ANNUAL REPORT
for the Fiscal Year Ended June 30, 2009

Relating to:

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

$494,893,616.80 Tax-Exempt Senior Lien Revenue Bonds, Series 1999A

$497,453,395.70 Taxable Senior Lien Revenue Bonds, Series 1999C

$145,635,000.00 Taxable Subordinate Lien Revenue Bonds, Series 1999D

and

$475,292,386.40 Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2004A

$210,731,702.85 Taxable Subordinate Lien Revenue Refunding Bonds, Series 2004B

Dated as of

March 31, 2010

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INTRODUCTION

This Annual Report (this "Report"), including the cover page and appendices hereto, is being furnished by the Alameda Corridor Transportation Authority (the "Authority") to provide updated financial and operating information of the Authority of the type included in the final official statements for the:

- $494,893,616.80 aggregate principal amount of Tax-Exempt Senior Lien Revenue Bonds, Series 1999A (the "1999A Bonds");
- $497,453,395.70 aggregate principal amount of Taxable Senior Lien Revenue Bonds, Series 1999C (the "1999C Bonds");
- $145,635,000.00 aggregate principal amount of Taxable Subordinate Lien Revenue Bonds, Series 1999D (the "1999D Bonds", and together with the 1999C Bonds, the "1999CD Bonds");
- $475,292,386.40 aggregate principal amount of Tax-Exempt Subordinate Lien Revenue Refunding Bonds, Series 2004A (the "2004A Bonds"); and
- $210,731,702.85 aggregate principal amount of Taxable Subordinate Lien Revenue Refunding Bonds, Series 2004B (the "2004B Bonds," and together with the 2004A Bonds, the "2004 Bonds").

The 1999A Bonds, the 1999CD Bonds and the 2004 Bonds are referred to herein as the "Bonds."

This Report is provided pursuant to covenants made by the Authority, the City of Long Beach, acting by and through its Board of Harbor Commissioners ("POLB"), and the City of Los Angeles, acting by and through its Board of Harbor Commissioners ("POLA", and together with POLB, the "Ports"), in connection with the issuance of: (i) the 1999A Bonds and the 1999CD Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated January 1, 1999; and (ii) the 2004 Bonds pursuant to that certain Continuing Disclosure Certificate of the Authority, POLA and POLB dated February 1, 2004 (collectively, the "Continuing Disclosure Certificates").

Official Statements and Prior Reports

For further information and a more complete description of the Authority, POLA, POLB and the Bonds, reference is made to the Official Statement for the 1999A Bonds (the "1999A Official Statement"), the Official Statement for the 1999CD Bonds (the "1999CD Official Statement, and together with the 1999A Official Statement, the "1999 Official Statements") and the Official Statement for the 2004 Bonds (the "2004 Official Statement," and together with the 1999 Official Statements, the "Official Statements") and the Authority's previous Annual Continuing Disclosure Reports for the fiscal years ended June 30, 1999 through June 30, 2008 (the "Prior Reports"), respectively, all of which speak only as of their respective dates. Capitalized terms used but not defined herein have the meanings given to them in the Official Statements and the Continuing Disclosure Certificates.

Disclaimers

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

Investors are advised to refer to the Official Statements for information concerning the initial issuance of and security for the Bonds. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM AND ARE SECURED BY A LIEN ON THE TRUST ESTATE. THE BONDS ARE NOT OBLIGATIONS OF THE STATE OF CALIFORNIA

OR ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA AND ARE NOT OBLIGATIONS OF THE CITY OF LONG BEACH OR THE CITY OF LOS ANGELES (TOGETHER, THE "CITIES"), THE PORTS OR THE RAILROADS. THE PROJECT IS NOT SECURITY FOR THE BONDS, AND THE BONDS ARE NOT SECURED BY A LIEN ON ANY PROPERTIES OR IMPROVEMENTS OF THE AUTHORITY, THE CITIES THE PORTS OR THE RAILROADS OR BY A PLEDGE OF ANY REVENUES OF THE CITIES, THE PORTS OR THE RAILROADS.

By providing the information herein, the Authority does not imply or represent (a) that all information provided herein is material to investors' decisions regarding investment in the Bonds, (b) the completeness or accuracy of any financial, operational or other information not included herein or in the Official Statements, (c) that no changes, circumstances or events have occurred since June 30, 2009 (other than as contained herein), or (d) that no other information exists which may have a bearing on the Authority's financial condition, the security for the Bonds or an investor's decision to buy, sell or hold the Bonds.

The information set forth herein and incorporated hereby has been furnished by the Authority and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Report which involve estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained herein or incorporated hereby are subject to change without notice and the delivery of this Report will not, under any circumstances, create any implication that there has been no change in the affairs of the Authority.

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

DISCUSSION OF EVENTS

Listed Events

Except as described below under "Notices Regarding Change in Ratings," the Authority hereby reports no events with respect to the Bonds that are referred to in Section 5(a) of the Continuing Disclosure Certificates, consisting of the following:

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

Notices Regarding Change in Ratings

Since March 31, 2009, the date of the Authority's last Annual Report with respect to the Bonds, the Authority has filed the following notices as required by the Continuing Disclosure Certificates:

1. Notice Regarding Change in Ratings dated July 22, 2009, filed in connection with changes in the insured ratings of the Bonds; and
2. Notice Regarding Change in Ratings dated February 8, 2010, filed in connection with changes in the insured ratings of the Bonds.

The notices speak only as of their respective dates and the content of the foregoing notices are not incorporated herein.

Economic Developments and Shipping Activity

The shipping industry as a whole and the level of shipping traffic activity is dependent upon a variety of factors, including: (i) local, regional, national and international economic and trade conditions, (ii) international political conditions and hostilities, (iii) cargo security concerns, (iv) shipping industry economics, including the cost and availability of labor, fuel, vessels, containers and insurance, (v) competition among shipping companies and ports, including with respect to timing, routes and pricing, (vi) governmental regulation, including security regulations and taxes imposed on ships and cargo, as well as maintenance and environmental requirements and (vii) demand for shipments.

Recent events in the national and global economy and financial markets, including falling home prices, limited credit availability, financial instability, failures of banks and other major financial institutions, a downturn in consumer spending, business bankruptcies, declining real property and investment values, a significant increase in real property foreclosures and increased job losses, among other factors, have weighed heavily on the global, national and local economies. The economic downturn over the last two years has reduced consumer demand for goods and cargo traffic has been impacted by downturns in the global, national and local economies, increasing fuel costs and instability in the U.S. dollar.

As of December 2009, Asian and other imports to the United States and through the Ports have decreased almost 30% from their highs in 2006 and 2007. Since 2007, when containerized cargo through the Ports reached 15.7 million twenty-foot equivalent units ("TEU"), volume has declined by 24.8% through 2009 to 11.8 million TEUs. The reduction in the Ports' containerized cargo volume has resulted in a corresponding decline in the Authority's revenue. Based upon the TEU volume projected in a July 2009 containerized cargo volume forecast report ("2009 Forecast") prepared by The Tioga Group, Inc. ("Tioga"), the Authority's revenue shortfalls are projected to total approximately $88 million over the next nine years (from October 1, 2011 through October 1, 2019). Recently however, the Ports' containerized cargo volume has since increased from its low in early calendar year 2009.

In light of these port container volume trends, the Authority has taken steps to improve its financial position. The Authority's Railroad Operating Committee approved the reallocation of $10 million for the payment of debt service, which had previously been designated for capacity expansion of the Badger Avenue Rail Bridge.

The Authority is also evaluating debt restructuring options that may include, but not be limited to, traditional bond financing and/or a federal loan for the purposes of, among other things, reducing or eliminating the likelihood of the need of Shortfall Advances. Restructuring the Authority's debt has not yet been approved by the Authority's Governing Board.

Unless otherwise noted, the information provided in this Report is as of the fiscal year ended June 30, 2009 (or in the case of POLB, the fiscal year ended September 30, 2009).

FURTHER INFORMATION

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

Mr. James P. Preusch
Chief Financial Officer
Alameda Corridor Transportation Authority
One Civic Plaza
Suite 350
Carson, California 90745
(310) 233-7480

ACTA FINANCIAL AND OPERATING INFORMATION

The period of each Bond Year is October 1 through September 30. The following table sets forth the Authority's estimated revenues for Bond Year 2009, ended September 30, 2009.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
ESTIMATED AUTHORITY REVENUE IN BOND YEAR 2009*

Revenue Component	Estimated Revenue	% of Total Revenue
Waterborne Full	$ 75,653,542	95.58%
Waterborne Empty	1,936,166	2.45
Non-Waterborne	915,802	1.16
Misc. Full Railcars	650,151	0.82
Total	**$ 79,155,661**	**100.00%**

* Totals may not add due to rounding.
Source: Alameda Corridor Transportation Authority

The following table sets forth the Authority's railroad corridor container traffic for Bond Year 2009.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
RAILROAD CORRIDOR TRAFFIC IN BOND YEAR 2009

Category		Railroad Traffic
Full International TEUs		3,854,404
Empty International TEUs		392,109
	Total	**4,246,513**
Domestic combined*		182,499

* Inclusive of both empty and full containers.
Source: Alameda Corridor Transportation Authority

The following tables present the M & O Charges, as defined in the Master Indenture, paid to the Authority by the Railroads for calendar year 2009. M & O Charges are not deemed to be Revenues or Dedicated Revenues under the Master Indenture. The insurance portion of M & O Charges is paid pursuant to separate invoices.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
M&O CHARGES - INVOICES & RECEIPTS FROM RAILROADS
CALENDAR YEAR 2009
(amounts in U.S. $)

Date	**Type**	**Invoice Amount**	**Payment Amount**	**Credit Memo Applied**	**Balance**
Jan. 09	Monthly M&O	217,739.33	(217,739.33)	-	-
Feb-09	Monthly M&O	217,739.34	(223,078.41)	(63,934.82)	(69,273.89)
Mar-09	Monthly M&O	217,739.34	(119,902.05)	(28,563.40)	69,273.89
Apr-09	Monthly M&O	217,739.34	(217,739.34)	--	--
May-09	Monthly M&O	217,739.34	(217,739.34)	--	--
Jun-09	Monthly M&O	217,739.34	(217,739.34)	--	--
Jul-09	Monthly M&O	217,739.34	(217,739.34)	--	--
Aug-09	Monthly M&O	217,739.34	(217,739.34)	--	--
Sep-09	Monthly M&O	217,739.34	(217,739.34)	--	--
Oct-09	Monthly M&O	217,739.34	(217,739.34)	--	--
Nov-09	Monthly M&O	217,739.34	(217,739.34)	--	--
Dec-09	Monthly M&O	217,739.34	(217,739.34)	--	--
	Insurance	1,419,962.75	(1,419,962.75)	--	--
	Total	4,032,834.82	(3,940,336.60)	(92,498.22)	0.00

Source: Alameda Corridor Transportation Authority

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PORT OF LOS ANGELES FINANCIAL AND OPERATING INFORMATION

PORT OF LOS ANGELES
OPERATING REVENUES
FISCAL YEARS 2005 THROUGH 2009[1]
(in thousands)

	2009	2008	2007	2006	2005
Operating Revenues:					
Shipping Services:					
Dockage	$ 6,234	$ 6,957	$ 8,201	$ 8,484	$ 7,577
Wharfage	295,287	335,172	331,919	330,933	288,415
Storage	76	102	129	197	123
Demurrage	227	276	246	283	310
Pilotage	7,683	7,677	8,829	7,737	6,951
Assignment Charges	18,720	22,750	23,687	23,312	22,283
Cranes	1,120	1,944	2,460	2,402	3,155
Total shipping services	$ 329,347	$ 374,878	$ 375,471	$ 373,348	$ 328,814
Less: Provision for bad debts[2]	--	--	(5,499)	(19,958)	(13,199)
Net shipping services	$ 329,347	$ 374,878	$ 369,972	$ 353,390	$ 315,615
Rentals:					
Land	$ 38,875	$ 41,587	$ 37,147	30,807	$ 31,788
Wharf and shed	1,205	1,267	1,190	1,135	1,073
Buildings	491	501	457	441	255
Warehouse	1,797	2,169	1,528	1,493	1,514
Total rentals	$ 42,368	$ 45,524	$ 40,322	$ 33,876	$ 34,630
Royalties, fees and other operating revenues:					
Fees, permits and concessions	$ 3,057	$ 3,701	$ 3,994	$ 3,693	$ 3,388
CTP Revenues	24,787	--	--	--	--
Oil royalties	144	122	79	84	75
Other	2,521	2,120	2,795	1,116	1,921
Total royalties, etc.	$ 30,509	$ 5,943	$ 6,867	$ 4,893	$ 5,384
Total operating revenues	$ 402,224	$ 426,345	$ 417,161	$ 392,159	$ 355,629

(1) Fiscal Year ended June 30. Totals may not add due to rounding.
(2) Provision for bad debts formerly classified as a separate item, now included in wharfage.
Note: In 2007, Macias Gini & O'Connell LLP succeeded KPMG LLP as preparer of POLA's audited financial statements. At that time, certain reclassifications were made to the amounts reported in 2006 in order to conform with the 2007 presentation. Such reclassifications had no effect on previously reported change in net assets.

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
REVENUE TONNAGE SUMMARY
FISCAL YEARS 2005 THROUGH 2009
(in revenue tons[1])

	2009	2008	2007	2006	2005
INBOUND CARGO					
Foreign	89,700,072	100,742,551	112,246,665	102,756,243	94,213,528
Coastwise/Intercoastal	4,711,866	4,491,712	5,995,487	9,706,707	7,115,689
Total Inbound Cargo	94,411,938	105,234,263	118,242,152	112,462,950	101,329,217
OUTBOUND CARGO					
Foreign	62,520,570	64,700,150	68,017,985	60,438,033	52,908,913
Coastwise/Intercoastal	3,554,864	407,421	1,490,526	6,305,831	5,958,275
Bunkers	1,962,000	2,175,000	2,355,000	2,428,000	1,913,054
Total Outbound Cargo	68,037,434	67,282,571	71,863,511	69,171,864	60,780,242
Advance Wharfage & Accruals	(3,937,883)	(370,936)	--	--	--
Alternative Marine Power					
Rail/Truck Wharfage	944,660	--	--	--	--
GRAND TOTAL	158,511,489	172,145,898	190,105,663	181,634,814	162,109,459
Total Inbound Cargo	94,411,938	105,234,263	118,242,152	112,462,950	101,329,217
Total Outbound Cargo	68,037,434	67,282,571	71,863,511	69,171,864	60,780,242
Container Count in TEUs[2]	7,261,571	8,083,000	8,657,644	7,802,201	7,272,766

(1) A metric revenue ton is equal to either 1,000 kilograms or one cubic meter, whichever results in greater revenue.
(2) Adjusted TEUs.
Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
REVENUE TONNAGE BY CARGO TYPE
FISCAL YEARS 2009 AND 2008[1]
(In thousands of metric revenue tons)

	2009		2008	
Cargo Type	**Revenue Tonnage**	**Percent of Total**	**Revenue Tonnage**	**Percent of Total**
Dry Bulk	2,000	1.3%	1,900	1.1%
General Cargo	144,400	91.7%	161,900	95.2%
Liquid Bulk	11,100	7.0%	6,200	3.7%
Total[2]	157,500	100.0%	170,000	100.0%

(1) Numbers are rounded. Differences with corresponding numbers in other tables are due to rounding.
(2) Computed on accrual basis, adjusted for unverified amounts.
Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
REVENUE TONNAGE BY TRADE ROUTE
FISCAL YEAR 2009
(in thousands of metric revenue tons)

Trade Route	Inbound	Outbound	Total	% of Total Volume
Far East	83,895	60,558	144,453	90.0%
Domestic	4,712	3,555	8,267	5.2%
India, Persian Gulf and Red Sea	1,152	749	1,901	1.2%
Western Mexico, Central and Western South America	784	520	1,304	0.8%
Australia and New Zealand	753	199	952	0.6%
Eastern South America	505	-	505	0.3%
Western Europe	1,048	144	1,192	0.7%
Caribbean	1,444	223	1,667	1.0%
Mediterranean	114	127	241	0.2%
Africa	5	--	5	0.0%
Sub-total	94,412	66,075	160,487	100.0%
Advance Wharfage & Accruals	--	--	(3,938)	--
Alternative Marine Power Rail/Truck Wharfage	--	--	945	--
Total	94,412	66,075	157,494	100.0%

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
REVENUE TONNAGE BY LEADING TRADING PARTNERS
FISCAL YEARS 2005 THROUGH 2009
(in thousands of metric revenue tons)

	2009	2008	2007	2006	2005
Inbound					
China	41,939	50,131	46,031	43,980	40,584
Taiwan	8,828	10,636	11,565	11,050	11,067
Japan	4,909	6,649	7,498	7,164	5,916
South Korea	3,768	5,405	6,739	6,439	5,239
Hong Kong	3,439	4,121	9,928	9,486	12,251
Outbound					
China	22,646	26,996	26,442	25,264	22,817
Taiwan	8,567	10,044	8,484	8,106	5,711
Japan	3,053	3,535	5,682	5,429	5,524
South Korea	2,210	1,940	2,349	2,244	2,743
Hong Kong	1,732	1,113	5,105	4,878	6,215

Source: Harbor Department of the City of Los Angeles

PORT OF LOS ANGELES
COMPARATIVE SUMMARY OF STATEMENT OF REVENUES AND EXPENSES
FISCAL YEARS 2005 THROUGH 2009[1]
(in thousands)

	2009	2008	2007	2006	2005
Total operating revenues	$ 402,224	$ 426,345	$ 417,161	$ 392,159	$ 355,629
Operating and administrative expenses	254,143	221,752	163,775	184,132	170,891
Income before depreciation	148,081	204,593	253,386	208,027	184,738
Provision for depreciation	83,413	78,295	88,106	98,779	70,040
Income from operations	64,668	126,298	165,280	109,248	114,698
Non-operating revenues (expenses):					
Other income and expenses, net	(7,625)	(2,536)	11,018	7,222	11,842
Income from investments	21,804	39,303	28,448	13,884	10,809
Interest expense on bonds and notes payable	(36,979)	(38,052)	(50,038)	(37,787)	(42,279)
Net non-operating revenues	(22,800)	(1,285)	(10,572)	(16,681)	(19,628)
Capital Contributions	4,103	14,161	(18,146)	2,044	--
Change in net assets	$ 45,971	$ 139,174	$ 136,562	$ 94,611	$ 95,070

[1] Fiscal Year ended June 30.
Source: Harbor Department of the City of Los Angeles

MAJOR TENANTS OF THE PORT OF LOS ANGELES
AS OF JUNE 30, 2009

APM Terminals Pacific LTD
California Cartage Co., Inc.
China Shipping Holding Company, LTD
Del Monte Corporation
Eagle Marine Services Ltd.
Evergreen America Corp.
Exxon-Mobil Oil Corporation
GATX Terminals Corporation/Kinder Morgan
Parking Concepts, Inc.
Princess Cruises
Rio Doce Pasha Terminal, L.P.
Royal Caribbean Cruise Lines
SA Recycling/Hugo Neu-Proler Corp
Shell Oil Company
Trapac, Inc.
Union Pacific Railroad Company
Vopak Terminal Los Angeles, Inc.
WWL Vehicle Services Americas
Yang Ming Transport Ltd.
Yusen Terminal Inc./N.Y.K. (North America) Inc.

Source: Harbor Department of the City of Los Angeles

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
OPERATING REVENUES
FISCAL YEARS ENDED SEPTEMBER 30, 2005 THROUGH 2009
(thousands)

	2009[1]	2008	2007	2006	2005
Berths and special facilities					
Wharfage	$ 243,418	$ 289,381	$ 298,416	$ 283,020	$ 264,125
Dockage	12,605	14,499	16,244	18,250	17,358
Bunkers	2,159	2,012	2,335	2,417	1,876
Special facilities rental	20,317	21,589	21,710	21,017	18,611
Crane rentals	12,789	12,789	12,789	12,804	12,402
Other	164	255	397	167	191
Total berths and special facilities	**$ 291,452**	**$ 340,525**	**$ 351,891**	**$ 337,676**	**$ 314,563**
Rental properties	15,957	14,496	14,633	11,458	10,926
Utilities/Miscellaneous	3,942	4,324	4,308	4,160	3,718
Subtotal	**$ 19,899**	**$ 18,819**	**$ 18,941**	**$ 15,619**	**$ 14,644**
Total operating revenues	**$ 311,352**	**$ 359,344**	**$ 370,832**	**$ 353,294**	**$ 329,207**

[1] In April 2009, in order to provide financial incentives to customers who make port and rail routing decisions, POLB approved two separate amendments to the tariffs charged for shipping activity. The first amendment, which expires on December 31, 2010, was an intermodal rail container cargo incentive program that provides a 10% rate reduction to terminal operators on wharfage fees for moving intermodal containers through the POLB. The second amendment, which expires on September 30, 2010, provides a $20 per TEU rebate for ocean carriers moving incremental intermodal container volume through POLB.

Source: Harbor Department of the City of Long Beach

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THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
REVENUE TONNAGE SUMMARY[1]
FISCAL YEARS ENDED SEPTEMBER 30, 2005 THROUGH 2009
(in metric revenue tons)

	2009	2008	2007	2006	2005
Municipal berths					
INBOUND CARGO					
Foreign	82,621,355	103,777,099	116,834,397	114,723,789	102,144,682
Coastwise/Intercoastal	17,214,108	14,785,341	16,088,293	17,367,762	21,023,918
Total inbound cargo	**99,835,463**	**118,562,440**	**132,922,690**	**132,091,551**	**123,168,600**
OUTBOUND CARGO					
Foreign	29,557,368	37,529,273	32,233,158	28,648,207	26,753,401
Coastwise/Intercoastal	3,519,427	4,075,297	5,059,516	4,649,824	5,974,166
Bunkers	2,109,610	2,088,496	2,459,654	2,624,618	2,010,674
Total outbound cargo	**35,186,405**	**43,693,066**	**39,752,328**	**35,922,649**	**34,738,241**
Total municipal cargo	**135,021,868**	**162,255,506**	**172,675,018**	**168,014,200**	**157,906,841**
Private Berths					
Inbound	233,208	654,434	361,503	401,575	229,142
Outbound	-	-	-	-	-
Total private cargo	**233,208**	**654,434**	**361,503**	**401,575**	**229,142**
GRAND TOTAL	**135,255,076**	**162,909,940**	**173,036,521**	**168,415,775**	**158,135,983**
Total inbound cargo	100,068,671	119,216,874	133,284,193	132,493,126	123,397,742
Total outbound cargo	35,186,405	43,693,066	39,752,328	35,922,649	34,738,241
Container count in TEU's	5,282,385	6,736,756	7,361,881	7,166,771	6,644,080

(1) A metric revenue ton is equal to either 1,000 kilograms or one cubic meter.
Source: Harbor Department of the City of Long Beach

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
REVENUE TONNAGE BY CARGO TYPE
FISCAL YEARS ENDED SEPTEMBER 30, 2008 AND 2009
(in thousands of metric revenue tons)[1]

	2009				2008			
Cargo Type	Revenue Tonnage	Percentage of Total	Revenue (000's)[2]	Percent of Revenue	Revenue Tonnage	Percentage of Total	Revenue (000's)[3]	Percent of Revenue
Containerized	94,154	69.6%	$232,568	79.8%	121,633	74.7%	$280,149	82.3%
Dry bulk	6,468	4.9%	20,455	7.0	6,786	4.5%	18,388	5.4%
General cargo	1,513	1.1%	20,216	6.9	2,188	1.3%	24,200	7.1%
Petroleum/liquid bulk	32,887	24.3%	18,213	6.2	31,649	19.5%	17,787	5.2%
Total	135,022	100.0%	$291,452	100.0	162,256	100.0%	$340,525	100.0%

(1) Totals may not add due to rounding.
(2) Total revenues include operating revenues from wharfage, dockage, storage/demurrage, rentals, bunkers, special facilities rentals, crane rentals and other sources.
Source: Harbor Department of the City of Long Beach

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
REVENUE TONNAGE BY TRADE ROUTE
FISCAL YEAR ENDED SEPTEMBER 30, 2009

The information for the table entitled The Harbor Department of the City of Long Beach, Revenue Tonnage by Trade Route for the Fiscal Year Ended September 30, 2009 had not been provided to the Authority at the time of this Report. The Authority will supplement this Report to include such information promptly following its receipt.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
REVENUE TONNAGE BY LEADING TRADING PARTNERS
FISCAL YEARS ENDED SEPTEMBER 30, 2005 THROUGH 2009
(thousands of metric revenue tons)

Countries	2009	2008	2007	2006	2005
Inbound					
China	42,502	51,709	60,517	59,900	48,998
South Korea	3,489	4,504	5,361	6,809	5,869
Hong Kong	3,227	4,773	5,303	5,649	5,694
Ecuador	2,505	2,845	2,261	3,087	2,549
Japan	2,225	3,809	4,794	5,286	4,441
Outbound					
China	10,615	9,165	9,771	8,811	7,834
Japan	3,936	5,779	4,874	4,366	3,357
South Korea	3,003	3,898	3,476	3,180	3,013
Taiwan	1,730	3,164	1,958	967	990
Hong Kong	1,694	3,013	2,448	1,934	1,746

Source: Harbor Department of the City of Long Beach

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
COMPARATIVE SUMMARY OF STATEMENT OF REVENUES AND EXPENSES
FISCAL YEARS ENDED SEPTEMBER 30, 2005 THROUGH 2009
(in thousands)

	2009	2008	2007	2006	2005
Port Operating Revenues:					
Berths/Special Facilities	$ 291,452	$ 340,525	$ 351,891	$ 337,676	$ 314,563
Rental Properties	15,957	14,496	14,633	11,458	10,926
Miscellaneous	3,942	4,323	4,308	4,160	3,718
Total Port Operating Revenues	$ 311,352	$ 359,344	$ 370,832	$ 353,294	$ 329,207
Port Operating Expenses:					
Operating/Administrative	97,880	116,166	96,964	75,541	62,016
Depreciation/Amortization	85,858	79,497	83,067	85,465	86,754
Total Port Operating Expenses	$ 183,738	$ 195,663	$ 180,031	$ 161,006	$ 148,770
Income from operations	$ 127,614	$ 163,681	$ 190,801	$ 192,288	$ 180,437
Non-operating revenues (expenses)					
Interest income, net of interest capitalized	18,579	33,347	43,374	28,302	17,964
Interest expense, net of interest capitalized	(40,830)	(46,391)	(53,073)	(54,110)	(57,449)
Gain (Loss) on sale of property	8	(255)	--	(1,392)	(400)
Income from equity in joint ventures, net	2,994	4,441	4,675	4,302	3,535
Gain (Loss) from Harbor oil operations	923	31,153	(21,070)	6,126	13,541
Capital grants	11,440	3,742	10,020	2,298	2,208
Clean Air Action Plan Income (Loss)	13,323	(13,867)	--	--	--
Other income (expense), net	8,773	1,047	1,267	(9,596)	(8,118)
Total non-operating income (expense) and Capital Grants	3,771	13,218	(14,807)	(24,071)	(28,719)
Income before operating transfers	$ 142,824	$ 176,898	$ 175,994	$ 168,218	$ 151,722
Operating transfers	$ (18,587)	$ (16,059)	$ (15,400)	$ (14,222)	$ (9,500)
Increase in net assets - Net income	**$ 124,237**	**$ 160,839**	**$ 160,595**	**$ 153,995**	**$ 142,222**

Source: Harbor Department of the City of Long Beach

MAJOR TENANTS OF THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH
AS OF SEPTEMBER 30, 2009

BP West Coast Products, LLC	MMC Terminal, Inc.
California United Terminals	Oxbow Carbon & Minerals, LLC
CEMEX Pacific Coast Cement Corporation	Pacific Container Terminal / Pacific Maritime Services, Inc.
Chemoil Corp.	SA Recycling, LLC
Cooper/T. Smith Stevedoring Co., Inc.	Sea Launch Company, LLC(1)
Crescent Terminals, Inc.	SSA Terminals, LLC
International Transportation Service, Inc.	SSA Terminals (Long Beach), LLC
Jacobsen Pilot Service, Inc.	Tesoro Refining and Marketing Company
Koch Carbon, Inc.	Thums Long Beach Company
Long Beach Container Terminal, Inc.	Total Terminals International, LLC
Mercedes Benz U.S.A. LLC	Toyota Motor Sales, U.S.A., INC.
Metropolitan Stevedore Company	Weyerhauser Company

(1) Sea Launch Company, LLC filed for Chapter 11 bankruptcy protection on June 22, 2009.
Source: Harbor Department of the City of Long Beach

AUDITED FINANCIAL STATEMENTS

The Alameda Corridor Transportation Authority Basic Financial Statements for the fiscal years ended June 30, 2009 and 2008 (with Independent Auditors' Report Thereon) are attached hereto as APPENDIX A ("ACTA Financial Statements").

The Port of Los Angeles (Harbor Department of the City of Los Angeles) Annual Financial Report for the fiscal years ended June 30, 2009 and 2008 (with Independent Auditors' Report Thereon) are attached hereto as APPENDIX B ("POLA Financial Statements").

The Harbor Department of the City of Long Beach, California Financial Statements for the fiscal years ended September 30, 2009 and 2008 (with Independent Auditors' Report Thereon) are attached hereto as APPENDIX C ("POLB Financial Statements" and together with the ACTA Financial Statements and the POLA Financial Statements, the "Financial Statements").

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

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CERTIFICATION

The undersigned hereby states and certifies that:

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

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

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

4. To the best of my knowledge, the statements and information contained in this Report are true, correct, and complete in all material respects and, as of the date hereof, this Report does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

By:____________________________
James P. Preusch,
Chief Financial Officer

APPENDIX A

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Basic Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

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

Independent Auditors' Report

The Governing Board
Alameda Corridor Transportation Authority:

We have audited the accompanying basic financial statements of the Alameda Corridor Transportation Authority (the Authority) as of and for the years ended June 30, 2009 and 2008, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Alameda Corridor Transportation Authority as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 3 through 10 and the schedule of funding progress on pages 41 and 42 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

November 4, 2009

Description of Basic Financial Statements

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

Financial Highlights

The assets of the Authority exceeded its liabilities (net assets) at June 30, 2009 and 2008 by $182,136,459 and $235,650,517, respectively. Of this amount, $395,343,921 and $392,536,493, respectively, are invested in the Authority's capital assets, net of related debt, at June 30, 2009 and 2008. The Authority's net assets decreased by $53,514,058 and $45,436,875 in the years ended June 30, 2009 and 2008, respectively.

The 2008 and 2009 fiscal years marked the sixth and seventh full years of operations for the Authority. The Authority earned $89,194,635 and $97,964,403 from use fees, container charges, and maintenance-of-way charges during fiscal years ended June 30, 2009 and 2008, respectively. The Authority's use fees and container charges for the year 2009 shorted the 2008 total by 9.0%. All of the operating revenues and a majority of maintenance-of-way charges are received from the Union Pacific (UP) and Burlington Northern Santa Fe (BNSF) railroads that utilize the Authority's Alameda Corridor (Corridor).

Lastly, the Authority's total revenues and remaining bond proceeds on hand were sufficient to cover debt service payments for the year.

(Continued)

Condensed Financial Information

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ended June 30, 2009, 2008, and 2007:

	Year ended June 30			Change between 2009 and 2008	Change between 2008 and 2007
	2009	2008	2007		
Assets:					
Capital assets, net	$ 1,931,631,381	1,946,229,844	1,973,473,299	(14,598,463)	(27,243,455)
Bond issuance costs	58,973,941	62,323,123	65,742,146	(3,349,182)	(3,419,023)
Other assets	266,914,705	276,149,033	258,584,940	(9,234,328)	17,564,093
Total assets	2,257,520,027	2,284,702,000	2,297,800,385	(27,181,973)	(13,098,385)
Liabilities:					
Long-term liabilities	2,014,438,284	1,989,869,990	1,962,844,848	24,568,294	27,025,142
Other current liabilities	60,945,284	59,181,493	53,868,145	1,763,791	5,313,348
Total liabilities	2,075,383,568	2,049,051,483	2,016,712,993	26,332,085	32,338,490
Net assets:					
Invested in capital assets, net of related debt	395,343,921	392,536,493	398,922,282	2,807,428	(6,385,789)
Restricted for debt service	21,554,835	17,100,805	10,889,220	4,454,030	6,211,585
Restricted for capital projects	7,749,337	9,161,519	8,772,574	(1,412,182)	388,945
Restricted by Master Trust Indenture	59,438,724	61,549,024	51,689,298	(2,110,300)	9,859,726
Unrestricted	(301,950,358)	(244,697,324)	(189,185,982)	(57,253,034)	(55,511,342)
Total net assets	$ 182,136,459	235,650,517	281,087,392	(53,514,058)	(45,436,875)

Net Assets

Net assets, the difference between assets and liabilities, decreased by $53.5 million, or 22.7%, and $45.4 million, or 16.2%, during the years ended June 30, 2009 and 2008, respectively. The majority of this decrease is due to a $57.7 million and $55.8 million increase in accrued interest payable during the years ended June 30, 2009 and 2008, respectively, as well as depreciation expense of $21.6 million and $21.7 million during the years ended June 30, 2009 and 2008, respectively. The decrease is offset by a principal debt payment of $28.0 million in fiscal year 2009. The remaining offset to the decrease in net assets is the result of the excess of nonoperating expenses, primarily interest expense, over operating income for both 2009 and 2008 fiscal years.

The Master Trust Indenture

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

Capital Assets

Net capital assets, which are made up of property, plant, and equipment, decreased by \$14.6 million or 0.8%, and \$27.2 million, or 1.4%, between 2009 and 2008 and 2008 and 2007, respectively. These decreases are due primarily to the depreciation of capital assets and the sale of ByPass Track project which were partially offset by the additional costs of ongoing capital projects during the years ended June 30, 2009 and 2008, respectively.

Bond Issuance Costs

No additional bond issuance costs were capitalized in 2009 or 2008. Amortization expense related to bond issuance costs was \$3.3 million and \$3.4 million for fiscal years 2009 and 2008, respectively.

Other Assets

Other assets consist of cash, investments, receivables, condemnation deposits, and prepaid expenses. These assets decreased by \$9.2 million, or 3.3%, during fiscal year 2009, and increased by \$17.6 million, or 6.8%, during fiscal year 2008 due primarily to decreases in revenues and depleting of cash.

Long-Term Liabilities

Long-term liabilities increased by \$24.6 million, or 1.2%, in fiscal year 2009 compared to fiscal year 2008 due to accrued interest on Capital Appreciation Bonds. Long-term liabilities increased by \$27.0 million, or 1.4%, in fiscal year 2008 compared to fiscal year 2007 due to accrued interest on Capital Appreciation Bonds.

Other Current Liabilities

Other current liabilities consist of the current portion of accrued interest and revenue bonds payable, accounts payable, retention payable, right-of-way payable, deferred revenue, other payables, as well as principal and interest currently due on the long-term bonds payable. Other current liabilities increased by \$1.8 million due to an increase of \$5.1 million in principal and interest payments in fiscal year 2009 and offset by decreases of \$3.3 million of accounts payable and other liabilities.

Summary of Changes in Net Assets

The table below summarizes the changes in net assets for the years ended June 30, 2009, 2008, and 2007:

	Year ended June 30			Change between 2009 and 2008	Change between 2008 and 2007
	2009	2008	2007		
Operating revenues:					
Use fees and container charges	$ 85,349,060	94,048,421	95,220,756	(8,699,361)	(1,172,335)
Maintenance-of-way charges	3,845,575	3,915,982	3,500,202	(70,407)	415,780
Total operating revenues	89,194,635	97,964,403	98,720,958	(8,769,768)	(756,555)
Operating expenses:					
Salaries and benefits	2,369,247	2,218,692	1,939,188	150,555	279,504
Administrative expenses and professional services	6,522,678	4,737,415	4,816,097	1,785,263	(78,682)
Maintenance-of-way	4,828,067	4,902,139	4,612,400	(74,072)	289,739
Depreciation	21,602,318	21,673,838	22,661,287	(71,520)	(987,449)
Total operating expenses	35,322,310	33,532,084	34,028,972	1,790,226	(496,888)
Operating income (loss)	53,872,325	64,432,319	64,691,986	(10,559,994)	(259,667)
Nonoperating revenues (expenses):					
Interest and investment income, net	9,281,139	13,190,152	12,038,493	(3,909,013)	1,151,659
Interest expense	(114,846,719)	(112,997,115)	(111,007,779)	(1,849,604)	(1,989,336)
Grants	658,943	480,061	1,859,335	178,882	(1,379,274)
Miscellaneous revenues (expenses)	869,436	(7,123,269)	1,818,854	7,992,705	(8,942,123)
Amortization of bond issuance costs	(3,349,182)	(3,419,023)	(3,476,990)	69,841	57,967
Total nonoperating expenses	(107,386,383)	(109,869,194)	(98,768,087)	2,482,811	(11,101,107)
Change in net assets	(53,514,058)	(45,436,875)	(34,076,101)	(8,077,183)	(11,360,774)
Total net assets, beginning of year	235,650,517	281,087,392	315,163,493	(45,436,875)	(34,076,101)
Total net assets, end of year	$ 182,136,459	235,650,517	281,087,392	(53,514,058)	(45,436,875)

Operating Revenues

Use Fees and Container Charges revenues, representing 95.7% and 96.0% of operating revenues, decreased by $8.7 million and $1.2 million, or 9.2% and 1.2%, in 2009 and 2008, respectively. The decrease is due to a lower volume of cargo and offset by annual fee increases of 3.4% on January 1, 2009 and 3.5% on January 1, 2008.

Maintenance-of-way revenues, representing 4.3% in fiscal year 2009 and 4.0% in fiscal year 2008 of operating revenues, were $3.8 million and $3.9 million, respectively.

Operating Expenses

Operating expenses consist of salaries, benefits, administrative costs, professional services, maintenance-of-way, and depreciation. During the years ended June 30, 2009 and 2008, operating expenses increased by $1.8 million, or 5.3%, and decreased by $0.5 million, or 1.5%, respectively, due primarily to Alameda Corridor Engineering Team (ACET) program management and legal services were expensed instead of capitalized as in prior years. ACET is providing more support to the administrative functions of the Authority as the capital program continues to close out and the final record documents are organized, closed out, and purged. ACET Administrative Support and legal expense increased by $1.4 million and $0.7 million in 2009 and 2008, respectively.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of interest and investment earnings, interest expense, grant revenues, miscellaneous revenues gain and loss on sale of fixed assets, and amortization of bond issuance costs. During the fiscal years ended June 30, 2009 and 2008, interest and investment income decreased by $3.9 million, or 29.6%, and increased by $1.2 million, or 9.6%, respectively. The decrease in interest and investment income is due to a decrease in the average investments held by the Authority, as well as a decrease in the average interest rate earned. Interest expense increased by $1.8 million and $2.0 million 2009 and 2008, respectively. The increase in both years is due to an increase in interest incurred on the 1999 and 2004 series bonds. Grant revenues increased by $0.2 million and $1.4 million, or 37.3% and 74.2%, in 2009 and 2008, respectively, due to completion of the PCH Project. Miscellaneous revenues increased by $8.0 million from a $7.1 million loss in 2008 due to the loss from sale of the ByPass Track last year and no corresponding loss recorded in 2009.

