL NET ASSETS	$ 2,776,128	$ 2,642,885

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Assets
For the Years ended June 30, 2012 and 2011
(amounts In thousands)

	2012	2011
OPERATING REVENUE		
Shipping services		
Wharfage	$ 333,757	$ 317,621
Dockage	4,813	5,848
Demurrage	230	238
Pilotage	7,131	7,417
Assignment charges	11,785	12,374
Total shipping services	357,716	343,498
Rentals		
Land	40,127	42,693
Buildings	1,252	494
Warehouses	1,437	1,454
Wharf and shed	327	787
Total rentals	43,143	45,428
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	1,866	2,333
Clean truck program fees	3,250	6,376
Oil royalties	164	159
Other	3,648	2,709
Total royalties, fee, and other operating revenue	8,928	11,577
Total operating revenue	409,787	400,503
OPERATING EXPENSES		
Salaries and benefits , net of capitalized amounts: 2012 - $20,563; 2011 $19,411	104,910	103,693
Marketing and public relations	3,380	3,055
Travel and entertainment	991	843
Outside services	29,426	30,601
Materials and supplies	6,717	6,556
City services, net of capitalized amounts: 2012 - $16,211; 2011 - $ 15,716	22,236	22,353
Provision for workers' compensation claims	7,507	1,593
Litigation, claims, and settlement expenses	--	3,040
Clean truck program expenses	790	5,445
Pollution remediaion expenses	6,341	14,968
Other operating expenses	17,508	17,548
Total operating expenses before depreciation	199,806	209,695
Operating Income before depreciation - forwarded	209,981	190,808

continued….

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

Statements of Revenues, Expenses, and Changes in Net Assets (Continued)
Years ended June 30, 2012 and 2011
(amounts In thousands)

	2012	2011
Operating Income before depreciation - forwarded	$ 209,981	$ 190,808
Depreciation	100,485	90,468
OPERATING INCOME	109,496	100,340
NONOPERATING REVENUE (EXPENSES)		
Income (expense) from investments in Joint Powers Authorities	1,851	(333)
Interest and investment income	9,486	6,436
Interest expense	(10,538)	(3,704)
Other nonoperating revenue	14,167	6,023
Othe nonoperating expense	(22,526)	(12,690)
Total nonoperating expenses	(7,560)	(4,268)
INCOME BEFORE CAPITAL CONTRIBUTIONS	101,936	96,072
Capital contributions	31,307	12,059
CHANGES IN NET ASSETS	133,243	108,131
NET ASSETS, JULY 1	2,642,885	2,534,754
NET ASSETS, JUNE 30	$ 2,776,128	$ 2,642,885

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years ended June 30, 2012 and 2011
(amounts In thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 351,629	$ 340,811
Rentals collected	43,090	45,331
Royalties, fees, and other operating revenues collected	8,785	11,550
Payments for employee salaries and benefits, net of capitalized amounts: 2012 - $20,563; 2011- $19,411	(106,886)	(106,982)
Payments for goods and services	(76,453)	(122,970)
Net cash used in other nonoperating income and expenses	(3,052)	(9,472)
Net cash provided by operating activities	217,113	158,268
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITY		
Proceeds from noncapital grants	2,674	5,695
Net cash provided by noncapital and related financing activity	2,674	5,695
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(160,011)	(249,954)
Proceeds from sale of capital assets	3,604	184
Proceeds from capital grants	28,444	9,475
Net proceeds from issuance of bonds	91,750	--
Net proceeds from issuance of commercial paper	--	100,000
Principal repayment, redemption, and defeasance – bonds	(131,555)	(29,200)
Principal repayment – notes	(508)	(487)
Payments from (to) bond sinking fund	(455)	503
Interest paid	(32,339)	(47,580)
Net cash used in capital and related financing activities	(201,070)	(217,059)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	8,214	8,783
Cash collateral received (paid) under the securities lending transactions	(41,077)	29,637
Increase (decrease) in fair value of investments	1,365	(1,319)
Net payments received on notes receivable	4,549	4,414
Distribution from Joint Powers Authorities	3,000	3,667
Net cash provided by (used in) investing activities	(23,949)	45,182
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,232)	(7,914)
CASH AND CASH EQUIVALENTS, JULY 1	492,823	500,737
CASH AND CASH EQUIVALENTS, JUNE 30	$ 487,591	$ 492,823

continued…..

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

Statements of Cash Flows (Continued)
Years ended June 30, 2012 and 2011
(amounts In thousands)

		2012		2011
CASH AND CASH EQUIVALENTS COMPONENTS				
Cash and cash equivalents, unrestricted	$	444,355	$	441,411
Cash and cash equivalents, restricted		43,236		51,412
Total cash and cash equivalents	$	487,591	$	492,823
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$	109,496	$	100,340
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation		100,485		90,468
Provision for doubtful accounts		323		1,491
Changes in assets and liabilities				
Accounts receivable		(6,606)		(2,811)
Materials and supplies inventories		120		69
Prepaid and deferred expenses and other assets		2,151		186
Accounts payable		8,498		(25,216)
Accrued employee benefits		(1,976)		(3,799)
Deferred revenue, other deferred credits and other liabilities		4,622		(2,460)
Total adjustments to reconcile operating income to net cash provided by operating activities		107,617		57,928
Net cash provided by operating activities	$	217,113		158,268
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets with construction payable	$	2,171	$	1,985
Acquisition of capital assets with accounts payable		2,525		3,778
Write-off of discontinued construction projects		2,319		3,159
Capitalized interest expense, net		30,596		40,109

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2012 and 2011

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

Continued….

1. Organization and Summary of Significant Accounting Policies

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

A. Organization and Reporting Entity

The Port of Los Angeles is an independent, self-supporting department of the City of Los Angeles (the City), formed for the purpose of providing shipping, fishing, recreational, and other resources and benefits for the enjoyment of the citizens of California. The Port is under the control of a five-member Board of Harbor Commissioners (BHC), who are appointed by the Mayor and approved by the City Council. The BHC is administered by an Executive Director, subject to the State of California Tidelands Trust Act. The Port is granted control of tidelands, and 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, royalties (oil wells), and other fees. Capital construction is financed from operations, bonded debt, and loans secured by future revenues and federal grants. Daily operation of the port facilities and regular maintenance are performed by the Port’s permanent work force. Generally, major maintenance and new construction projects are assigned to commercial contractors.

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 and are not intended to present fairly the financial position and results of operations of the City in conformity with GAAP.

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 by constructing, replacing, extending, or improving facilities and services that the BHC deems necessary for the promotion and accommodation of commerce.

Continued…..

The board of directors of LAHIC consists of five members. Election of the LAHIC board of directors occurs by vote of the BHC. Although tenants reimburse LAHIC for its costs of operations, 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 finance and construct facilities and improvements, which directly benefit the Port.

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

B. Summary of Significant Accounting Policies

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

The Port follows private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) and predecessor standard setters prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Port also has the option of following subsequent private-sector guidance subject to the same limitation. The Port has elected not to follow subsequent private-sector guidance.

Cash, Cash Equivalents, and Investments – In order to maximize investment returns, 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 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 pooled investments, are stated at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of investments with no regular market is estimated based on similar traded investments. The fair value of mutual funds, government-sponsored investment pools, and other similar investments is stated at share value or an allocation of fair value of the pool, if separately reported. Certain money market investments with initial maturities at the time of purchase of less than one year are recorded at 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 of Los Angeles Investment Pool, the Port also participates in 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 using the same basis as that of allocating interest income and realized gains or losses. The City suspended its SLP in fiscal year 2012.

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

Capital Assets – Capital assets are carried at cost or at appraised fair value at the date received, in the case of properties acquired by donation, and by termination of leases for tenant improvements, less allowance for accumulated depreciation. The Port has a capitalization threshold of $5,000. Capital assets include intangible assets for the Port's radio frequency and emission mitigation credits, and capitalized costs of the new enterprise resource planning system currently under development.

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 of capital projects for fiscal years 2012 and 2011 are $152.0 million and $214.6 million respectively.

Just as the Port capitalizes the actual interest costs incurred on indebtedness, it also capitalizes an imputed interest cost for cash used to pay for capital projects. The Port computes the imputed cost of interest for cash monies using its actual cost of borrowing on a weighted average basis. Interest capitalized in fiscal years 2012 and 2011 were $30.6 million and $40.1 million respectively.

The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects of the Port. Indirect project costs allocated to construction projects for fiscal years 2012 and 2011 were $7.8 million and $7.3 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	10 to 15 years
Buildings and facilities	10 to 50 years
Equipment	3 to 20 years

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

Accrued Salaries and Employee Benefits – Aside from accrued wages, the Port records as liabilities all accrued employee benefits, including estimated liabilities for vacation and sick leave in the period the benefits are earned. Port employees accumulate annual vacation and

Continued…..

sick leave based on their length of service. Upon termination or retirement, employees are paid the cash value of their accumulated leave benefits.

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 service revenues consist of fees assessed for various activities relating to vessel and cargo movement. Twenty foot Equivalent Units 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 Leases – The Port leases a substantial portion of lands and facilities to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property at the expiration of the agreement; accordingly, no leases are considered capital leases.

Pension and Other Post Employment Benefits (OPEB) – All full-time civilian Port employees are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a defined benefit pension plan. Starting fiscal year 2007, all full-time Port Police Officers are eligible to participate in the Los Angeles Fire and Police Pension System (LAFPP), a defined benefit single-employer pension plan available to all full-time active sworn firefighters and police officers (except Airport Police) of the City. The Port's policy is to fund fully its entire annual share of LACERS and LAFPP pensions and the respective OPEB costs. The funded costs are determined at the start of each fiscal year and are incorporated into the payroll burden rate to reimburse the City for the Port's pro rata contribution share.

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 are recorded as capital contributions when the grant is earned. Grants are generally earned upon expenditure of funds.

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

- *Invested in capital assets, net of related debt* – This category consists of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Continued…..

- *Restricted* – This category consists of restrictions placed on net asset use 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 assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, and then unrestricted resources, as they are needed.

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.

2. New GASB Pronouncement

GASB Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangements."* Issued in November 2010, this statement aims to improve financial reporting of service concession arrangements (SCAs). SCA is an arrangement between a transferor (government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration; the operator then collects and is compensated by fees from third parties. Implementation of this statement is effective fiscal year 2012. The Port does not have activities that qualify as SCAs, hence, this statement has no material impact on the Port's financial statements.

3. Cash and Investments

A. Cash and 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; however, safety and liquidity still take precedence over return. Interest earned on pooled investments is allocated to the participating funds based on each fund's average daily deposit balance during the allocation period with all remaining interest allocated to the General Fund of the City of Los Angeles. Investments 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 the time of purchase, which are reported at amortized cost.

All investment transactions and the entire portfolio must comply with the California Government Code Section 53600 and 53635 et seq. and the City's Investment Policy.

Continued…..

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

	2012	2011
Cash in bank and certificates of deposit	$ 389	$ 374
Investment in U.S. Treasury money market fund	67,796	67,354
Equity in the City of Los Angeles Investment Pool	496,992	502,209
Total cash and investments	$ 565,177	$ 569,937

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

	2012	2011
Unrestricted cash and cash equivalents	$ 444,355	$ 441,411
Restricted cash and cash equivalents		
Current		
China Shipping Mitigation Fund	34,041	36,473
Community Aesthetics Mitigation Fund for Parks	2,572	3,468
Community Mitigation Trust Fund – Trapac	122	10,385
Customs Enforcement Forfeiture Fund	33	39
Clean Truck Program and Fee Fund	3,717	399
Other	2,751	648
Subtotal – Current	43,236	51,412
Noncurrent		
Harbor Revenue Bond Funds	67,796	67,341
Commercial Paper Redemption Fund	14	14
Customer Security Deposits	3,225	3,217
Batiquitos Environmental Fund	5,993	5,985
Harbor Restoration Fund	558	557
Subtotal – Noncurrent	77,586	77,114
Total restricted cash and investments	120,822	128,526
Total cash and investments	$ 565,177	$ 569,937

Continued…..

