AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

"FOR DISCUSSION ONLY"

DATE: NOVEMBER 23, 2021

TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS

SUBJECT: ANNUAL FINANCIAL AUDIT AND SINGLE AUDIT

Submitted for your review and consideration are (1) the draft report of the Harbor Department's Annual Comprehensive Financial Report (ACFR) for fiscal year 2020-21 and (2) the draft report of the Harbor Department's Single Audit for fiscal year 2020-21.

Moss Adams, LLP (MA), an independent public accounting firm, has performed an audit on the ACFR and the Harbor Department's Schedule of Expenditures of Federal Awards (SEFA).

At the Audit Committee meeting, the partner from MA will also present its required communications regarding the audit.

Attachments:
Transmittal 1: Annual Comprehensive Financial Report as of June 30, 2021 – DRAFT
Transmittal 2: Single Audit Report as of June 30, 2021 – DRAFT

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director & Chief Financial Officer

MB/FL/Accounting Division
Author: F. Liu

THE PORT OF LOS ANGELES

Annual Comprehensive Financial Report

PORT OF LOS ANGELES

HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

PORT OF LOS ANGELES

(HARBOR DEPARTMENT, A COMPONENT UNIT
OF THE CITY OF LOS ANGELES, CALIFORNIA)

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020

(With Report of Independent Auditors Thereon)

Prepared by:

Finance and Administration Bureau of Port of Los Angeles

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

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020

Table of Contents

Introductory Section

December __, 2021

Members of Los Angeles Board of Harbor Commissioners
Mr. Eugene D. Seroka, Executive Director
Port of Los Angeles
San Pedro, California

This Annual Comprehensive Financial Report (ACFR) of the Port of Los Angeles (the Port), Harbor Department of the City of Los Angeles, California (the City), for the fiscal years ended June 30, 2021 and 2020, is hereby submitted.

Introduction

The management of the Port has prepared this annual report and assumes responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. 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, 2021 and 2020, which have received an unmodified opinion from the Port's independent auditors and are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The report is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section outlines the relationship of the Port to the City and describes the organization and reporting entity. It additionally provides an overview of Port properties, operations, and key personnel. This letter of transmittal is designed to complement the management's discussion and analysis (MD&A), which provides a narrative introduction, overview, and analysis to the financial statements, and should be read in conjunction with it.

The Financial Section includes the report of independent auditors, MD&A, financial statements, and required supplementary information. The MD&A presents a comparative review of financial position and changes in financial position for fiscal years 2021, 2020, and 2019. 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.

Financial statements are prepared on an accrual basis and use an economic resources measurement focus. Financial statements comprise the statements of net position that present the financial position as of June 30, 2021 and 2020, statements of revenues, expenses, and changes in net position depicting financial performance for fiscal years 2021 and 2020, statements of cash flows that present the source and application of funds from operations, financing (noncapital and capital related), and investment activities for fiscal years 2021 and 2020, and notes to financial statements. The accompanying notes to financial statements further explain and support the information in the statements.

Profile of the Reporting Entity

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

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

In addition, based on the foregoing criteria of oversight responsibility and accountability of all Port-related entities, the operations of the Los Angeles Harbor Improvements Corporation, a nonprofit corporation, have been included in the accompanying financial statements. Activities of Intermodal Container Transfer Facility Joint Powers Authority and Alameda Corridor Transportation Authority, 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 financial statements for the Port.

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

- The Deputy Executive Director of Stakeholder Engagement leads the Stakeholder Engagement Bureau, which consists of the Communications (including Community Relations and Media Relations), Government Affairs, Labor Relations and Workforce Development, and Trade Development 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 Planning & Analysis, Management Audit, and Risk Management divisions.

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

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

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

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

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

The major sources of income for the Port are from shipping services (wharfage, dockage, pilotage, space 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 credit ratings/outlooks of AA/Positive, Aa2/Stable, and AA/Stable with S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, respectively. These are the highest credit ratings for any stand-alone U.S. port.

Initiatives and Developments

The Port aims to continue to maintain its competitive edge by developing infrastructure that promotes growth and supports efficiency, secure, and sustainable port operations. As such, the Port has adopted a capital budget of $214.3 million in fiscal year 2021. Comprising 12.5% of its total budget of $1.7 billion, the adopted capital expenditures include $188.7 million for direct costs of capital improvement projects, indirect costs of $19.5 million in overhead costs, and $6.2 million for capital equipment. The adopted capital expenditures of $188.7 million include $64.7 million for terminal improvement projects, $16.3 million for transportation projects, $64.1 million for public access/environmental enhancement projects, $6.1 million for security projects, and $37.5 million for maritime services.

Award and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port for its ACFR for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This ACFR must satisfy GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Sincerely,

MARLA BLEAVINS
Deputy Executive Director and Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Los Angeles California

For its Comprehensive Annual Financial Report For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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

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

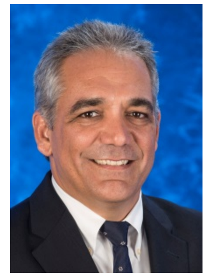
BOARD OF HARBOR COMMISSIONERS [1]

Jaime L. Lee
President

Edward R. Renwick
Vice President

Diane Middleton
Commissioner

Lucia
Moreno-Linares
Commissioner



Anthony Pirozzi, Jr.
Commissioner

EXECUTIVE STAFF [1]

Eugene D. Seroka
Executive Director

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

Tony Gioiello
Deputy Executive Director
Development

Thomas Gazsi
Chief of Public Safety &
Emergency Management

Michael DiBernardo
Deputy Executive Director
Marketing & Customer Relations

David Libatique
Deputy Executive Director
Stakeholder Engagement

MANAGEMENT STAFF [1]

Theresa Adams Lopez
Director of Community Relations

Randall Allen
Deputy Chief of Port Police

Arley Baker
Senior Director of
Communications

Jennifer Bersales
Director of Risk Management

Christopher Cannon
Director of Environmental
Management

Tricia Carey
Director of Contracts &
Purchasing

Eric Caris
Director of Cargo Marketing

Kerry Cartwright
Director of Goods Movement

Tim Clark
Director of Construction &
Maintenance

Marisela Caraballo DiRuggiero
Director of Trade Development

Jennifer Cohen
Director of Policy and Legislative
Affairs

Capt. John Dwyer
Pilot Service

Capt. David Craig Flinn
Pilot Service

Michael Galvin
Director of Waterfront &
Commercial Real Estate

Julie Huerta
Commission Office

Marisa Katnich
Director of Cargo/Industrial Real
Estate

Lance Kaneshiro
Director of Information
Technology

Michael Keenan
Director of Planning & Strategy

Frank Liu
Director of Accounting

Tish Lorenzana
Director of Human Resources

Jim Olds
Director of Management Audits

Soheila Sajadian
Director of Debt & Treasury
Management

Phillip Sanfield
Director of Media Relations

Shaun Shahrestani
Chief Harbor Engineer of
Construction

Avin Sharma
Director of Labor Relations &
Workforce Development

Jeffrey Strafford
Director of Financial Planning &
Analysis

Dave Walsh
Chief Harbor Engineer of Design

CITY ATTORNEY STAFF

Janna Sidley
General Counsel

(1) As of June 30, 2021.

Financial Section

Report of Independent Auditors

The Members of the Board of Harbor Commissioners
Port of Los Angeles
City of Los Angeles, California

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, California) (the "Port"), an Enterprise Fund of the City of Los Angeles (the "City"), which comprise the statement of net position as of and for the year ended June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Port as of June 30, 2021, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Basis of Presentation

As discussed in Note 1, the financial statements of the Port are intended to present the net position, the changes in net position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Port. They do not purport to, and do not, present fairly the net position of the City as of June 30, 2021, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Prior Period Financial Statements

The financial statements of the Port as of June 30, 2020, were audited by other auditors whose report dated November 30, 2020, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Port. The accompanying introductory section and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Los Angeles, California
December 2, 2021

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

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 fiscal years ended June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with the transmittal letter on pages 1-4 and the Port's financial statements starting from page 40.

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

- *Statements of Net Position* – present information of all of the Port's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2021 and 2020. The sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as net position, which over time may increase or decrease and serves as an indicator of the Port's financial position.
- *Statements of Revenues, Expenses, and Changes in Net Position* – present the results of operations during the current and prior fiscal year. These show the sources of the Port's revenues and its expenses. Revenues and expenses are recorded and reported for some items that will result in cash flows in future periods. Changes in net position are reported when the underlying events occurred, regardless of the timing of the related cash flows.
- *Statements of Cash Flows* – present the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. A reconciliation is also provided to assist in understanding the difference between operating income and cash flows from operating activities.
- *Notes to 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…..

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Overview of the Port's Financial Statements

The Port is a fiscally independent department and an enterprise fund of the City of Los Angeles, California (the City). The Port's financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The notes to financial statements on pages 47 to 108 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights for Fiscal Year 2021

- Current assets exceeded current liabilities by $903.0 million.
- Capital assets, net of accumulated depreciation and amortization of $2.7 billion amounted to $3.7 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.7 billion.
- Bonded debt net of unamortized discounts/premiums of $65.7 million, totaled $731.4 million.
- Operating revenue amounted to $572.0 million.
- Net operating expenses excluding depreciation of $153.3 million amounted to $274.0 million.
- Capital contributions amounted to $7.1 million.

Continued.....

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Financial Highlights for Fiscal Year 2020

- Current assets exceeded current liabilities by $810.7 million.
- Capital assets, net of accumulated depreciation and amortization of $2.5 billion amounted to $3.8 billion.
- Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $3.6 billion.
- Bonded debt net of unamortized discounts/premiums of $77.4 million, totaled $788.5 million.
- Operating revenue amounted to $467.7 million.
- Net operating expenses excluding depreciation of $158.6 million amounted to $273.6 million.
- Capital contributions amounted to $3.4 million.

Continued…..

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

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, 2021, 2020, and 2019 (in thousands):

Condensed Net Position

				Increase (Decrease) Over Prior Year	
	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Assets					
Current and other assets	$ 1,137,362	$ 1,028,303	$ 976,353	$ 109,059	$ 51,950
Capital assets, net	3,740,293	3,758,030	3,812,608	(17,737)	(54,578)
Total assets	4,877,655	4,786,333	4,788,961	91,322	(2,628)
Deferred outflows of resources	114,321	68,699	78,020	45,622	(9,321)
Liabilities					
Current liabilities	173,860	157,331	154,115	16,529	3,216
Long-term liabilities	1,106,230	1,103,900	1,169,568	2,330	(65,668)
Total liabilities	1,280,090	1,261,231	1,323,683	18,859	(62,452)
Deferred inflows of resources	21,203	31,778	39,620	(10,575)	(7,842)
Net position					
Net investment in capital assets	3,016,153	2,979,268	2,954,017	36,885	25,251
Restricted for debt service	42,435	42,281	63,348	154	(21,067)
Unrestricted	632,095	540,474	486,313	91,621	54,161
Total net position	$ 3,690,683	$ 3,562,023	$ 3,503,678	$ 128,660	$ 58,345

Net Position, Fiscal Year 2021

The largest portion of the Port's net position ($3.0 billion or 81.7%) reflects its net investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($42.4 million or 1.2%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $632.1 million or 17.1% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Continued…..

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Current and other assets increased by $109.1 million or 10.6% from $1,028.3 million in fiscal year 2020 to $1,137.4 million in fiscal year 2021. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

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 $83.4 million from $994.2 million at June 30, 2020 to $1,077.6 million at June 30, 2021 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2021, the Port's share in the fair value measurement of the City's pooled investments reflected an increase of $22.1 million from the costs. The Port reported additional investments of $13.6 million from its share in the City's investment purchases on June 30, 2021, and $7.3 million in securities lending transactions.

Accounts receivable, net of allowance for doubtful accounts, increased by $25.8 million or 146.6% due to significant increase in wharfage billings for dramatic rise in cargo imports resulting from restocking of retail shelves and e-commerce buying surge. Grants receivable decreased by $0.3 million or 11.6% as lesser amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Capital assets, net of depreciation decreased by $17.7 million or 0.5% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress.

Current liabilities increased by $16.5 million or 10.5% as increases of $27.1 million in other current liabilities, $1.8 million in current portion of outstanding bonds payable, $1.7 million in fiscal year end accruals for construction costs, and $1.6 million in obligations from securities lending transactions were offset by decreases of $8.6 million in accounts payable for goods and services received in the fiscal year, $5.4 million in accrued salaries and employee benefits, $1.0 million in accrued interest payable, and $0.7 million in the net balance of other current liabilities. The increase of $27.1 million in other current liabilities is primarily due to increases of $13.7 million in reserve for contingency for ongoing litigations and $13.6 million for investment purchases to be settled in the following fiscal year.

Long-term liabilities increased by $2.3 million or 0.2% as increases of $59.3 million in net pension liabilities, $3.4 million in net postemployment benefits other than pensions (other postemployment benefits or OPEB) liabilities, and $5.9 million in noncurrent portion of estimated employee benefits were offset by decreases of $58.9 million in the noncurrent portion of bonds payable arising from the customary repayment of principal conjunction with the Port's debt activities, and a decrease of $6.7 million in noncurrent portion of estimated pollution remediation obligations, and $0.7 million in the net balance of other noncurrent liabilities. The increase of $59.3 million in net pension liabilities is attributable to the return on pension plans' assets were less than assumed return in the actuarial valuation, changes in the actuarial assumptions, and salary increases for continuing active members. The increase of $3.4 million in net OPEB liabilities is due to changes in actuarial assumptions. Additional information regarding the Port's proportionate shares of pension and OPEB liabilities may be found in Notes 13 and 14, respectively.

Continued…..

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Net Position, Fiscal Year 2020

The largest portion of the Port's net position ($3.0 billion or 8.6%) reflects its net investment in capital assets (e.g. land, facilities and equipment, construction in progress and intangible assets). These assets are used for the construction, operation and maintenance of Port facilities. An additional portion of the Port's net position ($42.3 million or 1.2%) represents resources that are restricted for the debt service reserve fund. The remaining balance of $540.5 million or 15.2% are unrestricted resources that may be used to meet the Port's ongoing obligations.

Current and other assets increased by $51.9 million or 5.3% from $976.4 million in fiscal year 2019 to $1,028.3 million in fiscal year 2020. This increase in current assets occurred due to higher year-over-year unrestricted cash levels.

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 $75.0 million from $919.2 million at June 30, 2019 to $994.2 million at June 30, 2020 was primarily due to the aforementioned increased unrestricted cash levels. Unrestricted cash increased over the course of the fiscal year as cash receipts derived from operating income and nonoperating sources more than sufficiently covered capital spending needs, debt service obligations, pollution remediation payments and workers' compensation payments. At June 30, 2020, the Port's share in the fair value measurement of the City's pooled investments reflected an increase of $20.0 million. The Port reported additional investments of $2.0 million from its share in the City's investment purchases on June 30, 2020, and $5.6 million in securities lending transactions.

Grants receivable increased by $0.6 million or 27.0% as more amount of grant invoices remained outstanding at fiscal year-end relative to prior fiscal year.

Capital assets, net of depreciation decreased by $54.6 million or 1.4% as the increase in accumulated depreciation associated with the Port's existing facilities and equipment more than offset the increase in new capital assets associated with capital project development and construction in progress.

Current liabilities increased by $3.2 million or 2.1% as increases of $11.7 million in accounts payable for goods and services received in the fiscal years and $2.2 million in accrued salaries and employee benefits were offset by decreases of $2.6 million in obligations from securities lending transactions, $2.1 million in accrued interest payable, $1.1 million in current portion of outstanding bonds payable, $0.9 million in fiscal year end accruals for construction costs, and $4.0 million in the net balance of other current liabilities,.

Long-term liabilities decreased by $65.7 million or 5.6% primarily due to a decrease of $80.5 million in the noncurrent portion of bonds payable arising from the customary repayment of principal and refunding of remaining 2009 series A and C bonds in conjunction with the Port's debt activities, and a decrease of $2.1 million in net postemployment benefits other than pensions (other postemployment benefits or OPEB) liabilities due to changes in actuarial assumptions. These decreases were offset by increases of $8.0 million in net pension liabilities attributable to the return on pension plans' assets were less than assumed return in the actuarial valuation, $1.4 million in long-term liabilities from restricted assets, $5.3 million in noncurrent portion of estimated employee benefits, and $2.2 million in the net balance of other noncurrent liabilities. Additional information regarding the Port's proportionate shares of pension and OPEB liabilities may be found in Notes 13 and 14, respectively.

Continued…..

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Analysis of the Port's Activities

The following table presents condensed information showing how the Port's net position changed during fiscal years 2021, 2020 and 2019 (in thousands):

Condensed Changes in Net Position

	FY 2021	FY 2020	FY 2019	Increase (Decrease) Over Prior Year FY 2021	Increase (Decrease) Over Prior Year FY 2020
Operating revenue	$ 572,011	$ 467,666	$ 506,427	$ 104,345	$ (38,761)
Less: Operating expenses	273,968	273,570	240,427	398	33,143
Operating income before depreciation and amortization	298,043	194,096	266,000	103,947	(71,904)
Less: Depreciation and amortization	153,304	158,613	161,977	(5,309)	(3,364)
Operating income	144,739	35,483	104,023	109,256	(68,540)
Net nonoperating revenue (expenses)	(23,195)	19,422	61,261	(42,617)	(41,839)
Income before capital contributions	121,544	54,905	165,284	66,639	(110,379)
Capital contributions	7,116	3,440	3,523	3,676	(83)
Changes in net position	128,660	58,345	168,807	70,315	(110,462)
Net position, July 1	3,562,023	3,503,678	3,334,871	58,345	168,807
Net position, June 30	$ 3,690,683	$ 3,562,023	$ 3,503,678	$ 128,660	$ 58,345

Changes in Net Position, Fiscal Year 2021

The Port reported a $128.7 million change in net position in fiscal year 2021, a 120.5% increase as compared to fiscal year 2020. Approximately $544.3 million or 95.2% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were higher by $0.4 million in fiscal year 2021 compared to the previous fiscal year.

Depreciation expense decreased by $5.3 million to $153.3 million in fiscal year 2021 from $158.6 million in fiscal year 2020, primarily due to certain assets being fully depreciated in the prior year.

Nonoperating revenues for fiscal year 2021 totaled $3.4 million, while nonoperating expenses were $26.6 million, thereby resulting in net nonoperating expenses of $23.2 million. Nonoperating revenues of $3.4 million include: $13.2 million of interest and investment income from the Port's cash in the City's pooled investments and bond funds, $15.8 million of unrealized loss for fair value adjustment of investments, $2.2 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $2.0 million from noncapital grants, $0.7 million from pass through grant revenue, as well as $1.1 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating expenses of $26.6 million include $21.8 million of interest on indebtedness, $0.8 million from pass through grant expenses, $3.7 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, and $0.3 million for other nonoperating expenses during the fiscal year.

Continued…..

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As a result, income before capital contributions increased by $66.6 million or 121.3% to $121.5 million in fiscal year 2021 from $54.9 million in fiscal year 2020.

Capital contributions increased by $3.7 million from $3.4 million earned in fiscal year 2020 to $7.1 million in fiscal year 2021 with more grant-funded initiatives in fiscal year 2021 relative to fiscal year 2020. Capital grants in fiscal year 2021 funded initiatives such as land mobile radio system upgrade ($3.4 million), San Pedro Waterfront Waterside Improvement project ($1.2 million), and Berth 226-236 terminal improvement project ($2.5 million).

Changes in Net Position, Fiscal Year 2020

The Port reported a $58.3 million change in net position in fiscal year 2020, a 65.4% decrease as compared to fiscal year 2019. Approximately $442.7 million or 94.7% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating expenses were higher by $33.1 million in fiscal year 2020 compared to the previous fiscal year.

Depreciation expense decreased by $3.4 million to $158.6 million in fiscal year 2020 from $162.0 million in fiscal year 2019, primarily due to certain assets being fully depreciated in the prior year.

Nonoperating revenues for fiscal year 2020 totaled $56.7 million, while nonoperating expenses were $37.3 million, thereby resulting in net nonoperating revenue of $19.4 million. Nonoperating revenues of $56.7 million include: $19.7 million of interest and investment income from the Port's cash in the City's pooled investments and bond funds, $20.0 million of unrealized gain for fair value adjustment of investments, $2.5 million of income from an investment in the Intermodal Container Transfer Facility Joint Powers Authority, $1.7 million from noncapital grants, $7.8 million from pass through grant revenue, as well as $5.0 million from various rebates, reimbursements, and miscellaneous other receipts. Nonoperating expenses of $37.3 million include $24.7 million of interest on indebtedness, $8.0 million from pass through grant expenses, $3.6 million of expenses resulting from certain capitalized projects being discontinued during the fiscal year, and $1.0 million for other nonoperating expenses during the fiscal year.

As a result, income before capital contributions decreased by $110.5 million or 66.8% to $54.9 million in fiscal year 2020 from $165.3 million in fiscal year 2019.

Capital contributions decreased by $0.1 million from $3.5 million earned in fiscal year 2019 to $3.4 million in fiscal year 2020 following the completion of more grant-funded initiatives in fiscal year 2019 relative to fiscal year 2020. Capital grants in fiscal year 2020 funded initiatives such as Harbor Boulevard/Sampson Way/7th Street Reconfiguration ($2.6 million), Yusen Terminal Efficiency Enhancements and Truck Trip Redesign Program ($0.4 million), and I-110/C-Street Access Ramp Improvements ($0.4 million).

Continued…..

