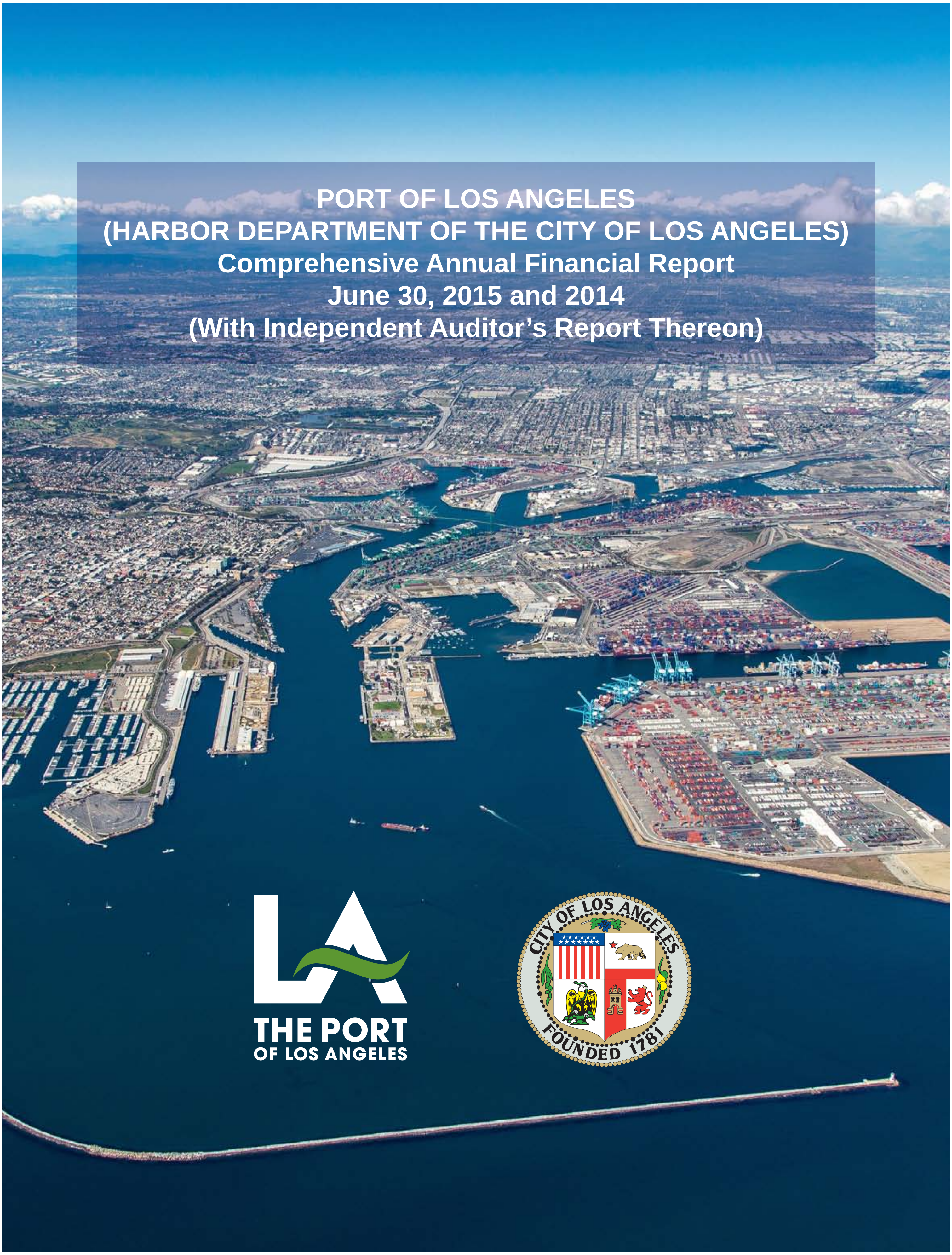
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Comprehensive Annual Financial Report
June 30, 2015 and 2014
(With Independent Auditor's Report Thereon)



THE PORT OF LOS ANGELES

CITY OF LOS ANGELES FOUNDED 1781

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

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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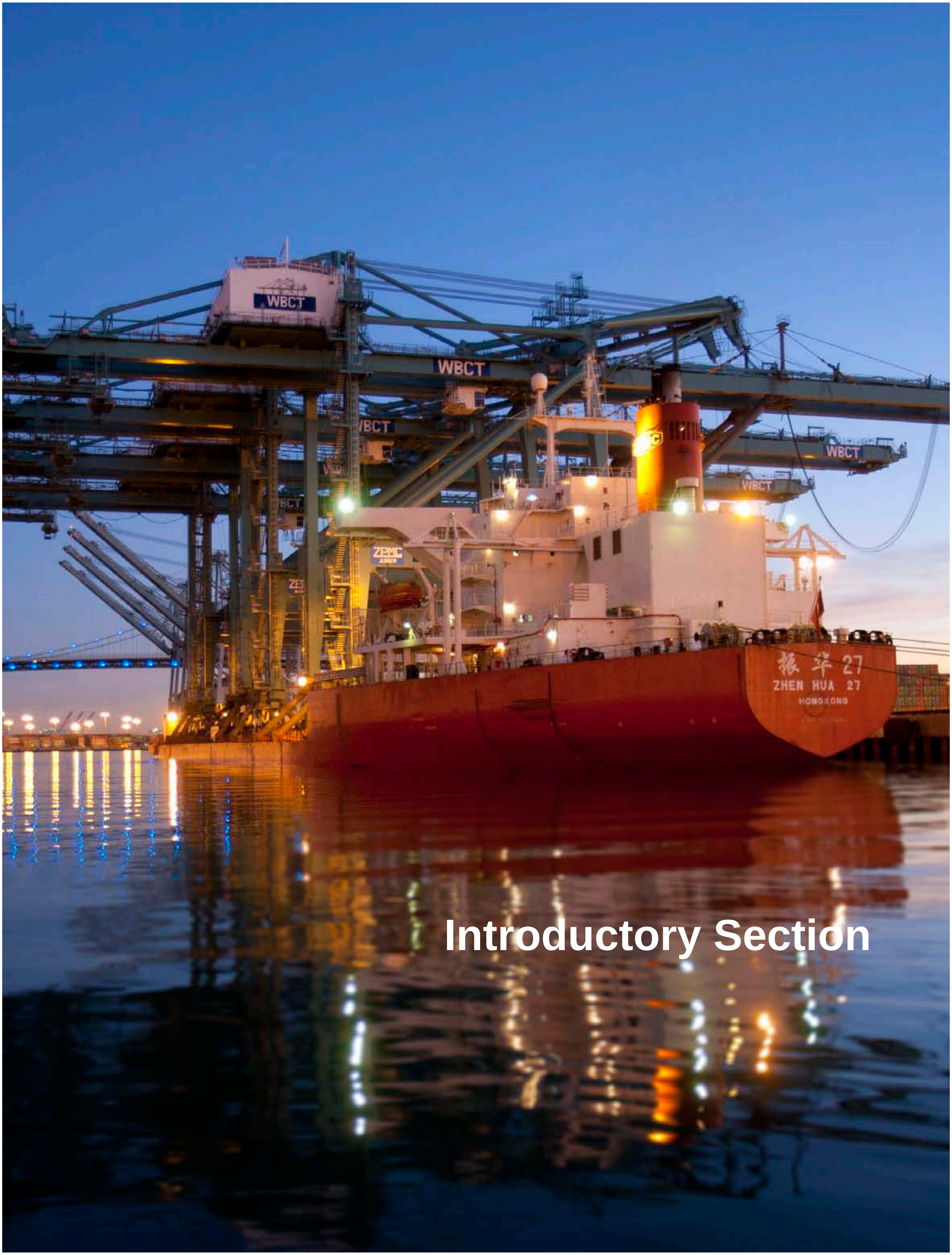


Introductory Section

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

November 23, 2015

Mr. Eugene D. Seroka
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, 2015 and 2014, is hereby submitted.

Introduction

The management of the Port of Los Angeles (the Port) has prepared this annual report. The responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the Port. To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included. The report contains the audited financial statements of the Port for the fiscal years ended June 30, 2015 and 2014, which have received an unmodified opinion from the Port's independent auditor and are presented in accordance with generally accepted accounting principles (GAAP). 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 auditor's report. The Management's Discussion and Analysis presents a comparative review of financial position and changes in financial position for fiscal years 2015, 2014, and 2013. 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 position that present the financial position as of June 30, 2015 and 2014, statements of revenues, expenses, and changes in net position depicting financial performance for fiscal years 2015 and 2014, statements of cash flows that present the source and application of funds from operations, financing, and investment activities for fiscal years 2015 and 2014, and 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 multi-year 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 is held in trust by the City for the people of the State of California pursuant to a series of tidelands grants. The Port is operated independently from the City, generating its own revenues, and administering and controlling its own expenses and fiscal activities. The Port is governed by a five-member Board of Harbor Commissioners (the Board), subject to the oversight by the City Council, which has the duty to provide for the needs of maritime commerce, navigation, fishing and recreation and environmental activities that are water-related and are intended to be of statewide benefit. In accordance with GAAP, the accompanying financial statements are included as an Enterprise Fund of the City, based upon the primary oversight responsibility that the 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 or bureaus. These bureaus each consist of multiple divisions and fall under the responsibilities of five senior executives who report directly to the Executive Director. The Port's management structure is described in more detail below.

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

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

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

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

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

The Port is located in 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 a landlord to close to 300 entities. In addition to major terminal operators, other tenants include marinas, fish markets, railroads, restaurants, and shipyards.

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

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

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

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

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

Sincerely,

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Organizational Chart
Fiscal Year 2014-2015

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

BOARD OF HARBOR COMMISSIONERS

Ambassador Vilma S. Martinez
President

David Arian
Vice President

Patricia Castellanos
Commissioner

Anthony Pirozzi, Jr.
Commissioner

Edward R. Renwick
Commissioner

SENIOR MANAGEMENT

Eugene D. Seroka
Executive Director

Doane Liu
Deputy Executive Director &
Chief of Staff
External Relations

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

Thomas Gazsi
Acting Chief of Public Safety &
Emergency Management

Michael Di Bernardo
Deputy Executive Director
Marketing & Customer Relations

Tony Gioiello
Deputy Executive Director
Development

MANAGEMENT STAFF

Theresa Adams Lopez
Director of Community Relations

Arley Baker
Senior Director of
Communications

Diane Boskovich
Chief Wharfinger

Christopher Cannon
Director of Environmental
Management

Tricia Carey
Director of Contracts &
Purchasing

Eric Caris
Director of Cargo Marketing

Kerry Cartwright
Director of Goods Movement

Capt. Bent Christiansen
Pilot Service

Michael Galvin
Director of Waterfront &
Commercial Real Estate

Annie Gregorio
Director of Accounting

Jack Hedge
Director of Cargo/Industrial Real
Estate

Michael Hillmann
Assistant Chief of Port Police

Julie Huerta
Commission Office

Lance Kaneshiro
Director of Information
Technology

Michael Keenan
Director of Planning & Economic
Development

David Libatique
Senior Director of Governmental
Affairs

Tish Lorenzana
Director of Human Resources

James MacLellan
Director of Business & Trade
Development

Joe Maldonado
Director of Construction &
Maintenance

Kathy Merkovsky
Director of Risk Management

Jim Olds
Director of Management Audits

Capt. Mike Rubino
Pilot Service

Soheila Sajadian
Director of Debt & Treasury
Management

Phillip Sanfield
Director of Media Relations

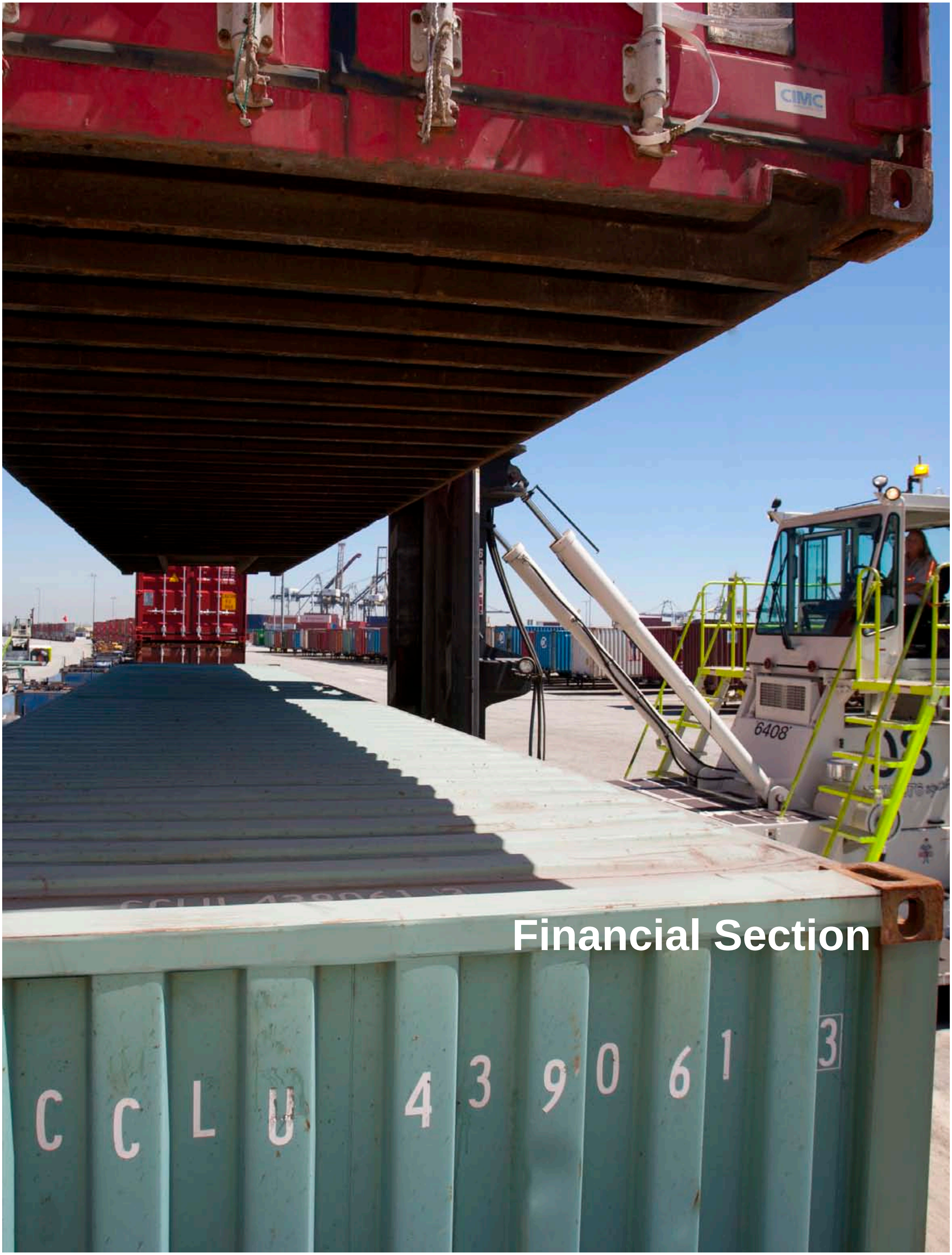
Shaun Shahrestani
Chief Harbor Engineer of
Construction

Dave Walsh
Chief Harbor Engineer of Design

CITY ATTORNEY STAFF

Janna Sidley
General Counsel

Financial Section



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an enterprise fund of the City of Los Angeles, California, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2015 and 2014, and respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1.A, the financial statements of the Port are intended to present the financial position, the changes in financial position and, where applicable, 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, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.B, the Port implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions– an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68* in fiscal year 2015. The beginning net position has been adjusted for this change.

Our opinion is not modified with respect to the aforementioned matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 to 39 and schedule of proportionate share of the net pension liability and schedule of contributions on pages 111-112 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Port's financial statements. The introduction and supplemental information sections as listed in the accompanying table of contents 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.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 23, 2015, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
November 23, 2015

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, 2015 and 2014. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-3 and the Port's financial statements starting from page 40.

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

- *Statements of Net Position* – present information of all of the Port's assets, deferred outflows of resources and liabilities as of June 30, 2015 and 2014. The sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as net position, which over time may increase or decrease and, serves as an indicator of the Port's financial position.

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

Continued…..

Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City. The Port's financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The notes to the financial statements on pages 47 to 110 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights for Fiscal Year 2015

- Current assets exceeded current liabilities by $348.1 million.
- Capital assets, net of accumulated depreciation of $1.7 billion amounted to $3.9 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred Inflows of resources by $3.1 billion.
- Bonded debt net of unamortized discounts/premiums of $58.7 million, totaled $1.1 billion.
- Outstanding commercial paper of $125.0 million was refunded.
- Operating revenue amounted to $446.9 million.
- Net operating expenses excluding depreciation of $137.4 million amounted to $234.2 million.
- Capital grants amounted to $111.9 million.

Continued…..

Financial Highlights for Fiscal Year 2014

- Current assets exceeded current liabilities by $205.5 million.
- Capital assets, net of accumulated depreciation of $1.6 billion amounted to $3.8 billion.
- Application development costs of $ 4.2 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.
- Total assets and deferred outflows of resources exceeded total liabilities by $3.1 billion.
- Bonded debt net of unamortized discounts/premiums of $16.5 million, totaled $781.0 million.
- Borrowings in the form of commercial paper totaled $125.0 million.
- Operating revenue amounted to $426.0 million.
- Net operating expenses excluding depreciation of $124.2 million amounted to $205.4 million.
- Capital grants amounted to $80.4 million.

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Analysis of Net Position

Net position is the sum of assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Port's financial position is improving or deteriorating. The following is a condensed summary of the Port's net position as of June 30, 2015, 2014, and 2013 (in thousands):

Condensed Net Position

				Increase (Decrease) Over Prior Year	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Assets					
Current and other assets	$ 637,824	$ 422,527	$ 536,621	$ 215,297	$ (114,094)
Capital assets, net	3,912,136	3,764,716	3,551,505	147,420	213,211
Total assets	4,549,960	4,187,243	4,088,126	362,717	99,117
Deferred outflows of resources	50,714	5,073	5,660	45,641	(587)
Liabilities					
Current liabilities	176,498	138,750	188,219	37,748	(49,469)
Long term liabilities	1,317,027	989,012	1,021,216	328,015	(32,204)
Total liabilities	1,493,525	1,127,762	1,209,435	365,763	(81,673)
Deferred inflows of resources	44,250	--	--	44,250	--
Net position					
Net investment in capital assets	2,856,561	2,863,795	2,634,840	(7,234)	228,955
Restricted for debt service	97,461	58,054	57,913	39,407	141
Unrestricted	108,877	142,705	191,598	(33,828)	(48,893)
Total net position	$ 3,062,899	$ 3,064,554	$ 2,884,351	$ (1,655)	$ 180,203

Net Position, Fiscal Year 2015

The largest portion of the Port's net position ($2.9 billion or 93.3%) reflects its investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($97.5 million or 3.2%) represents resources that are restricted for debt service. The remaining balance of $108.9 million or 3.6% are unrestricted resources that may be used to meet the Port's ongoing obligations.

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

Continued…..

Unrestricted and restricted cash, cash equivalents, and investments consist primarily of cash and pooled investments held by the City Treasury on behalf of the Port. The increase of $214.3 million from $359.8 million at June 30, 2014 to $574.1 million at June 30, 2015 resulted as the Port issued new bonds during the fiscal year 2015. Restricted investments increased by $39.4 million also due to the new issuance of bonds during the fiscal year. At June 30, 2015, the Port's share in the mark to market valuation of the City's pooled investments totaled $1.2 million. The Port reported additional investments of $4.9 million from its share in the City's investment purchases on June 30, 2015, and $2.9 million in securities lending transactions.

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

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

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

These increases were offset by a $5.7 million decrease in other current liabilities resulting from a $6.8 million payment made for China Shipping and Community Aesthetic Mitigation liabilities and a decrease of $2.6 million in pollution remediation liability. Please refer to page 109 of the notes to the financial statements for additional information on the payments from the China Shipping and Community Aesthetic Mitigation Funds, and page 89 for the decrease in pollution remediation liabilities.

Long-term liabilities increased by $328.1 million mainly due to a new bond issuance of $337.3 million in September 2014 and recognition of $198.8 million in net pension liabilities under the new accounting standards. These increases were offset by a $125.0 million decrease in commercial paper notes which were refunded through issuance of new debt, a $100.9 million decrease in outstanding debt, and a $4.8 million decrease in estimated pollution remediation liabilities. Additional information on the decrease in pollution remediation liabilities is found on page 89 of the notes to the financial statements.

Net Position, Fiscal Year 2014

The largest portion of the Port's net position ($2.9 billion or 93.4%) reflects its investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($58.1 million or 1.9%) represents resources that are restricted for debt service. The remaining balance of $142.7 million or 4.7% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets decreased by $114.1 million or 21.3% from $536.6 million in fiscal year 2013 to $422.5 million in fiscal year 2014. Fluctuations in current and other assets resulted from: a decrease in cash and investments of $97.7 million, a net decrease of $11.6 million in accounts and grants receivables, an

Continued…..

increase of $0.3 million in inventories and prepaid expenses, and a decline of $4.8 million in notes receivable.

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 $97.7 million from $457.6 million at June 30, 2013 to $359.8 million at June 30, 2014 resulted as the Port used portions of its cash for capital improvement activities and the redemption of bonds. Restricted cash and cash equivalents decreased by $8.8 million due to payments made from the China Shipping Mitigation Funds of $8.0 million to reimburse expenditures for improvement projects and $0.9 million from the Clean Truck Restricted Funds for clean truck program expenses. At June 30, 2014, the Port's share in the mark to market valuation of the City's pooled investments totaled $0.9 million. The Port reported additional investments of $2.1 million from its share in the City's investment purchases on June 30, 2014, and $0.4 million in securities lending transactions.

Higher cargo volume and revenues in fiscal year 2014 contributed to the $7.1 million or 19.6% increase in net accounts receivable. Certain billings pertaining to a TEU rate increase remained uncollected due to ongoing negotiations with a tenant which contributed to the higher outstanding accounts receivable as well. Grants receivable decreased by $18.7 million mainly due to the higher level of grant receipts in FY 2014 as the Port had received $8.5 million from the State of California Emergency Management Agency for the Port and Maritime Security Grant Program and $6.2 million from the U.S. Department of Homeland Security.