B. Deposits – Custodial Credit Risk

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.4 million at June 30, 2012 and 2011, 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 State Government Code.

C. Investments Authorized by the City's Investment Policy

Interest Rate Risk. The Policy limits the maturity of its investments to five years for U.S. Treasury and government agency securities, CD placement service, medium-term notes, collateralized bank deposits, mortgage pass-through securities, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances, and 92 days for reverse repurchase agreements. 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. The Policy establishes minimum credit ratings requirement for investments. There is no credit quality requirement for local agency bonds, U.S. Treasury Obligations, State of California Obligations, California Local Agency Obligations, and U.S. Sponsored Agencies (U.S. government-sponsored enterprises) securities.

Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Medium-term notes must have at least an "A" rating.

Commercial paper issues must have a minimum of "A-1" or equivalent rating. If the issuer has issued long-term debt, it must be rated "A" without regard to modifiers. Issuing corporation must be organized and operating within the United States and have assets in excess of $500 million.

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

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The Port had $443.1 and $53.9 million invested in the City's General Pool and three Special Investment Programs, representing approximately 5.5% and 0.7% of the City Treasury's General Pool and Special Pool at June 30, 2012 and 2011, respectively.

At June 30, 2012, the investments held in the City Treasury's General Pool and Special Investment Pool Program and their maturities are as follows (in thousands):

		Investment Maturities				
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 365 Days	366 Days To 5 Years	Over 5 Years
U. S. Treasury Notes	$ 3,773,466	$ 1,988	$ --	$ 62,617	$ 3,689,504	$ 19,357
U.S. Treasury Bills	37,004	28,035	6,009	2,960	--	--
U.S. Sponsored Agency Issues	2,018,682	164,006	562,587	207,749	1,073,235	11,105
Medium Term Notes	1,318,929	14,500	--	195,072	1,109,357	--
Commercial Paper	829,790	741,152	88,638	--	--	--
Certificates of Deposit	6,000	--	--	6,000	--	--
Short Term Investment Funds	4,447	4,447	--	--	--	--
Total General and Special Pools	$ 7,988,318	$ 954,128	$ 657,234	$ 474,398	$ 5,872,096	$ 30,462

At June 30, 2011, the investments held in the City Treasury's General Pool and Special Investment Pool Program and their maturities are as follows (in thousands):

		Investment Maturities				
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 365 Days	366 Days To 5 Years	Over 5 Years
U. S. Treasury Notes	$ 3,541,794	$ --	$ --	$ 38,482	$ 3,490,201	$ 13,111
U.S. Treasury Bills	92,789	5,984	15,864	70,941	--	--
U.S. Sponsored Agency Issues	2,563,178	455,933	110,660	782,630	1,212,938	1,017
Medium Term Notes	1,126,648	--	--	148,980	977,668	--
Commercial Paper	607,177	388,945	130,749	87,483	--	--
Certificates of Deposit	8,000	--	--	8,000	--	--
Short Term Investment Funds	22,425	22,425	--	--	--	--
Securities Lending Cash Collateral	665,492	--	--	--	665,492	
Total General and Special Pools	$ 8,627,503	$ 873,287	$ 257,273	$ 1,136,516	$ 6,346,299	$ 14,128

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D. Special Pool Investments

The Port currently has three funds that are invested in the City's Special Investment Pool. They are Emergency/ACTA Reserve Fund 751, Restoration Fund 70L, and Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pool are managed in accordance with the Pool's policy. If none exists, the Pool's policy will be deemed to be the California State Government Code Sections 53600-53635 et seq. Funds in the three funds were solely invested in government agency securities with maturities of 182 days or less per Port instruction.

E. Other Investments

In each issuance of a parity obligation, the Port is required to establish a reserve fund with the 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.

As a result of the annual evaluation of the reserve funds on or before August 1 of each year, in accordance with the Indenture of Trust (Indenture), the common reserve was $67.8 million at June 30, 2012 from $67.3 million at June 30, 2011. The majority of the reserve funds were invested at Federal Agency Securities rated "Aaa" by Moody's and "AAA" by Standard & Poor's (S&P), and U.S. treasuries.

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

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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%.

F. City of Los Angeles Securities Lending Program

The Port participates in the City of Los Angeles Securities Lending Program (SLP). The SLP is permitted and limited under provision 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 are safety of loaned securities and prudent investment of cash collateral to enhance revenues 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 that are 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 Pool shall be available for lending. The City receives cash as collateral on loaned securities, which is reinvested in securities permitted under the Policy.

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 which either party can terminate a lending contract on demand, term loans shall have a maximum life of 92 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

During fiscal year 2012, 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 $41.1 million in fiscal year 2011. On May 30, 2012, the City suspended its SLP due to ongoing negotiations of new terms at it relates to both custodial and securities lending with the Bank of New York. The City anticipates resuming the SLP in fiscal year 2013.

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4. Capital Assets

The Port's capital assets consist of the following activities for fiscal year ended June 30, 2012 (in thousands):

	Balance July 1, 2011	Additions	Retirements and Disposals	Transfers	Balance June 30, 2012
Capital assets not depreciated					
Land	$ 1,058,404	$ 13,994	$ --	$ --	$ 1,072,398
Construction in progress	524,158	129,338	--	(325,470)	328,026
Preliminary costs – capital projects	214,578	49,199	--	(111,800)	-- 151,977
Intangible assets	12,900	4,053	--	--	16,953
Total capital assets not depreciated	1,810,040	196,584	--	(437,270)	1,569,354
Capital assets depreciated/amortized					
Wharves and sheds	754,511	102,449	--	--	856,960
Buildings/facilities	1,907,863	311,691	(14,333)	--	2,205,221
Equipment	98,679	18,105	(1,355)	--	115,429
Total capital assets depreciated/amortized	2,761,053	432,245	(15,688)	--	3,177,610
Less accumulated depreciation/ amortization					
Wharves and sheds	(339,999)	(21,533)	--	--	(361,532)
Buildings/facilities	(898,739)	(67,916)	2,747	--	(963,908)
Equipment	(53,448)	(11,035)	1,279	--	(63,204)
Total accumulated depreciation/amortization	(1,292,186)	(100,484)	4,026	--	(1,388,644)
Total capital assets depreciated/ amortized, net	1,468,867	331,761	(11,662)	--	1,788,966
Capital assets, net	$ 3,278,907	$ 528,345	$ (11,662)	$ (437,270)	$ 3,358,320

Continued…..

The Port's capital assets consist of the following activities for fiscal year ended June 30, 2011 (in thousands):

	Balance July 1, 2010	Additions	Retirements and Disposals	Transfers	Balance June 30, 2011
Capital assets not depreciated					
Land	$ 1,042,081	$ 16,541	$ (218)	$ --	$ 1,058,404
Construction in progress	500,129	242,117	--	(218,088)	524,158
Preliminary costs – capital projects	208,471	35,100	--	(28,993)	-- 214,578
Intangible assets	12,800	100	--	--	12,900
Total capital assets not depreciated	1,763,481	293,858	(218)	(247,081)	1,810,040
Capital assets depreciated/amortized					
Wharves and sheds	691,154	63,357	--	--	754,511
Buildings/facilities	1,741,923	165,940	--	--	1,907,863
Equipment	94,428	6,002	(1,751)	--	98,679
Total capital assets depreciated/amortized	2,527,505	235,299	(1,751)	--	2,761,053
Less accumulated depreciation/ amortization					
Wharves and sheds	(321,323)	(18,676)	--	--	(339,999)
Buildings/facilities	(837,037)	(61,702)	--	--	(898,739)
Equipment	(45,082)	(10,090)	1,724	--	(53,448)
Total accumulated depreciation/amortization	(1,203,442)	(90,468)	1,724	--	(1,292,186)
Total capital assets depreciated/ amortized, net	1,324,063	144,831	(27)	--	1,468,867
Capital assets, net	$ 3,087,544	$ 438,689	$ (245)	$ (247,081)	$ 3,278,907

Net interest expense of $30.6 million and $40.1 million was capitalized for 2012 and 2011, respectively.

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5. Investment in Joint Powers Authorities and Other Entities

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

A. Intermodal Container Transfer Facility Joint Powers Authority

The Port of Los Angeles (the POLA) and the Harbor Department of the City of Long Beach, California (POLB) entered into a joint exercise of 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 by Southern Pacific Transportation Company (SPTC, subsequently a wholly owned subsidiary of Union Pacific Corporation), which operates the facility under a long-term lease agreement. 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.

Pursuant to an indenture of trust dated November 1, 1984, the ICTF issued $53.9 million in bonds (1984 Bonds) on behalf of the SPTC to construct the facility. In 1989, the ICTF issued $52.3 million in refunding bonds (1989 Bonds) on behalf of the SPTC to advance refund all of the 1984 Bonds. In 1999, the ICTF, on behalf of the SPTC, again issued $42.9 million of refunding bonds (1999 Bonds) to advance refund all of the 1989 Bonds. The 1999 Bonds are payable solely from payments by the SPTC under the lease agreement for use of the facility. The nature of the bonds is such that the indebtedness is that of the SPTC and not of the ICTF, nor the POLA, nor POLB.

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 its facilities and related facilities, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's net assets at June 30, 2012 and 2011 totaled $5.0 million and $6.2 million, respectively. Separate financial statements for ICTF may be obtained from the Executive Director, Port of Long Beach, 925 Harbor Plaza, Long Beach, California 90802.

B. Alameda Corridor Transportation Authority

In August 1989, the POLA and the POLB entered into a joint exercise of powers agreement and formed the Alameda Corridor Transportation Authority (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 POLA and POLB in San Pedro Bay linking the two ports to the central Los Angeles area.

During fiscal year 1995, the POLA and POLB purchased railroad rights-of-way and other assets totaling $370.0 million along the proposed corridor route.

At June 30, 1998, the POLA had advanced a total of $13.3 million to the ACTA to fund its share of planning and other costs incurred to date. During fiscal year 1999, the ACTA reimbursed the POLA for all amounts advanced plus approximately $3.2 million of interest on such advances

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out of debt or grant financing proceeds. In addition, the ACTA reimbursed the POLA for approximately $81.7 million of capital assets directly related to the ACTA's mission, which the POLA had previously included in construction in progress. Of the capital assets transferred, approximately $22.2 million had been funded by capital grants, which the POLA had previously included in contributions/land valuation equity.

The POLA and POLB share income and equity distributions equally. If ACTA revenues are insufficient to pay ACTA debt obligations, the Port will severally but not jointly with the POLB pay up to 20% of any shortfall of that obligation on an annual basis. The POLA has no share of the ACTA's net assets and income at June 30, 2012 and 2011, and accordingly, they have not been recorded in the accompanying financial statements. Any payments made to ACTA are in the form of an advance and subordinated to other obligations of POLA. POLA paid $3.0 million in shortfall payments in fiscal year 2012, and will pay another $3.0 million in fiscal year 2013. Shortfall payments beyond fiscal year 2013 are not expected to occur until fiscal year 2020, at which time, payments are projected to be made each year over a four-year period. The Port does not expect that the projected future shortfall payments will have a material effect on its financial statements.

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.