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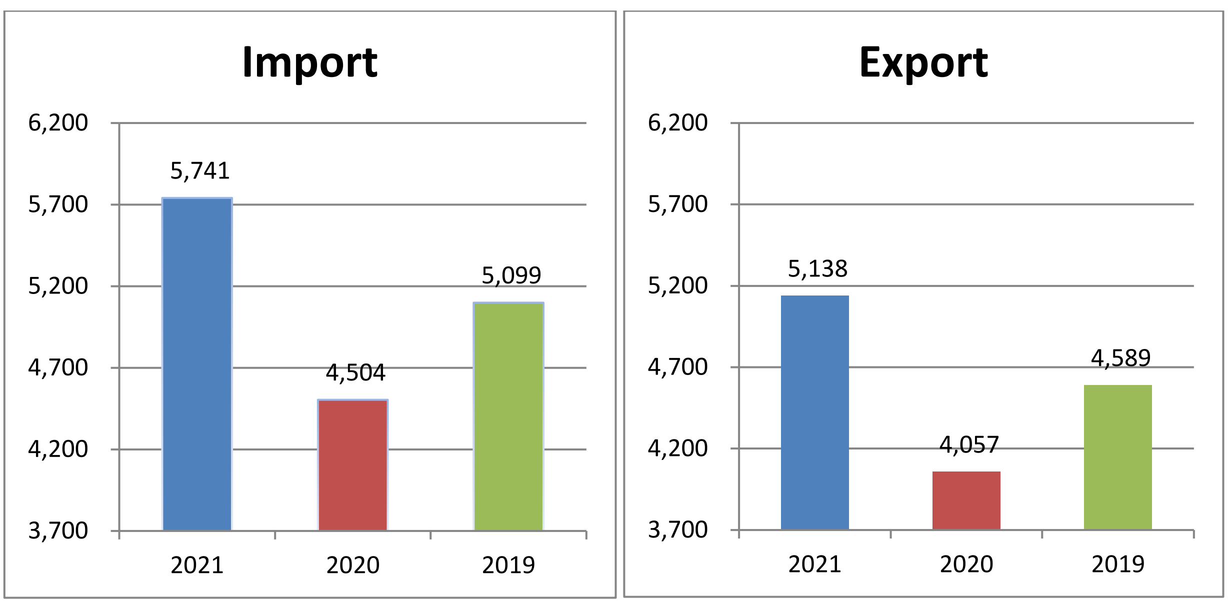
Operating Revenue

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 thousand TEUs):

	In TEUs			% Change Over Prior Year	
Container Volume	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Import	5,741	4,504	5,099	27.5%	-11.7%
Export	5,138	4,057	4,589	26.6%	-11.6%
Total	10,879	8,561	9,688	27.1%	-11.6%

The Port is the number one port by container volume in North America. Overall container volume totaled 10.9 million TEUs in fiscal year 2021 which represented a 27.1% increase relative to the prior fiscal year. The significant increase in container volume was primarily due to the huge, unexpected surge in cargo imports resulting from the stay-at-home orders and medical equipment shipments.

Following is the graphical presentation of the Port's container counts (in thousand TEUs) for fiscal years 2019 to 2021:



In Thousand TEUs

Continued…..

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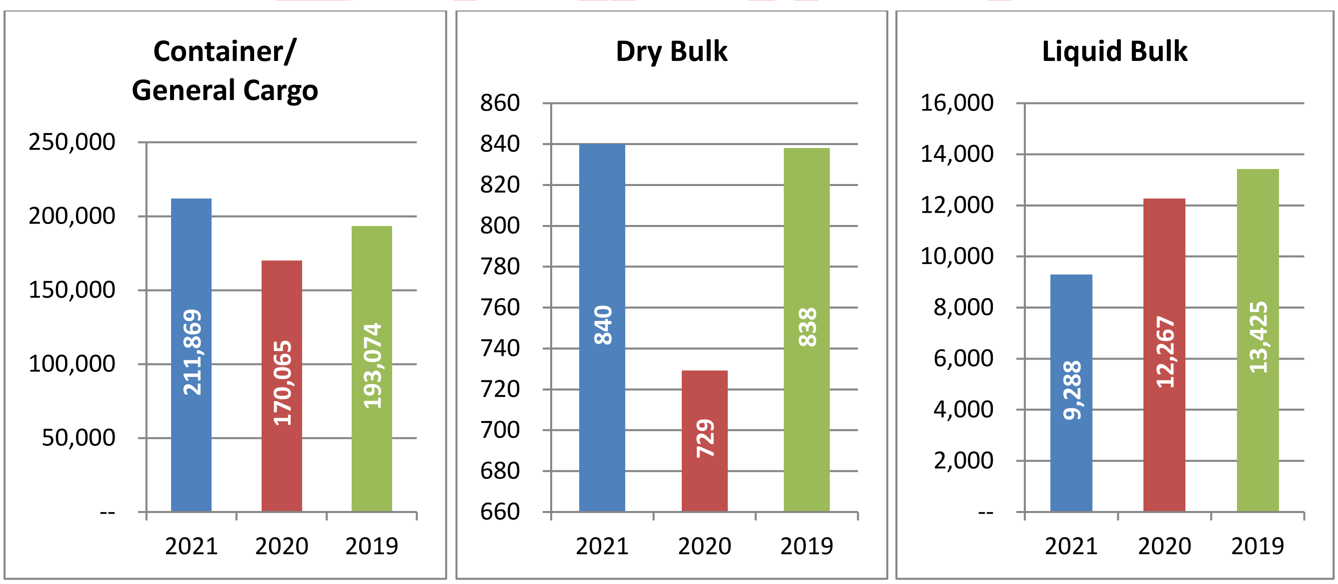
The Port is the leading seaport in North America in terms of shipping container volume. The following presents a summary of cargo volumes by major classification handled by the Port for the last three fiscal years (in thousands):

	In Metric Revenue Tons			% Change Over Prior Year	
Cargo Type	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Container/general cargo	211,869	170,065	193,074	24.6%	-11.9%
Dry bulk	840	729	838	15.2%	-13.0%
Liquid bulk	9,288	12,267	13,425	-24.3%	-8.6%
Total	221,997	183,061	207,337	21.3%	-11.7%

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

Following is the graphical presentation of the Port's cargo volumes for fiscal years 2019 to 2021 in thousand metric tons:



In Thousand Metric Tons

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The Port's major sources of its operating revenues 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 2021, 2020 and 2019 (in thousands):

Summary of Operating Revenues

				Increase (Decrease) Over Prior Year	
	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Shipping services					
Wharfage	$ 435,513	$ 345,157	$ 383,526	$ 90,356	$ (38,369)
Dockage and demurrage	4,716	4,457	4,550	259	(93)
Pilotage	10,682	9,495	10,985	1,187	(1,490)
Assignment and other charges	12,938	10,456	11,267	2,482	(811)
Total shipping services	463,849	369,565	410,328	94,284	(40,763)
Rentals					
Land	78,773	72,099	65,291	6,674	6,808
Other	1,706	1,004	674	702	330
Total rentals	80,479	73,103	65,965	7,376	7,138
Royalties and other fees					
Fees, concession and royalties	1,693	3,455	4,240	(1,762)	(785)
Clean truck program fees	2,285	3,187	1,457	(902)	1,730
Other	23,705	18,356	24,437	5,349	(6,081)
Total royalties and other fees	27,683	24,998	30,134	2,685	(5,136)
Total operating revenues	$ 572,011	$ 467,666	$ 506,427	$ 104,345	$ (38,761)

Continued…..

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Management's Discussion and Analysis

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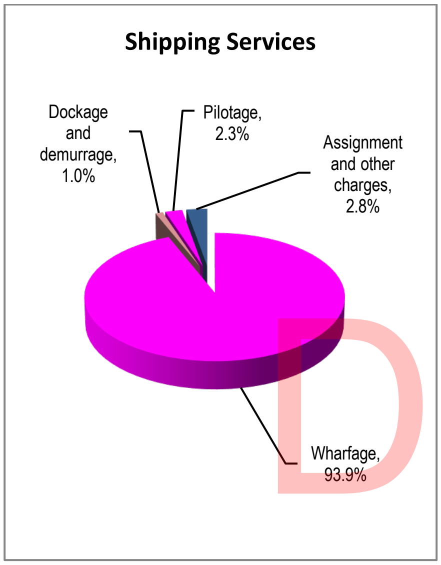
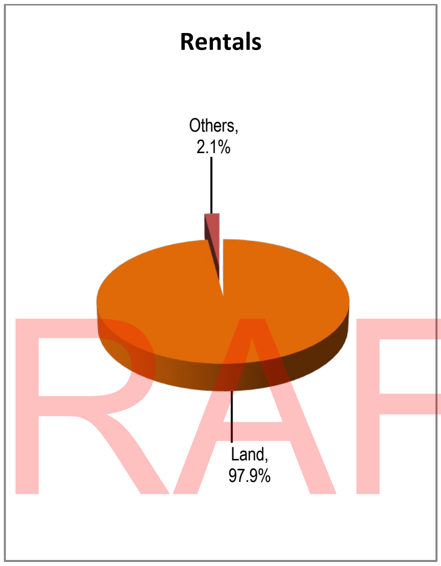
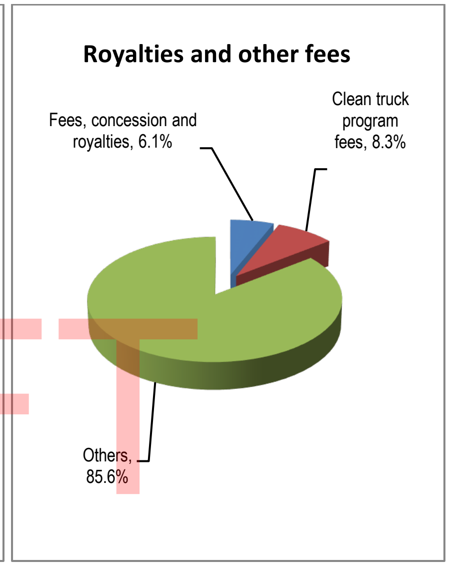
The following charts show the major components of the Port's sources of operating revenue for fiscal years 2021 and 2020:

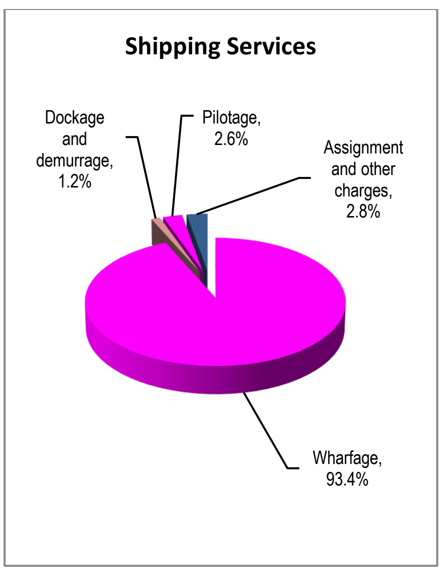
Fiscal Year 2021

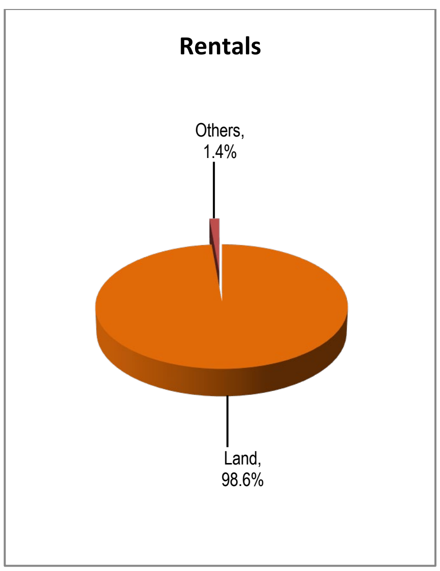


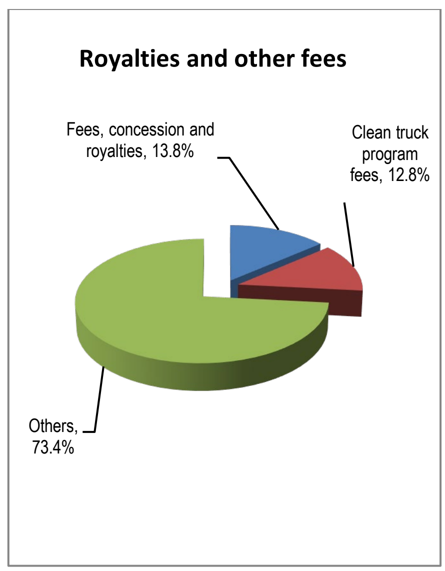




Fiscal Year 2020







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Operating Revenue, Fiscal Year 2021

Operating revenue for fiscal year 2021 increased to $572.0 million, reflecting a 22.3% increase from the prior year revenue of $467.7 million. The increase was primarily due to the record high container cargo volumes in fiscal year 2021 produced higher wharfage and led to an increase in total operating revenues relative to the prior fiscal year. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues represented 81.1% of fiscal year 2021 total operating revenues and consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 93.9% of the total shipping service revenues in fiscal year 2021. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $90.4 million higher compared to fiscal year 2020 mainly due to higher cargo volumes moved through terminals in the fiscal year 2021. Other shipping services revenues were $3.9 million higher as dockage and demurrage revenue, pilotage revenue, and assignment revenues increased by $0.3 million, $1.2 million, and $2.5 million, respectively.

Rentals

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

During fiscal year 2021, rental income at the Port, which represented 14.1% of fiscal year 2021 total operating revenues, increased by $7.4 million, or 10.1%, over last fiscal year. The increase was mainly due to net rental rate increases and new permits.

Royalties, Fees, and Other Operating Revenue

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

Revenues from royalties, fees, and other operating revenues in fiscal year 2021 was $27.7 million or 4.8% of the total operating revenues. This represented an increase of $2.7 million in this revenue category compared with fiscal year 2020 mainly due to $6.7 million in higher utility reimbursements partially offset by $1.8 million in lower parking fee revenue, $0.9 million in lower Clean Truck revenues, and $1.3 million in lower operating reimbursements.

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Operating Revenue, Fiscal Year 2020

Operating revenue for fiscal year 2020 decreased to $467.7 million, reflecting a 7.7% decrease from the prior year revenue of $506.4 million. The decrease was primarily due to the economic impact of the Pandemic as well as the on-going trade war between China and the United States. As stated earlier, the Port derives its operating revenues primarily from shipping services, rentals, and fees from royalties, concessions and other fees.

Shipping Services

Shipping services revenues represented 79.0% of fiscal year 2020 total operating revenues and consist of several classifications of fees assessed for various activities relating to vessel and cargo movement. Of these fees, wharfage is the most significant and comprised 93.4% of the total shipping service revenues in fiscal year 2020. Wharfage is the fee charged against merchandise for passage over wharf premises, to and from vessels, and barges. Wharfage was $38.4 million lower compared to fiscal year 2019 mainly due to lower cargo volumes moved through terminals in the period March through June 2020 due to the Pandemic. Other shipping services revenues were $2.4 million lower as dockage and demurrage revenue, pilotage revenue, and assignment revenues decreased by $0.1 million, $1.5 million, and $0.8 million, respectively.

Rentals

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

During fiscal year 2020, rental income at the Port, which represented 15.6% of fiscal year 2020 total operating revenues, increased by $7.1 million, or 10.8%, over last fiscal year. The increase was mainly due to net rental rate increases and new permits.

Royalties, Fees, and Other Operating Revenue

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

Revenues from royalties, fees, and other operating revenues in fiscal year 2020 was $25.0 million or 5.3% of the total operating revenues. This represented a decrease of $5.1 million in this revenue category compared with fiscal year 2019 mainly due to $4.7 million in lower Harbor Maintenance Tax revenue, $2.1 million in lower utility reimbursements, and $0.6 million in lower parking fee revenue, partially offset by $1.7 million in higher Clean Truck revenues and $0.6 million in higher operating reimbursements.

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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 2021, 2020 and 2019. Included in other operating expenses are expenses for workers' compensation, clean truck program, pollution remediation, insurance premiums, travel and entertainment, customer incentive payouts, and miscellaneous other items.

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

				Increase (Decrease) Over Prior Year	
	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Salaries and benefits	$ 146,200	$ 145,826	$ 123,058	$ 374	$ 22,768
City services	45,876	48,366	45,223	(2,490)	3,143
Outside services	26,219	31,815	33,418	(5,596)	(1,603)
Utilities	23,290	18,443	19,946	4,847	(1,503)
Materials and supplies	4,517	5,672	6,593	(1,155)	(921)
Marketing and public relations	1,372	2,388	2,510	(1,016)	(122)
Other operating expenses	26,494	21,060	9,679	5,434	11,381
Total Operating Expenses	$ 273,968	$ 273,570	$ 240,427	$ 398	$ 33,143

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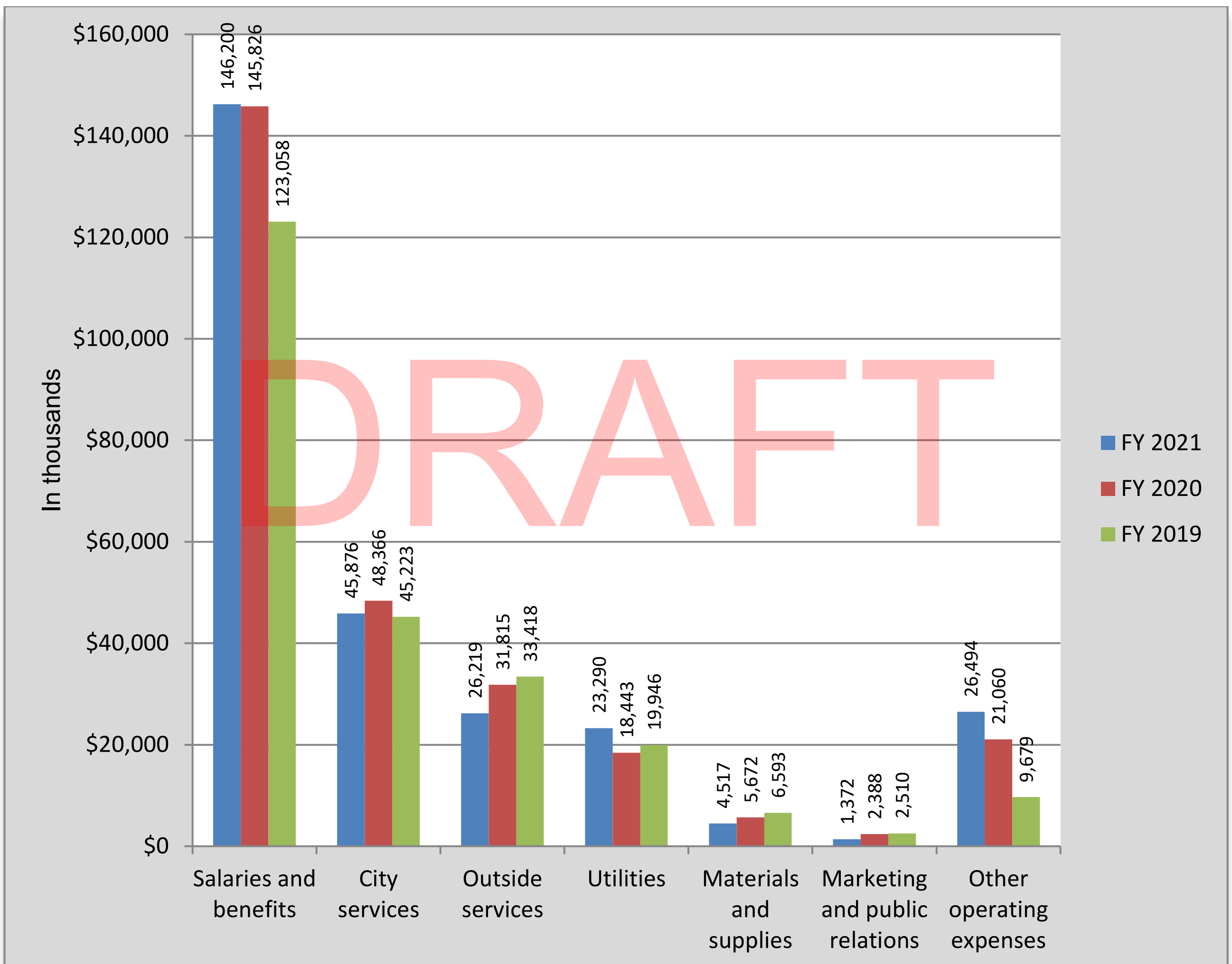
The following chart shows the graphical comparison of the Port's operating expenses, net of direct and indirect costs, for fiscal years 2021, 2020 and 2019:



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Operating Expenses, Fiscal Year 2021

Operating expenses are presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects.

In fiscal year 2021, operating expenses increased by $0.4 million to $274.0 million, a 0.1% increase from prior fiscal year expenses of $273.6 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension and OPEB expenses increased by $0.4 million to $146.2 million, or 0.3% higher than the prior year expense of $145.8 million due to increases of $5.1 million in pension and OPEB expenses and $0.6 million in regular salary expenses offset by decreases of $5.3 million in employee benefit expenses.

Total payments for City services of $45.9 million decreased by $2.5 million or 5.2% relative to the prior fiscal year of $48.4 million due to $1.8 million related to lower utilization of fire service, $0.5 million in lower recreation and park services, $0.7 million in lower city attorney services, and $0.3 million in lower various city services, which was partially offset by $0.5 million in higher personnel services and $0.3 million in higher other city administrative services.

Outside services expenses of $26.2 million decreased by $5.6 million or 17.6% relative to the prior fiscal year of $31.8 million with spending decreases of $5.5 million in construction and maintenance services due to Pandemic-related project delays, $1.2 million in information technology services due to delays in the Port Optimizer project, and $0.7 million in environment assessment services due to more assessments performed by in-house staff offset by $1.8 million spending increases in information technology services for hardware and software, legal services for environmental matters, supports for finance administration, and construction costs for the Harbor Administration Building.

Materials and supplies expenses of $4.5 million decreased by $1.2 million or 20.4% relative to the prior fiscal year of $5.7 million primarily due to lower materials and supplies purchases across various divisions throughout the Port. Due to Pandemic-related project delays, deferring maintenance projects, as well as delays in delivery of materials and supplies drove lower spending.

Other operating expenses of $26.5 million represented an increase of $5.4 million, or 25.8%, relative to prior fiscal year other operating expenses of $21.1 million. This increase in other operating expenses was primarily attributable to higher provisioning for litigation and claim expenses by $12.8 million related to litigation with the Natural Resources Defense Council and higher pollution remediation expense by $0.8 million offset by lower customer incentive expense by $5.9 million in incentive payouts, lower provisioning for workers' compensation liabilities by $1.8 million, lower taxes and assessments expense by $0.5 million.

Continued…..