Capital assets, net of depreciation increased by $213.2 million due to continued commercial and terminal development, various building and facilities improvements, and acquisition of equipment.

Current liabilities decreased by $49.5 million or 26.3% mainly due to the decreases of $43.9 million in accounts payable resulting from improved efficiency in payments, $1.1 million lower obligations under securities lending transactions, and $11.0 million in other current liabilities. The net decrease of $11.0 million in other current liabilities mainly resulted from decreases of $4.1 million in China Shipping and Community Aesthetic Mitigation liabilities, $3.0 million in federal pass through grant liability, and $1.6 million in pollution remediation liability. Please refer to page 109 of the notes to the financial statements for additional information on the payments from the China Shipping and Community Aesthetic Mitigation Funds, and page 89 for the decrease in pollution remediation liability.

These decreases were offset by $4.8 million increase in accrued construction payable resulting from higher retention liabilities, $1.2 million increase in accrued salaries and benefits and $0.5 million increase in the current portion of notes, bonds payable and interest payable for the redemption of bonds.

Long-term liabilities decreased by $32.2 million mainly due to lower bonds and notes payable of $41.2 million and $16.2 million decrease in other liabilities. These were offset by an increase of $25.0 million obligation for commercial paper notes from additional issuance during the fiscal year. The decrease of $16.2 million in other liabilities was mainly due to lower estimated pollution remediation liability. Additional information on the decrease in pollution remediation liability is found on page 89 of the notes to the financial statements.

Continued…..

Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2015, 2014 and 2013 (in thousands):

Condensed Statement of Net Position

				Increase (Decrease) Over Prior Year	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Operating revenue	$ 446,895	$ 425,951	$ 397,368	$ 20,944	$ 28,583
Operating expenses	(234,249)	(205,354)	(205,169)	(28,895)	(185)
Operating income before depreciation and amortization	212,646	220,597	192,199	(7,951)	28,398
Depreciation and amortization	(137,384)	(124,221)	(108,037)	(13,163)	(16,184)
Operating income	75,262	96,376	84,162	(21,114)	12,214
Net nonoperating revenue (expenses)	5,293	(22,111)	1,186	27,404	(23,297)
Income before capital contributions	80,555	74,265	85,348	6,290	(11,083)
Capital contributions	111,852	80,374	17,630	31,478	62,744
Special Item	--	15,002	13,387	(15,002)	1,615
Changes in net position	192,407	169,641	116,365	22,766	53,276
Net position, July 1	3,064,554	2,884,351	2,776,128	180,203	108,223
Net adjustment for write off of bond issue costs	--	--	(8,142)	--	8,142
Net adjustment for prior year amortization of bond premium/discount	--	10,562	--	(10,562)	10,562
Cumulative effect of change in accounting principles	(194,062)	--	--	(194,062)	--
Net position, July 1, restated	2,870,492	2,894,913	2,767,986	(24,421)	126,927
Net position, June 30	$ 3,062,899	$ 3,064,554	$ 2,884,351	$ (1,655)	$ 180,203

Fiscal Year 2015

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

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

Continued…..

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

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

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

Fiscal Year 2014

Net position for the Port posted a $180.2 million or 6.2% increase in fiscal year 2014. Approximately $417.4 million or 98.0% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were higher by $0.2 million in fiscal year 2014 compared to the previous fiscal year.

Depreciation expense increased by $16.2 million to $124.2 million in fiscal year 2014 from $108.0 million in fiscal year 2013, primarily due the net addition of $80.1 million in net depreciable assets in fiscal year 2014.

Nonoperating revenues for fiscal year 2014 totaled $21.0 million, while nonoperating expenses were $43.1 million, thereby resulting in net nonoperating expenses of $22.1 million. Net nonoperating revenues of $21.0 million include $2.1 million income from the investment in the Intermodal Container Transfer Facility Joint Powers Authority, $4.7 million from interest and investment income from the Port's cash in the City's pooled investments, $1.4 million from noncapital grants, $6.8 million from pass through grant revenue, $5.0 million from various rebates and reimbursements, and $1.0 million miscellaneous other receipts. Nonoperating expenses of $43.1 million include $1.5 million interest on indebtedness, $6.8 million pass through grant expenditures, $32.9 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, $0.5 million loss on sale of assets, and $1.2 million related to the costs of issuing commercial paper and maintaining the liquidity support for the commercial paper program during the fiscal year.

Continued…..

As a result, income before capital contributions decreased by $13.0 million or 15.3% to $72.3 million in fiscal year 2014 from $85.3 million in fiscal year 2013.

Capital contributions of $80.4 million represented funds for capital grants obtained in fiscal year 2014, or an increase of $62.7 million compared to the $17.6 million received in fiscal year 2013. Capital grant reimbursements in fiscal year 2014 came from the California Transportation Commission for the Proposition 1B transportation projects ($35.7 million), Metropolitan Transit Authority for the Trade Corridor Improvement project ($17.8 million), U.S. Department of Homeland Security for the Integrated Command and Control Fiber Connectivity project ($4.0 million), and U.S. Department of Transportation for various transportation projects ($22.0 million).

In fiscal year 2014, the Port fully implemented GASB 65 which requires that the effective interest method of amortizing bond premium or discount be used instead of the straight line method. The Port adjusted its beginning net position by $10.6 million to reflect the cumulative effect of applying this change.

An adjustment of $15.0 million for pollution remediation obligations was reflected as Special Item. Additional information on pollution remediation liability adjustment may be found on page 89 of the notes to the Financial Statements.

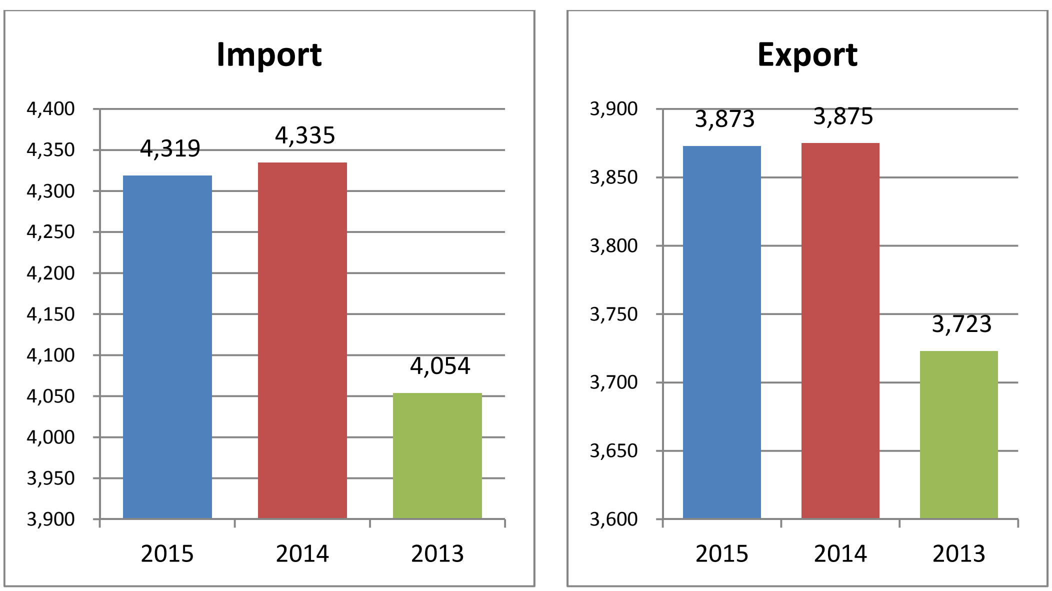
Continued…..

Operating Revenue

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

	In TEUs			% Change Over Prior Year	
Container Volume	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Import	4,319	4,335	4,054	-0.4%	6.9%
Export	3,873	3,875	3,723	-0.1%	4.1%
Total	8,192	8,210	7,777	-0.2%	5.6%

Following is the graphical presentation of the Port's container counts (in thousands TEUs) for fiscal years 2013 to 2015:



In Thousand TEUs

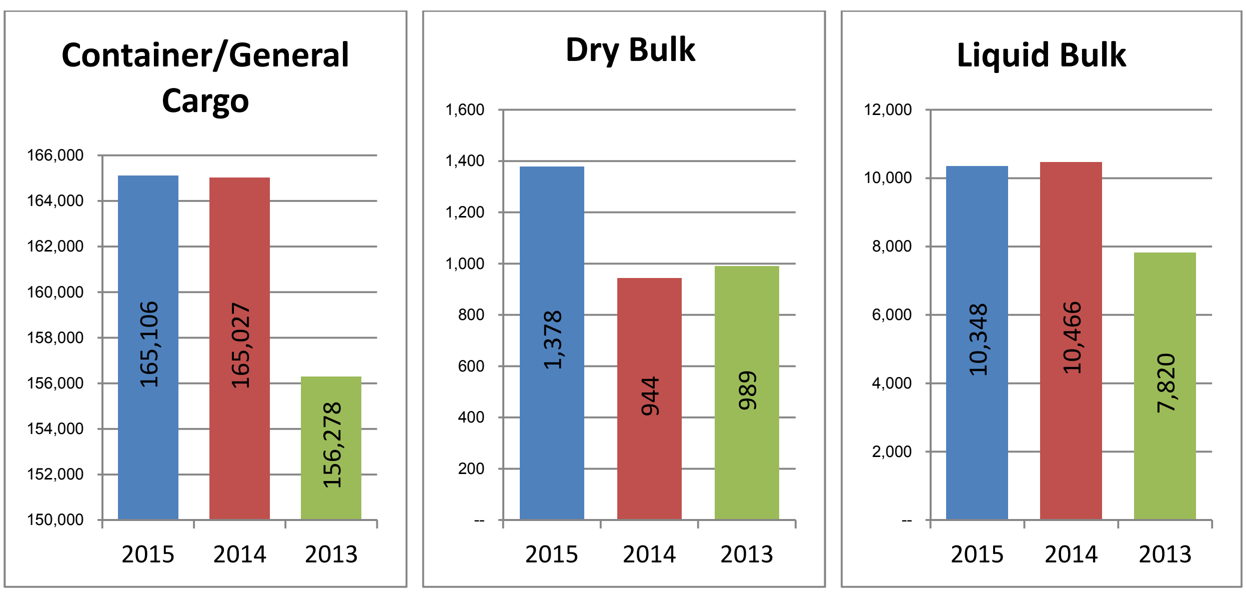
Continued…..

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

	In Metric Revenue Tons			% Change Over Prior Year	
Cargo Type	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Container/general cargo	165,106	165,027	156,278	0.1%	5.6%
Dry bulk	1,378	944	989	46.0%	-4.6%
Liquid bulk	10,348	10,466	7,820	-1.1%	33.8%
Total	176,832	176,437	165,087		

Information for the cargo volume that moved through the Port for the last ten fiscal years is found in the supplemental information on page 116.

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2013 to 2015 in thousand metric tons:



In Thousand Metric Tons

Continued…..

The Port is the number one port by container volume in North America. Over the course of fiscal year 2015, cargo volumes exhibited significant volatility relative to fiscal year 2014. After the July 1, 2014 expiration of the labor contract between the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA), cargo handling activities continued to occur with the majority of arriving ships proceeding directly to berth. Despite (i) bigger ships bringing larger quantities of cargo in one specific time period, (ii) greater complexity in cargo sorting when discharging large volumes of containers for multiple alliance members, (iii) chassis dislocations and provisioning gaps, and (iv) truck driver gate turn-time challenges at container terminals among other operational issues, first quarter cargo volumes exceeded prior year-to-date cargo volumes by 5.3%.

However, as fiscal year 2015 progressed, the aforementioned operational challenges as well as protracted labor negotiations became more of a factor for congestion not only at the Port, but also at most ports along the U.S. west coast. In each of the three months during the second quarter of fiscal year 2015, the Port's fiscal year-to-date cargo volume growth declined relative to prior year such that by the end of December 2014, cargo volumes were only 3.1% above prior year figures.

By February 20, a tentative agreement between the PMA and ILWU was reached; however, by that point, congestion had impacted operations within San Pedro Bay such that ships that had in the first quarter typically proceeded to berth now had to wait at anchor for several days prior to being unloaded. At the height of the congestion, more than 30 ships sat at anchor in San Pedro Bay awaiting berth availability. Furthermore, the aforementioned operational challenges (bigger ships, cargo sorting complexity, chassis dislocations, etc.) continued to persist once these ships reached berth such that loading and unloading activities took significantly longer than usual. By the end of February 2015 and only 5 months after being 5.3% above prior year figures, fiscal year-to-date cargo volumes had fallen 1.5% below prior year.

Following the tentative agreement reached between the PMA and ILWU as well as the integration of new operational initiatives intended to improve chassis utilization and expedite container pick up, cargo volumes began to rebound such that the Port handled 791,863 TEUs in March , the second highest monthly total in its history. Through the third quarter of fiscal year 2015, cargo volumes rose to 0.6% above prior year.

Over the course of the fourth quarter of fiscal year 2015, congestion throughout the Port continued to ease as: ships once again began proceeding directly to berth rather than anchor; members of the ILWU's rank-and-file voted to approve the tentative agreement with the PMA; and the aforementioned operational initiatives continued to increase the velocity at which cargo moved off of terminal docks and onto their final destinations. However, due to the diversion of non-discretionary cargo to East and Gulf Coast ports at the height of congestion and given that cargo owners had stockpiled inventory in the fiscal year prior to the expiration of the ILWU contract with the PMA (thus inflating prior fiscal year volumes), fiscal year 2015 cargo volumes ultimately fell 0.2% below fiscal year 2014 figures.

Continued…..

The Port's major sources of its operating revenue are derived from shipping services, rental fees, royalties and other concession fees. The following table presents a summary of the Port's operating revenues during fiscal years 2015, 2014 and 2013 (in thousands):

Summary of Operating Revenues

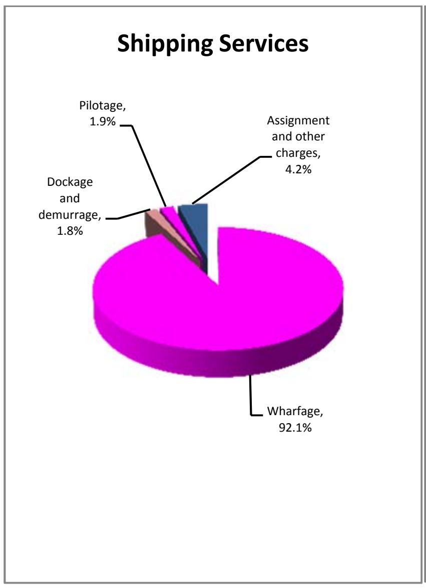
				Increase (Decrease) Over Prior Year	
	FY 2015	FY 2014*	FY 2013*	FY 2015	FY 2014
Shipping services					
Wharfage	$ 336,090	$ 349,953	$ 322,708	$ (13,863)	$ 27,245
Dockage and demurrage	6,426	5,153	4,917	1,273	236
Pilotage	7,110	7,540	6,954	(430)	586
Assignment and other charges	15,273	14,567	13,297	706	1,270
Total shipping services	364,899	377,213	347,876	(12,314)	29,337
Rentals					
Land	45,255	38,189	38,856	7,066	(667)
Others	978	1,967	4,034	(989)	(2,067)
Total rentals	46,233	40,156	42,890	6,077	(2,734)
Royalties and other fees					
Fees, concession and royalties	14,968	2,767	1,744	12,201	1,023
Clean truck program fees	3,520	2,119	1,409	1,401	710
Others	17,275	3,696	3,449	13,579	247
Total royalties and other fees	35,763	8,582	6,602	27,181	1,980
Total operating revenues	$ 446,895	$ 425,951	$ 397,368	$ 20,944	$ 28,583

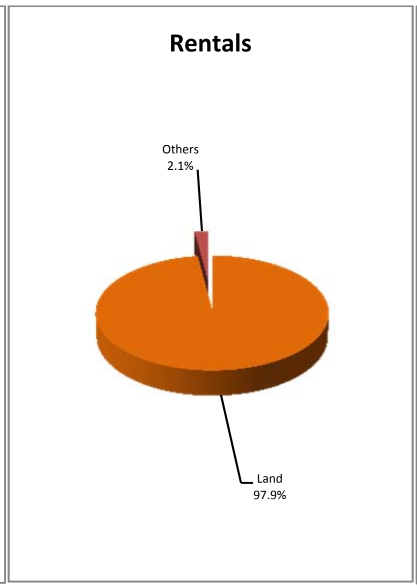
* Certain information was reclassified to conform to current year's presentation.

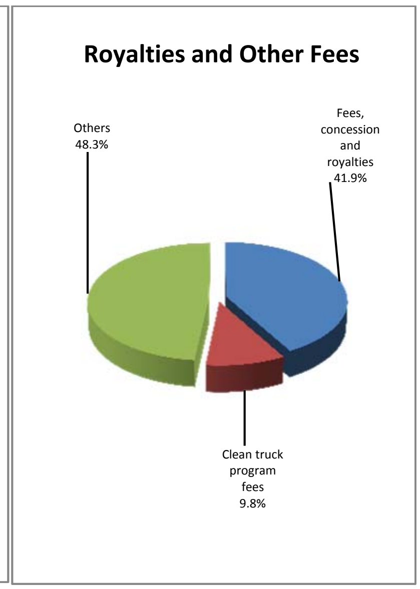
Continued…..

The following charts show the major components of the Port's sources of operating revenue for fiscal years 2015 and 2014:

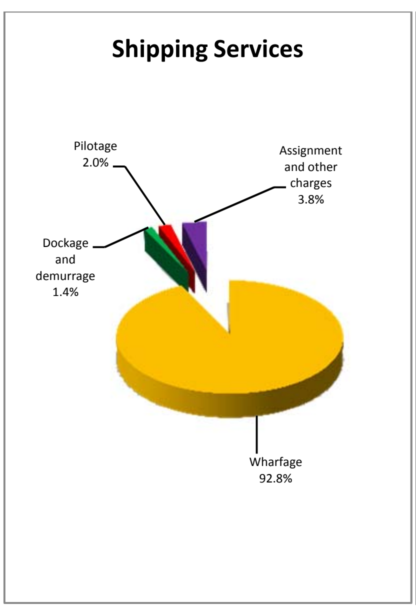
Fiscal Year 2015

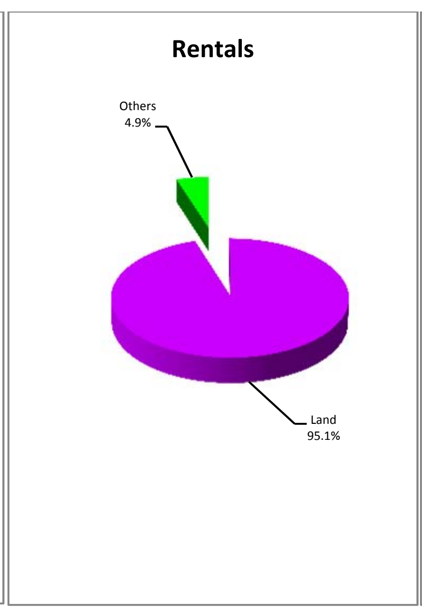


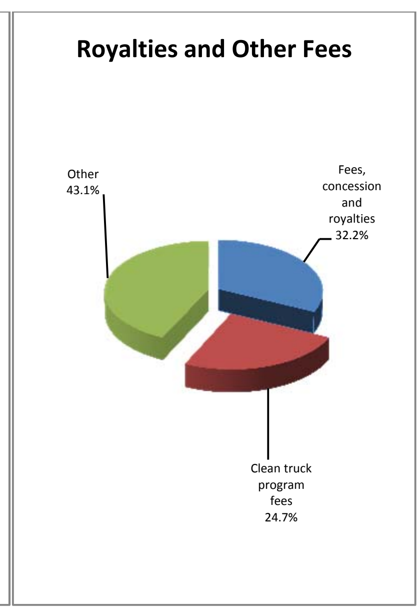




Fiscal year 2014







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Operating Revenue, Fiscal Year 2015

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

Shipping Services

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

Rentals

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

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

Royalties, Fees, and Other Operating Revenue

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

Revenues from royalties, fees, and other operating revenues in 2015 was $35.8 million or 8.0% of the total operating revenue. This represented an increase of $27.2 million more in this revenue category compared with fiscal year 2014 due to $10.9 million in higher license fees related to the BNSF/SCIG facility, $9.4 million in higher utility reimbursements, $5.1 million in higher refunds/reimbursements, $1.4 million in higher Clean Truck Program revenues and $0.4 million in higher parking fees.

Continued…..

Operating Revenue, Fiscal Year 2014

Operating revenue for fiscal year 2014 increased to $426.0 million, reflecting a 7.2% increase from the prior year revenue of $397.4 million. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 93.0% of the total shipping service revenues in fiscal year 2014. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $28.1 million higher compared to fiscal year 2013 mainly due to higher container cargo volume as measured in TEUs as both organic growth and, towards the latter part of the fiscal year, uncertainty over labor contract negotiations spurred cargo owners to stockpile goods. A general rate increase of 1.7% from July to November 2013 as well as scheduled TEU rate adjustments also contributed to the higher shipping services revenues. Net other shipping revenues were $1.2 million higher as dockage and demurrage, pilotage and assignment revenues increased by $0.2 million, $0.6 million and $0.4 million respectively. Increases in net other shipping revenues were due to more favorable contract terms to the Port with respect to cruise ships handling, and a 25% increase in the number of cruise vessels that called at the Port as well as more space assignments provided due to additional areas requested by terminal operators.

Rentals

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

During fiscal year 2014, rental income at the Port which represented 9.4% of fiscal year 2014 total operating revenues decreased by $2.7 million, or 6.4%, over last fiscal year. Rental revenues from land, building, and warehouse facilities declined by $2.8 million or 6.7% due to the cancellation of certain rental agreements. In addition, a one-time fee of $0.7 million billed to the U.S. Customs House in fiscal year 2013 contributed to the higher rental revenue in the prior fiscal year. This decline in fiscal year 2014 was offset by higher rental revenues from wharves and sheds of $0.1 million or 19.0% because of a 1.33% rent adjustment based on an increase in consumer price index.