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6. Long-Term Liabilities

A. Bonded Debt, Commercial Paper and Other Indebtedness

The Port's activities for bonded debt, commercial paper and other indebtedness for fiscal year 2012 are as follows (in thousands):

Parity Bonds	Call Provisions	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2011	Additions	Deductions	Ending Balance June 30, 2012	Principal Due Within One Year
Issue 2001, Series A	8/1/2011 @ 100%	5.00%	2026	$ 36,180	$ 36,180	$ --	$ (36,180)	$ --	$ --
Issue 2001, Series B	8/1/2011 @ 100%	5.25% – 5.50%	2023	64,925	64,925	--	(64,925)	--	--
Issue 2002, Series A	8/1/2012 @ 100%	5.25% – 5.50%	2016	63,520	30,155	--	(5,865)	24,290	6,190
Issue 2005, Series A	8/1/2015 @ 102%	3.25% – 5.00%	2027	29,930	29,655	--	(1,285)	28,370	1,315
Issue 2005, Series B	8/1/2015 @ 102%	3.00% – 5.00%	2027	30,110	27,935	--	(1,215)	26,720	1,280
Issue 2005, Series C-1	8/1/2015 @ 102%	4.00% – 5.00%	2018	43,730	23,170	--	(15,290)	7,880	--
Issue 2006, Series A	8/1/2016 @ 102%	5.00%	2027	200,710	50,930	--	(800)	50,130	--
Issue 2006, Series B	8/1/2016 @ 102%	5.00%	2027	209,815	93,425	--	--	93,425	3,325
Issue 2006, Series C	8/1/2016 @ 102%	5.00%	2026	16,545	15,010	--	(700)	14,310	730
Issue 2006, Series D	8/1/2014 @ 102%	4.50% – 5.00%	2037	111,300	81,685	--	(1,410)	80,275	2,115
Issue 2009, Series A	8/1/2019 @ 100%	2.00% – 5.25%	2029	100,000	96,700	--	(3,365)	93,335	3,465
Issue 2009, Series B	8/1/2019 @ 100%	5.25%	2040	100,000	100,000	--	--	100,000	--
Issue 2009, Series C	8/1/2019 @ 100%	4.00% – 5.25%	2032	230,160	230,160	--	(520)	229,640	12,865
Issue 2011, Series A	8/1/2021 @ 100%	3.00% – 5.00%	2023	58,930	--	58,930	--	58,930	--
Issue 2011, Series B	8/1/2021 @ 100%	4.00% – 5.00%	2026	32,820	--	32,820	--	32,820	--
Total parity bonds				$ 1,328,675	879,930	91,750	(131,555)	840,125	31,285
Unamortized bond (discount) premium					25,521	10,222	(2,380)	33,363	--
Unamortized deferred amount on bond refunding					(6,470)	(3,982)	3,726	(6,726)	--
Net parity bonds					898,981	97,990	(130,209)	866,762	31,285
Commercial paper notes					100,000		--	100,000	--
Loans - Dept. of Boating and Waterways (DBW)									
C#82-21-148		4.50%	2014	$ 4,000	825	--	(263)	562	275
C#83-21-147		4.50%	2015	4,000	1,049	--	(245)	804	256
Total loans				$ 8,000	1,874	--	(508)	1,366	531
Current maturities of long-term debt					(30,958)	(31,816)	30,958	(31,816)	--
Total long-term debt					$ 969,897	$ 66,174	$ (99,759)	$ 936,312	$ 31,816

Continued…..

The Port's activities for bonded debt, commercial paper and other indebtedness for fiscal year 2011 are as follows (in thousands):

Parity Bonds	Call Provisions	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2010	Additions	Deductions	Ending Balance June 30, 2011	Principal Due Within One Year
Issue 2001, Series A	8/1/2011 @ 100%	5.00%	2026	$ 36,180	$ 36,180	$ --	$ --	$ 36,180	$ --
Issue 2001, Series B	8/1/2011 @ 100%	5.25% – 5.50%	2023	64,925	64,925	--	--	64,925	--
Issue 2002, Series A	8/1/2012 @ 100%	5.50%	2016	63,520	35,720	--	(5,565)	30,155	5,865
Issue 2005, Series A	8/1/2015 @ 102%	3.25% – 5.00%	2027	29,930	29,930	--	(275)	29,655	1,285
Issue 2005, Series B	8/1/2015 @ 102%	3.00% – 5.00%	2027	30,110	29,135	--	(1,200)	27,935	1,215
Issue 2005, Series C-1	8/1/2015 @ 102%	4.00% – 5.00%	2018	43,730	30,295	--	(7,125)	23,170	15,290
Issue 2006, Series A	8/1/2016 @ 102%	5.00%	2027	200,710	52,200	--	(1,270)	50,930	800
Issue 2006, Series B	8/1/2016 @ 102%	5.00%	2027	209,815	101,310	--	(7,885)	93,425	--
Issue 2006, Series C	8/1/2014 @ 102%	5.00%	2026	16,545	15,675	--	(665)	15,010	700
Issue 2006, Series D	8/1/2014 @ 102%	4.50% – 5.00%	2037	111,300	83,600	--	(1,915)	81,685	1,410
Issue 2009, Series A	8/1/2019 @ 100%	2.00% – 5.25%	2029	100,000	100,000	--	(3,300)	96,700	3,365
Issue 2009, Series B	8/1/2019 @ 100%	5.25%	2040	100,000	100,000	--	--	100,000	--
Issue 2009, Series C	8/1/2019 @ 100%	4.00% – 5.25%	2032	230,160	230,160	--	--	230,160	520
Total parity bonds				$ 1,236,925	909,130	--	(29,200)	879,930	30,450
Unamortized bond (discount) premium					27,261	--	(1,740)	25,521	--
Unamortized deferred amount on bond refunding					(7,190)	--	720	(6,470)	--
Net parity bonds					929,201	--	(30,220)	898,981	30,450
Commercial paper notes					--	100,000	--	100,000	--
Loans - Dept. of Boating and Waterways (DBW)									
C#82-21-148		4.50%	2014	$ 4,000	1,077	--	(252)	825	263
C#83-21-147		4.50%	2015	4,000	1,284	--	(235)	1,049	245
Total loans				$ 8,000	2,361	--	(487)	1,874	508
Current maturities of long-term debt					(29,686)	(30,958)	29,686	(30,958)	--
Total long-term debt					$ 901,876	$ 69,042	$ (1,021)	$ 969,897	$ 30,958

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B. Bond Premium and Discount

Original bond discount or premium 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 2012 and 2011 are as follows (in thousands):

Harbor Revenue Bonds	2012 (Discount) Premium	2011 (Discount) Premium
Issue of 2001A	$ --	$ (717)
Issue of 2001B	--	570
Issue of 2002A	556	735
Issue of 2005A	1,356	1,453
Issue of 2005B	1,385	1,484
Issue of 2005C-1	1,031	1,234
Issue of 2006A	2,008	2,151
Issue of 2006B	3,135	3,357
Issue of 2006C	703	757
Issue of 2006D	2,335	2,432
Issue of 2009A	2,497	2,643
Issue of 2009B	(2,103)	(2,180)
Issue of 2009C	11,024	11,602
Issue of 2011A	6,006	--
Issue of 2011B	3,430	--
Total	$ 33,363	$ 25,521

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C. Principal Maturities and Interest

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

Fiscal Year	Principal	Interest	Total
2013	$ 31,816	$ 41,481	$ 73,297
2014	33,325	39,943	73,268
2015	34,445	38,272	72,717
2016	36,175	36,515	72,690
2017	37,970	34,713	72,683
2018 – 2022	222,160	142,586	364,746
2023 – 2027	268,170	79,518	347,688
2028 – 2032	62,045	37,919	99,964
2033 – 2037	79,855	19,910	99,765
2038 – 2040	35,530	2,862	38,392
Subtotal	841,491	473,719	1,315,210
Unamortized bond premium (discount), net	33,363	--	33,363
Unamortized deferred amount on refunding	(6,726)	--	(6,726)
Current maturities of long-term debt	(31,816)	--	(31,816)
Total	$ 836,312	$ 473,719	$ 1,310,031

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

2001 Series A and 2001 Series B Refunding Bonds

The 2001 Series A and B Refunding Bonds which were issued on July 11, 2001 in the aggregate principal amount of $36.2 million and $64.9 million respectively, to advance refund on a crossover basis, the 1995 Series B Bonds. These 2001 Series A and B Refunding bonds were refunded by the 2011 Series A and 2011 Series B Refunding Bonds on August 1, 2011. The refunding transactions resulted in a cash flow savings of $16.4 million and economic gain of $12.6 million over the life of the bonds. The deferred refunding cost of $3.7 million will be amortized through fiscal year 2025.

2002 Series A Refunding Bonds

The 2002 Series A Refunding Bonds were issued in the aggregate principal amount of $63.5 million on May 6, 2002, on a crossover basis, to advance refund $64.1 million of the outstanding 1995 Series B Bonds at their first redemption date of August 1, 2002, with the exception of 1995 Series B Bonds which matured on August 1, 2002 and 2003.

Interest on the 2002 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing August 1, 2002. The 2002 Series A Refunding Bonds with maturity ranging from August 1, 2004 to 2015 bear interest rates from 5.25% to 5.50%.

Continued…..

The 2002 Series A Refunding Bonds maturing on or before August 1, 2012, are not subject to optional redemption prior to maturity. The bonds with stated maturity dates on or after August 1, 2013 can be refunded on or after August 1, 2012 without early redemption premium.

Prior to August 1, 2012, interest on the 2002 Series A Refunding Bonds was secured and payable solely from amounts held in a crossover refunding escrow account created pursuant to the issue's indenture.

The outstanding balances of the 2002 Series A Refunding Bonds, net of unamortized premium of $0.6 million and $0.7 million, and unamortized deferred amount on refunding of $0.5 million and $0.6 million, were $24.4 million and $30.3 million, at June 30, 2012 and 2011, respectively.

Debt service of the Port's 2002 Series A Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ 6,190	$ 1,166	$ 7,356
2014	6,535	816	7,351
2015	6,895	447	7,342
2016	4,670	128	4,798
Subtotal	24,290	2,557	26,847
Unamortized deferred amount on refunding of 1995 Series B	(477)	--	(477)
Unamortized premium	556	--	556
Total	$ 24,369	$ 2,557	$ 26,926

On August 1, 2002, the refunding of 1995 Series B Bonds was completed and resulted in a difference between the reacquisition price and net carrying amount of $3.8 million, which was deferred and amortized on a straight line basis through 2025.

2005 Series A Refunding Bonds

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

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

The bonds maturing on or after August 1, 2016 are subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016.

Continued…..

At June 30 2012 and 2011, the outstanding balances of the 2005 Series A Refunding Bonds, plus the unamortized premium of $1.4 million and $1.5 million, and unamortized deferred amount on refunding of $0.4 million for both fiscal years were $29.3 million and $30.7 million, respectively.

Debt service of the Port's 2005 Series A Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ 1,315	$ 1,358	$ 2,673
2014	1,370	1,310	2,680
2015	1,435	1,248	2,683
2016	1,510	1,175	2,685
2017	1,590	1,097	2,687
2018 – 2022	9,255	4,177	13,432
2023 – 2027	11,895	1,547	13,442
Subtotal	28,370	11,912	40,282
Unamortized deferred amount on refunding of 1996 Series B	(411)	--	(411)
Unamortized premium	1,356	--	1,356
Total	$ 29,315	$ 11,912	$ 41,227

2005 Series B Refunding Bonds

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

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

The bonds maturing on or after August 1, 2016 are subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016.

At June 30, 2012 and 2011, the outstanding balances of the 2005 Series B Refunding Bonds, plus the unamortized premium of $1.4 million and $1.5 million, and unamortized deferred amount on refunding of $0.4 million for both fiscal years were $27.7 million and $29.0 million, respectively.

Continued…..