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Operating Expenses, Fiscal Year 2020

Operating expenses are presented net of direct and indirect costs allocated to capitalized construction projects. Direct costs are costs of materials, labor, and expenses assigned or identified with specific capital projects. Indirect costs are overhead costs not directly identified with a particular capital project such as administrative expenses, maintenance costs and City services, and hence, are allocated based on the average outstanding balance of capitalized construction projects. In fiscal year 2020, operating expenses increased by $33.1 million to $273.6 million, a 13.8% increase from prior fiscal year expenses of $240.4 million. Major components of operating expenses are salaries and benefits, city services, outside services, utilities, materials and supplies, and other operating expenses that are further discussed and analyzed below.

Salaries and benefits expense including pension and OPEB expenses increased by $22.8 million to $145.8 million, or 18.5% higher than the prior year expense of $123.1 million due to salary and benefit increases for certain classes of represented employees as well as retroactive salary payments as result of renewal of labor agreements.

Total payments for City services of $48.4 million increased by $3.1 million or 7.0% relative to the prior fiscal year of $45.2 million due to $2.7 million related to higher utilization of fire service, $1.2 million in higher recreation and park services, and $0.2 million in higher miscellaneous city services, which was partially offset by $0.5 million in lower personnel services, $0.4 million in lower outside counsel services, and $0.1 million in lower general services.

Outside services expenses of $31.8 million decreased by $1.6 million or 4.8% relative to the prior fiscal year of $33.4 million with spending decreases totaling $4.1 million across various divisions throughout the Port offset by $2.5 million spending increases in legal services for environmental matters, investigation services for personnel matters, and construction costs.

Materials and supplies expenses of $5.7 million decreased by $0.9 million or 14.0% relative to the prior fiscal year of $6.6 million primarily due to lower materials and supplies purchases within the Construction and Maintenance division. As a direct result from the Pandemic, many maintenance projects were deferred to focus on health and safety, maintaining the Port's infrastructure, and to assist Logistics Victory LA (LoVLA), a partnership with local hospitals to expedite the movement of critically needed personal protective equipment (PPE). Deferring maintenance projects, as well as delays in delivery of materials and supplies drove lower spending.

Other operating expenses of $21.1 million represented an increase of $11.4 million, or 117.6%, relative to prior fiscal year other operating expenses of $9.7 million. This increase in other operating expenses was primarily attributable to higher pollution remediation expense by $4.2 million for last year's downward adjustment to provisioning and this year's estimated provision for future spending to remediate pollution at various sites throughout the Port, higher customer incentive expense by $6.1 million for container incentive payouts, higher provisioning for workers' compensation liabilities by $1.7 million, higher provisioning for litigation and claim expenses by $1.4 million, higher taxes and assessments expense by $0.7 million due to higher tax rate and higher environmental incentive payouts by $0.6 million. These increases were partially offset by $2.1 million related to lower subsidies in the clean truck program and $1.2 million in lower spending in utilities and miscellaneous expenses.

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Nonoperating Revenues and Expenses

Nonoperating revenues and expenses include income from investment in a joint powers authority, interest income and expenses along with receipts and expenses related with noncapital grants as well as pass through grant awards. The following table presents a summary of the Port's nonoperating revenues and expenses for fiscal years 2021, 2020 and 2019:

Summary of Nonoperating Revenues and Expenses
(amounts in thousands)

				Increase (Decrease) Over Prior Year	
	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Nonoperating revenues					
Income from investments in Joint Powers Authority	$ 2,243	$ 2,461	$ 2,596	$ (218)	$ (135)
Investment (loss) income-net	(2,656)	39,643	32,804	(42,299)	6,839
Other nonoperating revenue	3,824	14,576	36,967	(10,752)	(22,391)
Total nonoperating revenues	3,411	56,680	72,367	(53,269)	(15,687)
Nonoperating expenses					
Interest expense	21,763	24,707	1,290	(2,944)	23,417
Other nonoperating expenses	4,843	12,551	9,816	(7,708)	2,735
Total nonoperating expenses	26,606	37,258	11,106	(10,652)	26,152
Net nonoperating revenues (expenses)	$ (23,195)	$ 19,422	$ 61,261	$ (42,617)	$ (41,839)

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Nonoperating Revenues and Expenses, Fiscal Year 2021

In fiscal year 2021, the Port reported net nonoperating expenses of $23.2 million, decreased by $42.6 million relative to net nonoperating revenues of $19.4 million in fiscal year 2020.

Nonoperating revenues decreased by $53.3 million due to unfavorable variances with respect to lower interest and investment income by $42.3 million, lower pass-through grant revenues by $7.0 million, lower, delinquency penalties by $2.5 million, lower settlements by $1.0 million lower gain on land sales by $0.6 million, and lower joint powers authority revenues by $0.2 million. These decreases were partially offset by higher Federal grant revenues by $0.3 million.

Nonoperating expenses decreased by $10.7 million in fiscal year 2021 due to lower pass-through grant disbursements by $7.2 million, lower interest expenses by $2.9 million, and lower bond administration costs by $0.7 million. These increases were partially offset by higher capital projects closed to expense by $0.1 million.

Continued…..

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Nonoperating Revenues and Expenses, Fiscal Year 2020

Net nonoperating revenues (expenses) for fiscal year 2020 of $19.4 million decreased by $41.8 million relative to net nonoperating revenues of $61.3 million in fiscal year 2019.

Nonoperating revenues decreased by $15.7 million due to a one-time recovery receipts of $26.9 million in prior year from an intermodal gateway project and lower joint powers authority revenues by $0.1 million. These decreases were partially offset by higher grant revenues by $3.2 million, higher interest and investment income by $6.8 million, and higher other nonoperating revenues by $1.3 million.

Nonoperating expenses increased by $26.2 million in fiscal year 2020 primarily due to higher interest expense by $23.4 million, higher pass-through grant expenses by $3.1 million, and higher other nonoperating expenses by $0.7 million. These increases were partially offset by lower discontinued capital projects by $1.0 million.

Long-Term Debt

The Port's long-term debt is comprised of senior lien debt in the form of Harbor Department Revenue Bonds. As of June 30, 2021 and 2020, the Port's outstanding long-term debt was $665.7 million and $711.1 million, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA, and AA credit ratings from Moody's Investors Service (Moody's), S&P Global Ratings (S&P), and Fitch Ratings (Fitch), respectively. See Note 7 of this report for additional information.

Bonded Debt

Under Section 609 of the City Charter and the Bond Procedural Ordinance, the Port's capacity to issue debt is not limited. However, the Port's capacity is constrained under covenants of the currently outstanding debt to an aggregate ratio of annual net 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 be maintained at all times. At June 30, 2021, the Port's debt service coverage was 3.0x debt service.

The Port's long-term debt consisted of the following as of June 30, 2021, 2020, and 2019 (in thousands):

	FY 2021	FY 2020	FY 2019
Revenue bonds payable	$ 665,670	$ 711,080	$ 810,110
Net unamortized premiums	65,687	77,409	59,950
Total	$ 731,357	$ 788,489	$ 870,060

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

Management's Discussion and Analysis

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(Unaudited)

Capital Assets

The Port's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2021, 2020 and 2019 amounted to $3.7 billion, $3.8 billion, and $3.8 billion, respectively. These accounted for 76.7%, 78.5%, and 79.6%, of total assets, respectively. The following table presents the Port's capital assets, net of accumulated depreciation for fiscal years 2021, 2020 and 2019 (in thousands):

Summary of Capital Assets

				Increase (Decrease) Over Prior Year	
	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020
Land	$ 1,106,805	$ 1,106,805	$ 1,106,805	$ --	$ --
Facilities and equipment, net	2,237,374	2,355,657	2,469,595	(118,283)	(113,938)
Intangible assets, net	20,296	20,919	21,542	(623)	(623)
Construction in progress	234,786	128,955	75,694	105,831	53,261
Preliminary costs-capital projects	141,032	145,694	138,972	(4,662)	6,722
Total	$ 3,740,293	$ 3,758,030	$ 3,812,608	$ (17,737)	$ (54,578)

See Note 5 of this report for additional information.

The Port has active construction projects as of June 30, 2021. The projects include Berth 226-236 Everport Terminal Improvements, San Pedro Waterfront Redevelopment, Wilmington Waterfront Redevelopment, State Route 47/Vincent Thomas Bridge and Front Street/Harbor Boulevard Interchange Reconfiguration, and various other capital projects. At June 30, 2021, 2020, and 2019, the Port's commitments with contractors for capital projects were $1.2 million, $1.6 million, and $1.7 million, respectively.

Continued…..

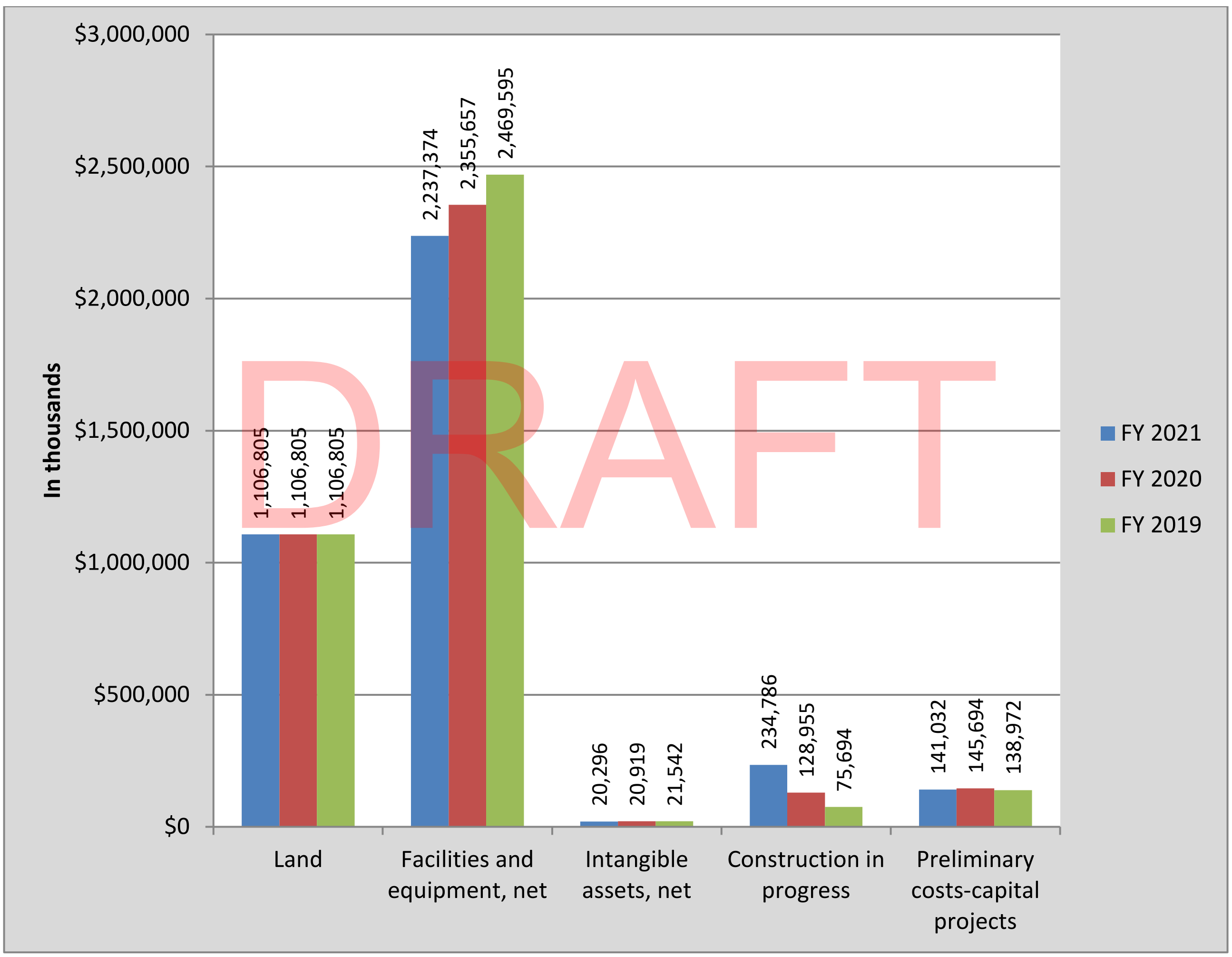
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

The following chart shows the graphical presentation of the Port's capital assets, net of accumulated depreciation for the fiscal years 2021, 2020 and 2019:



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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Capital Assets, Fiscal Year 2021

Major capital assets activities during fiscal year 2021 are as follows:

- $45.0 million – construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to Sampson Way roadway improvements, the Wilmington Waterfront Promenade, the Avalon Promenade and Gateway, and Ports O' Call Promenade and Town Square.
- $40.4 million – redevelopment projects at the Everport Container Terminal including retrofit and upgrade of Alternative Maritime Power (AMP) system, wharf and backland improvements, terminal infrastructure reconstruction, and advanced cargo handling project.
- $10.3 million – various projects at buildings and facilities of the Port including facilities and buildings improvements, pilot boat replacement, floating dock replacement, fire alarm and security system installation and various utility projects.
- $5.3 million – various transportation projects including construction of the interchange reconfiguration project at SR-47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, south Wilmington grade separation, C Street/I-110 access ramp improvements, Alameda Corridor southern terminus gap closure, construction of Berth 200 rail yard track connection enhancements and drainage improvements, and various street resurfacing projects.
- $3.2 million – various homeland security projects including construction of Port Cyber Resilience Center, development of dispatch and records management system, port police fixed license plate reader system, and facility security improvements.
- $3.1 million – redevelopment projects at various terminals including wharf rehabilitation, facility expansion, and infrastructure improvements.
- $2.7 million – various miscellaneous projects for building cover replacement, installation of fire alarm system, and dockside facility improvements.
- $1.3 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $1.0 million – redevelopment projects at the Pasha Terminal including wharf restoration, roll up door replacement, and facility improvements.
- $0.8 million – various projects at the Port's World Cruise Center including mobile gangways replacement, high mast pole lighting upgrade, and other miscellaneous improvements.

Continued…..

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Capital Assets, Fiscal Year 2020

Major capital assets activities during fiscal year 2020 are as follows:

- $16.6 million – various projects at buildings and facilities of the Port including street modifications, facilities and buildings improvements.
- $10.0 million – continued design and construction of San Pedro Waterfront and Wilmington Waterfront Development projects including, but not limited to Sampson Way roadway improvements, the Wilmington Waterfront Promenade, the Avalon Promenade and Gateway, and Ports O' Call Promenade and Town Square.
- $9.5 million – redevelopment projects at the Everport Container Terminal including installation and upgrade of Alternative Maritime Power (AMP) system, wharf and backland improvements, and terminal infrastructure reconstruction.
- $9.2 million – various homeland security projects including acquisition of port police radio system, development of dispatch and records management system, and facility security improvements.
- $9.0 million – various transportation projects including construction of the interchange reconfiguration project at SR-47/Vincent Thomas Bridge and Front Street/Harbor Boulevard, south Wilmington grade separation, construction of Berth 200 rail yard track connection enhancements and drainage improvements, and various street resurfacing projects.
- $5.1 million – various miscellaneous projects for sidewalk improvements, berth pile and log replacement, dockside facility improvements.
- $4.7 million - redevelopment projects at various terminals including wharf rehabilitation, facility expansion, and infrastructure improvements.
- $1.5 million - redevelopment projects at Pier 400 for storage tracks expansion.
- $1.4 million – various projects at berths with liquid bulk oil cargo handling facilities to comply with Marine Oil Terminal Engineering Maintenance Standards (MOTEMS).
- $1.4 million – various projects at the Port's World Cruise Center including installation of new elevators, repairs of vehicular and pedestrian ramp, modernization of terminal escalator, and other miscellaneous improvements.
- $1.2 million - redevelopment projects at Berth 171-181 including wharf restoration, facility replacement, and electrical infrastructure improvements.
- $1.1 million - redevelopment projects at the Trapac Terminal including backland and intermodal facility improvements.

Continued…..

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Factors That May Affect the Port's Operations

There is significant competition for container traffic among North American ports. The availability of alternate port facilities at competitive prices affects the use of the Port's facilities and therefore the revenues of the Port. Formation of shipping alliances adds to the complexity as shipping lines which have ownership in terminals route cargo to terminals that are not owned by them, but by their Alliance partners. While the shipping industry remains volatile in 2021, shipping lines are searching for the best terminal handling rates and even looking to the Port to provide incentives. The Port cannot predict the scope of such impact.

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

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

Since March 2020, the outbreak of the COVID-19 pandemic has affected the global supply chain. While cargo volumes declined by 11.6% in fiscal year 2020, the Port processed 10.9 million TEUs during the fiscal year 2021, a 27.1% increase relative to fiscal year 2020. A pandemic-induced consumer buying surge that began in the summer of 2020, along with restocking of retailer shelves and e-commerce warehouses across the county have fueled the dramatic rise in imports.

Competitive Environment

As of the fiscal year ended June 30, 2021, five major container ports controlled 98.6% of the entire U.S. West Coast containerized cargo market: the ports of Los Angeles, Long Beach, and Oakland in California, and the ports of Seattle and Tacoma in Washington State. The ports of Los Angeles and Long Beach together had 74.8% of all U.S. West Coast market share based on a loaded TEU basis.

The industry is capital intensive and requires long lead times to plan and develop new facilities and infrastructure. Resources are typically allocated and facilities developed based upon the commitment of customers to long-term permits at the Port that currently range from 15 to 30 years before expiration. Occupancy remains high and West Coast ports have limited land areas for expansion. Additionally, the

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greater Los Angeles area represents not only a large destination market for waterborne goods, but also an attractive point of origin for supply chain distribution throughout the Southern California region and the rest of nation as the Port has extensive on-dock rail facilities creating intermodal connections that provide for time-to-market advantages.

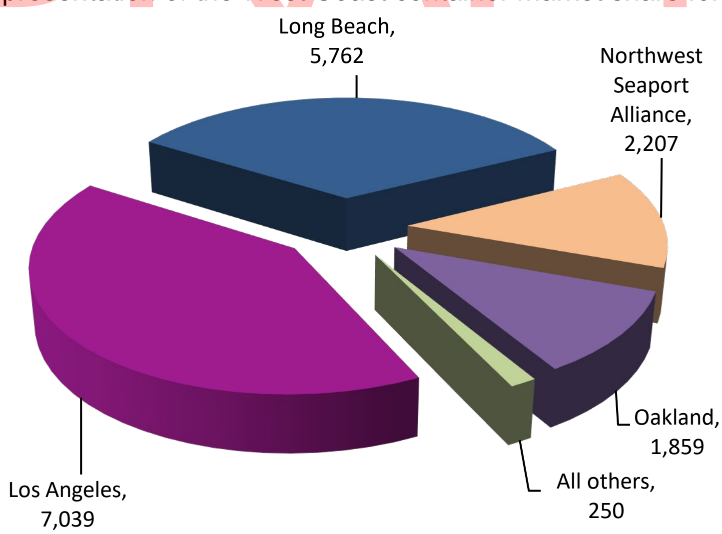
The following presents a summary of the West Coast container market share for fiscal years 2019 to 2021:

	Loaded TEUs (in thousands)*			Percentage Market Share		
Ports	FY 2021	FY 2020	FY 2019	FY 2021	FY 2020	FY 2019
Los Angeles	7,039	5,742	6,486	41.1%	39.3%	40.8%
Long Beach	5,762	4,822	5,101	33.7%	33.0%	32.1%
Northwest Seaport Alliance**	2,207	2,111	2,418	12.9%	14.4%	15.2%
Oakland	1,859	1,742	1,739	10.9%	11.9%	10.9%
All others	250	194	157	1.4%	1.4%	1.0%
	17,117	14,611	15,901	100.0%	100.0%	100.0%

* Source: PIERS

** Northwest Seaport Alliance consists of Seattle and Tacoma.

Following is the graphical presentation of the West Coast container market share for fiscal year 2021:



Loaded TEUs (in thousands)

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

Management's Discussion and Analysis

June 30, 2021 and 2020

(Unaudited)

Request for Information

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

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

Statements of Net Position
June 30, 2021 and 2020
(amounts in thousands)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents, unrestricted	$ 1,012,012	$ 928,706
Cash and cash equivalents, restricted	12,129	12,066
Accounts receivable, net of allowance for doubtful accounts: 2021 - $6,683; 2020 - $6,426	43,362	17,582
Accrued interest receivable	3,647	3,729
Grants receivable	2,399	2,715
Materials and supplies inventories	2,872	2,757
Prepaid expenses	415	505
Total current assets	1,076,836	968,060
Noncurrent restricted assets		
Restricted investments – bond funds	42,435	42,281
Other restricted cash and investments	11,058	11,172
Total noncurrent restricted assets	53,493	53,453
Capital assets		
Land	1,106,805	1,106,805
Facilities and equipment net of accumulated depreciation: 2021 - $2,668,758; 2020 - $2,518,121	2,237,374	2,355,657
Intangible assets, net of amortization: 2021 - $5,064; 2020 - $4,441	20,296	20,919
Construction in progress	234,786	128,955
Preliminary costs – capital projects	141,032	145,694
Total capital assets	3,740,293	3,758,030
Investment in Joint Powers Authority	7,033	6,790
TOTAL ASSETS	4,877,655	4,786,333
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	11,012	11,787
Deferred outflows of resources related to pensions	88,162	46,379
Deferred outflows of resources related to other postemployment benefits (OPEB)	15,147	10,533
TOTAL DEFERRED OUTFLOWS OF RESOURCES	114,321	68,699

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

Statements of Net Position
June 30, 2021 and 2020
(amounts in thousands)

	2021	2020
LIABILITIES		
Current liabilities		
Accounts payable	$ 31,593	$ 40,154
Current maturities of bonds payable	47,190	45,410
Accrued interest payable	13,558	14,507
Accrued salaries and employee benefits	18,800	24,236
Obligations under securities lending transactions	7,274	5,645
Accrued construction cost payable	3,795	2,060
Other current liabilities payable from restricted assets	9,630	9,697
Other current liabilities	42,020	15,622
Total current liabilities	173,860	157,331
Long-term liabilities		
Long-term liabilities payable from unrestricted assets		
Bonds payable, net of unamortized discount/premium: 2021 - $65,687; 2020 - $77,409	684,167	743,079
Accrued employee benefits	15,077	9,227
Net pension liabilities	287,255	227,984
Net OPEB liabilities	25,534	22,103
Other liabilities	80,819	88,137
Total long-term liabilities payable from unrestricted assets	1,092,852	1,090,530
Long-term liabilities payable from restricted assets	13,378	13,370
Total long-term liabilities	1,106,230	1,103,900
TOTAL LIABILITIES	1,280,090	1,261,231
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	11,027	21,964
Deferred inflows of resources related to OPEB	10,176	9,814
TOTAL DEFERRED INFLOWS OF RESOURCES	21,203	31,778
NET POSITION		
Net investment in capital assets	3,016,153	2,979,268
Restricted for debt service	42,435	42,281
Unrestricted	632,095	540,474
TOTAL NET POSITION	$ 3,690,683	$ 3,562,023

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020
(amounts in thousands)

	2021	2020
OPERATING REVENUE		
Shipping services		
Wharfage	$ 435,513	$ 345,157
Dockage	4,509	4,257
Demurrage	207	200
Lay day fees	--	38
Pilotage	10,682	9,495
Assignment charges	12,938	10,418
Total shipping services	463,849	369,565
Rentals		
Land	78,773	72,099
Buildings	132	110
Warehouses	658	211
Wharf and shed	916	683
Total rentals	80,479	73,103
Royalties, fees, and other operating revenues		
Fees, concessions, and royalties	1,693	3,455
Clean truck program fees	2,285	3,187
Other	23,705	18,356
Total royalties, fees, and other operating revenues	27,683	24,998
Total operating revenue	572,011	467,666
OPERATING EXPENSES		
Salaries and other benefits	108,646	113,342
Pension expense	33,086	28,805
OPEB expense	4,468	3,679
City services	45,876	48,366
Outside services	26,219	31,815
Utilities	23,290	18,443
Materials and supplies	4,517	5,672
Marketing and public relations	1,372	2,388
Workers' compensation, claims and settlement	14,255	3,272
Clean truck program expenses	752	1,014
Other operating expenses	11,487	16,774
Total operating expenses before depreciation and amortization	273,968	273,570
Operating income before depreciation and amortization	298,043	194,096

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

Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020
(amounts in thousands)

	2021	2020
Operating Income before depreciation and amortization	$ 298,043	$ 194,096
Depreciation and amortization	153,304	158,613
OPERATING INCOME	144,739	35,483
NONOPERATING REVENUE (EXPENSES)		
Nonoperating revenue		
Income from investments in Joint Powers Authority	2,243	2,461
Investment (loss) income - net	(2,656)	39,643
Noncapital grant revenue	1,984	1,726
Pass through grant revenue	711	7,760
Other nonoperating revenue	1,129	5,090
Total nonoperating revenue	3,411	56,680
Nonoperating expenses		
Interest expense	(21,763)	(24,707)
Pass through grant expenses	(854)	(8,048)
Discontinued capital projects	(3,719)	(3,599)
Other nonoperating expenses	(270)	(904)
Total nonoperating expenses	(26,606)	(37,258)
Net nonoperating revenue (expenses)	(23,195)	19,422
INCOME BEFORE CAPITAL CONTRIBUTIONS	121,544	54,905
Capital contributions	7,116	3,440
CHANGES IN NET POSITION	128,660	58,345
NET POSITION, JULY 1	3,562,023	3,503,678
NET POSITION, JUNE 30	$ 3,690,683	$ 3,562,023

See accompanying notes to financial statements.