Capital Assets and Debt Administration

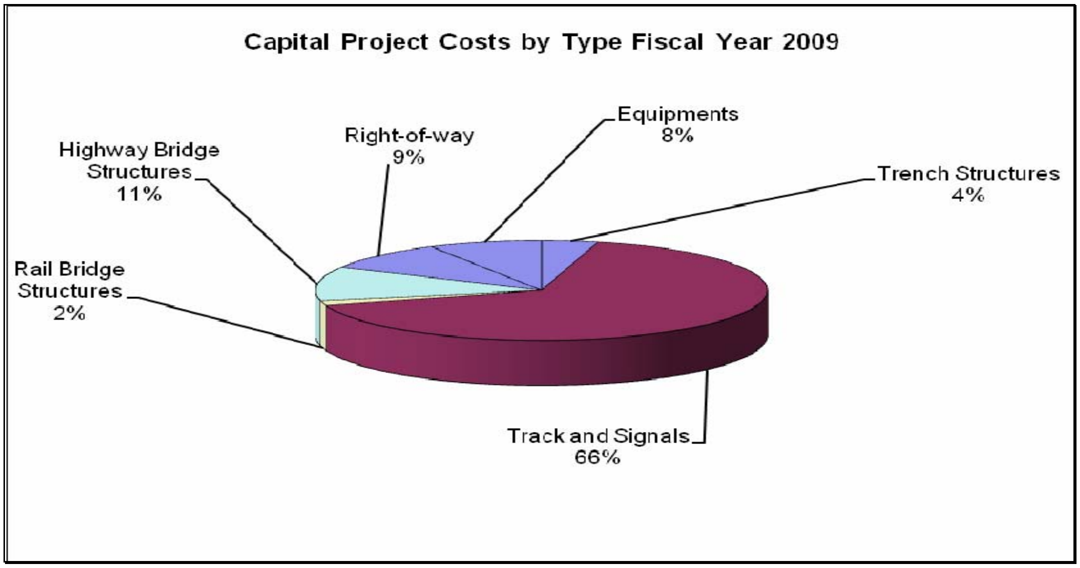
At June 30, 2009 and 2008, the Authority had approximately $2.0 billion of capital assets and approximately $2.0 billion of long-term debt outstanding.

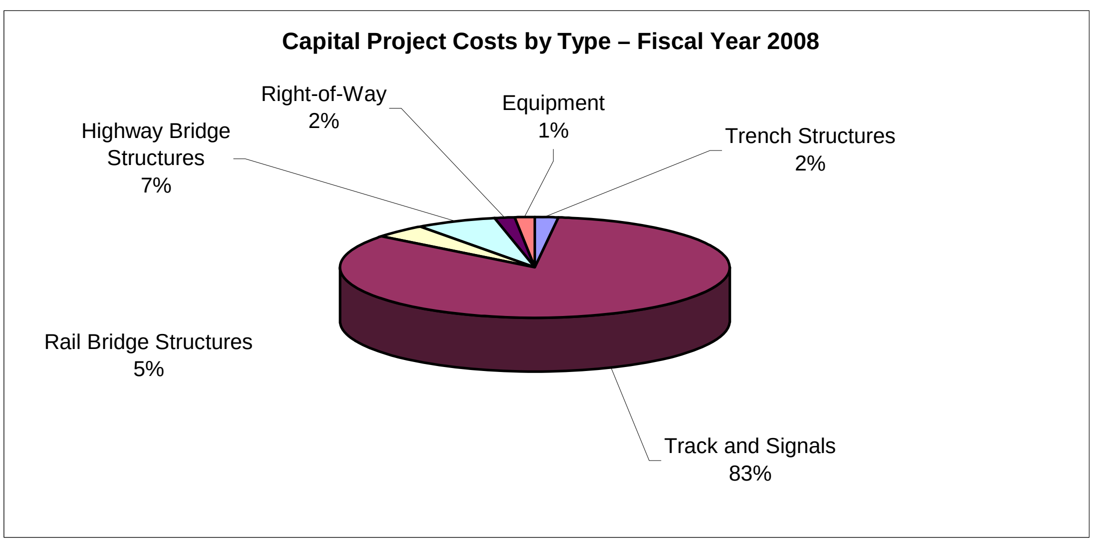
Capital Assets

During fiscal years 2009 and 2008, the Authority expended $7.6 million and $13.1 million, respectively, on capital project activities. The chart on the following page provides a summary of capital project expenditures by type for the years ended June 30, 2009 and 2008.

(Continued)

Additional capital asset information can be found in note 5 to the basic financial statements.





Long-Term Debt

As of June 30, 2009 and 2008, the Authority's total long-term debt in revenue bonds was \$1.699 billion and \$1.732 billion, respectively, (net of the current portion amount of \$32.3 million and \$28.0 million).

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

Other Developments

The Authority's Alameda Corridor Project opened on schedule, April 15, 2002. On that date, the Authority commenced operations and began collecting revenues for intermodal containers and rail cars using the Authority's Alameda Corridor, as authorized in the Use and Operating Agreement between the Authority and the participating railroads (Use and Operating Agreement). The first cash collections were received from the railroads in June 2002 as required by the Use and Operating Agreement. Since the Corridor's opening, actual cash collections of nearly $541.7 million have been received from the railroads. These revenues, combined with remaining interest income, have been more than sufficient to meet debt service, fund reserve account required deposits, and pay the cost of revenue collections, monitoring, and administrative fees.

The Authority's program manager, Alameda Corridor Engineering Team (ACET), together with the Authority's staff are actively working to complete construction of the remaining original Alameda Corridor projects and closing out completed projects. Most of the Authority's largest projects either have reached completion or are on the verge of final closeout, with minimal additional outstanding claims or unresolved issues.

The Authority's Governing Board (the Board) modified the Alameda Corridor Project to include the addition of several Corridor-related projects, consistent with the Authority's Joint Powers Agreement, the Use and Operating Agreement, and its bond-related documents. Significant among those projects are the PCH Project and a feasibility study (pre NEPA/CEQA approval) of the State Route 47 Expressway (SR47).

Also, the Board authorized an expanded mission for the Authority, many portions of which have been concluded. The expanded mission includes the following:

1. Assisting in the evaluation and implementation of extended operating hours of the cargo distribution system (concluded with the implementation of PierPASS)
2. Assisting the Ports of Los Angeles and Long Beach in optimizing the use of existing on-dock rail facilities (concluded)
3. Evaluating the viability of a shuttle train operation (determined to lack financial feasibility and railroad support)
4. Supporting the development of a new near-dock Intermodal Container Transfer Facility
5. Continuing the planning of an improved SR47
6. Participating in goods-movement studies in conjunction with the Los Angeles County Metropolitan Transportation Authority (LACMTA) (concluded)
7. Developing funding options and alternatives for such expanded mission activities, and authorizing $3.2 million in initial funding (concluded)
8. Evaluating opportunities for addressing near-port empty container storage issues (concluded).

Following completion of the environmental review, the SR47 Project has progressed, and the Authority is currently working in conjunction with Caltrans. The NEPA Record of Decision was approved on August 12, 2009; the CEQA certification is pending approval. There is a need to finalize project funding, and to begin the design and development of the new bridge and flyover.

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Balance Sheets

June 30, 2009 and 2008

Assets		**2009**	**2008**
Current assets:			
Restricted cash and cash equivalents	$	17,088,030	59,181,493
Receivables, net of allowance of $6,293,407 and $3,979,848 at June 30, 2009 and 2008, respectively		8,433,319	14,160,845
Condemnation deposits		14,195	15,805
Prepaid expenses		1,678,542	1,727,065
Total current assets		27,214,086	75,085,208
Noncurrent assets:			
Restricted cash and cash equivalents		—	49,898,939
Restricted investments		239,700,619	151,164,886
Bond issuance costs		58,973,941	62,323,123
Capital assets:			
Buildings and equipments		11,197,028	10,575,816
Alameda corridor project infrastructure, right-of-way, and land improvements		2,070,980,936	2,064,598,293
Less accumulated depreciation		(150,546,583)	(128,944,265)
Capital assets, net		1,931,631,381	1,946,229,844
Total noncurrent assets		2,230,305,941	2,209,616,792
Total assets	$	2,257,520,027	2,284,702,000
Liabilities			
Current liabilities:			
Accounts payable	$	4,312,969	7,441,181
Right-of-way acquisition payable		14,195	15,805
Contract retention payable		53,658	184,508
Deferred revenue		7,493,367	7,592,605
Accrued interest payable, current portion		16,431,529	15,571,398
Revenue bonds payable, current portion		32,261,088	28,039,173
Other liabilities		378,478	336,823
Total current liabilities		60,945,284	59,181,493
Noncurrent liabilities:			
Accrued interest payable, net of current portion		315,010,629	258,209,847
Revenue bonds payable, net of current portion, and unamortized discount		1,699,427,655	1,731,660,143
Total noncurrent liabilities		2,014,438,284	1,989,869,990
Total liabilities		2,075,383,568	2,049,051,483
Net Assets			
Invested in capital assets, net of related debt		395,343,921	392,536,493
Restricted for debt service		21,554,835	17,100,805
Restricted for capital projects		7,749,337	9,161,519
Restricted by Master Trust Agreement		59,438,724	61,549,024
Unrestricted		(301,950,358)	(244,697,324)
Total net assets		182,136,459	235,650,517
Total liabilities and net assets	$	2,257,520,027	2,284,702,000

See accompanying notes to basic financial statements

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

		2009	2008
Operating revenues:			
Use fees and container charges	$	85,349,060	94,048,421
Maintenance-of-way charges		3,845,575	3,915,982
Total operating revenues		89,194,635	97,964,403
Operating expenses:			
Salaries and benefits		2,369,247	2,218,692
Administrative expenses		4,167,339	3,016,835
Professional services		2,355,339	1,720,580
Maintenance-of-way		4,828,067	4,902,139
Depreciation		21,602,318	21,673,838
Total operating expenses		35,322,310	33,532,084
Operating income		53,872,325	64,432,319
Nonoperating revenues:			
Interest and investment revenue, net		9,281,139	13,190,152
Grants		658,943	480,061
Gain (loss) from sale of fixed assets		715,519	(7,987,548)
Miscellaneous revenue		153,917	864,279
Total nonoperating revenues		10,809,518	6,546,944
Nonoperating expenses:			
Interest expense		114,846,719	112,997,115
Amortization of bond issuance costs		3,349,182	3,419,023
Total nonoperating expenses		118,195,901	116,416,138
Change in net assets		(53,514,058)	(45,436,875)
Total net assets, beginning of year		235,650,517	281,087,392
Total net assets, end of year	$	182,136,459	235,650,517

See accompanying notes to basic financial statements

ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY

Statements of Cash Flows

Years ended June 30, 2009 and 2008

		2009	**2008**
Cash flows from operating activities:			
Receipts from customers for services	$	93,214,691	98,893,798
Payment to suppliers for goods and services		(14,662,132)	(10,237,172)
Payment to employees		(2,327,592)	(2,168,884)
Net cash provided by operating activities		76,224,967	86,487,742
Cash flows from noncapital financing activities:			
Grants		1,835,532	1,655,058
Miscellaneous income		153,917	864,279
Net cash provided by noncapital financing activities		1,989,449	2,519,337
Cash flows from capital and related financing activities:			
Purchases of capital assets		(7,633,919)	(13,086,103)
Sales of capital assets		1,345,582	10,668,172
Principal paid on notes and bonds payable		(28,039,173)	(23,155,840)
Interest payments on capital debt		(57,157,206)	(57,250,821)
Net cash used in capital and related financing activities		(91,484,716)	(82,824,592)
Cash flows from investing activities:			
Purchases of investments		(314,226,548)	(152,265,119)
Sales of investments		225,690,815	130,898,327
Interest received		9,813,631	12,987,074
Net cash used in investing activities		(78,722,102)	(8,379,718)
Net decrease in cash and cash equivalents		(91,992,402)	(2,197,231)
Cash and cash equivalents, beginning of year		109,080,432	111,277,663
Cash and cash equivalents, end of year	$	17,088,030	109,080,432
Reconciliation of operation income to net cash provided by operating activities:			
Operating income	$	53,872,325	64,432,319
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense		21,602,318	21,673,838
Change in assets and liabilities:			
Accounts receivable, deposit, and interest receivable		4,020,056	929,395
Accounts payable, other payables, and deferred revenue		(3,359,910)	(301,772)
Prepaid expenses		48,523	(295,846)
Other liabilities		41,655	49,808
Net cash provided by operating activities	$	76,224,967	86,487,742

See accompanying notes to basic financial statements

(1) Organization and Summary of Significant Accounting Policies

(a) Reporting Entity

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

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

As of June 30, 2009, the members of the Authority's Governing Board were the following:

Chairperson – Hon. Janice Hahn, Councilwoman, City of Los Angeles

Vice Chairperson – Hon. Gary Delong, Council member, City of Long Beach

Member – Mr. Don Knabe, Supervisor, County of Los Angeles and Chairperson, LACMTA

Member – Dr. Geraldine Knatz, Executive Director, Port of Los Angeles

Member – Mr. Richard Steinke, Executive Director, Port of Long Beach

Member – Hon. Douglas Krause, Commissioner, Port of Los Angeles

Member – Mr. James C. Hankla, President, Port of Long Beach

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

(b) Program Management Agreement

In January 1996, the Authority's Governing Board entered into a 10-year Program Management Agreement (Agreement) with the Alameda Corridor Engineering Team (ACET), a joint venture comprising Daniel, Mann, Johnson, and Mendenhall (now DMJM Harris); Moffatt and Nichol Engineers; Jenkins, Gales, and Martinez, Inc.; and TELACU Construction Management, Inc., to provide the broad program management services necessary to assist the Authority in implementing the Corridor. The Agreement calls for ACET to provide the Authority with professional services related to management, engineering, construction support, procurement, coordination, and administration of the Alameda Corridor Project Construction Program. This Agreement was amended twice by the Governing Board and is now extended through December 2013.

(c) Use and Operating Agreement

In October 1998, the cities of Long Beach and Los Angeles, the Authority, Union Pacific Railroad Company (UP), and Burlington Northern Santa Fe Railway Company (BNSF) entered into a use and operating agreement (the Use and Operating Agreement). The Use and Operating Agreement outlines the provisions for the construction, operation, and use of the Rail Corridor (as defined in the Use and Operating Agreement). Specifically, it grants UP and BNSF the right to use the Rail Corridor constructed by the Authority for all Through Train (as defined in the Use and Operating Agreement) movements upon substantial completion in exchange for paying maintenance, operating charges, container charges, and use fees to the Authority. Proceeds of the container charges and use fees will be used to repay the revenue bonds.

(d) Master Trust Indenture

In conjunction with the sale of project revenue and refunding bonds in 1999 and 2004 (Bonds), the Authority entered into a Master Trust Indenture (MTI) with US Bank, the bond trustee (Trustee), pursuant to which the Authority assigned all of its rights, title, and interest in and to the Alameda Corridor Project, including the receipt of certain Use Fees and Container Charges and other revenues known as “the Authority revenues” to the Trustee as security for the repayment of the Bonds. Pursuant to the terms of the MTI, the Trustee is required to establish certain funds and accounts and to apply the Authority’s revenues for the purposes specifically set forth therein. The MTI establishes debt service funds, debt service reserve funds, construction funds, maintenance and capital reserve funds, and certain other restrictive funds. The MTI also establishes a priority of payments, which restricts the manner, timing, and sequence of transfers into and out of such funds and accounts, and among such funds and accounts. The MTI requires that the Authority comply with certain operational and financial covenants, restricts the types of investments the Trustee and Authority may make, and requires regular financial reporting and disclosure.

(e) Basis of Presentation

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

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

Under GAAP, the Authority has the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The Authority has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

(f) Cash and Cash Equivalents

The Authority has defined, for purposes of the preparation of its statements of cash flows, that cash and cash equivalents include deposits, money market accounts, and investments with an original maturity date of three months or less, including investments in the State of California Local Agency Investment Fund (LAIF). The Authority participates in the State of California's LAIF, a non-Securities and Exchange Commission registered investment pool open to all government units in the State of California.

(g) Investments

Investments are stated at fair value. The value of each investment security has been determined based on the published closing price of the security as of June 30, 2009 and 2008. The net changes in fair value of investments, consisting of realized gains or losses and the unrealized appreciation/depreciation on those investments, have been included in interest and investment revenue as shown in the accompanying statements of revenues, expenses, and changes in net assets.

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

(h) Capital Assets

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

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

Computer equipment/software	3 years
Tenant improvements	3 years
Automotive vehicles	5 years
Other equipment	3 – 5 years
Buildings	30 years
Right-of-way improvements and hazardous materials remediation	Nondepreciable
Tracks and signal systems	40 years
Roads	50 years
Highway bridge structures	100 years
Trench structures	100 years
Rail bridge structures	100 years

Capital assets acquired with state and local grants are also included in property and equipment. Depreciation on these assets is also included in the results of operations for the year.

(i) Restricted Assets

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The revenue bonds' capitalized interest, debt service reserve, indemnity, and revenue fund accounts have been classified as restricted assets, because these accounts are first restricted to the payment of interest and principal on the outstanding revenue bonds. After payment of debt service, remaining revenues, if any, are restricted to the payment of the Authority's other costs and legal obligations (e.g., Port Shortfall Advances) as defined by the Authority's Use and Operating Agreement. The reserve account has also been classified as restricted assets, because the amount in this account is restricted for specific purposes under the Use and Operating Agreement and the revenue bond covenants.

Remaining long-term debt proceeds that have been set aside for capital projects are also reported as restricted assets.

(j) Operating Revenues and Expenses

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

(k) Compensated Absences

All Authority's employees accumulate time off with payroll accrual for vacation and sick leave hours each pay period. While sick leave hours are accrued at a uniform rate among all employees, vacation accrual is based on length of service. Vacation hours are payable to employees when used at the employee's current rate of pay. Any unused vacation remaining at the time of termination is also payable to the employee at his/her then rate of pay. All vacation hours that have been earned but not paid as of June 30, 2009 and 2008 have been accrued in the accompanying basic financial statements. Sick hours are paid to employees when used. The Authority's sick leave policy also provides that employees will be paid 50% of the remaining value of their sick leave hours upon termination. Consequently, 50% of all unused sick hours for each employee totaling $149,279 and $119,899 as of June 30, 2009 and 2008, respectively, have also been accrued in other liabilities of the accompanying basic financial statements.

(l) Use of Estimates

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

(m) Governmental Accounting Standards Board (GASB) Updates

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*

This Statement addresses accounting and financial reporting standards for pollution remediation obligations. If any one of five specific obligating events occurs, the expected pollution remediation outlays must be determined and accounted for appropriately. The Authority has not had any obligating events which would require this type of reporting.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*

This Statement provides guidance on the accounting and financial reporting for intangible assets. Various types of intangible assets are identified including easements, water rights, timber rights, patents trademarks, and computer software. The Statement outlines under what conditions each type of intangible asset should be classified as a capital asset. This Statement becomes effective to the Authority in fiscal 2010.

Statement No. 52, *Land and Other Real Estate Held as Investment by Endowments*

This Statement establishes consistent standards for the reporting of land and other real estate held as investments by various governmental entities. This statement is not applicable to the Authority as it does not hold any land or real estate as investments.

(Continued)

Statement No. 55, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

This Statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments, which was set forth in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards, into the Governmental Accounting Standards Board's (GASB) authoritative literature. This Statement had no impact on the Authority's financial reporting.

Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*

This Statement codifies accounting and financial reporting guidance contained in the AICPA Statements on Auditing Standards. The Statement established accounting and financial reporting standards for related-party transactions, subsequent events, and going concern considerations. This Statement had no impact on the Authority's financial reporting.

(2) Cash and Investments

Cash and investments as of June 30, 2009 and 2008 are classified in the accompanying basic financial statements as follows:

		June 30, 2009 fair value
Restricted cash and cash equivalents (current)	$	17,088,030
Restricted investments		239,700,619
Total cash and investments	$	256,788,649

		June 30, 2008 fair value
Restricted cash and cash equivalents (current)	$	59,181,493
Restricted cash and cash equivalents (noncurrent)		49,898,939
Restricted investments		151,164,886
Total cash and investments	$	260,245,318

(a) Deposits

At June 30, 2009 and 2008, the net carrying amount of the Authority's deposit account with Bank of America was $1,556,086 and $1,509,274, while the corresponding bank balance was $1,595,505 and $1,626,943, respectively. Outstanding checks account for the respective differences between the carrying amounts and bank balances. Of the aforementioned bank balance, $250,000 is covered by the Federal Deposit Insurance Corporation with the excess being secured with collateral of securities held by the pledging financial institution's trust or agent in the Authority's name.

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

(b) Investments

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

(c) Interest Rate Risk

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

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

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

The MTI allows for exception of the maximum maturity prescript in the Authority's investment policy. The Authority is allowed a maximum maturity of 10 years for investments in the debt service reserve funds.

The following schedules indicate the interest rate risk of the Authority's investments as of June 30, 2009 and 2008:

		2009	Weighted average maturity (in years)
Cash and investment type:			
Cash	$	500	—
Money market fund		4,806,973	—
LAIF		6,494,557	0.64
U.S. Treasury notes		23,420,785	2.64
U.S. corporate notes		15,199,349	1.27
Commercial paper		6,081,000	0.11
Federal agency obligations		200,785,485	1.30
	$	256,788,649	1.36

		2008	Weighted average maturity (in years)
Cash and investment type:			
Cash	$	500	—
Money market fund		7,809,499	—
LAIF		3,705,454	0.58
U.S. Treasury notes		12,691,170	4.28
U.S. corporate notes		21,815,541	1.68
Commercial paper		20,422,480	0.10
Federal agency obligations		193,800,674	1.01
	$	260,245,318	1.11

(d) Disclosures Relating to Credit Risk

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

	Ratings as of June 30, 2009								
	Not rated	**AAA & AA**	**AA-**	**A+ & AA+**	**A**	**A-1**	**A-1+**	**A- & TSY**	**Total**
Investment type:									
Cash and money market fund	$ 1,556,588	3,250,885	—	—	—	—	—	—	4,807,473
LAIF	6,494,557	—	—	—	—	—	—	—	6,494,557
U.S. Treasury notes	—	—	—	—	—	—	—	23,420,785	23,420,785
U.S. corporate notes	—	5,184,205	369,340	3,639,530	6,006,274				15,199,349
Commercial paper	—	—	—	—	—	—	6,081,000	—	6,081,000
Federal agency obligations	—	56,745,345	—	—	—	—	144,040,140	—	200,785,485
Totals	$ 8,051,145	65,180,435	369,340	3,639,530	6,006,274	—	150,121,140	23,420,785	256,788,649

	Ratings as of June 30, 2008								
	Not rated	**AAA & AA**	**AA-**	**A+ & AA+**	**A**	**A-1**	**A-1+**	**A- & TSY**	**Total**
Investment type:									
Cash and money market fund	$ 1,509,774	6,300,225	—	—	—	—	—	—	7,809,999
LAIF	3,705,454	—	—	—	—	—	—	—	3,705,454
U.S. Treasury notes	—	—	—	—	—	—	—	12,691,170	12,691,170
U.S. corporate notes	—	3,749,358	3,118,067	8,909,653	6,038,463	—	—	—	21,815,541
Commercial paper	—	—	—	—	—	9,069,772	11,352,708	—	20,422,480
Federal agency obligations	—	58,861,263	—	—	—	—	134,939,411	—	193,800,674
Totals	$ 5,215,228	68,910,846	3,118,067	8,909,653	6,038,463	9,069,772	146,292,119	12,691,170	260,245,318

(e) Concentration of Credit Risk

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

		2009	2008
Federal Home Loan Bank	Federal agency obligations	$ 53,547,584	54,792,653
Fannie Mae	Federal agency obligations	82,018,019	76,534,192
Federal Home Loan Mortgage Corp.	Federal agency obligations	57,780,736	55,497,630
		$ 193,346,339	186,824,475

(f) Investment in State of California Local Agency Investment Pool

The Authority is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements as cash equivalents at amounts based upon the Authority's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on an amortized cost basis. Cash can be withdrawn up to $10.0 million with one day advance notice. At June 30, 2009 and 2008, the fair value of the balance of such deposits is $6,494,557 and $3,705,454, respectively.

(3) Receivables

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

	June 30	
	2009	2008
Grants receivable	$ —	1,176,588
Interest receivable	1,283,001	1,815,493
Use fees receivable, net of allowance of $6,293,407 and $3,979,848 at June 30, 2009 and 2008, respectively	6,825,498	10,727,995
Other receivables	324,820	440,769
Total	$ 8,433,319	14,160,845

(4) Capital Assets

The following schedule summarizes capital assets for the years ended June 30, 2009 and 2008:

	Balance, July 1, 2008	Additions	Adjustments/ deletions	Balance, June 30, 2009
Right-of-way and land improvements, not being depreciated	$ 152,231,466	704,748	(630,064)	152,306,150
Buildings and equipment:				
Automotive vehicles	82,097	—	—	82,097
Office equipment	602,014	—	1,885	603,899
Other equipment	186,825	—	—	186,825
Tenant improvements	72,334	—	—	72,334
Buildings	1,102,594	—	—	1,102,594
Revenue assessment and verification system and other software	8,529,952	621,212	(1,885)	9,149,279
Total buildings and equipment	10,575,816	621,212	—	11,197,028
Alameda Corridor Project Infrastructure:				
Capital assets, being depreciated:				
Trench structures	715,346,743	234,720	—	715,581,463
Track and signals	198,075,621	4,929,309	—	203,004,930
Rail bridge structures	409,333,861	96,952	—	409,430,813
Highway bridge structures	149,541,235	616,381	—	150,157,616
Capital assets, not being depreciated:				
Trench structures	224,094,193	73,530	—	224,167,723
Track and signals	67,334,566	108,704	—	67,443,270
Rail bridge structures	102,028,615	21,691	—	102,050,306
Highway bridge structures of the Corridor	46,611,993	226,672	—	46,838,665
Alameda Corridor Project Infrastructure	1,912,366,827	6,307,959	—	1,918,674,786
Total capital assets	2,075,174,109	7,633,919	(630,064)	2,082,177,964
Less accumulated depreciation for:				
Trench structures	(62,383,163)	(10,426,801)	—	(72,809,964)
Track and signals	(16,241,196)	(3,310,071)	—	(19,551,267)
Rail bridge structures	(31,198,428)	(5,307,339)	—	(36,505,767)
Highway bridge structures	(10,487,938)	(2,021,540)	—	(12,509,478)
Automotive vehicles	(82,096)	—	—	(82,096)
Office equipment	(586,135)	(15,239)	—	(601,374)
Other equipment	(186,825)	—	—	(186,825)
Tenant improvements	(72,337)	—	—	(72,337)
Buildings	(254,209)	(36,753)	—	(290,962)
Revenue assessment and verification system and other software	(7,451,938)	(484,575)	—	(7,936,513)
Total accumulated depreciation	(128,944,265)	(21,602,318)	—	(150,546,583)
Capital assets, net	$ 1,946,229,844	(13,968,399)	(630,064)	1,931,631,381

	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
Right-of-way and land improvements, not being depreciated	$ 154,506,480	242,268	(2,517,282)	152,231,466
Buildings and equipment:				
Automotive vehicles	456,384	—	(374,287)	82,097
Office equipment	622,038	—	(20,024)	602,014
Other equipment	186,825	—	—	186,825
Tenant improvements	72,334	—	—	72,334
Buildings	1,102,594	—	—	1,102,594
Revenue assessment and verification system	8,319,952	210,000	—	8,529,952
Total buildings and equipment	10,760,127	210,000	(394,311)	10,575,816
Alameda Corridor Project Infrastructure:				
Capital assets, being depreciated:				
Trench structures	715,152,056	194,687	—	715,346,743
Track and signals	205,011,379	10,590,122	(17,525,880)	198,075,621
Rail bridge structures	408,814,608	519,253	—	409,333,861
Highway bridge structures	148,854,351	686,884	—	149,541,235
Capital assets, not being depreciated:				
Trench structures	224,033,204	60,989	—	224,094,193
Track and signals	66,984,578	349,988	—	67,334,566
Rail bridge structures	101,953,808	74,807	—	102,028,615
Highway bridge structures of the Corridor	46,454,888	157,105	—	46,611,993
Alameda Corridor Project Infrastructure	1,917,258,872	12,633,835	(17,525,880)	1,912,366,827
Total capital assets	2,082,525,479	13,086,103	(20,437,473)	2,075,174,109
Less accumulated depreciation for:				
Trench structures	(51,959,200)	(10,423,963)	—	(62,383,163)
Track and signals	(14,461,637)	(3,167,001)	1,387,442	(16,241,196)
Rail bridge structures	(25,908,809)	(5,289,619)	—	(31,198,428)
Highway bridge structures	(8,500,333)	(1,987,605)	—	(10,487,938)
Automotive vehicles	(439,569)	(16,814)	374,287	(82,096)
Office equipment	(738,551)	(35,977)	188,393	(586,135)
Other equipment	(18,456)	—	(168,369)	(186,825)
Tenant improvements	(72,337)	—	—	(72,337)
Buildings	(217,456)	(36,753)	—	(254,209)
Revenue assessment and verification system	(6,735,832)	(716,106)	—	(7,451,938)
Total accumulated depreciation	(109,052,180)	(21,673,838)	1,781,753	(128,944,265)
Capital assets, net	$ 1,973,473,299	(8,587,735)	(18,655,720)	1,946,229,844

(5) Bonds Payable

The 1999 Series A, B, C, and D Bonds and the 2004 Series A and B Bonds are payable solely from and secured by a pledge of, among other revenues, use fees and container charges to be paid by the UP and BNSF for use of the Project and from shortfall advances to be paid under certain circumstances by the City

(Continued)

of Long Beach, acting by and through its Board of Harbor Commissioners, and the City of Los Angeles, acting by and through its Board of Harbor Commissioners. The 1999 Series B Bonds were paid off in October 2006.

As of June 30, 2009 and 2008, the unamortized discount balance on the 1999 and 2004 Series Bonds was $3,803,364 and $3,831,964, respectively. Interest on the 1999 Series A and C Capital Appreciation Bonds for fiscal year 2009 and 2008, respectively, amounted to $13,192,364 and $12,401,472 and was recognized in the accompanying statements of revenues, expenses, and changes in net assets for the years ended June 30, 2009 and 2008, respectively.

(a) 1999 Series A Current Interest Bonds

The Series A Tax-Exempt Current Interest Lien Revenue Bonds (Series A) were issued by the Authority in the aggregate amount of $444,440,000 on January 1, 1999. Proceeds from the sale of this insured 1999 Series A Current Interest Bonds were used to finance a portion of the cost of design and construction of the Project.

Interest on the 1999 Series A Current Interest Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2006. The 1999 Series A Current Interest Bonds, which mature on October 1, 2029, bear interest at rates ranging from 4.00% to 5.25%. The balance outstanding on the 1999 Series A Current Interest Bonds at June 30, 2009 and 2008 is $427,150,000 and $435,755,000, respectively.

The 1999 Series A Current Interest Bonds due on or after October 1, 2010 are redeemable at the option of the Authority on or after October 1, 2009, in whole or in part at any time, from any moneys that may be provided for such purpose and at the redemption process set forth in the table below, expressed as a percentage of the principal amount of such Series A Bonds, so redeemed plus accrued interest to the date fixed for redemption. There are no immediate plans to exercise the option to redeem these bonds.

Redemption period (both dates inclusive)	Redemption price (expressed as a percentage of principal amount)
October 1, 2009 through September 30, 2010	101.0%
October 1, 2010 through September 30, 2011	100.5
October 1, 2011 and thereafter	100.0

(Continued)

The remaining debt service of the 1999 Series A Current Interest Bonds is as follows:

	Annual debt service requirement		
	Principal	**Interest**	**Total**
Fiscal year(s):			
2010	$ 9,310,000	21,006,724	30,316,724
2011	10,045,000	20,542,981	30,587,981
2012	10,850,000	20,025,819	30,875,819
2013	11,700,000	19,465,944	31,165,944
2014	12,595,000	18,854,486	31,449,486
2015 – 2019	78,485,000	83,195,494	161,680,494
2020 – 2024	109,760,000	59,559,144	169,319,144
2025 – 2029	148,925,000	28,232,288	177,157,288
2030 – 2030	35,480,000	887,000	36,367,000
Total	$ 427,150,000	271,769,880	698,919,880

(b) 1999 Series A Capital Appreciation Bonds

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

The first maturity of the bonds will commence on October 1, 2030. The 1999 Series A CABs, which mature between October 1, 2030 and October 1, 2037, have an accretion yield to maturity at rates ranging from 5.25% to 5.27%. The principal and accrued interest balance outstanding on the 1999 Series A CABs at June 30, 2009 and 2008 are $50,453,617 and $36,355,691 and $50,453,617 and $31,941,734, respectively. The 1999 Series A CABs are not subject to optional redemption.

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

	Annual debt service requirement		
	Principal	**Interest**	**Total**
Fiscal year(s):			
2030 – 2034	$ 27,404,483	125,365,517	152,770,000
2035 – 2038	23,049,134	135,930,866	158,980,000
Total	$ 50,453,617	261,296,383	311,750,000

(c) 1999 Series C Current Interest Bonds

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

Interest on the 1999 Series C Current Interest Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2015. The 1999 Series C Current Interest Bonds, which mature on October 1, 2029, bear interest at rates ranging from 6.50% to 6.60%. The principal balance outstanding on the 1999 Series C Current Interest Bonds is $430,155,000 and $430,155,000 at June 30, 2009 and 2008, respectively. The 1999 Series C Current Interest Bonds are not subject to optional redemption.

The remaining debt service of the Authority's 1999 Series C Current Interest Bonds is as follows:

	Annual debt service requirement		
	Principal	**Interest**	**Total**
Fiscal year(s):			
2010	$ —	28,260,555	28,260,555
2011	—	28,260,555	28,260,555
2012	—	28,260,555	28,260,555
2013	—	28,260,555	28,260,555
2014	—	28,260,555	28,260,555
2015 – 2019	100,080,000	128,436,350	228,516,350
2020 – 2024	63,250,000	99,009,623	162,259,623
2025 – 2029	213,560,000	54,963,810	268,523,810
2030 – 2030	53,265,000	1,757,745	55,022,745
Total	$ 430,155,000	425,470,303	855,625,303

(d) 1999 Series C Capital Appreciation Bonds

The Series C Taxable Capital Appreciation Lien Revenue Bonds (1999 Series C CABs) were issued by the Authority in the aggregate amount of $67,298,396 on February 9, 1999. Proceeds from the sale of these insured 1999 Series C CABs were used to finance a portion of the cost of the design and construction of the Project.

The first maturity of the bonds will commence on October 1, 2020. The 1999 Series C CABs, which mature between October 1, 2020 and October 1, 2037, have an accretion yield to maturity at rates ranging from 6.69% to 6.83%. The principal balance and accrued interest outstanding on the 1999 Series C CABs at June 30, 2009 and 2008 are $67,298,396 and $67,965,474 and $67,298,396 and $59,187,068, respectively. The 1999 Series C CABs are not subject to optional redemption.

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

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2020 – 2024	$ 22,052,990	75,812,010	97,865,000
2025 – 2029	—	—	—
2030 – 2034	19,430,060	154,424,940	173,855,000
2035 – 2038	25,815,346	275,724,654	301,540,000
Total	$ 67,298,396	505,961,604	573,260,000

(e) 1999 Series D Bonds

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

Interest on the 1999 Series D Bonds is payable semiannually on April 1 and October 1 of each year commencing April 1, 1999, with principal payments commencing October 1, 2003. The 1999 Series D Bonds, which mature on October 1, 2014, bear interest at rates ranging from 5.47% to 6.37%. The principal balance outstanding on the 1999 Series D Bonds is $91,725,000 and $103,145,000 at June 30, 2009 and 2008, respectively. The 1999 Series D Bonds are not subject to optional redemption.

The Authority's remaining debt service on the 1999 Series D Bonds is as follows:

	Annual debt service requirement		
	Principal	Interest	Total
Fiscal year(s):			
2010	$ 12,555,000	5,236,733	17,791,733
2011	13,620,000	4,463,315	18,083,315
2012	14,890,000	3,614,825	18,504,825
2013	16,460,000	2,664,038	19,124,038
2014	17,960,000	1,587,475	19,547,475
2015 – 2015	16,240,000	507,500	16,747,500
Total	$ 91,725,000	18,073,886	109,798,886

(f) 2004 Series A Capital Appreciation Bonds

The 2004 Series A Capital Appreciation Bonds Tax-Exempt Subordinate Lien Revenue Refunding Bonds (2004 Series A Bonds) were issued by the Authority in the aggregate amount of $475,292,386 on April 22, 2004. Proceeds from the sale of these insured 2004 Series A Capital Appreciation Bonds were used to refund the U.S. Department of Transportation Loan.

The 2004 Series A Bonds are capital appreciation bonds. Of the total $475,292,386 of 2004 Series A Bonds issued, $200,300,100 are not convertible or callable, and $274,992,286 are convertible to current interest bonds on October 1, 2012 and callable on October 1, 2017. The first maturity of the bonds, which are not convertible or callable, will commence on October 1, 2012. The 2004 Series A Bonds, which are not convertible or callable, mature between 2012 and 2030 and have an accretion yield to maturity at rates ranging from 4.30% to 5.72%. The accrued interest for all 2004 Series A Bonds is $146,136,709 and $114,610,606 at June 30, 2009 and 2008, respectively. The principal balance outstanding on the 2004 Series A Bonds, which are not convertible or callable, at June 30, 2009 and 2008, was $200,300,100 and $200,300,100, respectively.

The Authority's remaining debt service on the 2004 Series A Non-Convertible and Non-Callable Bonds is as follows:

	Annual debt service requirement		
	Principal	**Interest**	**Total**
Fiscal year(s):			
2013	$ 3,052,968	1,312,032	4,365,000
2014	9,979,304	5,115,696	15,095,000
2015 – 2019	97,070,617	82,054,383	179,125,000
2020 – 2024	53,847,791	68,702,209	122,550,000
2025 – 2029	—	—	—
2030 – 2034	36,349,420	121,330,580	157,680,000
Total	$ 200,300,100	278,514,900	478,815,000

The Authority's remaining debt service on the 2004 Series A Convertible and Callable Bonds is as follows:

	Annual debt service requirement		
	Principal	**Interest**	**Total**
Fiscal year(s):			
2013	$ —	11,450,550	11,450,550
2014	—	22,901,100	22,901,100
2015 – 2019	—	114,505,500	114,505,500
2020 – 2024	156,355,244	181,937,776	338,293,020
2025 – 2026	118,637,042	77,642,204	196,279,246
Total	$ 274,992,286	408,437,130	683,429,416

The 2004 Series A Bonds, which are convertible and callable, accrete to full face value of $5,000 per bond on October 1, 2012. These bonds convert automatically and pay interest semiannually on April 1 and October 1 of each year commencing with April 1, 2013. The first maturity of the 2004 Series A Bonds, which are convertible and callable, will commence on October 1, 2021. The 2004 Series A Bonds, which are convertible and callable, mature between 2021 and 2025, and bear interest at rates ranging from 5.25% to 5.45%. These bonds are also callable at par, with accrued interest, if any, on October 1, 2017 or any date thereafter. The principal balance outstanding on the 2004 Series A Bonds, which are convertible and callable, was $274,992,286 and $274,992,286 at June 30, 2009 and 2008, respectively.