Debt service of the Port's 2005 Series B Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ 1,280	$ 1,284	$ 2,564
2014	1,345	1,232	2,577
2015	1,415	1,169	2,584
2016	1,490	1,097	2,587
2017	1,565	1,020	2,585
2018 – 2022	9,105	3,814	12,919
2023 – 2027	10,520	1,256	11,776
Subtotal	26,720	10,872	37,592
Unamortized deferred amount on refunding of 1996 Series B	(395)	--	(395)
Unamortized premium	1,385	--	1,385
Total	$ 27,710	$ 10,872	$ 38,582

2005 Series C-1 Refunding Bonds

The 2005 Series C-1 Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $43.7 million, to reimburse Citigroup and De La Rosa for fees associated with the purchase on the open market of the purchased 1996 Bonds.

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

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their stated maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2015 to July 31, 2016.

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

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

The outstanding balances of the 2005 Series C-1 Refunding Bonds, net of unamortized premium of $1.0 million and $1.2 million, and unamortized deferred amount on refunding of $0.7 million and $0.9 million, were $8.2 million and $23.5 million at June 30, 2012 and 2011, respectively.

Continued…..

Debt service of the Port's 2005 Series C-1 Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ --	$ 389	$ 389
2014	--	389	389
2015	470	380	850
2016	--	371	371
2017	--	371	371
2018	7,410	185	7,595
Subtotal	7,880	2,085	9,965
Unamortized deferred amount on refunding of 1996 Series A and 1996 Series B	(718)	--	(718)
Unamortized premium	1,031	--	1,031
Total	$ 8,193	$ 2,085	$ 10,278

The 2005 Series A, B, and C refunding transactions resulted in an economic gain of $4.0 million and a cash savings of $6.1 million.

2006 Series A Refunding Bonds

The 2006 Series A Refunding Bonds were issued on May 4, 2006 in the aggregate principal amount of $200.7 million, on a forward-delivery basis, to currently refund $202.7 million of the 1996A Bonds. The 2006 Series A refunding transactions resulted in an economic gain of $27.7 million and cash savings of $44.8 million.

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

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017.

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

At June 30, 2012 and 2011, the outstanding balances of the 2006 Series A Refunding Bonds, net of unamortized premium of $2.0 million and $2.2 million, and unamortized deferred amount on refunding of $0.9 million for both fiscal years, were $51.3 million and $52.1 million respectively.

Continued…..

Debt service of the Port's 2006 Series A Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ --	$ 2,507	$ 2,507
2014	--	2,507	2,507
2015	1,370	2,472	3,842
2016	--	2,438	2,438
2017	195	2,433	2,628
2018 – 2022	29,110	7,620	36,730
2023 – 2026	19,455	2,158	21,613
Subtotal	50,130	22,135	72,265
Unamortized deferred amount on refunding of 1996 Series A	(880)	--	(880)
Unamortized premium	2,008	--	2,008
Total	$ 51,258	$ 22,135	$ 73,393

2006 Series B Refunding Bonds

The 2006 Series B Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $209.8 million, on a forward-delivery basis, to currently refund $211.9 million of the 1996 Series B Bonds. The 2006 Series B refunding transactions resulted in an economic gain of $18.9 million and cash savings of $34.7 million.

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

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017.

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

The outstanding balances of the 2006 Series B Refunding Bonds, net of unamortized premium of $3.1 million and $3.4 million, and unamortized deferred amount on refunding of $1.7 million and $1.8 million were $94.9 million and $95.0 million at June 30, 2012 and 2011, respectively.

Continued…..

Debt service of the Port's 2006 Series B Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ 3,325	$ 4,588	$ 7,913
2014	6,000	4,355	10,355
2015	--	4,205	4,205
2016	11,540	3,917	15,457
2017	12,140	3,325	15,465
2018 – 2022	60,190	8,955	69,145
2023 – 2026	230	40	270
Subtotal	93,425	29,385	122,810
Unamortized deferred amount on refunding of 1996 Series B	(1,677)	--	(1,677)
Unamortized premium	3,135	--	3,135
Total	$ 94,883	$ 29,385	$ 124,268

2006 Series C Refunding Bonds

The 2006 Series C Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $16.5 million, on a forward-delivery basis, to currently refund $17.1 million of the 1996 Series C Bonds. The refunding transactions resulted in an economic gain of $1.2 million and cash savings of $1.6 million.

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

The bonds maturing on or after August 1, 2017 shall be subject to optional redemption prior to their maturities at the redemption price of 102% if they are redeemed during the period from August 1, 2016 to July 31, 2017.

The outstanding balances of the 2006 Series C Refunding Bonds, net of unamortized premium of $0.7 million and $0.8 million, and unamortized deferred amount on refunding of $0.2 million and $0.3 million, were $14.8 million and $15.5 million at June 30, 2012 and 2011, respectively.

Continued…..

Debt service of the Port's 2006 Series C Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ 730	$ 697	$ 1,427
2014	765	660	1,425
2015	810	621	1,431
2016	850	579	1,429
2017	895	535	1,430
2018 – 2022	5,155	1,946	7,101
2023 – 2026	5,105	525	5,630
Subtotal	14,310	5,563	19,873
Unamortized deferred amount on refunding of 1996 Series C	(245)	--	(245)
Unamortized Premium	703	--	703
Total	$ 14,768	$ 5,563	$ 20,331

2006 Series D Refunding Bonds

The 2006 Series D Refunding Bonds were issued on August 31, 2006 in the aggregate principal amount of $111.3 million, to refund $113.6 million of the Commercial Paper Notes.

Interest on the 2006 Series D Refunding Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series D Bonds bear interest at rates ranging from 4.5% to 5.00% with maturity dates from August 1, 2007 to August 1, 2036.

The bonds maturing on or after August 1, 2015 are subject to optional redemption prior to their stated maturities at the redemption price of 101% if they are redeemed during the period from August 1, 2014 to July 31, 2015.

To take advantage of the American Recovery and Reinvestment Act of 2009 (ARRA), the Port issued the 2009 Series C (Non-AMT) Refunding Bonds on July 9, 2009. A portion of the Refunding Bonds was to provide funds to refund $22.5 million of the 2006 Series D AMT Bonds.

The outstanding balances of the 2006 Series D Refunding Bonds, plus the unamortized premium of $2.3 million and $2.4 million were $82.6 million and $84.1 million at June 30, 2012 and 2011, respectively.

Continued…..

Debt service of the Port's 2006 Series D Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ 2,115	$ 3,892	$ 6,007
2014	2,225	3,783	6,008
2015	2,335	3,669	6,004
2016	400	3,601	4,001
2017	1,500	3,553	5,053
2018 – 2022	14,895	15,805	30,700
2023 – 2027	7,150	12,430	19,580
2028 – 2032	18,140	9,933	28,073
2033 – 2037	31,515	3,979	35,494
Subtotal	80,275	60,645	140,920
Unamortized premium	2,335	--	2,335
Total	$ 82,610	$ 60,645	$ 143,255

2009 Series A New Money Bonds

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

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

The Bonds with stated maturities on or after August 1, 2020 shall be subject to optional redemption prior to their maturities on or after August 1, 2019 without early redemption premium. The Bonds are not subject to mandatory sinking fund redemption.

The outstanding balances of the 2009 Series A Bonds, net of unamortized premium of $2.5 million and $2.6 million, were $95.8 million and $99.3 million at June 30, 2012 and 2011, respectively.

Continued…..

Debt service of the Port's 2009 Series A Bonds are as follows (in thousands):

Fiscal year	Principal	Interest	Total
2013	$ 3,465	$ 4,447	$ 7,912
2014	3,580	4,319	7,899
2015	3,720	4,154	7,874
2016	3,905	3,969	7,874
2017	4,095	3,794	7,889
2018 – 2022	23,195	16,104	39,299
2023 – 2027	29,670	9,406	39,076
2028 – 2032	21,705	1,663	23,368
Subtotal	93,335	47,856	141,191
Unamortized premium	2,497	--	2,497
Total	$ 95,832	$ 47,856	$ 143,688

2009 Series B New Money Bonds

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

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

The Bonds with stated maturities on or after August 1, 2020 shall be subject to optional redemption on or after August 1, 2019 without early redemption premium. The Bonds maturing on August 1, 2034 (the 2009B 2034 Term Bonds) and on August 1, 2039 (the 2009B 2039 Term Bonds) are subject to mandatory sinking fund redemption.

The outstanding balance of the 2009 Series B Bonds, net of unamortized discount of $2.1 million and $2.2 million were $97.9 million and $97.8 million at June 30, 2012 and 2011, respectively.

Continued…..

Debt service of the Port's 2009 Series B Bonds are as follows (in thousands):

Fiscal year	Principal	Interest	Total
2013	$ --	$ 5,250	$ 5,250
2014	--	5,250	5,250
2015	--	5,250	5,250
2016	--	5,250	5,250
2017		5,250	5,250
2018 – 2022	--	26,250	26,250
2023 – 2027	--	26,250	26,250
2028 – 2032	16,130	25,414	41,544
2033 – 2037	48,340	15,931	64,271
2038 – 2040	35,530	2,862	38,392
Subtotal	100,000	122,957	222,957
Unamortized discount	(2,103)	--	(2,103)
Total	$ 97,897	$ 122,957	$ 220,854

2009 Series C Refunding Bonds

Contemporaneously with the issuance of the 2009 Series A and Series B New Money Bonds, the Port issued the 2009 Series C Refunding Bonds in the aggregate principal amount of $230.2 million. The Bonds were issued to provide funds for the purchase of certain maturities of the Department's outstanding (i) Refunding Revenue Bonds 2005 Series C-1 (AMT) of $2.7 million, (ii) Refunding Revenue Bonds 2006 Series A (AMT) of $121.1 million, (iii) Refunding Revenue Bonds 2006 Series B (AMT) of $94.1 million, and (iv) Revenue Bonds 2006 Series D (AMT) of $22.5 million. The refunding transactions resulted in a reduction of $12.7 million in future debt service payments and the net present value benefit of $8.2 million.

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

The Bond maturing on August 1, 2021, which bears interest at 5.25% per annum, and the Bonds maturing on or after August 1, 2022 are subject to optional redemption prior to their respective stated maturities without early redemption premium. The Bonds maturing on August 1, 2031 (the Term Bonds) are subject to mandatory sinking fund redemption.

The outstanding balances of the 2009 Series C Refunding Bonds, plus the unamortized premium of $11.0 million and $11.6 million, and unamortized deferred amount on refunding of $1.8 million and $1.9 million, were $242.5 million and $243.7 million at June 30, 2012 and 2011, respectively.

Continued…..

Debt service of the Port's 2009 Series C Bonds are as follows (in thousands):

Fiscal year	Principal	Interest	Total
2013	$ 12,865	$ 11,320	$ 24,185
2014	10,950	10,762	21,712
2015	15,715	10,122	25,837
2016	9,675	9,500	19,175
2017	8,860	9,055	17,915
2018 – 2022	22,505	42,189	64,694
2023 – 2027	143,000	21,709	164,709
2028 – 2032	6,070	909	6,979
Subtotal	229,640	115,566	345,206
Unamortized deferred amount on refunding	1,799	--	1,799
Unamortized premium	11,024	--	11,024
Total	$ 242,463	$ 115,566	$ 358,029

2011 Series A Refunding Bonds

The 2011 Series A Refunding Bonds were issued in 2011 in the aggregate principal amount of $58.9 million to refund the outstanding principal of $64.9 million of the 2001 Series B Refunding Bonds. The refunding transaction resulted in cash flow savings of $10.7 million and economic gain of $8.6 million over the life of the bonds.

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

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

The outstanding balance of the 2011 Series A Refunding Bonds, net of unamortized premium of $6.0 million, and unamortized deferred amount on refunding of $2.4 million, was $62.5 million at June 30, 2012.

Continued…..