Continued…..

Royalties, Fees, and Other Operating Revenue

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

Revenues from royalties, fees, and other operating revenues in 2014 was $8.6 million or 2.0% of the total operating revenue. This represented a 30.0% increase or $2.0 million more in this revenue category compared with fiscal year 2013. Revenues from fees and concessions were up by $1.0 million mainly due to higher receipts from Temporary Entry and Use Permits and general engineering permit fees. Income from oil royalties went down because of a refund granted to Tidelands Oil Production Company for overpayment to the Port due to certain billing adjustments. Net other revenues increased by $0.8 million due to higher receipts from utility reimbursements from customers for Alternative Marine Power (AMP) usage.

Operating Expenses

The following table presents a summary of the Port's operating expenses, net of direct and indirect costs allocated to capitalized construction projects for fiscal years 2015, 2014 and 2013. Included in other operating expenses are expenses for workers compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payout, and miscellaneous other items.

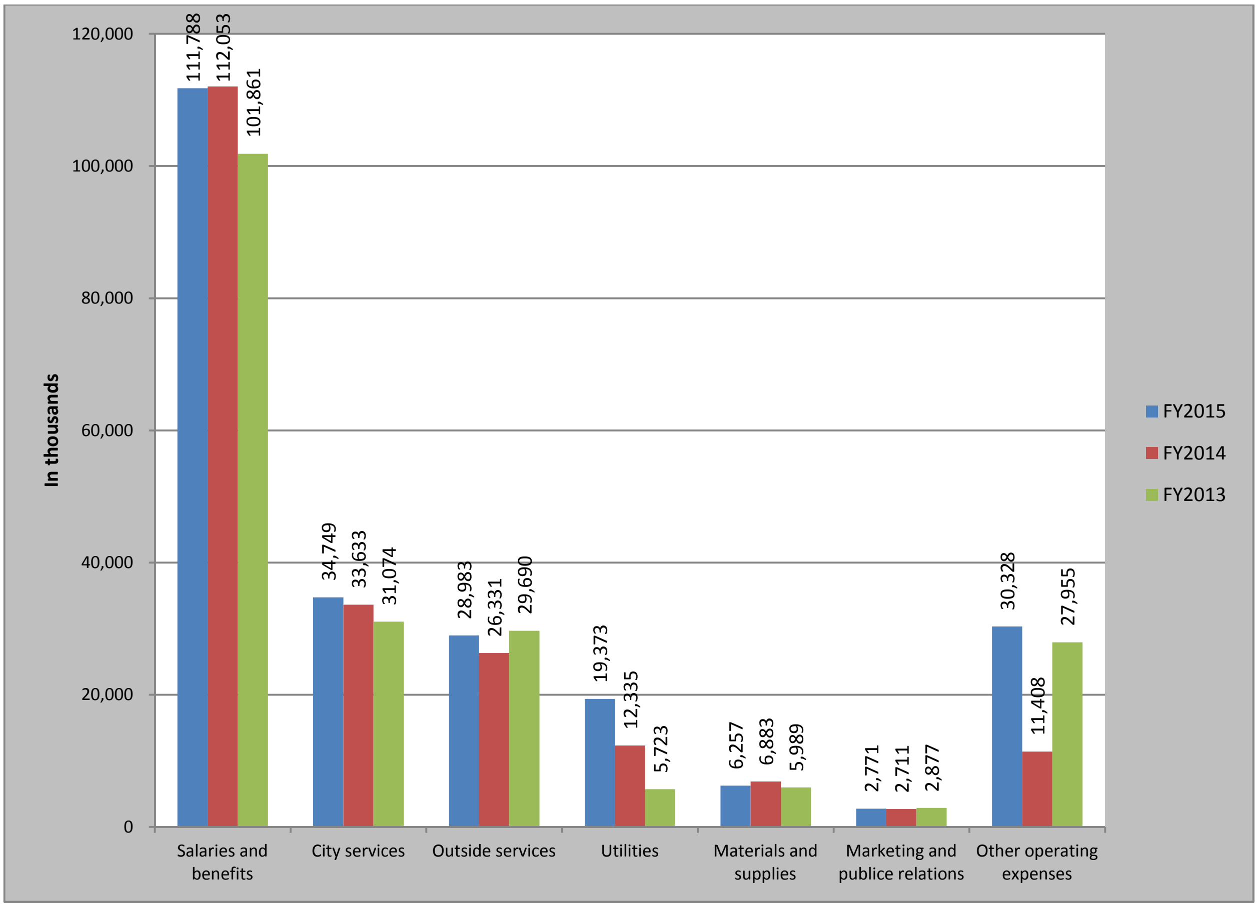
Operating Expenses, Net of Direct and Indirect Costs
(amounts in thousands)

				Increase(Decrease) Over Prior Year	
	FY2015	FY2014	FY2013*	FY2015	FY2014
Salaries and benefits	$ 111,788	$ 112,053	$ 101,861	$ (265)	$ 10,192
City services	34,749	33,633	31,074	1,116	2,559
Outside services	28,983	26,331	29,690	2,652	(3,359)
Utilities	19,373	12,335	5,723	7,038	6,612
Materials and supplies	6,257	6,883	5,989	(626)	894
Marketing and public relations	2,771	2,711	2,877	60	(166)
Other operating expenses	30,328	11,408	27,955	18,920	(16,547)
Total Operating Expenses	$ 234,249	$ 205,354	$ 205,169	$ 28,895	$ 185

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

Continued…..

The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2015, 2014 and 2013:



Fiscal Year 2015

Operating expenses were presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects. Information on direct and indirect costs deducted from operating expenses and charged to capitalized construction projects are presented on pages 118-119 of the supplemental information section.

In fiscal year 2015, operating expenses increased by $28.9 million to $234.2 million, a 14.1% increase from prior fiscal year expense of $205.4 million as a GASB-68 pension expense adjustment, higher provisioning for BNSF/SCIG license fees, increased customer incentive payouts and higher AMP-related electricity expenses were only modestly offset by lower average headcounts throughout the Port.

Continued…..

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

Total payments for City services increased by $1.1 million due to higher street paving service than prior year.

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

Utilities increased by $7.1 million to $19.4 million or 57.1% from prior year of $12.3 million mainly as a result of the additional AMP electricity consumption as fiscal year 2015 represented the first full fiscal year in which all container terminals utilized AMP services over a 12 month period.

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

Other operating expenses of $30.3 million represented an increase of $19.0 million, or 174.5%, relative to prior year expenses of $11.4 million. This increase in other operating expenses was primarily attributable to a charge of $10.9 million for possible non-collection of BNSF/SCIG license fees and $10.5 million in payouts related to the Ocean Common Carrier Incentive Program.

Fiscal Year 2014

Operating expenses were presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects. Information on direct and indirect costs deducted from operating expenses and charged to capitalized construction projects are presented on pages 118-119 of the supplemental information section.

Continued…..

In fiscal year 2014, operating expenses increased by $0.2 million to $207.3 million, a 0.1% increase from prior fiscal year expense of $205.2 million as the Port controlled its overall level of operating expenditures in light of rising salaries and benefits costs. Significant drivers in operating expenses include salaries and benefits, outside services, City services, utilities, materials and supplies and pollution remediation obligations.

Salaries and benefits expense increased by $10.2 million to $112.1 million, or 10.0% higher than prior year of $101.9 million despite slightly lower average full-time filled positions of 939. Salaries and benefits rose primarily driven by an increase of $2.8 million in salaries due to increases that ranged from 1.0% to 5.5% in cost of living allowances for employees covered by various MOUs and mandatory step salary increases. The costs of benefits increased as rising costs associated with the City's defined pension plan and health and dental insurance rose by $2.3 million. The increase comprised of $2.0 million or 9.6% in pension contributions, and $0.3 million or 2.4% increase in medical and dental insurance costs. Allocation of salaries and benefits to capital projects decreased by $4.2 million despite higher capital expenditures as Port staff time spent on capital projects declined.

Total payments for City services increased by $2.6 million. The increase in City services payments resulted from $2.2 million in higher salaries costs as the City employees providing services to the Port billed at higher rates in line with negotiated MOUs. Also contributing to the higher costs was $0.9 million in higher payment to the Fire Department for the protection services given slightly higher CAP rates offset by a $0.8 million refund for City Attorney services overbilling given the existence of furlough in the previous year. Indirect allocation to capitalized projects decreased by $10.6 million as the level of indirect allocation is formula based against the level of direct allocation. Offsetting these higher costs were lower payment to the Department of Recreation and Parks of $1.6 million due to completion of various projects, and decreased charges of $3.1 million for utility costs, as well as net decrease of $6.9 million in payments to the Department of Public Works due to reduced services.

Outside services decreased by $3.4 million to $26.3 million or 11.3% from prior year of $29.7 million primarily due to the following: $3.9 million lower spending for maintenance of building and grounds ($1.9 million), open facilities and land ($0.7 million), wharves and other facilities ($1.3 million), $0.6 million decline in maintenance and consulting needs for various computer hardware and software primarily because the ERP continues to stabilize requiring less configuration, $5.0 million decline in expenditures for architectural and engineering design support services, lower hiring hall salaries and benefits payments of $1.5 million given greater reliance on Port staff and found efficiencies in certain maintenance activities, and $5.3 million lower environmental assessment services as the Port reclassified certain projects to capital, fewer emergency hazardous waste response took place, and portions of the Clean Air Action Plan experienced lower costs. These decreases were offset by the following higher payments: $0.7 million for dredging activities, $1.1 million increase in Port security operations, and $0.5 million additional legal services, and $1.3 million for operations at the Cruise Terminal as the number of cruise ship calls increased over the previous fiscal year. Allocation of portions of outside services to capital projects declined by $7.8 million as a result of the reversion of certain capital projects to expense, thereby resulting in higher operating expense charge for outside services.

Utilities increased by $6.6 million to $12.3 million or 115.5% from prior year of $5.7 million mainly as a result of the additional $4.2 million electricity consumption due to the full operation of the AMP program in fiscal

Continued…..

year 2014, and $1.0 million prior fiscal year usage paid in fiscal year 2014. Water and communications usage also increased by $0.9 million during the year as new facilities required additional utility services.

Materials and supplies expenses increased by $0.9 million to $6.9 million or 14.9% from prior year of $6.0 million due to $0.4 million more purchases of equipment for security activity and the tools needed for the maintenance of additional infrastructure. Allocation to capital projects decreased by $0.5 million resulting in higher expense charges.

Marketing and public relations expenses decreased by $0.2 million to $2.7 million or 5.8% from prior year of $2.9 million as the Port refocused its strategy for marketing and public relations.

Other operating expenses decreased by $16.5 million to $11.4 million or 59.2% from prior year of $28.0 million. This $16.5 million decrease comprised of $10.4 million related to pollution remediation as the latest estimation of certain remediation liability turned out to be lower. Other components included $1.6 million for workers compensation as actuarial estimates of such costs, upon which the expense is based, have declined given the Port's improved record of safety, $0.6 million in travel expenses as the Port realigned travel to be more in line with its strategic plan, and $4.2 million miscellaneous other operating expense items. The $4.2 million decline in other operating expense were mainly due to lower provision for doubtful accounts of $1.4 million, and decline of $1.3 million in payments for customer environmental subsidies and incentives and lower amounts of expenses allocated to capital projects.

Additional information regarding pollution remediation for these sites is found on page 89 of the notes to the financial statements.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include income from investment in a joint powers authority, interest income, and expenses along with receipts and expenditures related with noncapital grant as well as pass through grant awards. The following table presents a summary of the Port's nonoperating revenues and expenses for fiscal years 2015, 2014 and 2013:

Summary of NonOperating Revenues and Expenses
(amounts in thousands)

				Increase (Decrease) Over Prior Year	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Nonoperating revenues					
Income from investments in Joint Powers Authorities	$ 2,811	$ 2,129	$ 2,049	$ 682	$ 80
Interest and investment income	5,039	4,654	826	385	3,828
Other nonoperating revenue	5,619	14,176	16,731	(8,557)	(2,555)
Total nonoperating revenues	13,469	20,959	19,606	(7,490)	1,353
Nonoperating expenses					
Interest expense	331	1,530	2,473	(1,199)	(943)
Other nonoperating expenses	7,845	41,540	15,947	(33,695)	25,593
Total nonoperating expenses	8,176	43,070	18,420	(34,894)	24,650
Net nonoperating revenues (expenses)	$ 5,293	$ (22,111)	$ 1,186	$ 27,404	$ (23,297)

Fiscal Year 2015

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

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

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

Continued…..

Fiscal Year 2014

Net nonoperating revenues (expenses) for fiscal year 2014 decreased by $23.3 million from $1.2 million in fiscal year 2013 to $(22.1) million in fiscal year 2014.

Interest and investment income increased by $3.8 million or 463.4% to $4.7 million from the prior fiscal year's $0.8 million due to higher interest earnings on investments.

Other nonoperating revenues mainly include noncapital grant and pass through grant revenues of $1.4 million and $6.8 million respectively, and $2.2 million refund from South Coast Air Quality Management District for uncommitted funds related to the Clean Trucks Program.

Interest expense decreased by $1.0 million to $1.5 million from the prior fiscal year of $2.5 million. The decrease was a result of the adjustment to the current fiscal year interest expense account arising from the change in amortizing bond discount/premium from straight line method to the effective interest method in compliance with the requirements of GASB 65.

Other nonoperating expenses increased by $25.6 million in fiscal year 2014 mainly because $33.7 million in various capital projects were cancelled during the year causing the expenditures previously capitalized to be expensed. Partially offsetting this increase was a $4.7 million decrease in pass through grant expenses and $2.6 million in miscellaneous rebates, refunds and reimbursements.

Long-Term Debt

The Port's long-term debt comprises of senior debt in the form of Harbor Revenue Bonds and commercial paper. As of June 30, 2015 and 2014 the Port's outstanding long-term debt was $1.1 billion and $906.0 million, 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. For its commercial paper, the ratings are P-1, A-1+, and F-1+, 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, 2015, the Port's debt service coverage ratio was 3.2x using the additional bond test method as defined in its bond indentures.

Continued…..

The Port's long-term debt consisted of the following as of June 30, 2015, 2014, and 2013 (in thousands):

	2015	2014	2013
Revenue bonds payable	$ 1,059,603	$ 780,993	$ 821,130
Commercial paper	--	125,000	100,000
Total	$ 1,059,603	$ 905,993	$ 921,130

Capital Assets

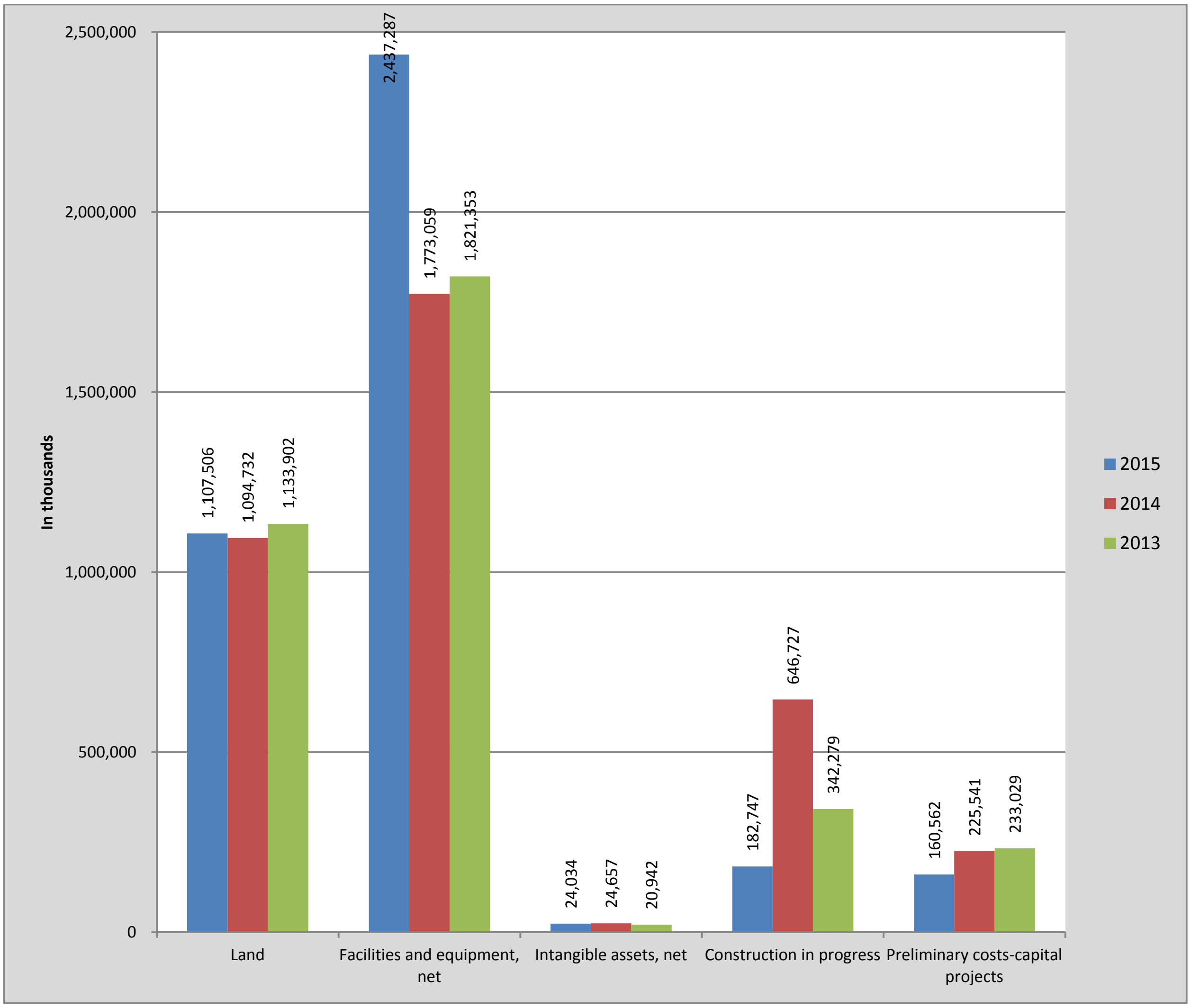
The Port's investment in capital assets, net of accumulated depreciation as of June 30, 2015, 2014 and 2013 amounted to $3.9 billion, $3.8 billion and $3.6 billion, respectively. These accounted for 86.0%, 89.8%, and 86.9% of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2015, 2014 and 2014 (in thousands):

Summary of Capital Assets

				Increase(Decrease) Over Prior Year	
	FY 2015	FY 2014	FY 2013	FY 2015	FY 2014
Land	$ 1,107,506	$ 1,094,732	$ 1,133,902	$ 12,774	$ (39,170)
Facilities and equipment, net	2,437,287	1,773,059	1,821,353	664,228	(48,294)
Intangible assets, net	24,034	24,657	20,942	(623)	3,715
Construction in progress	182,747	646,727	342,279	(463,980)	304,448
Preliminary costs-capital projects	160,562	225,541	233,029	(64,979)	(7,488)
Total	$ 3,912,136	$ 3,764,716	$ 3,551,505	$ 147,420	$ 213,211

Continued…..

The following chart shows the graphical presentation of the Port's capital assets for the fiscal years 2015, 2014 and 2013:



Continued…..

Fiscal Year 2015

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

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

Continued…..

Fiscal Year 2014

Major capital assets activities during fiscal year 2014 are as follows:

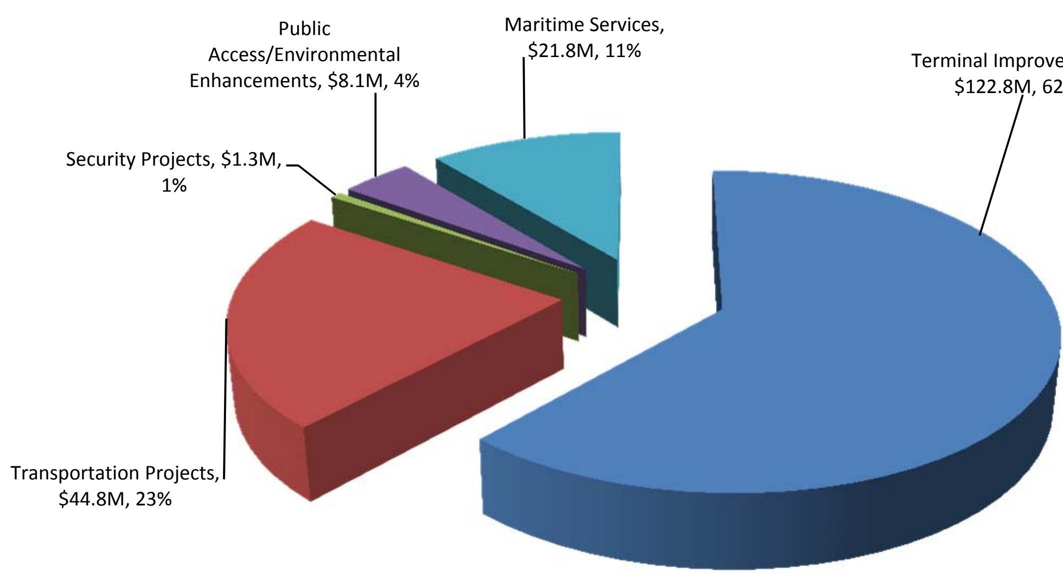
- $50.4 million - Port-wide Alternative Maritime Power (AMP) installations at Yang Ming, YTI, Everport, APL and APMT/CUT terminals.
- $31.1 million - completion of 375 linear feet of expanded wharf, an AMP™ installation at Berth 100, and the development of approximately 37 acres of new backlands at the China Shipping Container Terminal (Berths 100-102).
- $17.7 million - design and construction of a waterfront promenade, plaza and town square from Fire Station 112 to 6th Street at the Downtown Harbor.
- $6.5 million - design and construction of the second phase of a fiber optic network around the Port complex.
- $91.4 million - automatic stacking crane infrastructure at the TRAPAC (Berths 135-147) including backland grading and paving, utilities installation and design, and preliminary construction of the TRAPAC Administration building.
- $61.0 million - design and construction of yard site, tracks, yard office building, diesel engine service facility and rail yard track connections at Berth 200 Rail Yard.
- $33.0 million - design and construction of a grade separation in South Wilmington to carry vehicular traffic over railroad tracks to Port terminals.
- $11.7 million – various transportation projects including C-Street/I-110 access ramp improvements, John S. Gibson Intersection/I-110 access ramp improvements, I-110/SR-47 connector improvements and Terminal Island street improvements.