(g) 2004 Series B Capital Appreciation Bonds

The 2004 Series B Capital Appreciation Bonds Taxable Subordinate Lien Refunding Bonds (2004 Series B Bonds) were issued by the Authority in the aggregate amount of $210,731,703 on April 22, 2004. Proceeds from the sale of these insured 2004 Series B Bonds were used to repay the U.S. Department of Transportation Loan.

The 2004 Series B Bonds are capital appreciation bonds with the first maturity commencing October 1, 2006. The 2004 Series B Bonds mature between October 1, 2006 and October 1, 2033 and have an accretion yield to maturity at rates ranging from 3.05% to 6.33%. The 2004 Series B Bonds are not subject to optional redemption. The principal balance and accrued interest outstanding on the 2004 Series B Bonds are $193,417,709 and $64,552,755 and $201,431,881 and $52,470,439, at June 30, 2009 and 2008, respectively.

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

	Annual debt service requirement		
	Principal	**Interest**	**Total**
Fiscal year(s):			
2010	$ 10,396,088	2,658,912	13,055,000
2011	13,275,692	4,454,308	17,730,000
2012	16,892,075	7,262,925	24,155,000
2013	21,721,443	11,633,557	33,355,000
2014	—	—	—
2015 – 2019	—	—	—
2020 – 2024	—	—	—
2025 – 2029	70,660,674	231,359,326	302,020,000
2030 – 2034	60,471,738	285,203,263	345,675,001
Total	$ 193,417,710	542,572,291	735,990,001

(h) Accrued Interest Payable

The Authority's accrued interest payable is as follows:

		June 30, 2009		
		Current interest bond	**Long-term CABs**	**Total**
1999 Series A Bonds	$	5,305,388	36,355,691	41,661,079
1999 Series C Bonds		7,065,139	67,965,474	75,030,613
1999 Series D Bonds		1,402,090	—	1,402,090
2004 Series A Bonds		—	146,136,709	146,136,709
2004 Series B Bonds		2,658,912	64,552,755	67,211,667
Total	$	16,431,529	315,010,629	331,442,158

		June 30, 2008		
		Current interest bond	**Long-term CABs**	**Total**
1999 Series A Bonds	$	5,405,753	31,941,734	37,347,487
1999 Series C Bonds		7,065,139	59,187,068	66,252,207
1999 Series D Bonds		1,569,679	—	1,569,679
2004 Series A Bonds		—	114,610,606	114,610,606
2004 Series B Bonds		1,530,827	52,470,439	54,001,266
Total	$	15,571,398	258,209,847	273,781,245

(i) Combined 1999 and 2004 Debt Service

The Authority's debt service of the 1999 Series A, B, C, and D Bonds and the 2004 Series A and B Bonds, in aggregate, is as follows:

	Annual debt service requirement		
	Principal	**Interest**	**Total**
Fiscal year(s):			
2010	$ 32,261,088	57,162,924	89,424,012
2011	36,940,692	57,721,159	94,661,851
2012	42,632,075	59,164,124	101,796,199
2013	52,934,411	74,786,675	127,721,086
2014	40,534,305	76,719,311	117,253,616
2015 – 2019	291,875,617	408,699,226	700,574,843
2020 – 2024	405,266,026	485,020,761	890,286,787
2025 – 2029	551,782,715	392,197,627	943,980,342
2030 – 2034	238,170,914	742,313,831	980,484,745
2035 – 2038	43,094,264	358,310,736	401,405,000
Total	$ 1,735,492,107	2,712,096,374	4,447,588,481

Long-term liability activity for the years ended June 30, 2009 and 2008 was as follows:

	Balance, July 1, 2008	**Additions**	**Deletions**	**Balance, June 30, 2009**	**Due within one year**
Bonds payable:					
1999 Series A Bonds	$ 486,208,617	—	(8,605,000)	477,603,617	9,310,000
1999 Series C Bonds	497,453,396	—	—	497,453,396	—
1999 Series D Bonds	103,145,000	—	(11,420,000)	91,725,000	12,555,000
2004 Series A Bonds	475,292,386	—	—	475,292,386	—
2004 Series B Bonds	201,431,881	—	(8,014,173)	193,417,708	10,396,088
Total bonds payable	1,763,531,280	—	(28,039,173)	1,735,492,107	32,261,088
Less unamortized bond discounts	(3,821,620)	18,256	—	(3,803,364)	—
Interest payable:					
Accrued interest payable	273,781,245	114,818,119	(57,157,205)	331,442,159	16,431,529
Net long-term liabilities	$ 2,033,490,905	114,836,375	(85,196,378)	2,063,130,902	48,692,617

	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008	Due within one year
Bonds payable:					
1999 Series A Bonds	$ 494,158,617	—	(7,950,000)	486,208,617	8,605,000
1999 Series C Bonds	497,453,396	—	—	497,453,396	—
1999 Series D Bonds	113,505,000	—	(10,360,000)	103,145,000	11,420,000
2004 Series A Bonds	475,292,386	—	—	475,292,386	—
2004 Series B Bonds	206,277,721	—	(4,845,840)	201,431,881	8,014,173
Total bonds payable	1,786,687,120	—	(23,155,840)	1,763,531,280	28,039,173
Less unamortized bond discounts	(3,826,792)	—	5,172	(3,821,620)	—
Interest payable:					
Accrued interest payable	218,029,779	113,002,287	(57,250,821)	273,781,245	15,571,398
Net long-term liabilities	$ 2,000,890,107	113,002,287	(80,401,489)	2,033,490,905	43,610,571

(6) Retirement Plan

(a) Plan Description

The Alameda Corridor Transportation Authority Retirement Plan is a single-employer defined benefit retirement plan administered by the California Public Employee Retirement System (CalPERS). The plan provides retirement benefits to eligible retirees and their dependents. Employees must retire directly from the Authority under a CalPERS disability retirement or service retirement (age 50 and 5 years of service). Benefit provisions are established through contract with CalPERS and may be amended through Governing Board authorization, agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

Effective January 8, 1996, the Authority entered into a contract with CALPERS, an agent multiple employer, defined benefit pension plan, public employee retirement system that acts as common investment and administrative agent for participating public entities within the State of California. The Authority selects benefit provisions by contract with CALPERS and adopts those benefits through Governing Board authorization. CALPERS issues a separate comprehensive annual financial report. The CALPERS annual financial report may be obtained from the CALPERS Web site at www.calpers.ca.gov.

All regular Authority's employees who reach 1,000 hours in a fiscal year are eligible to participate in the CALPERS 2% at 55 Miscellaneous Defined Benefit Plan. Benefits vest after 5 years of service. Employees who retire at or after age 50, with 5 years of credited service, are entitled to an annual retirement benefit, payable monthly for life, in an amount based on the average of the employee's highest 12 consecutive monthly pay rates during employment that varies from 1.426% at age 50 to a maximum of 2.418% at age 63 for each year of credited service. The system also provides for death and survivor benefits. These benefit provisions and all other requirements are established by State statute and the Authority's Governing Board authorization.

(b) Funding Policy

The contribution requirements of the plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CALPERS. Active members in the Plan are required to contribute 7% of their annual covered payroll. The Authority pays this required biweekly employee contribution on behalf of its employees. The Authority is required to contribute 100% of actuarially determined biweekly employer contribution remaining amounts necessary to fund benefits for its members.

The required employer contribution rate was 13.35% and 12.68% for the years ended June 30, 2009 and 2008, respectively. The Authority's covered payroll for the employees participating in CALPERS for the years ended June 30, 2009 and 2008 was $1,571,214 and $1,497,954, respectively. Total payroll for fiscal years 2009 and 2008 was $1,638,715 and $1,556,627, respectively.

(c) Annual Pension Cost

For fiscal years 2009 and 2008, the Authority's Annual Required Contribution (ARC) was $209,773 and $190,195, respectively, which the Authority contributed. The required contribution for 2009 and 2008 was determined as part of the June 2006 actuarial valuation using the entry-age-actuarial-cost method with the contributions determined as a percentage of pay. The actuarial assumptions included (a) 7.75% investment return (net of expenses); (b) projected salary increase of 3.25% – 14.45% depending on age, service, and type of employment; (c) merit increase that varies by length of service; and (d) payroll growth of 3.25%. Both (a) and (b) include an inflation component of 3.00%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. The Plan's unfunded accrued actuarial liability (UAAL) is amortized using a level-percentage-of-projected-payroll method, on a closed basis over a 20-year period.

	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year:			
2001	$ 199,017	100%	$ —
2002	180,802	100	—
2003	177,695	100	—
2004	185,119	100	—
2005	216,150	100	—
2006	201,711	100	—
2007	178,243	100	—
2008	190,195	100	—
2009	209,773	100	—

(d) Actuarial Methods and Assumptions

The actuarial methods and assumptions used are those adopted by CALPERS' Board of Administration, in accordance with the parameters of GASB Statement 27. The required employer contribution rate was 13.35% and 12.68% for the years ended June 30, 2009 and 2008, respectively.

(7) Other Postemployment Benefits (OPEB)

(a) Plan Description (OPEB)

The Alameda Corridor Transportation Authority Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Authority. The plan provides healthcare benefits to eligible retirees and their dependents. Employees must retire directly from the Authority under a CalPERS disability retirement or service retirement (age 50 and 5 years of service). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

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

The Authority participates in the California Employers' Retiree Benefit Trust (CERBT) Fund, which is administered by the California Public Employees' Retirement System (CalPERS). CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to prefund retiree healthcare benefits. CERBT, an agent multiple-employer trust, issues a publicly available financial report including GASB Statement No. 43 disclosure information in aggregate with the other CERBT participating employers. That report can be obtained from the CalPERS Web site at www.calpers.ca.gov.

(b) Funding Policy (OPEB)

The contribution requirements of the plan members and the Authority are established by and may be amended by the Authority. The Authority prefunds plan benefits through the California Employers' Retiree Benefit Trust (CERBT) by contributing at least 100% of the annual required contribution.

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For fiscal year 2008/09, the Authority contributed $85,966 to the Plan, including $3,366 for current benefit payments and $82,600 to prefund Plan benefits.

(c) Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's Net OPEB obligation (dollar amounts in thousands):

Annual required contribution	$	58
Interest on net OPEB asset		(24)
Adjustment to annual required contribution		(38)
Annual OPEB cost		(4)
Contributions to irrevocable trust		(83)
Benefit payments		(3)
Increase in net OPEB asset		(90)
Net OPEB asset, beginning of year		(314)
Net OPEB asset, end of year	$	(404)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal 2009 and the two preceding years were as follows (dollar amounts in thousands):

Fiscal year ended		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB asset
June 30, 2007		n/a	n/a		n/a
June 30, 2008	$	137	329%	$	314
June 30, 2009		(4)	2,150		404

(d) Funded Status and Funding Progress (OPEB)

The funded status of the plan as of June 30, 2009, the plan's most recent actuarial valuation date, was as follows (dollar amounts in thousands):

Actuarial accrued liability (AAL)	$	561
Actuarial value of plan assets		404
Unfunded actuarial accrued liability (UAAL)	$	157
Funded ratio (actuarial value of plan assets/AAL)		72%
Covered payroll (active Plan members)	$	1,595
UAAL as a percentage of covered payroll		10%

(Continued)

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

(e) Actuarial Methods and Assumptions (OPEB)

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

In the June 30, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments, a 3% general inflation assumption, an annual pre-Medicare eligible medical cost HMO trend rate of 10.1% for 2010 (9.1% for Kaiser) decreasing to 4.5% after 7 years (the post-Medicare eligible medical cost trend rate started 0.3% higher for 2010), and an annual pre-Medicare eligible medical cost PPO trend rate of 10.8% for 2010 decreasing to 4.5% after 7 years (the post-Medicare eligible medical cost trend rate started 0.3% higher for 2010. The actuarial value of assets is equal to the market value. The June 30, 2009 UAAL is amortized as a level percentage of projected payroll over 15 years on a closed basis. Future gains and losses and assumption changes will be amortized over 15 years; plan amendments and method changes will be amortized over 20 years.

(8) Commitments and Contingencies

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

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

The Use and Operating Agreement with the railroads provides for payment by the railroads to the Authority for cargo that moves into or out of Southern California by rail. The Authority captures revenues from cargo loaded on rail at Port facilities or trucked between nearby rail-loading facilities and the Ports and invoices the railroads accordingly. The Authority had not been paid or had been underpaid by the railroads for certain cargo, which the Authority believed was subject to payment of Use Fees or Container Charges under the terms of the Use and Operating Agreement. The Authority resolved the dispute with UP in May 2009 and with BNSF in August 2009. New implementation rules were agreed to by railroads and each railroad made a settlement payment to the Authority. Reconciliation invoices rendered since resolution of the disputes have been paid in full.

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

Schedule of Funding Progress

Postemployment Healthcare Plan

(Dollar amounts in thousands)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll (b-a/c)
June 30, 2007	$ —	392	392	—%	1,478	27%
June 30, 2009	406	561	155	72	1,595	10

The Authority's Schedule of Funding Progress (Unaudited)

	Funding status					
Valuation date	Entry age normal accrued liability	Actuarial value of assets	Unfunded liability (excess assets)	Funded status	Annual covered payroll	UAAL as a percentage of payroll
June 30, 1999	$ 238,705	208,813	29,892	87.48	655,996	4.557
June 30, 2000	372,911	358,515	14,396	96.14	912,589	1.577
June 30, 2001	829,789	710,868	118,921	85.67	1,443,236	8.240
June 30, 2002	1,157,396	952,452	204,944	82.29	1,575,203	13.011

Effective with the June 30, 2003 actuarial valuation, the Authority was required to participate in a Miscellaneous 2% at 55 Risk Pool within CALPERS because its Plan had less than 100 active members. Separate information regarding the funding status of the Authority is not available for the years ended June 30, 2003 through June 30, 2006.

CALPERS Risk Pool Schedule of Funding History (Unaudited)

	Funding history		
Valuation date	Accrued Liabilities (AL)	Market Value of Assets (MVA)	Funded Ratio (MVA/AL)
June 30, 2003	$ 2,596,966,545	2,157,162,743	83.1%
June 30, 2004	2,746,095,668	2,420,946,068	88.2
June 30, 2005	2,891,460,651	2,663,352,304	92.1
June 30, 2006	2,754,396,608	2,636,941,527	95.7

Risk pool schedule of funding history (unaudited)

	Funding history					
Valuation date	**Accrued Liabilities (AL)**	**Actuarial Value of Assets (AVA)**	**Unfunded Liabilities (UL)**	**Funded Ratio (AVA/AL)**	**Annual Covered Payroll**	**UL As a % of Payroll**
June 30, 2003	$ 2,596,966,545	2,372,879,034	224,087,511	91.4%	$ 725,020,458	30.9%
June 30, 2004	2,746,095,668	2,460,944,656	285,151,012	86.6	743,691,970	38.3
June 30, 2005	2,891,460,651	2,588,713,000	302,747,651	89.5	755,046,679	40.1
June 30, 2006	2,754,396,608	2,492,226,176	262,170,432	90.5	699,897,835	37.5

APPENDIX B

PORT OF LOS ANGELES (HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES),
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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

Annual Financial Report

June 30, 2009 and 2008

(With Independent Auditor's Report Thereon)

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

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THE PORT OF LOS ANGELES

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

January 29, 2010

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

This Annual Financial Report of the Port of Los Angeles, Harbor Department of the City of Los Angeles, California, for the years ended June 30, 2009 and 2008, is hereby submitted.

Introduction

The management of the Port of Los Angeles (the Port) has prepared this annual report. The responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the Port. To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the Port. All disclosures necessary to enable the reader to gain an understanding of the Port's financial activities have been included. The report contains the audited financial statements of the Port for the years ended June 30, 2009 and 2008, which have received an unqualified opinion from the Port's independent auditors and are presented in accordance with Governmental Accounting Standards Board Statement No. 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The report is presented in four sections: Introduction, Management's Discussion and Analysis, Financial Statements, and Supplemental Information.

The introductory section outlines the relationship of the Port to the City of Los Angeles and describes the organization and reporting entity. It additionally provides an overview of Port properties, operations, and key statistical data.
The management's discussion and analysis presents a comparative review of financial position and changes in financial position for fiscal years 2009, 2008 and 2007. Also included in this section are a description of current and proposed capital development plans, a discussion of prospective revenue growth, and an overview of the economic conditions and the competitive environment in which the Port operates.

The financial section includes the financial statements prepared on an accrual basis and using an economic resources measurement focus. Management's discussion and analysis, notes and the auditor's report accompany these financial statements. The financial statements are comprised of statements of net assets that present the financial position of the Port as of June 30, 2009 and 2008; statements of revenues, expenses, and changes in net assets depicting financial performance for fiscal years 2009 and 2008; and statements of cash flows that present the source and application of funds from operations, financing, and investment activities for fiscal years 2009 and 2008. The accompanying notes to financial statements explain some of the information in the financial statements and provide more detailed data.

The supplemental information section includes selected unaudited financial and statistical information, generally presented on a multi-year basis that further explain and support the information in the financial statements.

The Port of Los Angeles

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

Also, based on the foregoing criteria of oversight responsibility and accountability of all Port related entities, the operations of the Los Angeles Harbor Improvements Corporation, a nonprofit corporation, have been included in the accompanying financial statements. Two joint ventures with the Port of Long Beach have been recorded as investments of the Port in accordance with the equity method of accounting. Until March 2007, the Port also participated in a shareholder agreement that was created to form the Los Angeles Export Terminal (LAXT). Additional information regarding these joint ventures and shareholders agreement may be found in the notes to the financial statements for the Port.

The management and operation of the Port are under the direction of the Executive Director, who is responsible for coordinating and directing the activities of several major management groups. These groups fall under the responsibilities of the Deputy Executive Director of Development, Deputy Executive Director of Finance & Administration, Deputy Executive Director of Operations and Deputy Executive Director of Business Development. The Senior Director of Communications and the Senior Director of Governmental Affairs report directly to the Executive Director.

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

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

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

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

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

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

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

The Port operates primarily as a landlord, as opposed to an operating port. Its docks, wharves, transit sheds, and terminals are leased to shipping or terminal companies, agents, and to other private firms. Although the Port owns these facilities, it has no direct hand in managing the daily movement of cargoes. The Port is also landlord to various fish markets, boat repair yards, railroads, restaurants, a shipyard, and other similar activities.

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

In terms of its size, the Port is one of the largest West coast ports. The Port encompasses approximately 4,300 acres of land and 3,200 acres of water. The majority of the main channel has at least a minimum depth of 53 feet below the mean low water mark.

Within the Port are 27 terminals. Two major railroads serve the Port, and it lies at the terminus of two major freeways within the Los Angeles freeway system. Subsurface pipelines link the Port to major refineries and petroleum distribution terminals within the Los Angeles Basin.

The Port provides leases to more than 300 tenants, ranging from individual stalls at the fish market to a 484-acre container terminal. The Port encompasses container and automobile terminals, dry bulk, liquid bulk and break-bulk facilities, and omni terminals. The Intermodal Container Transfer Facility (ICTF) and other intermodal facilities are also on Port property. The Port also provides slips for pleasure craft, sport fishing boats, and charter vessels.

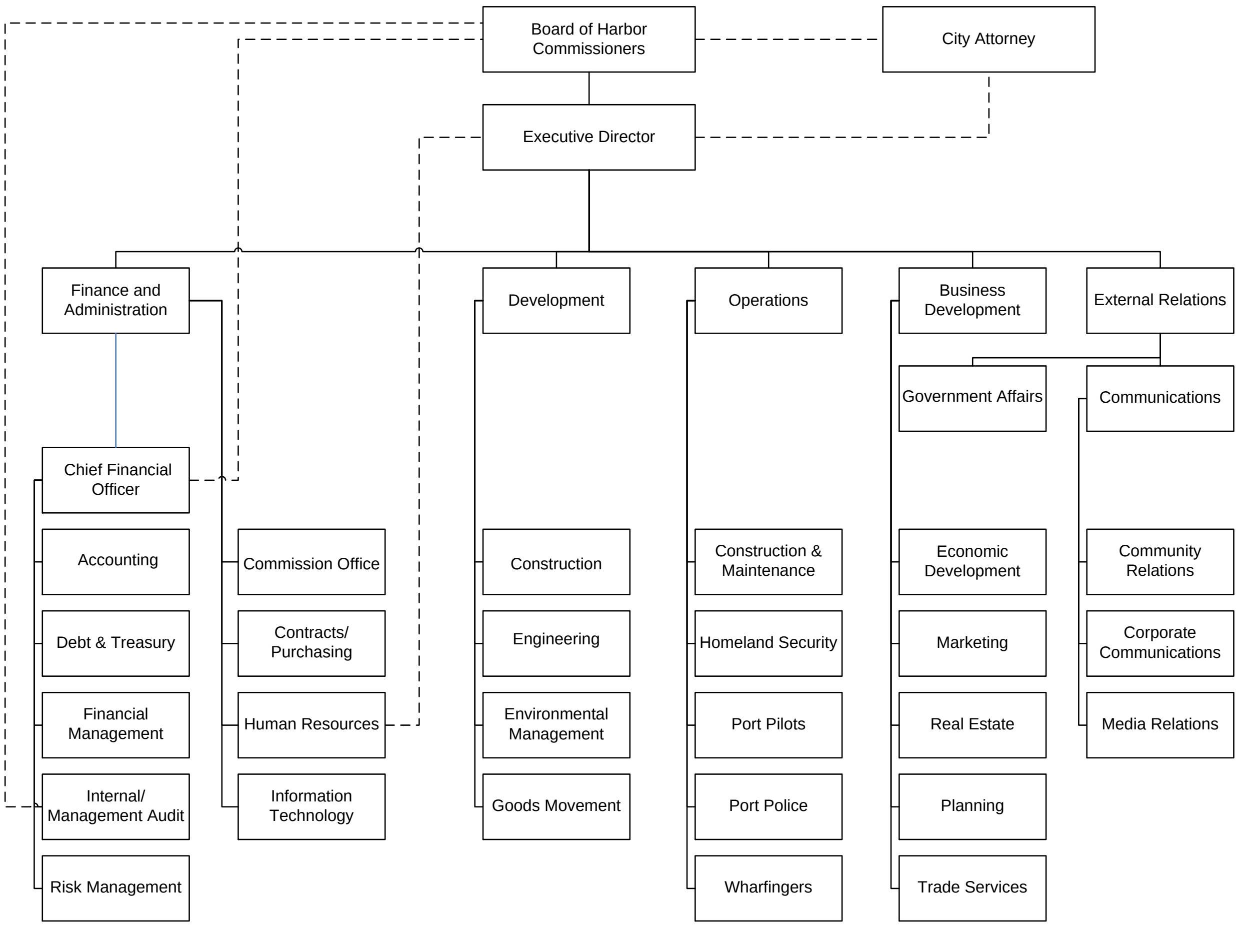
The Port currently handles the largest volume of containerized cargo of all U.S. ports, leading the nation for the past nine years and additionally ranks as number one in cargo value for U.S. waterborne foreign traffic. The Port's major trading partners are concentrated along the Pacific Rim that includes China, Japan, Taiwan, Thailand, and South Korea. Cargo to and from these countries represents the bulk of the total value of all cargo shipped through the Port.

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

Sincerely,

CHUNGMIN CHU
Director of Accounting

LOS ANGELES HARBOR DEPARTMENT
ORGANIZATION CHART
2009/2010



Board of Harbor Commissioners

Cindy Miscikowski, President
Jerilyn López Mendoza, Vice-President
Kaylynn L. Kim, Commissioner
Douglas P. Krause, Commissioner
Joseph R. Radisich, Commissioner

Senior Management

Geraldine Knatz, Ph.D. Executive Director
Michael Christensen, Deputy Executive Director, Development
Molly Campbell, Deputy Executive Director, Finance & Administration
Capt. John M. Holmes, Deputy Executive Director, Operations
Kathryn McDermott, Deputy Executive Director, Business Development
Arley Baker, Senior Director of Communications
Isaac Kos-Read, Senior Director of Governmental Affairs

Management Staff

Theresa Adams Lopez, Director, Community Relations
Ralph Appy, Director of Environmental Management
Diane Boskovich, Chief Wharfinger
Ronald Boyd, Chief of Port Police
Kerry Cartwright, Director of Goods Movement
Chungmin Chu, Director of Accounting
George Cummings, Director of Homeland Security
Michael DiBernado, Director of Marketing
Michael Galvin II, Director of Real Estate
Tony Gioiello, Chief Harbor Engineer of Design
Margaret Hernandez, Director of Small Business Enterprise
Lance Kaneshiro, Director of Information Technology
Tish Lorenzana, Director of Human Resources
Jim MacLellan, Director of Trade Services
David Mathewson, Director of Planning & Research
Kathy Merkovsky, Director of Risk Management
Capt. Jim Morgan, Pilot Service Manager & Acting Director of Construction & Maintenance Division
Julia Nagano, Director of Corporate Communications
James Olds, Director of Management/Internal Audit
Karl K.Y. Pan, Chief Financial Officer
Soheila Sajadian, Director of Debt and Treasury Management
Shaun Shahrestani, Chief Harbor Engineer of Construction
Eileen Yoshimura, Director of Financial Management
Glenn Robison, Director of Contracts & Purchasing
Phillip Sanfield, Director of Media Relations

Legal Staff

Thomas Russell, General Counsel

MGO
MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

LOS ANGELES
515 S. Figueroa Street, Suite 325
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213.286.6400

SACRAMENTO

OAKLAND

WALNUT CREEK

NEWPORT BEACH

SAN MARCOS

SAN DIEGO

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the Port of Los Angeles (Harbor Department of the City of Los Angeles) (the Port), an Enterprise Fund of the City of Los Angeles (the City), California, as of and for the year ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(b) to the financial statements, the Port adopted the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, during the fiscal year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2009. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 9 to 24 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introduction and supplemental information sections listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introduction and supplemental information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
January 29, 2010

This section of the Port of Los Angeles' (the Port) annual financial report presents a discussion and analysis of the Port's financial performance during the years that ended June 30, 2009 and 2008. Please read it in conjunction with the transmittal letter at the front of this report and the Port's financial statements, which follow this section.

The Port uses enterprise fund accounting and the financial statements are prepared on an accrual basis using the economic resources measurement focus in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. Revenues are recognized when services are rendered, as opposed to when cash is received, and expenses are recognized when incurred, not when the liability is paid. Capital assets are depreciated over their useful lives (except land and intangible assets). See the notes to the financial statements for a description of the Port's significant accounting policies.

The following is a condensed summary of the Port's net assets as of June 30, 2009, 2008, and 2007:

Changes in Net Assets

(In thousands)

		June 30	
	2009	**2008**	**2007**
Current and other assets	$ 639,444	772,618	652,139
Capital assets	2,850,568	2,758,500	2,726,407
Total assets	3,490,012	3,531,118	3,378,546
Current and Long-term debt outstanding	757,535	781,752	804,815
Other liabilities	302,890	272,323	235,862
Total liabilities	1,060,425	1,054,075	1,040,677
Net assets:			
Invested in capital assets, net of related debt	2,101,396	1,985,653	1,931,037
Restricted	61,608	9	62
Unrestricted	266,583	491,381	406,770
Total net assets	$ 2,429,587	2,477,043	2,337,869

(Continued)

Net assets of the Port decreased $47.5 million to $2.4 billion in fiscal year 2009. Of these net assets, restricted assets made up 2.5% for fiscal year 2009 and negligible in 2008. The remaining net assets were either unrestricted or were invested in capital assets such as land, facilities, infrastructure, equipment, and the like, net of related debt. These assets are under the management of the Port and must be used for the operation and maintenance of Port facilities and the acquisition and construction of improvements as provided under the State of California Tidelands Trust Act.

Current and other assets of the Port decreased 17.2% to $639.4 million in fiscal year 2009, mainly due to the decrease of cash from lower revenues and interest. In comparison, the increase of 18.5% to $772.6 million in fiscal year 2008 was substantially due to the continued growth of revenues generated from operations.

Current and long-term debt outstanding of the Port decreased 3.1% to $757.5 million in fiscal year 2009 and 2.9% to $781.8 million in fiscal year 2008 due to principal payments.

Other liabilities of the Port increased 11.2% to $302.9 million in fiscal year 2009 and 15.5% to $272.3 million in fiscal year 2008. The Port recorded a $93.4 million Environmental Remediation liability under GASB 49 in fiscal year 2009. Trade payables also increased $13.2 million due to the commencement of new projects during the year which included the Port Police Headquarters, Cabrillo Way Marina, and Harry Bridges Buffer. Liability under securities lending decreased by $73.7 million or 100% upon the suspension of the program by the City in fiscal year 2009.

(Continued)

The following is a condensed summary of the Port's changes in net assets for the years ended June 30, 2009, 2008, and 2007:

Changes in Net Assets

(In thousands)

	Year ended June 30		
	2009	**2008**	**2007**
Net operating revenues	$ 402,224	426,345	417,161
Income from investments in Joint Powers Authorities and other entities	2,980	4,440	4,675
Interest and investment income	18,824	34,863	23,773
Other income and expense, net	(7,625)	(2,536)	11,018
Total revenues	416,403	463,112	456,627
Expenses:			
Operating and administrative expenses	254,143	221,752	163,775
Depreciation	83,413	78,295	88,106
Interest expense on bonds/notes payable	36,979	38,052	50,038
Total expenses	374,535	338,099	301,919
Income before capital contributions and special item	41,868	125,013	154,708
Capital contributions	4,103	14,161	4,145
Special item	—	—	(22,291)
Changes in net assets	45,971	139,174	136,562
Total net assets - beginning of year, as restated - Note 1(b)	2,383,616	2,337,869	2,201,307
Total net assets - end of year	$ 2,429,587	2,477,043	2,337,869

Fiscal Year 2009

Net assets for the Port increased $45.9 million before the GASB 49 pollution remediation obligation adjustment of $93.4 million being charged to net assets. With the adjustment, net assets decreased $47.5 million to $2.4 billion in fiscal year 2009. Approximately 92.4% of total operating revenues were derived from fees for shipping services and leasing of facilities to customers. Since the Port operates as a landlord, operating expenses are principally administrative in nature. Operating and administrative expense increased $32.4 million, or 14.6% over the prior fiscal year. The increase was mainly from the addition of the Clean Truck Program in fiscal year 2009.

Depreciation expense increased $5.1 million to $83.4 million in fiscal year 2009. The increase was primarily due to the net addition of the depreciable assets of $29.3 million in fiscal year 2008. The Port policy is to start deprecation of the new depreciable assets at the beginning of the next fiscal year.

Other income, net of other expense, decreased $5.1 million to negative $7.6 million in fiscal year 2009, from negative $2.5 million related to discontinued projects recorded in the prior year. The decrease was mainly due to the increase of construction in progress work orders being expensed in fiscal year 2009.

Capital contributions of $4.1 million represents funds for capital grants earned in fiscal year 2009 and $14.2 million in fiscal year 2008. The decrease of capital grants earned was due to less capital grant projects commencing in fiscal year 2009.

Income before capital contributions decreased $83.1 million to $41.9 million, a 66.5% decrease over the fiscal year 2008 amount of $125.0 million. This decrease reflects the combined effect of the $46.7 million decrease in total revenues and the $36.4 million increase in total expenses.

Fiscal Year 2008

Net assets for the Port increased $139.2 million in fiscal year 2008. Approximately 90.8% of total revenues were derived from fees for shipping services and leasing of facilities to customers. Operating and administrative expense increased $58.0 million, or 35.4% over the prior fiscal year. The increase is mainly from salaries and benefits due as the Port continues to expand its human resources in fiscal year 2008 primarily in security and construction and maintenance services.

Depreciation expense decreased $9.8 million to $78.3 million in fiscal year 2008. About $3.0 million of the upward adjustment of the depreciation expense recorded in fiscal year 2008 pertains to periods prior to fiscal year 2007. A substantial amount of capital projects put in depreciable capital assets in fiscal year 2007 were actually completed and placed in service before 2007. Catch up in depreciation for these assets increased depreciation expense in fiscal year 2007. LAXT facilities were removed from the capital assets in fiscal year 2007 and further reduced depreciation by $2.0 million in fiscal year 2008.

Other income, net of other expense, decreased $13.6 million to negative $2.5 million in fiscal year 2008, from $11.0 million recorded in the prior year. Delinquent charges for late payments greatly dropped when outstanding LAXT accounts were reversed per settlement agreement with the Port. Also, funds deferred for Todd Shipyard were recognized as other income in fiscal year 2007.

Capital contributions of $14.2 million represent funds for capital grants earned in fiscal year 2008 and $4.1 million in fiscal year 2007. The increase was due to more capital grant projects commencing in fiscal year 2008.

Income before capital contributions decreased $29.7 million to $125.0 million; a 19.2% decrease over fiscal year 2007 amount of $154.7 million. This decrease reflects the combined effect of the $6.5 million increase in total revenues and the $36.2 increase in total expenses.

Operating Revenues

(In thousands)

		Year ended June 30		
		2009	**2008**	**2007**
Shipping services	$	329,347	374,878	375,471
Percentage of total operating revenues		81.9%	87.9%	88.8%
Rentals		42,368	45,524	40,322
Percentage of total operating revenues		10.5%	10.7%	9.6%
Royalties, fees, other operating revenues		30,509	5,943	6,867
Percentage of total operating revenues		7.6%	1.4%	1.6%
Total	$	402,224	426,345	422,660

Fiscal Year 2009

Operating revenues for fiscal year 2009 decreased to $402.2 million, reflecting a 5.7% decline from the prior year revenues of $426.3 million. The decline was principally attributed to the $39.9 million decrease in wharfage revenue, $10 million customer discount accrued by the Port, $4.0 million drop in space assignment revenue, and $2.7 million decrease in land rental income. Offsetting the decreases is $24.8 million Clean Truck Fees that the Port collected beginning February 2009. There were 7.3 million TEUs (20-foot equivalent units) moved in the Port during fiscal year 2009 compared to 8.1 million in fiscal year 2008, or a 10.2% drop from the prior year.

Fiscal Year 2008

Operating revenues for fiscal year 2008 rose to $426.3 million, reflecting a 0.9% increase from prior year revenues of $422.7 million and was principally attributed to the $3.3 million increase in wharfage revenue and the $4.4 million increase in land rental income. The Port moved 8.1 million 20-foot equivalent units (TEUs) in container volume during fiscal year 2008, or a 6.6% drop from the prior year.

Shipping Services

Shipping service revenues consist of several classifications of fees assessed for various activities relating to vessel or cargo movement. Of these fees, wharfage is the most significant and comprised 89.7% and 89.4% of the total shipping service revenues in fiscal years 2009 and 2008, respectively. Wharfage is the fee charged against merchandise for passage over wharf premises, between vessels, onto or from barges.

In fiscal year 2009 revenue from shipping services reduced to $329.3 million, reflecting a decline of $45.5 million, or 12.2%, from fiscal year 2008. The considerable decline in container volumes from container terminals led to lower shipping services income. Revenue from shipping services in fiscal year 2008 diminished to $374.9 million, reflecting a decline of $0.6 million, or 0.2%, from fiscal year 2007. The decline in container volume from container terminals coupled with higher efficiency discounts given to the customers on revenue sharing agreements brought down shipping services income.

The following are summaries of cargo volumes by major classification handled by the Port and container volumes and associated tonnage:

Cargo Type in Metric Revenue Tons

(In thousands)

	Year ended June 30		
	2009	**2008**	**2007**
Container/general cargo	144,344	161,901	171,907
Liquid bulk	11,127	6,208	15,433
Dry bulk	2,023	1,862	2,766
Total	157,494	169,971	190,106

Container Volume in TEUs

(In thousands)

	Year ended June 30		
	2009	**2008**	**2007**
Import TEUs	3,866	4,325	4,628
Export TEUs	3,395	3,758	4,029
Total	7,261	8,083	8,657

Metric revenue tons are the measure used to determine cargo volumes that move through the Port. The figure represents the actual weight of cargo, when the figure is available, or the weight is closely approximated by calculation when cargo weight is not provided. The total metric revenue tons billed in fiscal year 2009 was 157.5 million metric revenue tons, or 7.3% below fiscal year 2008. A total of 170.0 million metric revenue tons were billed in fiscal year 2008, or 10.6% below fiscal year 2007. Decrease in revenue tonnage does not necessarily come with the same effect in revenue dollars. There are other factors such as revenue sharing and other increases that offset the effect of decline in revenue tonnage.

During fiscal year 2009, tonnage from dry bulk increased 5.3% or 0.1 million metric revenue tons over prior fiscal year. Liquid bulk metric revenue tonnage appeared to have drastically increased by 79.2% from prior year. The exceptionally low fiscal year 2008 level was due to the downward one time lump sum adjustment of 7.2 million

(Continued)

revenue tons relating to fiscal years 2005, 2006 and 2007 made in that year. Revenue tonnage for general cargo billed in 2009 went down 10.8% mainly because of the decline in the equivalent revenue tonnage from the container cargoes.

During fiscal year 2008, tonnage from dry bulk decreased 32.7%, or 0.9 million metric revenue tons, due principally to decreases in scrap metal exports and bulk cement imports. Petroleum, or mainly bulk oil, decreased 59.8%, or 9.2 million metric revenue tons. About 7.2 million revenue tons relating to fiscal years 2007, 2006 and 2005 wharfage statistics were adjusted in fiscal year 2008, hence, the drastic drop in petroleum for that year. Tonnage for general cargo billed in fiscal year 2008 was down 10.0 million metric revenue tons compared to the prior year. This represents the drop in equivalent revenue tons of container volume.

Additional information for volume by cargo type is presented in the supplementary information section of this report in the schedule titled "Key Information on Revenue Statistics."

Rentals

The Port makes available to customers various types of rental properties on Port-controlled lands. These properties include land, buildings, warehouses, wharves, and sheds. Rates are set for these properties using various methodologies and are broken into two general classifications, waterfront and backland. Independent appraisals are performed periodically to establish benchmark rates for these broad land classifications. 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 through negotiations and will further take into account the condition, location, utility, and other aspects of the property. In all cases, the Port currently seeks to achieve the 12% rate of return on improvements and 10% of land that has been set by Board policy.

Rental income in fiscal year 2009 was $42.4 million, $3.2 million below 2008 and represented 10.5% of the total operating revenues. Land rental income, which comprises the large portion of this income, went down by $2.7 million. Due to the decline in overall container volumes, Union Pacific Railroad Company, operator of the Intermodal Container Transfer Facility (ICTF), moved fewer boxes during this fiscal year. Their remittance from their gross sales decreased $1.6 million. ExxonMobil was billed additional $3.1 million in the prior year when their permit was reset. This retroactive adjustment increased their land rental payments last year and made the current year's income appear lower.

During fiscal year 2008, rental income at the Port increased $5.2 million, or 12.9%, over last year and represented 10.7% of fiscal year 2008 total operating revenues. The growth is the result of the second year increase in land rental rates of the majority of the leases effective September 2007, as a result of the periodic review by the Port.

Royalties, Fees, and Other Operating Revenue

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

Revenues from royalties, fees, and other operating revenues in 2009 was $30.5 million, 7.6% of the total revenue.

In February 2009, the Port started collecting fees relative to the Clean Truck Program. The total amount earned was $24.8 million as of June 30, 2009.

Revenues in this category totaled $5.9 million for fiscal year 2008, a decrease of $0.9 million or 13.5% behind the prior fiscal period. The catch up on prior years' reimbursable costs of maintenance jobs performed by the Port has diminished in fiscal year 2008.