Debt service of the Port's 2011 Series A Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ --	$ 2,904	$ 2,904
2014	--	2,904	2,904
2015	--	2,904	2,904
2016	2,135	2,872	5,007
2017	7,130	2,662	9,792
2018 – 2022	41,340	7,449	48,789
2023 – 2027	8,325	208	8,533
Subtotal	58,930	21,903	80,833
Unamortized deferred amount on refunding of 2001 Series B	(2,391)	--	(2,391)
Unamortized Premium	6,006	--	6,006
Total	$ 62,545	$ 21,903	$ 84,448

2011 Series B Refunding Bonds

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

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

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

The outstanding balance of the 2011 Series B Refunding Bonds, net of unamortized premium of $3.4 million, and unamortized deferred amount on refunding of $1.3 million, was $34.9 million at June 30, 2012.

Continued…..

Debt service of the Port's 2011 Series B Refunding Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ --	$ 1,618	$ 1,618
2014	--	1,618	1,618
2015	--	1,618	1,618
2016	--	1,618	1,618
2017	--	1,618	1,618
2018 – 2022	--	8,092	8,092
2023 – 2027	32,820	3,989	36,809
Subtotal	32,820	20,171	52,991
Unamortized deferred amount on refunding of 2001 Series A	(1,331)	--	(1,331)
Unamortized Premium	3,430	--	3,430
Total	$ 34,919	$ 20,171	$ 55,090

E. Commercial Paper

On November 1, 2001, the Port obtained a credit agreement to provide liquidity support for the issuance of Commercial Paper Notes (Notes) not to exceed $375.0 million. The Commercial Paper Program (Program) is used as a means of interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment with Notes holding maturities of up to 180 days.

On August 31, 2006, the outstanding Notes of $113.6 million were fully refunded through the issuance of the 2006 Series D Refunding Bonds in the aggregate principal amount of $111.3 million.

In June 2009, the Port reinstated its Program at an aggregate amount of $100.0 million. The Program was amended in June 2010 to increase the credit limit to $200.0 million and extended the term to July 29, 2012. As of June 30, 2012, the total amount of Notes outstanding was $100.0 million. Funds were used to finance the China Shipping and TraPac Container Terminal Projects. The Notes issued are being remarketed upon maturity and will likely be refunded through the issuance of long term bonds, and are thus classified as noncurrent liabilities.

In June 2012, the Port increased the credit limit for its Program to $250.0 million, and extended the term to July 2015.

Continued…..

F. Loans From California Department of Boating and Waterways

The Port obtained two thirty year loans in the mid-1980s aggregating $8.0 million from the California Department of Boating and Waterways. The notes bear a fixed rate of interest of 4.5%. The Port makes annual payments of interest and principal and the notes will mature in 2014 and 2015, respectively. The Port's obligation with respect to the payment of such notes is subordinate to the lien of the Port's parity obligations on the Harbor Revenue Funds. The outstanding principal balances on such notes were $1.4 million and $1.9 million at June 30, 2012 and 2011, respectively.

Debt service of the Port's loans payable are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2013	$ 531	$ 61	$ 592
2014	555	38	593
2015	280	13	293
Total	$ 1,366	$ 112	$ 1,478

G. Current Year and Prior Years' Defeasance of Debt

The Port defeased certain bonds by placing the proceeds of the new 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.

The Port has outstanding bonds in the defeasance escrows held by the trustee at June 30, 2012 and 2011 of $61.3 million and $67.8 million, respectively.

Continued…..

7. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2012 are as follows (in thousands):

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due within one year
Revenue bonds	$ 879,930	$ 91,750	$ (131,555)	$ 840,125	$ 31,285
Less unamortized discount/ premium	25,521	10,222	(2,380)	33,363	--
Unamortized deferred amount on refunding	(6,470)	(3,982)	3,726	(6,726)	--
Net revenue bonds	898,981	97,990	(130,209)	866,762	31,285
Commercial paper	100,000	--	--	100,000	--
Notes payable	1,874	--	(508)	1,366	531
Accrued Salaries	4,548	112,004	(114,690)	1,862	1,862
Compensated Absences	8,366	27,490	(27,000)	8,856	8,856
Accrued Benefits	8,049	110,397	(110,177)	8,269	68
Litigation	475	115	(125)	465	465
Workers Compensation	7,858	7,507	(1,726)	13,639	1,807
Pollution Remediation	101,922	7,544	(4,867)	104,599	6,513
Deposits	9,606	125	(135)	9,596	--
Net Pension Obligation	3,040	--	--	3,040	--
Others	55,876	15,740	(27,914)	43,702	41,989
Total long-term liabilities	$ 1,200,595	$ 378,912	$ (417,351)	$ 1,162,156	$ 93,376

Continued…..

The changes in the Port's long-term liabilities for the year ended June 30, 2011 are as follows (in thousands):

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due within one year
Revenue bonds	$ 909,130	$ --	$ (29,200)	$ 879,930	$ 30,450
Less unamortized discount/ premium	27,261	--	(1,740)	25,521	--
Unamortized deferred amount on refunding	(7,190)	--	720	(6,470)	--
Net revenue bonds	929,201	--	(30,220)	898,981	30,450
Commercial paper	--	100,000	--	100,000	--
Notes payable	2,361	--	(487)	1,874	508
Accrued Salaries	8,211	110,246	(113,909)	4,548	4,548
Compensated Absences	9,113	18,361	(19,108)	8,366	8,366
Accrued Benefits	7,438	99,687	(99,076)	8,049	235
Litigation	105	395	(25)	475	475
Workers Compensation	7,858	1,653	(1,653)	7,858	1,302
Pollution Remediation	91,837	23,622	(13,537)	101,922	3,681
Deposits	9,592	70	(56)	9,606	--
Net Pension Obligation	2,530	510	--	3,040	--
Others	57,871	16,272	(18,267)	55,876	55,411
Total long-term liabilities	$ 1,126,117	$ 370,816	$ (296,338)	$ 1,200,595	$ 104,976

8. GASB 49 Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2012 and 2011 totaled $104.6 million and $101.9 million, respectively. Certain costs may be recoverable but the amount cannot be determined at this time. These costs relate mostly to soil and ground water contamination on sites within the Port premises. As sites were formerly used for 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.

Continued…..

The changes in the Port's pollution remediation obligations for fiscal year 2012 are as follows (in thousands):

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Obligating Event					
Named by regulator as a potential party to remediation	$ 77,863	$ 7,193	$ (3,759)	$ 81,297	$ 6,151
Voluntary commencement	24,059	351	(1,108)	23,302	362
Total	$ 101,922	$ 7,544	$ (4,867)	$ 104,599	$ 6,513
Pollution Type					
Soil and or groundwater remediation	$ 101,922	$ 7,544	$ (4,867)	$ 104,599	$ 6,513

The changes in the Port's pollution remediation obligations for fiscal year 2011 are as follows (in thousands):

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
Obligating Event					
Named by regulator as a potential party to remediation	$ 72,180	$ 10,663	$ (4,981)	$ 77,862	$ 3,195
Voluntary commencement	19,657	12,959	(8,556)	24,060	486
Total	$ 91,837	$ 23,622	$ (13,537)	$ 101,922	$ 3,681
Pollution Type					
Soil and or groundwater remediation	$ 91,837	$ 23,622	$ (13,537)	$ 101,922	$ 3,681

The Port along with BAE Systems (successor to Southwest Marine) were named by the Department of Toxic Substances Control as parties responsible for remediation of soil and subsea sediment in a contaminated site. The Port has taken the lead in investigations at the site. Some costs were paid by BAE Systems, but the final apportionment of costs has not been resolved as of June 30, 2012. The potential total pollution remediation liability of the Port, if any, cannot be determined at this time.

The Port was also named by the Regional Water Quality Control Board as one of the parties responsible for the remediation of a former marine oil terminal at Berths 171-173. As of June 30, 2012, there is an ongoing litigation between the Port and Kinder Morgan, the current tenant of the site over its cleanup. The Port's liability, if any, has not been determined.

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9. 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.

10. Risk Management

The Port purchases insurance for a variety of exposures associated with property, automobiles, vessels, railroad, employment practices, travel, police, pilotage, and terrorism. The City is self-insured for workers compensation, and the Port participates in the City's self-insurance program. Third party general liability exposures are self-insured by the Port for $1.0 million and the excess liability is maintained over the self-insured retention. There have been no settlements in the past three years that have exceeded the Port's insurance coverage.

The actuarially determined accrued liability for workers compensation includes provision for incurred but not reported claims and loss adjustment expenses. The Port's accrued workers compensation liability at June 30, 2012 and 2011 were $13.6 million and $7.9 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, 2012 and 2011 were $0.5 million.

Continued…..

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

	2012	2011	2010
Unpaid claims, July 1			
Workers compensation	$ 7,858	$ 7,858	$ 8,633
General Liability/litigation	475	105	100
Total unpaid claims, July 1	8,333	7,963	8,733
Provision for current year's events and changes in provision for prior year's events			
Workers compensation	7,507	1,653	264
General Liability/litigation	115	395	5
Total provision	7,622	2,048	269
Claims payments			
Workers compensation	(1,726)	(1,653)	(1,039)
General Liability/litigation	(125)	(25)	--
Total claims payments	(1,851)	(1,678)	(1,039)
Unpaid claims, June 30			
Workers'compensation	13,639	7,858	7,858
General Liability/litigation	465	475	105
Total Unpaid Claims, June 30	$ 14,104	$ 8,333	$ 7,963
Current portion			
Workers compensation	$ 1,807	1,302	1,242
General Liability/litigation	465	475	105
Total current portion	$ 2,272	$ 1,777	$ 1,347

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

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

MAG agreements relate to shipping services and certain concessions provide for the additional payment beyond the fixed portion, based upon tenant usage, revenues, or volumes.

Agreements relating to terminal operations tend to be long term in nature (as long as 30 years) and are made to provide the Port with a firm tenant commitment. These agreements are subject to periodic review and reset of base amounts. For the years ended June 30, 2012 and 2011, the minimum rental income from such lease agreements was approximately $43.1 million and $45.4 million, respectively. For the years ended June 30, 2012 and 2011, the MAG payments were approximately $ 235.1 million and $228.9 million, respectively, and were reported under shipping services revenue.

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The carrying cost and related accumulated depreciation of property held for operating leases as of June 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
Wharves and sheds	$ 856,960	$ 754,511
Cranes and bulk facilities	52,441	52,427
Municipal warehouses	11,901	11,639
Port pilot facilities and equipment	7,705	6,059
Buildings and other facilities	775,434	758,690
Cabrillo Marina	210,452	98,162
Total	1,914,893	1,681,488
Less accumulated depreciation	(879,479)	(830,853)
Net	$ 1,035,414	$ 850,635

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 Ending	Rental income	MAG income
2013	$ 43,574	$ 235,049
2014	44,010	235,049
2015	44,450	251,963
2016	44,894	251,963
2017	45,343	251,963
Total	$ 222,271	$ 1,225,987

12. Pension and Other Postemployment Benefit Plans

Los Angeles City Employees Retirement System

A. Retirement Plan Description

All full-time employees of the Port are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS) of the City, 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. The Port makes contributions to LACERS for its pro rata share of retirement costs attributable to its employees. The Port Police joined the Los Angeles Fire and Police Pensions System (LAFPP) effective July 1, 2007.

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LACERS provides retirement, disability, death benefits, postemployment healthcare benefits, and annual cost-of-living adjustments based on the employees' years of service, age, and final compensation. Employees with ten or more years of service may retire if they are at least 55 years old, or if the retirement date is between October 2, 1996 and September 30, 1999 at age 50 or older with at least 30 years of service. Normal retirement allowances are reduced for employees under age 60 at the time of retirement, unless they have more than 30 years of service and are age 55 or older. Employees aged 70 or above may retire at any time with no required minimum period of service. LACERS does not have a mandatory retirement age.