Continued…..

Capital Improvement Expenditures (CIP) for Fiscal Year 2016

The Port aims to continue to maintain its competitive edge and support the community and local economy by adopting a capital budget of $263.2 million in fiscal year 2016. Comprising 26.0% of its total budget of $1.0 billion, the adopted capital expenditures include $198.8 million of direct costs of capital improvement projects, indirect costs of $60.1 million in allocated capitalized overhead and interest costs, and $4.3 million for capital equipment. The adopted capital expenditures of $198.8 million include $122.8 million for terminal development projects, $44.8 million for transportation and infrastructure projects, $8.1 million for public access/environmental enhancement projects, $1.3 million for security projects, and $21.8 million for maritime services. Below is the graphical presentation of the fiscal year 2016 adopted capital improvement projects budget:

Capital Improvement Program $198.8 Million



Continued…..

The components of the CIP are as follows:

Terminal Development Projects

- Approximately $122.8 million or 61.8% of the total CIP direct cost budget of $198.8 million is dedicated to development projects at various Port terminals.
- $82.7 million for projects at TraPac Terminal, including $39.2 million for backland expansion and improvement projects, $33.1 million for a new semi-automated on-dock rail yard, $6.7 million for multiple buildings improvement at the terminal, and $3.7 million for constructing the crane maintenance building.
- $20.9 million for redevelopment at the YTI Terminal, including $18.0 million for wharf upgrades, berth dredging, crane rail extensions, electrical improvements, expansion of the terminal, and backland improvements, and $2.8 million for improvements at Berth 212 and 220, installation of AMP and fire alarm system replacement.
- $3 million for construction of the marine operations and crane maintenance buildings at the China Shipping Container Terminal.
- $2.3 million for project planning and development at the Everport Terminal including environmental assessment, wharf and backland improvements, and equipment upgrade and installation.
- $1.6 million for AMP installation and continued development of the APL Terminal, $1.4 million for the improvement of Yang Ming Terminal, and $0.3 million for pavement replacement throughout Pier 400.
- $0.9 million for the upgrade and AMP installation, security improvements, and replacement of the water line at the World Cruise Center.

Continued…..

Transportation and Infrastructure Projects

- Approximately $44.8 million or 22.5% of the total CIP direct cost budget of $198.8 million is designated for transportation improvement projects.
- $18.9 million for the C Street/I-110 access ramp improvements which will provide free-flowing right turn lanes to accommodate heavy right-turn truck volumes
- $10.5 million for the John S. Gibson Intersection and Northbound I-100 ramp access improvements which will improve road geometry and allow trucks to make wider turns
- $6.8 million for I-110/SR-47 connector improvements which will add an additional lane to the SR-47 connector to the northbound I-110 freeway.
- $7.5 million for the final close-out phase of the South Wilmington grade separation and Berth 200 Rail Yard projects.
- $1.1 million for various transportation projects such as completion of street improvements on Terminal Island and initial reviews and studies for road, bridge, and interchange configurations.

Public Access and Environmental Enhancement Projects

- $6.2 million for Los Angeles Waterfront projects including the Ports O' Call development, Sampson Way Roadway improvement, wharf retrofit and Signal Street improvement projects.

Port Security Projects

- $1.3 million for the completion of the Information Technology Cyber Security Improvements Phase II which will build upon previously completed projects to expand capabilities and enhance the detection, prevention, response and overall Maritime Domain Awareness capabilities of the Port and its information technology infrastructure.

Maritime Services

- $21.8 million of miscellaneous projects including the Badger Avenue Bridge, the Maritime Museum, Banning's Landing, Liberty Hill Plaza, the Harbor Administrative Building, and other future projects.

Continued…..

Factors That May Affect the Port's Operations

There is significant competition for container traffic among North American ports. The availability of alternate port facilities at competitive prices affects the use of the Port's facilities and therefore the revenues of the Port. The Port cannot predict the scope of such impact.

All of the ports on the West Coast of the U.S. compete for discretionary intermodal cargo destined for locations across the U.S. and Canada. Discretionary cargo makes up approximately 50% of cargo arriving at the Port. Currently, this discretionary cargo moves eastward both by rail and through the Panama Canal. The use of all-water routes primarily through the Panama Canal to the East and Gulf Coasts of the U.S. is an alternative to Asian intermodal cargo moving through U.S. West Coast ports. The Panama Canal is in the process of expanding its locks with reports indicating that the opening of the new locks will take place in early 2016 as the widening and deepening of the lock chambers will allow ships of greater size to transit the Canal. The expansion creates a route to the East and Gulf Coast for ships of greater capacity than the current "Panamax" ships. While the effects of an expanded Canal are unknown, the Port has an existing ability to handle the New Panamax and Super Post-Panamax ships and continues to maintain and improve its strong infrastructure and intermodal capabilities.

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

Competitive Environment

As of fiscal year ended June 30, 2015, six major container ports controlled 99.1% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California; the ports of Seattle and Tacoma in Washington State; and the port of Portland in Oregon. The ports of Los Angeles and Long Beach together controlled 73.4% of all U.S. West Coast market share based on a loaded TEU basis.

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

Continued…..

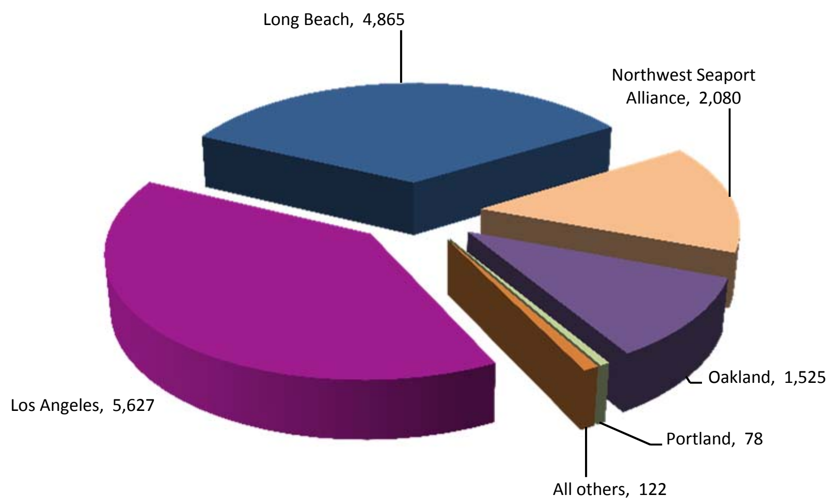
The following presents a summary of the West Coast container market share for fiscal years 2013 to 2015:

	Loaded TEUs (in thousands)			Percentage Market Share		
Ports	FY 2015*	FY 2014*	FY 2013*	FY 2015	FY 2014	FY 2013
Los Angeles	5,627	5,903	5,655	39.4%	39.5%	38.9%
Long Beach	4,865	4,977	4,723	34.0%	33.3%	32.5%
Northwest Seaport Alliance**	2,080	2,197	2,332	14.5%	14.7%	16.0%
Oakland	1,525	1,617	1,572	10.7%	10.8%	10.8%
Portland	78	136	143	0.5%	0.9%	1.0%
All others	122	115	113	0.9%	0.8%	0.8%
	14,297	14,945	14,538	100.0%	100.0%	100.0%

* Source: PIERS

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

Following is the graphical presentation of the West Coast container market share for fiscal year 2015:



Loaded TEUs in Thousands

Request for Information

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

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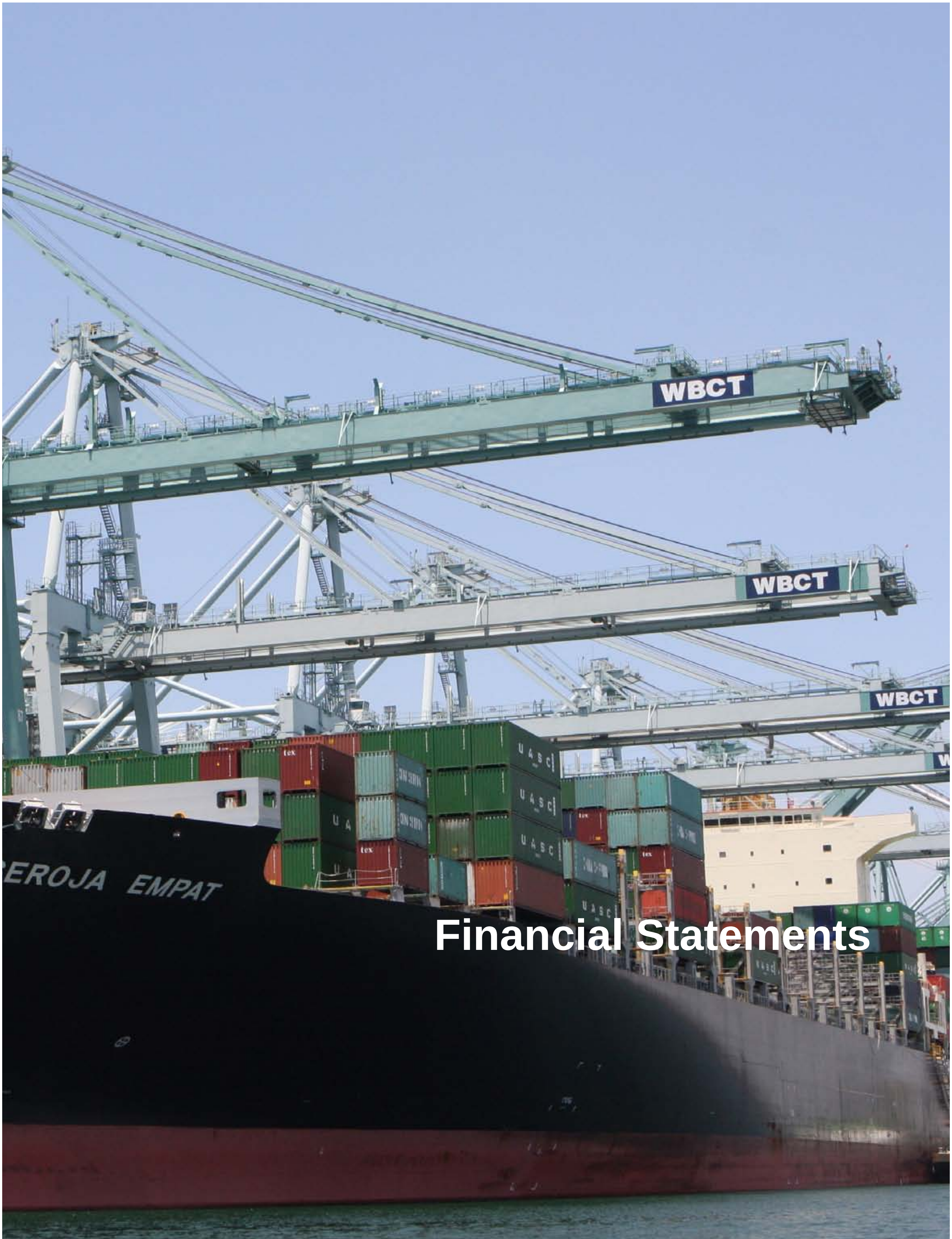

Financial Statements

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

Statements of Net Position
June 30, 2015 and 2014
(amounts In thousands)

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents, unrestricted	$ 441,834	$ 262,729
Cash and cash equivalents, restricted	25,035	29,234
Accounts receivable, net of allowance for doubtful accounts:		
2015 - $13,752; 2014 - $3,469	43,763	43,283
Grants receivable	5,025	429
Materials and supplies inventories	2,641	2,606
Prepaid expenses	393	421
Accrued interest receivable	824	599
Current portion of notes receivable	5,095	4,947
Total current assets	524,610	344,248
Noncurrent Restricted Assets		
Restricted investments – bond funds	97,461	58,054
Other restricted cash and investments	9,727	9,826
Accrued interest receivable	--	2
Total noncurrent restricted assets	107,188	67,882
Capital assets		
Land	1,107,506	1,094,732
Facilities and equipment net of accumulated depreciation:		
2015 - $1,742,483; 2014 - $1,614,961	2,437,287	1,773,059
Intangible assets, net of amortization:		
2015 - $1,326; 2014 - $703	24,034	24,657
Construction in progress	182,747	646,727
Preliminary costs – capital projects	160,562	225,541
Total capital assets	3,912,136	3,764,716
Notes receivable	--	5,182
Investment in Joint Powers Authorities	6,026	5,215
TOTAL ASSETS	4,549,960	4,187,243
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	4,027	5,073
Deferred outflows of resources - pensions	46,687	--
Total deferred outflows of resources	50,714	5,073

continued…..

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

Statements of Net Position
June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
LIABILITIES		
Current Liabilities		
Accounts payable	$ 47,257	$ 26,098
Current maturities of notes payable and bonded debt	42,910	27,270
Accrued interest payable	20,833	16,073
Accrued salaries and employee benefits	16,876	15,625
Obligations under securities lending transactions	2,865	357
Accrued construction cost payable	4,631	6,475
Other current liabilities	41,126	46,852
Total current liabilities	176,498	138,750
Long-term liabilities		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of unamortized discount/premium:		
2015 - $58,693; 2014 - $16,488	1,016,693	753,723
Commercial paper	--	125,000
Accrued salaries and employee benefits	8,286	11,740
Net pension liabilities	198,762	--
Other liabilities	83,786	88,997
Total long-term liabilities payable from unrestricted assets	1,307,527	979,460
Long-term liabilities payable from restricted assets	9,500	9,552
Total long-term liabilities	1,317,027	989,012
TOTAL LIABILITIES	1,493,525	1,127,762
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	44,250	--
NET POSITION		
Net investment in capital assets	2,856,561	2,863,795
Restricted for debt service	97,461	58,054
Unrestricted	108,877	142,705
TOTAL NET POSITION	$ 3,062,899	$ 3,064,554

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Years ended June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
OPERATING REVENUE		
Shipping services		
Wharfage	$ 336,090	$ 349,953
Dockage	6,097	4,930
Demurrage	329	223
Lay day fees	908	975
Pilotage	7,110	7,540
Assignment charges	14,365	13,592
Total shipping services	364,899	377,213
Rentals		
Land	45,255	38,189
Buildings	237	1,211
Warehouses	115	180
Wharf and shed	626	576
Total rentals	46,233	40,156
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	14,968	2,767
Clean truck program fees	3,520	2,119
Other	17,275	3,696
Total royalties, fees, and other operating revenues	35,763	8,582
Total operating revenue	446,895	425,951
OPERATING EXPENSES		
Salaries and other benefits	92,786	93,668
Pension expense	19,002	18,385
City services	34,749	33,633
Outside services	28,983	26,331
Utilities	19,373	12,335
Materials and supplies	6,257	6,883
Marketing and public relations	2,771	2,711
Workers' compensation, claims and settlement	2,503	1,959
Clean truck program expenses	949	1,100
Travel and entertainment	512	548
Other operating expenses	26,364	7,801
Total operating expenses before depreciation	234,249	205,354
Operating Income before depreciation - forwarded	212,646	220,597

continued….

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Years ended June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
Operating Income before depreciation - forwarded	$ 212,646	$ 220,597
Depreciation	137,384	124,221
OPERATING INCOME	75,262	96,376
NONOPERATING REVENUE (EXPENSES)		
Nonoperating revenue		
Income from investments in Joint Powers Authorities	2,811	2,129
Interest and investment income	5,039	4,654
Non capital grant revenue	4,035	1,368
Pass through grant revenue	550	6,823
Other nonoperating revenue	1,034	5,985
Total nonoperating revenue	13,469	20,959
Nonoperating expenses		
Interest expense	(331)	(1,530)
Pass through grant expenses	(550)	(6,823)
Discontinued capital projects	(3,466)	(32,949)
Other nonoperating expenses	(3,829)	(1,768)
Total nonoperating expenses	(8,176)	(43,070)
Net nonoperating revenue (expenses)	5,293	(22,111)
INCOME BEFORE CAPITAL CONTRIBUTIONS	80,555	74,265
Capital contributions	111,852	80,374
Special item	--	15,002
CHANGES IN NET POSITION	192,407	169,641
NET POSITION, JULY 1	3,064,554	2,884,351
Net adjustment for prior year amortization of bond premium/discount	--	10,562
Cumulative effect of change in accounting principle	(194,062)	--
Net position July 1, restated	2,870,492	2,894,913
NET POSITION, JUNE 30	$ 3,062,899	$ 3,064,554

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, 2015 and 2014
(amounts In thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 364,506	$ 370,942
Rentals collected	46,184	39,488
Royalties, fees, and other operating revenues collected	35,725	8,439
Payments for employee salaries and benefits, net of capitalized amounts: 2015 - $25,069 ; 2014 - $24,199	(111,728)	(110,709)
Payments for goods and services	(121,503)	(176,876)
Net cash provided by operating activities	213,184	131,284
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from noncapital grants	4,035	1,368
Net cash provided by noncapital financing activity	4,035	1,368
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(244,519)	(298,149)
Proceeds from sale of capital assets	163	188
Proceeds from capital grants and contributions	107,256	99,106
Payments for refunding of commercial paper notes	(150,000)	--
Net proceeds from issuance of commercial paper notes	25,000	25,000
Net proceeds from issuance of bonds	386,278	--
Principal repayment, redemption, and defeasance – bonds	(100,870)	(26,235)
Payments to bond reserve fund	(39,407)	(141)
Interest paid	(43,454)	(39,246)
Net cash used in capital and related financing activities	(59,553)	(239,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	4,655	4,969
Cash collateral received (paid) under the securities lending transactions	2,506	(1,090)
Increase (decrease) in fair value of investments	260	(19)
Sale (purchase) of investments	2,785	(1,755)
Net payments received on notes receivable	5,034	4,824
Distribution from Joint Powers Authorities	2,000	2,000
Net cash provided by investing activities	17,240	8,929
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	174,906	(97,896)
CASH AND CASH EQUIVALENTS, JULY 1	291,963	389,859
CASH AND CASH EQUIVALENTS, JUNE 30	$ 466,869	$ 291,963

continued…..

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

Statements of Cash Flows
Years ended June 30, 2015 and 2014
(amounts In thousands)

	2015	2014
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and cash equivalents, unrestricted	$ 441,834	$ 262,729
Cash and cash equivalents, restricted	25,035	29,234
Total cash and cash equivalents	$ 466,869	$ 291,963
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 75,262	$ 96,376
Adjustments to reconcile operating income to net cash provided		
by operating activities		
Depreciation	137,384	124,221
Provision for doubtful accounts	10,842	(1,545)
Changes in assets, liabilities, and deferred outflows and inflows of resources		
Accounts receivable	(11,322)	(5,537)
Materials and supplies inventories	(35)	(552)
Prepaid assets	28	250
Deferred outflows of resources - pensions	(46,687)	--
Accounts payable	21,159	(43,868)
Accrued salaries and employee benefits	2,496	1,345
Other liabilities	(20,193)	(39,406)
Deferred inflows of resources - pensions	44,250	--
Total adjustments to reconcile operating income to net cash	137,922	34,908
Net cash provided by operating activities	$ 213,184	131,284
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets with construction payable	$ 4,631	$ 6,475
Acquisition of capital assets with accounts payable	2,310	3,103
Write-off of discontinued construction projects	3,466	33,718
Capitalized interest expense, net	42,130	34,466

See accompanying notes to financial statements.

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

Notes to the Financial Statements

June 30, 2015 and 2014

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

Continued…..

1. Organization and Summary of Significant Accounting Policies

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

A. Organization and Reporting Entity

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

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

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

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

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

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Reporting Entity

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

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

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

B. Summary of Significant Accounting Policies

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

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

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

The Port's investments, including its share of the City's Investment Pool, are stated at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of investments with no regular market is estimated based on similar traded investments. The fair value of mutual funds, government-sponsored investment pools, and other similar investments is stated at share value or an allocation of fair value of the pool, if separately reported. Certain money market investments with initial maturities at the time of purchase of less than one year are recorded at 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.

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Securities Lending – As a participant in the City's Investment Pool, the Port's funds are also part of the City's securities lending program (SLP). The investment collateral received by the City together with the corresponding liability is allocated among the City's participating funds using the same basis as that of allocating interest income and realized gains or losses.

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

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

Development costs for proposed capital projects that are incurred prior to the finalization of formal construction contracts are capitalized. Upon completion of capital projects, such preliminary costs are transferred to the appropriate property account. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment. Preliminary costs - capital projects for fiscal years 2015 and 2014 are $160.6 million and $225.5 million, respectively.

The Port capitalizes interest costs incurred on indebtedness issued in connection with the acquisition, construction or improvement of capital assets, net of interest revenue on reinvested debt proceeds. Interest capitalized in fiscal years 2015 and 2014 were $42.1 million and $34.5 million, respectively.

The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects. Indirect project costs allocated to construction projects for fiscal years 2015 and 2014 were $18.4 million and $10.5 million, respectively.

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

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

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

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

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

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

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

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

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

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

Details of operating expenses net of allocated direct and indirect costs may be found on pages 118-119 of the Supplemental Information Section.

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

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

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

Capital Contributions – The Port may receive grants for the purpose of acquisition or construction of property and equipment. These grants are generally structured as reimbursements against expenditures. Grants are recorded as capital contributions when the grant is earned. Grants are generally earned upon expenditure of funds.

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

- *Net investment in capital assets* – This category consists of capital assets, 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.

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- *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 unrestricted resources as needed and restricted resources for the purpose for which the restriction exists.

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

Reclassifications – Certain reclassifications have been made to amounts reported in fiscal year 2014 to conform to the fiscal year 2015 presentation. These reclassifications have no material impact on the Port's financial statements.

Restatement – In fiscal year 2015, the Port implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, which requires the Port to record its proportionate share of the defined benefit pension obligation for pensions provided under LACERS and LAFPP. Restatement of the amounts of pension expense, deferred inflows of resources, and deferred outflows of resources for the prior period presented is not practical due to the unavailability of information from the pension plans; therefore, the provisions of GASB Statements No. 68 and 71 were not applied to the prior period. The cumulative effect of applying the provisions of GASB Statements No. 68 and 71 has been reported as a restatement of beginning net position for the year ended June 30, 2015, in accordance with the Statements. The cumulative effect of this adjustment to net position is $194.1 million and comprises the addition of the net pension liability of $215.1 million and deferred outflows of resources in the amount of $18.4 million and reduction of the net pension obligation of $2.6 million.