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020
(amounts in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Shipping service fees collected	$ 442,942	$ 388,324
Rentals collected	76,852	76,815
Royalties, fees, and other operating revenues collected	26,436	26,267
Payments for employee salaries and benefits, net of capitalized amounts: 2021 - $26,035; 2020 - $24,207	(140,054)	(133,658)
Payments for goods and services	(133,195)	(120,117)
Net cash provided by operating activities	272,981	237,631
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY		
Proceeds from noncapital grants	1,839	1,439
Net cash provided by noncapital financing activity	1,839	1,439
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for property acquisitions and construction	(134,507)	(104,277)
Proceeds from sale of capital assets	53	605
Proceeds from capital grants and contributions	7,433	2,862
Proceeds from insurance recovery for damage of capital assets	5	962
Principal repayment and redemption – bonds	(45,410)	(67,955)
Interest and issuance costs paid	(33,660)	(37,773)
Net cash used in capital and related financing activities	(206,086)	(205,576)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	13,330	19,464
Increase (Decrease) in cash collateral received under the securities lending transactions	1,629	(2,571)
Purchase of investments	(15,790)	--
Sale of investments	13,619	21,854
(Payments to) receipts from bond reserve fund	(153)	21,066
Distribution from Joint Powers Authority	2,000	2,000
Net cash provided by investing activities	14,635	61,813
NET INCREASE IN CASH AND CASH EQUIVALENTS	83,369	95,307
CASH AND CASH EQUIVALENTS, JULY 1	940,772	845,465
CASH AND CASH EQUIVALENTS, JUNE 30	$ 1,024,141	$ 940,772

continued….

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

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020
(amounts in thousands)

	2021	2020
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and cash equivalents, unrestricted	$ 1,012,012	$ 928,706
Cash and cash equivalents, restricted	12,129	12,066
Total cash and cash equivalents	$ 1,024,141	$ 940,772
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 144,739	$ 35,483
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	153,304	158,613
Provision for doubtful accounts	257	25
Changes in assets, liabilities, and deferred outflows and inflows of resources		
Accounts receivable	(26,037)	23,715
Materials and supplies inventories	(115)	(101)
Prepaid expenses	89	(15)
Deferred outflows of resources related to pensions and OPEB	(46,396)	6,641
Accounts payable	(7,886)	10,981
Net pension liabilities	59,271	7,964
Net OPEB liabilities	3,433	(2,129)
Accrued salaries and employee benefits	414	7,534
Other liabilities	2,483	(3,239)
Deferred inflows of resources related to pensions and OPEB	(10,575)	(7,841)
Total adjustments to reconcile operating income to net cash provided by operating activities	128,242	202,148
Net cash provided by operating activities	$ 272,981	$ 237,631
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets, included in construction costs and accounts payables	$ 6,023	$ 4,964
Write-off of discontinued construction projects	3,719	3,599
Revenue bond proceeds received in escrow trust fund	--	194,155
Debt defeased and related costs paid through escrow trust fund	--	(194,155)

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2021 and 2020

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

Continued…..

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

Notes to Financial Statements

June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies

The financial statements of the Harbor Department of the City of Los Angeles, California (hereafter referred to as "Port of Los Angeles" or "Port") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Harbor Department is a proprietary department of the City of Los Angeles, California (the City), formed for the purpose of managing the tidelands property granted by the State of California (State) commonly known as the Port of Los Angeles and operations thereon for specific maritime related purposes as explained below. The Port is under the control of a five-member Board of Harbor Commissioners (BHC), who are appointed by the Mayor and confirmed by the City Council. The Port is administered by an Executive Director and subject to the State public trust doctrine as described below.

The real property and related assets of the Port including land, waters, docks, wharves, transit sheds, terminals, and other facilities (i.e., Trust Assets), were granted to the City in tidelands grants from the State, with retained oversight by the State Lands Commission. The State's statutory grants specify the granted tidelands are subject to the Trust Purposes, which require the Trust Assets to be used for maritime commerce, navigation, fisheries, and water-dependent activities for the benefit of the State. The Trust Purposes are also codified in the Charter of the City, which placed management and control of the Trust Assets under the Port. All revenues arising from the Trust Assets (Port operating revenues and proceeds of asset sales) are limited as to use for the Trust Purposes, including operation and maintenance of Port facilities, the acquisition and construction of improvements, and other similar Trust Purposes.

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

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

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

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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. LAHIC's cash balance in the amount of $21 thousand equaled to the payable amount owed to the Port as of both June 30, 2021 and 2020. LAHIC reported no net position at June 30, 2021 and 2020. Separate financial statements for LAHIC may be obtained from the Deputy Executive Director and Chief Financial Officer, Port of Los Angeles, 425 S. Palos Verdes Street, San Pedro, California 90731.

B. Summary of Significant Accounting Policies

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

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 cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

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

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

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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.

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

Inventories and Prepaid Items – Inventories of materials and supplies are stated at lower of weighted average cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable are recorded for invoices issued to customers or tenants in accordance with the contractual provisions. Unbilled receivables are recorded when revenues are recognized upon service delivery and invoicing occurs at a later date. Receivables outstanding beyond 90 days are put into the collection process. An allowance for doubtful accounts is set up as a reserve based on specific identification of troubled accounts and delinquent receivables.

Grants Receivable – The Port receives federal, state and local grants on a reimbursement basis for both capital and non-capital activities.

Capital Assets – Capital assets are carried at cost or at 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 licenses, emission mitigation credits with indefinite useful lives; and capitalized costs of the Port's integrated financial accounting system, the Enterprise Resource Planning System. The Port periodically reviews its assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Preliminary costs for developing proposed capital projects that are incurred prior to the finalization of formal capital projects 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 as of June 30, 2021 and 2020 are $141.0 million and $145.7 million, respectively.

At the beginning of fiscal year 2020, the Port early implemented GASB Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period,"* that requires interest costs to be expensed instead of capitalized. Interest costs incurred in fiscal years 2021 and 2020 are expensed.

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 2021 and 2020 were $19.1 million in each fiscal year.

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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

Investment in Joint Powers Authority – Investment in joint powers authority is accounted for by the equity method. The value of the Port's investment in joint powers authority increases or decreases based on the Port's proportional share in the joint powers authority's ending net position less distributions, if any. The distribution from joint powers authority is proportional to the size of the equity investment.

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 in accordance with the City policy.

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 three items that qualified for reporting in this category. They are deferred charges on debt refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to postemployment benefits other than pensions (other postemployment benefits or OPEB). 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 two items that qualified for reporting in this category – deferred inflows of resources related to pensions and deferred inflows of resources related to OPEB.

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

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

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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.

Lease agreements – The Port leases a substantial portion of land and facilities to others. Leases relating to terminal operations tend to be long-term in nature (as long as 66 years), which generate 95.2% of the Port's operating revenues through shipping related activities. Short-term real estate entitlement such as revocable permits and space assignments can be canceled on a 30-day notice by either party. The majority of the Port's leases provide retention of ownership by the Port or restoration of the property to pre-leased conditions at the expiration of the agreement; accordingly, no leases are considered capital leases. See note 12 for additional information.

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

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.

Pension and OPEB Plans – All full-time civilian Port employees are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a defined benefit single-employer retirement 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 retirement 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.

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For purposes of measuring the net pension liabilities and deferred outflows/inflows of resources related to pensions, and pension expense, 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.

For fiscal years ended June 30, 2021 and 2020, the Port reported total net pension liabilities, deferred outflows/inflows or resources related to pensions, and pension expense as follows (in thousands):

	2021	2020
Net pension liabilities:		
LACERS - proportionate shares	$ 279,036	$ 220,724
LAFPP - proportionate shares	8,219	7,260
Total net pension liabilities	$ 287,255	$ 227,984
Deferred outflows of resources related to pensions:		
LACERS - proportionate shares	$ 78,029	$ 38,901
LAFPP - proportionate shares	10,133	7,478
Total deferred outflows of resources related to pensions	$ 88,162	$ 46,379
Deferred inflows of resources related to pensions:		
LACERS - proportionate shares	$ 9,595	$ 19,210
LAFPP - proportionate shares	1,432	2,754
Total deferred inflows of resources related to pensions	$ 11,027	$ 21,964
Pension expense:		
LACERS - proportionate shares	$ 31,782	$ 26,048
LAFPP - proportionate shares	1,304	2,757
Total pension expense	$ 33,086	$ 28,805

See note 13 and note 14, as well as Required Supplementary Information, for additional information.

For purpose of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of LACERS and LAFPP, and additions to/deductions from LACERS and LAFPP's OPEB fiduciary net positions have been determined on the same basis as they are reported by LACERS and LAFPP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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For the fiscal years ended June 30, 2021 and 2020, the Port reported total net OPEB liabilities, deferred outflows/inflows or resources related to OPEB, and OPEB expense as follows (in thousands):

	2021	2020
Net OPEB liabilities:		
LACERS - proportionate shares	$ 22,993	$ 19,085
LAFPP - proportionate shares	2,541	3,018
Total net OPEB liabilities	$ 25,534	$ 22,103
Deferred outflows of resources related to OPEB:		
LACERS - proportionate shares	$ 12,489	$ 8,231
LAFPP - proportionate shares	2,658	2,302
Total deferred outflows of resources related to OPEB	$ 15,147	$ 10,533
Deferred inflows of resources related to OPEB:		
LACERS - proportionate shares	$ 8,772	$ 9,186
LAFPP - proportionate shares	1,404	628
Total deferred inflows of resources related to OPEB	$ 10,176	$ 9,814
OPEB expense:		
LACERS - proportionate shares	$ 3,333	$ 2,597
LAFPP - proportionate shares	1,135	1,082
Total OPEB expense	$ 4,468	$ 3,679

See note 13 and note 14, as well as Required Supplementary Information, for additional information.

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

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

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

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

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

Use of Estimates – The preparation of financial statements in conformity with GAAP 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 2020 to conform to the fiscal year 2021 presentation. Such reclassification had no impact on the change in net position previously reported.

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2. Adoption of New GASB Pronouncements

GASB Statement No. 98, *"The Annual Comprehensive Financial Report."* Issued in October 2021, this statement established the term *annual comprehensive financial report* and its acronym *ACFR*. The new term and acronym replace instances of Annual Comprehensive financial report and its acronym in generally accepted accounting principles for state and local governments. The statement has been early implemented in fiscal year 2021.

3. Recent GASB Pronouncements for Future Adoption

The GASB has issued several pronouncements that have effective dates that may affect future presentations. GASB Statement No. 95 postponed the effective dates for GASB Statement Nos. 87, 91, 92 and 93. The effective dates noted below reflect the new effective dates for those statements. The Port is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

GASB Statement No. 87, *"Leases."* Issued in June 2017, this statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 91, *"Conduit Debt Obligations."* Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 92, *"Omnibus 2020."* Issued in January 2020, this statement for clarity and consistency by addressing practice issues identified from the implementation and application of certain GASB statements. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 93, *"Replacement of Interbank Offered Rates."* Issued in March 2020, this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The statement will be effective beginning fiscal year 2022.

GASB Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements."* Issued in March 2020, this statement is to improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and available payment arrangement (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. The statement will be effective beginning fiscal year 2023.

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GASB Statement No. 96, *"Subscription-Based Information Technology Arrangements."* Issued in June 2020, the statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures regarding a SBITA. The statement will be effective beginning fiscal year 2023.

GASB Statement No. 97, *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32."* Issued in June 2020, the statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (e.g., certain Section 457 plans), while mitigating the costs associated with reporting those plans. The statement will be effective beginning fiscal year 2022.

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4. Cash and Investments

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

	2021	2020
Cash in bank and certificates of deposit	$ 239	$ 239
Investment in U.S. Treasury and money market fund	42,435	42,281
Equity in the City of Los Angeles Investment Pool	1,034,960	951,705
Total cash and investments	$ 1,077,634	$ 994,225

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):

	2021	2020
Unrestricted cash and cash equivalents	$ 1,012,012	$ 928,706
Restricted cash and cash equivalents		
Current		
China Shipping Mitigation Fund	9,074	9,246
Community Mitigation Trust Fund – Trapac	397	122
Narcotics/Customs Enforcement Forfeiture Fund	750	727
Clean Truck Program and Fee Fund	5	5
Other	1,903	1,966
Subtotal – Current	12,129	12,066
Restricted cash and investments		
Noncurrent		
Harbor Revenue Bond Funds	42,435	42,281
Customer Security Deposits	3,071	3,127
Batiquitos Environmental Fund	7,390	7,449
Harbor Restoration Fund	597	596
Subtotal – Noncurrent	53,493	53,453
Total restricted cash and investments	65,622	65,519
Total cash and investments	$ 1,077,634	$ 994,225

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A. Deposits

The Port had cash deposits and certificates of deposit with several major financial institutions amounting to $0.2 million at June 30, 2021 and 2020. The deposits were entirely covered by federal depository insurance or collateralized by securities held by the financial institutions in the Port's name in conformance with the California Government Code.

B. Pooled Investments

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities but safety and liquidity still take precedence over return. Interest earned on pooled investments is allocated to and recorded in certain participating funds, as authorized by the Los Angeles City Council (City Council) and permitted by the City Charter and the California Government Code, based on each fund's average daily deposit balance. Investments in the City Treasury are measured and categorized by using fair value measurement guidelines established by generally accepted accounting principles.

Pursuant to California Government Code Section 53607 (State Code) and the City Council File No. 94-2160, the City Treasury provides the City Council a statement of investment policy (the Policy) annually. City Council File No. 11-1740 was adopted for the City's investment policy effective September 1, 2018. 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 $1,035.0 million and $951.7 million invested in the City's General Pool and three Special Investment Pools, representing approximately 8.1% and 8.0% of the City Treasury's General Pool and Special Investment Pools at June 30, 2021 and 2020, respectively.

The complete disclosures for the entire cash and investment pool are included in a publicly available financial report issued by the City. The report may be obtained by writing or calling: City of Los Angeles Office of the City Controller, 200 N. Main Street, City Hall East Room 300, Los Angeles, CA 90012, (213) 978-7200 or the Los Angeles City Controller's website http://www.lacontroller.org/reports.

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C. Special Investment Pools

Out of $1,035.0 million and $951.7 million invested in the City's pooled investments, $58.6 million and $58.6 million were invested in the City's Special Investment Pools as of June 30, 2021 and 2020, respectively. They are the Emergency/ACTA Reserve Fund 751, the Restoration Fund 70L, and the Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pools are managed in accordance with the California Government Code Sections 53600-53635 and the City's Policy.

At June 30, 2021 and 2020, investments held in the City's Special Investment Pools and their maturities are as follows (in thousands):

Fiscal Year 2021

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 51,513	$ --	$ --	$ 51,228	$ 285
U.S. Agencies securities	7,105	--	--	--	7,105
Short-term investment funds	2	2	--	--	--
Total investments in special pools	$ 58,620	$ 2	$ --	$ 51,228	$ 7,390

Fiscal Year 2020

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 39,883	$ --	$ --	$ 39,883	$ --
U.S. Agencies securities	18,596	--	--	11,290	7,306
Short-term investment funds	146	146	--	--	--
Total investments in special pools	$ 58,625	$ 146	$ --	$ 51,173	$ 7,306

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

Credit Risk. The Policy establishes minimum credit rating requirements for investments. There are no credit quality requirements for U.S. Treasury securities and U.S. Agencies securities. Investments in U.S. Agencies securities were not rated individually by S&P nor Moody's (issuers of these securities are rated "AA+/A-1+" by S&P and "Aaa/P-1" by Moody's).

Commercial paper issues must have the highest letter and number rating by nationally recognized statistical rating organization (NRSRO). The issuing corporation must be organized and operating within the United States and have assets in excess of $500.0 million. The Port's investments in commercial paper were rated A-1+ by S&P and P-1 by Moody's.

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

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 are valued at fair 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 $42.4 million at June 30, 2021 versus $42.3 million at June 30, 2020. The reserve funds were invested in money market funds and U.S. Treasuries.

At June 30, 2021 and 2020, investments held in the reserve funds and their maturities are as follows (in thousands):

Fiscal Year 2021

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 29,347	$ --	$ 14,428	$ --	$ 14,919
U.S. Agencies securities	9,652	--	--	--	9,652
Short-term investment funds	3,436	3,436	--	--	--
Total investments in reserve funds	$ 42,435	$ 3,436	$ 14,428	$ --	$ 24,571

Fiscal Year 2020

		Investment Maturities			
Type of Investments	Amount	1 to 30 Days	31 to 60 Days	61 to 180 Days	Over 180 Days
U.S. Treasury securities	$ 41,789	$ --	$ 11,889	$ --	$ 29,900
Short-term investment funds	492	492	--	--	--
Total investments in reserve funds	$ 42,281	$ 492	$ 11,889	$ --	$ 29,900

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

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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 banker's acceptances with a maximum term of one year of any bank, which has an unsecured, uninsured, and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and (10) repurchase agreements between the Port and a dealer bank and securities firm. The term of the repurchase agreement may be up to 30 days and the value of the collateral must be equal to 104% of the amount of cash transferred to the dealer bank plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Port, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC) then the value of collateral must equal to 105%.

For investments in reserve funds, there are no credit quality requirements for U.S. Treasury securities that are unconditionally guaranteed by the United States of America. Investments in short-term investment funds were rated AAA-m by S&P and Aaa by Moody's. There were no investments containing 5 percent or more of total investments in a single issuer except for U.S. Treasury securities that are unconditionally guaranteed by the United States of America.

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

During fiscal years 2021 and 2020, collateralizations on all loaned securities were compliant with the required 102% of the fair value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the fiscal year. There was no credit risk exposure to the City because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

The Port's share in the assets and liabilities from the reinvested cash collateral amounted to $7.3 million and $5.6 million as of June 30, 2021 and 2020, respectively.

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F. Fair Value Measurement

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets;
- Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived from valuation techniques in which all significant inputs are observable; and
- Level 3 inputs are unobservable inputs.