Operating and Administrative Expenses

In fiscal year 2009, operating and administrative expenses increased $32.4 million to $254.1 million, a 14.6% increase from prior fiscal year expense of $221.8 million. The addition of Clean Truck Program Expense of $54.0 million and increase of $3.9 million in salaries and benefits were partially offset by the decreases in other categories of expenses.

In fiscal year 2008, operating and administrative expenses increased $58.0 million to $221.8 million, a 35.4% increase from fiscal year 2007 expense of $163.8 million.

Operating and Administrative Expenses (O&A)

(In thousands)

		Year ended June 30		
		2009	**2008**	**2007**
Salaries and benefits	$	99,350	95,444	74,313
Percentage of total O&A		39.1%	43.0%	45.4%
Marketing and public relations		3,676	5,274	4,521
Percentage of total O&A		1.5%	2.4%	2.8%
Travel and entertainment		635	1,128	604
Percentage of total O&A		0.2%	0.5%	0.4%
Outside services		29,498	37,937	33,277
Percentage of total O&A		11.6%	17.1%	20.3%
Materials and supplies		8,121	8,950	5,813
Percentage of total O&A		3.2%	4.1%	3.5%
City services		28,704	27,101	28,640
Percentage of total O&A		11.3%	12.2%	17.5%
Other operating expenses		84,159	45,918	16,607
Percentage of total O&A		33.1%	20.7%	10.1%
Total O&A	$	254,143	221,752	163,775

(Continued)

Fiscal Year 2009

Salaries and benefits expense increased $3.9 million to $99.4 million, or 4.1% over the prior fiscal year of $95.4 million. Regular salaries climbed by $7.8 million or 15.5% due to increase in Port workforce mainly in Port Police and Construction and Maintenance. Offsetting this increase were decreases in overtime and benefits. Cost of overtime dropped by $1.7 million or 23.1% from prior year due to tighter control in overtime usage. Employee benefits decreased $2.6 million or 6.8% over prior year. Offsetting this decrease was the $4.6 million increase in employee benefits that was due to the increase of headcount in current year.

Outside services decreased $8.4 million to $29.5 million or 22.2% lower than prior year of $37.9 million due to $2 million decrease in facility maintenance, $4.8 million in professional services, $2.5 million in financial and legal services and $0.2 million in data processing services. Offsetting the decreases was the $1.1 million increase in office equipment maintenance.

City services, net of capitalized amount increased $1.6 million to $28.7 million or 5.9% higher over previous year of $27.1 million. The increase was primarily due to $3.4 million in cost of living allowance and cost allocation plan (CAP) rate increases, which were partially offset by an increase in capital allocations by $1.8 million.

Other operating expenses for fiscal year 2009 increased $38.2 million to $84.2 million or 83.3% over prior year of $45.9 million due to the increases in subsidy payments for the Clean Truck Program (CTP) of $41.5 million, subsidy payments for the Clean Air Action Program of $3.2 million and utilities of $1.0 million. Offsetting these increases was the $6.2 million decrease in litigation and settlement expenses and $1.2 million in miscellaneous expenses.

Fiscal Year 2008

Salaries and benefits expense rose $21.1 million, or 28.4% over the prior fiscal year. The increase is the result of scheduled employee pay increases, a $1.1 million retro pay adjustment, a $2.0 million upward adjustment in benefit expense, a $5.2 million one-time payment of City Fire & Police pension for the transfer of Port Police pension from LACERS to LAFPP, and the continued expansion of the Port workforce mainly in Port Police and Construction & Maintenance in fiscal year 2008.

The $4.7 million increase in outside services reflects the combined outcome of the drop of $2.2 million in Port security-related expenditures, $0.8 million decrease in capital construction services, $2.1 million increase in environmental assessment cost (net of capitalized amount), $2.6 million increase in Public and Community Relations expenditures for its community outreach programs, $1.8 million increase in maintenance services, a collective increase of $1.5 million in data processing and financial and legal services.

Materials and supplies grew $3.1 million over the prior fiscal year due to $2.2 million surge in acquisitions of parts and materials made by Construction & Maintenance and the $0.9 million increase in administrative and operating supplies.

City services, net of capitalized amount, decreased $1.5 million during the comparative fiscal years. The decrease reflects the higher capitalized amount of $1.0 million in fiscal year 2008 because higher salary expenses were capitalized.

Other operating expenses for fiscal year 2008 increased $29.3 million over prior year due to $7.2 million in incentive payments for the Clean Truck Program (CTP), a $0.5 million increase in provision for workers' compensation claims, and a $20.7 million increase in litigation and settlement expenses. The net increase of $20.7 million in litigation and settlement expenses over prior year reflects the $17.0 million settlement by the Port for the Westway Oil Terminal, a $1.2 million increase in China Shipping mitigation fund resulting from exceeding the TEU cap, and reduction in litigation reserve of $3.3 million for the settlement received by the Port from Santa Monica Baykeeper in fiscal year 2007.

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Non-operating Income and Expense

Fiscal Year 2009

Net non-operating expenses for fiscal year 2009 increased $21.5 million from the prior year to $22.8 million.

Interest and investment income decreased $16.0 million to $18.8 million for fiscal year 2009. The decrease included an $8.4 million decrease in interest income from Harbor Revenue Fund and restricted funds. It was mainly due to the lower average yields of 3.9% in fiscal year 2009 from 5.1% in fiscal year 2008.

Interest expense showed a decrease of $1.1 million to $37.0 million from prior fiscal year.

Other income, net of other expense, decreased $5.1 million to negative $7.6 million in fiscal year 2009, from negative $2.5 million in prior year. Other income decreased $0.3 million from $2.2 million to $1.9 million. Other Expenses increased $4.8 million from $4.8 million to $9.6 million. Federal operating grants earned in fiscal year 2008 were $0.9 million less than the grants earned last year. The decrease was offset by the increase in delinquency penalties collected in fiscal year 2009. Abandoned projects charged to expense increased $6.2 million and were partially offset by the decrease of $0.7 million in loss on sale of assets in fiscal year 2009.

Fiscal Year 2008

Net non-operating expense for fiscal year 2008 decreased $9.3 million from the prior year to $1.3 million.

Interest and investment income increased $11.1 million to $34.9 million for fiscal year 2008. The increase includes a $10.3 million increase in interest income from Harbor Revenue Fund and restricted funds. The average yields as well as the average investable balance were higher this fiscal year than prior year. Unrealized gain from the City of Los Angeles investment pool also went up by $5.6 million over prior year. Offsetting the increase is the $4.1 million interest income recorded in fiscal year 2007 from the refunded 1996 Harbor Revenue Bonds.

Interest expense showed a decrease of $12.0 million to $38.1 million in fiscal year 2008 due to a $13.5 million interest expense recognized in fiscal year 2007 for refunding of 1996 Harbor Revenue Bonds. In addition, Harbor Revenue Bonds principal balances are lower than last fiscal year.

Other income, net of other expense, decreased $13.6 million to negative $2.5 million in fiscal year 2008, from $11.0 million recorded in the prior year. The decrease reflects a $10.9 million decrease in other income and a $2.6 million increase in other expense. Income from delinquent charges for late payments was greatly reduced by $2.6 million, when outstanding LAXT accounts were reversed, per settlement agreement with the Port. Federal operating grants earned in fiscal year 2008 were $5.6 million less than the grants earned last year. A $2.9 million funds deferred for Todd Shipyard were recognized as other income in fiscal year 2007. Fiscal year 2008 also showed a $1.7 million increase in cost of abandoned projects charged to expense as well as a $0.7 million increase in loss on sale of assets.

Long-Term Debt and Capital Assets

Long-Term Debt

The Port's long-term debt is comprised of senior debt in the form of Harbor Revenue Bonds, and subordinated debt in the form of loans. As of June 30, 2009 and 2008, the Port's outstanding long-term debt was $757.5 million and $781.8 million, respectively. For all outstanding bonds, the Port continues to maintain Aa2, AA and AA credit ratings from Moody's, Standard & Poor's and Fitch Ratings.

Bonded Debt

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

Long-term debt consisted of the following as of June 30, 2009, 2008, and 2007 (in thousands):

		2009	2008	2007
Revenue bonds payable	$	754,709	778,481	801,118
Notes payable		2,826	3,271	3,697
Total	$	757,535	781,752	804,815

Capital Assets

Capital assets, net of accumulated depreciation consisted of the following as of June 30, 2009, 2008, and 2007 (in thousands):

		2009	2008	2007
Land	$	1,040,942	1,012,297	991,153
Harbor facilities and equipment, net		1,320,643	1,366,028	1,400,854
Intangible assets		12,800	12,450	11,400
Construction in progress		309,599	239,291	211,329
Preliminary costs – capital projects		166,584	128,434	111,671
Total	$	2,850,568	2,758,500	2,726,407

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Capital expenditures for fiscal year 2009 increased to $175.5 million from $111.0 million in the prior year. Spending was significantly higher in commercial development, environmental studies and credits, port security and terminal development. Approximately 20% of the fiscal year 2009 funds were expended on terminal improvements, 14% on environmental studies and credits, 39% on commercial development and 19% on Port security. The remaining 8% was primarily used for dredging, infrastructure improvements, and transportation improvements.

Major Capital Expenditure – Facilities and Infrastructure

(In thousands)

		Year ended June 30		
		2009	**2008**	**2007**
Commercial development	$	67,838	27,981	13,147
Dredging		1,369	2,252	26,690
Environmental studies and credits		24,512	4,345	9,598
Infrastructure improvements		3,923	2,102	4,452
Port security		33,680	17,663	8,819
Terminal development		35,429	28,957	36,232
Transportation improvements		8,725	1,274	2,762
Others		—	26,443	6,546
Total	$	175,476	111,017	108,246

Budgeted expenditures for the Port's fiscal year 2010 Capital Improvement Program has increased from the previous fiscal year. The more significant fiscal year 2010 expenditures will include the Cabrillo Marina Development, Harry Bridges Boulevard Buffer, Port Security projects, AMP and Solar Power projects, TraPac Development, and the B. 100-102 China Shipping Container Terminal Development.

The West Basin project at Berth 100-102 includes the development of approximately 142 acres of backland terminal, construction of 2,500 feet of wharf, two building, and two new access bridges. Phase I of China Shipping Terminal was completed in January 2004. Phase II of China Shipping is proposed, which includes a 925-foot Berth 102 wharf, 35 acres of backland on the Southwest Slip Fill, construction of a Marine Building and Crane Maintenance Building, AMP, and Access Bridge No. 2. Phase II is scheduled to start construction in November 2009. Phase III consists of a 375-foot Berth 100 South wharf extension, AMP, and an additional 24 acres of container yard. Project completion is expected in March 2015.

Construction has begun on the Berth 131-148 (TraPac) terminal expansion program which will redevelop 110 acres of existing container terminal and develop an additional 50+/- acre of container terminal. Improvements include the construction of 705 feet of new wharf and upgrade of 1,022 feet of existing wharf, five new cranes (purchased by TraPac), 100 foot gauge crane rail, alternative maritime power (AMP), dredging to -53 ft., new buildings (including administration building, yard operations, crane maintenance/marine building, longshore toilet, and driver service buildings), new main gate, ICTF, and general container yard and infrastructure improvements. The estimated program completion date is August 2015.

The Port Police Headquarters Project consists of the design and construction of a new 51,000-square-foot three-story Port police station at 320 S. Center Street with subterranean parking and an adjacent two-level parking structure. The expected construction completion of the project is May 2011.

The Homeland Security Program consists of five projects: a waterside security surveillance system, facility security enhancements, passenger complex vehicle screening, passenger complex perimeter security, and a waterborne perimeter security barrier. For these projects, the Port is responsible for the design and installation of integrated surveillance systems including cameras, motion detectors, nonintrusive inspection for vehicles, and waterborne perimeter security barriers. Estimated project completion is August 2010.

The Los Angeles Waterfront is envisioned as a catalyst to provide public access waterfront and includes specific development projects and associated infrastructure improvements. The plan has five major programs: 1) Gateway 2) Enhancements 3) Waterfront 4) Cabrillo Way Marina and 5) Cruise Terminal.

The Waterfront Gateway Program includes approximately 2.5 miles of pedestrian promenade, multi-use parkway, and open space including lighting, signage, landscaping, irrigation, and landscaping. In addition, the program includes water features at the Gateway Plaza and 2nd Street, and automatic restrooms. Program completion is expected by summer 2010.

The San Pedro Waterfront Enhancements Program will improve existing, and construct new, pedestrian walks and plazas, create green open spaces, provide additional vehicular parking, construct Angel's Walk LA stanchions, and new landscaping between the Port and waterfront. Program completion is expected in January 2013.

The San Pedro Waterfront will construct new promenades along the water's edge, water cuts, parks and open space, museum and maintenance facilities for the Red Car, roadway improvement and clean-up and development of the former Westway property at Berth 70-71. Estimated program completion date is undetermined at this time.

The Wilmington Waterfront Development Program is a 95-acre development incorporating landscaping, commercial/retail/restaurant development, cultural/community facilities, and transportation improvements. Projects include the Avalon Triangle Park, Catalina Freight Relocation, Harry Bridges Boulevard Buffer, and Avalon Boulevard Corridor – Phase I & II.

Cabrillo Way Marina Phase II will include new floating docks with boat slips, boater restrooms, shower facilities, public restrooms, boater and public parking lots, trailer boat and dry storage, and hoist launching facilities. Estimated completion date is September 2011.

The Cruise Terminal Program includes a proposed upgrade of the existing cruise terminal facilities at Berth 91-93 which includes a temporary cruise terminal baggage building, 2 AMP projects, waterside and landside improvements, gangways, and solar power. This work is expected for completion in early 2011. A proposed new cruise terminal in the outer harbor at Berth 46-47, and new multi-level/shared use parking structure is unscheduled at this time.

Open purchase orders and uncompleted construction contracts amounted to approximately $514,056,000 as of June 30, 2009.

Factors That May Affect the Port's Operations

In November 2006, the governing boards of the Ports of Los Angeles and Long Beach voted to approve the landmark San Pedro Bay Ports Clean Air Action Plan (CAAP), the most comprehensive plan that addresses emissions from the trucks, oceangoing vessels, trains, terminal equipment and harbor craft that serve the Port. The $2 billion CAAP is expected to reduce Port-related emissions by nearly 50% by 2011.

The major component of this plan is the Clean Truck Program (CTP). This program will replace or retrofit high polluting diesel trucks with ones that meet 2007 EPA emission standards. Revenue from the collection of Clean Truck Fee totaled $24.8 million with expenses of $54.0 million in fiscal year 2009. On January 1, 2010 all 1989-1993 trucks will be banned in addition to 1994-2003 trucks that have not been retrofitted and on January 1, 2012 all trucks that do not meet the 2007 Federal Clean Truck emissions standards will be banned from the Port.

The Vessel Speed Reduction Program (VSRP) provides incentives to vessel operators to reduce vessel speeds from 20 knots or more to 12 knots on approach to and departure from the port.

A $25.7 million economic relief program aimed at helping Port of Los Angeles container terminal operators emerge from the recession was approved by the Los Angeles Harbor Commission on December 10, 2009. The program includes a temporary 6 percent rent reduction for container terminal operators as well as an empty container discount and reduced rates for containerized cargo transferred from one vessel to another within the Port.

Competitive Environment

In the year ended June 30, 2009, 99.4% of the entire U.S. West Coast containerized cargo market was controlled by six major container ports: the ports of Los Angeles, Long Beach, and Oakland in California; the ports of Seattle and Tacoma in Washington State; and the port of Portland in Oregon. The ports of Los Angeles and Long Beach together controlled 72.5% of all U.S. West Coast market share.

(Continued)

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

West Coast Container Market Share*
(In thousands)

	Year ended					
	June 30			June 30		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
	Loaded TEUs (In thousands)			Market share Percentage		
Los Angeles	5,179	5,698	5,705	41.1%	38.6%	39.5%
Long Beach	3,956	4,908	4,743	31.4%	33.2%	32.8%
Oakland	1,313	1,461	1,378	10.4%	9.9%	9.6%
Tacoma	965	1,178	1,135	7.7%	8.0%	7.9%
Seattle	939	1,246	1,218	7.4%	8.4%	8.4%
Portland	176	207	189	1.4%	1.4%	1.3%
All others	75	75	73	0.6%	0.5%	0.5%
Total	12,603	14,773	14,441	100.0%	100.0%	100.0%

mport Export Reporting Service.

Contacting the Port's Financial Management

Questions about this report or requests for additional financial information should be addressed to the Chief Financial Officer, Port of Los Angeles, 425 S. Palos Verdes Street, San Pedro, CA 90731.

BASIC FINANCIAL STATEMENTS

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

Statements of Net Assets

June 30, 2009 and 2008

(In thousands of dollars)

		2009	2008
Assets:			
Current assets:			
Cash and investments, unrestricted (note 2)	$	363,727	488,893
Cash and investments, restricted (note 2)		105,631	158,769
Accounts receivable, less allowance for doubtful accounts of $8,395 and $8,397 in 2009 and 2008, respectively		34,086	38,012
Grants receivable (note 13)		4,308	8,340
Materials and supplies inventories		1,905	2,311
Prepaid and deferred expenses		3,139	3,525
Accrued interest receivable		3,043	5,148
Current portion of notes receivable (note 10)		4,263	4,136
Total current assets		520,102	709,134
Noncurrent restricted assets:			
Restricted investments – bond funds (notes 2 and 19))		61,608	9
Other restricted cash and investments (note 2)		9,701	9,545
Accrued interest receivable		15	61
Total noncurrent restricted assets		71,324	9,615
Capital assets (notes 3 and 8):			
Land		1,040,942	1,012,297
Harbor facilities and equipment, less accumulated depreciation of $1,131,382 and $1,058,157 in 2009 and 2008, respectively		1,320,643	1,366,028
Intangible assets		12,800	12,450
Construction in progress		309,599	239,291
Preliminary costs – capital projects		166,584	128,434
Net capital assets		2,850,568	2,758,500
Notes receivable (note 10)		28,621	32,902
Investment in Joint Powers Authorities (note 4)		11,250	12,255
Other assets		8,147	8,712
Total assets		3,490,012	3,531,118

(Continued)

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

Statements of Net Assets

June 30, 2009 and 2008

(In thousands of dollars)

		2009	2008
Liabilities:			
Current liabilities:			
Accounts payable	$	74,392	61,237
Current installments of notes payable and bond indebtedness (note 5)		25,075	23,655
Accrued interest		15,740	16,251
Accrued employee benefits (note 5)		11,632	10,626
Unearned revenue and other deferred credits (note 5)		1,649	1,865
Liabilities under the City of Los Angeles' securities lending program (note 2)		—	73,692
Accrued construction costs payable		2,976	1,376
Other current liabilities (notes 5, 7 and 17)		86,239	82,004
Total current liabilities		217,703	270,706
Long-term liabilities (note 5):			
Bonds payable, net of deferred amount on refunding and unamortized discount/premium of $10,669 and $11,231 in 2009 and 2008, respectively		730,099	755,271
Notes payable, net of current installments		2,361	2,826
Accrued employee benefits		9,282	7,952
Other liabilities (notes 7 and 17)		91,436	7,857
Liabilities payable from restricted assets – other liabilities		9,544	9,463
Total long-term liabilities		842,722	783,369
Total liabilities		1,060,425	1,054,075
Commitments and contingencies (notes 11, 15, 16, 17 and 18)			
Net assets:			
Invested in capital assets, net of related debt		2,101,396	1,985,653
Restricted, bond reserve funds		61,608	9
Unrestricted		266,583	491,381
Total net assets	$	2,429,587	2,477,043

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

(In thousands of dollars)

		2009	2008
Operating revenues (note 8):			
Shipping services:			
Wharfage	$	295,287	335,172
Dockage		6,234	6,957
Demurrage		227	276
Cranes		1,120	1,944
Pilotage		7,683	7,677
Assignment charges		18,720	22,750
Storage		76	102
Total shipping services		329,347	374,878
Rentals:			
Land		38,875	41,587
Buildings		491	501
Warehouses		1,797	2,169
Wharf and shed revenue		1,205	1,267
Total rentals		42,368	45,524
Royalties, fees, and other operating revenues:			
Fees, concessions, and royalties		3,057	3,701
Clean Truck Program fees		24,787	—
Oil royalties		144	122
Other		2,521	2,120
Total royalties, fees, and other operating revenues		30,509	5,943
Total operating revenues		402,224	426,345
Operating and administrative expenses:			
Salaries and benefits (note 9)		99,350	95,444
Marketing and public relations		3,676	5,274
Travel and entertainment		635	1,128
Outside services		29,498	37,937
Materials and supplies		8,121	8,950
City services, net of capitalized amounts of $11,088 and $8,342 in 2009 and 2008, respectively (note 12)		28,704	27,101
Provision for workers' compensation claims		1,105	1,347
Litigation, claims, and settlement expenses (note 7 and 15)		13,838	19,836
Clean Truck Program expenses		54,003	12,464
Other operating expenses		15,213	12,271
Total operating and administrative expenses		254,143	221,752
Income from operations before depreciation		148,081	204,593
Depreciation (note 3)		83,413	78,295
Operating income		64,668	126,298

(Continued)

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

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2009 and 2008

(In thousands of dollars)

		2009	2008
Nonoperating revenues (expenses):			
Income from investments in Joint Powers Authorities (note 4)	$	2,980	4,440
Interest and investment income		18,824	34,863
Interest expense on bond indebtedness and notes payable (notes 3 and 5)		(36,979)	(38,052)
Other income and expenses, net		(7,625)	(2,536)
Net nonoperating expenses		(22,800)	(1,285)
Income before capital contributions		41,868	125,013
Capital contributions (note 13)		4,103	14,161
Changes in net assets		45,971	139,174
Total net assets – beginning of year, as restated (note 1b)		2,383,616	2,337,869
Total net assets – end of year	$	2,429,587	2,477,043

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(In thousands of dollars)

		2009	2008
Cash flows from operating activities:			
Shipping service fees collected	$	332,992	383,525
Rentals collected		42,362	45,627
Royalties, fees, and other operating revenues collected		30,796	6,072
Payments for employee salaries and benefits, net of capitalized amounts of $14,639 and $12,254 in 2009 and 2008, respectively		(97,015)	(97,592)
Payments for goods and services		(157,349)	(89,903)
Net cash used in other nonoperating income and expenses		(522)	5,169
Net cash provided by operating activities		151,264	252,898
Cash flows from noncapital and related financing activities:			
Proceeds from non-capital grants		1,050	1,990
Net cash provided by noncapital and related financing		1,050	1,990
Cash flows from capital and related financing activities:			
Payments for property acquisitions and construction		(171,335)	(124,720)
Proceeds from sales of capital assets		8	168
Proceeds from capital grant		8,134	7,353
Principal repayment, redemption and defeasance – bonds		(23,210)	(22,075)
Principal repayment – notes		(445)	(426)
Payments to bond sinking fund		(61,520)	—
Interest paid		(37,673)	(38,849)
Net cash used in capital and related financing activities		(286,041)	(178,549)
Cash flows from investing activities:			
Receipt of interest		20,975	25,993
Increase (decrease) in liabilities under the City of Los Angeles' securities lending program		(73,692)	4,440
Increase (decrease) in fair value of investments		(14)	7,633
Net payments received on notes receivable		4,154	4,031
Distribution from Joint Powers Authorities		4,000	—
Net cash provided by (used in) investing activities		(44,577)	42,097
Net increase (decrease) in cash and cash equivalents		(178,304)	118,436
Cash and cash equivalents, beginning of year		647,662	529,226
Cash and cash equivalents, end of year	$	469,358	647,662

(Continued)

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

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(In thousands of dollars)

		2009	2008
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	64,668	126,298
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		83,413	78,295
Change in accounts receivable		3,926	8,878
Change in materials and supplies inventories		406	(338)
Change in prepaid and deferred expenses and other assets		951	(2,333)
Change in accounts payable		1,834	23,213
Change in accrued employee benefits		2,336	(2,151)
Change in deferred revenue and other deferred credits and other operating liabilities		(6,270)	21,036
Total adjustments		86,596	126,600
Net cash provided by operating activities	$	151,264	252,898
Noncash investing, capital, and financing activities:			
Acquisition of capital assets with construction costs payable	$	2,976	1,376
Acquisition of capital assets with accounts payable		17,409	6,088
Write-off of discontinued construction projects		8,874	2,726
Capitalized interest expense, net		172	307

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

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

(a) Organization and Reporting Entity

The Port of Los Angeles is an independent, self-supporting department of the City of Los Angeles, California (the City), formed for the purpose of providing shipping, fishing, recreational, and other resources and benefits for the enjoyment of the citizens of Los Angeles and surrounding communities. The Port is under the control of a five-member Board of Harbor Commissioners (appointed by the Mayor and approved by the City Council) and is administered by an Executive Director, subject to the State of California Tidelands Trust Act. The Port is granted control of tidelands, and all monies arising out of the operation of the Port are limited as to use for the operation and maintenance of Port facilities, the acquisition and construction of improvements, and other such trust considerations under the Tidelands Trust and the Charter of the City of Los Angeles. The Port prepares and controls its own financial plan, administers and controls its fiscal activities, and is responsible for all Port construction and operations.

The Port operates as principal landlord for the purpose of assigning or leasing port facilities and land areas. The Port's principal source of revenue is from shipping services under tariffs (dockage and wharfage, etc.), rental of land and facilities, royalties (oil wells), and other fees. Capital construction is financed from operations, bonded debt, and loans secured by future revenues and federal grants. Daily operation of the port facilities and regular maintenance are performed by the Port's permanent work force. Generally, major maintenance and new construction projects are assigned to commercial contractors.

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

In evaluating how to define the Port for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, (GASB Statement No. 14) which the Port adopted effective July 1, 1993. The financial statements include only the financial activities of the Port of Los Angeles and are not intended to present fairly the financial position and results of operations of the City in conformity with GAAP.

The Los Angeles Harbor Improvements Corporation (LAHIC) is a nonprofit public benefit corporation organized under the laws of the state of California for public purposes. LAHIC was formed to assist the Port by constructing, replacing, extending, or improving facilities and services that the Board of Harbor Commissioners deems necessary for the promotion and accommodation of commerce. From time to time, LAHIC has issued long-term indebtedness to finance specific capital facilities improvements on behalf of the Port's tenants. The nature of these financings is such that the long-term indebtedness will be that of the Port tenant and not LAHIC, nor the Port, nor the City. Therefore, for purposes of the accompanying financial statements, the long-term indebtedness of LAHIC and the corresponding lease receivable from the tenant are eliminated.

The board of directors of LAHIC consists of five members. Election of the LAHIC board of directors occurs by vote of the Board of Harbor Commissioners.

Although the tenant reimburses LAHIC for its costs of operations, the Board of Harbor Commissioners is financially responsible for LAHIC's activities. Further, although LAHIC is legally separate from the Port, LAHIC is reported as if it were part of the Port in accordance with the provisions of GASB Statement No. 14, because its sole purpose is to finance and construct facilities and improvements, which directly benefit the Port.

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

(b) Summary of Significant Accounting Policies

Method of Accounting – The Port activities are accounted for as 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 liabilities are incurred without regard to receipt or disbursement of cash. The measurement focus is on determination of changes in net assets, financial position, and cash flows.

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

Materials and Supplies Inventories – Inventories of materials and supplies are stated at average cost on a first-in, first-out basis.

Capital Assets – Capital assets are carried at cost or at appraised fair value at the date received, in the case of properties acquired by donation, and by termination of leases for tenant improvements, less allowance for accumulated depreciation. Capital assets include intangible assets for the Port's radio frequency and emission mitigation credits.

Depreciation – Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets.

Current ranges of useful lives for depreciable assets are as follows:

Wharves and sheds	10 to 15 years
Buildings and facilities	10 to 50 years
Equipment	3 to 20 years

Capitalization – The Port capitalizes all purchases greater than $5,000.

Preliminary Costs of Proposed Capital Projects – Development costs for proposed capital projects that are incurred prior to the finalization of formal construction contracts are capitalized. Upon completion of capital projects, such preliminary costs are transferred to the appropriate property account. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

Indirect Project Costs – The Port capitalizes indirect project costs associated with the acquisition, development, and construction of new capital projects of the Port. In addition to the $11,088,000 and $8,342,000 of capitalized City Services, approximately $6,366,000 and $4,759,000 of other indirect project costs were allocated to construction projects for the years 2009 and 2008, respectively.

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

Interest Costs – The Port capitalized interest paid during development and construction of its capital projects, net of any investment income earned during the temporary investment of project related borrowings. During the years ended June 30, 2009 and 2008, the Port capitalized net interest expense of $172,000 and $307,000, respectively. For 2009, gross interest expense of $184,000 related to Harbor Revenue Bonds 2006D was reduced by $12,000 of interest income. For fiscal year 2008, gross interest expense of $309,000, related to Harbor Revenue Bonds 2006D, were reduced by $2,000 of interest income. The remaining interest was expensed as certain projects financed by the commercial paper and Harbor Revenue Bond 2006D proceeds have been completed.

Pooled Cash and Investments – In order to maximize investment return, the Port pools its available cash with that of the City. The City Treasurer makes investment decisions.

Interest income and realized gains and losses arising from such pooled cash and investments are apportioned to each participating City department/fund based on the relationship of such department/fund's respective daily cash balances to aggregate pooled cash and investments (see note 2). The change in the fair value of pooled investments is allocated to each participating City department/fund based on the aggregate respective cash balances at year-end.

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

Securities Lending – As a participant in the City of Los Angeles Investment Pool, the Port also participates in the City of Los Angeles securities lending program. The investment collateral received by the City together with the corresponding liability created is allocated among the City's participating funds using the same basis as allocation of interest income and realized gains or losses.

Accrued Employee Benefits – The Port records all accrued employee benefits, including accumulated vacation and sick pay, as a liability in the period the benefits are earned. Accrued employee benefits are treated as a liability for financial statement presentation.

Operating Leases – A substantial portion of the Port lands and facilities is leased to others. The majority of these leases provide for cancellation on a 30-day notice by either party and for retention of ownership by the Port or restoration of the property at the expiration of the agreement; accordingly, no leases are considered capital leases for purposes of financial reporting (see note 8).

Statements of Cash Flows – For purposes of the statements of cash flows, the Port considers all cash and investments pooled with the City, plus any other cash deposits or investments with initial maturities of three months or less, to be cash and cash equivalents.

Pension and OPEB Plans – All full-time employees of the Port are eligible to participate in the City Employees' Retirement System of the City (the System), a plan available to substantially all City full-time employees. Also, starting FY 2007, all full-time Port Police Officers are eligible to participate in the Los Angeles Fire and Police Pension System (LAFPP), a defined benefit single-employer pension plan available to all full-time active sworn firefighters and police officers (except

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Airport Police) of the City of Los Angeles. The Port's policy is to fund its entire share of the System and LAFPP pensions and the respective other postemployment benefit (OPEB) costs billed by the City. The costs to be funded are determined annually as of July 1 by the System's actuary and are incorporated into the payroll burden rate to reimburse the City for the Port's pro rata share of contributions made (see note 9).

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

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

- *Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

Operating Revenues and Expenses – Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Port. Operating revenues consist primarily of charges for services and rentals of properties. Non-operating revenues and expenses consist of those revenues and expenses that relate to financing and investing activities and result from ancillary activities.

Effects of Recent Governmental Accounting Standards Board (GASB) Pronouncements –

The following GASB Statement has been implemented in current fiscal year 2009:

In December 2006, GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations."* This statement requires state and local governments to provide the public with better information about the financial impact of environmental cleanup and identifies the circumstances under which a government entity would be required to report a liability related to pollution remediation and how to measure that liability. The statement also requires governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. GASB Statement No. 49 became effective for financial statements for periods beginning after December 15, 2007, but liabilities will be measured at the beginning of that period so that beginning net assets can be restated.

Effective FY 2009 pollution remediation costs are being charged in accordance with the provisions of GASB Statement No. 49. Pollution remediation obligations occur when any one of the following obligating events takes place:

1. An imminent threat to public health due to pollution exists;
2. The Port is in violation of a pollution prevention-related permit or license;
3. The Port is named by a regulator as a responsible or potentially responsible party to participate in remediation;
4. The Port is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities; or
5. The Port voluntarily commences or legally obligates itself to commence remediation efforts.

The Port implemented GASB Statement No. 49 in FY 2009. The Port has identified obligating events under GASB Statement No. 49 and the estimated remediation liability totaled $93,427,000 as of June 30, 2008. These are mostly soil and ground water contamination on sites within the Port premises. As sites formally used for industrial purposes, there would always be legacy contamination or environment impairment associated with the parcel. However, environmental risks can be managed and the presence of contamination on the parcel does not necessarily mean that an extensive clean up is required. For this reason the Port adopts the “Managed Environmental Risk” approach in estimating the remediation liability. The Port uses a combination of in-house specialists as well as outside consultants to perform such estimates. These are current best estimates of potential liability. Certain remediation project contracts are included in the site development contracts as defined final uses for the sites have been identified.

Since all of these obligating events existed in prior years, the Port has recorded the full liability amount by charging it to prior year earnings. FY 2009 beginning Net Assets were restated to reflect this charge. The Port does not have objective and verifiable information to apply the provisions of GASB Statement No. 49 to periods prior to FY 2009.

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	Fiscal Year 2009
Beginning Net Assets	$ 2,477,043
Pollution Remediation Expense	(93,427)
Beginning Net Assets, restated	$ 2,383,616

Use of Estimates – The preparation of financial statements in conformity with U.S. 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 the amounts reported in 2008 in order to conform to the 2009 presentation. Such reclassifications had no effect on previously reported change in net assets.

(2) Cash and Investments

(a) Cash and Pooled Investments

The cash balances of substantially all funds on deposit in the City Treasury are pooled and invested by the City Treasurer for the purpose of maximizing interest earnings through pooled investment activities but safety and liquidity still take precedence over return. Interest earned on pooled investments is allocated to the participating funds based on each fund's average daily deposit balance during the allocation period with all remaining interest allocated to the General Fund. Investments in the City Treasury are stated at fair value based on quoted market prices except for money market investments that have remaining maturities of one year or less at time of purchase, which are reported at amortized cost.

Pursuant to California Government Code Section 53607 and the Los Angeles City Council File No. 94-2160, the City Treasury provides an Annual Statement of Investment Policy (the Policy) to the City Council. The policy governs the City's pooled investment practices. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted by California Government Code Sections 53600-53636 and 16429.1.

The Investment Advisory Committee (IAC) reviews investment performance and strategy. The IAC is composed of the City Treasurer as chairperson, the Office of the Mayor, City Controller, Chief Legislative Analyst, City Administrative Officer, Director of Office of Finance, and an external investment advisor.

The City Treasurer manages the General and Special Investment Pools. Refer to the City's basic financial statements included in its comprehensive annual financial report for complete disclosures related to the City's General and Special Investment pools.

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

		2009	2008
Cash in bank and certificates of deposit	$	374	2,415
Investments		61,608	9
Equity in the City of Los Angeles Investment Pool		478,685	654,792
Total cash and investments	$	540,667	657,216

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

		2009	2008
Unrestricted cash and investments:	$	363,727	488,893
Restricted cash and investments:			
Current:			
Emergency Fund		37,122	96,839
China Shipping Mitigation Fund		48,547	51,539
Community Aesthetics Mitigation Fund for Parks		3,448	3,490
Community Mitigation Trust Fund - Trapac		11,421	-
Clean Trucks Program-Truck Fees Fund		4,551	-
U.S. Customs House, Terminal Island		-	6,349
Other		542	552
Sub-total- Current		105,631	158,769
Noncurrent:			
Harbor Revenue Bond Funds		61,608	9
Customer Security Deposits		3,199	3,206
Batiquitos Long-Term Investment Fund		5,947	5,796
Harbor Restoration Fund		555	543
Sub-total - Noncurrent		71,309	9,554
Total restricted cash and investments		176,940	168,323
Total cash and investments	$	540,667	657,216

(b) Deposits – Custodial Credit Risk

The Port has cash deposits and certificates of deposit with several major financial institutions amounting to $374,000 and $2,415,000 at June 30, 2009 and 2008, respectively, with corresponding bank balances of $183,000 and $167,000, respectively. The deposits are entirely covered by federal depository insurance or are collateralized by securities held by the financial institutions in the Port's name in conformance with the State Government Code.

(c) Investments Authorized by the City's Investment Policy

General Pool Investments

The table below identifies the investment types that are authorized for the Port by the City's investment policy for its General Investment Pool, which conforms to the State Government Code. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk. The City's investment policy is the same for 2009 and 2008.

	Maximum maturities	Maximum concentration
U.S. Treasury and Federal Agency Securities	5 years	100
Bonds issued by local agencies	5 years	100
Registered State Warrants and Municipal Notes	5 years	100
Bankers' Acceptances	180 days	40
Commercial Paper	270 days	40
Negotiable certificates of deposit or time deposits	180 days	30
Yankee certificates of deposit	180 days	30
CRA Certificates of Deposit or Time Deposits	180 days	30
Repurchase Agreements	32 days	15
Reverse Repurchase Agreements	92 days	5*
Medium Term Corporate Notes	5 years	30
Shares of a Money Market Mutual Fund	N/A	20
Securities Lending Program	N/A	20
Asset Backed Securities	5 years	20**
Collateralized Mortgage Obligations	5 years	20**
Local Agency Investment Fund (LAIF)		(per state limit)***

* The total of reverse repurchase agreements and the securities subject to a securities lending agreement may not exceed 20% of the total portfolio.
** Combined total for mortgage-backed and asset-backed securities
*** Current account limit is $40 million.

Credit Risk: The City's pooled investment policy requires that for all classes of investments, except linked banking program certificates of deposits, the issuers' minimum credit ratings shall be by Standard and Poor's Corporation (S&P) A-1/A or Moody's Investor Services (Moody's) P-1/A2 and, if available Fitch IBCA F1/A. In addition, domestic banks are limited to those with a current Fitch Ratings BankWatch of "B/C" or better and an A-1 short-term rating.

Special Investment Pool Investments

The Port has three restricted funds that are invested in the City's Special Investment Pool. These are Emergency Fund 751, Restoration Fund 70L, and Batiquitos Long-term Investment Fund 72W. Investments in the Special Investment Pool are managed in accordance with the pool's policy. If none exists, the pool's policy will be deemed to be the California State Government Code Sections 53600-53636 et seq. Funds in the three restricted funds were solely invested in government agency securities with maturities of 182 days or less per Harbor department instruction, thus the lower rate of return.

The Port has $478,685,000 and $654,792,000 invested in the City's General Pool and three Special Investment Programs, which represent approximately 8.5% and 8.9% of the City Treasury's General and Special Investment Pools at June 30, 2009 and 2008, respectively. Refer to the City's basic financial statements for complete disclosures of the investments in the pools and related interest rate risk, credit risk, and concentration of credit risk for the City's General and Special Investment Pools.

(d) City of Los Angeles Securities Lending Program

The Securities Lending Program (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, with oversight responsibility of the Investment Advisory Committee.

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 two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the General Investment Pool (the Pool) shall be available for lending. The City receives cash as collateral on loaned securities, which is reinvested in securities permitted under the Policy.

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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 shall have a maximum life of 90 days. Earnings from securities lending shall accrue to the Pool and shall be allocated on a pro-rata basis to all Pool participants.