B. Actuarially Determined LACERS Contribution Requirements and Contributions Made

The Board of Administration of LACERS establishes and may amend the contribution requirements of System members and the City. Covered employees contribute to LACERS at a rate (8.22% to 13.33%) established through the collective bargaining process for those whose membership began prior to January 1, 1983.

For those who entered membership on or after January 1, 1983, the contribution is a fixed rate of 6% of salary. In 2011, the City Council adopted new ordinances that require members of LACERS represented by certain bargaining groups to contribute an additional 2% or 4% of pay beginning April 24, 2011. As a result, LACERS' members' contribution rates at June 30, 2011 are either 6% or 8% of pay. Effective July 1, 2011, contribution rates will be 7%, 9% or 11% of pay, depending upon the terms and conditions of specific Memoranda of Understanding to which the member is subject.

The City subsidizes member contributions as determined by the actuarial consultant of LACERS. For fiscal year 2012, the initial stated contribution rate for LACERS was 27.66% of the City's covered payroll. On May 10, 2011, the City adopted a supplemental fiscal year 2012 contribution rate of 24.01% in consideration of an additional 4% contribution by members. As a result, a reduced rate of 24.01% will be applied to the portion of covered payroll for employees subject to 4% additional member contribution. The 27.66% rate will only be applied to the covered payroll for those employees who are not contributing the additional 4% consistent with the June 30, 2010 valuation.

Based on the Port's reported covered payroll of $71.9 million for fiscal year 2012, $66.8 million is subject to the 24.01% rate, and $5.1 million is subject to the 27.66% rate. The Port's actual contribution to LACERS, including family death benefit, excess benefit, and limited term plans is $17.5 million,100% of the annual required contribution (ARC), $17.8 million (100% of ARC), and $11.6 million (100% of ARC) for the fiscal years ended June 30, 2012, 2011, and 2010, respectively. The allocation of contributions between the pension and postemployment healthcare benefits are not available.

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The City's annual pension cost, the percentage of annual pension cost contributed to LACERS, and the net pension obligation for fiscal years ended June 30, 2011, 2010 and 2009 are as follows (amounts in thousands):

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/11	$ 300,329	100%	$ (71,873)
06/30/10	255,999	100%	(75,105)
06/30/09	272,332	100%	(77,749)

The City allocated a pro-rata share of its net pension obligation to the Port, and the share of the Port at June 30, 2011 was $3.0 million.

LACERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. As of the completion date of the Port's financial statements, LACERS' financial statements for fiscal year 2012 and the plan's actuarial valuation study are not yet available. Reports regarding LACERS may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 360 E. Second Street 2nd Floor, Los Angeles, CA 90012, (213) 473-7200.

C. Funded Status of LACERS

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, 2011, 2010 and 2009: (amounts 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)
06/30/2011	$ 9,691,011	$ 13,391,704	$ 3,700,693	72.4%	$ 1,833,392	201.8%
06/30/2010	9,554,027	12,595,025	3,040,998	75.9%	1,817,662	167.3%
06/30/2009	9,577,747	12,041,984	2,464,237	79.5%	1,816,171	135.7%

The most recent actuarial valuation methods and assumptions used for LACERS as of June 30, 2011 were as follows: actuarial cost method used - projected unit credit; amortization method - level percent of payroll; remaining amortization period - multiple layers not exceeding 30 years, closed; asset valuation method - 7-year market related; investment rate of return - 7.75%; projected salary increases - 4.65% to 11.25%; inflation rate - 3.50%; and cost-of-living adjustment of 3.00%

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As mentioned above, information related to the funded status of LACERS for fiscal year 2012 are not yet available as of the completion date of the Port's financial statements. Separate information for the Port is not available.

D. 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.

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.

As mentioned before, the actuarial valuation for OPEB for fiscal year 2012 is not yet available as of the completion date of the Port's financial statements.

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, 2011 and the two preceding years for the plan are as follows (amounts in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/11	$ 107,396	100%	$ --
03/30/10	96,511	100%	--
06/30/09	95,122	100%	--

As of June 30, 2011, LACERS OPEB had $1.9 billion actuarial accrued liability (AAL) and $1.5 billion actuarial value of assets, thereby resulting in a net underfunded AAL of $0.4 billion or a funded ratio of $78.9%.

The most recent actuarial valuation methods and assumptions used for LACERS OPEB as of June 30, 2011 were as follows: actuarial cost method used - projected unit credit; amortization method - level percent of payroll; remaining amortization period - multiple layers not exceeding 30 years, closed; asset valuation method - 7-year market related; investment rate of return - 7.75%; projected salary increases - 4.25%; inflation rate - 3.50%; medical healthcare cost trend rate - 8.75%, decreasing by 0.5% for each year for ten years until it reaches an ultimate rate of 5%; and dental healthcare cost trend rate of 5%.

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13. City of Los Angeles Fire and Police Pension Plan

A. Retirement Plan Description

The Los Angeles City Council approved Ordinance No. 177214 that allows Harbor Department's Port Police Officers the option to transfer from LACERS to Tier V of the 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 "nonsworn" services with other City Departments are not eligible for transfer. All new employees hired by the Harbor Department after the effective date of the Ordinance automatically go into either Tier V or Tier VI of LAFPP.

As part of the change, LACERS transferred $6.1 million of Harbor Port Police assets to LAFPP in October 2007 for fiscal year 2007.

B. Actuarially Determined Contribution Requirements and Contributions Made

The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual cost for the LAFPP plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the applicable GASB statements. The ARC 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.

In fiscal year 2012, the Port's contribution rate is 34.11% of covered payroll. The actuary has also calculated a supplemental contribution rate for the new Tier VI plan as approved by voters in March 2011. The new Port Tier VI plan rate is 30.70% of covered payroll. Based on the Port's reported sworn covered payroll of $10.5 million for Tier V, and $0.3 million for Tier VI, the Port's pro rata share of the combined actuarially required contribution (ARC) for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $3.6 million (100% of ARC), $3.1 million (100% of ARC) and $2.0 million (100% of ARC) for the years ended June 30, 2012, 2011 and 2010, respectively. The allocation of contributions between the pension and postemployment healthcare benefits is not available.

The City's annual LAFPP pension cost and the percentage of annual pension cost contributed to the plan for fiscal years ended June 30, 2011, 2010 and 2009 are as follows (amount in thousands):

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net pension Asset (Obligation)
6/30/11	$ 277,092	100%	$ --
6/30/10	250,517	100%	--
6/30/09	238,698	100%	--

Continued…..

C. Funded Status of LAFPP

Actuarial valuations involve 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 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 plan for fiscal years ended June 30, 2011, 2010 and 2009 (amounts 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)
06/30/2011	$ 14,337,669	$ 16,616,476	$ 2,278,807	86.3%	$ 1,343,963	169.6%
06/30/2010	14,219,581	15,520,625	1,301,044	91.6%	1,356,986	95.9%
06/30/2009	14,256,611	14,817,146	560,535	96.2%	1,356,986	41.3%

The most recent actuarial valuation methods and assumptions used for LAFPP as of June 30, 2011 were as follows: actuarial cost method used - entry age normal; amortization method - level dollar for Tier 1, and level percent of payroll for Tiers 2 to 6; remaining amortization period - multiple layers not exceeding 30 years, closed; asset valuation method – 5-year market related prior to June 30, 2008, and 7-year market related after June 30, 2008; investment rate of return - 7.75%; projected salary increases - 5.25% to 12.25%; inflation rate - 3.50%; and cost-of-living adjustment of 3.50% for Tiers 1 and 2, and 3% for Tiers 4 to 6.

The LAFPP issues a publicly available financial report that includes financial statements and required supplementary information for the plan. As of the completion date of the Port's financial statements, LAFPP's financial statements and the plan's actuarial valuation study for fiscal year 2012 are not yet available. Financial and valuation reports may be obtained by writing or calling: Los Angeles Fire and Police Pensions, 360 E. Second Street, Ste 400, Los Angeles, CA 90012, (213) 978-4545.

D. 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.

Projections of benefits are based on the plan and 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 actuarially 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 LAFPP plan, and the net OPEB asset (obligation) for fiscal years ended June 30, 2011, 2010 and 2009 are as follows (amounts in thousands):

Year Ended	OPEB Cost (AOC)	OPEB Cost Contributed	Asset (Obligation)
06/30/11	$ 173,645	69%	$ 99,351
06/30/10	127,604	90%	45,682
06/30/09	106,453	90%	45,682

From the most recent data made available by the City, as of June 30, 2011, LAFPP membership consists of 13,432 active plan participants, 59 vested terminated members, and 12,392 retired members and beneficiaries. Amounts contributed specifically to the Retiree Health Insurance Premium Subsidy by the Port alone are not available.

Actuarial valuations involve 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 plans and the ARCs of the City are subject to continual revision as actual results are compared to expectations and new estimates are made about the future.

As of June 30, 2011, LAFPP OPEB had $2.6 billion actuarial accrued liability (AAL), and $0.9 million actuarial value of assets, thereby resulting in an underfunded AAL of $1.7 billion or a funded ratio of 34.6%.

The most recent actuarial valuation methods and assumptions used for LAFPP OPEB as of June 30, 2011 were as follows: actuarial cost method used - entry age normal; amortization method - level percent of payroll; remaining amortization period - 25 years, closed; asset valuation method – 5-year market related prior to June 30, 2008, and 7-year market related after June 30, 2008; investment rate of return - 7.75%; projected salary increases - 4.25%; inflation rate - 3.50%; medical healthcare cost trend rate of 9%, decreasing by 0.5% for eight years until it reaches an ultimate rate of 5%; and dental healthcare cost trend of 5%.

As mentioned above, the LAFPP's financial statements and actuarial study for fiscal year 2012 are not yet available as of the completion date of the Port's financial statements.

14. Notes Receivable

A. Settlement of Dispute on Nexus Study

In 1994, the City undertook a series of studies to determine whether or not the Port received services from the City for which the Port had not been inclusively billed. These studies, collectively referred to as the Nexus Study, were conducted under the auspices of the City Attorney. The studies found that the City could have billed the Port for substantial amounts for services undertaken on behalf of the Port by the City or for City services conducted within the Port's jurisdiction.

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It is and has been the policy of the Port to pay the City all of the amounts to which the City is entitled. In light of these studies, the Board of Harbor Commissioners adopted a resolution providing for the reimbursement to the City of certain expenditures incurred by the City on behalf of the Port, but which the City had never inclusively billed the Port. Under its resolution, the Board of Harbor Commissioners authorized the Port to make, and the Port paid to the City, two annual payments of $20.0 million for the 1994/95 and 1995/96 fiscal years. The Board of Harbor Commissioners further authorized the Executive Director to negotiate additional amounts as may be determined to be due, and accordingly, a memorandum of understanding (MOU) with the City was executed on June 27, 1997 (1997 MOU).

The California State Lands Commission (the Commission) is responsible for oversight of the State's Tideland Trust Lands. This Commission, together with the State Office of Attorney General, has expressed concerns regarding the methodologies employed in the studies and whether such transfers of monies from the Port to the City comply with the criteria for compliance with applicable California State Tidelands Trust Land laws. Prior to the adoption of the above-referenced resolution, the California State Lands Commission officials and the Office of the Attorney General requested the Board of Harbor Commissioners to postpone any decision involving these trust funds until the California State Lands Commission and Office of Attorney General could complete an inquiry into the studies and transfers. Subsequently, various organizations, including the Steamship Association of Southern California, which represents carriers using the Port, together with the California State Lands Commission and Office of Attorney General, have brought legal action against the City and Port regarding the Board of Harbor Commissioners' action.

On January 19, 2001, the City, along with the Port and the California State Lands Commission, entered into a settlement and mutual release agreement to resolve their disputes concerning the City's entitlement to historic and future reimbursements for costs the City incurred or would incur providing services to the Port. The settlement agreement provides that the City, as reimbursement for payments made by the Port to the City for retroactive billings for City services provided during the period July 1, 1977 through June 30, 1994, inclusive, pay the Port $53.4 million in principal plus 3% simple interest over a 15-year period.