The Port has the following recurring fair value measurements as of June 30, 2021:

	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 29,347	$ 29,347	$ --	$ --
U.S. Agencies securities	9,652	--	9,652	--
Total investments - bond funds	$ 38,999	$ 29,347	$ 9,652	$ --
U.S. Treasury securities	$ 51,513	$ 51,513	$ --	$ --
U.S. Agencies securities	7,105	--	7,105	--
Total investments - special pools	$ 58,618	$ 51,513	$ 7,105	$ --

The Port has the following recurring fair value measurements as of June 30, 2020:

	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 41,789	$ 41,789	$ --	$ --
Total investments - bond funds	$ 41,789	$ 41,789	$ --	$ --
U.S. Treasury securities	$ 39,883	$ 39,883	$ --	$ --
U.S. Agencies securities	18,596	--	18,596	--
Total investments - special pools	$ 58,479	$ 39,883	$ 18,596	$ --

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

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5. Capital Assets

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2021 (in thousands):

	Balance July 1, 2020	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2021
Capital assets not depreciated					
Land	$ 1,106,805	$ --	$ --	$ --	$ 1,106,805
Construction in progress	128,955	120,918	--	(15,087)	234,786
Preliminary costs – capital projects	145,694	5,700	--	(10,362)	141,032
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,394,354	126,618	--	(25,449)	1,495,523
Capital assets depreciated/amortized					
Wharves and sheds	1,203,115	--	--	10,397	1,213,512
Buildings/facilities	3,488,002	--	--	13,669	3,501,671
Equipment	182,661	8,949	(2,044)	1,383	190,949
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	4,886,238	8,949	(2,044)	25,449	4,918,592
Less accumulated depreciation/ amortization					
Wharves and sheds	(599,833)	(31,487)	--	--	(631,320)
Buildings/facilities	(1,762,598)	(111,638)	--	--	(1,874,236)
Equipment	(155,690)	(9,556)	2,044	--	(163,202)
Intangible assets	(4,441)	(623)	--	--	(5,064)
Total accumulated depreciation/amortization	(2,522,562)	(153,304)	2,044	--	(2,673,822)
Total capital assets depreciated/ amortized, net	2,363,676	(144,355)	--	25,449	2,244,770
Capital assets, net	$ 3,758,030	$ (17,737)	$ --	$ --	$ 3,740,293

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June 30, 2021 and 2020

The Port's capital assets consist of the following activities for the fiscal year ended June 30, 2020 (in thousands):

	Balance July 1, 2019	Increase	Decrease	Adjustments and Transfers	Balance June 30, 2020
Capital assets not depreciated					
Land	$ 1,106,805	$ --	$ --	$ --	$ 1,106,805
Construction in progress	75,694	89,265	--	(36,004)	128,955
Preliminary costs – capital projects	138,972	6,906	--	(184)	145,694
Intangible assets	12,900	--	--	--	12,900
Total capital assets not depreciated	1,334,371	96,171	--	(36,188)	1,394,354
Capital assets depreciated/amortized					
Wharves and sheds	1,199,128	--	--	3,987	1,203,115
Buildings/facilities	3,456,122	--	(10)	31,890	3,488,002
Equipment	182,339	7,864	(7,853)	311	182,661
Intangible assets	12,460	--	--	--	12,460
Total capital assets depreciated/amortized	4,850,049	7,864	(7,863)	36,188	4,886,238
Less accumulated depreciation/ amortization					
Wharves and sheds	(566,871)	(32,962)	--	--	(599,833)
Buildings/facilities	(1,648,616)	(113,992)	10	--	(1,762,598)
Equipment	(152,507)	(11,036)	7,853	--	(155,690)
Intangible assets	(3,818)	(623)	--	--	(4,441)
Total accumulated depreciation/amortization	(2,371,812)	(158,613)	7,863	--	(2,522,562)
Total capital assets depreciated/ amortized, net	2,478,237	(150,749)	--	36,188	2,363,676
Capital assets, net	$ 3,812,608	$ (54,578)	$ --	$ --	$ 3,758,030

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In accordance with GASB Statement No. 89*, "Accounting for Interest Cost Incurred before the End of a Construction Period,"* all interest incurred, amounting to $21.8 million and $24.7 million was expensed in fiscal years 2021 and 2020.

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6. Investment in Joint Powers Authority and Relationship with Other Entities

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

A. Intermodal Container Transfer Facility Joint Powers Authority

The Port 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. Pursuant to the agreement creating the ICTF, the Port made several contributions amounting to $2.5 million to the ICTF. The facility, which began operations in December 1986, was developed and operated by Southern Pacific Transportation Company (SPTC) under a long-term lease agreement. SPTC was subsequently merged and continues operations as Union Pacific Corporation (UPC). The Port appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. Both the Port and POLB share income and equity distributions equally.

ICTF has issued bonds in prior years. At June 30, 2021 and 2020, 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 totaled $7.0 million and $6.8 million at June 30, 2021 and 2020, respectively. Separate audited financial statements for ICTF may be obtained from the Executive Director, Intermodal Container Transfer Facility Joint Powers Authority, 415 W. Ocean Boulevard, Long Beach, California 90802 or the ICTF's website at http://ictf-jpa.org/document_library.php.

B. Alameda Corridor Transportation Authority

In August 1989, the Alameda Corridor Transportation Authority (ACTA) was established through a Joint Exercise of Powers Agreement between the Cities of Los Angeles and Long Beach, California. The purpose of ACTA is to acquire, construct, finance, and operate a 20-mile-long consolidated transportation corridor; including an improved railroad expressway between the Port, POLB, and downtown Los Angeles.

The Port has no share of the ACTA's net position and income at June 30, 2021 and 2020, and accordingly, they have not been recorded in the accompanying financial statements due to the separate legal status. If in the future, ACTA is entitled to distribute income or make equity distributions, the Port and POLB shall share such income and equity distributions equally. See Note 15.C. for additional discussion related to the guarantee the Port has made related to the ACTA.

Separate financial statements for ACTA may be obtained from the ACTA's website http://www.acta.org/revenue_finance/financial_statement.asp or the Chief Financial Officer, Alameda Corridor Transportation Authority, 3760 Kilroy Airport Way, Suite 200, Long Beach, California, 90806.

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June 30, 2021 and 2020

7. Long-Term Debt

A. Bonds and Commercial Paper

Bonds issued by the Port are payable solely from the Port's revenues pledged under indentures and are not general obligations of the City. The Port has agreed to certain covenants with respect to bonds. Significant covenants include the requirement that the Port's revenues, as defined under indentures, will be sufficient to pay future bond interest and principal maturities. In compliance with the bond indenture Article VII, Sections 7.01 and 7.02 in the event of default by the Port in the due and punctual payment of parity obligations, the trustee may and shall at the direction of the bond certificate owners of not less than a majority in aggregate principal amount of the bonds at the time outstanding, upon notice in writing to the Port, shall declare the principal of all of the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Proceeds from sales of bonds are used to finance capital projects around the Port or refund prior issuances to generate debt service savings.

The Port's activities for bonds for fiscal year 2021 are as follows (in thousands):

Bond Issues	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2020	Additions	Deductions	Ending Balance June 30, 2021	Principal Due Within One Year
2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00 – 5.25%	2032	$ 230,160	$ 5,000	$ --	$ --	$ 5,000	$ 5,000
2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00 – 5.00%	2023	58,930	26,070	--	(8,660)	17,410	9,085
2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00 – 5.00%	2026	32,820	32,820	--	--	32,820	--
2014, Series A	8/1/2024 @ 100%	9/18/2014	2.00 – 5.00%	2045	203,280	182,965	--	(5,425)	177,540	5,705
2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00 – 5.00%	2045	89,105	81,680	--	(1,695)	79,985	1,785
2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00 – 5.00%	2045	44,890	40,840	--	(900)	39,940	925
2015, Series A	8/1/2025 @ 100%	10/14/2015	2.00 – 5.00%	2027	37,050	25,410	--	(3,250)	22,160	3,420
2016, Series A	Not applicable	10/13/2016	3.00 – 5.00%	2025	97,970	52,205	--	(22,610)	29,595	14,085
2016, Series B	8/1/2026 @ 100%	10/13/2016	2.00 – 5.00%	2037	68,385	65,805	--	(920)	64,885	960
2016, Series C	8/1/2026 @ 100%	10/13/2016	4.00%	2040	35,205	35,205	--	--	35,205	--
2019, Series A	Not applicable	9/18/2019	5.00%	2027	115,065	115,065	--	(1,950)	113,115	6,225
2019, Series B	Not applicable	9/18/2019	5.00%	2030	32,340	32,340	--	--	32,340	--
2019, Series C-1	Not applicable	9/18/2019	5.00%	2026	4,995	4,995	--	--	4,995	--
2019, Series C-2	Not applicable	9/18/2019	5.00%	2027	10,680	10,680	--	--	10,680	--
Total principal amount					$ 1,060,875	711,080	--	(45,410)	665,670	47,190
Unamortized bond premium						77,409	--	(11,722)	65,687	--
Net revenue bonds						788,489	--	(57,132)	731,357	47,190
Less: current maturities of long-term debt						(45,410)	(47,190)	45,410	(47,190)	--
Total long-term debt net of current maturities						$ 743,079	$ (47,190)	$ (11,722)	$ 684,167	$ 47,190

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The Port's activities for bonds for fiscal year 2020 are as follows (in thousands):

Bond Issues	Call Provisions	Date of Issue	Interest Rate	Fiscal Maturity Year	Original Principal	Beginning Balance July 1, 2019	Additions	Deductions	Ending Balance June 30, 2020	Principal Due Within One Year
2009, Series A	8/1/2019 @ 100%	7/9/2009	2.00 – 5.25%	2030	$ 100,000	$ 65,890	$ --	$ (65,890)	$ --	$ --
2009, Series C	8/1/2019 @ 100%	7/9/2009	4.00 – 5.25%	2032	230,160	169,310	--	(164,310)	5,000	--
2011, Series A	8/1/2021 @ 100%	7/7/2011	3.00 – 5.00%	2023	58,930	34,320	--	(8,250)	26,070	8,660
2011, Series B	8/1/2021 @ 100%	7/7/2011	4.00 – 5.00%	2026	32,820	32,820	--	--	32,820	--
2014, Series A	8/1/2024 @ 100%	9/18/2014	2.00 – 5.00%	2045	203,280	188,125	--	(5,160)	182,965	5,425
2014, Series B	8/1/2024 @ 100%	9/18/2014	3.00 – 5.00%	2045	89,105	83,295	--	(1,615)	81,680	1,695
2014, Series C	8/1/2024 @ 100%	9/18/2014	2.00 – 5.00%	2045	44,890	41,710	--	(870)	40,840	900
2015, Series A	8/1/2025 @ 100%	10/14/2015	2.00 – 5.00%	2027	37,050	28,510	--	(3,100)	25,410	3,250
2016, Series A	Not applicable	10/13/2016	3.00 – 5.00%	2025	97,970	64,230	--	(12,025)	52,205	22,610
2016, Series B	8/1/2026 @ 100%	10/13/2016	2.00 – 5.00%	2037	68,385	66,695	--	(890)	65,805	920
2016, Series C	8/1/2026 @ 100%	10/13/2016	4.00%	2040	35,205	35,205	--	--	35,205	--
2019, Series A	Not applicable	9/18/2019	5.00%	2027	115,065	--	115,065	--	115,065	1,950
2019, Series B	Not applicable	9/18/2019	5.00%	2030	32,340	--	32,340	--	32,340	--
2019, Series C-1	Not applicable	9/18/2019	5.00%	2026	4,995	--	4,995	--	4,995	--
2019, Series C-2	Not applicable	9/18/2019	5.00%	2027	10,680	--	10,680	--	10,680	--
Total principal amount					$ 1,160,875	810,110	163,080	(262,110)	711,080	45,410
Unamortized bond premium						59,950	31,075	(13,616)	77,409	--
Net revenue bonds						870,060	194,155	(275,726)	788,489	45,410
Less: current maturities of long-term debt						(46,515)	(45,410)	46,515	(45,410)	--
Total long-term debt net of current maturities						$ 823,545	$ 148,745	$ (229,211)	$ 743,079	$ 45,410

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Notes to Financial Statements

June 30, 2021 and 2020

B. Bond Premium

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

The unamortized premium for the outstanding bonds for fiscal years 2021 and 2020 are as follows (in thousands):

Harbor Revenue Bonds	2021	2020
2009, Series C	$ 2	$ 28
2011, Series A	93	285
2011, Series B	994	1,309
2014, Series A	15,577	17,100
2014, Series B	8,450	9,170
2014, Series C	4,328	4,644
2015, Series A	1,594	2,244
2016, Series A	1,465	2,534
2016, Series B	9,251	10,092
2016, Series C	3,441	3,591
2019, Series A	10,527	14,631
2019, Series B	7,080	8,310
2019, Series C-1	732	906
2019, Series C-2	2,153	2,565
Total	$ 65,687	$ 77,409

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June 30, 2021 and 2020

C. Principal Maturities and Interest

The Port's scheduled annual debt service payments for bonds as of June 30, 2021 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 47,190	$ 31,368	$ 78,558
2023	49,755	28,969	78,724
2024	53,380	26,411	79,791
2025	53,945	23,738	77,683
2026	59,000	20,925	79,925
2027 – 2031	108,185	80,869	189,054
2032 – 2036	119,630	56,309	175,939
2037 – 2041	111,810	27,488	139,298
2042 – 2046	62,775	6,473	69,248
Total	$ 665,670	$ 302,550	$ 968,220

D. New Issuances

Fiscal Year 2021

There were no new issuances in fiscal year 2021.

Fiscal Year 2020

On September 19, 2019, the Port redeemed an aggregate par amount of $215.6 million of its outstanding bonds comprised of all of 2009 Series A Bonds for total of $61.3 million and all of 2009 Series C Bonds for total of $154.3 million except for the non-callable 2009 Series C Bonds for $5.0 million maturing in 2021 with coupon of 5.25%. The liability for the defeased portion of all 2009 bonds has been removed from the statements of net position. The reacquiring price exceeded the net carrying amount of the old debt by $2.9 million. The amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt. The 2019 Refunding Revenue Bonds were issued on September 18, 2019 in aggregate principal amount of $163.1 million. The 2019 Refunding Bonds were issued in four series; Series A (AMT) for $115.1 million; Series B (Non-AMT) for $32.3 million; Series C-1 (AMT) Green Bonds for $5.0 million; and Series C-2 (Non-AMT) Green Bonds for $10.7 million. The 2019 Refunding Revenue Bonds were issued without contributing to the Common Reserve and therefore an excess of $22.2 million was released from the Common Reserve toward the transaction, reducing the total borrowing. Total present value savings from the transaction was $43.7 million or 26.8% of the refunding bonds. The nominal savings in debt service due to refunding is $71.7 million or an average of $5.9 million per fiscal year.

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June 30, 2021 and 2020

E. Commercial Paper and Revolving Obligations

The Port has established a Commercial Paper program (Program) supported by bank credit lines to issue commercial paper notes to provide interim financing primarily for the construction, maintenance, and replacement of the Port's structures, facilities, and equipment needs.

Pursuant to an Indenture of Trust dated as of June 1, 2019 by and between the Port and U.S. Bank, National Association and the credit agreement dated as of June 1, 2019 by and between the Port and PNC Bank, National Association, the Port is authorized to issue and to have outstanding up to $150.0 million aggregate principal amount of the Harbor Department of the City of Los Angeles Revenue Revolving Obligations (Revolving Obligations) which constitute parity obligations. The credit agreement will expire on June 10, 2022.

There was no outstanding revolving obligations as of June 30, 2021 and 2020.

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8. Changes in Long-Term Liabilities

The changes in the Port's long-term liabilities for the fiscal year ended June 30, 2021 are as follows (in thousands):

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due within one year
Revenue bonds	$ 711,080	$ --	$ (45,410)	$ 665,670	$ 47,190
Unamortized premium	77,409	--	(11,722)	65,687	--
Net revenue bonds	788,489	--	(57,132)	731,357	47,190
Accrued salaries and employee benefits	33,463	414	--	33,877	18,800
Net pension liabilities	227,984	59,271	--	287,255	--
Net OPEB liabilities	22,103	3,908	(477)	25,534	--
Litigation	1,157	13,759	(18)	14,898	14,898
Workers' compensation	14,028	634	(1,717)	12,945	1,609
Pollution remediation	73,818	924	(5,792)	68,950	4,685
Deposits	13,370	1,867	(1,859)	13,378	--
Others	5,207	28	(17)	5,218	--
Total long-term liabilities	$ 1,179,619	$ 80,805	$ (67,012)	$ 1,193,412	$ 87,182

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The changes in the Port's long-term liabilities for the year ended June 30, 2020 are as follows (in thousands):

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due within one year
Revenue bonds	$ 810,110	$ 163,080	$ (262,110)	$ 711,080	$ 45,410
Unamortized premium	59,950	31,075	(13,616)	77,409	--
Net revenue bonds	870,060	194,155	(275,726)	788,489	45,410
Accrued salaries and employee benefits	25,929	325,090	(317,556)	33,463	24,236
Net pension liabilities	220,020	7,964	--	227,984	--
Net OPEB liabilities	24,232	571	(2,700)	22,103	--
Litigation	1,032	862	(737)	1,157	1,157
Workers' compensation	14,317	2,411	(2,700)	14,028	2,098
Pollution remediation	76,634	88	(2,904)	73,818	2,817
Deposits	11,995	2,784	(1,409)	13,370	--
Others	5,193	55	(41)	5,207	--
Total long-term liabilities	$ 1,249,412	$ 533,980	$ (603,773)	$ 1,179,619	$ 75,718

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9. Pollution Remediation Obligations

The Port's estimated pollution remediation liability as of June 30, 2021 and 2020 totaled $69.0 million and $73.8 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. The Port uses a combination of in-house specialists as well as outside consultants to perform estimates of potential liability and accrues pollution remediation liability when costs are incurred or amounts can be reasonably estimated based on expected outlays. 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 2021 are as follows (in thousands):

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ 941	$ --	$ (32)	$ 909	$ 60
Named by regulator as a potential party to remediation	72,747	924	(5,735)	67,936	4,597
Voluntary commencement	130	--	(25)	105	28
Total	$ 73,818	$ 924	$ (5,792)	$ 68,950	$ 4,685
Pollution Type					
Soil and/or groundwater remediation	$ 73,818	$ 924	$ (5,792)	$ 68,950	$ 4,685

The changes in the Port's pollution remediation obligations for fiscal year 2020 are as follows (in thousands):

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Obligating Event					
Violation of pollution prevention related permit or license	$ 942	$ --	$ (1)	$ 941	$ 2
Named by regulator as a potential party to remediation	75,498	1	(2,752)	72,747	2,751
Voluntary commencement	194	87	(151)	130	64
Total	$ 76,634	$ 88	$ (2,904)	$ 73,818	$ 2,817
Pollution Type					
Soil and/or groundwater remediation	$ 76,634	$ 88	$ (2,904)	$ 73,818	$ 2,817

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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 transfers them to the deferred compensation plan administrator. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. Information on the Port employees' share of plan assets is not available and is not recorded in the Port's financial statements.

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

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11. Risk Management

The Port purchases insurance for a variety of exposures associated with general liability, property, vessels, cyber, employment practices, pilotage, crime, aircraft, travel, police, special events, and terrorism. The City is self-insured for workers' compensation, and the Port participates in the City's self-insurance program. Automobile liability exposures are self-insured by the Port for $1.0 million and multiple layers of excess liability up to $149.0 million is maintained over the self-insured retention. The excess liability policies also supplement the Port's general and vessel liability policies. 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, 2021 and 2020 were $12.9 million and $14.0 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, 2021 and 2020 were $14.9 million and $1.2 million, respectively.

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

	2021	2020	2019
Unpaid claims, July 1			
Workers' compensation	$ 14,028	$ 14,317	$ 15,309
General liability/litigation	1,157	1,032	3,622
Total unpaid claims, July 1	15,185	15,349	18,931
Provision for current year's events and changes in provision for prior year's events			
Workers' compensation	634	2,411	746
General liability/litigation	13,759	862	--
Total provision	14,393	3,273	746
Claims payments			
Workers' compensation	(1,717)	(2,700)	(1,738)
General liability/litigation	(18)	(737)	(2,590)
Total claims payments	(1,735)	(3,437)	(4,328)
Unpaid claims, June 30			
Workers' compensation	12,945	14,028	14,317
General liability/litigation	14,898	1,157	1,032
Total unpaid claims, June 30	$ 27,843	$ 15,185	$ 15,349
Current portion			
Workers' compensation	$ 1,609	$ 2,098	$ 1,557
General liability/litigation	14,898	1,157	1,032
Total current portion	$ 16,507	$ 3,255	$ 2,589

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

The Port leases a substantial portion of lands and facilities to others. Leases relating to terminal operations tend to be long-term in nature (as long as 66 years), which generate 95.2% and 94.7% of the Port's operating revenues for the fiscal years ended June 30, 2021 and 2020, respectively. Short-term real estate entitlement such as revocable permits and space assignments can be canceled on a 30-day notice by either party. The majority of the Port's leases provide retention of ownership by the Port or restoration of the property to pre-leased conditions at the expiration of the agreement; accordingly, no leases are considered capital leases.

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

Agreements relating to terminal operations tend to be long-term in nature (as long as 66 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 fiscal years ended June 30, 2021 and 2020, the minimum rental income from such lease agreements was approximately $66.0 million and $65.3 million, respectively. For the fiscal years ended June 30, 2021 and 2020, the MAG payments were approximately $332.0 million and $309.2 million, respectively, and were reported under shipping services revenue. Assuming that current agreements are carried to contractual termination, minimum tenant commitments due to the Port over the next five years are as follows (in thousands):

Fiscal Year	Rental income	MAG income
2022	$ 92,827	$ 338,896
2023	94,684	343,477
2024	96,577	346,917
2025	98,509	350,629
2026	100,479	354,454
Total	$ 483,076	$ 1,734,373

The carrying cost and related accumulated depreciation of property held for operating leases as of June 30, 2021 and 2020 are as follows (in thousands):

	2021	2020
Wharves and sheds	$ 1,213,511	$ 1,203,115
Cranes and bulk facilities	27,288	27,028
Municipal warehouses	13,949	13,949
Port pilot facilities and equipment	9,066	9,066
Buildings and other facilities	918,640	1,107,343
Cabrillo Marina	180,200	180,200
Total	2,362,654	2,540,701
Less accumulated depreciation	(1,459,660)	(1,434,576)
Net	$ 902,994	$ 1,106,125

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13. Los Angeles City Employees' Retirement System (LACERS)

A. General Information about LACERS

Plan description. All full-time employees of the Port are eligible to participate in LACERS, a single-employer public employee retirement system whose main function is to provide pension benefits such as service and disability retirement benefits as well as death benefits to the civilian employees of the City of Los Angeles. LACERS also administers and provides other postemployment benefits (OPEB) to eligible retirees and their eligible spouses/domestic partners. Under the provisions of the City Charter and California State Constitution, the Board of Administration (LACERS Board) has the responsibility and authority to administer LACERS and to invest its assets. The LACERS Board consists of seven members – four appointed by the Mayor, two elected by active members (current employees), and one elected by retired members. The LACERS Board serve as trustees and must act in the exclusive interest of the LACERS' members and beneficiaries. Changes to the benefit terms require approval of the City Council.

LACERS issues a publicly available financial report that may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012, (800) 779-8328 or LACERS' website http://lacers.org/aboutlacers/reports/index.html.