In fiscal year 2014, the Port changed the method of amortizing bond premium and discount from straight line method to effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond discount/premium is calculated using the effective market interest rate versus the coupon rate used in straight-line method. As a result of this change, the beginning net position at July 1, 2013 was adjusted for the cumulative effect of this change in the amount of $10.6 million and fiscal year interest expense was reduced by $0.9 million.

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2. Adoption of New GASB Pronouncements

GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions."* Issued in June 2012, this statement aims (a) to improve the usefulness of information for decisions made by users of financial reports of governments whose employees, both active and inactive, are provided with pensions, and (b) improve information provided about pension-related financial support from certain non-employer entities that make contributions to pension plans that are used to provide benefits to employees of other entities. The Port implemented this statement in fiscal year 2015.

GASB Statement No. 69, *"Government Combinations and Disposals for Government Operations."* Issued in January 2013, this statement addresses accounting and financial reporting for government combinations and disposals of government operations. Government combinations are arrangements that meet the definition of a government merger, government acquisition, or transfer of operations. The Port implemented this statement in fiscal year 2015. This statement has no impact on the Port's financial statements.

GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68."* Issued in November 2013, this statement aims to improve accounting and financial reporting by addressing an issue in Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The Port implemented this statement in fiscal year 2015.

3. Recent GASB Pronouncements for Future Adoption

GASB Statement No. 72, *"Fair Value Measurement and Application."* Issued in February 2015, this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement will be effective beginning fiscal year 2016.

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

GASB Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."* Issued in June 2015, this Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB), as well as for certain

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nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement will be effective beginning fiscal year 2017.

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

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

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

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4. Cash and Investments

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

	2015	2014
Cash in bank and certificates of deposit	$ 388	$ 382
Investment in U.S. Treasury money market fund	97,461	58,130
Equity in the City of Los Angeles Investment Pool	476,208	301,331
Total cash and investments	$ 574,057	$ 359,843

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

	2015	2014
Unrestricted cash and cash equivalents	$ 441,834	$ 262,729
Restricted cash and cash equivalents		
Current		
China Shipping Mitigation Fund	22,623	26,836
Community Aesthetics Mitigation Fund for Parks	--	--
Community Mitigation Trust Fund – Trapac	108	108
Narcotics/Customs Enforcement Forfeiture Fund	384	394
Clean Truck Program and Fee Fund	227	227
Other	1,693	1,669
Subtotal – Current	25,035	29,234
Noncurrent		
Harbor Revenue Bond Funds	97,461	58,054
Commercial Paper Redemption Fund	--	76
Customer Security Deposits	3,155	3,184
Batiquitos Environmental Fund	6,011	6,006
Harbor Restoration Fund	561	560
Subtotal – Noncurrent	107,188	67,880
Total restricted cash and investments	132,223	97,114
Total cash and investments	$ 574,057	$ 359,843

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A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.3 million for both fiscal years ended June 30, 2015 and 2014. The deposits were entirely covered by federal depository insurance or collateralized by securities held by the financial institutions in the Port's name in conformance with the State Government Code.

B. Pooled Investments

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

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

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

The Port had $476.2 million and $301.3 million invested in the City's General Pool and three Special Investment Pools, representing approximately 5.2% and 3.5% of the City Treasury's General Pool and Special Investment Pools at June 30, 2015 and 2014, respectively.

The disclosures on "Note 4.B. Pooled Investments" were derived from information prepared by the City and furnished to the Port.

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Fiscal Year 2015

At June 30, 2015, the investments held in the City Treasury's General and Special Investment Pool Programs 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	$ 4,713,955	$ --	$ --	$ --	$ 4,682,760	$ 31,195
U.S. Agencies Securities	1,334,695	171,585	75,705	345,657	724,213	17,535
Medium Term Notes	1,645,006	40,001	--	202,001	1,403,004	--
Commercial Paper	1,302,850	939,479	261,856	101,515	--	--
Municipal Bonds	42,496	--	--	--	42,496	--
Supranational Coupons	73,074	7,844	--	--	65,230	--
Short Term Investment Funds	1,678	1,678	--	--	--	--
Securities Lending Short-Term Repurchase Agreement	59,190	59,190	--	--	--	--
Total General and Special Pools	$ 9,172,944	$ 1,219,777	$ 337,561	$ 649,173	$ 6,917,703	$ 48,730

Interest Rate Risk. The Policy limits the maturity of its investments to five years for the U.S. Treasury and government agency securities, medium term notes, CD placement service, negotiable certificates of deposit, collateralized bank deposits, mortgage pass-through securities, and bank/time deposits; one year for repurchase agreements; 270 days for commercial paper; 180 days for bankers' acceptances; 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. Agencies (U.S. government sponsored enterprises) securities. The City's $1.3 billion investments in U.S. government sponsored enterprises consist of securities issued by the Federal Home Loan Bank - $316.2 million, Federal National Mortgage Association (Fannie Mae) - $582.5 million, Federal Home Loan Mortgage Corporation (Freddie Mac) - $317.6 million, Federal Farm Credit Bank - $42.1 million, Federal Agriculture Mortgage Corporation - $56.1 million and Tennessee Valley Authority - $20.2 million. Of the City's $1.3 billion investments in U.S. Agencies securities, $799.5 million were rated "AA+" by S&P and "Aaa" by Moody's; $535.2 million were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

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 at the time of purchase. The City's $1.6 billion investments in medium term notes consist of securities issued by banks and corporations that comply with these requirements and were

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rated “A” or better by S&P and “A3” or better by Moody’s. Subsequent to purchase, one issuer of $25.1 million medium term notes were downgraded to “BBB+” by S&P and “Baa1” by Moody’s, one issuer of $8.1 million medium term notes was downgraded to “BBB+” by S&P and “Baa2” by Moody’s, one issuer of $8.1 million medium term notes was downgraded to “A-“ by S&P and “Baa1” by Moody’s, one issuer of $5.0 million medium term notes was downgraded to “A-1” by S&P and “Baa2” by Moody’s and one issuer of $7.0 million medium term notes was downgraded to “BBB+” by S&P and “A3” by Moody’s. Of the City’s $1.6 billion investments in medium term notes, one issuer of $25.0 million was not rated by S&P but rated “A3” by Moody’s.

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 $500.0 million. The City’s $1.3 billion investments in commercial paper were rated “A-1+/A-1” by S&P and “P-1/P-2” by Moody’s.

Municipal bonds have no minimum rating requirement. The City’s $42.5 million investments in municipal bonds were rated “AA/A+” by S&P and “Aa2/Aa3” by Moody’s.

Investments in supranational coupons must have a minimum rating of "AA". This investment was not included in the Policy effective February 2014, but were authorized for purchase by state municipalities upon revisions made to California Code Section 53601 effective January 1, 2015. The City's investments in supranational coupons of $65.2 million were rated "AAA" by S&P, "Aaa" by Moody's. Investments of $7.8 million were rated "A1+" by S&P and "P1" by Moody's. These short-term securities are backed by the full faith of the issuing entity which is rated AAA/Aaa.

Concentration of Credit Risk. The Policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers’ acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds and mortgage pass-through securities. The Policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. Treasury and government agencies. The City’s pooled investments comply with these requirements. GAAP requires disclosure of certain investments in any one issuer that represent 5% or more of total investments. Of the City’s total pooled investments as of June 30, 2015, $582.5 million (6%) was invested in securities issued by Federal National Mortgage Association.

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Fiscal Year 2014

At June 30, 2014, the investments held in the City Treasury's General and Special Investment Pool Programs 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 Bills	$ 248,766	$ 248,746	$ --	$ 20	$ --	$ --
U.S. Treasury Notes	4,121,579	--	--	--	4,085,830	35,749
U.S. Sponsored Agency Issues	1,915,548	606,056	213,475	352,807	730,202	13,008
Medium Term Notes	1,443,640	--	--	191,976	1,231,654	20,010
Commercial Paper	904,407	867,252	26,998	10,157	--	--
Municipal Bonds	30,207	--	--	--	30,207	--
Certificates of Deposit	7,000	--	--	7,000	--	--
Short Term Investment Funds	5,609	5,609	--	--	--	--
Securities Lending Short-Term Collateral Investment Pool	11,425	11,425	--	--	--	--
Total General and Special Pools	$ 8,688,181	$ 1,739,088	$ 240,473	$ 561,960	$ 6,077,893	$ 68,767

Interest Rate Risk. The Policy limits the maturity of its investments to five years for the U.S. Treasury and government agency securities, medium term notes, CD placement service, negotiable certificate of deposits, 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. The City's $1.9 billion investments in U.S. government sponsored enterprises consist of securities issued by the Federal Home Loan Bank - $896.7 million, Federal National Mortgage Association - $675.8 million, Federal Home Loan Mortgage Corporation - $279.7 million, Federal Farm Credit Bank - $17.3 million, and Tennessee Valley Authority - $46.2 million. Of the City's $1.9 billion investments in U.S. Sponsored Agencies securities, $798.3 million were rated "AA+" by S&P and "Aaa" by Moody's; $1,117.3 million were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

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. The City's $1.4 billion investments in medium term notes consist of securities issued by banks and corporations that comply with these requirements and were rated "A" or better by S&P and "A3" or better by Moody's. Subsequent to purchase, two issuers of $38.7 million medium term notes were

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downgraded to “A-1” by S&P and “Baa1” by Moody’s and one issuer of $7.0 million medium term notes was downgraded to “BBB+” by S&P and “A3” by Moody’s.

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 $500.0 million. The City’s $904.4 million investments in commercial paper were rated “A-1+/A-1” by S&P and “P-1” by Moody’s.

Municipal bonds have no minimum rating requirement. The City’s $30.2 million investments in municipal bonds were rated “AA/A” by S&P and “Aa2/Aa3” by Moody’s.

The issuers of the certificates of deposit were not rated.

Concentration of Credit Risk. The Policy does not allow more than 40% of its investment portfolio to be invested in commercial paper and bankers’ acceptances, 30% in certificates of deposit and medium term notes, 20% in mutual funds, money market mutual funds and mortgage pass-through securities. The Policy further provides for a maximum concentration limit of 10% in any one issuer including its related entities. There is no percentage limitation on the amount that can be invested in the U.S. government agencies. The City’s pooled investments comply with these requirements. GAAP requires disclosure of certain investments in any one issuer that represent 5% or more of total investments. Of the City’s total pooled investments as of June 30, 2014, $896.7 million (10%) was invested in securities issued by Federal Home Loan Bank, and $675.8 million (8%) was invested in securities issued by Federal National Mortgage Association.

C. Special Investment Pools

The Port currently has three funds that are invested in the City’s Special Investment Pools. They are Emergency/ACTA Reserve Fund 751, Restoration Fund 70L, and Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pool are managed in accordance with the California State Government Code Sections 53600-53635 and the City’s Policy. Funds in the three funds were invested in U.S. Treasuries and government agency securities with maturities of 180 days or less.

D. Other Investments

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

The Port evaluates the value of the reserve funds on or at August 1 of each year, in accordance with the Indenture of Trust (Indenture). The common reserve was $68.4 million at June 30, 2015 versus $58.1 million at June 30, 2014. The reserve funds were invested in Federal Agency Securities rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s (S&P), and U.S. Treasuries.

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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 securities must be transferred. If, however, the securities used as collateral are the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) then the value of collateral must equal to 105%.

E. City of Los Angeles Securities Lending Program

Portions of the Port funds are also used by the City in a Securities Lending Program (SLP) as part of the investment strategy relative to the total pool of funds invested by the City. The SLP is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines.

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

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

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

The Port's share in the assets and liabilities from the reinvested cash collateral amounted to $2.9 million in fiscal year 2015.

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

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5. Capital Assets

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

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

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The Port's capital assets consist of the following activities for fiscal year ended June 30, 2014 (in thousands):

	Balance July 1, 2013	Additions	Retirements and Disposals	Transfers	Balance June 30, 2014
Capital assets not depreciated					
Land	$ 1,133,902	$ --	$ --	$ (39,170)	$ 1,094,732
Construction in progress	342,279	347,545	(13,058)	(30,039)	646,727
Preliminary costs – capital projects	233,029	17,387	(20,660)	(4,215)	225,541
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,722,110	364,932	(33,718)	(73,424)	1,979,900
Capital assets depreciated/amortized					
Wharves and sheds	884,284	--	--	(2,984)	881,300
Buildings/facilities	2,300,508	--	--	65,672	2,366,180
Equipment	132,787	6,720	(5,488)	6,521	140,540
Intangible assets	8,245	--	--	4,215	12,460
Total capital assets depreciated/amortized	3,325,824	6,720	(5,488)	73,424	3,400,480
Less accumulated depreciation/ amortization					
Wharves and sheds	(385,240)	(25,616)	--	--	(410,856)
Buildings/facilities	(1,039,304)	(80,435)	--	--	(1,119,739)
Equipment	(71,682)	(17,669)	4,985	--	(84,366)
Intangible assets	(203)	(500)	--	--	(703)
Total accumulated depreciation/amortization	(1,496,429)	(124,220)	4,985	--	(1,615,664)
Total capital assets depreciated/ amortized, net	1,829,395	(117,500)	(503)	73,424	1,784,816
Capital assets, net	$ 3,551,505	$ 247,432	$ (34,221)	$ --	$ 3,764,716

Net interest expense of $42.1 million and $34.5 million was capitalized for fiscal years 2015 and 2014, respectively.

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6. Investment in Joint Powers Authorities and Other Entities

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

A. Intermodal Container Transfer Facility Joint Powers Authority

The Port of Los Angeles (POLA) and the Harbor Department of the City of Long Beach, California (POLB) entered into a joint powers agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. The POLA contributed $2.5 million to the ICTF as part of the agreement. The facility, which began operations in December 1986, was developed 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, POLA, or POLB. At June 30, 2015, there were no outstanding bonds.

The ICTF's operations are financed from lease revenues by ICTF activities. The ICTF is empowered to perform those actions necessary for the development of the facility, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's net position at June 30, 2015 and 2014 totaled $6.0 million and $5.2 million, respectively. Separate financial statements for ICTF may be obtained from the Executive Director, Port of Long Beach, 4801 Airport Plaza Drive, Long Beach, California 90815.

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B. Alameda Corridor Transportation Authority

In August 1989, the POLA and the Port of Long Beach (the POLB and, together with the POLA, the Ports) entered into a joint 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 Harbor and Long Beach Freeways and the POLA and POLB in San Pedro Bay linking the two ports to the central Los Angeles area.

The POLA has no share of the ACTA's net assets and income at June 30, 2015 and 2014, and accordingly, they have not been recorded in the accompanying financial statements. If in the future, ACTA is entitled to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally.

Separate financial statements for ACTA may be obtained from the Chief Financial Officer, Alameda Corridor Transportation Authority, One Civic Plaza Drive, Suite 350, Carson, California 90745.

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7. Long-Term Debt

A. Bonded Debt, Commercial Paper and Other Indebtedness

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

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

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The Port's activities for bonded debt, commercial paper and other indebtedness for fiscal year 2014 are as follows (in thousands):

Parity Bonds	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2013	Additions	Deductions	Ending Balance June 30, 2014	Principal Due Within One Year
Issue 2005, Series A	8/1/2015 @ 102%	10/13/2005	3.25% – 5.00%	2027	$ 29,930	$ 27,055	$ --	$ (1,370)	$ 25,685	$ 1,435
Issue 2005, Series B	8/1/2015 @ 102%	10/13/2005	3.00% – 5.00%	2027	30,110	25,440	--	(1,345)	24,095	1,415
Issue 2005, Series C-1	8/1/2015 @ 102%	10/13/2005	4.00% – 5.00%	2018	43,730	7,880	--	--	7,880	470
Issue 2006, Series A	8/1/2016 @ 102%	5/4/2006	5.00%	2027	200,710	50,130	--	--	50,130	1,370
Issue 2006, Series B	8/1/2016 @ 102%	8/3/2006	5.00%	2027	209,815	90,100	--	(6,000)	84,100	--
Issue 2006, Series C	8/1/2016 @ 102%	8/3/2006	5.00%	2026	16,545	13,580	--	(765)	12,815	810
Issue 2006, Series D	8/1/2014 @ 102%	8/31/2006	4.50% – 5.00%	2037	111,300	78,160	--	(2,225)	75,935	2,335
Issue 2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00% – 5.25%	2029	100,000	89,870	--	(3,580)	86,290	3,720
Issue 2009, Series B	8/1/2019 @ 100%	7/9/2009	5.25%	2040	100,000	100,000	--	--	100,000	--
Issue 2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00% – 5.25%	2032	230,160	216,775	--	(10,950)	205,825	15,715
Issue 2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00% – 5.00%	2023	58,930	58,930	--	--	58,930	--
Issue 2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00% – 5.00%	2026	32,820	32,820	--	--	32,820	--
Total parity bonds					$ 1,164,050	790,740	--	(26,235)	764,505	27,270
Unamortized bond (discount) premium						30,390	--	(13,902)	16,488	--
Net parity bonds						821,130	--	(40,137)	780,993	27,270
Commercial paper notes						100,000	25,000	--	125,000	--
Less: current maturities of long-term debt						(26,235)	(27,270)	26,235	(27,270)	--
Total long-term debt net of current maturities						$ 894,895	$ (2,270)	$ (13,902)	$ 878,723	$ 27,270

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B. Bond Premium and Discount

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

In fiscal year 2014, the Port changed the method of amortizing bond premium and discount from straight line method to effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With the effective interest method, the amortization of bond discount/premium is calculated using the effective market interest rate versus the coupon rate used in straight-line method. As a result of this change, the beginning net position at July 1, 2013 was adjusted for the cumulative effect of this change in the amount of $10.6 million and fiscal year 2014 interest expense was reduced by $0.9 million.

The unamortized discount or premium for the outstanding bonds for fiscal years 2015 and 2014 are as follows (in thousands):

Harbor Revenue Bonds	2015 Premium (Discount)	2014 Premium (Discount)
Issue of 2005, Series A	$ 758	$ 895
Issue of 2005, Series B	699	830
Issue of 2005, Series C-1	111	161
Issue of 2006, Series A	924	1,101
Issue of 2006, Series B	1,117	1,476
Issue of 2006, Series C	290	350
Issue of 2006, Series D	--	1,237
Issue of 2009, Series A	969	1,189
Issue of 2009, Series B	(2,043)	(2,098)
Issue of 2009, Series C	3,613	4,298
Issue of 2011, Series A	3,196	4,076
Issue of 2011, Series B	2,721	2,973
Issue of 2014, Series A	26,612	--
Issue of 2014, Series B	13,327	--
Issue of 2014, Series C	6,399	--
Total	$ 58,693	$ 16,488

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C. Principal Maturities and Interest

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

	Principal	Interest	Total
2016	$ 42,910	$ 48,871	$ 91,781
2017	42,095	47,028	89,123
2018	37,155	45,167	82,322
2019	46,830	43,161	89,991
2020	48,690	40,811	89,501
2021 – 2025	282,925	163,830	446,755
2026 – 2030	178,665	97,429	276,094
2031 – 2035	116,425	67,301	183,726
2036 – 2040	128,615	35,203	163,818
2041 – 2045	76,600	9,957	86,557
Subtotal	1,000,910	598,758	1,599,668
Unamortized bond premium (discount), net	58,693	--	58,693
Current maturities of long-term debt	(42,910)	--	(42,910)
Total	$ 1,016,693	$ 598,758	$ 1,615,451

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

2005 Series A Refunding Bonds

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

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

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

At June 30, 2015 and 2014, the outstanding balances of the 2005 Series A Refunding Bonds, plus the unamortized premium of $0.8 million and $0.9 million, were $25.0 million and $26.6 million, respectively.

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

Fiscal Year	Principal	Interest	Total
2016	$ 1,510	$ 1,175	$ 2,685
2017	1,590	1,097	2,687
2018	1,670	1,016	2,686
2019	1,755	930	2,685
2020	1,850	840	2,690
2021 – 2025	10,755	2,679	13,434
2026 – 2027	5,120	259	5,379
Subtotal	24,250	7,996	32,246
Unamortized premium	758	--	758
Total	$ 25,008	$ 7,996	$ 33,004

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2005 Series B Refunding Bonds

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

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

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

At June 30, 2015 and 2014, the outstanding balances of the 2005 Series B Refunding Bonds, plus the unamortized premium of $0.7 million and $0.8 million, were $23.4 million and $24.9 million, respectively.

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

Fiscal Year	Principal	Interest	Total
2016	$ 1,490	$ 1,097	$ 2,587
2017	1,565	1,020	2,585
2018	1,640	940	2,580
2019	1,725	856	2,581
2020	1,820	768	2,588
2021 – 2025	10,585	2,340	12,925
2026 – 2027	3,855	166	4,021
Subtotal	22,680	7,187	29,867
Unamortized premium	699	--	699
Total	$ 23,379	$ 7,187	$ 30,566

Continued…..

2005 Series C-1 Refunding Bonds

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

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

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

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

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

The outstanding balances of the 2005 Series C-1 Refunding Bonds, plus the unamortized premium of $0.1 million and $0.2 million, were $7.5 million and $8.0 million at June 30, 2015 and 2014, respectively.

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

Fiscal Year	Principal	Interest	Total
2016	$ --	$ 371	$ 371
2017	--	371	371
2018	7,410	185	7,595
Subtotal	7,410	927	8,337
Unamortized premium	111	--	111
Total	$ 7,521	$ 927	$ 8,448

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.

Continued…..

2006 Series A Refunding Bonds

The 2006 Series A Refunding Bonds were issued on May 4, 2006 in the aggregate principal amount of $200.7 million, on a forward-delivery basis, to currently refund $202.7 million of the 1996A Bonds. 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 a coupon interest rate of 5.00% with maturity dates ranging from August 1, 2006 to August 1, 2026.

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

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, 2015 and 2014, the outstanding balances of the 2006 Series A Refunding Bonds, plus the unamortized premium of $0.9 million and $1.1 million, were $49.7 million and $51.2 million, respectively.