The settlement agreement also provides that the City reimburse the Port for the payment differential, that amount representing the difference between the actual payments and the amount to which the City would have been entitled to reimbursement during fiscal year 1994–1995 through fiscal year 2000–2001, inclusive, had the reimbursement been computed during each of those fiscal years using the settlement formula. This amount is estimated at $8.4 million. Payment for this period is to be reimbursed to the Port over 15 years, including 3% simple interest. The agreement also states that at any time after five years from January 19, 2001, the City, the Port, and California State Lands Commission may negotiate to amend this agreement to account for new or changed circumstances.

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The State of California (the State), the City, and the Port agreed to mutually release and discharge the other from any and all claims, demands, obligations, and causes of action, of whatever kind or nature pertaining in any way to the use, payment, transfer, or expenditure for any of the services or facilities identified in the Nexus Study or the 1997 MOU and provided for during the period July 1, 1977 through June 30, 2002.

Accordingly, the Port of Los Angeles had recorded the amount due from the City as a long-term notes receivable of $14.7 million and $19.3 million; and current portion of notes receivable of $4.6 million and $4.5 million as of June 30, 2012 and 2011, respectively.

B. Note Receivable – Yusen

In order to settle the then-outstanding $2.4 million terminal construction cost overruns, the Port agreed in 1994 that Yusen, one of the Port container terminal tenants, be permitted to pay over 22 years in equal monthly installments of $0.1 million. To record the transaction, an amortization schedule using a 5% interest rate was prepared and the note balance was adjusted to $1.5 million, with the balance of $0.9 million recognized as the Port's capital assets in fiscal year 1995. The note matures in October 2015. The long-term note receivable balance outstanding on the Yusen note is $0.3 million and $0.4 million at June 30, 2012 and 2011 respectively; while the current portion is $0.1 million for both fiscal years 2012 and 2011.

15. Commitments, Litigations and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $225.1 million as of June 30, 2012. 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 2012 or 2011.

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.

Continued.….

B. Alameda Corridor Transportation Authority Agreement (ACTA)

In August 1989, the Port and the Port of Long Beach (the POLB and, together with the Port, 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 comprises of two members from each Port, one each from the Cities of Los Angeles and Long Beach and one from the Metropolitan Transportation Authority. In 2003, ACTA agreed to an expanded mission to develop and support projects that more effectively move cargo to points around Southern California, ease truck congestion, improve air quality, and make roads safer. If in the future ACTA becomes entitled to distribute income or make equity distributions, the Ports shall share any such income or 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 obligates the privilege of using the corridor to transport cargo into and out of the Ports. ACTA negotiated with BNSF Railway Company (BNSF) and Union Pacific (UP) regarding certain types of cargo movements (trans load movements) for which BNSF and UP are not paying use fees. In the Settlement and Release Agreement (the Agreement), dated as July 5, 2006, ACTA, BNSF, and UP agreed to resolve the “Trans loading Dispute.” ACTA, the Ports, the City of Los Angeles, and the City of Long Beach (the ACTA Releasing Parties) each release, acquit, and discharge BNSF and UP of all liability and costs, as stated in the Agreement, arising from or relating to the Trans loading Dispute. BNSF and UP (the Railroad Releasing Parties) each release, acquit, and discharge the ACTA Releasing Parties from any and all liability and costs, as stated in the Agreement, arising from or relating to any claim by the Railroad Releasing Parties. These use fees are used to pay (a) the debt service that ACTA incurs on approximately $1.20 billion of bonds, which ACTA issued in early 1999 and approximately $686 million of bonds issued in 2004, and (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, if any (collectively, ACTA Obligations). Use fees end after 35 years or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) on an annual basis. If this event occurs, the Ports’ payments to ACTA are intended to provide cash for debt service payments and to assure that the Alameda 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 their respective bond indentures and resolutions.

Continued…..

In April 2004, it was estimated by ACTA that the Ports would be required to make Shortfall payments totaling approximately $20.5 million (the Port and POLB each being liable for their one-half share of $10.3 million) through 2027. Pursuant to the ACTA Operating Agreement, the Port is obligated to include any forecasted Shortfall payments in its budget each fiscal year. The Port made a shortfall payment of $3.0 million in September 2011.

C. Community Redevelopment Agency Agreement

On September 20, 2007, the Los Angeles Board of Harbor Commissioners approved the agreement between the City of Los Angeles and the Community Redevelopment Agency of the City of Los Angeles (CRALA) for the purpose of readying the underutilized and contaminated industrial properties within the Wilmington Industrial Park, the project area for development.

CRALA may execute note(s) in an aggregate amount not to exceed $25.0 million, and will accrue interest at the General Pool Rate compounded monthly. All notes will become due and payable sixty months from the date of the first executed note pursuant to this agreement unless the term of the note(s) is otherwise extended and approved in writing by CRALA and the Port. The CRALA shall pay down the line of credit by applying proceeds generated from the periodic sale and disposition of acquired properties.

The CRALA was dissolved on February 1, 2012. As of February 1, 2012 and June 30, 2011, there were no drawdowns made by CRALA from this line of credit.

D. TraPac Project and Environmental Impact Report

On December 6, 2007, the Board of Harbor Commissioners (BHC) certified the Final Environmental Impact Report (FEIR) for TraPac, Inc (TraPac), a terminal operator, and approved the TraPac project. The project involves the development of the various 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 BOHC approved an MOU between the City and the Appellants of the TraPac FEIR. The term of the MOU is five years, and after the first five years, the agreement may be renewed for a successive five-year period by mutual agreement of the Port and a majority of the Appellants. 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. The nonprofit created to provide administrative services for this fund is the Harbor Community Benefit Foundation (HCBF). The California Community Foundation (CCF) Community Initiatives Fund (CIF) is a nonprofit entity operated by the CCF to provide fund management services to PCMTF.

The Port has provided the first two years funding of $12.04 million and $4.02 million in the PCMTF geared towards the identified Trapac projects in the MOU. Based on the volume of cargo processed in the third year, no additional funding was necessary.

Continued…..

On November 3, 2011, the BHC approved an agreement with the CCF CIF to provide fund management services in relation to the PCMTF Operating Agreement. According to the PCMTF Operating Agreement, the Port shall transfer funds from its existing PCMTF to the new PCMTF held by the CCF upon execution of the agreement with CCF. The requisite steps set out by the CCF CIF Agreement have been taken, hence, the transfer of funds to the CIF must be done. In fiscal year 2012, $9.8 million was transferred from the PCMTF to CCF CIF.

As of June 30, 2012, a total of $ 16.8 million has been disbursed from the PCMTF including the $9.8 million funds transferred to the CCF CIF. Total fund balance, including interest earned of the PCMTF at the end of the fiscal year was $0.1 million.

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 $38.4 million and $38.1 million in fiscal years 2012 and 2011, 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, 2012 and 2011, the Port reported capital contributions of $31.3 million and $12.1 million, respectively, for certain capital construction and grant projects.

18. Natural Resources Defense Council Settlement Judgment

In March 2003, the Port of Los Angeles 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. The settlement calls for a total of $50.0 million in mitigation measures to be undertaken by the Port. This $50.0 million charge was recorded as expense in fiscal year 2003.

The terms of the agreement require that the Port fund various mitigation activities in the amount of $10.0 million per year over a five-year term ending in fiscal year 2007. As of June 30, 2009, a total of $50.0 million were transferred from Harbor Revenue Fund to the restricted mitigation funds.

Pursuant to the settlement, 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.

In June 2004, the Port agreed to amend the original settlement to include, and transferred to the restricted fund, an additional $3.5 million for the creation of parks and open space in San Pedro.

Continued…..

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 funds the said amounts in June 2009, June 2008, May 2007, and April 2006, respectively. Total deposits for the four years were $18.3 million, with the June 2009 deposit for calendar year 2008 being the last payment for excess throughput required under the settlement agreement.

As of June 30, 2012, the Port has disbursed a total of $ 47.1 million from the $50.0 million in mitigation funds, of which $4.0 million was made in fiscal year 2012, as provided in accordance with the provisions of the settlement.

19. Cash Funding of Reserve Fund

As of June 30, 2012, the Port had $840.1 million of outstanding parity bonds. Each Indenture of the outstanding bonds requires the Port to establish a reserve fund and authorizes the Port to obtain one or more reserve sureties in lieu of fully funding the reserve fund with cash. Three bond insurers (Ambac, FGIC, and MBIA) provide the reserve sureties for the Port's outstanding bonds. Until December 2007, these bond insurers maintained "AAA" ratings from the three rating agencies: Fitch, Moody's, and S&P. Starting in January 2008, the rating agencies began downgrading the bond insurers. The Port filed material event notices as part of its continuing disclosure undertakings subsequent to each of the related downgrades or placements on negative outlook.

The downgrade of MBIA by S&P on June 5, 2008 triggered certain specific requirements in compliance with the 2005/2006 Indenture. The Port opted to cash fund its reserve funds in order to comply with its bond covenants. In doing so, the Board of Harbor Commissioners, on September 18, 2008, approved the one-time cash funding of the entire reserve requirement of $61.5 million and transferred from the Harbor Emergency Fund (Fund 751) to the Port's bond trustee in December 2008.

Subsequent to the refunding in July 2011, the total reserve fund balance increased to $63.6 million. To be consistent with the bond covenants in the Indenture, the required amount for the individual reserve fund will be reevaluated on a yearly basis. The excess amounts in the Common Reserve will be transferred to the interest fund and/or redemption fund to be used to pay interest and redeem bonds.

Continued…..

20. Subsequent Events

Commercial Paper Program

On June 7, 2012, the Board of Harbor Commissioners (Board) approved an increase in the standby line of credit to $250.0 million from $200.0 million and extended the commercial paper program through July 2015. At the same meeting, the Board approved the replacement of the commercial paper liquidity provider, JP Morgan Chase Bank, whose contract expired on July 29, 2012, with Mizuho Corporate Bank and Wells Fargo Bank at $125.0 million each.

Redemption of 2002 Harbor Revenue Bonds Series A

On August 1, 2012, the Port redeemed the outstanding $18.1 million of 2002 Harbor Revenue Bonds Series A, which had a 5.50% coupon rate. The bonds were redeemed with $6.7 million of debt service reserve fund proceeds and with $11.4 million of cash from operations. With the repayment, the debt service reserve requirement was reduced to $58.2 million.

Alameda Corridor Transportation Authority Agreement (ACTA)

In ACTA's Notice of Port Shortfall Advance dated August 8, 2012, a revised Shortfall Advance of $3.0 million each from the Ports of Los Angeles (POLA) and Long Beach is due no later than September 24, 2012. On June 30, 2012, POLA charged this shortfall amount to nonoperating expense, and was recorded as a current liability. POLA paid this shortfall advance on September 14, 2012.

The Port has evaluated subsequent events through November 14, 2012, the date the financial statements were available to be issued, and has determined that no other significant subsequent events have occurred through that date.