Plan Memberships. As of June 30, 2020 and 2019 (measurement date), pension plan membership consisted of the following:

	2020	2019
Retired members or beneficiaries currently receiving benefits	20,423	20,034
Vested terminated members entitled to, but not yet receiving benefits	9,207	8,588
Active members	27,490	26,632
Total	57,120	55,254

As of June 30, 2020 and 2019 (measurement date), OPEB plan membership consisted of the following:

	2020	2019
Retired members or surviving spouses currently receiving benefits	16,107	15,791
Vested terminated members entitled to, but not yet receiving benefits	1,668	1,474
Active members	27,490	26,632
Total	45,265	43,897

Benefits provided – Pension. LACERS provides service retirement, disability, death and survivor benefits to eligible employees based on employees' years of service, age, and final compensation. There are two tiers of memberships. Under Tier 1, employees with 10 or more years of continuous service may retire if they are at age 60 or at least 30 years of service at age 55, or with any years of service at age 70 or older. Full-unreduced retirement benefits are

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determined as 2.16% per year of the employee's service credit (not greater than 100%), multiplied by the employee's average monthly pensionable salary during the employee's last 12 months of service, or during any other 12 consecutive months of service. Normal retirement allowances are reduced for employees who retire at age 55 with 10 or more years of continuous service, or at any age with 30 or more years of service. Membership to Tier 1 is closed to new entrants. Eligible employees hired on or after July 1, 2013 become members of Tier 2. However, on July 9, 2015, the City and the Coalition of the Los Angeles City Unions representing more than half of the City's civilian workforce reached an agreement which rescinded Tier 2 and created a new tier of benefits. As a result, Ordinance 184134 was adopted on January 12, 2016, and all active Tier 2 members were transferred to Tier 1 as of February 21, 2016.

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

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are made each July 1 based on the percentage change in the average Consumer Price Index for the Los Angeles-Long Beach-Anaheim Area – All Items For All Urban Consumers, to a maximum increase in retirement allowance of 3% per year, excess banked, for Tier 1 members and 2% per year, excess not banked, for Tier 3 members.

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

Benefits provided – OPEB. LACERS also provides postemployment health care benefits to eligible retirees and their eligible spouses/domestic partners who participate in the pension plan. These benefits may also extend to the coverage of other eligible dependent(s). Eligible retirees and their eligible spouses/domestic partners can choose from health plans including medical, dental, and vision benefits or participate in a premium reimbursement program. Members 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 the benefits with an approved health carrier. The eligible employees earn 4% per year of service credit for their annual medical subsidy. Eligible spouses/domestic partners of plan members are entitled to the postemployment health care benefits after the retired member's death.

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Contributions – pension. The LACERS Board establishes and may amend the contribution requirements of the System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter, which 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 average employer contribution rates for pension benefits are 24.21% and 23.21% of covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years. All members are required to make pension contributions to LACERS regardless of the tier in which they are included. Currently, Tiers 1 and 3 members contribute at 11% of compensation.

Contributions – OPEB. The LACERS Board establishes and may amend the contribution requirements of the System members and the City in accordance with Article XI Sections 1158 and 1160 of the Los Angeles City Charter, which 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 average employer contribution rates are 4.42% and 4.60% of covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively. The Port has made 100% of the actuarially determined contributions for both fiscal years. Members are not required to contribute to the OPEB plan.

Pension plan fiduciary net position and OPEB plan fiduciary net position. Detailed information about the pension and OPEB plans' fiduciary net positions are available in the separately issued LACERS financial report.

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

At June 30, 2021 and 2020, the Port reported a liability of $279.0 million and $220.7 million, respectively, for its proportionate shares of the net pension liability of LACERS. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.674% and 3.692% for fiscal years ended June 30, 2021 and 2020, respectively.

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For the fiscal years ended June 30, 2021 and 2020, the Port recognized pension expense of $31.8 million and $26.0 million, respectively.

At June 30, 2021 and 2020, the Port reported deferred outflows of resources related to pensions from the following sources (in thousands).

	2021	2020
Pension contributions subsequent to measurement date	$ 21,176	$ 19,284
Changes of assumptions or other inputs	26,020	16,324
Differences between actual and expected experience in the total pension liability	11,319	3,293
Net excess of projected and actual earnings on pension plan investments	19,514	--
Total	$ 78,029	$ 38,901

At June 30, 2021 and 2020, the Port reported deferred inflows of resources related to pensions from the following sources (in thousands).

	2021	2020
Changes in proportion and differences between employer's contributions and proportionate share of contributions	$ 6,860	$ 10,743
Net excess of actual over projected earnings on pension investments	--	1,822
Differences between expected and actual experience in the total pension liability	2,735	6,645
Total	$ 9,595	$ 19,210

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At June 30, 2021 and 2020, the net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next five years and thereafter as follows (in thousands):

	Deferred outflows/(inflows)	
Year ending June 30	2021	2020
2021	$ N/A	$ (178)
2022	8,807	(2,884)
2023	13,716	2,044
2024	13,104	1,425
2025	11,631	--
2026	--	--
Thereafter	--	--

The amortization table does not include pension contributions made after the measurement date. Deferred outflows of $21.2 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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Actuarial assumptions. The Port's net pension liabilities as of June 30, 2021 and 2020 were determined by actuarial valuations as of June 30, 2020 and 2019, respectively. The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2019. The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2014 through June 30, 2017 and the June 30, 2017 review of economic actuarial assumptions. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2020 and 2019 actuarial valuations:

Actuarial assumptions	2020	2019
Actuarial cost method	Entry age	Entry age
Inflation	2.75%	3.00%
Projected salary increases	Ranges from 4.25% to 9.95% based on years of service	Ranges from 3.90% to 10.00% based on years of service
Cost-of-living adjustments	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3
Investment rate of return	7.00%	7.25%
Mortality (Post-Retirement)	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality table projected with Scale MP-2019	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2017

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2020 and 2019. This information is subject to change every three years based on an actuarial experience study.

	June 30, 2020		June 30, 2019	
Asset Class	Target Allocation	Long-term (Arithmetic) Expected Real Rate of Return	Target Allocation	Long-term (Arithmetic) Expected Real Rate of Return
U.S. Larger Cap Equity	15.01%	5.54%	14.00%	5.32%
U.S. Small Cap Equity	3.99%	6.25%	5.00%	6.07%
Developed International Large Cap Equity	17.01%	6.61%	17.00%	6.67%
Developed International Small Cap Equity	2.97%	6.90%	3.00%	7.14%
Emerging International Large Cap Equity	5.67%	8.74%	N/A	N/A
Emerging International Small Cap Equity	1.35%	10.63%	N/A	N/A
Emerging Market Equity	N/A	N/A	7.00%	8.87%
Core Bonds	13.75%	1.19%	13.75%	1.04%
High Yield Bond	2.00%	3.14%	2.00%	3.09%
Bank Loan	2.00%	3.70%	2.00%	3.00%
TIPS	4.00%	0.86%	3.50%	0.97%
Emerging Market Debt (External)	2.25%	3.55%	4.50%	3.44%
Emerging Market Debt (Local)	2.25%	4.75%	N/A	N/A
Core Real Estate	4.20%	4.60%	N/A	N/A
Non-Core Real Estate	2.80%	5.76%	N/A	N/A
Real Estate	N/A	N/A	7.00%	4.68%
Cash	1.00%	0.03%	1.00%	0.01%
Commodities	1.00%	3.33%	1.00%	3.36%
Additional Public Real Assets	N/A	N/A	1.00%	4.76%
Private Equity	14.00%	8.97%	14.00%	8.97%
Private Credit/Debt	3.75%	6.00%	3.75%	5.50%
Real Estate Investment Trusts (REITS)	1.00%	5.98%	0.50%	5.91%
Total	100.00%		100.00%	

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Discount rate. The discount rate used to measure the total pension liability was 7.00% and 7.25% as of June 30, 2020 and 2019, respectively. 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 employer contributions will be made at rates equal to actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2020 and 2019.

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 of LACERS as of June 30, 2020, calculated using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

Port's proportionate share of the net pension liability	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
June 30, 2020	$391,014	$279,036	$186,391

The following presents the Port's proportionate share of the net pension liability of LACERS as of June 30, 2019, calculated using the discount rate of 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

Port's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$324,828	$220,724	$134,876

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C. Net OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021 and 2020, the Port reported a liability of $23.0 million and $19.1 million for its proportionate shares of the net OPEB liability of LACERS. The net OPEB liability was measured as of June 30, 2020 and 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 3.619% and 3.655% for the fiscal years ended June 30, 2021 and 2020, respectively.

For the fiscal years ended June 30, 2021 and 2020, the Port recognized OPEB expense of $3.3 million and $2.6 million, respectively.

At June 30, 2021 and 2020, the Port reported deferred outflows of resources related to OPEB from the following sources (in thousands).

	2021	2020
OPEB contributions subsequent to measurement date	$ 3,863	$ 3,823
Changes of assumptions or other inputs	6,009	4,027
Differences between expected and actual experience in the total OPEB liability	266	381
Net excess of projected over actual earnings on OPEB plan investments	2,351	--
Total	$ 12,489	$ 8,231

At June 30, 2021 and 2020, the Port reported deferred inflows of resources related to OPEB from the following sources (in thousands).

	2021	2020
Changes in proportion and differences between employer's contributions and proportionate share of contributions	$ 1,212	$ 1,327
Net excess of actual over projected earnings on OPEB plan investments	--	3,563
Differences between expected and actual experience in the total OPEB liability	7,560	4,296
Total	$ 8,772	$ 9,186

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At June 30, 2021 and 2020, the net amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the next five years and thereafter is as follows (in thousands):

	Deferred outflows/(inflows)	
Year ending June 30	2021	2020
2021	$ N/A	$ (1,779)
2022	(973)	(1,779)
2023	245	(550)
2024	767	(23)
2025	293	(502)
2026	(408)	(145)
Thereafter	(70)	--

The amortization table does not include OPEB contributions made after the measurement date. Deferred outflows of $3.9 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

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Actuarial assumptions. The Port's net OPEB liabilities as of June 30, 2021 and 2020 were determined by actuarial valuations as of June 30, 2020 and 2019, respectively. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an experience study for the July 1, 2016 through June 30, 2019 dated June 17, 2020 and retiree health assumptions letter dated September 15, 2020. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an experience study for the period the July 1, 2014 through June 30, 2017 dated June 29, 2018, economic assumption review dated June 30, 2017, and retiree health assumptions letter dated September 17, 2019. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2020 and 2019 actuarial valuations:

Actuarial assumptions	2020	2019
Actuarial cost method	Entry age	Entry age
Inflation	2.75%	3.00%
Projected salary increases	Ranges from 4.25% to 9.95% based on years of service	Ranges from 3.90% to 10.00% based on years of service
Investment rate of return	7.00%	7.25%
Mortality (Post-Retirement)	Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality table projected with Scale MP-2019	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2017
Healthcare cost trend rates	6.62% graded down to 4.50% over 9 years for non-Medicare medical plan costs; 6.12% graded down to 4.50% over 7 years for Medicare medical plan costs; and 4.00% for dental; and 4.50% for Medicare Part B costs	6.62% graded down to 4.50% over 9 years for non-Medicare medical plan costs; 6.12% graded down to 4.50% over 7 years for Medicare medical plan costs; and 4.00% for all years for dental; and 4.50% for Medicare Part B costs

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Long-term expected rate of return by asset class. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2020 and 2019. This information is subject to change every three years based on the actuarial experience study.

	June 30, 2020		June 30, 2019	
Asset Class	Target Allocation	Long-term (Arithmetic) Expected Real Rate of Return	Target Allocation	Long-term (Arithmetic) Expected Real Rate of Return
U.S. Larger Cap Equity	15.01%	5.54%	14.00%	5.32%
U.S. Small Cap Equity	3.99%	6.25%	5.00%	6.07%
Developed International Large Cap Equity	17.01%	6.61%	17.00%	6.67%
Developed International Small Cap Equity	2.97%	6.90%	3.00%	7.14%
Emerging International Large Cap Equity	5.67%	8.74%	N/A	N/A
Emerging International Small Cap Equity	1.35%	10.63%	N/A	N/A
Emerging Market Equity	N/A	N/A	7.00%	8.87%
Core Bonds	13.75%	1.19%	13.75%	1.04%
High Yield Bond	2.00%	3.14%	2.00%	3.09%
Bank Loan	2.00%	3.70%	2.00%	3.00%
TIPS	4.00%	0.86%	3.50%	0.97%
Emerging Market Debt (External)	2.25%	3.55%	4.50%	3.44%
Emerging Market Debt (Local)	2.25%	4.75%	N/A	N/A
Core Real Estate	4.20%	4.60%	N/A	N/A
Non-Core Real Estate	2.80%	5.76%	N/A	N/A
Real Estate	N/A	N/A	7.00%	4.68%
Cash	1.00%	0.03%	1.00%	0.01%
Commodities	1.00%	3.33%	1.00%	3.36%
Additional Public Real Assets	N/A	N/A	1.00%	4.76%
Private Equity	14.00%	8.97%	14.00%	8.97%
Private Credit/Debt	3.75%	6.00%	3.75%	5.50%
Real Estate Investment Trusts (REITS)	1.00%	5.98%	0.50%	5.91%
Total	100.00%		100.00%	

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Discount rate. The discount rate used to measure the total OPEB liability were 7.00% and 7.25% as of June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. 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 are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of both June 30, 2020 and June 30, 2019.

Sensitivity of the Port's proportionate share of net OPEB liability to change in the discount rate. The following presents the Port's proportionate share of the net OPEB liability of LACERS as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
June 30, 2020	$41,180	$22,993	$8,147

The following presents the Port's proportionate share of the net OPEB liability of LACERS as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the Port's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$36,551	$19,085	$4,817

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Sensitivity of the Port's proportionate share of net OPEB liability to change in the healthcare cost trend rate. The following presents the Port's proportionate share of the net OPEB liability of LACERS, as well as what LACERS' net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare trend rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease	Current healthcare trend rate*	1% Increase
June 30, 2020	$6,773	$22,993	$43,255
June 30, 2019	$2,955	$19,085	$40,250

*See page 89 for current healthcare trend rate.

Note 13. A to C on LACERS pension and OPEB plans were derived from information prepared by LACERS and the City.

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14. City of Los Angeles Fire and Police Pension System (LAFPP)

A. General Information about LAFPP

Plan description. LAFPP is a single-employer public employee retirement system whose main function is to provide defined benefit pension benefits to the safety members employed by the City of Los Angeles. Members of LAFPP are entitled to other postemployment benefits (OPEB) such as healthcare subsidy. LAFPP is administered by a Board of Commissioners (LAFPP Board) composed of five commissioners who are appointed by the Mayor, two commissioners elected by Police members of the plan and two commissioners elected by Fire members of the plan. Under provisions of the City Charter, the City Administrative Code and the State Constitution, the LAFPP Board has the responsibility to administer the plan. Changes to the benefit terms require approval by the City Council.

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, 2011.

LAFPP issues a publicly available financial report that may be obtained by writing or calling: Los Angeles Fire and Police Pension system, 360 E. Second Street, Suite 400, Los Angeles, CA 90012, (213) 978-4545 or LAFPP's website https://www.lafpp.com/about/financial-reports.

Plan memberships. As of June 30, 2020 and 2019 (measurement date), pension plan membership consisted of the following:

	2020	2019
Retired members or beneficiaries currently receiving benefits	13,291	13,097
Vested terminated members entitled to, but not yet receiving benefits	575	523
Active members	13,486	13,535
Total	27,352	27,155

As of June 30, 2020 and 2019 (measurement date), OPEB plan membership consisted of the following:

	2020	2019
Retired members, married dependents and beneficiaries currently receiving benefits	17,654	17,333
Vested terminated members entitled to, but not yet receiving benefits	875	886
Active members	13,486	13,535
Total	32,015	31,754

Benefits provided – pension. LAFPP provides service retirement, disability, death and survivor benefits to eligible sworn members. Sworn employees become members upon graduation from the Police Academy or Fire Drill Tower. Information about benefits for Tiers 1 through 4 members is available in the separately issued LAFPP financial report. Tier 5 members must be at least age 50, with 20 or more years of service, to be entitled to a service pension. Annual pension

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benefits are equal to 50% of their one-year average compensation, increasing for each year of service over 20 years, to a maximum of 90% for 33 years. Tier 5 provides for postemployment COLAs based on the Consumer Price Index (CPI) to a maximum of 3% per year. However, any increase in CPI greater than 3% per year is placed into a COLA bank for use in years in which the increase in CPI is less than 3%. The City Council may also grant a discretionary ad-hoc COLA no more than every three years, subject to certain conditions. Members who terminate their employment are entitled to a refund of their contributions plus Board-approved interest if they do not qualify for a pension or if they waive their pension entitlements.

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

Benefits provided – OPEB. LAFPP provides the following other postemployment benefits (OPEB) to eligible members:

- Subsidy for members not eligible for Medicare A & B – 4% per year of service, to a maximum of 100%, times a monthly maximum subsidy amount, subject to a maximum of actual premium paid to the LAFPP Board's approved health carrier.

- Subsidy for members eligible for Medicare A & B – For retirees, the health subsidy is provided subject to the following vesting schedule. Surviving spouses/domestic partners are eligible for benefits upon the death of the member.

Completed Years of Services	Vested Percentage
10-14	75%
15-19	90%
20+	100%

- Medicare Part B Related Subsidy – For retired members enrolled in Medicare A & B who are receiving a subsidy, the LAFPP provides payment of Part B premiums.

- Dental Subsidy – 4% per year of service, to a maximum of 100%, times a monthly maximum subsidy amount, subject to a maximum of the single-party premium paid to the LAFPP Board approved dental carrier.

Contributions – pension. The LAFPP Board establishes and may amend the contribution requirements of members and the City. The City's annual contribution for the LAFPP plan is

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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 based on the member's contribution rate for his or her tier. These rates range from 8 to 9 % of salaries for members in Tiers 3 through 5, while members in Tier 6 contribute 11 % of salary. 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. Members under Tiers 1 and 2 are retired or have completed at least 30 years of service and therefore no longer make pension contributions.

For fiscal years 2021 and 2020, the average employer contribution rates for pension benefits are 27.29% and 26.21%, respectively, of covered payroll. The Port has made 100% of the actuarially determined contributions for both fiscal years.

Contributions – OPEB. The LAFPP Board 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 expected to be sufficient to make all benefit payments to current members. The average employer contribution rates are 7.68% and 7.31% of covered payroll for fiscal years ended June 30, 2021 and 2020, respectively. Members are not required to contribute to the OPEB plan.

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

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

At June 30, 2021 and 2020, the Port reported a liability of $8.2 million and $7.3 million, respectively, for its proportionate shares of the net pension liability of LAFPP. The net pension liability was measured as of June 30, 2020 and 2019, respectively. The plan assets were valued as of the measurement dates and the total pension liability (TPL) as of June 30, 2020 and 2019 was determined based upon rolling forward the TPL from actuarial valuation as of June 30, 2019 and 2018, respectively. The Port's proportion of the net pension liability was based on the Port's share of actual contributions to the pension plan relative to the actual contributions of all participating employers, actuarially determined. The Port's proportionate share was determined to be 0.319% and 0.418% for fiscal years ended June 30, 2021 and 2020, respectively.

For the fiscal years ended June 30, 2021 and 2020, the Port recognized pension expense of $1.4 million and $2.8 million, respectively.

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At June 30, 2021 and 2020, the Port reported deferred outflows of resources related to pensions from the following sources (in thousands).

	2021	2020
Pension contributions subsequent to measurement date	$ 4,300	$ 4,052
Changes of assumptions or other inputs	3,298	2,851
Net difference between projected and actual earnings on pension plan investments	2,100	--
Differences between actual and expected experience in the total pension liability	435	575
Total	$ 10,133	$ 7,478

At June 30, 2021 and 2020, the Port reported deferred inflows of resources related to pensions from the following sources (in thousands).

	2021	2020
Differences between expected and actual experience in the total pension liability	$ 1,432	$ 1,762
Net excess of actual over projected earnings on pension plan investments	--	992
Total	$ 1,432	$ 2,754

At June 30, 2021 and 2020, the net amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next five years and thereafter as follows (in thousands):

	Deferred outflows/(inflows)	
Year ending June 30	2021	2020
2021	$ N/A	$ (267)
2022	349	(495)
2023	1,155	312
2024	1,578	735
2025	1,230	387
2026	89	--
Thereafter	--	--

The amortization table does not include pension contributions made after the measurement date. Deferred outflows of $4.3 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

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Actuarial assumptions. The TPL as of June 30, 2020 that was determined by an actuarial valuation as of June 30, 2019, was re-valued as of June 30, 2019 (before roll forward) using the actuarial assumptions that LAFPP has approved for use in the pension funding valuation as of June 30, 2020. This revalued TPL was then rolled forward to June 30, 2020 to determine the final TPL as of June 30, 2020. The updated actuarial assumptions were based on the July 1, 2016 through June 30, 2019 Experience Study Report dated May 13, 2020. The TPL as of June 30, 2019 that was determined by an actuarial valuation as of June 30, 2018, was re-valued as of June 30, 2018 (before roll forward) using the mortality assumptions that the LAFPP approved for use in the pension funding valuation as of June 30, 2019. This revalued TPL was then rolled forward to June 30, 2019 to determine the final TPL as of June 30, 2019. The updated mortality assumptions were based on the results of an actuarial experience study for the period from the July 1, 2013 through June 30, 2016. They are the same as the assumptions used in the June 30, 2019 funding actuarial valuation for LAFPP. The following actuarial assumptions were used to measure the net pension liabilities as of June 30, 2020 and 2019:

Actuarial assumptions	2020	2019
Actuarial cost method	Entry age	Entry age
Inflation	2.75%	3.00%
Projected salary increases	Ranges from 4.15% to 12.25% based on years of service	Ranges from 4.30% to 12.00% based on years of service
Investment rate of return	7.00%	7.25%
Cost-of-living adjustments	3.00% of retirement income for all Tiers	3.00% of retirement income for all Tiers
Mortality (Post-Retirement)	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019

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Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each measurement class, after deducting inflation, but before reduction for investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2020 and June 30, 2019. The information will change every three years based on the actuarial experience study.