The Port participates in the City of Los Angeles securities lending program. Under this program, the City lends investment securities to broker-dealers for collateral that will be returned for the same securities in the future. These activities are governed by a contractual agreement with the City's bank limiting the nature and amount of transactions subject to full collateralization. Collateral securities are initially pledged at 102.0% of the fair value of the securities lent, and additional collateral has to be provided by the next business day if its value falls to less than 101.5% of the fair value of the securities lent. Under the City's program, no more than 20.0% of the par value of the City's General Investment Pool shall be available for lending. 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. Net revenues earned by the City on its securities lending program totaled $688,000 and $3,918,000 for the years ended June 30, 2009 and 2008, respectively.

Due to the extreme volatility in the financial markets over the past twelve months resulting from the worst global financial crisis, and counterparty risks, the City temporarily suspended its SLP in November 2008. The City, however, continues to monitor the financial markets and will re-enter the SLP market when deemed appropriate. The Port's share of cash collateral received and corresponding liability aggregated approximately $0 and $73,692,000 at June 30, 2009 and 2008, respectively.

(e) Other Investments

As a result of the recent credit downgrades for the bond insurance companies, the Port cash funded its debt service reserve funds. The reserve funds increased from $9,000 at June 30, 2008 to $61,608,000 at June 30, 2009. The majority of the debt reserve funds were invested at First American Government Obligations Fund. Approximately $10 million, or 16.1%, were invested in Fidelity Treasury. With an objective of seeking maximum current income to the extent consistent with preservation of capital and maintenance of liquidity, these investments are made through the bond fund trustee bank and they may be invested, as specified in the indenture of trust, with a portfolio consisting of: (1) U.S. dollar denominated deposit account, certificates of deposit, federal funds and banker's acceptances with domestic commercial banks, which have a rating on their short term certificates of deposit on the date of purchase of the highest rating by Fitch, if Fitch rates such instruments, "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase; (2) commercial paper which is rated at the time of purchase in the single highest classification, by Fitch, if Fitch rates such instruments, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (3) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P and "Aaa" by Moody's; and (4)

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pre-refunded municipal obligations defined as any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of any such state; (5) investment agreements approved in writing by each Insurer with a provider whose long-term unsecured debt is rated in not lower than the second highest rating category of at least two of the rating agencies and which will not adversely affect Fitch, Moody's or S&P's underlying rating on the Bonds; (6) municipal obligations rated Aaa/AAA or general obligations of states rated in not lower than the second highest rating category of at least two of the rating agencies; and, (7) other forms of investments (including repurchase agreements) approved in writing by each Insurer and which will not adversely affect Fitch, Moody's or S&P's underlying rating on the Bonds.

As of June 30, 2009, these money market funds were rated “Aaa” by Moody’s and “AAAm” by S&P.

(3) Capital Assets

The Port's capital assets consist of the following activity for the years ended June 30, 2009 and 2008 (in thousands):

	July 1, 2008	Increases	Decreases	June 30, 2009
Capital assets not being depreciated:				
Land	$ 1,012,297	28,645	-	1,040,942
Construction in progress	239,291	113,737	(43,429)	309,599
Preliminary costs – capital projects	128,434	52,718	(14,568)	166,584
Intangible asset - radio frequency/ mitigation credits	12,450	350	-	12,800
Total capital assets not being depreciated	1,392,472	195,450	(57,997)	1,529,925
Capital assets being depreciated/amortized:				
Wharves and sheds	660,308	25,122	-	685,430
Buildings/facilities	1,689,553	3,378	-	1,692,931
Equipment	74,324	9,613	(10,273)	73,664
Total capital assets being depreciated/amortized	2,424,185	38,113	(10,273)	2,452,025
Less accumulated depreciation/ amortization for:				
Wharves and sheds	(284,190)	(18,274)	-	(302,464)
Buildings/facilities	(731,832)	(58,893)	-	(790,725)
Equipment	(42,135)	(6,246)	10,188	(38,193)
Subtotal	(1,058,157)	(83,413)	10,188	(1,131,382)
Total capital assets being depreciated/amortized, net	1,366,028	(45,300)	(85)	1,320,643
Total capital assets, net	$ 2,758,500	150,150	(58,082)	2,850,568

	July 1, 2007	Increases	Decreases	June 30, 2008
Capital assets not being depreciated:				
Land	$ 991,153	21,144	-	1,012,297
Construction in progress	211,329	85,895	(57,933)	239,291
Preliminary costs – capital projects	111,671	17,936	(1,173)	128,434
Intangible asset - radio frequency/ mitigation credits	11,400	1,050	-	12,450
Total capital assets not being depreciated	1,325,553	126,025	(59,106)	1,392,472
Capital assets being depreciated/ amortized:				
Wharves and sheds	661,963	4,932	(6,587)	660,308
Buildings/facilities	1,669,330	33,712	(13,489)	1,689,553
Equipment	63,549	12,136	(1,361)	74,324
Total capital assets being depreciated/amortized	2,394,842	50,780	(21,437)	2,424,185
Less accumulated depreciation/ amortization for:				
Wharves and sheds	(265,915)	(18,275)	-	(284,190)
Buildings/facilities	(689,588)	(54,959)	12,715	(731,832)
Equipment	(38,485)	(5,061)	1,411	(42,135)
Total accumulated depreciation	(993,988)	(78,295)	14,126	(1,058,157)
Total capital assets being depreciated/ amortized, net	1,400,854	(27,515)	(7,311)	1,366,028
Total capital assets, net	$ 2,726,407	98,510	(66,417)	2,758,500

Net interest expense of $172,000 and $307,000 were capitalized for 2009 and 2008, respectively.

(4) Investment in Joint Powers Authorities and Other Entities

The Port has entered into two joint exercise of powers agreements and a shareholders' agreement as follows:

(a) Intermodal Container Transfer Facility Joint Powers Authority

The Port and the Harbor Department of the City of Long Beach, California (Port of Long Beach) entered into a joint exercise of powers agreement to form the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) for the purpose of financing and constructing a facility to transfer cargo containers between trucks and railroad cars. The Port contributed $2,500,000 to the ICTF as part of the agreement. The facility, which began operations in December 1986, was developed by Southern Pacific Transportation Company (SPTC, subsequently a wholly owned subsidiary of Union Pacific Corporation), which operates the facility under a long-term lease agreement. The Port appoints two members of the ICTF's five-member governing board and accounts for its investment using the equity method. Both the Port of Los Angeles and the Port of Long Beach share income and equity distributions equally.

Pursuant to an indenture of trust dated November 1, 1984, the ICTF issued $53,915,000 in bonds (1984 Bonds) on behalf of the SPTC to construct the facility. In 1989, the ICTF issued $52,315,000 in refunding bonds (1989 Bonds) on behalf of the SPTC to advance refund all of the 1984 Bonds. In 1999, the ICTF, on behalf of the SPTC, again issued $42,915,000 of refunding bonds (1999 Bonds) to advance refund all of the 1989 Bonds. The 1999 Bonds are payable solely from payments by the SPTC under the lease agreement for use of the facility. The nature of the bonds is such that the indebtedness is that of the SPTC and not of the ICTF, nor the Port of Los Angeles, nor the Port of Long Beach.

The ICTF's operations are financed from lease revenues by ICTF activities. The ICTF is empowered to perform those actions necessary for the development of its facilities and related facilities, including acquiring, constructing, leasing, and selling any of its property. The Port's share of the ICTF's share of net assets at June 30, 2009 and 2008 is $11,250,000 and $12,255,000, respectively.

Separate financial statements for ICTF may be obtained from the Executive Director, Port of Long Beach, 925 Harbor Plaza, Long Beach, California 90802.

(b) Alameda Corridor Transportation Authority

In August 1989, the Port and the Port of Long Beach entered into a joint exercise of powers agreement and formed the Alameda Corridor Transportation Authority (ACTA) for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports of Los Angeles and Long Beach in San Pedro Bay linking the two ports to the central Los Angeles area. The Port of Los Angeles and the Port of Long Beach share income and equity distributions equally.

During fiscal year 1995, the Port and the Port of Long Beach purchased railroad rights-of-way and other assets totaling approximately $370 million along the proposed corridor route.

At June 30, 1998, the Port had advanced a total of $13,334,000 to the ACTA to fund its share of planning and other costs incurred to date. During fiscal year 1999, the ACTA reimbursed the Port for all amounts advanced plus approximately $3.2 million of interest on such advances out of debt or grant financing proceeds. In addition, the ACTA reimbursed the Port for approximately $81.7 million of capital assets directly related to the ACTA's mission, which the Port had previously included in construction in progress. Of the capital assets transferred, approximately $22.2 million had been funded by capital grants, which the Port had previously included in contributions/land valuation equity. The Port has no share of the ACTA's net assets and income at June 30, 2009 and 2008 and, accordingly, they have not been recorded in the accompanying financial statements.

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

(c) ***Los Angeles Export Terminal, Inc.***

On April 12, 1993, the Port entered into a shareholders' agreement, which formed the LAXT for the purpose of financing, constructing, and managing a dry bulk handling facility for the export of coal, petroleum coke, and related products on land leased by permit from the Port.

The Port has contributed $19,000,000 to LAXT as part of the agreement. Such contribution represents a 13.2% share of the total committed capital of $143,174,000. This capital was raised from the shareholders through a purchase of stock in LAXT. The Port had the right to nominate two directors to a 19-member board of directors. As of June 30, 1998, the terminal began operating under a long-term lease agreement with a terminal manager/operator.

In June 2003, LAXT loaded the last coal vessel, thereby ceasing the coal operations at the facility. As a result of a Settlement Agreement, Mutual Release and Compromise, and Permit Termination Agreement, the Port, in March 2007, wrote off its $19,000,000 investment, or 100% of its share of equity participation in the LAXT (see note 14).

(5) Long-Term Liabilities

Long-term debt consists of the following at June 30, 2009 and 2008 (in thousands):

Parity Bonds	Call Provisions	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Principal Due Within One Year
Harbor Revenue bonds, Issue 2001, Series A	8/1/2011 @ 100%	5.00 %	2026	$ 36,180	$ 36,180	$ -	$ -	$ 36,180	$ -
Harbor Revenue bonds, Issue 2001, Series B	8/1/2011 @ 100%	5.25 -5.50	2023	64,925	64,925	-	-	64,925	-
Harbor Revenue bonds, Issue 2002, Series A	8/1/2012 @ 100%	5.50	2016	63,520	45,995	-	5,000	40,995	5,275
Harbor Revenue bonds, Issue 2005, Series A	8/1/2015 @ 102%	3.25 -5.00	2027	29,930	29,930	-	-	29,930	-
Harbor Revenue bonds, Issue 2005, Series B	8/1/2015 @ 102%	3.00 -5.00	2027	30,110	30,110	-	125	29,985	850
Harbor Revenue bonds, Issue 2005, Series C-1	8/1/2015 @ 102%	3.50 -5.00	2018	43,730	38,685	-	4,145	34,540	1,540
Harbor Revenue bonds, Issue 2006, Series A	8/1/2016 @ 102%	5.00	2027	200,710	189,400	-	7,545	181,855	8,515
Harbor Revenue bonds, Issue 2006, Series B	8/1/2016 @ 102%	5.00	2027	209,815	205,825	-	4,430	201,395	5,975
Harbor Revenue bonds, Issue 2006, Series C	8/1/2016 @ 102%	5.00	2026	16,545	16,545	-	235	16,310	635
Harbor Revenue bonds, Issue 2006, Series D	8/1/2016 @ 102%	4.50 -5.00	2037	111,300	109,655	-	1,730	107,925	1,820
Total Parity Bonds				**$ 806,765**	**$ 767,250**	**$ -**	**$ 23,210**	**$ 744,040**	**$ 24,610**
Dept. of Boating and Waterways (DBW) Loans									
C#82-21-148		4.50 %	2014	$ 4,000	$ 1,547	$ -	$ 230	$ 1,317	$ 240
C#83-21-147		4.50	2015	4,000	1,724	-	215	1,509	225
Total Loan				**$ 8,000**	**$ 3,271**	**$ -**	**$ 445**	**$ 2,826**	**$ 465**
Unamortized bond (discount) premium					$ 26,290	$ -	$ 1,618	$ 24,672	$ -
Unamortized deferred amount on refunding					(15,059)	-	(1,056)	(14,003)	-
Current maturities of long-term debt					(23,655)	(1,420)	-	(25,075)	-
Total Debt					**$ 758,097**	**$ (1,420)**	**$ 24,217**	**$ 732,460**	**$ 25,075**

Long-term debt consists of the following at June 30, 2008 and 2007 (in thousands):

Parity Bonds	Call Provisions	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Principal Due Within One Year
Harbor Revenue bonds, Issue 2001, Series A	8/1/2011 @ 100%	5.00 %	2026	$ 36,180	$ 36,180	$ -	$ -	$ 36,180	$ -
Harbor Revenue bonds, Issue 2001, Series B	8/1/2011 @ 100%	5.25 -5.50	2023	64,925	64,925	-	-	64,925	-
Harbor Revenue bonds, Issue 2002, Series A	8/1/2012 @ 100%	5.50	2016	63,520	50,735	-	4,740	45,995	5,000
Harbor Revenue bonds, Issue 2005, Series A	8/1/2015 @ 102%	3.25 -5.00	2027	29,930	29,930	-	-	29,930	-
Harbor Revenue bonds, Issue 2005, Series B	8/1/2015 @ 102%	3.00 -5.00	2027	30,110	30,110	-	-	30,110	125
Harbor Revenue bonds, Issue 2005, Series C-1	8/1/2015 @ 102%	3.50 -5.00	2018	43,730	42,025	-	3,340	38,685	4,145
Harbor Revenue bonds, Issue 2006, Series A	8/1/2016 @ 102%	5.00	2027	200,710	197,760	-	8,360	189,400	7,545
Harbor Revenue bonds, Issue 2006, Series B	8/1/2016 @ 102%	5.00	2027	209,815	209,815	-	3,990	205,825	4,430
Harbor Revenue bonds, Issue 2006, Series C	8/1/2016 @ 102%	5.00	2026	16,545	16,545	-	-	16,545	235
Harbor Revenue bonds, Issue 2006, Series D	8/1/2016 @ 102%	4.50 -5.00	2037	111,300	111,300	-	1,645	109,655	1,730
Total Parity Bonds				**$ 806,765**	**$ 789,325**	**$ -**	**$ 22,075**	**$ 767,250**	**$ 23,210**
Dept. of Boating and Waterways (DBW) Loans									
C#82-21-148		4.50 %	2014	$ 4,000	$ 1,767	$ -	$ 220	$ 1,547	$ 230
C#83-21-147		4.50	2015	4,000	1,930	-	206	1,724	215
Total				**$ 8,000**	**$ 3,697**	**$ -**	**$ 426**	**$ 3,271**	**$ 445**
Unamortized bond (discount) premium					$ 27,906	$ -	$ 1,616	$ 26,290	$ -
Unamortized deferred amount on refunding					(16,113)	-	(1,054)	(15,059)	-
Current maturities of long-term debt					(22,501)	(24,248)	(23,094)	(23,655)	-
Total Debt					**$ 782,314**	**$ (24,248)**	**$ (31)**	**$ 758,097**	**$ 23,655**

(Continued)

Bond Premium and Discount

The Port amortizes the original issue discount or premium over the life of each bond issue. Unamortized bond discount or premium, at the time of refunding, is amortized over the shorter of the life of the refunded bonds or the life of the refunding bonds. The unamortized amount for each Port issue is as follows (in thousands):

Bond Issue	2009 (Discount) Premium	2008 (Discount) Premium
2001A	$ (819)	$ (871)
2001B	674	725
2002A	1,097	1,277
2005A	1,645	1,742
2005B	1,680	1,779
2005C-1	1,780	2,000
2006A	7,295	7,724
2006B	7,138	7,556
2006C	865	918
2006D	3,317	3,440
Total	$ 24,672	$ 26,290

The Port's required debt service payments for long-term debt for years ending June 30 are as follows (in thousands):

Fiscal Year Ending	Principal	Interest	Total
2010	$ 25,075	$ 37,004	$ 62,079
2011	26,386	35,709	62,095
2012	27,673	34,357	62,030
2013	29,111	32,944	62,055
2014	30,560	31,456	62,016
2015-2019	175,335	131,954	307,289
2020-2024	225,720	81,052	306,772
2025-2029	160,025	24,141	184,166
2030-2034	27,140	8,358	35,498
2035-2037	19,841	1,456	21,297
Subtotal	746,866	418,431	1,165,297
Unamortized bond (discount) premium, net	24,672	-	24,672
Unamortized deferred loss on refunding	(14,003)	-	(14,003)
Current maturities of long term debt	(25,075)	-	(25,075)
Total	$ 732,460	$ 418,431	$ 1,150,891

(Continued)

A summary of the Port's long-term indebtedness is as follows:

(a) Bonds Payable

2001 Series A Refunding Bonds

The 2001 Series A Refunding Bonds were issued on July 11, 2001 in the aggregate principal amount of $36,180,000 to advance refund, on a crossover basis, $33,330,000 of the 1995 Series B Bonds. Interest on the 2001 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2002. The 2001 Series A Refunding Bonds with maturity dates ranging from August 1, 2022 to 2025; bear interest at a rate of 5.0%. The bonds maturing on or after August 1, 2011 are subject to optional redemption without an early redemption premium.

The outstanding balances on the 2001 Series A Refunding Bonds, net of unamortized discount of $819,000 and $871,000 and unamortized deferred amount on refunding of $747,000 and $793,000 were $34,614,000 and $34,516,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2001 Series A Refunding Bonds is as follows (in thousands):

	Annual Debt Service Requirement		
Fiscal Year	Principal	Interest	Total
2010	$ -	$ 1,809	$ 1,809
2011	-	1,809	1,809
2012	-	1,809	1,809
2013	-	1,809	1,809
2014	-	1,809	1,809
2015-2019	-	9,045	9,045
2020-2024	12,220	8,685	20,905
2025-2026	23,960	1,213	25,173
Sub-total	36,180	27,988	64,168
Unamortized Deferred Amount on Refunding of 1995 Series B	(747)		(747)
Unamortized Discount	(819)		(819)
Total	$ 34,614	$ 27,988	$ 62,602

2001 Series B Refunding Bonds

The Port issued the 2001 Series B Refunding Bonds in the aggregate principal amount of $64,925,000 to purchase $60,850,000 of the 1995 Series B Bonds tendered by bondholders in response to an open market purchase solicitation conducted through its underwriters.

Interest on the 2001 Series B Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2002. The 2001 Series B Refunding Bonds with maturity dates ranging from August 1, 2015 to 2022; bear interest at rates from 5.25% to 5.50%. The bonds maturing on or after August 1, 2011 are subject to optional redemption without an early redemption premium.

The outstanding balances on the 2001 Series B Refunding Bonds, net of unamortized premium of $674,000 and $725,000 and unamortized deferred amount on refunding of $2,781,000 and $2,994,000, were $62,818,000 and $62,656,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2001 Series B Refunding Bonds is as follows (in thousands):

	Annual Debt Service Requirement		
Fiscal Year	Principal	Interest	Total
2010	$ -	$ 3,547	$ 3,547
2011	-	3,547	3,547
2012	-	3,547	3,547
2013	-	3,547	3,547
2014	-	3,547	3,547
2015-2019	26,900	15,278	42,178
2020-2024	38,025	4,153	42,178
Sub-total	64,925	37,166	102,091
Unamortized Deferred Amount on Refunding of 1995 Series B	(2,781)		(2,781)
Unamortized Premium	674		674
Total	$ 62,818	$ 37,166	$ 99,984

2002 Series A Refunding Bonds

The 2002A Series A Refunding Bonds were issued in the aggregate principal amount of $63,520,000 on May 6, 2002, on a crossover basis, to advance refund $64,110,000 of the outstanding 1995 Series B Bonds at their first redemption date of August 1, 2002, with the exception of 1995 Series B Bonds maturing on August 1, 2002 and 2003.

Interest on the 2002 Series A Refunding Bonds is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2002. The 2002 Series A Refunding Bonds with maturity ranging from August 1, 2004 to 2015 bear interest at a rate of 5.50%. The bonds maturing on or after August 1, 2012 are subject to optional redemption without an early redemption premium.

Prior to the Crossover Date, interest on the 2002 Series A Refunding Bonds was secured and payable solely from amounts held in a crossover refunding escrow account created pursuant to the issue's indenture. The outstanding balances on the 2002 Series A Refunding Bonds, net of unamortized premium of $1,097,000 and $1,277,000 and unamortized deferred amount on refunding of $942,000 and $1,096,000 were $41,150,000 and $46,176,000 at June 30, 2009 and 2008, respectively.

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

	Annual Debt Service Requirement		
Fiscal Year	Principal	Interest	Total
2010	$ 5,275	$ 2,110	$ 7,385
2011	5,565	1,812	7,377
2012	5,865	1,497	7,362
2013	6,190	1,166	7,356
2014	6,535	816	7,351
2015-2016	11,565	575	12,140
Sub-total	40,995	7,976	48,971
Unamortized Deferred Amount on Refunding of 1995 Series B	(942)		(942)
Unamortized Premium	1,097		1,097
Total	$ 41,150	$ 7,976	$ 49,126

On August 1, 2002, the refunding of 1995 Series B Bonds was completed and resulted in a difference between the reacquisition price and the net carrying amount of the 1995 Series B Bonds of $3,819,000. The difference is prorated to 2001 Series A Bonds, 2001 Series B Bonds, and 2002 Series A Bonds based on the face value. They are reported in the accompanying financial statements as a deduction from bonds payable and charged to operations through 2025 using the straight-line method.

2005 Series A Refunding Bonds

The 2005 Series A Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $29,930,000 to advance refund, on a crossover basis, $30,935,000 of the 1996 Series A Bonds on their call date (the Crossover Date) of August 1, 2006.

Interest on the 2005 Series A Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2006. The 2005 Series A Bonds with maturity dates ranging from August 1, 2010 to 2026; bear interest at rates from 3.25% to 5.00%. The bonds maturing on or after August 1, 2015 are subject to optional redemption at the redemption price of 102%.

Prior to the Crossover Date, interest on the Series 2005 Series A Bonds is payable from and secured solely by investment receipts from and amounts on deposit in the related crossover refunding escrow accounts. Until the crossover date, the 2005 Series A Bonds are not on parity with other outstanding Harbor Revenue Bonds.

The outstanding balance on the 2005 Series A Bonds, plus the unamortized premium of $1,645,000 and $1,742,000 and unamortized deferred amount on refunding of $498,000 and $527,000 were $31,077,000 and $31,144,000 at June 30, 2009 and 2008, respectively.

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

	Annual Debt Service Requirement		
Fiscal Year	Principal	Interest	Total
2010	$ -	$ 1,433	$ 1,433
2011	275	1,428	1,703
2012	1,285	1,401	2,686
2013	1,315	1,358	2,673
2014	1,370	1,310	2,680
2015-2019	7,960	5,466	13,426
2020-2024	10,230	3,203	13,433
2025-2027	7,495	575	8,070
Sub-total	29,930	16,174	46,104
Unamortized Deferred Amount on Refunding of 1996 Series A	(498)		(498)
Unamortized Premium	1,645		1,645
Total	$ 31,077	$ 16,174	$ 47,251

2005 Series B Refunding Bonds

The 2005 Series B Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $30,110,000, on a crossover basis, to advance refund $31,690,000 of the 1996 Series B Bonds on their call date (the Crossover Date) of November 1, 2006.

Interest on the 2005 Series B Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2006. The 2005 Series B Bonds with maturity dates ranging from August 1, 2008 to August 1, 2026, bear interest at rates from 3.00% to 5.00%. The bonds maturing on or after August 1, 2015 are subject to optional redemption at the redemption price of 102%.

Prior to the Crossover Date, interest on the 2005 Series B Bonds is payable from and secured solely by investment receipts from deposits in the related crossover refunding escrow funds. Until the Crossover Date, the 2005 Series B Bonds are not on parity with other outstanding Harbor Revenue Bonds.

The outstanding balance on the 2005 Series B Bonds, plus the unamortized premium of $1,680,000 and $1,779,000 and unamortized deferred amount on refunding of $480,000 and $508,000 were $31,185,000 and $31,381,000 at June 30, 2009 and 2008, respectively.

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

	Annual Debt Service Requirement		
Fiscal Year	**Principal**	**Interest**	**Total**
2010	$ 850	$ 1,419	$ 2,269
2011	1,200	1,382	2,582
2012	1,215	1,334	2,549
2013	1,280	1,284	2,564
2014	1,345	1,232	2,577
2015-2019	7,835	5,083	12,918
2020-2024	10,070	2,856	12,926
2025-2027	6,190	418	6,608
Sub-total	29,985	15,008	44,993
Unamortized Deferred Amount on Refunding of 1996 Series B	(480)		(480)
Unamortized Premium	1,680		1,680
Total	$ 31,185	$ 15,008	$ 46,193

2005 Series C Refunding Bonds

The 2005 Series C-1 Refunding Bonds were issued on October 13, 2005 in the aggregate principal amount of $43,730,000, to reimburse Citigroup and De La Rosa for and to pay fees associated with the purchase on the open market of the purchased 1996 Bonds.

Interest on the 2005 Series C-1 Bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2006, with principal payments commencing August 1, 2006. The 2005 Series C-1 Bonds with maturity dates ranging from August 2006 to 2017; bear interest at rates from 3.50% to 5.00%. The bonds maturing on or after August 1, 2015 are subject to optional redemption at the redemption price of 102%.

The outstanding balances on the 2005 Series C Refunding Bonds, net of unamortized premium of $1,780,000 and $2,000,000 ~~a~~nd unamortized deferred amount on refunding of $1,240,000 and $1,393,000 were $35,080,000 and $39,293,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's 2005 Series C Bonds is as follows (in thousands):

	Annual Debt Service Requirement		
Fiscal Year	**Principal**	**Interest**	**Total**
2010	$ 1,540	$ 1,680	$ 3,220
2011	7,125	1,463	8,588
2012	15,290	903	16,193
2013	-	521	521
2014	-	521	521
2015-2019	10,585	1,717	12,302
Sub-total	34,540	6,805	41,345
Unamortized Deferred Amount on Refunding of 1996 Series A & 1996 Series B	(1,240)		(1,240)
Unamortized Premium	1,780		1,780
Total	$ 35,080	$ 6,805	$ 41,885

2006 Series A Refunding Bonds

The 2006 Series A Refunding Bonds were issued on May 4, 2006 in the aggregate principal amount of $200,710,000, on a forward delivery basis, to currently refund $202,705,000 of the 1996A Bonds.

Interest on the 2006 Series A Bonds is payable semiannually on February 1 and August 1 of each year. Principal and interest are payable commencing August 1, 2006. The 2006 Series A Bonds bear interest at rate of 5.00% with maturity dates ranging from August 1, 2007 to August 1, 2026. The bonds maturing on or after August 1, 2016 are subject to optional redemption at the redemption price of 102%.

The outstanding balance on the 2006 Series A Bonds, net of unamortized premium of $7,295,000 and $7,723,000 and unamortized deferred amount on refunding of $3,196,000 and $3,383,000 were $185,954,000 and $193,739,000 at June 30, 2009 and 2008, respectively.

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

	Annual Debt Service Requirement		
Fiscal Year	**Principal**	**Interest**	**Total**
2010	$ 8,515	$ 8,880	$ 17,395
2011	1,270	8,635	9,905
2012	800	8,584	9,384
2013	7,015	8,388	15,403
2014	6,915	8,040	14,955
2015-2019	46,910	33,374	80,284
2020-2024	57,635	20,778	78,413
2025-2027	52,795	4,049	56,844
Sub-total	181,855	100,728	282,583
Unamortized Deferred Amount on Refunding of 1996 Series A	(3,196)		(3,196)
Unamortized Premium	7,295		7,295
Total	$ 185,954	$ 100,728	$ 286,682

2006 Series B Refunding Bonds

The 2006 Series B Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $209,815,000, on a forward delivery basis, to currently refund $211,895,000 of the 1996B Bonds.

Interest on the 2006 Series B Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series B Bonds bear interest at rate of 5.00% with maturity dates ranging from August 1, 2007 to August 1, 2026. The bonds maturing on or after August 1, 2016 are subject to optional redemption at the redemption price of 102%.

The outstanding balance on the 2006 Series B Bonds, net of unamortized premium of $7,138,000 and $7,556,000 and unamortized deferred amount on refunding of $3,818,000 and $4,042,000 was $204,715,000 and $209,339,000 at June 30, 2009 and 2008, respectively.

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

	Annual Debt Service Requirement		
Fiscal Year	**Principal**	**Interest**	**Total**
2010	$ 5,975	$ 9,920	$ 15,895
2011	7,885	9,574	17,459
2012	-	9,377	9,377
2013	9,935	9,128	19,063
2014	10,850	8,609	19,459
2015-2019	45,895	36,187	82,082
2020-2024	75,235	21,101	96,336
2025-2027	45,620	3,556	49,176
Sub-total	201,395	107,452	308,847
Unamortized Deferred Amount on Refunding of 1996 Series B	(3,818)		(3,818)
Unamortized Premium	7,138		7,138
Total	$ 204,715	$ 107,452	$ 312,167

2006 Series C Refunding Bonds

The 2006 Series C Refunding Bonds were issued on August 3, 2006 in the aggregate principal amount of $16,545,000, on a forward delivery basis, to currently refund $17,065,000 of the 1996 Series C Bonds.

Interest on the 2006 Series C Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series C Bonds bear interest at rate of 5.00% with maturity dates ranging from August 1, 2008 to August 1, 2025. The bonds maturing on or after August 1, 2016 are subject to optional redemption at the redemption price of 102%.

The outstanding balance on the 2006 Series C Bonds, net of unamortized premium of $865,000 and $918,000 and unamortized deferred amount on refunding of $301,000 and $320,000 was $16,873,000 and $17,143,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port’s 2006 Series C Bonds is as follows (in thousands):

	Annual Debt Service Requirement		
Fiscal Year	**Principal**	**Interest**	**Total**
2010	$ 635	$ 800	$ 1,435
2011	665	767	1,432
2012	700	733	1,433
2013	730	697	1,427
2014	765	660	1,425
2015-2019	4,465	2,667	7,132
2020-2024	5,685	1,404	7,089
2025-2027	2,665	135	2,800
Sub-total	16,310	7,863	24,173
Unamortized Deferred Amount on Refunding of 1996 Series C	(301)		(301)
Unamortized Premium	865		865
Total	$ 16,874	$ 7,863	$ 24,737

2006 Series D Refunding Bonds

The 2006 Series D Refunding Bonds were issued on August 31, 2006 in the aggregate principal amount of $111,300,000, to refund $113,561,000 of the Commercial Paper Notes.

Interest on the 2006 Series D Bonds is payable semiannually on February 1 and August 1 of each year. The 2006 Series D Bonds bear interest at rates ranging from 4.5% to 5.00% with maturity dates from August 1, 2007 to August 1, 2036. The bonds maturing on or after August 1, 2016 are subject to optional redemption at the redemption price of 102%.

The outstanding balance on the 2006 Series D Bonds, net of unamortized premium of $3,317,000 and $3,440,000 was $111,242,000 and $113,095,000 at June 30, 2009 and 2008, respectively.

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

	Annual Debt Service Requirement		
Fiscal Year	**Principal**	**Interest**	**Total**
2010	$ 1,820	$ 5,279	$ 7,099
2011	1,915	5,186	7,101
2012	2,010	5,088	7,098
2013	2,115	4,984	7,099
2014	2,225	4,876	7,101
2015-2019	12,940	22,549	35,489
2020-2024	16,620	18,872	35,492
2025-2029	21,300	14,196	35,496
2030-2034	27,140	8,358	35,498
2035-2037	19,840	1,455	21,295
Sub-total	107,925	90,843	198,768
Unamortized Premium	3,317		3,317
Total	$ 111,242	$ 90,843	$ 202,085

Pledged Revenues

The Port issued revenue bonds in 2001, 2002, 2005 and 2006 to fund various Port improvement projects and to refund previously issued debt. All revenues used specifically for repayment of bonds are defined in the Port's bond official statements as net pledged revenues. Net pledged revenues means, for any given period, the pledged revenues for such period less, for such period, the maintenance and operation expense.

(b) Other Debt

California Department of Boating and Waterways

The Port obtained two loans aggregating $8,000,000 from the California Department of Boating and Waterways. The notes currently bear interest at 4.5%. The Port makes annual payments of interest and principal and the notes will mature in 2014 and 2015, respectively. The Port's obligation with respect to the payment of such notes is subordinate to the lien of the Port's Parity Obligations on the Harbor Revenue Funds. The outstanding balances on such notes were $2,826,000 and $3,271,000 at June 30, 2009 and 2008, respectively.

Debt service of the Port's indebtedness is as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2010	$ 465	$ 128	$ 593
2011	486	107	593
2012	508	84	592
2013	531	61	592
2014	555	38	593
2015	281	13	294
Total	$ 2,826	$ 431	$ 3,257

(c) Current Year and Prior Years' Defeasance of Debt

Bonds were defeased through the establishment of irrevocable escrow funds with a major financial institution. Monies placed in trust, when considered with interest to be earned thereon, will be sufficient to make required debt service payments through the earliest possible debt retirement dates. Accordingly, the liability for those bonds has been removed from the accompanying financial statements.

The remaining bonds in the defeasance escrows held by the trustee at June 30, 2009 and 2008 were as follows (in thousands):

	2009	2008
1988 Bonds	$ 79,440	$ 84,665

(d) Changes in Long Term Liabilities

Long-term liability activity for the years ended June 30, 2009 and 2008 was as follows (in thousands):

		July 1, 2008	Additions	Reductions	June 30, 2009	Due within one year
Revenue bonds payable	$	767,250	—	(23,210)	744,040	24,610
Less unamortized discount/premium		26,290	—	(1,618)	24,672	—
Unamortized deferred amount on refunding		(15,059)	—	1,056	(14,003)	—
Total revenue bonds payable		778,481	—	(23,772)	754,709	24,610
Notes payable		3,271	—	(445)	2,826	465
Unearned revenue and other deferred credit		1,865	—	(216)	1,649	1,649
Accrued employee benefits		18,578	2,336	—	20,914	11,632
Other liabilities (notes 7, 16, 18 and 19)		99,324	115,813	(27,918)	187,219	86,239
Total long-term liabilities	$	901,519	118,149	(52,351)	967,317	124,595

	July 1, 2007	Additions	Reductions	June 30, 2008	Due within one year
Revenue bonds payable	$ 789,325	—	(22,075)	767,250	23,210
Less unamortized discount/premium	27,906	—	(1,616)	26,290	—
Unamortized deferred amount on refunding	(16,113)	—	1,054	(15,059)	—
Total revenue bonds payable	801,118	—	(22,637)	778,481	23,210
Notes payable	3,697	—	(426)	3,271	445
Unearned revenue and other deferred credit	358	1,507	—	1,865	1,865
Accrued employee benefits	20,729	—	(2,151)	18,578	10,626
Other liabilities (notes 7 and 16)	84,782	49,135	(34,593)	99,324	82,004
Total long-term liabilities	$ 910,684	50,642	(59,807)	901,519	118,150

(6) 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 the Port and its employees participate, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City, except for a catastrophic circumstance creating an undue financial hardship for the employee.

As a result of changes to Section 457 deferred compensation plans resulting from the Small Business Job Protection Act of 1996, the City's deferred compensation plan administrator established a custodial account on behalf of the plan participants. All amounts deferred by the Port's employees are paid to the City, which in turn pays them to the deferred compensation plan administrator. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. Information on the Port employees' share of plan assets is not available.

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.

(7) Risk Management

The Port purchases insurance on certain risk exposures such as property, railroad, automobiles, fleet, pilotage, and public official. The Port is, however, self-insured for general liability/litigation-type claims and workers' compensation of the Port's employees. In addition, during fiscal years 2009 and 2008, the Port carried excess insurance on certain claims over $1,000,000. There have been no settlements related to these programs that exceeded insurance coverage in the last three years.

Claims expenses and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The Port utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. At June 30, 2009 and 2008, approximately $8,733,000 and $8,733,000, respectively, were accrued for litigation claims and workers' compensation claims, which are included in other liabilities in the accompanying statements of net assets.

Changes in the reported liability for the years ended June 30, 2009 and 2008 are as follows (in thousands):

		Beginning liability	Current year claims and estimate changes	Claim payments	Balance at fiscal year end
2008 – 2009:					
Workers' compensation	$	8,633	1,220	(1,220)	8,633
General liability/litigation		100	10	(10)	100
2007 – 2008:					
Workers' compensation	$	8,400	2,812	(2,579)	8,633
General liability/litigation		6,655	(6,459)	(96)	100

(8) Leases, Rentals, and Minimum Annual Guarantee (MAG) Agreements

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

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

These agreements are intended to be long-term in nature (as long as 30 years) and to provide the Port with a firm tenant commitment for a minimum fixed-income stream. In addition, these agreements are generally subject to periodic inflationary escalation of base amounts due to the Port. For the years ended June 30, 2009 and 2008, the minimum rental income from such lease agreements were approximately $42,368,000 and $45,524,000, respectively. For the years ended June 30, 2009 and 2008, the MAG payments approximated $219,272,000 and $213,971,000, respectively, and were reported under shipping services revenue.

The property on lease at June 30, 2009 consists of the following (in thousands):

Wharves and sheds	$	685,430
Cranes and bulk facilities		57,032
Municipal warehouses		10,646
Port pilot facilities and equipment		6,043
Buildings and other facilities		742,197
Cabrillo Marina		53,794
		1,555,142
Less accumulated depreciation		(741,264)
Total	$	813,878

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):

Year ended June 30:		Rental Income		MAG Income
2010	$	42,792	$	227,338
2011		43,220		227,338
2012		43,652		227,338
2013		44,088		227,338
2014		44,529		227,338
Total	$	218,281	$	1,136,690

(9) Retirement Plan

Los Angeles City Employees Retirement System

(a) Retirement Plan Description

All full-time employees of the Port are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS) of the City of Los Angeles, California, a single employer defined benefit pension plan. LACERS serves as a common investment and administrative agent for various City departments and agencies that participate in LACERS. The Port makes contributions to LACERS for its pro rata share of retirement costs attributable to its employees. The Port Police joined the Los Angeles Fire and Police Retirement System effective July 1, 2007.

LACERS provides retirement, disability, death benefits, postemployment healthcare benefits and annual cost-of-living adjustments based on the employees' years of service, age and final compensation. Employees with ten or more years of service may retire if they are at least 55 years old, or if the retirement date is between October 2, 1996 and September 30, 1999 at age 50 or older with at least 30 years of service. Normal retirement allowances are reduced for employees under age 60 at the time of retirement, unless they have more than 30 years of service and are age 55 or older. Employees aged 70 or above may retire at any time with no required minimum period of service. LACERS does not have a mandatory retirement age and none of the Port's employees are required to contribute to LACERS.

(b) Actuarially Determined Contribution Requirements and Contributions Made

The Board of Administration of LACERS establishes and may amend the contribution requirements of System members and the City. Covered employees contribute to LACERS at a rate (8.22% to 13.33%) established through the collective bargaining process for those whose membership began prior to January 1, 1983 and at a fixed rate of 6% of salary for those who entered membership on or after January 1, 1983. The City subsidizes member contributions as determined by the actuarial consultant of LACERS. The Port's pro rata share of the combined actuarially required contributions (ARC) for pension and postemployment healthcare benefits and actual contributions made to LACERS were approximately $14,526,000 (100% of ARC), $13,765,000 (100% of ARC) and $10,908,000 (100% of ARC) for the years ended June 30, 2009, 2008, and 2007, respectively. The allocation of contributions between the pension and postemployment healthcare benefits is not available.