Supplemental Information

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

Capital Development Program Estimated Expenditures

For Fiscal year 2012-2013

(Unaudited)

(amounts in thousands)

Project description		Estimated Expenditures
Terminal Improvements, General	$	117,595
Minor Capital Projects		262,688
POLA Administrative Building Modifications		3,739,092
Environmental Assessment & Remediation		784,644
World Cruise Center - General Improvements		5,938
Berth 161 - Maintenance Yard Improvements		873,700
Berths 97-115 - Redevelopment		36,811,443
West Channel Cabrillo Beach Recreation Complex - Phase II		365,387
Harry S. Bridges Blvd. Improvement		2,837,434
Berths 135-147 - Terminal Redevelopment		28,659,833
Pier 300 - Wharf & Backland Improvements		4,054,025
Pier 400 - Dredging, Landfill and Terminal Development		42,267
Berths 225-236 - Container Terminal Redevelopment		1,494,398
Main Channel Deepening Program		11,218,436
Pier A Street Yard Development		629,963
Harbor Wide Beautification Projects		105,441
San Pedro Waterfront Project - Promenade, Parks and Public Space		233,348
Port-Wide Transportation Improvements		65,501,001
B. 206-211 Redevelopment		169,147
Pacific Energy Liquid Bulk Terminal		64,097
Port Security		5,463,791
San Pedro Waterfront Project - City Dock No. 1		872,246
San Pedro Waterfront Project - San Pedro Downtown Harbor		12,921,604
San Pedro Waterfront Project - San Pedro Slip		4,157,466
Alternative Maritime Power Port-wide		56,389,097
Intermodal Container Transfer Facility (ICTF) South		844,211
San Pedro Slip Improvements		2,874,725
Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS)		2,563,805
Port-Wide Solar Panel Program		61,304
LEED Program		17,534
Enterprise Resource Planning Program		5,737,091
Pier 500 - Dredging, Landfill, & Terminal Development		1,097,263
Harbor Department Application & System Development & Upgrade		2,053,174
Port-Wide Capital Contingency Projects		32,682,193
Total	$	285,705,381

See accompanying independent auditors' report.

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

Revenue Statistics
Last Ten Fiscal Years

(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue Information										
Revenue Rates										
General cargo tariff rate	5.95	5.95	5.95	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Basic dockage (600')	2,236	2,348	2,348	2,465	2,465	2,465	2,465	2,465	2,465	2,465
Required rate of return	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Containerized cargo volume (in millions of TEUs)	6.7	7.4	7.3	7.8	8.7	8.1	7.3	7.2	7.9	8.2
Inbound tonnage (million tons)	94	104	102	113	118	105	94	88	94	98
Outbound tonnage (million tons)	53	58	60	69	72	65	66	67	68	75
Revenue tons (million)										
General cargo	131.9	146.3	145.0	155.2	171.9	161.9	144.3	145.8	149.1	164.2
Liquid bulk	11.4	11.9	12.8	22.8	15.4	6.2	11.1	10.7	10.6	9.9
Dry bulk	4.2	3.9	4.3	3.6	2.8	1.9	2.0	1.4	1.2	1.1
Total revenue tons (million)	147.5	162.1	162.1	181.6	190.1	170.0	157.4	157.9	160.9	175.2

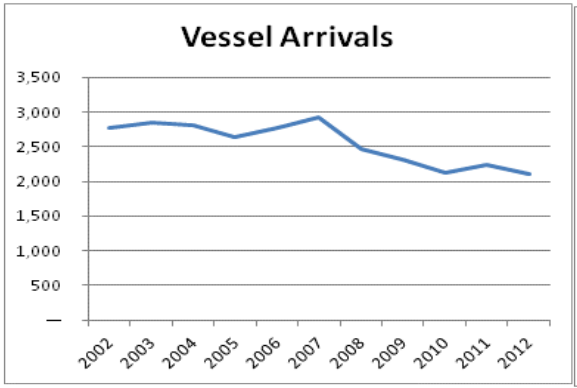
See accompanying independent auditors' report.

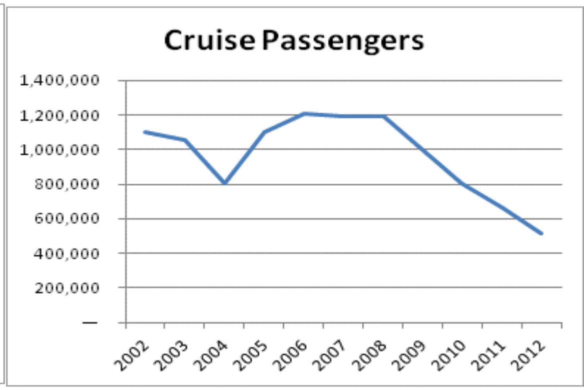
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

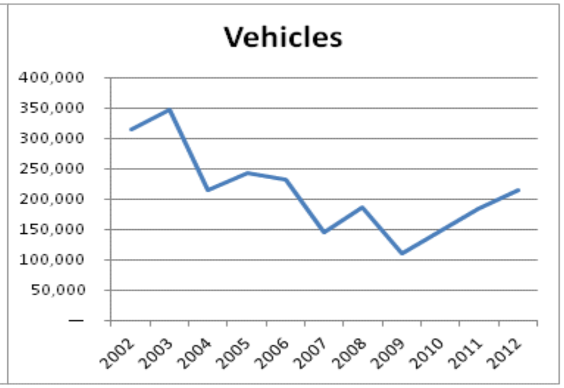
Other Operating Information
Last Ten Fiscal Years

(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Operating Information										
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	27	26	26	27	25	25	25	24	24	24
Vessel arrivals	2,845	2,812	2,646	2,771	2,920	2,467	2,322	2,124	2,236	2,100
Cruise passengers	1,057,293	803,308	1,097,204	1,205,947	1,194,984	1,191,449	990,965	802,899	667,434	515,827
Vehicles	347,067	213,933	242,024	232,149	144,068	185,978	109,634	147,935	183,126	215,374
Full time employees	594	634	659	717	806	935	971	948	959	963







See accompanying independent auditors' report.

PORT OF LOS ANGELES

(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Summary of Revenues, Expenses, and Changes in Net Assets

Last Ten Fiscal Years

(Unaudited)

(amounts In thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating revenues										
Shipping services	$ 281,700	$ 293,977	$ 315,615	$ 353,390	$ 369,972	$ 374,878	$ 329,347	$ 327,630	$ 343,498	$ 357,716
Rentals	36,563	33,261	34,630	33,876	40,322	45,524	42,368	43,141	45,428	43,143
Royalties, fees, and other operating revenues	5,013	5,016	5,384	4,893	6,867	5,943	30,509	36,047	11,577	8,928
Total operating revenues	323,276	332,254	355,629	392,159	417,161	426,345	402,224	406,818	400,503	409,787
Operating expenses										
Salaries and benefits	44,427	53,165	58,182	65,705	74,313	95,444	99,350	96,838	103,693	104,910
Marketing and public relations	3,654	3,769	3,455	3,333	4,521	5,274	3,676	2,594	3,055	3,380
Travel and entertainment	658	758	743	822	604	1,128	635	569	843	991
Outside services	21,971	32,104	39,672	33,673	33,277	37,937	29,498	24,428	30,601	29,426
Materials and supplies	3,771	4,682	5,320	5,400	5,813	8,950	8,121	6,634	6,556	6,717
City services and payments	18,525	18,729	22,361	20,821	28,640	27,101	28,704	31,142	22,353	22,236
Other operating expenses	55,409	16,967	41,158	54,378	16,607	45,918	84,159	48,030	42,594	32,146
Total operating expenses before depreciation	148,415	130,174	170,891	184,132	163,775	221,752	254,143	210,235	209,695	199,806
Operating Income before depreciation	174,861	202,080	184,738	208,027	253,386	204,593	148,081	196,583	190,808	209,981
Depreciation	59,365	67,934	70,040	98,779	88,106	78,295	83,413	87,255	90,468	100,485
Operating Income	115,496	134,146	114,698	109,248	165,280	126,298	64,668	109,328	100,340	109,496
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	3,717	2,795	3,543	4,302	4,675	4,440	2,980	5,832	(333)	1,851
Interest and investment income	11,430	2,298	7,266	9,582	23,773	34,863	18,824	11,671	6,436	9,486
Interest expense	(44,293)	(43,034)	(42,279)	(37,787)	(50,038)	(38,052)	(36,979)	(35,663)	(3,704)	(10,538)
Other income and expenses, net	(18,698)	(13,724)	11,842	7,222	11,018	(2,536)	(7,625)	(2,951)	(6,667)	(8,359)
Net nonoperating revenues	(47,844)	(51,665)	(19,628)	(16,681)	(10,572)	(1,285)	(22,800)	(21,111)	(4,268)	(7,560)
Income before capital contributions	67,652	82,481	95,070	92,567	154,708	125,013	41,868	88,217	96,072	101,936
Capital contributions	1,386	867	--	2,044	4,145	14,161	4,103	16,950	12,059	31,307
Special item	--	--	--	--	(22,291)	--	--	--	--	--
Deletions of capital contribution	--	(2,518)	--	--	--	--	--	--	--	--
Changes in net assets	69,038	80,830	95,070	94,611	136,562	139,174	45,971	105,167	108,131	133,243
Total net assets – beginning of year	1,861,758	1,930,796	2,011,626	2,106,696	2,201,307	2,337,869	2,383,616	2,429,587	2,534,754	2,642,885
Total net assets – end of year	$ 1,930,796	$ 2,011,626	$ 2,106,696	$ 2,201,307	$ 2,337,869	$ 2,477,043	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128
Net assets:										
Invested in capital assets, net of related debt	1,786,780	1,853,776	1,890,002	1,854,468	1,931,037	1,985,653	2,101,396	2,164,885	2,278,052	2,397,744
Restricted	95	17	16	63,917	62	9	61,608	67,844	67,341	67,796
Unrestricted	143,921	157,883	216,678	282,922	406,770	491,381	266,583	302,025	297,492	310,588
Total net assets	$ 1,930,796	$ 2,011,676	$ 2,106,696	$ 2,201,307	$ 2,337,869	$ 2,477,043	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128

See accompanying independent auditors' report.

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

Summary of Debt Service Coverage (Pledged Revenue)

Last Ten Fiscal Years

(Unaudited)

(In thousands of dollars)

Trade routes	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating revenues (including investment/interest income) (1)	$ 338,423	$ 337,347	$ 366,438	$ 406,043	$ 445,609	$ 465,648	$ 424,028	$ 424,306	$ 406,606	$ 419,158
Operating expenses (2)	148,415	130,174	170,891	184,132	163,775	221,752	254,143	210,235	209,695	199,806
Net available revenue	$ 190,008	$ 207,173	$ 195,547	$ 221,911	$ 281,834	$ 243,896	$ 169,885	$ 214,071	$ 196,911	$ 219,352
Debt service, revenue bonds	$ 54,097	$ 57,994	$ 58,515	$ 58,143	$ 58,293	$ 61,318	$ 61,298	$ 66,851	$ 72,736	$ 71,382
Debt services, commercial papers	988	1,029	2,021	3,431	792	—	—	—	191	227
Total debt service (3)	$ 55,085	$ 59,023	$ 60,536	$ 61,574	$ 59,085	$ 61,318	$ 61,298	$ 66,851	$ 72,927	$ 71,609
Net available revenue coverage	3.4	3.5	3.2	3.6	4.8	4.0	2.8	3.2	2.7	3.1
Net cash flow from operations	$ 215,117	$ 208,762	$ 226,037	$ 201,575	$ 246,665	$ 252,898	$ 151,264	$ 185,416	$ 158,228	$ 217,113
Net operating cash flow Coverage	3.9	3.5	3.7	3.3	4.2	4.1	2.5	2.8	2.2	3.0

(1) Operating revenues include pledged pooled investment and interest income.

(2) Depreciation and amortization expenses, interest expense, and other nonoperating expenses are not included.

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

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

See accompanying independent auditors' report.

Compliance Section

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Los Angeles, CA 90071-1568

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*

The Board of Commissioners
Port of Los Angeles (Harbor Department of the City of Los Angeles):

We have audited the financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an enterprise fund of the City of Los Angeles, California, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 14, 2012. 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.

Internal Control over Financial Reporting

Management of the Port is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Port's Board of Commissioners, others within the entity, pass-through entities, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 14, 2012