	June 30, 2020		June 30, 2019	
Asset Class	Target Allocation	Long-term (Arithmetic) Expected Real Rate of Return	Target Allocation	Long-term (Arithmetic) Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	5.40%	23.00%	5.61%
Small Cap U.S. Equity	6.00%	6.20%	6.00%	6.37%
Developed International Equity	16.00%	6.54%	16.00%	6.96%
Emerging Market Equity	5.00%	8.78%	5.00%	9.28%
U.S. Core Fixed Income	13.00%	1.07%	12.00%	1.06%
TIPS	4.00%	0.62%	5.00%	0.94%
High Yield Bonds	3.00%	3.31%	3.00%	3.65%
Real Estate	7.00%	4.65%	10.00%	4.37%
Commodities	5.00%	3.05%	5.00%	3.76%
Cash	1.00%	0.01%	1.00%	-0.17%
Unconstrained Fixed Income	2.00%	1.37%	2.00%	2.50%
Private Equity	12.00%	8.25%	12.00%	7.50%
REITS	3.00%	4.40%	N/A	N/A
Total	100.00%	4.99%	100.00%	5.11%

Discount rate. The discount rate used to measure the total pension liability was 7.00% and 7.25% as of June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate for each tier and that employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net

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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 as of both June 30, 2020 and 2019.

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 as of June 30, 2020, calculated using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

Port's proportionate share of the net pension liability	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
June 30, 2020	$26,011	$8,219	$(5,863)

The following presents the Port's proportionate share of the net pension liability as of June 30, 2019, calculated using the discount rate of 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

Port's proportionate share of the net pension liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$23,124	$7,260	$(5,292)

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C. Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021 and 2020, the Port reported a liability of $2.5 million and $3.0 million for its proportionate shares of the net OPEB liability of LAFPP. The net OPEB liability was measured as of June 30, 2020 and 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Port's proportion of the net OPEB liability was based on the Port's share of actual contributions to the OPEB plan relative to the actual contributions of all participating departments, actuarially determined. The Port's proportionate share was determined to be 0.162% and 0.191% for the fiscal years June 30, 2021 and 2020, respectively.

For the fiscal years ended June 30, 2021 and 2020, the Port recognized OPEB expense of $1.1 million in each fiscal year.

At June 30, 2021 and 2020, the Port reported deferred outflows of resources related to OPEB from the following sources (in thousands).

	2021	2020
OPEB contributions subsequent to measurement date	$ 1,211	$ 1,131
Changes of assumptions or other inputs	1,094	950
Net difference between projected and actual earnings on OPEB plan investments	187	--
Differences between expected and actual experience in the total OPEB liability	166	221
Total	$ 2,658	$ 2,302

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At June 30, 2021 and 2020, the Port reported deferred inflows of resources related to OPEB from the following sources (in thousands).

	2021	2020
Changes of assumptions or other inputs	$ 17	$ 22
Differences between expected and actual experience in the total OPEB liability	1,387	457
Net excess of actual over projected earnings on OPEB plan investments	--	149
Total	$ 1,404	$ 628

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

	Deferred outflows/(inflows)	
Year ending June 30	2021	2020
2021	$ N/A	$ 46
2022	(6)	46
2023	74	126
2024	120	172
2025	35	87
2026	(56)	58
Thereafter	(124)	7

The amortization table does not include OPEB contributions made after the measurement date. Deferred outflows of $1.2 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Actuarial assumptions. The Port's net OPEB liability as of June 30, 2021 and 2020 were determined by actuarial valuations as of June 30, 2020 and 2019, respectively. The Total OPEB Liability (TOL) as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2020. The actuarial assumptions were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019 with the exception of the mortality assumption where the LAFPP adopted the updated Pub-2010 mortality tables proposed in a separate letter dated December 12, 2019 and health assumptions letter dated September 11, 2020. They are the same as the assumptions used in the June 30, 2020 funding actuarial valuation. The TOL as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2019. The actuarial assumptions were based on the results of an experience study for the period from July 1, 2013 through June 30, 2016 with the exception of the mortality assumption where the LAFPP adopted the updated Pub-2010 mortality tables proposed in a separate letter dated December 12, 2019

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and health assumptions letter dated September 12, 2019. They are the same as the assumptions used in the June 30, 2019 funding actuarial valuation. The following actuarial assumptions were applied to all periods included in the measurement for the June 30, 2020 and 2019 actuarial valuations:

Actuarial assumptions	2020	2019
Actuarial cost method	Entry age	Entry age
Inflation	2.75%	3.00%
Projected salary increases	Ranges from 4.15% to 12.25% based on years of service	Ranges from 4.30% to 12.00% based on years of service
Investment rate of return	7.00%	7.25%
Mortality (Post-Retirement)	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019	Healthy: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality table projected with Scale MP-2019
Healthcare cost trend rates	4.75% for fiscal year 2020-21, 6.50% for fiscal year 2021-22 graded down to 4.50% over 8 years for non-Medicare medical plan costs; 4.50% for fiscal year 2020-21, 6.00% graded down to 4.50% over 6 years for Medicare medical plan costs; 4.00% for all years for dental; and 4.50% for all years for Medicare Part B costs.	8.75% graded down to 4.50% over 9 years for non-Medicare medical plan costs; 8.00% graded down to 4.50% over 7 years for Medicare medical plan costs; 4.00% for all years for dental; and 4.50% for all years for Medicare Part B costs.

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PORT OF LOS ANGELES
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Notes to Financial Statements

June 30, 2021 and 2020

Long-term expected rate of return by asset class. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rate of return for each measurement class, after deducting inflation, but before reduction for investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuations as of June 30, 2020 and June 30, 2019. The information will change every three years based on the actuarial experience study.

	June 30, 2020		June 30, 2019	
Asset Class	Target Allocation	Long-term (Arithmetic) Expected Real Rate of Return	Target Allocation	Long-term (Arithmetic) Expected Real Rate of Return
Large Cap U.S. Equity	23.00%	5.40%	23.00%	5.61%
Small Cap U.S. Equity	6.00%	6.20%	6.00%	6.37%
Developed International Equity	16.00%	6.54%	16.00%	6.96%
Emerging Market Equity	5.00%	8.78%	5.00%	9.28%
U.S. Core Fixed Income	13.00%	1.07%	12.00%	1.06%
TIPS	4.00%	0.62%	5.00%	0.94%
High Yield Bonds	3.00%	3.31%	3.00%	3.65%
Real Estate	7.00%	4.65%	10.00%	4.37%
Commodities	5.00%	3.05%	5.00%	3.76%
Cash	1.00%	0.01%	1.00%	-0.17%
Unconstrained Fixed Income	2.00%	1.37%	2.00%	2.50%
Private Equity	12.00%	8.25%	12.00%	7.50%
REITS	3.00%	4.40%	N/A	N/A
Total	100.00%	4.99%	100.00%	5.11%

Discount rate. The discount rate used to measure the total OPEB liability was 7.00% and 7.25% as of June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates for each tier. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both June 30, 2020 and June 30, 2019.

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PORT OF LOS ANGELES
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Notes to Financial Statements

June 30, 2021 and 2020

Sensitivity of the Port's proportionate share of net OPEB liability to change in the discount rate. The following presents the Port's proportionate share of the net OPEB liability as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what the Port's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
June 30, 2020	$6,128	$2,541	$(262)

The following presents the Port's proportionate share of the net OPEB liability as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the Port's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$6,392	$3,018	$386

Sensitivity of the Port's proportionate share of net OPEB liability to change in the healthcare cost trend rate. The following presents the Port's proportionate share of the net OPEB liability, as well as what LAFPP net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare trend rate (in thousands):

Port's proportionate share of the net OPEB liability	1% Decrease	Current healthcare trend rate*	1% Increase
June 30, 2020	$(763)	$2,541	$6,968
June 30, 2019	$(234)	$3,018	$7,944

*See page 102 for current healthcare trend rate.

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

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

Notes to Financial Statements

June 30, 2021 and 2020

15. Commitments, Litigation and Contingencies

A. Commitments

Open purchase orders and uncompleted construction contracts amounted to approximately $21.7 million and $30.9 million as of June 30, 2021 and 2020, respectively. 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 2021 and 2020.

B. Litigation

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

C. Alameda Corridor Transportation Authority (ACTA) Agreement

In August 1989, the Port and the POLB (the Ports) entered into a joint exercise of powers agreement and formed ACTA for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports in San Pedro Bay, linking the Ports to the central Los Angeles area. The Alameda Corridor began operating on April 15, 2002. ACTA is governed by a seven-member board, which is comprised of two members from each Port, one each from the Cities of Los Angeles and Long Beach and one from the Metropolitan Transportation Authority. If in the future, ACTA is able to distribute income or make equity distributions, the Ports shall share such income and equity distributions equally.

In October 1998, the Ports, ACTA, and the railroad companies, which operate on the corridor, entered into a Corridor Use and Operating Agreement (Corridor Agreement). The Corridor Agreement provides for operation of the corridor to transport cargo into and out of the Ports. Payment of use fees and container charges, as defined in the Corridor Agreement are used to pay (a) the debt service that ACTA incurs on approximately $2 billion of outstanding bonds, (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, and (c) repayment and reimbursement obligations to the Ports, (collectively, ACTA Obligations). Use fees end in 2062 or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations outlined in (a) and (b) above, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) for each debt service payment date. If this event occurs, the Ports' payments to ACTA

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PORT OF LOS ANGELES
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Notes to Financial Statements

June 30, 2021 and 2020

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 the respective bond indentures and resolutions related to each Port bond or indebtedness.

An amended and restated Corridor Agreement became effective December 15, 2016, which (1) incorporated the July 5, 2006 First Amendment to the Corridor Agreement; (2) replaced the Operating Committee with an alternative decision making process for management of Alameda Corridor maintenance and operations; and (3) removed construction related provisions and updated certain other provisions to reflect current conditions and practices. The Los Angeles Board of Harbor Commissioners approved the amended and restated Corridor Agreement at a meeting held on October 24, 2016.

In 2016, ACTA issued Tax-Exempt First and Second Subordinate Lien Revenue Refunding Bonds, Series 2016A and Series 2016B (Series 2016 Bonds). With the intent of reducing future Shortfall payments, the issuance of the Series 2016 Bonds advance refunded most of ACTA's Refunding Series 2004A Bonds. There were no Shortfall payments in both fiscal years 2021 and 2020.

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PORT OF LOS ANGELES
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Notes to Financial Statements

June 30, 2021 and 2020

16. Related-Party Transactions

During the normal course of business, the Port is charged for services provided by the City, the most significant of which is related to fire protection, museum and park maintenance, and legal services. Total amounts charged by the City for services approximate $45.9 million and $48.4 million in fiscal years 2021 and 2020, respectively. In addition, the amounts charged by the City for water and electricity usage approximate $23.3 million and $18.3 million in fiscal years 2021 and 2020, respectively.

17. Capital Contributions

Amounts either received or to be reimbursed for the restricted purpose of the acquisition, construction of capital assets, or other grant-related capital expenditures are recorded as capital contributions. During the fiscal years ended June 30, 2021 and 2020, the Port reported capital contributions of $7.1 million and $3.4 million, respectively, for certain capital construction grant projects.

18. Cash Funding of Reserve Fund

As of June 30, 2021 and 2020, the Port had $731.4 million and $788.5 million of outstanding parity bonds (including net unamortized premiums). The Port holds cash reserves for each Indenture of the outstanding bonds. On September 18, 2008, the BHC approved the full cash funding of the entire reserve requirement of $61.5 million that was transferred to the Port's bond trustee in December 2008. The cash funding of the reserve took place to reassure bondholders of the strong commitment of the Port to its financial wherewithal as rating agencies had reduced the AAA ratings of the surety companies that had provided insurance for the bonds that the Port had issued.

As of June 30, 2021 and 2020, the balance in the Common Reserve fund totaled $42.4 million and $42.3 million, respectively. Any excess amounts in the Common Reserve resulting from principal repayments will be transferred to the interest fund and/or redemption fund to be used to pay interest and redeem bonds. The required amount for the reserve fund will be reevaluated on a yearly basis. The funds in the reserve are invested in the U.S. Treasury securities and money market funds.

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

Notes to Financial Statements

June 30, 2021 and 2020

19. Impact of COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a global pandemic. Measures taken by various governments to contain the virus have affected international economies and global supply chain, as well as Port's shipping volumes and revenues. Although the Port's operations have continued largely uninterrupted throughout the COVID-19 Pandemic (Pandemic) due to the essential nature of its core businesses, the Port's operations, as well as the finances and operations of many of its tenants and operators, have been adversely affected by the impact of the Pandemic and the measures taken and imposed to counter it.

The Port reported declines in both import and export containers volume between March and June 2020 due to impacts of the Pandemic on global shipping. Those declines resulted in an 11.6% decrease in annual containers volume relative to the prior fiscal year. However, in fiscal year 2021 the Port processed 10.9 million TEUs, a 27.1% increase relative to fiscal year 2020.

All cruise lines operating out of the Port of Los Angeles suspended their cruises under previous No Sail Order issued in March 2020 and subsequent extensions. Although cruising was paused, cruise ships periodically dock at the Port to refuel and restock. In May 2021, phases of Framework for Conditional Sailing Order were released for cruise ship operators to resume restricted passenger voyages. The Port has not granted requests for rent relief but has considered rent deferral requests on a case-by-case basis.

20. Subsequent Event

On September 21, 2021, the Port redeemed an aggregate par amount of $41.1 million of its outstanding bonds comprised of 2011 Series A (AMT) Bonds for $8.3 million and 2011 Series B (Non-AMT) Bonds for total of $32.8 million. Accrued interest of $0.3 million from August 1, 2021 to the redemption date was added to the final redemption amount for grand total of $41.4 million.

A portion of the Common Reserve allocated to 2011 Series A and B Bonds totaling $4.3 million was released toward the redemption on the settlement date by the Trustee, therefore reducing the Port's outflow of cash toward this redemption to $37.0 million.

Required Supplementary Information

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

Required Supplementary Information

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

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Measurement Date as of June 30	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll (1)	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2014	2013	4.248%	$ 200,801	$ 73,746	272.29%	68.23%
2015	2014	4.224%	188,299	76,040	247.60%	72.57%
2016	2015	4.152%	207,158	75,963	272.71%	70.49%
2017	2016	3.940%	221,275	75,092	294.67%	67.77%
2018	2017	3.877%	204,609	76,204	268.50%	71.41%
2019	2018	3.773%	215,435	77,580	277.70%	71.37%
2020	2019	3.692%	220,724	77,954	283.15%	71.25%
2021	2020	3.674%	279,036	83,080	335.86%	66.29%

(1) Covered payroll is defined as the payroll on which contributions to a pension plan are based.

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Measurement Date as of June 30	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll (2)	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2014	2013	0.400%	$ 14,320	$ 10,302	139.00%	68.00%
2015	2014	0.559%	10,463	11,619	90.05%	79.16%
2016	2015	0.425%	8,671	12,301	70.49%	83.98%
2017	2016	0.408%	10,050	12,148	82.49%	83.02%
2018	2017	0.345%	6,273	13,541	46.33%	90.41%
2019	2018	0.365%	4,585	14,168	32.36%	93.77%
2020	2019	0.418%	7,260	14,584	49.78%	91.40%
2021	2020	0.319%	8,219	15,462	53.15%	91.28%

(2) Covered payroll is defined as the payroll on which contributions to a pension plan are based.

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 111.

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

Required Supplementary Information

Schedule of Pension Contributions – Last Ten Fiscal Years*

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 21,176	$ 19,284	$ 18,050	$ 17,317	$ 17,582	$ 17,557	$ 15,765
Contributions in relation to the actuarially determined contribution	21,176	19,284	18,050	17,317	17,582	17,557	15,765
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Port's covered payroll	$ 87,461	$ 83,080	$ 77,954	$ 77,580	$ 76,204	$ 75,092	$ 75,963
Contributions as a percentage of covered payroll	24.21%	23.21%	23.15%	22.32%	23.07%	23.38%	20.75%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 4,300	$ 4,052	$ 3,883	$ 3,645	$ 3,716	$ 3,462	$ 3,648
Contributions in relation to the actuarially determined contribution	4,300	4,052	3,883	3,645	3,716	3,462	3,648
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Port's covered payroll	$ 15,758	$ 15,462	$ 14,584	$ 14,168	$ 13,541	$ 12,184	$ 12,301
Contributions as a percentage of covered payroll	27.29%	26.21%	26.63%	25.73%	27.44%	28.41%	29.66%

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 111.

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

Required Supplementary Information

Notes to Schedules of Proportionate Share of the Net Pension Liability and Pension Contributions

For the Fiscal Year Ended June 30, 2021

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2021	Fiscal Year 2020
Investment rate of return	7.00%	7.25%
Inflation	2.75%	3.00%
Projected salary increases	Ranges from 4.25% to 9.95% based on years of service	Ranges from 3.90% to 10.00% based on years of service
Cost-of-living adjustments	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3
Mortality (Post-Retirement)	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above Median Mortality table projected with Scale MP-2019	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2017

Los Angeles Fire and Police Pension Plan (LAFPP)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2021	Fiscal Year 2020
Investment rate of return	7.00%	7.25%
Inflation	2.75%	3.00%
Projected salary increases	Ranges from 4.15% to 12.25% based on years of service	Ranges from 4.30% to 12.00% based on years of service
Member contribution and Matching Account Crediting Rate	3.00%	4.00%

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

Required Supplementary Information

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

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Fiscal Year	Measurement Date as of June 30	Proportion of the Net OPEB Liability	Proportionate Share of Net OPEB Liability	Covered Payroll (1)	Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	2016	3.947%	$ 26,002	$ 75,092	34.63%	76.42%
2018	2017	3.865%	21,910	76,204	28.75%	81.14%
2019	2018	3.753%	21,785	77,580	28.08%	82.18%
2020	2019	3.655%	19,085	77,954	24.48%	84.34%
2021	2020	3.619%	22,993	83,080	27.68%	81.78%

(1) Covered payroll is defined as the payroll on which contributions to an OPEB plan are based.

Los Angeles Fire and Police Pension Plan (LAFPP)

Fiscal Year	Measurement Date as of June 30	Proportion of the Net OPEB Liability	Proportionate Share of Net OPEB Liability	Covered Payroll (2)	Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2017	2016	0.156%	$ 2,563	$ 12,184	21.04%	74.45%
2018	2017	0.148%	2,506	13,541	18.51%	78.65%
2019	2018	0.143%	2,447	14,168	17.27%	81.87%
2020	2019	0.191%	3,018	14,584	20.69%	80.65%
2021	2020	0.162%	2,541	15,462	16.43%	84.77%

(2) Covered payroll is defined as the payroll on which contributions to an OPEB plan are based.

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 114.

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

Required Supplementary Information

Schedule of OPEB Contributions – Last Ten Fiscal Years*

($ In Thousands)

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

(Amount in thousands)	2021	2020	2019	2018
Actuarially determined contribution	$ 3,863	$ 3,823	$ 4,011	$ 3,857
Contributions in relation to the actuarially determined contribution	3,863	3,823	4,011	3,857
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
Port's covered employee payroll	$ 87,461	$ 83,080	$ 77,954	$ 77,580
Contributions as a percentage of covered employee payroll	4.42%	4.60%	5.15%	4.97%

Los Angeles Fire and Police Pension Plan (LAFPP)

(Amount in thousands)	2021	2020	2019	2018
Actuarially determined contribution	$ 1,211	$ 1,131	$ 1,084	$ 1,018
Contributions in relation to the actuarially determined contribution	1,211	1,131	1,084	1,018
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
Port's covered employee payroll	$ 15,758	$ 15,462	$ 14,584	$ 14,168
Contributions as a percentage of covered employee payroll	7.68%	7.31%	7.43%	7.19%

* This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, the schedule is presented for those years for which information is available.

See Note to Schedule on page 114.

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

Required Supplementary Information

Notes to Schedules of Proportionate Share of the Net OPEB Liability and OPEB Contributions

For the Fiscal Year Ended June 30, 2021

(Unaudited)

Los Angeles City Employees' Retirement System (LACERS)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2021	Fiscal Year 2020
Investment rate of return	7.00%	7.25%
Inflation	2.75%	3.00%
Projected salary increases	Ranges from 4.25% to 9.95% based on years of service	Ranges from 3.90% to 10.00% based on years of service
Mortality (Post-Retirement)	Healthy: Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality table projected with Scale MP-2019	Healthy: Headcount-Weighted RP-2014 table projected with Scale MP-2017

Los Angeles Fire and Police Pension Plan (LAFPP)

Changes of benefit terms: There were no changes in benefits terms.

Changes of assumptions:

Assumptions	Fiscal Year 2021	Fiscal Year 2020
Investment rate of return	7.00%	7.25%
Inflation	2.75%	3.00%
Projected salary increases	Ranges from 4.15% to 12.25% based on years of service	Ranges from 4.30% to 12.00% based on years of service
Healthcare cost trend rates	4.75% for fiscal year 2020-21, 6.50% for fiscal year 2021-22 graded down to 4.50% over 8 years for non-Medicare medical plan costs; 4.50% for fiscal year 2020-21, 6.00% graded down to 4.50% over 6 years for Medicare medical plan costs	8.75% graded down to 4.50% over 9 years for non-Medicare medical plan costs; 8.00% graded down to 4.50% over 7 years for Medicare medical plan costs

Statistical Section

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

Statistical Section

For the Fiscal Year Ended June 30, 2021

(Unaudited)

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Port's overall financial health.

Contents **Page**

Financial Trends

This schedule contains trend information to help the reader understand how the Port's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Port's most significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Port's current level of outstanding debt and the Port's ability to issue additional debt in the future.

Demographic and Economic Information

This schedule offers demographic and economic indicators to help readers understand the environment within which the Port's financial activities occur.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Port's financial report relates to the services the Port's provides and the activities it performs.