The City's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for fiscal year 2009 and the two preceding years for the plan are as follows (in thousands):

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
LACERS	06/30/09	$ 272,332	100%	$ (77,749)
	06/30/08	286,368	100%	(79,972)
	06/30/07	276,190	100%	(81,723)

The City allocated a pro rata share of its net pension obligation to the Port and the amounts recorded at June 30, 2009 and 2008 were $2,529,000 and $2,172,000, respectively.

(c) Funded Status of LACERS

Actuarial valuations involve the estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For complete information related to the funded status of LACERS and contribution information, refer to LACERS' basic financial statements. The LACERS' basic financial statements can be obtained from LACERS, 360 East Second Street, 2nd Floor, Los Angeles, CA 90012.

(d) Other Postemployment Benefits (OPEB)

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

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset (obligation) for fiscal year 2009 and the two preceding years for the plan are as follows (dollars in thousands):

	Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Asset (Obligation)
LACERS	06/30/09	$ 95,122	100%	-
	06/30/08	108,849	100%	-
	06/30/07	115,233	100%	-

From the most recent data made available by the City, as of June 30, 2009, LACERS membership consists of 30,065 active plan participants and 14,991 retired members. Amounts contributed specifically to the Retiree Health Insurance Premium Subsidy by the Port alone are not available.

Actuarial valuations involve estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For complete information related to the funded status of LACERS and contribution information, refer to LACERS' basic financial statements. The LACERS' basic financial statements can be obtained from LACERS, 360 East Second Street, 2nd Floor, Los Angeles, CA 90012.

City of Los Angeles Fire and Police Pensions

(a) Retirement Plan Description

The Los Angeles City Council approved Ordinance No. 177214 that allows Harbor Department (Port Police Officers) the option to transfer from LACERS to Tier 5 of Los Angeles Fire and Police Pensions (LAFPP). The election period was from January 8, 2006 to January 5, 2007 and the decision to transfer is irrevocable.

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

LACERS transferred $6.1 million of allocated discounted Harbor Port Police assets to LAFPP in October 2007 for fiscal year 2007.

(b) Actuarially Determined Contribution Requirements and Contributions Made

The Board of Administration/Commissioners of LAFPP establishes and may amend the contribution requirements of members and the City. The City's annual cost for the plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the applicable GASB Statements. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize unfunded actuarial liabilities over a period not to exceed thirty years. The City Administrative Code and related ordinance define member contributions. The Port's pro rata share of the combined actuarially required contribution (ARC) for pension and postemployment healthcare benefits and actual contributions made to LAFPP was approximately $1,485,000 (100% of ARC) and $1,573,000 (100% of ARC) for the years ended June 30, 2009 and 2008, respectively. The allocation of contributions between the pension and postemployment healthcare benefits is not available.

The City's annual pension cost and the percentage of annual pension cost contributed to the plan for fiscal year 2009 and the two preceding years for the plan are as follows (dollars in thousands):

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
LAFPP	06/30/09	$ 238,698	100%
	06/30/08	261,635	100%
	06/30/07	224,946	100%

(c) Funded Status of LAFPP

Actuarial valuations involve estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For complete information related to the funded status of LAFPP and contribution information, refer to LAFPP's basic financial statements. The LAFPP's basic financial statements can be obtained from LAFPP, 360 East Second Street, Suite 400, Los Angeles, CA 90012.

(d) Other Postemployment Benefits (OPEB)

The City Charter, the Administrative Code and related ordinance define the postemployment healthcare benefits. There are no member contributions for healthcare benefits. The Port, as a participant in LAFPP, also provides a Retiree Health Insurance Premium Subsidy.

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

(Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset (obligation) for fiscal year 2009 and the two preceding years for the plan are as follows (in thousands):

	Year Ended	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB (Obligation)
LAFPP	06/30/09	$ 106,453	89%	$ (11,536)
	06/30/08	105,876	79%	(21,358)
	06/30/07	55,163	100%	-

From the most recent data made available by the City, as of June 30, 2009, LAFPP membership consists of 13,802 active plan participants, 81 vested terminated members, and 12,327 retired members and beneficiaries. Amounts contributed specifically to the Retiree Health Insurance Premium Subsidy by the Port alone are not available.

Actuarial valuations involve estimate of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For complete information related to the funded status of LAFPP and contribution information, refer to LAFPP's basic financial statements. The LAFPP's basic financial statements can be obtained from LAFPP, 360 East Second Street, Suite 400, Los Angeles, CA 90012.

(10) Notes Receivable

(a) City of Los Angeles Settlement

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

It is and has been the policy of the Port to pay the City all of the amounts to which the City is entitled. In light of these studies, the Board of Harbor Commissioners adopted a resolution providing for the reimbursement to the City of certain expenditures incurred by the City on behalf of the Port, but which the City had never inclusively billed the Port. Under its resolution, the Board of Harbor Commissioners authorized the Port to make, and the Port paid to the City, two annual payments of $20,000,000 for the 1994/95 and 1995/96 fiscal years. The Board of Harbor Commissioners further authorized the Executive Director to negotiate additional amounts as may be determined to be due, and accordingly, a memorandum of understanding with the City was executed on June 27, 1997 (1997 MOU).

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

On January 19, 2001, the City, along with the Port and the California State Lands Commission, entered into a settlement and mutual release agreement to amicably resolve their disputes concerning the City's entitlement to historic and future reimbursements for costs the City incurred or would incur providing services to the Port. The settlement agreement provides that the City, as reimbursement for payments made by the Port to the City for retroactive billings for City services provided during the period July 1, 1977 through June 30, 1994, inclusive, pay the Port $53,400,000 in principal plus 3% simple interest over a 15-year period.

The settlement agreement also provides that the City reimburse the Port for the payment differential, that amount representing the difference between the actual payments and the amount to which the City would have been entitled to reimbursement during fiscal year 1994-95 through fiscal year 2000-2001, inclusive, had the reimbursement been computed during each of those fiscal years using the settlement formula. This amount is estimated at $8,352,000. Payment for this period is to be reimbursed to the Port over 15 years, including 3% simple interest. The agreement also states that at any time after five years from January 19, 2001, the City, the Port, and California State Lands Commission may negotiate to amend this agreement to account for new or changed circumstances.

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

Accordingly, the Port of Los Angeles had recorded the amount due from the City as a long-term note receivable of $28,060,000 and $32,264,000 and a current portion of notes receivable of $4,206,000 and $4,083,000 as of June 30, 2009 and 2008, respectively.

(b) Note Receivable – Yusen

In order to settle the then outstanding $2,351,000 terminal construction cost overruns, the Port agreed in 1994 that Yusen, one of the Port container terminal tenants, be permitted to pay over 22 years in equal monthly installments of $107,000. To record the transaction, an amortization schedule using a 5% interest rate was prepared and the note balance was adjusted to $1,477,000, with the balance of $874,000 recognized as the Port's capital assets in fiscal year 1995. The note matures in October 2015. The balance outstanding on the Yusen note is $618,000 and $691,000 at June 30, 2009 and 2008, respectively.

(11) Commitments and Contingencies

Open purchase orders and uncompleted construction contracts amounted to approximately $514,056,000 as of June 30, 2009. 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 $14,000,000 from the federal government, for the purpose of constructing a marina. The Port has agreed to reimburse the federal government up to $14,000,000 from excess revenues, if any, generated from marina operations after the Port has recovered all costs of construction. No such payments were made in 2009 or 2008.

The Port has certain operating leases whose future minimum payments are insignificant.

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.

Alameda Corridor Transportation Authority Agreement (ACTA)

In August 1989, the Port and the Port of Long Beach (the POLB and, together with the Port, the Ports) entered into a joint exercise of powers agreement and formed ACTA for the purpose of establishing a comprehensive transportation corridor and related facilities consisting of street and railroad rights-of-way and an improved highway and railroad network along Alameda Street between the Santa Monica Freeway and the Ports in San Pedro Bay, linking the two 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. In 2003, ACTA agreed to an expanded mission to develop and support projects that more effectively move cargo to points around Southern California, ease truck congestion, improve air quality, and make roads safer. If in the future ACTA becomes entitled to distribute income or make equity distributions, the Ports shall share any such income or equity distributions equally.

In October 1998, the Ports, ACTA, and the railroad companies, which operate on the corridor, entered into a Corridor Use and Operating Agreement (Corridor Agreement). The Corridor Agreement obligates the railroad companies to pay certain use fees and container charges (Use Fees), which ACTA will assess for the privilege of using the corridor to transport cargo into and out of the Ports. ACTA negotiated with BNSF Railway Company (BNSF) and Union Pacific (UP) regarding certain types of cargo movements (transload movements) for which BNSF and UP are not paying Use Fees. In the Settlement and Release Agreement (the Agreement), dated as July 5, 2006, ACTA, BNSF, and UP agreed to resolve the "Transloading Dispute." ACTA, the Ports, the City of Los Angeles, and the City of Long Beach (the ACTA Releasing Parties) each release, acquit, and discharge BNSF and UP of all liability and costs, as stated in the Agreement, arising from or relating to the Transloading Dispute. BNSF and UP (the Railroad Releasing Parties) each release, acquit, and discharge the ACTA Releasing Parties from any and all liability and costs, as stated in the Agreement, arising from or relating to any claim by the Railroad Releasing Parties. These Use Fees are used to pay (a) the debt service that ACTA incurs on approximately $1.2 billion of bonds, which ACTA issued in early 1999 and approximately $686 million of bonds issued in 2004, and (b) for the cost of funding required reserves and costs associated with the financing, including credit enhancement and rebate requirements, if any (collectively, ACTA Obligations). Use Fees end after 35 years or sooner if the ACTA Obligations are paid off earlier.

If ACTA revenues are insufficient to pay ACTA Obligations, the Corridor Agreement obligates each Port to pay up to twenty percent (20%) of the shortfall (Shortfall) on an annual basis. If this contingency occurs, the Ports' payments to ACTA are intended to provide cash for debt service payments and to assure that the Alameda Corridor is available to maintain continued cargo movement through the Ports. The Ports are required to include expected Shortfall payments in their budgets, but Shortfall payments are subordinate to other obligations of the Port, including the 2005 and 2006 Bonds, and neither the Port nor the POLB is required to take Shortfall payments into account when determining whether it may incur additional indebtedness or when calculating compliance with rate covenants under their respective bond indentures and resolutions.

In April 2004, it was estimated by ACTA that the Ports would be required to make Shortfall payments totaling approximately $20.5 million (the Port and POLB each being liable for their one-half share of $10.25 million) through 2027. Pursuant to the ACTA Operating Agreement, the Port is obligated to include any forecasted Shortfall payments in its budget each fiscal year. No Shortfall payments were payable by the Port in the prior years. The total amount of Shortfall Advance for the next fiscal year ending June 30, 2010 is estimated to be zero and no Shortfall Advance is required for fiscal year 2010 per the ACTA's latest Notice of Estimated Shortfall Advances and Reserve Account Funding dated March 27, 2009.

Estimates of Shortfalls are prepared by ACTA and such Shortfalls could vary materially from the estimates. It is not possible to predict whether, when, or how much the Port will be liable for Shortfall payments. In the opinion of management, shortfall payments, if any, would not materially affect the financial position of the Port.

(Continued)

Community Redevelopment Agency Agreement

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

CRALA may execute note(s) in an aggregate amount not to exceed $25 million. The note(s) will accrue interest at the General Pool Rate compounded monthly. All notes will become due and payable sixty months from the date of the first executed note pursuant to this agreement unless the term of the note(s) is otherwise extended and approved in writing by CRALA and the Port. The CRALA and the Port may agree in writing to no more than two options to extend the term of this agreement and the notes granted hereunder, each option period not to exceed five additional years.

CRALA shall pay down the line of credit by applying proceeds generated from the periodic sale and disposition of acquired properties. Repayment of each draw (principal and accruing interest) is deferred until such time as the property that was acquired with the funds at issue is disposed of. CRALA shall repay any outstanding draw (principal and interest) at the end of the term of the line of credit. The line of credit will be frozen if any fund draws are outstanding for longer than sixty months. CRALA shall repay the then outstanding principal together with the interest, promptly upon selling a property, provided that the amount shall be repaid in one balloon payment no later than the 72nd month.

As of June 30, 2009 there has been no drawdown made by CRALA from this line of credit.

Trapac Project and Environmental Impact Report

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

On April 3, 2008, the Board approved a Memorandum of Understanding (MOU) between the City and the Appellants of the Trapac EIR. The term of the MOU is five years and after the first five years, the agreement may be renewed for a successive five-year period by mutual agreement of the Port and a majority of the Appellants. The MOU provides for the revocation of the appeals and the establishment of a Port Community Mitigation Trust Fund.

The Port has provided the first year funding of $11,240,000 in the Community Mitigation Trust Fund geared towards the identified Trapac projects in the MOU. Additionally the Port has set aside a reserve of $800,000 to cover other first year commitments as specified in the MOU. Contributions from the Port to the Fund over the subsequent four years of the initial MOU term may vary based on the volume of cargo processed at the Port.

(Continued)

(12) Related-Party Transactions

During the normal course of business, the Port is charged for services provided and use of land owned by the City, the most significant of which is related to fire protection, museum/park maintenance, and legal services. Total amounts charged by the City for services approximate $39,792,000 and $35,443,000 in fiscal years 2009 and 2008, respectively.

(13) Capital Contributions

Amounts either received or to be reimbursed for the restricted purpose of the acquisition, construction of capital assets, or other grant-related capital expenditures are recorded as capital contributions. During the years ended June 30, 2009 and 2008, the Port reported capital contributions of $4,103,000 and $14,161,000 respectively, for certain capital construction and grant projects.

(14) Los Angeles Export Terminal

Los Angeles Export Terminal (LAXT) is an approximately 120-acre dry bulk facility that handled coal and petroleum coke destined for Asia and the Americas. When incorporated, LAXT's ownership was comprised of a coalition of 51% US firms involved in the coal chain and 49% Japanese utility, steel, and energy companies. Since LAXT's formation, the Port has made equity contributions of $19.0 million. Beginning in fiscal year 2001, business conditions have been such that LAXT has been unable to meet its minimum rent guarantee to the Port. Accordingly, the Port fully reserved for its share of investment in LAXT and any trade receivables due from LAXT.

On June 10, 2004, LAXT, Oxbow Carbon & Minerals, Inc., and Oxbow Terminals LLC (collectively, the Claimants) filed a claim against the City for damages in excess of $400 million (the LAXT Claim). The Claimants assert, among other things, that the City breached fiduciary duties to LAXT, breached its lease with LAXT, and interfered with LAXT's efforts to raise additional revenues. The City rejected the LAXT claim on June 23, 2004. The Claimants subsequently filed a court action in which they claimed damages in excess of $600 million. The Port filed an answer and cross-claim to the court action. The parties reached a Settlement Agreement, Mutual Release and Compromise, and Permit Termination Agreement (Settlement Agreement) effective March 16, 2007 and the City paid the claimants a total of $27,412,000 as part of the settlement. The Port also wrote off $66,922,000 in accounts receivable and $2,000,000 in note receivable that are due from LAXT and $19,000,000 in LAXT investment against reserves specifically made for LAXT in prior years.

As a result of this settlement, certain Port capital assets that are related to LAXT operations have suffered permanent impairment of their value and are due for demolition. The Port charged a total of $22,291,000 as a special item in fiscal year 2007 and reduced the book value of these impacted assets to zero.

(15) Natural Resources Defense Council Settlement Judgment

In March 2003, the Port of Los Angeles settled a lawsuit entitled: Natural Resources Defense Council, Inc., et al. v. City of Los Angeles, et al., regarding the environmental review of a Port project. The settlement calls for a total of $50 million in mitigation measures to be undertaken by the Port. This $50 million charge was recorded to expense in fiscal year 2003.

The terms of the agreement require that the Port fund various mitigation activities in the amount of $10 million per year over a five-year term ending fiscal year 2007. As of June 30, 2009, a total of $50.0 million has been transferred from Harbor Revenue Fund to the restricted mitigation funds.

Pursuant to the settlement, the Port is also obligated to expend up to $5 million to retrofit customer vessels to receive shore-side power as an alternative to using on-board diesel fueled generators. Through the end of fiscal year 2009, the Port has spent $5.0 million for this program.

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

The settlement agreement also established a throughput restriction at China Shipping Terminal per calendar year. Actual throughput at the terminal exceeded the cap for calendar years 2008, 2007, 2006, 2005 were $1,770,000, $6,931,000, $5,767,000 and $3,862,000, and the Port charged to non-operating expense and deposited in the restricted mitigation funds the said amounts in June 2009, June 2008, May 2007 and April 2006, respectively. Total deposits for the four years were $18,330,000 with the June 2009 deposit for calendar year 2008 being the last payment for excess throughput required under the settlement agreement.

As of June 30, 2009 the Port has disbursed a total of $27.9 million, $5.5 million of this amount was made in FY 2009, as provided in accordance with the provisions of the settlement.

(16) Alleged Misuse of Federal Funds – Stanley D. Mosler vs. City of Los Angeles

An individual has brought a lawsuit under the Federal Civil False Claims Act against the Port, the City, and the Port's former Executive Director, challenging the use by the Port of certain federal funds obtained from the United States under the Water Resources Development Act of 1986 and State funds in the form of Tidelands Revenues for the construction of Pier 400 at the Port. The plaintiff alleges that the federal contribution amount to the construction of Pier 400 was $108 million and the State contribution was approximately $1 billion. The case was under seal from 2002 to 2005 while the federal government determined whether to join as a plaintiff. In 2005, the federal government decided not to join as a plaintiff. An amended complaint was served on the Port in August 2005 requesting treble damages. The Port believes that any claims alleging misuse of federal funds and State funds are without merit. After an initial dismissal for failure to have counsel and an appeal by the Relator to the Ninth circuit, on remand all of the defendants, including the City, filed motions for Summary Judgment. The trial court granted motions for summary judgment on behalf of all defendants. The Relator has again appealed to the Ninth Circuit. The matter is being briefed.

(17) Westway Terminal Co., Inc. Settlement Agreement

Westway operates a marine liquid bulk terminal at the Port under a permit that expires in March 2025. On August 21, 2007, the City of Los Angeles approved the Port's Settlement Agreement, Mutual Release and Compromise, and Permit Termination Agreement with Westway. Under the settlement, Westway's permit will be early terminated and Westway will vacate and surrender the premises on or before February 23, 2009. Within 30 days after the vacate and surrender date, the Port will pay Westway $17 million, less any applicable charges, as settlement payment. On August 21, 2007, the City (Port) assumed responsibility for the cleanup and abatement order that the Regional Water Quality Control Board had issued to Westway. On and after the vacate and surrender date, the City (Port) assumed responsibility for all claims, demands and damages related to the environmental conditions. Estimate of costs for clean up and abatement of the property was $33,359,000 and is recorded as other liability as of June 30, 2009.

Westway Terminal vacated the San Pedro premises effective September 15, 2008. In accordance with the terms of the Settlement Agreement, the Port wired the $17 million to the account of Westway Terminal on October 2, 2008, within 30 calendar days after the Vacate and Surrender Date. This amount was accrued as of June 30, 2008.

(18) Alleged Breach of Contract – Halcrow, Inc.

A dispute arose between Halcrow and City regarding program management services Halcrow rendered pursuant to Agreement No. 2402 and 2639 issued by the City’s Harbor Department on the San Pedro Waterfront Redevelopment Project and the Wilmington Waterfront Redevelopment Project Halbrow lodged a claim with the City’s City Clerk in the amount of $614,000 and the Port was notified on June 23, 2009. The claim (City Clerk Claim number 20095500) was subsequently approved and paid in the amount of $400,000 with the Settlement Agreement, Mutual Release and Compromise and Indemnity Agreement executed on September 11, 2009.

(19) Cash Funding of Reserve Fund

As of June 30, 2009, the Department had $744.0 million of outstanding parity bonds. Each Indenture for the outstanding bonds requires the Department to establish a reserve fund and authorizes the Department to obtain one or more reserve sureties in lieu of fully funding the reserve fund with cash. Three bond insurers (Ambac, FGIC and MBIA) provide the reserve sureties for the Department’s outstanding bonds.

Until December 2007, these bond insurers maintained “AAA” ratings from the three rating agencies: Fitch, Moody’s and Standard & Poor’s (S&P). Starting in January 2008, the rating agencies began downgrading the bond insurers. The Department filed material event notices as part of its continuing disclosure undertakings subsequent to each of the related downgrades or placements on negative outlook.

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

(20) Subsequent Events

(a) New Money Bonds and Refunding Bonds

In early July 2009, the Department issued New Money Bonds for $200 million and Refunding Bonds for $230 million, which refunded a portion of the 2005C-1 Bonds, 2006 Series A Bonds, 2006 Series B Bonds, and 2006 Series D Bonds in order to take advantage of the American Recovery and Reinvestment Tax Act of 2009. The Acts allows the Department to issue Non-AMT Bonds (Alternative Minimum Tax) to refund the existing AMT Bonds, which could realize the present value savings of $7 to $10 million.

The New Money Bonds were issued for the purpose of financing the construction costs of the new money projects approved during the Tax Equity and Fiscal Responsibility Act (TEFRA) hearing, providing for the funding of a debt service reserve fund with respect to the New Money Bonds and paying the issuance costs incidental to the issuance. The Refunding Bonds are to be issued for the purpose of refunding the refunded bonds through the open market purchase/formal tender process, providing for the funding of the debt service reserve funds and paying the issuance costs related to the refunding bonds as well.

(b) Customer Incentive Program

On December 10, 2009, the Los Angeles Harbor Commission approved a $25.7 million economic relief program in addition to the $10.5 million discount given to Port's customers in fiscal year 2009.

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

Capital Development Program Budget

Fiscal Year 2009/2010

(In thousands of dollars)

Project description		**Estimated expenditure**
Terminal Improvements, General	$	3,935,080
Minor Capital Projects		2,647,129
POLA Administrative Building Modifications		1,902,382
Environmental Assessment & Remediation		4,527,314
World Cruise Center - General Improvements		5,948,386
Berth 161 - Maintenance - Yard Improvements		747,440
Wilmington Waterfront		40,195,467
Berths 97-115 Redevelopment		16,655,758
West Channel Cabrillo Beach Recreation Complex - Phase II		61,186,000
Harry S. Bridges Blvd. Improvement		11,400,079
Berths 142-147 Terminal Redevelopment		45,963,870
Pier 300 - Wharf & Backland Improvements		13,335,012
Pier 400 - Dredging, Landfill and Terminal Development		335,134
Berths 225-236 Container Terminal Redevelopment		469,144
Main Channel Deepening		22,537,735
Pier A Street Yard Redevelopment		221,919
Berths 115-131 Redevelopment		631,254
Future Port Development		15,000,000
Berths 212-225 Backland Development		1,780,390
San Pedro Waterfront Project - San Pedro Waterfront		3,623,308
Berth 195-199 Container Terminal Development		91,958
Port-Wide Transportation Improvements		6,066,432
Berth 49-50 Sediment Removal		73,887
Pacific Energy Liquid Bulk Terminal		1,815,975
Port Security		6,388,826
Porrtwide Wharf Upgrade Program		58,367
LA Port Police Headquarters		15,649,538
San Pedro Waterfront Project - B. San Pedro Downtown Harbor		69,116
Alternative Maritime Power Port-wide		19,523,474
B. 258 - 269 (Fish Harbor) Rehabilitation		207,790
Intermodal Container Transfer Facility (ICTF) South		687,885
San Pedro Slip Improvements		1,203,518
B. 191-194 Improvements		669,475
Marine Oil Terminal Engineering		4,168,601
Port-Wide Solar Panel Program		9,859,329
Supplemental Eng./Arch.Services		20,800,000
Total Estimated Capital Improvement Program Cost	$	**340,376,972**

(Continued)

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

Schedule of Net Assets by Components

Last Ten Fiscal Years

(Unaudited)

(In thousands of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net assets:										
Invested in capital assets, net of related debt	$ 1,347,288	1,446,072	1,682,470	1,786,780	1,853,776	1,890,002	1,854,468	1,931,037	1,985,653	2,101,396
Restricted	204	29	195	95	17	16	63,917	62	9	61,608
Unrestricted	238,278	299,319	179,093	143,921	157,833	216,678	282,922	406,770	491,381	266,583
Total net assets	$ 1,585,770	1,745,420	1,861,758	1,930,796	2,011,626	2,106,696	2,201,307	2,337,869	2,477,043	2,429,587

(Continued)

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

Schedule of Key Information on Revenue Statistics

Last Ten Fiscal Years

(Unaudited)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Rates:										
General cargo tariff rate	$ 5.67	5.67	5.67	5.95	5.95	5.95	6.25	6.25	6.25	6.25
Basic dockage (600’)	2,236	2,236	2,236	2,236	2,348	2,348	2,465	2,465	2,465	2,465
Required rate of return	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Containerized cargo volume (in millions of TEUs)	4.37	4.99	5.63	6.70	7.35	7.27	7.80	8.66	8.08	7.26
Revenue tons (million):										
General cargo	81.9	97.6	107.1	131.9	146.3	145.0	155.2	171.9	161.9	144.3
Liquid bulk	12.5	10.9	12.9	11.4	11.9	12.8	22.8	15.4	6.2	11.1
Dry bulk	7.1	5.4	6.2	4.2	3.9	4.3	3.6	2.8	1.9	2.0
Total	101.5	113.9	126.2	147.5	162.1	162.1	181.6	190.1	170.0	157.4
Vessel arrivals	3,060	2,899	2,778	2,845	2,812	2,646	2,771	2,920	2,467	2,322
Cruise passengers	1,110,053	1,073,357	1,099,552	1,057,293	803,308	1,097,204	1,205,947	1,194,984	1,191,449	990,965
Vehicles	388,619	312,248	314,986	347,067	213,933	242,024	232,149	144,068	185,978	109,634

(Continued)

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

Summary of Revenues, Expenses, and Changes in Net Assets

Last Ten Fiscal Years

(Unaudited)

(In thousands of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating revenues:										
Shipping services	$ 208,436	232,749	248,624	281,700	293,977	315,615	353,390	369,972	374,878	329,347
Rentals	35,594	36,554	34,691	36,563	33,261	34,630	33,876	40,322	45,524	42,368
Royalties, fees, and other operating revenues	5,059	4,195	5,362	5,013	5,016	5,384	4,893	6,867	5,943	30,509
Total operating revenues	249,089	273,498	288,677	323,276	332,254	355,629	392,159	417,161	426,345	402,224
Operating and administrative expenses:										
Salaries and benefits	35,274	39,554	40,682	44,427	53,165	58,182	65,705	74,313	95,444	99,350
Marketing and public relations	2,229	2,385	3,064	3,654	3,769	3,455	3,333	4,521	5,274	3,676
Travel and entertainment	557	716	713	658	758	743	822	604	1,128	635
Outside services	12,715	16,583	21,468	21,971	32,104	39,672	33,673	33,277	37,937	29,498
Material and supplies	3,069	3,108	3,508	3,771	4,682	5,320	5,400	5,813	8,950	8,121
City services and payments	22,961	20,395	19,210	18,525	18,729	22,361	20,821	28,640	27,101	28,704
Other operating expenses	7,189	7,275	10,632	55,409	16,967	41,158	54,378	16,607	45,918	84,159
Total operating and administrative expenses	83,994	90,016	99,277	148,415	130,174	170,891	184,132	163,775	221,752	254,143
Income from operations before depreciation	165,095	183,482	189,400	174,861	202,080	184,738	208,027	253,386	204,593	148,081
Depreciation	56,205	63,187	59,680	59,365	67,934	70,040	98,779	88,106	78,295	83,413
Operating income	108,890	120,295	129,720	115,496	134,146	114,698	109,248	165,280	126,298	64,668
Nonoperating revenues/(expenses):										
Income from investments in JPAs and other entities	2,146	4,485	4,912	3,717	2,795	3,543	4,302	4,675	4,440	2,980
Interest and investment income	12,432	20,092	11,003	11,430	2,298	7,266	9,582	23,773	34,863	18,824
Interest expense	(37,300)	(45,983)	(47,555)	(44,293)	(43,034)	(42,279)	(37,787)	(50,038)	(38,052)	(36,979)
Other income and expenses, net	(2,716)	(1,146)	(1,123)	(18,698)	(13,724)	11,842	7,222	11,018	(2,536)	(7,625)
Net nonoperating expenses	(25,438)	(22,552)	(32,763)	(47,844)	(51,665)	(19,628)	(16,681)	(10,572)	(1,285)	(22,800)
Income before capital contributions	83,452	97,743	96,957	67,652	82,481	95,070	92,567	154,708	125,013	41,868
Capital contributions	2,809	7,500	17,203	1,386	867	—	2,044	4,145	14,161	4,103
Special item	—	61,752	2,178	—	—	—	—	(22,291)	—	—
Deletions of capital contribution	(6,846)	(7,345)	—	—	(2,518)	—	—	—	—	—
Changes in net assets	79,415	159,650	116,338	69,038	80,830	95,070	94,611	136,562	139,174	45,971
Total net assets – beginning of year	1,506,355	1,585,770	1,745,420	1,861,758	1,930,796	2,011,626	2,106,696	2,201,307	2,337,869	2,383,616
Total net assets – end of year	$ 1,585,770	1,745,420	1,861,758	1,930,796	2,011,626	2,106,696	2,201,307	2,337,869	2,477,043	2,429,587

(Continued)

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

Schedule of Revenue Tonnage by Trade Routes

Last Ten Fiscal Years

(Unaudited)

(In thousands of metric revenue tons)

Trade routes	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Far East	73,707	83,727	102,482	131,304	143,005	142,385	151,971	166,277	158,442	144,453
Domestic	9,905	9,465	10,979	10,171	8,808	8,408	15,941	9,750	4,899	8,267
Australia and New Zealand	2,797	2,755	3,233	3,004	3,649	3,716	4,204	4,577	2,203	952
Western Mexico, Central and Western S. America	2,960	3,185	2,332	2,246	2,077	1,797	1,360	1,586	1,311	1,305
India, Persian Gulf, and Red Sea	5,485	2,225	2,614	1,970	1,795	1,888	2,502	2,258	1,455	1,901
Eastern South America	1,665	1,009	1,665	988	754	1,099	1,409	800	542	505
Western Europe	1,496	1,953	1,671	882	960	1,128	1,752	1,642	339	1,192
Caribbean	930	860	676	612	1,102	1,369	1,432	1,273	906	1,667
Mediterranean	560	148	206	159	157	151	227	165	208	240
Africa	31	88	77	94	54	188	25	28	37	5
Advance Wharfage and Accruals	1,973	8,539	(2,523)	(3,887)	(292)	(20)	811	1,749	(371)	(3,938)
APM rail/Truck Wharfage	—	—	—	—	—	—	—	—	—	945
Total	101,509	113,954	123,412	147,543	162,069	162,109	181,634	190,105	169,971	157,494

Percentage of total volume Trade routes	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Far East	72.6%	73.5%	83.0%	89.0%	88.2%	87.8%	83.7%	87.5%	93.2%	91.7%
Domestic	9.8%	8.3%	8.9%	6.9%	5.4%	5.2%	8.8%	5.1%	2.9%	5.2%
Australia and New Zealand	2.8%	2.4%	2.6%	2.0%	2.3%	2.3%	2.3%	2.4%	1.3%	0.6%
Western Mexico, Central and Western S. America	2.9%	2.8%	1.9%	1.5%	1.3%	1.1%	0.7%	0.8%	0.8%	0.8%
India, Persian Gulf, and Red Sea	5.4%	2.0%	2.1%	1.3%	1.1%	1.2%	1.4%	1.2%	0.9%	1.2%
Eastern South America	1.6%	0.9%	1.3%	0.7%	0.5%	0.7%	0.8%	0.4%	0.3%	0.3%
Western Europe	1.5%	1.7%	1.4%	0.6%	0.6%	0.7%	1.0%	0.9%	0.2%	0.8%
Caribbean	0.9%	0.7%	0.5%	0.4%	0.7%	0.8%	0.8%	0.7%	0.5%	1.1%
Mediterranean	0.6%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Africa	0.0%	0.1%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Advance Wharfage and Accruals	1.9%	7.5%	(2.0)%	(2.6)%	(0.2)%	(0.0)%	0.4%	0.9%	(0.2)%	(2.5)%
APM rail/Truck Wharfage	—%	—%	—%	—%	—%	—%	—%	—%	—%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(Continued)

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

Summary of Debt Service Coverage (Pledged Revenue)

Last Ten Fiscal Years

(Unaudited)

(In thousands of dollars)

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Revenues (Including Investment/Interest Income) (1)	$	263,667	298,075	304,592	338,423	337,347	366,438	406,043	445,609	465,648	424,028
Operating Expenses (2)		83,994	90,016	99,277	148,415	130,174	170,891	184,132	163,775	221,752	254,143
Net available revenue (3) = (+1) - (2)		179,673	208,059	205,315	190,008	207,173	195,547	221,911	281,834	243,896	169,885
Debt service, revenue bonds		53,336	53,333	54,310	54,097	57,994	58,515	58,143	58,293	61,318	61,298
Debt service, commercial papers		—	—	—	988	1,029	2,021	3,431	792	—	—
Total debt service (4)	$	53,336	53,333	54,310	55,085	59,023	60,536	61,574	59,085	61,318	61,298
Coverage (5) = (3) / (4)		**3.4**	**3.9**	**3.8**	**3.4**	**3.5**	**3.2**	**3.6**	**4.8**	**4.0**	**2.8**
Net cash flow from operations (6)	$	167,228	200,342	176,083	215,117	208,762	226,037	201,575	246,665	252,898	151,264
Coverage (7) = (6) / (4)		3.1	3.8	3.2	3.9	3.5	3.7	3.3	4.2	4.1	2.5

(1) Operating Revenues include pledged pooled investment and interest income.
(2) Depreciation and amortization expense, interest expense, and other nonoperating expenses are not included
(3) Debt service includes principal and interest payments on issued bonds as well as on commercial paper notes, which are senior debt backed by pledged-revenue
(4) Debt service does not include loans from the California Department of Boating and Waterways, which are not backed by pledged-revenue

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

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

Highlights of Operating Information

Last Ten Fiscal Years

(Unaudited)

(In millions of dollars)

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Cash:											
Cash balance – Harbor revenue fund	$	201.6	246.4	74.2	84.5	117.3	211.2	256.3	380.1	488.9	363.7
Cash balance – Restricted		73.5	82.7	87.2	97.1	107.3	122.4	201.3	158.3	168.3	115.3
Property:											
Total property	$	2,675.5	2,810.9	3,120.2	3,346.0	3,471.4	3,556.1	3,664.0	3,720.4	3,816.7	3,982.0
Allowance for depreciation		535.0	594.0	653.4	711.8	764.2	833.7	931.3	994.0	1,058.2	1,131.4
Net property	$	2,140.5	2,216.9	2,466.8	2,634.2	2,707.2	2,722.4	2,732.7	2,726.4	2,758.5	2,850.6
Construction and maintenance:											
Additions to properties	$	542.3	154.2	330.4	227.8	208.0	85.3	109.3	104.2	117.7	175.6
Maintenance expenses		13.1	12.4	13.4	15.2	17.4	18.4	21.0	23.5	28.1	30.5
Employees:											
Salaries	$	37.5	39.0	41.2	43.9	48.9	53.0	56.9	64.9	75.9	85.7
Number of employees		541	542	557	594	634	659	706	737	850	975

APPENDIX C

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH, CALIFORNIA
FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Financial Statements

September 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Honorable Mayor and City Council
The Honorable Members of the Board of Harbor Commissioners:

We have audited the accompanying financial statements of the Harbor Department of the City of Long Beach (the Department), an enterprise fund of the City of Long Beach, California, as of and for the years ended September 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements of the Department are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, California, that are attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Long Beach, California, as of September 30, 2009 and 2008, and the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harbor Department of the City of Long Beach, California, as of September 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

March 24, 2010

The management of the Harbor Department of the City of Long Beach, California, (the Department) offers readers of the financial statements this discussion and analysis of the financial activities for the fiscal years ended September 30, 2009 and 2008.

Overview of the Financial Statements

The Department's financial statements include the statements of net assets, the statements of revenues, expenses, and changes in fund net assets, the statements of cash flows, and the notes to the financial statements. This discussion is intended to serve as an introduction to the Department's financial statements.

Condensed Financial Position Information

The Statements of Net Assets present information concerning the Department's assets, liabilities, and net assets.

The following condensed financial information provides an overview of the Department's financial position as of September 30 of 2009, 2008, and 2007.

Summary of Net Assets

September 30, 2009, 2008, and 2007

	2009	2008	2007
Assets:			
Capital assets, net	$ 2,249,767,809	2,243,615,808	2,245,291,679
Other assets	1,159,161,353	1,160,749,854	1,142,439,210
Total assets	3,408,929,162	3,404,365,662	3,387,730,889
Liabilities:			
Long-term obligations, net of current portion	790,507,145	840,616,156	1,032,894,146
Current liabilities	190,604,744	260,169,291	212,096,250
Total liabilities	981,111,889	1,100,785,447	1,244,990,396
Net assets:			
Invested in capital assets, net of related debt	1,410,740,241	1,335,522,370	1,162,931,088
Restricted	293,552,191	293,625,620	212,735,625
Unrestricted	723,524,841	674,432,225	767,073,780
Total net assets	$ 2,427,817,273	2,303,580,215	2,142,740,493

Analysis of Fiscal Year 2009

At the end of fiscal year 2009, the assets of the Department exceeded its liabilities by $2,427,817,273 (net assets). Total net assets increased by $124,237,058. This change consists mainly of $127,613,644 current year operating income, $2,994,375 income from equity in the Intermodal Container Transfer Facility Joint Powers Authority (ICTF) joint venture, $11,439,537 income derived from grants received from federal and state governments, and $923,137 profit from oil operations; less $18,733,635 from other net nonoperating expenses, including financing costs, and transfers to the City, which includes the 10% of increase in net assets transfer to the Tidelands Operating Fund, totaling to $18,587,376.

(Continued)

The Department's investment in capital assets (land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights of way) less any related debt is $1,410,740,241 or 58% of the aggregate net assets. Capital assets facilitate tenants' cargo operations and the Department does not intend to liquidate them to fund ongoing port operations.

The Department holds $293,552,191 of net assets subject to restrictions, an increase of $73,429 from last year. The increase is the result of interest earnings related to funds restricted for federally funded projects. Restricted net assets are thus identified in the Statements of Net Assets and represent 12% of the Department's total net assets.

At the end of fiscal year 2009, the Department reported unrestricted net assets of $723,524,841, an increase of $49,092,616 when compared to 2008. This change is mainly the result of $43,059,351 increase in current assets, plus $2,994,375 increase in the ICTF joint venture plus increase in oil facilities of $5,100,097 and $500,000 decrease in other noncurrent assets, plus reductions of $712,369 in current liabilities, plus reductions of $56,795,417 in environmental remediation liabilities; minus $6,800,000 increase in the Oil Wells Abandonment Liability and $60,896,105 reduction in operating pooled cash and cash equivalents. Unrestricted net assets represented 30% of the Department's aggregate net assets and were not subject to external restrictions. Unrestricted net assets were available to fund the Department's continuing operations.