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

Fiscal Year	Principal	Interest	Total
2016	$ --	$ 2,438	$ 2,438
2017	195	2,433	2,628
2018	8,930	2,205	11,135
2019	9,990	1,732	11,722
2020	--	1,482	1,482
2021-2025	29,645	4,358	34,003
Subtotal	48,760	14,648	63,408
Unamortized premium	924	--	924
Total	$ 49,684	$ 14,648	$ 64,332

Continued…..

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 a coupon interest rate of 5.00% with maturity dates ranging from August 1, 2007 to August 1, 2026.

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

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

The outstanding balances of the 2006 Series B Refunding Bonds, plus the unamortized premium of $1.1 million and $1.5 million, were $85.2 million and $85.6 million at June 30, 2015 and 2014, respectively.

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

Fiscal Year	Principal	Interest	Total
2016	$ 11,540	$ 3,917	$ 15,457
2017	12,140	3,325	15,465
2018	3,095	2,944	6,039
2019	12,855	2,545	15,400
2020	13,485	1,886	15,371
2021 – 2025	30,760	1,614	32,374
2026	225	6	231
Subtotal	84,100	16,237	100,337
Unamortized premium	1,117	--	1,117
Total	$ 85,217	$ 16,237	$ 101,454

Continued.....

2006 Series C Refunding Bonds

The 2006 Series C Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $16.5 million, on a forward-delivery basis, to currently refund $17.1 million of the 1996 Series C Bonds. 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 coupon interest at a rate of 5.00% with maturity dates ranging from August 1, 2008 to August 1, 2025.

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

The outstanding balances of the 2006 Series C Refunding Bonds, plus the unamortized premium of $0.3 million and $0.4 million, were $12.3 million and $13.2 million at June 30, 2015 and 2014, respectively.

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

Fiscal Year	Principal	Interest	Total
2016	$ 850	$ 579	$ 1,429
2017	895	535	1,430
2018	930	490	1,420
2019	980	442	1,422
2020	1,035	392	1,427
2021 – 2025	5,955	1,113	7,068
2026	1,360	34	1,394
Subtotal	12,005	3,585	15,590
Unamortized premium	290	--	290
Total	$ 12,295	$ 3,585	$ 15,880

Continued…..

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 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 coupon interest at rates ranging from 4.50% 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.

All outstanding balances of 2006 Series D Refunding Bonds of $73.6 million were refunded upon the issuance of 2014 Series A Refunding Bonds in September 2014.

Continued…..

2009 Series A New Money Bonds

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

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

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

The outstanding balances of the 2009 Series A Bonds, plus the unamortized premium of $1.0 million and $1.2 million, were $83.5 million and $87.5 million at June 30, 2015 and 2014, respectively.

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

Fiscal year	Principal	Interest	Total
2016	$ 3,905	$ 3,969	$ 7,874
2017	4,095	3,794	7,889
2018	4,255	3,627	7,882
2019	4,425	3,453	7,878
2020	4,605	3,250	7,855
2021 – 2025	26,795	12,354	39,149
2026 – 2030	34,490	4,489	38,979
Subtotal	82,570	34,936	117,506
Unamortized premium	969	--	969
Total	$ 83,539	$ 34,936	$ 118,475

Continued…..

2009 Series B New Money Bonds

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

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

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

The outstanding balance of the 2009 Series B Bonds, net of unamortized discount of $2.0 million and $2.1 million were $98.0 million and $97.9 million at June 30, 2015 and 2014, respectively.

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

Fiscal year	Principal	Interest	Total
2016	$ --	$ 5,250	$ 5,250
2017	--	5,250	5,250
2018	--	5,250	5,250
2019	--	5,250	5,250
2020	--	5,250	5,250
2021 – 2025	--	26,250	26,250
2026 – 2030	--	26,250	26,250
2031 – 2035	43,640	20,756	64,396
2036 – 2040	56,360	7,700	64,060
Subtotal	100,000	107,206	207,206
Unamortized discount	(2,043)	--	(2,043)
Total	$ 97,957	$ 107,206	$ 205,163

Continued…..

2009 Series C Refunding Bonds

Contemporaneously with the issuance of the 2009 Series A and Series B New Money Bonds, the Port issued the 2009 Series C Refunding Bonds in the aggregate principal amount of $230.2 million. The Bonds were issued to provide funds for the purchase of certain maturities of the 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 coupon interest rates ranging from 4.00% to 5.25% with maturity dates from August 1, 2011 to August 1, 2031.

The Bond maturing on August 1, 2021, which bears coupon interest at 5.25% per annum, and the Bonds maturing on or after August 1, 2022 are subject to optional redemption 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 $3.6 million and $4.3 million, were $193.7 million and $210.1 million at June 30, 2015 and 2014, respectively.

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

Fiscal year	Principal	Interest	Total
2016	9,675	9,500	19,175
2017	8,860	9,055	17,915
2018	2,265	8,786	11,051
2019	--	8,729	8,729
2020	10,000	8,479	18,479
2021-2025	79,795	33,499	113,294
2026-2030	77,095	5,183	82,278
2031-2032	2,420	133	2,553
Subtotal	190,110	83,364	273,474
Unamortized premium	3,613	--	3,613
Total	$ 193,723	$ 83,364	$ 277,087

Continued…..

2011 Series A Refunding Bonds

The 2011 Series A Refunding Bonds were issued in 2011 in the aggregate principal amount of $58.9 million to refund the outstanding principal of $64.9 million of the 2001 Series B Refunding Bonds. 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 coupon rates from 3.00% to 5.00% with maturity dates ranging from August 2015 to 2022.

The 2011 Series A Refunding Bonds are subject to optional redemption on or after August 1, 2021 without early redemption premium. Principal and 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, plus the unamortized premium of $3.2 million and $4.1 million, were $62.1 million and $63.0 million at June 30, 2015 and 2014, respectively.

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

Fiscal Year	Principal	Interest	Total
2016	$ 2,135	$ 2,872	$ 5,007
2017	7,130	2,662	9,792
2018	7,490	2,296	9,786
2019	7,855	1,912	9,767
2020	8,250	1,510	9,760
2021 – 2023	26,070	1,939	28,009
Subtotal	58,930	13,191	72,121
Unamortized premium	3,196	--	3,196
Total	$ 62,126	$ 13,191	$ 75,317

Continued…..

2011 Series B Refunding Bonds

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

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

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

The outstanding balance of the 2011 Series B Refunding Bonds, plus the unamortized premium of $2.7 million and $3.0 million, were $35.5 million and $35.8 million at June 30, 2015 and 2014, respectively.

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

Fiscal Year	Principal	Interest	Total
2016	$ --	$ 1,618	$ 1,618
2017	--	1,618	1,618
2018	--	1,618	1,618
2019	--	1,618	1,618
2020	--	1,618	1,618
2021 – 2025	21,775	6,954	28,729
2026 – 2027	11,045	271	11,316
Subtotal	32,820	15,315	48,135
Unamortized premium	2,721	--	2,721
Total	$ 35,541	$ 15,315	$ 50,856

Continued…..

2014 Series A Revenue Bonds and Refunding Revenue Bonds

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

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

The outstanding balance of the 2014 Series A Bonds, plus the unamortized premium of $26.6 million was $229.9 million at June 30, 2015.

Debt service of the Port's 2014 Series A Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 2,275	$ 9,993	$ 12,268
2017	3,420	9,902	13,322
2018	4,595	9,741	14,336
2019	4,865	9,528	14,393
2020	5,160	9,277	14,437
2021 – 2025	26,590	42,220	68,810
2026 – 2030	27,450	36,091	63,541
2031 – 2035	47,330	26,749	74,079
2036 – 2040	42,785	14,268	57,053
2041 – 2045	38,810	5,045	43,855
Subtotal	203,280	172,814	376,094
Unamortized premium	26,612	--	26,612
Total	$ 229,892	$ 172,814	$ 402,706

Continued…..

2014 Series B Refunding Revenue Bonds

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

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

The outstanding balance of the 2014 Series B Bonds, plus the unamortized premium of $13.3 million was $102.4 million at June 30, 2015.

Debt service of the Port's 2014 Series B Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 1,360	$ 4,328	$ 5,688
2017	1,425	4,266	5,691
2018	1,480	4,208	5,688
2019	1,545	4,147	5,692
2020	1,615	4,076	5,691
2021 – 2025	9,400	19,050	28,450
2026 – 2030	12,065	16,385	28,450
2031 – 2035	15,390	13,060	28,450
2036 – 2040	19,645	8,806	28,451
2041 – 2045	25,180	3,273	28,453
Subtotal	89,105	81,599	170,704
Unamortized premium	13,327	--	13,327
Total	$ 102,432	$ 81,599	$ 184,031

Continued…..

2014 Series C Revenue Bonds

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

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

The outstanding balance of the 2014 Series C Bonds, plus the unamortized premium of $6.4 million was $51.3 million at June 30, 2015.

Debt service of the Port's 2014 Series C Bonds are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 760	$ 2,090	$ 2,850
2017	780	2,070	2,850
2018	805	2,046	2,851
2019	835	2,018	2,853
2020	870	1,984	2,854
2021 – 2025	4,800	9,461	14,261
2026 – 2030	5,960	8,295	14,255
2031 – 2035	7,645	6,603	14,248
2036 – 2040	9,825	4,429	14,254
2041 – 2045	12,610	1,639	14,249
Subtotal	44,890	40,635	85,525
Unamortized premium	6,399	--	6,399
Total	$ 51,289	$ 40,635	$ 91,924

Continued…..

E. Commercial Paper

The Port has established a Commercial Paper program (Program) supported by bank credit lines to issue commercial paper notes (Notes) to provide interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment needs. The total credit available under the credit facilities that support the Program was at $250.0 million. The term of the Program expired at the end of July 2015.

There was no outstanding commercial paper as of June 30, 2015 and total amount outstanding was $125.0 million as of June 30, 2014. Funds were used to finance the China Shipping and TraPac Container Terminal Projects. The 2014 notes issued were remarketed upon maturity and refunded through the issuance of long term bonds. Therefore, these notes were classified as long-term liabilities as of June 30, 2014.

F. Current Year and Prior Years' Defeasance of Debt

The Port defeased those bonds refunded by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Port's financial statements.

The Port has outstanding bonds in the defeasance escrows held by the trustee at June 30, 2015 and 2014 of $38.8 million and $46.8 million, respectively.

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8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the year ended June 30, 2015 are as follows (in thousands):

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due within one year
Revenue bonds	$ 764,505	$ 337,275	$ (100,870)	$ 1,000,910	$ 42,910
Unamortized (discount)/ premium	16,488	49,003	(6,798)	58,693	--
Net revenue bonds	780,993	386,278	(107,668)	1,059,603	42,910
Commercial paper	125,000	25,000	(150,000)	--	--
Accrued salaries	5,266	108,437	(107,504)	6,199	6,199
Compensated absences	9,543	22,476	(22,400)	9,619	9,619
Accrued employee benefits	9,883	97,998	(98,536)	9,345	1,060
Litigation	333	1,611	(343)	1,601	1,601
Workers compensation	15,826	1,271	(1,762)	15,335	1,783
Pollution remediation	80,832	11,730	(19,159)	73,403	8,227
Deposits	12,925	198	(372)	12,751	--
Net pension obligation/liabilities	2,673	198,762	(2,673)	198,762	--
Others	31,730	215,151	(222,435)	24,446	22,640
Total long-term liabilities	$ 1,075,004	$ 1,068,912	$ (732,852)	$ 1,411,064	$ 94,039

Continued…..

The changes in the Port's long-term liabilities for the year ended June 30, 2014 are as follows (in thousands):

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due within one year
Revenue bonds	$ 790,740	$ --	$ (26,235)	$ 764,505	$ 27,270
Unamortized (discount)/ premium	30,390	--	(13,902)	16,488	--
Net revenue bonds	821,130	--	(40,137)	780,993	27,270
Commercial paper	100,000	25,000	--	125,000	--
Accrued salaries	4,274	85,151	(84,159)	5,266	5,266
Compensated absences	9,386	20,773	(20,616)	9,543	9,543
Accrued employee benefits	9,469	30,975	(30,561)	9,883	816
Litigation	441	--	(108)	333	333
Workers compensation	15,175	2,686	(2,035)	15,826	1,939
Pollution remediation	99,361	6,790	(25,319)	80,832	10,873
Deposits	12,938	1,264	(1,277)	12,925	--
Net pension obligation	2,891	--	(218)	2,673	--
Others	39,130	17,723	(25,123)	31,730	29,951
Total long-term liabilities	$ 1,114,195	$ 190,362	$ (229,553)	$ 1,075,004	$ 85,991

Continued…..

9. GASB 49 Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2015 and 2014 totaled $73.4 million and $80.8 million, respectively. These costs relate mostly to soil and ground water contamination on sites within the Port premises. As certain sites were formerly used for a variety of industrial purposes, legacy contamination or environmental impairments exist. As environmental risks may be managed, the Port has adopted the "Managed Environmental Risk" approach in estimating the remediation liability. The Port uses a combination of in-house specialists as well as outside consultants to perform estimates of potential liability. Certain remediation contracts are included in site development plans as final uses for the sites have been identified.

The changes in the Port's pollution remediation obligations for fiscal year 2015 are as follows (in thousands):

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Obligating Event					
Named by regulator as a potential party to remediation	$ 74,303	$ 11,730	$ (17,783)	$ 68,250	$ 7,934
Voluntary commencement	6,529	--	(1,376)	5,153	293
Total	$ 80,832	$ 11,730	$ (19,159)	$ 73,403	$ 8,227
Pollution Type					
Soil and or groundwater remediation	$ 80,832	$ 11,730	$ (19,159)	$ 73,403	$ 8,227

The changes in the Port's pollution remediation obligations for fiscal year 2014 are as follows (in thousands):

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Obligating Event					
Named by regulator as a potential party to remediation	$ 89,444	$ 3,212	$ (18,353)	$ 74,303	$ 10,323
Voluntary commencement	9,917	4,545	(7,933)	6,529	550
Total	$ 99,361	$ 7,757	$ (26,286)	$ 80,832	$ 10,873
Pollution Type					
Soil and or groundwater remediation	$ 99,361	$ 7,757	$ (26,286)	$ 80,832	$ 10,873

In fiscal year 2014, the Port adjusted the outstanding pollution remediation liabilities of $15.0 million and presented this as Special Item in the Port's financial statements. Please see Note 21 on page 110 for more information.

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10. Employee-Deferred Compensation Plan

The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to its employees, in which Port employees participate, allowing them to defer receipt of income. All amounts deferred by the Port's employees are paid to the City, which in turn pays them to the deferred compensation plan administrator. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. Information on the Port employees' share of plan assets is not available and is not recorded in the Port's financial statements.

While the City has full power and authority to administer and to adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the plan or terminate service with the City, they may be eligible to receive payments under the plan in accordance with the provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the plan by the participants, along with their allocated contributions.

11. 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, 2015 and 2014 were $15.3 million and $15.8 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, 2015 and 2014 were $1.6 million and $0.3 million, respectively.

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

	2015	2014	2013
Unpaid claims, July 1			
Workers compensation	$ 15,826	$ 15,175	$ 13,639
General liability/litigation	333	441	465
Total unpaid claims, July 1	16,159	15,616	14,104
Provision for current year's events and changes in provision for prior year's events			
Workers compensation	936	2,686	4,700
General liability/litigation	1,567	--	133
Total provision	2,503	2,686	4,833
Claims payments			
Workers compensation	(1,427)	(2,035)	(3,164)
General liability/litigation	(299)	(108)	(157)
Total claims payments	(1,726)	(2,143)	(3,321)
Unpaid claims, June 30			
Workers'compensation	15,335	15,826	15,175
General liability/litigation	1,601	333	441
Total unpaid claims, June 30	$ 16,936	$ 16,159	$ 15,616
Current portion			
Workers compensation	$ 1,783	$ 1,939	$ 1,939
General liability/litigation	1,601	333	441
Total current portion	$ 3,384	$ 2,272	$ 2,380

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12. 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, 2015 and 2014, the minimum rental income from such lease agreements was approximately $46.2 million and $40.2 million, respectively. For the years ended June 30, 2015 and 2014, the MAG payments were approximately $248.7 million and $241.6 million, respectively, and were reported under shipping services revenue.

The carrying cost and related accumulated depreciation of property held for operating leases as of June 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
Wharves and sheds	$ 1,163,741	$ 881,299
Cranes and bulk facilities	52,441	52,441
Municipal warehouses	13,578	13,422
Port pilot facilities and equipment	7,363	7,910
Buildings and other facilities	839,816	774,710
Cabrillo Marina	200,804	221,666
Total	2,277,743	1,951,448
Less accumulated depreciation	(1,065,032)	(1,003,238)
Net	$ 1,212,711	$ 948,210

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
2016	$ 46,696	$ 248,712
2017	47,163	248,720
2018	47,635	248,727
2019	48,111	248,360
2020	48,592	248,360
Total	$ 238,197	$ 1,242,879

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13. Los Angeles City Employees' Retirement System

A. General Information about the Plan

Plan description. All full-time employees of the Port are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Plan). LACERS serves as a common investment and administrative agent for various City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by status in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Changes to the benefit terms require approval of the City Council.

LACERS issues a publicly available financial report that may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012, (800) 779-8328. As of the completion date of the Port's financial statements, LACERS' financial statements and the plan's actuarial valuation study for fiscal year 2015 are not yet available.

Benefits provided. 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. There are two tiers of memberships. Under Tier 1, employees with ten or more years of service may retire if they are at least 55 years old, or if the retirement date is between October 2, 1996 and September 30, 1999 at age 50 or older with at least 30 years of service. Normal retirement allowances are reduced for employees under age 55 with ten or more years of service at the time of retirement, unless they have more than 30 years of service at any age at the time of retirement. Employees aged 70 or above may retire at any time with no required minimum period of service. Membership to Tier 1 is closed to new entrants. Eligible employees hired on or after July 1, 2013 become members of Tier 2. Under Tier 2, employees with ten or more years of service may retire if they are at age 65, or at age 70 or older regardless of length of service. Normal retirement allowances are reduced for employees under age 55 with ten or more years of service at the time of retirement. LACERS does not have a mandatory retirement age.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment are the change in the Consumer Price Index, to a maximum increase in retirement allowance of 3% per year, excess banked, for Tier 1 members and 2% per year, excess not banked, for Tier 2 member.

LACERS covers all full-time personnel and department-certified part-time employees of the Port, except for sworn employees of certain Port Police officers.

Contributions. The Board of Administration of LACERS establishes and may amend the contribution requirements of System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The employer contribution rate as calculated by LACERS' actuary is 26.56% for Tier 1 members and 19.63% for Tier 2 members.

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Based on the Port's reported covered payroll of $77.1 million for fiscal year 2015, $76.3 million is subject to the 26.56% rate and $0.8 million is subject to the 19.63% rate. The Port's actual contribution to LACERS, including family death benefit, excess benefit, and limited term plans is $20.8 million (100% of the actuarially determined contribution) and $19.0 million (100% of actuarially determined contribution) for the fiscal years ended June 30, 2015 and 2014, respectively. The allocation of contributions between the pension and postemployment healthcare benefits are not available.

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, most Tier 1 members contribute at 11% of compensation and all Tier 2 members contribute at 10% of compensation.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2015, the Port reported a liability of $188.3 million for its proportionate shares of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Port's proportionate share were determined to be 4.224% and 4.248% for fiscal years June 30, 2014 and 2013.

For the year ended June 30, 2015, the Port recognized pension expense of $16.3 million. At June 30, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 15,765	$ --
Changes of assumptions or other inputs	27,274	--
Differences between expected and actual experience in the total pension liability	--	5,621
Changes in proportion and differences between employer's contributions and proportionate share of contributions	--	922
Net difference between projected and actual earnings on pension plan investments	--	34,396
Total	$ 43,039	$ 40,939

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30		
2016	$	(4,112)
2017		(4,112)
2018		(4,112)
2019		(4,112)
2020		2,783
Thereafter		--

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	Ranges from 4.40% to 10.50% based on years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	Tier 1: 3.00%, Tier 2: 2.00%, actuarial increases are contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	20.4%	20.4%
U.S. Small Cap Equity	3.6%	6.6%
Developed International Equity	21.7%	7.0%
Emerging Market Equity	7.3%	8.5%
Core Bonds	16.5%	0.7%
High Yield Bonds	2.5%	2.9%
Private Real Estate	5.0%	4.7%
Private Equity	12.0%	10.5%
Public Real Assets	5.0%	3.4%
Credit Opportunities	5.0%	3.1%
Cash	1.0%	-0.5%
Total	100.0%	

Postemployment mortality rates for healthy retirees and beneficiaries were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set back one year for males and with no setback for females. Postemployment mortality rates for disabled retirees were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set forward seven years for males and set forward eight years for females.

For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, gender, and/or service.

Discount rate. The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. *Sensitivity of the Port's proportionate share of net pension liability to*

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change in the discount rate. The following presents the Port's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (in thousands):

	1% Decrease (6.50%)	Discount rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability	$281,113	$188,299	$111,166

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued LACERS financial report.

C. Other Postemployment Benefits (OPEB)

The Port, as a participant in LACERS, also provides a retiree health insurance premium subsidy. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. Employees with ten or more years of service who retire after age 55, or employees who retire at age 70 with no minimum service requirement, are eligible for a health premium subsidy with a City approved health carrier. LACERS is advance funding the retiree health benefits on an actuarially determined basis.

During fiscal year 2011, the City adopted an ordinance to freeze the maximum medical subsidy at $1,190 for LACERS members who retire on or after July 1, 2011. However, LACERS members who at any time prior to retirement contribute the additional 2% or 4% of pay are exempted from the freeze and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2013, approximately 97% of non-retired members were making the additional contributions, and therefore are not subject to the medical subsidy freeze.