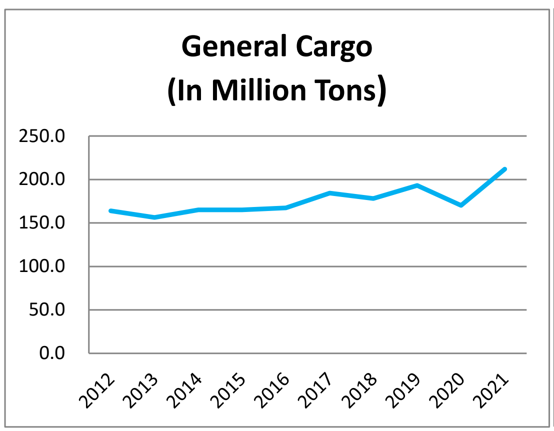
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)
Summary of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
($ In Thousands)
(Unaudited)

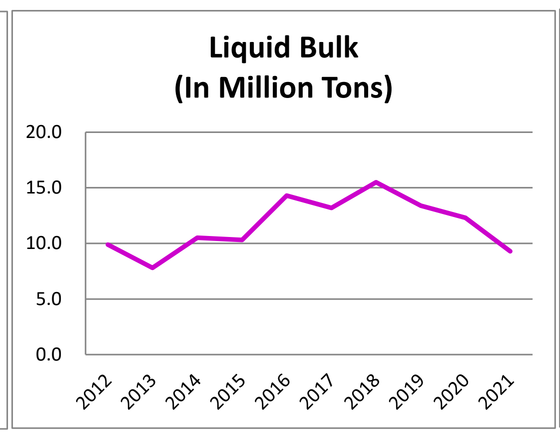
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating revenues										
Shipping services	$ 357,716	$ 347,876	$ 377,213	$ 364,899	$ 368,470	$ 398,255	$ 405,279	$ 410,328	$ 369,565	$ 463,849
Rentals	43,143	42,890	40,156	46,233	46,571	51,258	61,419	65,965	73,103	80,479
Royalties, fees, and other operating revenues	8,928	6,602	8,582	35,763	21,085	25,019	24,062	30,134	24,998	27,683
Total operating revenues	409,787	397,368	425,951	446,895	436,126	474,532	490,760	506,427	467,666	572,011
Operating expenses										
Salaries and benefits	98,614	101,861	112,053	111,788	114,719	118,582	121,533	123,058	145,826	146,200
Marketing and public relations	3,177	2,877	2,711	2,771	2,567	2,583	2,784	2,510	2,388	1,372
Outside services	27,660	29,690	26,331	28,983	28,970	25,022	29,904	33,418	31,815	26,219
Materials and supplies	6,314	5,989	6,883	6,257	6,340	5,314	6,960	6,593	5,672	4,517
City services	32,014	31,074	33,633	34,749	37,421	39,554	42,749	45,223	48,366	45,876
Other operating expenses	32,027	33,678	23,743	49,701	36,244	36,620	33,025	29,625	39,503	49,784
Total operating expenses before depreciation	199,806	205,169	205,354	234,249	226,261	227,675	236,955	240,427	273,570	273,968
Operating Income before depreciation and amortization	209,981	192,199	220,597	212,646	209,865	246,857	253,805	266,000	194,096	298,043
Depreciation and amortization	100,485	108,037	124,221	137,384	163,933	172,895	167,984	161,977	158,613	153,304
Operating Income	109,496	84,162	96,376	75,262	45,932	73,962	85,821	104,023	35,483	144,739
Nonoperating revenues (expenses)										
Income from investments in Joint Powers Authorities	1,851	2,049	2,129	2,811	2,544	2,162	2,001	2,596	2,461	2,243
Investment income (loss) - net	9,486	826	4,654	5,039	9,326	1,118	618	32,804	39,643	(2,656)
Interest expense	(10,538)	(2,473)	(1,530)	(331)	(507)	(604)	(1,612)	(1,290)	(24,707)	(21,763)
Other income and expenses, net	(8,359)	784	(27,364)	(2,226)	(3,851)	(1,146)	1,999	27,151	2,025	(1,019)
Net nonoperating revenues (expenses)	(7,560)	1,186	(22,111)	5,293	7,512	1,530	3,006	61,261	19,422	(23,195)
Income before capital contributions	101,936	85,348	74,265	80,555	53,444	75,492	88,827	165,284	54,905	121,544
Capital contributions	31,307	17,630	80,374	111,852	40,489	18,801	4,524	3,523	3,440	7,116
Special and extraordinary items	--	13,387	15,002	--	5,123	9,150	--	--	--	--
Changes in net position	133,243	116,365	169,641	192,407	99,056	103,443	93,351	168,807	58,345	128,660
Total net position – beginning of year	2,642,885	2,776,128	2,884,351	3,064,554	3,062,899	3,161,955	3,265,398	3,334,871	3,503,678	3,562,023
Cumulative effect of change in accounting principle	--	--	--	(194,062)	--	--	(23,878)	--	--	--
Net adjustment for write off prior period bond issues costs	--	(8,142)	10,562	--	--	--	--	--	--	--
Net position July 1, restated	2,642,885	2,767,986	2,894,913	2,870,492	3,062,899	3,161,955	3,241,520	3,334,871	3,503,678	3,562,023
Total net position – end of year	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899	$ 3,161,955	$ 3,265,398	$ 3,334,871	$ 3,503,678	$ 3,562,023	$ 3,690,683
Net position:										
Net investment in capital assets	$ 2,397,744	$ 2,634,840	$ 2,863,795	$ 2,856,561	$ 2,945,412	$ 2,972,442	$ 2,964,553	$ 2,954,017	$ 2,979,268	$ 3,016,153
Restricted	67,796	57,913	58,054	68,373	66,599	62,255	62,230	63,348	42,281	42,435
Unrestricted	310,588	191,598	142,705	137,965	149,944	230,701	308,088	486,313	540,474	632,095
Total net position	$ 2,776,128	$ 2,884,351	$ 3,064,554	$ 3,062,899	$ 3,161,955	$ 3,265,398	$ 3,334,871	$ 3,503,678	$ 3,562,023	$ 3,690,683

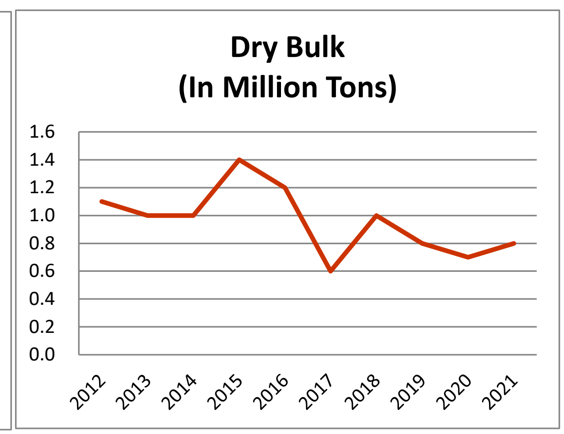
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Revenue Statistics
Last Ten Fiscal Years
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue Information										
Revenue Rates										
General cargo tariff rate	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25	$ 6.25
Basic dockage (600')	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465	2,465
Required rate of return on improvements	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Required rate of return on land	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Containerized cargo volume										
(in millions of TEUs)	8.2	7.8	8.2	8.2	8.4	9.2	9.2	9.7	8.6	10.9
Inbound tonnage (million tons)	98.3	93.1	99.1	102.9	105.6	105.8	103.0	113.8	99.8	113.6
Outbound tonnage (million tons)	74.6	71.5	74.3	74.6	79.3	92.4	88.3	97.4	84.2	102.1
Revenue tons (million)										
General cargo	163.9	156.3	165.0	165.1	167.3	184.3	178.0	193.1	170.1	211.9
Liquid bulk	9.9	7.8	10.5	10.3	14.3	13.2	15.5	13.4	12.3	9.3
Dry bulk	1.1	1.0	1.0	1.4	1.2	0.6	1.0	0.8	0.7	0.8
Total revenue tons (million)	174.9	165.1	176.5	176.8	182.8	198.1	194.5	207.3	183.1	222.0







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

Top Ten Individual Sources of Revenue by Alphabetical Order
Fiscal Year 2021 and Fiscal Year 2012
(Unaudited)

Fiscal Year 2021	Fiscal Year 2012
APM Terminals Pacific, Ltd.	APM Terminals Pacific, Ltd.
Fenix Marine Services, Ltd. [1]	Eagle Marine Services, Ltd.
Yusen Terminal, Inc./N.Y.K. (North America), Inc.	Everport Terminal Services, Inc.
Everport Terminal Services, Inc.	Yusen Terminal, Inc./N.Y.K. (North America), Inc.
China Shipping Holding Company, Ltd.	Yang Ming Marine Transport Corporation
TraPac, LLC	TraPac, LLC
Yang Ming Marine Transport Corporation	China Shipping Holding Company, Ltd.
Union Pacific Railroad Company	Union Pacific Railroad Company
WWL Vehicle Services Americas, Inc.	WWL Vehicle Services Americas, Inc.
PBF Energy Western Region, LLC	Rio Doce Pasha Terminal, LP

[1] Eagle Marine Services, Ltd. was rebranded to Fenix Marine Services, Ltd. in 2018.

The Port of Los Angeles terminal tenants compete against each other for business. The Port feels disclosure of revenue by tenant would give advantages or disadvantages to certain tenants and therefore revenues and percentage of total revenue have been excluded from this report.

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total revenues (1)	$ 435,291	$ 416,974	$ 446,910	$ 460,364	$ 452,398	$ 487,806	$ 501,663	$ 578,794	$ 524,346	$ 575,422
Operating expenses (2)	199,806	205,169	205,354	234,249	226,261	227,675	236,955	240,427	273,570	273,968
Net available revenue	$ 235,485	$ 211,805	$ 241,556	$ 226,115	$ 226,137	$ 260,131	$ 264,708	$ 338,367	$ 250,776	$ 301,454
Debt service, revenue bonds	$ 71,382	$ 72,204	$ 65,323	$ 69,916	$ 91,831	$ 87,570	$ 80,147	$ 84,884	$ 84,288	$ 79,070
Debt service, commercial paper and revolving obligations	227	194	165	187	—	—	—	—	—	—
Total debt service on parity obligations (3)	$ 71,609	$ 72,398	$ 65,488	$ 70,103	$ 91,831	$ 87,570	$ 80,147	$ 84,884	$ 84,288	$ 79,070
Net available revenue coverage	3.3	2.9	3.7	3.2	2.5	3.0	3.3	4.0	3.0	3.8
Net cash flow from operations	$ 217,113	$ 234,234	$ 131,284	$ 213,184	$ 184,869	$ 274,581	$ 228,920	$ 254,978	$ 237,631	$ 272,981
Net operating cash flow coverage	3.0	3.2	2.0	3.0	2.0	3.1	2.9	3.0	2.8	3.5

(1) Total revenues include operating revenues and nonoperating revenues.
(2) Depreciation and amortization expenses, interest expense, and other nonoperating expenses are not included.
(3) Debt service on parity obligations include principal and interest payments on issued bonds as well as on commercial paper notes and revolving obligations, which are senior debt backed by pledged-revenue.
Note: Details regarding the Port of Los Angeles' outstanding debt can be found in the notes to financial statements.

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

Ratios of Outstanding Debts to Personal Income and Per Capita
Last Ten Fiscal Years

(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Outstanding Debts ($000's) [1]	$ 866,762	$ 821,130	$ 780,993	$ 1,059,603	$ 1,008,322	$ 969,343	$ 922,433	$ 870,060	$ 788,489	$ 731,357
Total Outstanding Debts Per Capita [2]	$ 224.56	$ 210.47	$ 198.32	$ 266.74	$ 252.13	$ 239.84	$ 227.51	$ 215.36	$ 196.60	$ 186.41
Percentage of Total Personal Income [3]	0.18%	0.17%	0.15%	0.19%	0.17%	0.16%	0.15%	0.13%	N/A	N/A

(1) Presented net of unamortized bond premiums and discounts.
(2) See page 121 for population data used in this calculation .
(3) See page 121 for personal income used in this calculation.
N/A - Data not available

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

Demographic and Economic Statistics for the City of Los Angeles
Last Ten Calendar Years
(Unaudited)

Year	Estimated Population [1]	Personal Income ($000s) [2]	Per Capita Personal Income [2]	Median Age [3]	Public School Enrollment [4]	Unemployment Rate [5]
2012	3,859,854	$ 492,424,430	$ 49,459	34.1	701,208	11.5 %
2013	3,901,412	491,016,518	49,010	34.3	598,020	10.3
2014	3,938,037	525,088,691	52,130	34.6	594,891	8.7
2015	3,972,348	560,484,548	55,366	34.9	582,430	7.0
2016	3,999,237	577,071,787	56,851	35.0	560,991	5.6
2017	4,041,707	593,741,110	58,419	35.2	547,246	4.4
2018	4,054,400	628,808,732	62,224	35.8	532,102	5.1
2019	4,040,079	653,482,910	65,094	35.9	516,935	4.7
2020	4,010,684	N/A	N/A	N/A	N/A	18.2
2021	3,923,341	N/A	N/A	N/A	N/A	10.3

(1) Data was based on California Department of Finance report E-1 Population Estimates for Cities, Counties, and the State.

(2) U.S. Department of Commerce, Bureau of Economic Analysis - Census Bureau midyear popluation estimates. Estimates for 2010-2019 reflect county population estimates available as of March 2020.

(3) Data was obtained from the U.S. Census Bureau American Community Survey 5-Year Estimates.

(4) Enrollment data determined at the beginning of each school year (October). Data include the City and all or significant portions of a number of smaller cities and unincorporated territories.

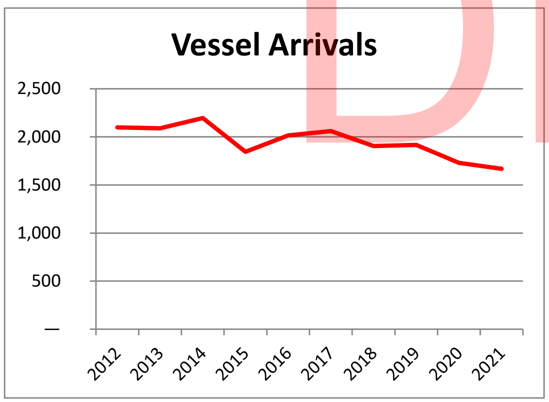
(5) Data based on California Employment Development Department for City of Los Angeles, not seasonally adjusted.

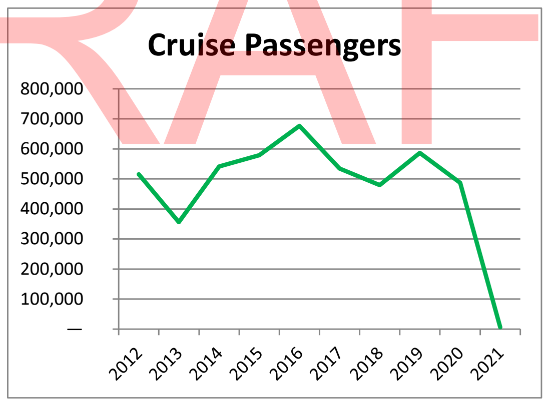
N/A Data was not readily available at the time of issuance.

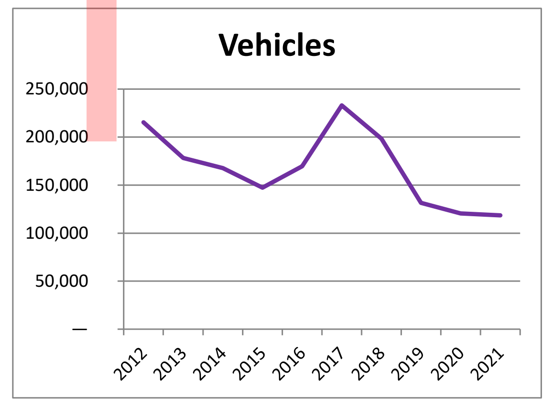
PORT OF LOS ANGELES
(HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES, CALIFORNIA)

Operating Information
Last Ten Fiscal Years
(Unaudited)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	24	24	23	23	23	23	23	23	23	23
Vessel arrivals	2,100	2,089	2,196	1,846	2,014	2,060	1,904	1,917	1,731	1,668
Cruise passengers	515,827	355,875	541,418	578,902	676,644	534,484	479,388	586,783	487,013	6,221
Vehicles	215,374	178,252	167,826	147,457	169,561	233,013	198,326	131,553	120,506	118,517
Full time employees	958	947	949	885	906	883	884	880	910	912







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

Principal Employers in the Los Angeles County
FY 2021 and FY 2012 [1]
(Unaudited)

	2021			2012		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Kaiser Permanente	40,876	1	0.8 %	33,600	1	0.7 %
University of Southern California	22,465	2	0.4	16,180	3	0.3
Target Corp.	20,000	3	0.4	15,000	4	0.3
Northrop Grumman Corp.	18,000	4	0.4	21,000	2	0.4
Cedars-Sinai Medical Center	16,309	5	0.3	12,068	6	0.3
Amazon	16,200	6	0.3	—	—	—
Allied Universal	15,326	7	0.3	—	—	—
Providence Health & Services Southern California	14,935	8	0.3	10,616	9	0.2
Ralphs/Food 4 Less (Kroger Co. Division)	14,585	9	0.3	13,500	5	0.3
Walt Disney Co.	12,200	10	0.2	—	—	—
Boeing Co.	—	—	—	11,520	8	0.2
Bank of America	—	—	—	12,000	7	0.3
Home Depot	—	—	—	10,250	10	0.2
All Others	4,917,204	—	96.3	4,734,566	—	96.8
Total [2]	5,108,100		100.0 %	4,890,300		100.0 %

[1] Data pertaining to principal employers was obtained from Los Angeles Business Journal (LABJ). LABJ note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several companies may have qualified for this list, but failed to submit information or do not break out local employment data. Government entities are excluded.

[2] Total County employment amounts are obtained from California Employment Development Department labor force report which is available at https://www.labormarketinfo.edd.ca.gov.

Other Report

Report of Independent Auditors 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 Members of the Board of Harbor Commissioners
Port of Los Angeles
City of Los Angeles, California

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, California) (the "Port"), an Enterprise Fund of the City of Los Angeles (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated December 2, 2021. Our report contained an emphasis of matter paragraph indicating that the financial statements present only Port's financial statements.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 financial statements. 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.

Los Angeles, California
December 2, 2021

REPORTS OF INDEPENDENT AUDITORS
AND SINGLE AUDIT REPORTS

PORT OF LOS ANGELES
(Harbor Department of the City of Los Angeles, California)

June 30, 2021

MOSSADAMS

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* Incorporated by reference only

Report of Independent Auditors 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*

Board of Harbor Commissioners
Port of Los Angeles
City of Los Angeles, California

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, California) (the "Port"), an Enterprise Fund of the City of Los Angeles (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated December 2, 2021. Our report contained an emphasis of matter paragraph indicating that the financial statements present only Port's financial statements.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 financial statements. 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.

Los Angeles, California
December 2, 2021

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Members of the Board of Harbor Commissioners
Port of Los Angeles
City of Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited the Port of Los Angeles's (Harbor Department of the City of Los Angeles, California) (the "Port"), an Enterprise Fund of the City of Los Angeles (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended June 30, 2021. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Port's compliance.

Opinion on Each Major Federal Program

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Port's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Port as of and for the year ended June 30, 2021, and have issued our report thereon dated December 2, 2021, which contained an unmodified opinion on those financial statements. Our report contained an emphasis-of-matter paragraph indicating the financial statements present only Port's financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Los Angeles, California
December 2, 2021

Port of Los Angeles
Harbor Department of the City of Los Angeles, California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Grant Number/ Pass-Through Grantor's Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of the Interior:				
Passed through State of California, Department of Parks and Recreation:				
Sportfishing and Boating Safety Act				
- Boating Infrastructure Grant				
ALN No. 15.622 Total	15.622	C8962433	$ 1,229,122	$ -
U.S. Department of Justice:				
Direct Program:				
Equitable Sharing Program				
ALN No. 16.922 Total	16.922	n/a	23,951	-
U.S. Environmental Protection Agency:				
Direct Program:				
National Clean Diesel Funding Assistance Program				
ALN No. 66.039 Total	66.039	DE99R81901-0	200,000	200,000
U.S. Department of Homeland Security:				
Direct Program:				
Port Security Grant Program:				
Security System Integration	97.056	EMW-2017-PU-00358	186,746	-
Security System Maintenance	97.056	EMW-2018-PU-00469	937,500	-
Security System Expansion and Integration	97.056	EMW-2018-PU-00469	858,595	-
ALN No. 97.056 Total			1,982,841	-
Passed through City of Los Angeles, Office of the Mayor:				
Homeland Security Grant Program				
- Urban Areas Security Initiative Grant				
ALN No. 97.067 Total	97.067	CF 18-0397	3,424,691	-
Total Expenditures of Federal Awards			**$ 6,860,605**	**$ 200,000**

See accompanying notes to the schedule of expenditures of federal awards.

Port of Los Angeles
Harbor Department of the City of Los Angeles, California
Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port) for the year ended June 30, 2021. The information in the Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Port.

For the purposes of the Schedule, federal awards include all grants and contracts entered into directly between the Port and agencies and departments of the federal government and pass-through agencies.

Note 2 – Summary of Significant Accounting Policies

The accompanying Schedule is prepared based on the cash basis of accounting. Expenditures are recognized following the cost principles contained in Title 2 CFR Part 225, *Cost Principles for State, Local and Indian Tribal Governments* (OMB Circular A-87), wherein certain type of expenditures are not allowed or are limited as to reimbursements. Pass-through entity identifying numbers are presented where applicable.

Expenditures reported for the Urban Areas Security Initiative Grant (ALN No. 97.067) include expenditures incurred in prior fiscal year that became eligible under the grant in the current fiscal year.

Note 3 – Federal Financial Assistance

Pursuant to the Single Audit Act and the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Note 4 – Indirect Costs

The Port has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Port of Los Angeles
Harbor Department of the City of Los Angeles, California
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:				
• Material weakness(es) identified?	☐	Yes	☒	No
• Significant deficiency(ies) identified?	☐	Yes	☒	None reported
Noncompliance material to financial statements noted?	☐	Yes	☒	No

Federal Awards

Internal control over major federal programs:				
• Material weakness(es) identified?	☐	Yes	☒	No
• Significant deficiency(ies) identified?	☐	Yes	☒	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐	Yes	☒	No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

Assistance Listing Numbers	*Name of Major Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
97.067	Homeland Security Grant Program – Urban Areas Security Initiative Grant	Unmodified
15.622	Sportfishing and Boating Safety Act – Boating Infrastructure Grant	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	☒	Yes	☐	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.