Analysis of Fiscal Year 2008

At the end of fiscal year 2008, the assets of the Department exceeded its liabilities by $2,303,580,215 (net assets). Total net assets increased by $160,839,722. This change consists mainly of $163,681,269 operating income, $4,440,935 income from equity in the ICTF joint venture, $3,742,240 income derived from grants received from federal and state governments, $31,153,305 profit from oil operations; less $42,178,027 from other net nonoperating expenses, including financing costs and 10% of increase in net assets transfer to the City's Tidelands Operating Fund, which amounts to $16,059,464.

The Department's investment in capital assets (land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights of way) less any related debt is $1,335,522,370 or 58% of the aggregate net assets. Capital assets facilitate tenants' cargo operations and the Department does not intend to liquidate them to fund ongoing port operations.

The Department holds $293,625,620 of net assets subject to restrictions, an increase of $80,889,995 from last year. The increase consists of matching contribution for future federal and state grants for projects such as bridges, rail, roadway, and port security paired with reductions on the bonded debt service requirements, rail and roadway fund, and full utilization of the Long Beach Redevelopment Agency (RDA) Westside restricted funds. Restricted net assets are thus identified in the Statements of Net Assets and represent 13% of the Department's total net assets.

At the end of fiscal year 2008, the Department reported unrestricted net assets of $674,432,225, a decrease of $92,641,555 when compared to 2007. This change included an increase in net assets of $160,839,722, less $172,591,282 used to finance capital assets, net of related liabilities, and the net effect of setting reserves for the Gerald Desmond Bridge, the rail and roadway fund, rail projects, and security projects (a net reduction of $80.88 million). Unrestricted net assets represented 29% of the Department's aggregate net assets and were not subject to external restrictions. Unrestricted net assets were available to fund the Department's continuing obligations and designated projects.

Summary of Operations and Changes in Net Assets

The Statements of Revenues, Expenses, and Changes in Fund Net Assets illustrate the Department's change in net assets from prior to current fiscal year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will only affect future period cash flows; for example: uncollected receivables and earned, but unused, vacation leave.

The table below summarizes the operations for fiscal years 2009, 2008, and 2007.

Changes in Fund Net Assets

Years ended September 30, 2009, 2008, and 2007

	2009	2008	2007
Operating revenues:			
Berth and special facilities	$ 291,451,794	340,524,798	351,891,119
Miscellaneous	19,899,788	18,819,335	18,940,814
Total operating revenues	311,351,582	359,344,133	370,831,933
Operating expenses:			
Facility and infrastructure	(58,416,295)	(81,440,115)	(69,959,326)
General and administrative	(39,463,931)	(34,725,802)	(27,004,526)
Depreciation and amortization	(85,857,712)	(79,496,947)	(83,067,090)
Total operating expenses	(183,737,938)	(195,662,864)	(180,030,942)
Operating income	127,613,644	163,681,269	190,800,991
Nonoperating revenues (expenses):			
Intergovernmental expense	(18,587,376)	(16,059,464)	(15,399,535)
Investment expense, net of income	(22,250,685)	(13,044,028)	(9,698,643)
Income (loss) from oil operations	923,137	31,153,305	(21,070,305)
Gain (loss) on sale of capital assets	8,248	(254,540)	179
Income from equity in joint venture	2,994,375	4,440,935	4,674,546
Income (loss) from Clean Air Action Plan	13,323,357	(13,866,798)	—
Other income, net	8,772,821	1,046,803	1,267,487
Net nonoperating expenses	(14,816,123)	(6,583,787)	(40,226,271)
Income before capital grants	112,797,521	157,097,482	150,574,720
Capital grants	11,439,537	3,742,240	10,019,920
Change in net assets	124,237,058	160,839,722	160,594,640
Total net assets – beginning	2,303,580,215	2,142,740,493	1,982,145,853
Total net assets – ending	$ 2,427,817,273	2,303,580,215	2,142,740,493

Analysis of Fiscal Year 2009

A comparison of the operating revenues for fiscal years 2009 and 2008 shows a decrease of 13%. All the revenue categories, except dry bulk, liquid bulk, and rentals (11%, 2%, and 10% increases, respectively), decreased: containerized cargo 17%, steel 22%, vehicles 2%, lumber 32%, other terminals 39%, and miscellaneous income 9%.

In terms of volume (measured in metric revenue tons) liquid bulk is the only category showing an increase of 4%; the following types of cargo decreased during fiscal year 2009: containerized cargo 23%, dry bulk 10%, vehicles 50%, steel 26%, and lumber 30%.

Operating expenses (excluding depreciation and amortization) decreased $18,285,691. Cargo facilities incurred lower maintenance expenses to the tune of $2,169,706; Infrastructure Maintenance that includes bridges and freeways maintenance and expenses related to environmental control decreased $23,257,222; Fire and Safety increased by $2,683,629; and general and administrative expenses increased by $4,738,128.

Depreciation expense is affected by acquisition/retirement of long-term assets, their useful lives, and the dates when such assets are placed in service. Depreciation expense for fiscal year 2009 was higher than that of 2008. The reason for this change is the increase in assets placed into service during 2009. Investment income was lower due to lower earning rates resulting from the overall downturn in the economy. Interest expense was lower because of reduced bond and commercial paper principal balances, and the implementation of the capitalization of interest policy that entails the allocation of interest expense to capital projects.

Oil operations net revenues decreased to $923,137 from $31,153,305 in the previous year due to lower crude oil prices prevailing during the fiscal year. The implementation of the Clean Air Action Plan (CAAP) and its related projects generated a net revenue of $13,323,357, which is a reversal of a $13,866,798 net expense during fiscal year 2008. The change in direction is attributed to the container fees collected from trucks operating in the Port of Long Beach (the Port) that are not complying with the Clean Truck Program guidelines to clean up air pollution at the Port; the portion of the capital grant project expenses subsidized with grant revenues increased from $3,742,240 in fiscal year 2008 to $11,439,537 million in fiscal year 2009; the increase was attributed to the faster pace of spending on projects funded by grants.

Analysis of Fiscal Year 2008

A comparison of the operating revenues for fiscal years 2008 and 2007 shows a decrease of 3%. All the revenue categories, except dry bulk (2% increase), decreased: containerized cargo 3%, liquid bulk 6%, steel 1%, vehicles 1%, lumber 4%, other terminals 20%, and rentals 1%.

In terms of volume (measured in metric revenue tons), all types of cargo decreased during fiscal year 2008: containerized cargo 5%, dry bulk 7%, vehicles 19%, steel 13%, lumber 17%, and liquid bulk 8%.

Operating expenses increased due to higher maintenance costs on the Gerald Desmond Bridge, increased levels of service provided by the Long Beach Police and Fire Departments; revamping and modernization of the Port’s Security Division; and additional costs incurred to patrol and secure water areas around the Port complex. Upgrades and maintenance of access roads, sanitation systems, and far reaching efforts to promote community awareness were also factors causing the increase in operating expenses.

Depreciation expense is affected by acquisition/retirement of operating assets, their useful lives, and the dates when such assets are placed in service. Depreciation expense for fiscal year 2008 was lower than that of 2007 because many of the capital assets owned by the Port have maximized their allowable depreciation. Investment income was lower due to the recording of the loss on Lehman Brothers commercial paper investment. Interest expense was lower because of the full payment of the 2002A bonds and the reduction, due to regular debt servicing, on the principal balances of the other debt carried by the Department.

Oil operations net revenues increased to $31.2 million from a $21.1 million loss in previous year due to favorable crude oil prices prevailing during the fiscal year. Fiscal year 2008 is the first year in which expenses were incurred on the Clean Trucks Program, which is an important component of the CAAP; net expenses for the year were $13.9 million; the portion of the capital grant project expenses subsidized with grant revenues decreased from $10 million in fiscal year 2007 to $3.7 million in fiscal year 2008 because these projects were delayed.

Capital Assets and Debt Administration

Capital Assets

The Department's investments in capital assets, net of accumulated depreciation, as of September 30, 2009, 2008, and 2007 are as follows:

Capital Assets, Net

September 30, 2009, 2008, and 2007

	2009	2008	2007
Nondepreciable capital assets:			
Land	$ 859,833,899	858,813,707	850,704,021
Construction in progress	180,699,622	164,535,655	225,836,752
Rights of way	207,823,264	207,823,264	207,823,264
Total nondepreciable capital assets	1,248,356,785	1,231,172,626	1,284,364,037
Depreciable capital assets (net):			
Structures and facilities	990,471,192	1,008,240,275	956,920,248
Furniture, fixtures, and equipment	10,939,832	4,202,907	4,007,394
Total depreciable capital assets	1,001,411,024	1,012,443,182	960,927,642
Total capital assets, net	$ 2,249,767,809	2,243,615,808	2,245,291,679

Analysis of Fiscal Year 2009

The Department's investments in capital assets include land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights of way. The net effect on the capital asset accounts was an increase of $6,152,001 from 2008. In order to accomplish a more efficient use of their space, many divisions continued to remodel their areas. Information regarding the Department's capital assets can be found in note 6 to the financial statements.

Analysis of Fiscal Year 2008

The Department's investments in capital assets include land; structures and facilities; furniture, fixtures, and equipment; construction in progress; and rights of way. Capital assets decreased by less than 1% when compared to fiscal year 2007. Additions/transfer to capital asset accounts were offset by reductions, either by transfers to capital asset accounts or by closing projects to operating expenses, in construction in progress. Information regarding the Department's capital assets can be found in note 6 to the financial statements.

Debt Administration

The following table summarizes the Department's debt, originally incurred as long-term, as of September 30, 2009, 2008, and 2007. For consistency purposes, this schedule includes the current portion.

Debt Originally Incurred as Long-Term Debt

September 30, 2009, 2008, and 2007

		2009	2008	2007
Bond debt (principal and net premiums)	$	802,927,145	842,403,531	1,016,164,146
Commercial paper outstanding		31,400,000	60,150,000	60,150,000
Notes payable		—	—	41,333
Total long-term debt	$	834,327,145	902,553,531	1,076,355,479

Analysis of Fiscal Year 2009

The Department's total long-term debt decreased by $68,226,386, or 8%. The decrease was the result of scheduled principal reductions on the bond debt and the retirement of $28,750,000 of the outstanding commercial paper.

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's: AA, stable outlook; Moody's Investors Services: Aa2, stable outlook; and Fitch Ratings: AA, stable outlook. During 2009, Fitch Ratings affirmed the AA rating on the $803 million Port debt. The Fitch report states, "'AA' rating reflects the Port's geographic advantage, proximity to a very large population base, and excellent intermodal access to large rail networks and highways that result in the Port's dominant position as the nation's second largest container port. The Port has a very healthy balance sheet with a superior liquidity position, very stable revenue sources through long-term lease agreements that ensure solid operating margins and largely mitigate downside financial risk, modern and contiguous facilities, and a good diversity of terminal operators and shippers."

In December 2009, Moody's Investors Service affirmed its Aa2 rating on the Port's debt. The Moody's report states, "The Port of Long Beach's strategic advantages include a deep harbor, advantageous location for capturing Pacific Rim trade, large local service area, and excellent intermodal transportation links to regional and inland markets. The outlook for the Port of Long Beach is stable despite the current economic downturn, based on Moody's expectation that the port's competitive market position will continue to support operations, that the strong financial position will provide healthy margins against decreasing cargo levels, and future borrowing plans will maintain the targeted 2.0x debt service coverage and one-year's cash on hand."

The debt service coverage ratios for fiscal years ended 2009 and 2008 are 2.8 and 3.1, respectively. The minimum rate required by the Department's various bond indenture documents is 1.25. Additional information on the Department's long-term debt can be found in notes 7 and 8, on pages 29 – 36 of this report.

Analysis of Fiscal Year 2008

The Department's total long-term debt decreased by $173,801,948, or 16%. The decrease was the result of scheduled bond debt service payments and the retirement of the 2002A variable rate debt obligation (VRDO) bonds ($133.8 million).

The underlying ratings assigned to the Department's bond issues are as follows: Standard & Poor's: AA, stable outlook; Moody's Investors Services: Aa2, stable outlook; and Fitch Ratings: AA, stable outlook. The ratings are the result of factors such as: the Port's significant size and strength among the West Coast container ports; its status as a world-class facility; its prime location to attract Pacific Rim trade; convenient links to intermodal connections; its healthy financial condition and high liquidity; the proactive approach to secure and protect its facilities and to make them as safe as possible; the continued implementation of an environmentally responsible capital program supported by the Board of Harbor Commissioners; and management's commitment to efficiency, sustainability, environmental protection, and customer service.

The debt service coverage ratios for fiscal years ended 2008 and 2007 are 3.1 and 3.5, respectively. The minimum rate required by the Department's various bond indenture documents is 1.25. Additional information on the Department's long-term debt can be found in notes 7 and 8, on pages 29 – 36 of this report.

Notes to Financial Statements

The notes to the Department's financial statements can be found on pages 14 – 50 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for people or entities interested in the financial aspects of the Port. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 925 Harbor Plaza, Long Beach, CA 90802.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statements of Net Assets

September 30, 2009 and 2008

Assets	2009	2008
Current assets:		
Pooled cash and cash equivalents (note 2)	$ 664,793,199	725,689,304
Trade accounts receivable, net of allowance (note 3)	47,491,843	50,090,855
Interest receivable	199,926	581,213
Nonperforming investments (note 3)	2,228,927	2,228,927
Due from other governmental agencies (note 3)	4,916,764	2,267,630
Prepaid – dredging services (note 4)	43,500,000	—
Inventories of supplies	626,716	742,222
Other current assets	6,022	—
Subtotal	763,763,397	781,600,151
Harbor Revenue Bond Funds and other funds restricted as to use (notes 2 and 8):		
Pooled cash and cash equivalents (note 2)	241,695,780	232,528,585
Total current assets	1,005,459,177	1,014,128,736
Noncurrent assets:		
Capital assets (notes 6 and 10):		
Land:		
Purchased	440,901,947	439,913,481
Constructed	418,931,952	418,900,226
Net land	859,833,899	858,813,707
Structures and facilities	2,011,291,995	1,947,975,911
Less accumulated depreciation	(1,020,820,803)	(939,735,636)
Net structures and facilities	990,471,192	1,008,240,275
Furniture, fixtures, and equipment	28,193,907	17,499,336
Less accumulated depreciation	(17,254,075)	(13,296,429)
Net furniture, fixtures, and equipment	10,939,832	4,202,907
Construction in progress	180,699,622	164,535,655
Right of way (note 5)	207,823,264	207,823,264
Net capital assets	2,249,767,809	2,243,615,808
Other assets:		
Long-term receivables (note 3)	27,000,000	27,435,000
Oil facilities (net of accumulated depletion of $65,132,743 and $70,232,840, respectively)	16,003,112	10,903,015
Environmental mitigation credits (note 15)	44,278,068	44,278,068
Investment in joint venture (note 11)	10,897,651	7,903,276
Restricted nonpooled cash and cash equivalents (note 2)	362,691	21,473,654
Restricted nonpooled investments (note 2)	53,260,654	32,228,105
Other noncurrent assets	1,900,000	2,400,000
Total other assets	153,702,176	146,621,118
Total noncurrent assets	2,403,469,985	2,390,236,926
Total assets	$ 3,408,929,162	3,404,365,662

(Continued)

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statements of Net Assets

September 30, 2009 and 2008

Liabilities		**2009**	**2008**
Current liabilities payable from current assets:			
Accounts payable and accrued expenses	$	48,311,508	53,972,310
Accrued interest – commercial paper (note 7)		—	185,725
Commercial paper outstanding (note 7)		31,400,000	60,150,000
Liability claims (note 12)		5,000,000	—
Deferred credits and unearned revenue		14,911,718	14,586,669
Due to City of Long Beach (note 14)		16,083,972	16,274,861
Current portion of environmental remediation (note 13)		19,074,012	60,411,804
Total current liabilities payable from current assets		134,781,210	205,581,369
Current liabilities payable from restricted assets:			
Current portion of bonds indebtedness (note 8)		40,120,000	38,145,000
Accrued interest – bonds		15,703,534	16,442,922
Total current liabilities payable from restricted assets		55,823,534	54,587,922
Total current liabilities		190,604,744	260,169,291
Long-term obligations net of current portion:			
Bonded indebtedness (note 8)		762,807,145	804,258,531
Environmental remediation (note 13)		1,000,000	16,457,625
Oil wells abandonment (note 12)		26,700,000	19,900,000
Total noncurrent liabilities		790,507,145	840,616,156
Total liabilities		981,111,889	1,100,785,447
Net Assets (Note 16)			
Invested in capital assets, net of related debt		1,410,740,241	1,335,522,370
Restricted – nonrelated-party debt service contingency and matching contribution for federally funded projects (note 12)		147,301,520	147,301,520
Restricted – capital projects		44,278,068	44,278,068
Restricted – debt service		101,972,603	102,046,032
Unrestricted		723,524,841	674,432,225
Total net assets	$	2,427,817,273	2,303,580,215

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Years ended September 30, 2009 and 2008

	2009	2008
Port operating revenues (note 10):		
Berths and special facilities	$ 291,451,794	340,524,798
Rental properties	15,957,437	14,495,795
Miscellaneous	3,942,351	4,323,540
Total Port operating revenues	311,351,582	359,344,133
Port operating expenses:		
Facility maintenance	5,700,685	7,870,391
Infrastructure maintenance	22,299,190	45,556,412
Fire and safety	24,036,675	21,353,046
Other indirect operating	6,379,745	6,660,266
General and administrative	39,463,931	34,725,802
Total Port operating expenses before depreciation and amortization	97,880,226	116,165,917
Depreciation and amortization	85,857,712	79,496,947
Total Port operating expenses	183,737,938	195,662,864
Income from Port operations	127,613,644	163,681,269
Nonoperating revenues (expenses):		
Investment income, net	18,579,306	33,346,928
Interest expense	(40,829,991)	(46,390,956)
Income from oil operations	923,137	31,153,305
Gain (loss) on disposition of capital assets	8,248	(254,540)
Income from equity in joint ventures	2,994,375	4,440,935
Clean Air Action Plan (net)	13,323,357	(13,866,798)
Other income	8,772,821	1,046,803
Total nonoperating revenues	3,771,253	9,475,677
Income before capital grants and transfers	131,384,897	173,156,946
Capital grants	11,439,537	3,742,240
Operating transfers to City (note 14)	(18,587,376)	(16,059,464)
Increase in net assets	124,237,058	160,839,722
Total net assets – beginning of year	2,303,580,215	2,142,740,493
Total net assets – end of year	$ 2,427,817,273	2,303,580,215

See accompanying notes to financial statements.

THE HARBOR DEPARTMENT OF THE CITY OF LONG BEACH

Statements of Cash Flows

Years ended September 30, 2009 and 2008

		2009	2008
Cash flows from operating activities:			
Cash received from customers	$	309,308,092	359,339,856
Cash paid to employees net of capitalized labor of $4,286,063 and $4,786,307 in 2009 and 2008, respectively		(37,480,770)	(32,679,627)
Cash paid to suppliers		(122,463,488)	(51,260,792)
Net cash provided by operating activities		149,363,834	275,399,437
Cash flows from investing activities:			
Harbor oil operations		12,842,740	29,727,236
Interest received		18,960,593	31,072,311
Return on investment in joint venture		—	8,000,000
Purchase of investments		(20,912,327)	—
Net cash provided by investing activities		10,891,006	68,799,547
Cash flows from noncapital/financing activities:			
Clean Air Action Plan		3,987,302	(1,147,823)
Harbor Cogeneration Payment		8,800,400	—
Operating transfers to Tidelands and other funds		(16,274,862)	(15,399,535)
Net cash used in noncapital financing activities		(3,487,160)	(16,547,358)
Cash flows from capital and related financing activities:			
Grants provided (used)		(9,991,732)	7,046,639
Interest paid, net of capitalized interest		(45,161,004)	(50,787,577)
Payments for capital acquisitions		(67,770,450)	(97,517,285)
Prepayment for dredging services		(43,500,000)	—
Principal payment – commercial paper		(28,750,000)	—
Principal payment – notes		—	(41,333)
Principal payments – bond		(38,145,000)	(170,130,000)
Excess reserve 2005 Bonds		3,644,605	—
Proceeds from sales of capital assets		66,027	945,460
Net cash used in capital and related financing activities		(229,607,554)	(310,484,096)
Net increase (decrease) in cash and cash equivalents		(72,839,874)	17,167,530
Cash and cash equivalents, October 1		979,691,544	962,524,013
Cash and cash equivalents, September 30	$	906,851,670	979,691,543
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	127,613,644	163,681,269
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		85,857,712	79,496,947
Bad debt expense		272,068	26,954
Decrease (increase) in accounts receivable		(2,277,680)	587,025
Decrease (increase) in other assets		(6,022)	—
Decrease (increase) in inventory		115,506	(8,120)
Increase (decrease) in accounts payable		(6,642,213)	7,939,727
Increase (decrease) in deferred revenues		1,164,234	(814,410)
Increase in customer deposits		62,002	21,333
Increase (decrease) in environmental remediation		(56,795,417)	24,459,654
Increase in due to other funds		—	9,058
Net cash provided by operating activities	$	149,363,834	275,399,437
Reconciliation of cash and cash equivalents:			
Unrestricted pooled cash and cash equivalents	$	664,793,199	725,689,304
Restricted pooled cash and cash equivalents		241,695,780	232,528,585
2000 bond reserve held by the City Treasurer		362,691	21,473,654
	$	906,851,670	979,691,543

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) The Reporting Entity

Article XII of the City Charter of the City of Long Beach, California (the City) created the Harbor Department of the City of Long Beach (the Department) to promote and develop the Port of Long Beach (the Port). The Department's operations are included in the City's reporting entity as an enterprise fund; its activities are conducted in the Tidelands Trust area of the City and are subject to coastal area laws of the State of California and to the terms of the trust agreement between the City and the State of California.

The Harbor Facilities Corporation (the Corporation), a nonprofit public benefit corporation, has been inactive since 1995 and did not have any activity during the 2009 and 2008 fiscal years. If the Corporation would have any transactions with financial implications, they would be included in the Department's financial statements.

The Department, together with the Harbor Department of the City of Los Angeles, formed a joint venture to finance the construction of the Intermodal Container Transfer Facility (ICTF). The ICTF venture has been recorded as an investment under the equity method of accounting in the accompanying financial statements (see note 11).

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

(b) Basis of Accounting and Measurement Focus

Disbursement of funds derived from the Department's operations is restricted to Harbor Trust Agreement purposes. The costs of providing port services are recovered entirely through leases, tariffs, and other charges assessed to Department's tenants. Consistent with U.S. generally accepted accounting principles for enterprise funds, the accounting policies of the Department conform to the accrual basis of accounting. The measurement focus of the accompanying financial statements is on the determination of changes in net assets and changes in financial position. Operating revenues and expenses are generated and incurred through cargo activities performed by port tenants; operating expenses include maintenance of facilities and infrastructure, security, and payments to other City departments for services provided to the Port. Administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as nonoperating income (expense). The Department applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The Department recognizes operating revenues when they are earned. Proceeds from federal or state grants are considered as nonoperating revenues, recognized as such when reimbursable expenses are incurred, and are identified as capital grants in the statements of revenues, expenses, and changes in fund net assets. Operating revenues or capital grant funds that have either been billed or received but not earned are identified as deferred credits and unearned revenue in the statements of net assets.

(c) New Accounting Pronouncements

Effective October 1, 2008, the Department adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement provides governments with better accounting guidance and consistency, and it identifies the circumstances under which a government entity would be required to report a liability related to pollution remediation. The adoption of the statement did not have a material impact on the Department's financial statements. Disclosures related to the adoption of GASB Statement No. 49 are presented in note 13.

(d) Pooled Cash and Cash Equivalents

In accordance with City Charter requirements, the Department pools its available cash with that of the City. The City's cash management pool is used essentially as a demand deposit account by the participating City organizational units. For purposes of the statements of cash flows, the Department defines cash and cash equivalents as pooled cash and investments, including restricted pooled cash and investments and short-term, easily convertible to cash, nonpooled investments. Investment decisions are made by the City Treasurer and approved by an investment committee whose membership includes members of the Department's management ranks.

Investment income and gains/losses arising from such pooled cash and investments are apportioned to each participating unit based on the relationship of the unit's average daily cash balances to the aggregate pooled cash and investments. The Department's share of pooled cash and investments, as of September 30, 2009 and 2008, is stated at fair value (see note 2).

(e) Nonpooled Cash and Cash Equivalents

The Department considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

(f) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying statements of revenues, expenses, and changes in net assets as investment income, net.

(g) Inventories

Inventories of supplies are valued at the lower of average cost or market.

(h) Capital Assets

An asset is classified as a capital asset if it is a nonconsumable, tangible item, valued at a single amount greater than $5,000, and with a useful life of more than one year. Capital assets are valued at historical costs. The historical cost of acquiring an asset includes the cost necessarily incurred to bring it to the condition and location necessary for its intended use. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures is a part of the historical cost of acquiring the asset. Depreciation is determined using the straight-line method with no allowance for salvage values. Identifiable intangible assets are recognized as such if they are separable or when they arise from contractual or other legal right, regardless of whether those rights are transferable or separable from the entity, or from other rights and obligations. An intangible asset will be capitalized if the asset has a useful life of more than one year and an acquisition cost exceeding the capitalization threshold of $100,000. Amortization of intangible assets will follow the policies set for tangible assets with the following additional considerations: there is no mandated maximum amortization period; intangible assets with indefinite useful life should not be amortized; and the carrying value of the intangible asset, if any, following the recognition of any impairment loss should be amortized in subsequent reporting periods over the remaining estimated useful life of the asset. When appropriate, provision for obsolescence is recognized by charging depreciation at an accelerated rate on specific assets. The estimated economic lives used to determine annual rates of depreciation are subject to periodic review and revision, if appropriate, to assure that the cost of the respective assets will be written off over their economic lives. Estimated useful lives used in the computation of depreciation of capital assets are as follows:

Structures and facilities:	
Bridges and overpasses	50 – 75 years
Wharves and bulkheads	40 years
Transit sheds and buildings	20 – 50 years
State highway connections	10 – 50 years
Others	5 – 50 years
Intangible assets	3 – 30 years
Furniture, fixtures, and equipment	2 – 30 years

The Harbor Department incurred interest cost in fiscal year 2009 of $42,898,000 of which $2,068,000 was capitalized.

(i) Oil Operation

Oil facilities are valued at historical cost plus estimated future oil well abandonment costs. Abandonment costs are separately recorded as a liability. Oil field depletion is determined using the estimated economic life of the oil field divided by future unit production of the oil field. Donated assets are valued at their estimated fair value on the donation date.

(j) Investments in Joint Ventures

Investments in joint power authorities are accounted for by the equity method.

(k) Compensated Absences

The Department records all accrued employee benefits, including accumulated vacation and sick leave, as a liability in the period when the benefits are earned. Accrued employee benefits are treated as a current liability for financial statement presentation.

(l) Pension Plan and Postretirement Benefits

All full-time Department employees are members of the State of California Public Employees' Retirement System (CalPERS). The Department's policy is to fund all accrued pension costs. These costs are determined annually as of October 1 by CalPERS and are incorporated into the payroll burden rate reimbursable to the City's Employee Benefits Internal Service Fund. The Department participates in the City's Retired Employee Health Insurance Program. This program is a single-employer defined benefit healthcare plan.

(m) Allowance for Doubtful Accounts Receivable

The allowance for doubtful accounts (allowance) is estimated at a level to absorb expected accounts receivable losses. Allowance is established to reflect the amount of the Port's receivables that Management estimates will be uncollectible ensuring that Port's receivables will not be overstated for financial reporting purposes. The allowance is set at the greater of: (1) one half of one percent (0.5%) of estimated annual operating revenues or (2) the sum of 75% of aged receivable amounts over 120 days delinquent, plus 50% of amounts over 90 days delinquent, plus 25% of amounts over 60 days delinquent, plus 10% of amounts over 30 days delinquent. In addition, Management reviews the adequacy of the allowance on a monthly basis by reviewing the aging report and assesses whether any further action is necessary.

To determine uncollectibility, the Department's Finance Division reviews all delinquent accounts around August of each year. Amounts deemed uncollectible are proposed to be written off. The balances of the allowance for uncollectible Accounts Receivable for the fiscal years 2009 and 2008 were $1,556,758 and $1,796,604, respectively (see note 3).

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

(o) Reclassifications

Certain amounts reported in fiscal year 2008 have been reclassified to conform to the fiscal year 2009 presentation. Such reclassifications have no effect on the previously reported change in net assets.

(p) Net Assets

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

(Continued)

The Department's net assets are classified into the following net asset categories:

Invested in Capital Assets, Net of Related Debt – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted – All other categories of net assets. Additionally, unrestricted net assets may be designated for use by management of the Department. These requirements limit the area of operations for which expenditures of net assets may be made and require that unrestricted net assets be designated to support future operations in these areas. The future funding commitments of the Department related to the Clean Air Action Plan (CAAP) are a primary example of unrestricted net assets with designated uses (see note 12).

(2) Cash, Cash Equivalents, and Other Investments

The Department's cash and cash equivalents and investments as of September 30, 2009 and 2008 are classified in the accompanying statements of net assets as follows:

		2009	2008
Pooled cash and cash equivalents	$	664,793,199	725,689,304
Pooled cash and cash equivalents, restricted		241,695,780	232,528,585
Total pooled cash and cash equivalents		906,488,979	958,217,889
Bond reserves held by fiscal agents:			
Nonpooled cash and cash equivalents		362,691	21,473,654
Nonpooled investments		53,260,654	32,228,105
Total bond reserves held by fiscal agents		53,623,345	53,701,759
Total pooled cash and cash equivalents and bond reserves held by fiscal agents	$	960,112,324	1,011,919,648

The majority of the Department's cash and investments, including restricted cash and investments, are pooled with other City funds and maintained by the City Treasurer. The City Charter requires the Department to participate in the City Treasurer's pool. The Department's portion of the City's total pooled cash and cash equivalents amount as of September 30, 2009 and 2008 was $906,488,979 or 56.2% and $958,217,889 or 56.2%, respectively, of the City's pooled cash and cash equivalents. The Department's bond reserves held by fiscal agents for the 2002, 2004, and 2005 bonds were $53,623,345 and $53,701,759 as of September 30, 2009 and 2008, respectively. The City's investment policy authorizes the pool to invest in obligations issued or guaranteed by the federal government and its agencies and instrumentalities as well as in commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, bank certificate of deposits, the State Treasurer's Local Agency Investment Fund, and shares of beneficial interest (mutual funds) issued by diversified management companies.

It is the policy of the City Treasurer to invest funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and its Departments and to conform to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety of principal, liquidity, yield, and maintaining the public trust. Individual departmental cash deposits and investments within this pool cannot be specifically identified among the participating units. Interest income and gains and losses earned on pooled cash and investments are allocated monthly to the various pool participants based on their average daily cash balances.

(a) Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address debt proceeds held by bond trustee, which are governed by the provisions of debt agreements of the City, rather than the general provision of the California Government Code or the City's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
Bonds issued by the City	5 years *	30%	None
U.S. Treasury notes, bonds, or bills	5 years *	None	None
Registered state warrants or treasury notes or bonds of the State of California	5 years *	30%	None
Local agency bonds	5 years *	30	None
Federal agency securities	5 years *	40	None
Banker's acceptances	180 days	40	30%
Commercial paper	270 days	25	10
Negotiable certificates of deposit	5 years *	30	10
Time certificates of deposit	5 years *	100	10
Repurchase agreements	90 days	100	None
Reverse repurchase agreements	92 days	20	None
Securities lending program	92 days	20	None
Medium-term notes	5 years *	30	10%
Money market funds	N/A	20	10
Local agency investment fund (LAIF)	N/A	None	$40 million per account
Asset-backed securities	5 years	20%	None
Mortgage-backed securities	5 years	20	None

* Maximum maturity of (5) years unless a longer maturity is approved by the City Council, either specifically or as part of an investment program, at least (3) months prior to purchase.

(b) Investments Authorized by Debt Agreement

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements.

(c) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturing evenly over time as necessary to provide cash flow and liquidity need for operations. The following schedule indicates the interest rate risk of the City's investments, which includes the amount the fund has invested with the City as of September 30 (in thousands):

	2009		2008	
Investment type	**Fair value**	**Weighted average maturity (in years)**	**Fair value**	**Weighted average maturity (in years)**
Cash and investments in city pool:				
Interdepartment loan (Health SAVERS)	$ 2,654	9.60	$ 2,892	10.60
U.S. Treasury notes	930,125	0.50	55,816	0.41
Federal agency securities	592,312	0.50	1,289,369	1.96
Medium-term notes	—	—	84,148	0.99
LAIF	—	—	160,848	0.09
Government managed rate account	104,667	—	69,931	—
Subtotal city pool	1,629,758		1,663,004	
Cash and deposits	80,099	—	60,313	—
Outstanding checks	(13,698)	—	(19,752)	—
Total city pool	$ 1,696,159		$ 1,703,565	
Nonperforming short-term investment	$ 3,962	—	$ 3,962	—

The following schedule indicates the interest rate risk of the Department's cash held by fiscal agent:

	2009			2008		
	Fair value (000's)		Weighted average maturity (in years)	Fair value (000's)		Weighted average maturity (in years)
Nonpooled investments – Fiscal Agent:						
2002A Reserve:						
Federal Agency Securities	$	8,240	2.39			
Treasury Notes		12,421	1.56			
		20,661				
2004 Reserve:						
Federal Agency Securities		12,107	7.80			
AIG Matched Funding Corporation Guaranteed Investment Contracts (GIC)				$	11,373	8.62
2005 Reserve:						
Federal Agency Securities		8,235	2.38			
Treasury Notes		12,258	1.56			
		20,493				
FSA Capital Management Services GIC					20,855	15.39
Total	$	53,261		$	32,228	

(d) Investments with Fair Values Highly Sensitive to Investment Risk

The City had no investments with values that were highly sensitive to investment risk as of September 30, 2009 and 2008. Highly sensitive investments are investments whose sensitivity to market interest rate fluctuations are not fully addressed by use of one of the five methods for reporting interest rate risk.

(e) Risks and Uncertainties

The City may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

The City invests in securities with contractual cash flows, such as asset-backed securities and mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to change in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(f) Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the following page is the minimum rating required by the California Government Code, the City's investment policy, and the actual rating as of year-end for each investment type (in thousands):

			Rating as of year-end 2009					
City's pooled investments investment type	**Minimum legal rating**		**Not required to be rated**	**A-1+**	**A-1**	**AAA**	**AA-**	**Unrated**
Cash and investments in city pool:								
Interdepartment loan (Health SAVERS)	N/A	$ 2,654	2,654	—	—	—	—	—
U.S. Treasury notes	N/A	930,125	930,125	—	—	—	—	—
Federal agency securities	N/A	592,312	—	—	—	592,312	—	—
Medium-term notes	A	—	—	—	—	—	—	—
LAIF	N/A	—	—	—	—	—	—	—
Government managed rate account	N/A	104,667	104,667	—	—	—	—	—
Subtotal city pool		1,629,758	1,037,446	—	—	592,312	—	—
Cash and deposits		80,099	—	—	—	—	—	80,099
Outstanding checks		(13,698)	—	—	—	—	—	(13,698)
Total city pool		$ 1,696,159	1,037,446	—	—	592,312	—	66,401
Nonperforming short-term investment	N/A	$ 3,962	—	—	—	—	—	3,962

City's pooled investments investment type	Minimum legal rating		Rating as of year-end 2008 Not required to be rated	A-1+	A-1	AAA	AA-	Unrated
Interdepartment loan (Health SAVERS)	N/A	$ 2,892	2,892	—	—	—	—	—
U.S. Treasury notes	N/A	55,816	55,816	—	—	—	—	—
Federal agency securities	N/A	1,289,369	—	—	—	1,289,369	—	—
Medium-term notes	A	84,148	—	—	—	84,148	—	—
LAIF	N/A	160,848	160,848	—	—	—	—	—
Government managed rate account	N/A	69,931	69,931	—	—	—	—	—
Subtotal city pool		1,663,004	289,487	—	—	1,373,517	—	—
Cash and deposits		60,313	—	—	—	—	—	60,313
Outstanding checks		(19,752)	—	—	—	—	—	(19,752)
Total city pool		$ 1,703,565	289,487	—	—	1,373,517	—	40,561
Nonperforming short-term investment	N/A	$ 3,962	—	—	—	—	—	3,962

(g) Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represents 5% or more of the City's total pooled investments are as follows (in thousands):

Issuer	Investment type	Reported amount 2009	2008
Federal Farm Credit Bank	Federal agency securities	$ 28,232	93,000
Federal Home Loan Bank	Federal agency securities	95,440	477,695
Federal Home Loan Mortgage Association	Federal agency securities	91,865	359,571
Federal National Mortgage Association	Federal agency securities	376,776	359,103
U.S. Treasury	U.S. Treasury notes and bonds	930,125	55,816
LAIF	State pool investment	—	160,848

(h) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

All securities owned by the City are deposited in trust for safekeeping with a custodial bank different from the City's primary bank except for one City-issued bond and investment in the State of California's Local Agency Investment Fund (LAIF).

As of September 30, 2009, the City reported deposits of $80,099,000 less $13,698,000 for checks outstanding. As of September 30, 2008, the City's deposits were $60,313,000 less $19,752,000 for checks outstanding.

(i) Investment in State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the treasurer of the State of California. The fair value of the City's investment in this pool is reported in the City's financial statements at amounts based upon the City's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized-cost basis. Included in LAIF's investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than an one-for-one basis, and structured basis.

(j) Reverse Repurchase Agreements

There were no transactions involving reverse repurchase agreements during the fiscal years ended September 30, 2009 and 2008.

(k) GASB Statement No. 31

GASB Statement No. 31, *Certain Investments and External Investment – Pools*, requires that certain investments and external investment pools be reported at fair value. At September 30, 2009 and 2008, the effect of valuating the City's investments at fair value did not have a material impact on the City's financial position.

(l) Securities Lending

The City did not engage in any securities lending programs for the fiscal years ended September 30, 2009 and 2008. Accordingly, in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, no assets or liabilities have been recorded in the accompanying financial statements. However, from time to time, the City engages in limited securities lending activities. These activities are governed by formal agreement with the City's contract bank. This agreement limits the nature and amount of the transactions and provides for full collateralization of each transaction.

(3) Accounts Receivable and Other Receivables

Accounts receivable as of September 30 included the following:

		2009	2008
Trade accounts receivable	$	49,048,601	46,271,949
Less allowance for doubtful accounts		(1,556,758)	(1,796,604)
		47,491,843	44,475,345
Pier A West receivable		—	5,615,510
Accounts receivable, net	$	47,491,843	50,090,855

Other receivables as of September 30 included the following:

		2009	2008
Due from other governmental agencies:			
Current:			
Federal grant – Department of Homeland Security	$	4,875,478	1,429,165
Department of Gas and Oil		41,286	—
Reimbursements due from Caltrans		—	311,831
State of California		—	526,634
		4,916,764	2,267,630
Nonperforming investments – Lehman Brothers		2,228,927	2,228,927
Total current		7,145,691	4,496,557
Long-term:			
Redevelopment Agency – Convention Center		27,000,000	27,435,000
Total due from other governmental agencies	$	34,145,691	31,931,557

The receivable related to nonperforming investments – Lehman Brothers pertains to the portion of the value of the commercial paper investment held with Lehman Brothers.