Projections of benefits include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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The actuarial valuation for OPEB for fiscal year 2015 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, 2014 and the two preceding years for the plan are as follows (in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/14	$ 97,841	100%	$ --
06/30/13	72,916	100%	--
06/30/12	115,209	100%	--

D. Funded Status of LACERS OPEB

Actuarial valuations involve the estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Following is the funded status information of the plan for fiscal years ended June 30, 2014, 2013 and 2012 (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)
06/30/2014	$ 1,941,225	$ 2,662,853	$ 721,628	72.9%	$ 1,816,171	39.7%
06/30/2013	1,734,733	2,412,484	677,751	71.9%	1,846,970	36.7%
06/30/2012	1,642,374	2,292,400	650,026	71.6%	1,819,270	35.7%

The most recent actuarial valuation methods and assumptions used for LACERS OPEB as of June 30, 2014 were as follows: actuarial cost method used – entry age normal; amortization method - level percent of payroll; amortization period - multiple layers, closed not exceeding 30 years. Initial years range from 5 to 30 years; asset valuation method - 7-year fair value of assets less unrecognized return in each of the last 7 years; investment rate of return - 7.50%; projected salary increases – ranges from 10.50% to 4.40%; inflation rate - 3.25%; and healthcare cost trend rates – for medical, 7.75%, decreasing by 0.25% for each year until it reaches an ultimate rate of 5.00%, and 5.00% for dental.

On October 23, 2012, the LACERS Board modified its funding policy to change the actuarial cost method from the projected unit credit method to entry age normal method beginning with the June 30, 2012 valuation, and to combine and re-amortize all UAAL layers with some exceptions, over 30 years, to mitigate the immediate impact on the employer contributions.

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Information related to the funded status of LACERS for fiscal year 2014 are not yet available as of the completion date of the Port's financial statements. Separate information for the Port is not available.

Notes 13. A to D on LACERS retirement and OPEB plans were derived from information prepared by LACERS and the City.

14. City of Los Angeles Fire and Police Pension System

A. General Information about the Plan

Plan description. The Los Angeles Fire and Police Pension System (LAFPP) operates under the City of Los Angeles Charter and Administrative Code provisions as a single-employer defined benefit pension plan covering all full-time active sworn firefighters, police officers, and certain Harbor Port Police officers of the City of Los Angeles. LAFPP is composed of six tiers.

Tier 6 is the current tier for all Harbor Port Police officers hired on or after July 1, 2011. Tier 5 was the tier for all Harbor Port Police officers hired on or after January 8, 2006 through June 30, 2012. The Los Angeles City Council approved Ordinance No. 177214 that allows Harbor Department's Port police officers (Harbor Port Police Officers) the option to transfer from LACERS to Tier 5 of LAFPP. The election period was from January 8, 2006 to January 5, 2007 and the decision to transfer is irrevocable.

Only "sworn" service with the Port is transferable to LAFPP. Other "non-sworn" services with other City Departments are not eligible for transfer. All new employees hired by the Harbor Department after the effective date of the Ordinance automatically go into either Tier 5 or Tier 6 of LAFPP.

Under provisions of the City Charter, the City Administrative Code and the State Constitution, the Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension system, 360 E. Second Street, Suite 400, Los Angeles, CA 90012, (213) 978-4545. As of the completion date of the Port's financial statements, the LAFPP's financial statements and the plan's actuarial valuation study for fiscal year 2015 are not yet available.

Benefits provided. Information about benefits for Tiers 1 through 4 members is available in the separately issued LAFPP financial report. Tier 5 members must be at least age 50, with 20 or more years of services, to be entitled to a service pension. Annual pension benefit are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 3% per year. However, any increase in Consumer Price Index (CPI) greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waiver their pension entitlements.

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Tier 6 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension benefits are equal to 40% of their two-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 6 provides for postemployment COLAs based on the CPI to a maximum of 3% per year. However, any increase in the CPI greater 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waiver their pension entitlements.

Contributions. The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is actuarially determined and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions.

All members are required to make contributions to LAFPP regardless of tier in which they are included. However, members are exempt from making contributions when their continuous service exceeds 30 years for Tier 1 through 4, and 33 years for Tier 5 and Tier 6. The average member contribution rate for fiscal year 2014-15 (based on the June 30, 2013 valuation) was 9.46% of compensation paid biweekly.

In fiscal year 2015, the Port's contribution rate for sworn employees that are members of the Harbor Tier 5 plan, as determined by the actuary is 35.68% of covered payroll. The Harbor Tier 6 rate is 33.30%. Based on the Port's reported sworn covered payroll of $12.2 million for Tier 5, and $0.1 million for Tier 6, the Port's pro rata share of the combined actuarially determined contribution for pension and postemployment healthcare benefits, and actual contribution made to LAFPP was $4.4 million (100% of actuarially determined contribution) and $3.9 million (100% of actuarially determined contribution) for the years ended June 30, 2015 and 2014, respectively. The allocation of contributions between the pension and postemployment healthcare benefits is not available.

B. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

At June 30, 2015, the Port reported a liability of $10.5 million for its proportionate shares of the net pension liability of LAFPP. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Port's proportionate share were determined to be 0.559% and 0.400% for fiscal years June 30, 2015 and 2014.

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For the year ended June 30, 2015, the Port recognized pension expense of $2.7 million. At June 30, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,648	$ --
Changes of assumptions or other inputs	--	396
Differences between expected and actual experience in the total pension liability	--	175
Net difference between projected and actual earnings on pension plan investments	--	2,740
Total	$ 3,648	$ 3,311

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30	
2016	$ (806)
2017	(806)
2018	(806)
2019	(806)
2020	(87)
Thereafter	--

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	Ranges from 4.75% to 11.50% based on years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	3.25% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, 5 and 6 retirement income

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	6.03%
Small Cap U.S. Equity	6.00%	6.71%
Developed International Equity	16.00%	6.71%
Emerging Market Equity	5.00%	8.02%
U.S. Core Fixed Income	14.00%	0.52%
High Yield Bonds	3.00%	2.81%
Real Estate	10.00%	4.73%
TIPS	5.00%	0.43%
Commodities	5.00%	4.67%
Cash	1.00%	0.00%
Unconstrained Fixed Income	2.00%	2.50%
Private Equity	10.00%	9.25%
Total	100.00%	

Postemployment mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males or Females, as appropriate, projected to 2022 with scale BB with different age adjustment (i.e., set back or set forward) for healthy and disabled members, including beneficiaries. For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, service, gender, membership classification and tier.

The actuarial assumptions used were based on the results of an actuarial experience study as of June 30, 2013 and economic assumptions study as of June 30, 2014.

Discount rate. The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's

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fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Port's proportionate share of net pension liability to change in the discount rate. The following presents the Port's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate what is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (in thousands):

	1% Decrease (6.50%)	Discount rate (7.50%)	1% Increase (8.50%)
Port's proportionate share of the net pension liability	$19,892	$10,463	$3,527

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued LAFPP financial report.

C. Other Postemployment Benefits (OPEB)

The City Charter, the Administrative Code, and related ordinance define the postemployment healthcare benefits. There are no member contributions for healthcare benefits. The Port, as a participant in LAFPP, also provides a retiree health insurance premium subsidy.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the LAFPP plan, and the net OPEB asset (obligation) for fiscal years ended June 30, 2014, 2013, and 2012 are as follows (in thousands):

Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
06/30/14	$ 149,877	99%	$ (148,348)
06/30/13	144,569	99%	(128,780)
06/30/12	159,777	83%	(127,024)

From the most recent data made available by the City, as of June 30, 2014, amounts contributed specifically to the retiree health insurance premium subsidy by the Port alone are not available.

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D. Funded Status of LAFPP OPEB

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARC of the City are subject to continual revision as actual results are compared to expectations and new estimates are made about the future. Following is the funded status information for the LAFPP OPEB plan for fiscal years ended June 30, 2014, 2013 and 2012 (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)
06/30/2014	$ 1,200,874	$ 2,783,283	$ 1,582,409	43.1%	$ 1,402,715	112.8%
06/30/2013	1,013,400	2,633,793	1,620,393	38.5%	1,367,237	118.5%
06/30/2012	927,362	2,499,289	1,571,927	37.1%	1,341,914	117.1%

The most recent actuarial valuation methods and assumptions used for LAFPP OPEB as of June 30, 2014 were as follows: actuarial cost method used - entry age normal; amortization method – closed amortization periods; remaining amortization period – multiple layers, closed, 22 years for prior to June 30, 2012, 18 years on June 30, 2012, and 19 years on June 30, 2013; asset valuation method – market value of assets less unrecognized returns in each of the last seven years; investment rate of return - 7.50%; projected salary increases - 4.00%; inflation rate - 3.25%; medical healthcare cost trend rate of 7.00% in 2014 and 2015, decreasing by 0.25% for each year for eight years until it reaches an ultimate rate of 5.00%; and dental healthcare cost trend of 5.00%.

The LAFPP's financial statements and actuarial study for fiscal year 2015 are not yet available as of the completion date of the Port's financial statements.

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

Continued…..

15. 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.

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 BHC 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 BHC 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 BHC 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 the 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 Commission officials and the Office of the Attorney General requested the BHC to postpone any decision involving these trust funds until the Commission and Office of the 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 Commission and Office of the Attorney General, brought legal action against the City and Port regarding the BHC's action.

On January 19, 2001, the City, along with the Port and the 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,

Continued…..

2001, the City, the Port, and the Commission may negotiate to amend this agreement to account for new or changed circumstances.

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 had recorded the notes receivable due from the City. At June 30, 2015 and 2014, the current portion of notes receivable amounted to $5.0 million and $4.9 million, respectively; while long-term portion was $5.0 million as June 30, 2014. There was no long-term portion at June 30, 2015.

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 $0.1million. 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. At June 30, 2015 and 2014, the current portion of the note receivable is $0.1 million for both fiscal years; while the long-term portion was $0.1 million at June 30, 2014. There was no long-term portion at June 30, 2015.

16. Commitments, Litigations and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $43.1 million as of June 30, 2015. Such open commitments do not lapse at the end of the Port’s fiscal year and are carried forth to succeeding periods until fulfilled.

In 1985, the Port received a parcel of land, with an estimated value of $14.0 million from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to $14.0 million from excess revenues, if any, generated from marina operations after the Port has recovered all costs of construction. No such payments were made in fiscal years 2015 and 2014.

B. Litigations

The Port is also involved in certain litigation arising in the normal course of business. In the opinion of management, there is no pending litigation or unasserted claims, the outcome of which would materially affect the financial position of the Port.

C. Alameda Corridor Transportation Authority Agreement (ACTA)

In August 1989, the Port and the POLB (the Ports) entered into a joint exercise of powers agreement and formed ACTA for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and

Continued…..

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 such income and equity distributions equally.

In October 1998, the Ports, ACTA, and the railroad companies, which operate on the corridor, entered into a Corridor Use and Operating Agreement (Corridor Agreement). The Corridor Agreement 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 (transload movements) for which BNSF and UP are not paying use fees. In the Settlement and Release Agreement (the Agreement), dated July 5, 2006, ACTA, BNSF, and UP agreed to resolve the "Transloading 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 Transloading 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 $1.2 billion of bonds, which ACTA issued in early 1999 and approximately $686.0 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.

In 2012, ACTA obtained a Federal Railroad Administration loan for $83.7 million under Railroad Rehabilitation and Improvement Financing (RRIF) Program. The purpose of the loan which was in the form of 2012 Taxable Senior Lien Revenue Refunding Bonds, was to refinance a portion of ACTA's outstanding bonds. Furthermore, in 2013, ACTA refunded $288.0 million of its 1999 Series A Bonds in the form of Tax-Exempt Senior Lien Revenue Refunding Bonds of Series 2013A, generating a present value savings of $35.0 million or 12%.

Continued…..

D. TraPac Project and Environmental Impact Report

On December 6, 2007, the Board of Harbor Commissioners (BHC) certified the Final Environmental Impact Report for TraPac, Inc. (TraPac), a terminal operator, and approved the TraPac project. The TraPac project involves the development and improvements to Berths 136-147, currently occupied by TraPac. Subsequent to the project approval, certain entities (Appellants) appealed to the City Council the certification/project approval under the provisions of the California Environmental Quality Act (CEQA).

On April 3, 2008, the BHC approved a Memorandum of Understanding (MOU) between the City and the Appellants to resolve the appeal of the TraPac Environmental Impact Report (EIR). The MOU provides for the revocation of the appeals and the establishment of a Port Community Mitigation Trust Fund (PCMTF) to be operated by a nonprofit entity to pay for off-Port environmental impacts from Port-related operations. The nonprofit created to provide administrative services for this fund is the Harbor Community Benefit Foundation (HCBF).

The Port had provided the first two years funding of $12.0 million and $4.0 million to the PCMTF for the identified TraPac projects in the MOU. Based on the volume of cargo processed in the third year, no additional funding has been necessary.

On October 26, 2010, the BHC approved the Operating Agreement of the TraPac MOU (Operating Agreement) which provided for more detailed procedures for the implementation of the MOU. The Operating Agreement also provided for the management of the PCMTF by California Community Foundation (CCF) or other appropriate independent financial manager. CCF managed the PCMTF funds pursuant to the Operating Agreement from 2011 to 2013.

In fiscal year 2013, the Port and HCBF agreed that a change in financial manager was in the best interest of the PCMTF, and hence, terminated the financial management agreement with CCF. On October 18, 2013, the Board approved the selection of J.P. Morgan Private Bank (JPMorgan) as the new independent financial manager to receive, manage, and disburse funds from the PCMTF. Approximately $7.8 million in PCMTF funds being managed by CCF were transferred to a JPMorgan account in November 2013. Due to disbursements made in accordance with the MOU and Operating Agreement, the balance in the PCMTF account managed by JPMorgan as of July 2014 totaled $6.3 million.

While the five-year MOU expired in April 2013, the Operating Agreement provided that the Port shall continue to fund the PCMTF with contributions on account of certain expansion projects that have environmental impact reports certified within five years after the first HCBF Board of Directors meeting, which time expires in May 2016. The Operating Agreement provides that if the identified MOU expansion projects have EIRs certified and will proceed with construction; the Port will make a one-time additional contribution at a rate of $3.50 per TEU (or $1.50 per cruise passenger, and 0.15 per ton of bulk cargo) per project for growth associated with such expansion projects. Funds will be transferred to the PCMTF within 21 days following award of a construction contract or commencement of construction of each project that had an EIR certified prior to May 19, 2016. There were no contributions made during fiscal years 2015 and 2014.

As of June 30, 2015, a total of $16.8 million has been disbursed from the PCMTF fund held by the Port. The remaining fund balance including interest earned as of June 30, 2015 is $0.1 million.

Continued…..

17. Related-Party Transactions

During the normal course of business, the Port is charged for services provided and use of land owned by the City, the most significant of which is related to fire protection, museum/park maintenance, utilities and legal services. Total amounts charged by the City for services approximate $45.9 million and $41.8 million in fiscal years 2015 and 2014, respectively.

18. 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, 2015 and 2014, the Port reported capital contributions of $111.9 million and $80.4 million, respectively, for certain capital construction and grant projects.

19. Natural Resources Defense Council Settlement Judgment

In March 2003, the Port settled a lawsuit entitled: Natural Resources Defense Council, Inc., et al. v. City of Los Angeles, et al., regarding the environmental review of a Port project at the China Shipping Terminal. The settlement called for a total of $50.0 million in mitigation measures to be undertaken by the Port. This $50.0 million charge was recorded as expense in fiscal year 2003.

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

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

Pursuant to the settlement agreement, the Port is also obligated to expend up to $5.0 million to retrofit customer vessels to receive shore-side power as an alternative to using on-board diesel fueled generators. Through the end of fiscal year 2009, the Port has spent $5.0 million for this program.

The settlement agreement also established a throughput restriction at China Shipping Terminal per calendar year. Actual throughput at the terminal exceeded the cap for calendar years 2008, 2007, 2006, and 2005, and payments of $1.8 million, $6.9 million, $5.8 million, and $3.9 million, respectively, were made for having exceeded the caps. The Port charged to nonoperating expense and deposited in the restricted mitigation fund the said amounts in June 2009, June 2008, May 2007, and April 2006, respectively. Total deposits for the four years were $18.3 million, with the June 2009 deposit for calendar year 2008 being the last payment for excess throughput required under the settlement agreement.

In April 2011, the Port contributed $3.2 million to the restricted mitigation funds as payment for four low profile cranes installed on Berth 102 designed to reduce visual impact by the use of a horizontal boom that does not need to be raised up when the crane is not in use.

As of June 30, 2015, the Port has contributed a total of $75.0 million to the restricted mitigation funds in accordance with the provisions of the settlement.

Continued…..

20. Cash Funding of Reserve Fund

As of June 30, 2015 and 2014, the Port had $1.0 billion and $764.5 million of outstanding parity bonds. The Port holds cash reserves for each Indenture of the outstanding bonds as the BHC, on September 18, 2008, approved the full cash funding of the entire reserve requirement of $61.5 million and transferred it to the Port's bond trustee in December 2008. The cash funding of the reserve took place to reassure bond holders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the surety companies that had provided insurance for the bonds that the Port had issued. The cash funding of the reserve took place to reassure bond holders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the bond surety companies that had provided insurance for the bonds that the Port had issued.

As of June 30, 2015, the balance in the Common Reserve fund totaled $68.4 million. Subsequent to the issuance of 2015 Series A Refunding Revenue Bonds in September 2015, the reserve requirement was reduced to $66.0 million. Any excess amounts in the Common Reserve resulting from principal repayments will be transferred to the interest fund and/or redemption fund to be used to pay interest and redeem bonds. The required amount for the reserve fund will be reevaluated on a yearly basis. The funds in the reserve are fully invested in the U.S. Treasury securities.

21. Special Item

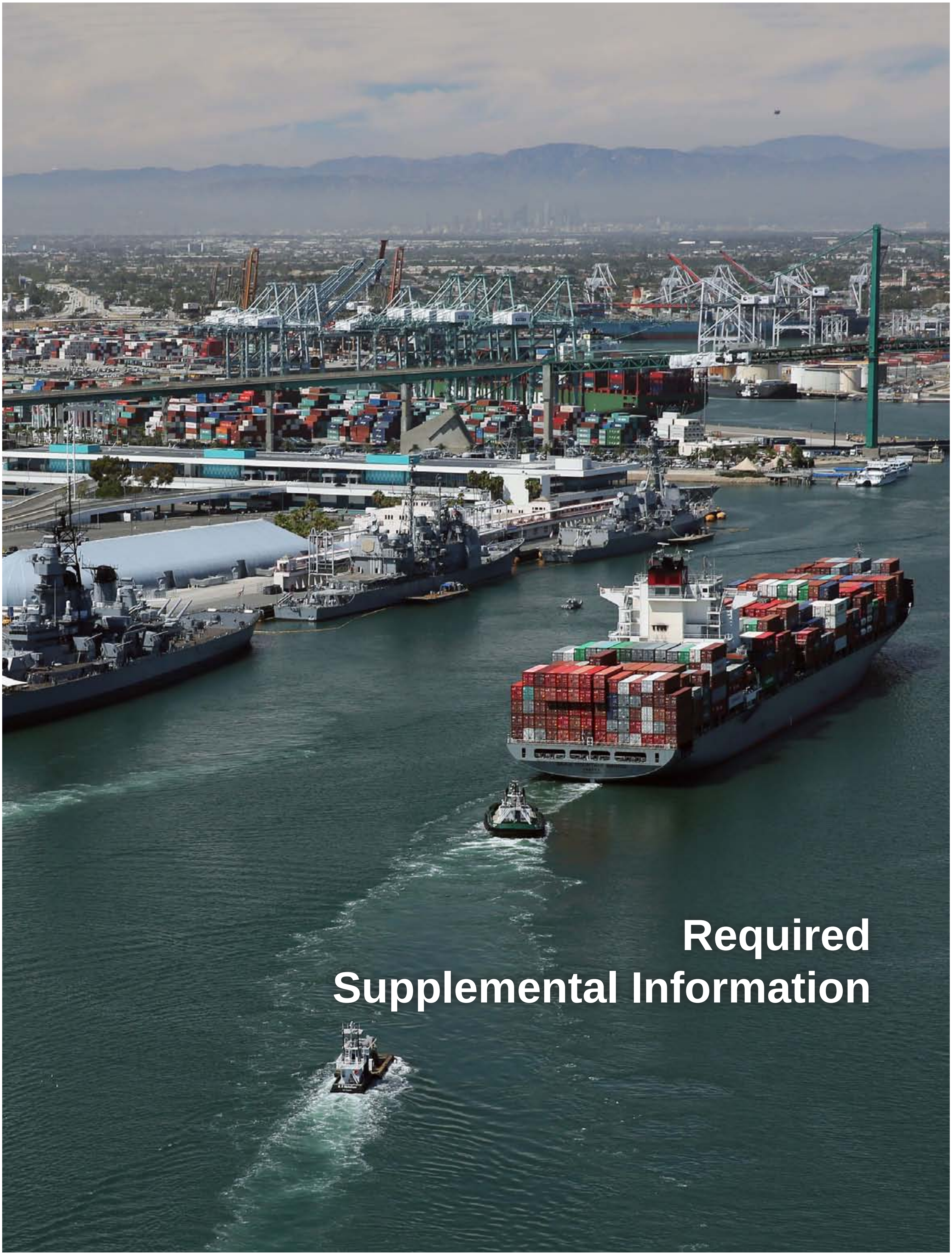
In fiscal year 2014, the Port reduced the pollution remediation liabilities by $15.0 million primarily associated with remediation of the Wilmington Waterfront Park and Opp Street/Southerland Avenue sites. The Port completed site development and cleanup at the Wilmington Waterfront Park and there are no additional regulation and remediation requirements from the Regional Water Quality Control Board (RWQCB). The Port also determined that there is a lack of regulatory and remediation requirements from the RWQCB for the Opp Street/Southerland Avenue sites. These adjustments were presented as Special Item in the Port's financial statements.

22. Subsequent Events

On August 25, 2015, the Port renewed its Commercial Paper Program through an extension of the existing Line of Credit (LOC) Agreement with Mizuho Bank, that was previously established in July 2012 for a period of three years. The extension of the LOC provides for $200 million of liquidity support through August 24, 2018 at the rate of 0.29%.

On September 25, 2015, the Port redeemed all of the outstanding 2005 Series C-1 Refunding Bonds. On September 30, 2015, the Port issued $37.05 million Refunding Revenue Bonds 2015 Series A to refund the 2005 Series A and B Bonds. The 2015 Series A Bonds have maturities from August 2016 through August 2027 with interest rates range from 2.0% to 5.0%.

Continued…..



Required Supplemental Information

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

Required Supplemental Information

Schedule of Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered-employee Payroll [1]	Proportionate Share of Net Pension Liability as a Percentage of Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2015	4.224%	$ 188,299	$ 76,040	247.60%	72.57%

[1] Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers.

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered-employee Payroll [2]	Proportionate Share of Net Pension Liability as a Percentage of Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2015	0.559%	$ 10,463	$ 11,619	90.05%	79.16%

[2] Covered-employee payroll represents the collective total of the LAFPP eligible wages of all LAFPP membership tiers.

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

See accompanying independent auditor’s report.

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

Required Supplemental Information

Schedule of Contributions – Last Ten Fiscal Years *

(In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2015
Actuarially determined contribution	$ 15,765
Contributions in relation to the actuarially determined contribution	15,765
Contribution deficiency (excess)	$ --
Port's covered-employee payroll	$ 77,126
Contributions as a percentage of covered-employee payroll	20.44%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2015
Actuarially determined contribution	$ 3,648
Contributions in relation to the actuarially determined contribution	3,648
Contribution deficiency (excess)	$ --
Port's covered-employee payroll	$ 12,301
Contributions as a percentage of covered-employee payroll	29.66%

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

See Note to Schedule on the following page.

See accompanying independent auditor’s report.

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

Required Supplemental Information

Schedule of Contributions – Last Ten Fiscal Years *

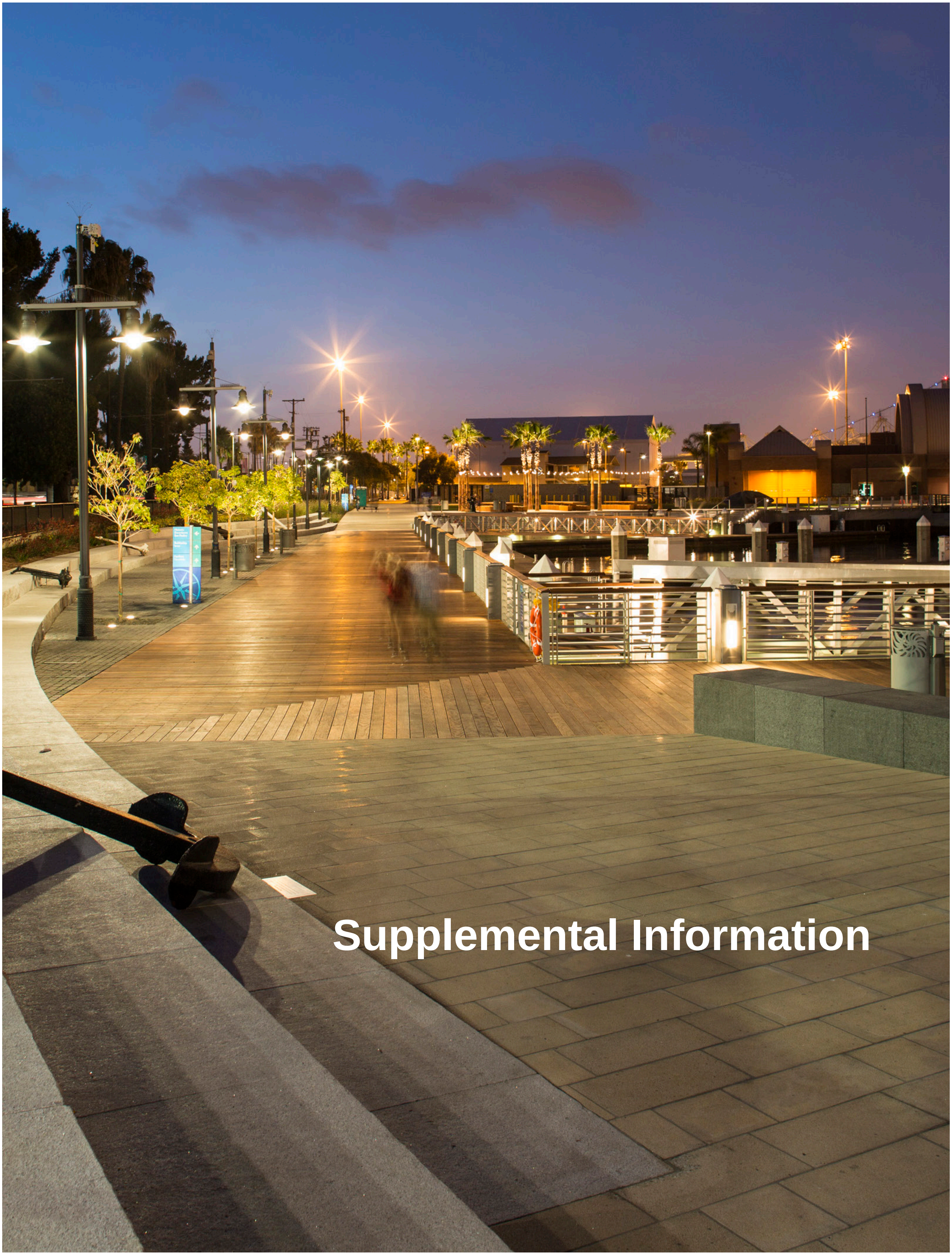
(In Thousands)

(Unaudited)

Notes to Schedule:

	LACERS	LAFPP
Valuation date	As of June 30, two years prior to the end of the fiscal year in which contributions are reported	As of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry age, level percentage of salary	Entry age, level percentage of salary
Amortization cost method	Level percentage of payroll – assuming a 4% increase in total covered payroll	Level percentage of payroll with multiple layers
Amortization period	15 years for actuarial gains/losses, 20 years for assumption changes, and 15 years for plan changes, 30 years for actuarial surplus	20 years for actuarial gains/losses, 25 years for assumption changes, and 15 years for plan changes
Asset valuation method	Market value. Recognized over 7 years.	Market value. Recognized over 7 years.
Investment rate of return	7.75%	7.50%
Inflation	3.50%	3.25%
Project salary increases	Ranges from 11.25% to 6.50% for members with less than 5 years of service. Range from 6.50% to 4.65% for members with 5 or more years of service.	Ranges from 4.75% to 11.50% based on years of service
Mortality	RP-2000 Combined Healthy Mortality Table	RP-2000 Combined Healthy Mortality Table

See accompanying independent auditor’s report.



Supplemental Information

PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)
Summary of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues										
Shipping services	$ 353,390	$ 369,972	$ 374,878	$ 329,347	$ 327,630	$ 343,498	$ 357,716	$ 347,876	$ 377,213	$ 364,899
Rentals	33,876	40,322	45,524	42,368	43,141	45,428	43,143	42,890	205,354	46,233
Royalties, fees, and other operating revenues	4,893	6,867	5,943	30,509	36,047	11,577	8,928	6,602	171,859	35,763
Total operating revenues	392,159	417,161	426,345	402,224	406,818	400,503	409,787	397,368	425,951	446,895
Operating expenses										
Salaries and benefits	64,090	72,183	92,979	95,429	92,930	98,837	98,614	101,861	112,053	111,788
Marketing and public relations	3,251	4,391	5,137	3,531	2,490	2,912	3,177	2,877	2,711	2,771
Travel and entertainment	802	587	1,099	609	546	804	932	1,139	548	512
Outside services	32,845	32,323	36,957	34,977	25,776	29,367	27,660	29,690	26,331	28,983
Materials and supplies	5,267	5,646	8,719	7,800	6,366	6,249	6,314	5,989	6,883	6,257
City services and payments	24,835	32,514	32,129	30,680	37,147	29,964	32,014	31,074	33,633	34,749
Other operating expenses	53,042	16,131	44,732	81,117	44,980	41,562	31,095	32,539	23,195	49,189
Total operating expenses before depreciation	184,132	163,775	221,752	254,143	210,235	209,695	199,806	205,169	205,354	234,249
Operating Income before depreciation	208,027	253,386	204,593	148,081	196,583	190,808	209,981	192,199	220,597	212,646
Depreciation	98,779	88,106	78,295	83,413	87,255	90,468	100,485	108,037	124,221	137,384
Operating Income	109,248	165,280	126,298	64,668	109,328	100,340	109,496	84,162	96,376	75,262
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	4,302	4,675	4,440	2,980	5,832	(333)	1,851	2,049	2,129	2,811
Interest and investment income	9,582	23,773	34,863	18,824	11,671	6,436	9,486	826	4,654	5,039
Interest expense	(37,787)	(50,038)	(38,052)	(36,979)	(35,663)	(3,704)	(10,538)	(2,473)	(1,530)	(331)
Other income and expenses, net	7,222	11,018	(2,536)	(7,625)	(2,951)	(6,667)	(8,359)	784	(27,364)	(2,226)
Net nonoperating revenues (expenses)	(16,681)	(10,572)	(1,285)	(22,800)	(21,111)	(4,268)	(7,560)	1,186	(22,111)	5,293
Income before capital contributions	92,567	154,708	125,013	41,868	88,217	96,072	101,936	85,348	72,322	80,555
Capital contributions	2,044	4,145	14,161	4,103	16,950	12,059	31,307	17,630	80,374	111,852
Special item	--	(22,291)	--	--	--	--	--	13,387	16,945	--
Changes in net position	94,611	136,562	139,174	45,971	105,167	108,131	133,243	116,365	169,641	192,407
Total net position – beginning of year	2,106,696	2,201,307	2,337,869	2,383,616	2,429,587	2,534,754	2,642,885	2,776,128	2,884,351	3,064,554
Cumulative effect of change in accounting principle	--	--	--	--	--	--	--	--	--	(194,062)
Net adjustment for write off prior period bond issues costs	--	--	--	--	--	--	--	(8,142)	10,562	--
Net Position July 1, restated	2,106,696	2,201,307	2,337,869	2,383,616	2,429,587	2,534,754	2,642,885	2,767,986	2,894,913	2,870,492
Total net assets – end of year	$ 2,201,307	$ 2,337,869	$ 2,477,043	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899
Net position:										
Net investment in capital assets	1,854,468	1,931,037	1,985,653	2,101,396	2,164,885	2,278,052	2,397,744	2,634,840	2,863,795	2,856,561
Restricted	63,917	62	9	61,608	67,844	67,341	67,796	57,913	58,054	97,461
Unrestricted	282,922	406,770	491,381	266,583	302,025	297,492	310,588	191,598	142,705	108,877
Total net position	$ 2,201,307	$ 2,337,869	$ 2,477,043	$ 2,429,587	$ 2,534,754	$ 2,642,885	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899

See accompanying independent auditor's report.

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

Summary of Debt Service Coverage (Pledged Revenue)

Last Ten Fiscal Years

(In Thousands)

(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues (including investment/interest income and noncapital grant revenues) (1)	$ 406,043	$ 445,609	$ 465,648	$ 424,028	$ 424,306	$ 412,962	$ 435,291	$ 416,974	$ 446,910	$ 460,364
Operating expenses (2)	184,132	163,775	221,752	254,143	210,235	209,695	199,806	205,169	205,354	234,249
Net available revenue	$ 221,911	$ 281,834	$ 243,896	$ 169,885	$ 214,071	$ 203,267	$ 235,485	$ 211,805	$ 241,556	$ 226,115
Debt service, revenue bonds	$ 58,143	$ 58,293	$ 61,318	$ 61,298	$ 66,851	$ 72,736	$ 71,382	$ 72,204	$ 65,323	$ 69,916
Debt service, commercial papers	3,431	792	—	—	—	191	227	194	165	187
Total debt service (3)	$ 61,574	$ 59,085	$ 61,318	$ 61,298	$ 66,851	$ 72,927	$ 71,609	$ 72,398	$ 65,488	$ 70,103
Net available revenue coverage	3.2	3.6	4.8	4.0	2.8	3.2	3.3	2.9	3.7	3.2
Net cash flow from operations	$ 226,037	$ 201,575	$ 246,665	$ 252,898	$ 151,264	$ 185,416	$ 158,228	$ 217,113	$ 131,284	$ 213,184
Net operating cash flow coverage	3.7	3.4	4.0	4.1	2.3	2.5	2.2	3.0	2.0	3.0

(1) Operating revenues include pledged pooled investment/interest income and non-capital grant revenues.

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

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

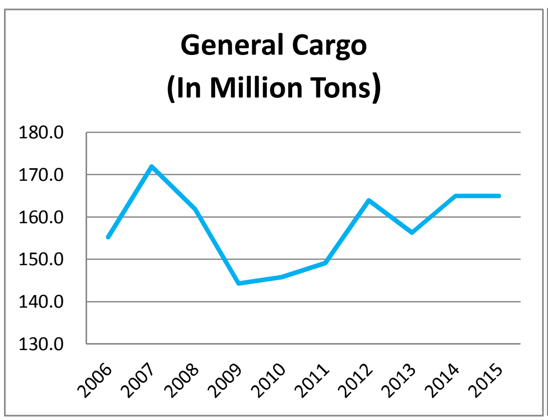
Note: Details regarding the Port of Los Angeles' outstanding debt can be found in the notes to the financial statements.

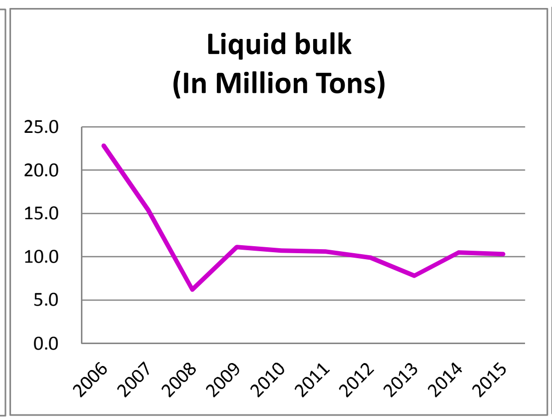
See accompanying independent auditor's report.

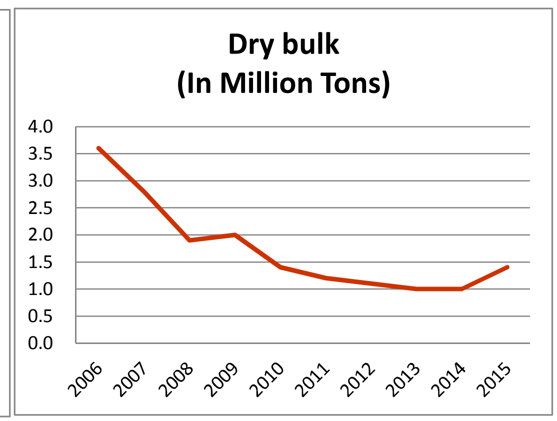
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Revenue Statistics
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue Information										
Revenue Rates										
General cargo tariff rate	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Basic dockage (600')	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465
Required rate of return on improvements	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Required rate of return on land	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Containerized cargo volume										
(in millions of TEUs)	7.8	8.7	8.1	7.3	7.2	7.9	8.2	7.8	8.2	8.2
Inbound tonnage (million tons)	113	118	105	94	88	94	98	93	99	103
Outbound tonnage (million tons)	69	72	65	66	67	68	75	72	74.3	74.6
Revenue tons (million)										
General cargo	155.2	171.9	161.9	144.3	145.8	149.1	163.9	156.3	165.0	165.0
Liquid bulk	22.8	15.4	6.2	11.1	10.7	10.6	9.9	7.8	10.5	10.3
Dry bulk	3.6	2.8	1.9	2.0	1.4	1.2	1.1	1.0	1.0	1.4
Total revenue tons (million)	181.6	190.1	170.0	157.4	157.9	160.9	174.9	165.1	176.5	176.7





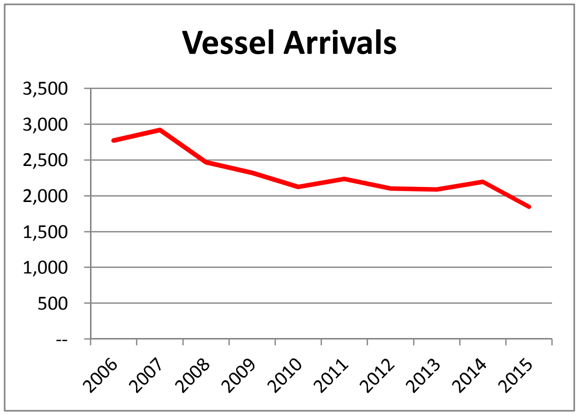


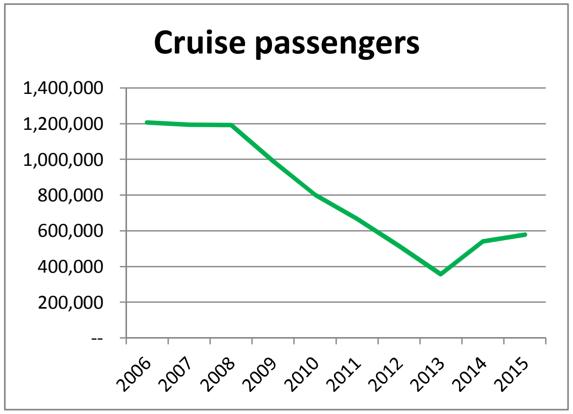
See accompanying independent auditor's report.

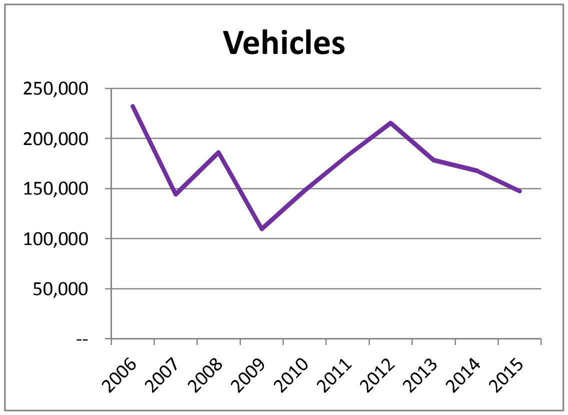
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES)

Other Operating Information
Last Ten Fiscal Years
(Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	25	25	25	24	24	24	24	23	23
Vessel arrivals	2,771	2,920	2,467	2,322	2,124	2,236	2,100	2,089	2,196	1,846
Cruise passengers	1,205,947	1,194,984	1,191,449	990,965	802,899	667,434	515,827	355,875	541,418	578,902
Vehicles	232,149	144,068	185,978	109,634	147,935	183,126	215,374	178,252	167,826	147,457
Full time employees	717	806	935	971	948	959	958	947	949	885







See accompanying independent auditor’s report.

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

Operating Expenses Net of Direct and Indirect Costs

Fiscal Year Ended June 30, 2015

(In Thousands)

(Unaudited)

	Expenses Before Allocation of Direct and Indirect Costs	Direct Costs Allocated to Projects	Expenses After Allocation of Direct Costs	Indirect Overhead Costs Allocated to Capital Projects	Net Operating Expenses
Salaries and benefits	$ 136,857	$ (15,490)	$ 121,367	$ (9,579)	$ 111,788
City services	45,874	(8,112)	37,762	(3,013)	34,749
Outside services	239,137	(208,214)	30,923	(1,940)	28,983
Utilities	20,772	(93)	20,679	(1,306)	19,373
Materials and supplies	9,849	(3,079)	6,770	(513)	6,257
Marketing and public relations	3,036	(8)	3,028	(257)	2,771
Workers’ compensation, claims and settlements	2,503	—	2,503	—	2,503
Clean truck program expenses	949	—	949	—	949
Travel and entertainment	575	(16)	559	(47)	512
Other operating expenses	30,299	(2,145)	28,154	(1,790)	26,364
Total Operating Expenses	$ 489,851	$ (237,157)	$ 252,694	$ (18,445)	$ 234,249

See accompanying independent auditor's report.

Operating Expenses Net of Direct and Indirect Costs

Fiscal Year Ended June 30, 2014

(In Thousands)

(Unaudited)

	Expenses Before Allocation of Direct and Indirect Costs	Direct Costs Allocated to Projects	Expenses After Allocation of Direct Costs	Indirect Overhead Costs Allocated to Capital Projects	Net Operating Expenses
Salaries and benefits	$ 136,253	$ (18,200)	$ 118,053	$ (6,000)	$ 112,053
City services	41,882	(6,526)	35,356	(1,723)	33,633
Outside services	314,622	(287,009)	27,613	(1,282)	26,331
Utilities	13,264	(338)	12,926	(591)	12,335
Materials and supplies	9,657	(2,407)	7,250	(367)	6,883
Marketing and public relations	2,867	(24)	2,843	(132)	2,711
Workers’ compensation, claims and settlements	1,959	—	1,959	—	1,959
Clean truck program expenses	1,100	—	1,100	—	1,100
Travel and entertainment	610	(6)	604	(56)	548
Other operating expenses	9,682	(1,506)	8,176	(375)	7,801
Total Operating Expenses	$ 531,896	$ (316,016)	$ 215,880	$ (10,526)	$ 205,354

See accompanying independent auditor's report.

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

Capital Development Program Expenditures Per Adopted Budget

For Fiscal year 2015-2016

(In Thousands)

(Unaudited)

Project Description	Expenditures per Adopted Budget
Berth 90-93 World Cruise Center	$ 868
Berth 100-102 Development - China Shipping Container Terminal	3,029
Berth 121-131 - Yang Ming Container Terminal	1,440
Berth 135-147 Development - TraPac Container Terminal	82,718
Berth 212-224 Development - YTI Container Terminal	20,936
Berth 222-236 Development - Evergreen Container Terminal	2,272
Berth 300-306 Development - APL Container Terminal	1,584
Berth 400-409 Development - Maersk/Cut	336
Motems (Marine Oil Terminal Engineering and Maintenance Standards)	9,434
Miscellaneous Terminal Improvements	187
Transportation Improvement	44,830
Security Projects	1,337
Port-wide Public Enhancements - Community	1,256
Los Angeles Waterfront	6,180
Environmental Enhancement	624
Harbor Department Facilities	3,830
Miscellaneous Projects	2,102
Unallocated Capital Improvement Program Fund	15,874
Total	$ 198,837

Note: Schedule above excludes capital equipment.

See accompanying independent auditor's report.

Compliance Section

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an enterprise fund of the City of Los Angeles, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
November 23, 2015