Redevelopment Agency – Convention Center

In 1993, the Department advanced $30,000,000 to the Long Beach Redevelopment Agency (the Agency) to fund construction costs related to the Long Beach Convention Center expansion project. Such advance was part of an amended agreement with the Agency to fund $90,000,000 of the Long Beach Convention Center project and was to be repaid from revenue sources arising from future City transient occupancy tax revenues, payable in equal amounts over 17 years beginning October 1, 1997.

(Continued)

The agreement has been amended on several occasions. Most recently, during 2009, the Board of Harbor Commissioners approved to replace the existing $27,435,000 balance due from the Agency with another loan payable by the Agency. The new loan agreement stipulates that on October 1, 2009, $435,000 of the Agency's debt, plus any interest owed on the Agency's debt shall be forgiven. The remaining balance of $27,000,000 will be paid by the Agency from "additional tax increment" received by the Agency from planned improvements associated with the construction of Pier S. The Port is planning to construct a new terminal project, Pier S, in the next five years and the project resides within the West Long Beach Industrial Redevelopment Project Area.

Redevelopment Agency – Aquarium

During 2009, the Board of Harbor Commissioners approved the Long Beach City Manager's request for assistance with $8.1 million of the Aquarium debt service. An agreement was entered into between the Agency and the Board of Harbor Commissioners whereby repayment of the $8.1 million will be payable from "Middle Harbor Additional Tax Increment" received by the Agency. The reimbursement from the RDA is contingent upon the Port developing port terminal and related facilities referred to as "the Middle Harbor Project," which incorporates Piers D, E, and F and certain infill areas that reside within the North Long Beach Redevelopment Project Area. Accordingly, no receivable has been recorded in the accompanying financial statements. Only $2 million is recognized as a transfer out to the City and has been paid in fiscal year 2009. The remaining amount of $6 million will be recognized and paid when it becomes due in fiscal year 2010.

(4) Long Beach Harbor Dredging

The Harbor Department is undertaking an approximately $54 million dredging project to improve navigation in harbor waters. The project is scheduled to begin in 2010. Although there are four separate locations involved in the dredging project, the primary focus is deepening the inner turning basin south of the BP oil terminal to 76 feet, the same depth as the main channel. The deeper inner basin means large tankers will no longer need to unload part of their oil outside the breakwater to safely reach berth. The new depth also will allow ships to turn more easily in the inner basin. The dredge materials will be used to fill about 12 acres at Pier G. The project will be funded with approximately $5.9 million of federal stimulus moneys and approximately $48.1 million of revenues of the Harbor Department. During 2009, the Harbor Department advanced $43.5 million to the Army Corps of Engineers as prepayment for the dredging costs.

(5) Alameda Corridor Right-of-Way Purchase

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

The total purchase comprised the right-of-way property from the three former railroad companies and a drill track from Southern Pacific to provide an additional right-of-way to access local businesses along the Project. As of September 30, 2009 and 2008, total costs to the Department related to the rights-of-way purchase amounted to $207,823,264.

Construction of the Project began in 1997 and it was completed in April 2002. Funding for the Project came from federal, state, and local sources, and from issuance of debt. Some of the benefits derived from the Project are the consolidation of the railroad services onto a single set of rail lines, the improvement of the rail transportation conditions around the Ports, the securing of efficient and competitive service to and from the Ports, and the increase in public safety along the route on which Port-related traffic occurs. These benefits will extend to other governmental entities by allowing them to utilize the right-of-way.

Repayment to the Ports for their investments in the right-of-way and for any advances provided to the Project will occur only after the Project has generated revenues sufficient to retire all debt and to fund maintenance reserve (see note 12).

(6) Capital Assets

Capital Assets Rollforward Schedule

Description	Balance, October 1, 2008	Additions	Disposals	Transfers	Balance, September 30, 2009
Nondepreciable capital assets:					
Purchased land	$ 439,913,481	—	—	988,466	440,901,947
Constructed land	418,900,226	—	—	31,726	418,931,952
Construction in progress	164,535,655	90,778,090	—	(74,614,123)	180,699,622
Rights-of-way (note 4)	207,823,264	—	—	—	207,823,264
Subtotal	1,231,172,626	90,778,090	—	(73,593,931)	1,248,356,785
Depreciable capital assets:					
Structures and facilities	1,947,975,911	—	(110,735)	63,426,819	2,011,291,995
Furniture, fixtures, and equipment	17,499,336	1,421,482	(894,023)	10,167,112	28,193,907
Subtotal	1,965,475,247	1,421,482	(1,004,758)	73,593,931	2,039,485,902
Total capital assets	$ 3,196,647,873	92,199,572	(1,004,758)	—	3,287,842,687

Description	Balance, October 1, 2007	Additions	Disposals	Transfers	Balance, September 30, 2008
Nondepreciable capital assets:					
Purchased land	$ 439,913,481	—	—	—	439,913,481
Constructed land	410,790,540	—	—	8,109,686	418,900,226
Construction in progress	225,836,752	76,778,067	—	(138,079,164)	164,535,655
Rights-of-way (note 4)	207,823,264	—	—	—	207,823,264
Subtotal	1,284,364,037	76,778,067	—	(129,969,478)	1,231,172,626
Depreciable capital assets:					
Structures and facilities	1,818,157,460	6,597	(4)	129,811,858	1,947,975,911
Furniture, fixtures, and equipment	16,683,825	1,036,417	(378,526)	157,620	17,499,336
Subtotal	1,834,841,285	1,043,014	(378,530)	129,969,478	1,965,475,247
Total capital assets	$ 3,119,205,322	77,821,081	(378,530)	—	3,196,647,873

Accumulated Depreciation Rollforward Schedule

Description		Balance, October 1, 2008	Additions	Disposals/ Transfers	Balance, September 30, 2009
Structures and facilities	$	939,735,636	81,085,167	—	1,020,820,803
Furniture, fixtures, and equipment		13,296,429	4,760,470	(808,824)	17,248,075
Total accumulated depreciation	$	953,032,065	85,845,637	(808,824)	1,038,068,878

Description		Balance, October 1, 2007	Additions	Disposals/ Transfers	Balance, September 30, 2008
Structures and facilities	$	861,237,212	78,558,860	(60,436)	939,735,636
Furniture, fixtures, and equipment		12,676,431	998,524	(378,526)	13,296,429
Total accumulated depreciation	$	873,913,643	79,557,384	(438,962)	953,032,065

(7) Commercial Paper Notes

In 1994, the Board of Harbor Commissioners authorized the issuance of up to $383,500,000 in commercial paper notes of Series A, B, and C and the Department issued $148,000,000 of Series A notes to pay for acquisition costs of property, facilities, and oil rights in the North Harbor District. The notes are designated as follows:

Series A – Subject to Internal Revenue Service Code Alternative Minimum Tax (AMT)
Series B – Not subject to AMT
Series C – Taxable

The Department's gross revenues secure the notes. The obligation to pay the principal portion of outstanding notes is further supported by a revolving line of credit, which is currently $175,000,000. The notes are in bearer form, in denominations of $100,000 with integral multiples of $50,000 in excess thereof, and will mature not more than 270 days after date of issuance. Management may consider paying the commercial paper and related interest obligations and satisfy this obligation within the 2010 fiscal year. The remaining principal balance outstanding at September 30, 2009 was $31,400,000, and was classified as current liabilities. If paid in full or in part, the Department intends to leave open the option to reissue any amount of the commercial paper. The principal balance and accrued interest outstanding at September 30, 2008 were $60,150,000 and $185,725, respectively, and were classified as current liabilities.

Commercial Paper – Principal Only – Rollforward Schedule

Description		Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009
Series A: maturity dates January 10, 2009 interest rate: 1.05	$	60,150,000	—	(28,750,000)	31,400,000

Description		Balance, October 1, 2007	Additions	Reductions	Balance, September 30, 2008
Series A: maturity dates May 11, 2008 – June 11, 2008 range of interest rates: 1.23% – 3.69%	$	60,150,000	—	—	60,150,000

(8) Bonded Indebtedness

Outstanding bonded indebtedness as of September 30 was as follows:

		2009	2008
1998 Harbor Revenue Refunding Bonds:			
Maturing 2010 through 2019 at 6.0% interest	$	129,485,000	138,755,000
Plus unamortized premium, net of refunding charges and cost of issuance		1,564,016	1,726,511
Total 1998 Harbor Revenue Refunding Bonds	$	131,049,016	140,481,511
2000A Harbor Revenue Bonds :			
Maturing 2010 through 2025 at 5.25% to 5.75% interest	$	223,780,000	232,320,000
Plus unamortized premium		1,370,872	1,458,608
Total 2000A Harbor Revenue Bonds	$	225,150,872	233,778,608
2002B Harbor Revenue Bonds (Fixed rate portion):			
Maturing 2010 through 2027 at 5.0% to 5.5% interest	$	125,220,000	129,355,000
Plus unamortized premium		5,469,705	5,780,043
Total 2002B Harbor Revenue Bonds	$	130,689,705	135,135,043
2004A & B Harbor Revenue Refunding Bonds:			
Maturing 2010 through 2018 at 4.0% to 5.0% interest	$	80,985,000	88,080,000
Plus unamortized premium, net of refunding charges and cost of issuance		3,359,394	3,748,890
Total 2004A & B Harbor Revenue Refunding Bonds	$	84,344,394	91,828,890
2005A & B Harbor Revenue Refunding Bonds:			
Maturing 2010 through 2025 at 5.0% interest	$	225,735,000	234,840,000
Plus unamortized premium, net of refunding charges and cost of issuance		5,958,158	6,339,479
Total 2005A & B Harbor Revenue Refunding Bonds	$	231,693,158	241,179,479
Summary:			
Principal	$	785,205,000	823,350,000
Net premium		17,722,145	19,053,531
Less current portion		(40,120,000)	(38,145,000)
Net long-term bonded indebtedness	$	762,807,145	804,258,531

Harbor Revenue Bonds Payable Rollforward Schedule

Description	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009	Amounts due within one year
1998	$ 138,755,000	—	9,270,000	129,485,000	9,825,000
2000 A	232,320,000	—	8,540,000	223,780,000	9,010,000
2002 B	129,355,000	—	4,135,000	125,220,000	4,345,000
2004 A & B	88,080,000	—	7,095,000	80,985,000	7,380,000
2005 A & B	234,840,000	—	9,105,000	225,735,000	9,560,000
	$ 823,350,000	—	38,145,000	785,205,000	40,120,000

Description	Balance, October 1, 2007	Additions	Reductions	Balance, September 30, 2008	Amounts due within one year
1998	$ 147,535,000	—	8,780,000	138,755,000	9,270,000
2000 A	240,415,000	—	8,095,000	232,320,000	8,540,000
2002 A	133,820,000	—	133,820,000	—	—
2002 B	133,295,000	—	3,940,000	129,355,000	4,135,000
2004 A & B	94,900,000	—	6,820,000	88,080,000	7,095,000
2005 A & B	243,515,000	—	8,675,000	234,840,000	9,105,000
	$ 993,480,000	—	170,130,000	823,350,000	38,145,000

Aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

	Principal	Interest	Total
Year(s) ending September 30:			
2010	$ 40,120,000	41,876,091	81,996,091
2011	42,225,000	39,763,691	81,988,691
2012	44,515,000	37,465,654	81,980,654
2013	46,940,000	35,042,179	81,982,179
2014	49,495,000	32,485,830	81,980,830
2015 – 2019	279,625,000	118,884,782	398,509,782
2020 – 2024	212,770,000	52,239,323	265,009,323
2025 – 2027	69,515,000	5,224,350	74,739,350
	$ 785,205,000	362,981,900	1,148,186,900

Details of each outstanding debt issue are as follows:

(a) 1998 Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 1998A (the 1998 Bonds) are secured by the Department's gross revenues. The 1998 Bonds, dated February 1, 1998, amounting to $206,330,000 were issued to current refund all of the City's Harbor Revenue Bonds Series 1989A (the 1989 Bonds). The 1989 Bonds were defeased and the liability for those bonds was removed from the Department's statements of net assets. No amounts remain outstanding as of September 30, 2009. Serial bonds aggregating to $129,485,000 are outstanding and will mature on May 15 of each year from 2010 to 2019 in amounts ranging from $9,825,000 to $16,600,000 with interest payable semiannually on May 15 and November 15 at coupon rates of 6.0%. The 1998 Bonds are not subject to optional or mandatory redemption before their respective maturity dates.

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

		2009	2008
Service account (amount reserved to meet current debt service requirements)	$	6,597,788	6,598,238
Reserve account (amount reserved for maximum annual debt service requirements)		17,596,976	17,596,976
	$	24,194,764	24,195,214

The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of $8,569,501. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is amortized using the straight-line method over the life of the new bonds.

(b) 2000A Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Bonds Series 2000A (the 2000A Bonds) are secured by the Department's gross revenues. The 2000A Bonds, dated November 1, 2000, amounting to $275,000,000 were issued to finance certain capital improvements at the Port, to fund capitalized interest on a portion of the debt issuance, to fund a repayment reserve, and to finance the costs of issuance.

Serial bonds aggregating to $223,780,000 will mature on May 15 of each year from 2010 to 2025 in amounts ranging from $9,010,000 to $20,180.000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 5.25% to 5.75%. The 2000A Bonds maturing on or before May 15, 2010 will not be subject to call and redemption before maturity. Serial bonds maturing on or after May 15, 2011 are subject to call and redemption, prior to maturity, at the option of the Board of Harbor Commissioners, as a whole or in part on any date, on or after May 15, 2010 at premiums of 1.0%, from May 15, 2010 through May 14, 2011; at 0.5% from May 15, 2011 to May 14, 2012; and at par from May 15, 2012 and thereafter.

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

		2009	2008
Service account (amount reserved to meet current debt service requirements)	$	7,984,981	7,984,868
Reserve account (amount reserved for maximum annual debt service requirements)		21,275,017	21,473,654
	$	29,259,998	29,458,522

(c) 2002B Harbor Revenue Bonds

The City of Long Beach Harbor Revenue Bonds Series 2002B (the 2002B Bonds) are secured by the Department's gross revenues. The 2002B Bonds were remarketed in the principal amount of $144,240,000 and are dated June 26, 2002, the date of delivery of the original bonds.

Serial bonds aggregating to $86,775,000 will mature on May 15 of each year from 2010 to 2023 in amounts ranging from $4,345,000 to $8,460,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 5.00% to 5.50%. Bonds maturing on or before May 15, 2014 are not subject to call and redemption prior to maturity; bonds maturing on or after May 2015 will be subject to call and redemption prior to maturity, at the option of the Board, as a whole or in part on any date, on or after May 15, 2014, at a redemption price equal to the principal amount of the Series 2002B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Term bonds of $38,445,000 will mature on May 15, 2027. The term bonds have an interest rate of 5.2%. Term bonds will be subject to call and redemption prior to maturity and redeemed at a redemption price equal to the par amount thereof from Mandatory Sinking Account Payments in amounts from $8,895,000 to $10,335,000 from 2024 to 2027, respectively, for the term bonds scheduled to mature on May 15, 2027.

Funds have been allocated at September 30 in conformity with the bond resolution as follows:

		2008	2008
Service account (amount reserved for maximum annual debt service requirements)	$	4,089,304	4,084,335

(d) 2004 Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 2004A & B (the 2004 Bonds) are secured by the Department's gross revenues. The 2004 Bonds, dated March 10, 2004, amounting to $113,410,000 were issued to current refund and to defease all of the City's Harbor Revenue Bonds Series 1993, to pay the premium for the Bond Insurance Policy, to fund the Series 2004 Reserve Fund, and to finance the costs of issuance of the Series 2004 Bonds. The 1993 Bonds are defeased and the liability for those bonds has been removed from the Department's statements of net assets. No amounts remain outstanding as of September 30, 2009.

Serial bonds aggregating to $80,985,000 are outstanding and will mature on May 15 of each year from 2010 to 2018 in amounts ranging from $7,380,000 to $10,825,000 with interest payable semiannually on May 15 and November 15 at coupon rates ranging from 4.0% to 5.0%. The Series 2004 Bonds maturing on or before May 15, 2014 are not subject to call and redemption prior to maturity.

The Series 2004 Bonds maturing on or after May 15, 2015 will be subject to call and redemption prior to maturity, at the option of the Board of Harbor Commissioner, as a whole or in part on any date, on or after May 15, 2014, at a redemption price equal to the principal amount of the Series 2004 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

		2008	2008
Service account (amount reserved to meet current debt service requirements)	$	4,262,681	4,262,231
Reserve account (amount reserved for maximum annual debt service requirements)		11,372,561	11,372,561
	$	15,635,242	15,634,792

The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of $1,445,775. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is amortized using the straight-line method over the life of the new bonds.

(e) 2005 Harbor Revenue Refunding Bonds

The City of Long Beach Harbor Revenue Refunding Bonds Series 2005A & B (the 2005 Bonds) are secured by the Department's gross revenues. The 2005 Bonds, dated March 23, 2005, amounting to $257,975,000 were issued to current refund and to defease all of the City's Harbor Revenue Bonds Series 1995 (1995 Bonds), to pay the premium for the Bond Insurance Policies, to fund a repayment reserve for the Series 2005 Bonds, and to finance the costs of issuance of the Series 2005 Bonds.

The 1995 Bonds are defeased and the liability for those bonds was removed from the Department's statements of net assets. No amounts remain outstanding as of September 30, 2009. Serial bonds aggregating to $200,765,000 are outstanding and will mature on May 15 of each year from 2010 to 2025 in amounts ranging from $9,560,000 to $19,785,000 with interest payable semiannually on May 15 and November 15 at coupon rates of 5.0%. Serial bonds aggregating to $24,970,000 are outstanding and will mature on May 15 of 2017 and 2018 with amounts due of $11,540,000 and

$13,430,000, respectively, with interest payable semiannually on May 15 and November 15 at 5.0% coupon rate.

The Series 2005 Bonds maturing on or before May 15, 2015 are not subject to call and redemption prior to maturity. The Series 2005 Bonds maturing on or after May 15, 2016 are subject to call and redemption prior to maturity, at the option of the Board of Harbor Commissioners, as a whole or in part on any date, on or after May 15, 2015, at a redemption price equal to 100% of the principal amount of the Series 2005 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Funds have been allocated at September 30 to the respective accounts in conformity with the bond resolution as follows:

		2009	2008
Service account (amount reserved to meet current debt service requirements)	$	7,817,531	7,817,625
Reserve account (amount reserved for maximum annual debt service requirements)		20,975,764	20,855,544
	$	28,793,295	28,673,169

The current refunding resulted in a difference between the reacquisition price and net carrying amount on the old debt of $4,214,084. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is amortized using the straight-line method over the life of the new bonds.

(f) Debt Covenants

The Department's management believes that it has complied with all the covenants related to the outstanding debt as of September 30, 2009 and 2008.

(9) Retirement Programs

(a) Pension Plan

The Department participates on a cost-sharing basis with the City in CalPERS, a defined benefit, agent multiple-employer pension system that acts as a common investment and administrative agent for entities in California. The system also provides death and disability benefits.

The Department is billed by the City for its share of pension costs based upon rates established by CalPERS for the City's general employees. CalPERS does not calculate a separate pension obligation for the Department; therefore, no separate Department obligation can be presented herein. The Department paid $5,525,128, $4,213,160, and $3,855,758 to the City, which was equal to its annual required contribution for fiscal years 2009, 2008, and 2007, respectively.

As employees of the City, the Department's full-time employees are eligible to participate in CalPERS, becoming vested in the system after five years of service. Upon vesting, employees on tier 1 (those hired on or before October 20, 1989) and who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount not to exceed 2.7% (with up to a 5.0% annual Cost of Living Adjustment (COLA) increase) of their highest paid year of employment for each year of credited service. Employees on tier 2 (those hired after October 20, 1989 but before October 1, 2006) and who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount not to exceed 2.7% (with up to a 2.0% annual COLA increase) of their highest paid year of employment for each year of credited service. The City created tier 3 for employees hired after October 1, 2006. Vested tier 3 employees who retire at age 55 are entitled to receive an annual retirement benefit, payable for life, in an amount equal to 2.5% (with up to a 2.0% annual COLA increase) of their highest paid year of employment for each year of credited service.

Further information regarding the City's participation in CalPERS may be found in the City's Comprehensive Annual Financial Report for the year ended September 30, 2009.

(b) Postretirement Healthcare Benefits

Plan Description

The City's Retired Employees Health Insurance Program is a single-employer defined benefit healthcare plan.

Under the provisions of the City's Personnel Ordinance, upon retirement, the City allows retirees, their spouses, and eligible dependents to use the cash value at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental, and long-term care insurance premiums. Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested. The City has provided two one-time early retirement incentive programs. The first had a maximum value of $25,000 for employees, based on age, who retired during calendar year 1996 and the second incentive offered a 16 hour increase in sick leave per year of service to management employees who retired by June 30, 2004. In all cases, once the cash value of the retired employee's unused sick leave is exhausted, the retiree can terminate coverage or elect to continue paying the premiums at the retiree's expense.

At September 30, 2009, there were 580 participants in the City's Retired Employees Health Insurance Program, and the noninterest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled $17,517,000. Total premiums and actual claims paid by the City under the Retired Employees Health Insurance Program for the fiscal year ended September 30, 2009 were $7,250,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

Termination Benefits

As of September 30, 2009, the City has recorded a liability in the Employee Benefits Internal Service Fund of $82,895,000 based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes an investment return of 5.0%; wage increases of 3.5% per year for miscellaneous and 4.5% per year for safety employees; and insurance premium increases of 4.5%. The estimated current portion of such obligation of $6,250,000 has been fully funded and the long-term portion of the liability of $76,645,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percentage of current productive salaries.

Other Postemployment Benefits

As of September 30, 2009, the City has also recorded a liability in the Employee Benefits Internal Service Fund of $10,404,000 based on an actuarial study of the “implicit subsidy” as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (GASB 45). While the City does not directly contribute any funding towards the cost of premiums for retirees, the ability to obtain coverage at any active employee’s rate constitutes an economic benefit to the retirees. The inclusion of the retirees in the City’s healthcare benefit plans increases the overall health plan rates. The economic benefit is defined as an “implicit subsidy” under GASB 45.

The ability to participate in the City’s plan by self-paying the premiums extends for the lifetime of the retiree. However, upon attaining the age of Medicare eligibility, the retiree may enter a plan coordinated by Medicare. Standard actuarial practice assumes that Medicare supplemental plans do not generally give rise to an implicit subsidy, and while we have included Medicare eligible retirees in this valuation, their liability under GASB 45 and their implicit subsidy are both zero.

This plan does not issue a separate financial report.

Funding Policy

The contribution requirement of plan members and the City are established and may be amended by the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. As of September 30, 2009, the City has not prefunded the plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that is actuarially determined in accordance with the requirements of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (in thousands):

ARC	$	8,418
Interest on net OPEB obligation		262
Adjustment to ARC		(219)
Annual OPEB cost		8,461
Contribution made		(3,306)
Increase in net OPEB obligation		5,155
Net OPEB obligation – beginning of year		5,249
Net OPEB obligation – end of year	$	10,404

The ARC was determined as part of the September 2008 actuarial valuation. For the year ended September 30, 2009, the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB obligation
Fiscal year ended:					
September 30, 2008	$	8,102	35.2%	$	5,249
September 30, 2009	$	8,418	39.1%	$	10,404

The OPEB liability is not recorded in the Department's financial statements.

Funded Status and Funding Progress

The funded status of the plan as of September 30, 2009 was as follows (in thousands):

Actuarial accrued liability (AAL)	$	110,324
Actuarial value of plan assets		—
Unfunded AAL (UAAL)	$	110,324
Funded ratio (actuarial value of plan assets/AAL)		—%
Covered payroll	$	295,450
UAAL as a percentage of covered payroll		37.3%
ARC as a percentage of covered payroll		2.8%

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

Actuarial Methods and Assumption

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

In the September 30, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), an annual healthcare trend rate that begins at 11.2% for HMO plans and 8.5% for PPO plans that grades down to 4.5% for all plans by September 30, 2017, and an inflation assumption of 3%. The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date to the expected retirement date. Under the EAN cost method, the plan’s normal cost is developed as a level amount over the participants’ working lifetime. The actuarial value of plan assets was zero. The plans unfunded actuarial accrued liability is being amortized using the level percentage of payroll method on an open basis over 30 years.

(c) Deferred Compensation Plan

The City offers its employees the option to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 allowing them to defer or postpone receipt of income. Amounts deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee. Further information regarding the City's deferred compensation plan may be found in the City's Comprehensive Annual Financial Report for the year ended September 30, 2009.

(10) Operating Leases

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

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

Property under lease at September 30 consisted of the following:

	2009	2008
Land	$ 759,763,424	758,853,968
Docks and wharves	485,934,116	485,934,116
Warehouses and sheds	46,103,617	46,103,617
Cranes and shiploaders	164,981,253	164,981,252
Buildings and other facilities	298,616,223	298,616,223
Infrastructure	756,153,386	714,287,139
Historical cost of leased property	2,511,552,019	2,468,776,315
Less accumulated depreciation	(750,859,669)	(679,698,718)
Book value of leased property	$ 1,760,692,350	1,789,077,597

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

Year(s) ending September 30:	
2010	$ 225,262,000
2011	243,021,000
2012	234,163,000
2013	232,709,000
2014	231,835,000
2015 – 2019	1,117,140,000
2020 – 2024	930,784,000
2025 – 2029	354,371,000
2030 and thereafter	4,877,000
Total	$ 3,574,162,000

(11) Investment in Joint Venture

Intermodal Container Transfer Facility Joint Powers Authority (ICTF)

The Department and the Harbor Department of the City of Los Angeles (the Venturers) entered into a joint venture agreement to form ICTF for the purposes of financing and constructing an intermodal container transfer facility (the facility) to transfer cargo containers between trucks and railroad cars. The facility has been leased to Southern Pacific, now merged with Union Pacific (the Tenant). The facility was developed by the Tenant who assumed operational responsibility for the facility. The Venturers' share net income and equity distributions from ICTF equally. Audited balance sheets and statement of income and Venturers' equity (in condensed format) for the years ended June 30, 2009 and 2008 were as follows:

Condensed Balance Sheets

		2009	2008
Current assets	$	19,360,869	21,117,285
Property and equipment		2,951,098	3,059,129
Total assets	$	22,311,967	24,176,414
Current liabilities	$	171,546	24,744
Venturers' equity:			
Harbor Department of the City of Los Angeles		11,249,529	12,255,153
Harbor Department of the City of Long Beach		10,890,892	11,896,517
Total Venturers' equity		22,140,421	24,151,670
Total liabilities and Venturers' equity	$	22,311,967	24,176,414

Condensed Statement of Income and Venturers' Equity

		2009	2008
Operating revenue	$	5,901,089	8,339,855
Operating expense		(160,667)	(108,030)
Operating income		5,740,422	8,231,825
Interest income		248,329	650,045
Net income		5,988,751	8,881,870
Venturers' equity, July 1, 2008 and 2007		24,151,670	15,269,800
Cash disbursement to Venturers		(8,000,000)	—
Venturers' equity, June 30, 2009 and 2008	$	22,140,421	24,151,670

On October 21, 2009, the ICTF Board authorized a cash distribution of $8,000,000 to be shared equally by the Venturers.

(Continued)

Pursuant to an indenture of trust dated November 1, 1984, ICTF issued $53,900,000 of 1984 Series A bonds on behalf of the Tenant to construct the facility. In 1989, ICTF issued $52,300,000 of 1989 Series A Refunding Revenue Bonds on behalf of the Tenant to advance refund the 1984 Series A Bonds.

In 1999, ICTF issued its Intermodal Container Transfer Facility Refunding Revenue Bonds, 1999 Series A. In connection with the issuance, Union Pacific and ICTF entered into a Second Amended and Restated Installment Sale and Security Agreement dated October 1, 1999. The proceeds of the 1999 Bonds, together with other funds, were used by ICTF to redeem all of the Intermodal Container Transfer Facility Refunding Revenue Bonds, 1989 Series A. The bonds are payable solely from payments by the Tenant under a long-term lease agreement for the use of the facility.

The nature of the bonds is such that the long-term indebtedness is that of the Tenant and not of ICTF, the Department, or the Harbor Department of the City of Los Angeles. The ICTF financial statements for the year ended June 30, 2009 can be obtained from the Department.

(12) Commitments and Contingencies

The Department is subject to claims and lawsuits arising from the normal course of business. The City Attorney’s office evaluates these claims on a regular basis. Department management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements.

Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that the estimated liability for unreserved claims and suits will not have a material impact on the financial statements of the Department. Contract commitments and purchase orders for which materials or services were not received at September 30, 2009 and 2008 aggregated $118,090,362 and $60,114,329, respectively.

(a) Risk Management

The Department currently carries an all-risk property insurance program covering loss or damage by fire and other risks (excluding earthquake and flood) with a loss limit of $1,336,000,000. The coverage also includes terrorism exposure.

To address third-party liability exposure, an excess liability insurance program is carried by the Department with total limits of $150,000,000 in excess of $1,000,000 self-insured retention. The excess liability insurance program covers the Department’s operations and includes acts of terrorism within the $150,000,000 limit. In addition, the Department carries specialized insurance policies providing coverage for damage to owned vessels, damage to other vessels, and pollution liability.

Following is a summary of insurance coverage for the Harbor Department:

	2009	2008
Insurance coverage for fire and other risks	$ 1,000,000,000	1,000,000,000
Comprehensive general liability	150,000,000	150,000,000
Self-insured retention	1,000,000	1,000,000

Port tenants, contractors, and vendors are required to carry various types and levels of insurance, including general liability insurance on leased premises. The insurance must include coverage for bodily injury and property damage liabilities, and name the City, its Board of Harbor Commissioners, and the Department's officers and employees as additional insured. The amount of settlements reached by the Department did not exceed the amount of insurance coverage in any of the past three fiscal years.

The Department participates in the City's self-insured workers' compensation program. During fiscal years 2009 and 2008, it made payments to the City's Insurance Fund totaling $1,220,567 and $1,173,934, respectively, for permanent and temporary Department employees. Amounts in the City's Insurance Fund are accumulated to meet losses as they arise.

Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. Based on an opinion from legal counsel, the Department recognized litigation claim liabilities of $5,000,000 for fiscal year 2009. The Department did not recognize any litigation claim or judgment for fiscal year 2008.

Liability for Claims and Judgments Rollforward Schedule

Description	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009
Accrued claims and judgments	$ —	5,000,000	—	5,000,000

Description	Balance, October 1, 2007	Additions	Reductions	Balance, September 30, 2008
Accrued claims and judgments	$ 2,385,000	—	2,385,000	—

(b) Potential Obligations Related to the Alameda Corridor Transportation Authority

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

To the extent that the revenues from use and container charges are not sufficient to meet ACTA's obligations, the Department and the Port of Los Angeles have agreed to advance the funds necessary to make up the difference. This obligation began after completion of the corridor project and is limited to a total of 40% of the total annual required amount, with the Department and the Port of Los Angeles each responsible for one half or 20% of the required amount.

ACTA's latest Notice of Estimated Shortfall Advances and Reserve Accounting Funding (the Notice) was transmitted to the Department on August 6, 2009; estimates included in the Notice are dependent upon the accuracy of the assumptions used in their formulation. It is anticipated that there will be differences between estimates and actual results; the differences may be material. The projected shortfall for fiscal year 2010, based on the Notice submitted by ACTA, is $0. Any shortfall advance made by the Department and the Port of Los Angeles is reimbursable, with interest, by ACTA. Reimbursement could begin as soon as 2018. The Department is funding a cash reserve to satisfy claims related to the shortfall advance potential obligation. The balances of the reserve as of September 30, 2009 and 2008 were $46,045,000 and $36,882,792, respectively.

(c) New Gerald Desmond Bridge Matching Contribution

The Department is pursuing the replacement of the Gerald Desmond Bridge. The total cost to replace the bridge is estimated at $1.1 billion. The Department anticipates that funding of this project will come primarily from federal and state sources, but local matching funds will also be required.

In anticipation of this funding requirement, the Department has set aside funds to provide the expected 10% local match. As of September 30, 2009 and 2008, funds earmarked for this project were $51,978,585 at each year-end.

(d) Clean Air Action Plan (CAAP)

In January 2007, the Department adopted a wide-ranging Green Port Policy that greatly expanded the Department's commitment to sustain the environment by establishing new guidelines for the Port's current operations and future development. Key provisions include protection of the community from the harmful impacts of port operations and employment of state-of-the-art technology to minimize environmental impacts. Air emissions from ships at berth account for over one third of all vessel air emissions. Providing electrification reduces emissions significantly. With electrification, or "cold ironing," vessels can shut down their auxiliary engines, while at berth, and plug into dockside electric substations.

In November 2007, the governing boards of the ports of Long Beach and Los Angeles approved the landmark San Pedro Bay Ports CAAP. This plan commits the ports to an aggressive plan to reduce pollution by at least 45% in the next five years. The plan addresses all port-related emission sources – ships, trains, trucks, terminal equipment, and harbor craft – to significantly reduce health risks posed by air pollution.

The Clean Trucks Program (CTP) is a key element of CAAP. Beginning October 1, 2009, CTP banned pre-1989 trucks from entering the Port's shipping terminals. By January 1, 2010, only trucks built after 1993 will be allowed into the Port's shipping terminals, and by January 1, 2012, all trucks must meet 2008 federal Environmental Protection Agency emission standards that make new trucks more than 80% less polluting than older trucks. In order to assist with the replacement of trucks, the Port offers three options: lease to own; grants for an engine retrofit; and loan subsidy for the purchase of clean trucks. While the Port does not own or operate the more than 16,000 drayage trucks that serve port terminals, CTP will greatly accelerate the reduction of air pollution and public health risks posed by dirty diesel trucks that would otherwise remain on the roadways for many years if not decades.

Projects funded must improve air quality, foster the use of ship-to-shore electricity at the ports, and enhance use of pollution-based impact fees to improve air quality and public health.

(e) Future Oil Well Abandonment Costs

Costs related to the abandonment and site clearance of oil properties (abandonment costs) purchased in March 1994 are based on estimates provided by the Department of Gas and Oil of the City of Long Beach. Estimates of abandonment costs are reviewed annually and adjusted to reflect changes in abandonment practices, increased abandonment expenses, number and life of productive wells, general changes in the life of the oil field, and changes in oil price levels.

The future oil well abandonment cost liability at September 30, 2009 and 2008 was $26,700,000 and $19,900,000, respectively. The amounts related to oil properties acquired in 1994 are presented as long-term abandonment cost liabilities in the financial statements.

Future Oil Well Abandonment Cost Liability Rollforward Schedule

Description	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009
Oil abandonment liability	$ 19,900,000	6,800,000	—	26,700,000

Description	Balance, October 1, 2007	Additions	Reductions	Balance, September 30, 2008
Oil abandonment liability	$ 18,800,000	1,100,000	—	19,900,000

(13) Pollution Remediation

The Department purchased 725 acres of property in the Harbor District in 1994. The property contains soil requiring remediation of environmentally hazardous materials. The remediation is required only on the portion of the land that the Department chooses to develop. To the extent that such remediation is necessary, the Department's liability is mitigated by provisions in the purchase agreement that make Union Pacific Resource Company (UPRC), the seller, responsible for a portion of the remediation costs. UPRC was acquired by Anadarko Petroleum Co. (APC) that assumed this liability in accordance with the original purchase agreement. APC's responsibility is limited to a period not to exceed 15 years and a maximum amount of $112,500,000 according to the following table:

	Allocation	
Remediation cost	**APC**	**Department**
First $50 million	$ 50,000,000	—
Second $50 million	25,000,000	25,000,000
Third $50 million	12,500,000	37,500,000
Fourth $50 million	25,000,000	25,000,000
All additional costs	—	100%
Maximum liability	$ 112,500,000	

Currently, the Department has developed 131 acres and plans to develop 160 additional acres.

Additionally, the Department is required to clean up the sediments of an area known as Installation Restoration Site 7 (IR Site 7). The Department has recognized liabilities associated with IR Site 7 for fiscal years 2009 and 2008, in the amounts of $20,074,012 and $19,623,347, respectively, including long-term and short-term obligations. The liability for fiscal year 2008 includes amounts for remediation liability associated with IR Site 7 ($19,623,347) and Pier A West ($57,246,082). Work on Pier A West was completed in fiscal year 2009; except as stated above, management has no knowledge of any other liabilities at the end of fiscal year 2009.

Pollution Remediation Obligation – Short-Term Roll Forward Schedule

Description	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009
Pier A West	$ 56,581,138	—	56,581,138	—
IR Site 7	3,830,666	15,243,346	—	19,074,012
	$ 60,411,804	15,243,346	56,581,138	19,074,012
	Balance, October 1, 2007	**Additions**	**Reductions**	**Balance, September 30, 2008**
Pier A West	$ 9,600,000	56,581,138	9,600,000	56,581,138
IR Site 7	—	3,830,666	—	3,830,666
	$ 9,600,000	60,411,804	9,600,000	60,411,804

Pollution Remediation Obligation – Long-Term Roll Forward Schedule

Description	Balance, October 1, 2008	Additions	Reductions	Balance, September 30, 2009
Pier A West	$ 664,944	—	664,944	—
IR Site 7	15,792,681	—	14,792,681	1,000,000
	$ 16,457,625	—	15,457,625	1,000,000
	Balance, October 1, 2007	**Additions**	**Reductions**	**Balance, September 30, 2008**
Pier A West	$ 38,100,000	664,944	38,100,000	664,944
IR Site 7	—	15,792,681	—	15,792,681
	$ 38,100,000	16,457,625	38,100,000	16,457,625

(14) Transfers to the City of Long Beach

The City Council, by authority of City Charter Chapter XII, Section 1209 (c)(4), and with the approval of the Board of Harbor Commissioners, adopted a resolution to transfer 10% of the Department's net income for fiscal years 2009 and 2008 to the City's Tidelands Operating Fund: $16,083,972 and $16,059,464, respectively. The 10% transfer to the Tidelands Operating Fund is reported as part of the Due to City of Long Beach account in the accompanying statements of net assets and as a nonoperating expense in the statements of revenues, expenses, and changes in fund net assets. The total transferred to the City during fiscal year 2009 was $18,587,376, which includes the $16,083,972 discussed above plus $2,068,404 for Aquarium of the Pacific debt service assistance requested by the City Manager, plus $435,000 debt forgiveness related to the Long Beach Convention Center. The latter two items are discussed in note 3.

(15) Environmental Mitigation Credits

The Department disbursed $39,375,000 in fiscal year 1997 to secure environmental mitigation credits that would allow the Port to complete projects within its complex. These credits are redeemed based on the number of acres of landfill completed by the Port.

An agreement between the Department, the Port of Los Angeles, and several federal and state regulatory agencies provided for the Department's purchase of land located within the wetlands restoration project at the Bolsa Chica Wetlands in Orange County, California. The land was transferred to the state in return for environmental mitigation credits to allow for the construction of up to 267 acres of landfill in the outer harbor area. During fiscal year 2007, the Department acquired $11,400,000 of available environmental mitigation credits. No acquisitions or utilization of credits occurred during fiscal years 2009 and 2008.

The cost incurred in the acquisition of the land has been classified as a noncurrent asset. As of September 30, 2009, the Department has completed landfills that required the utilization of $6,492,525 of the available credits. The balance of environmental mitigation costs will be adjusted in the future as landfill credits are used for port development. The balance of the Environmental Mitigation Credits was $44,278,068 at September 30, 2009 and 2008.

(16) Net Assets

Net Assets is the difference between total assets and total liabilities. Increases or decreases in net assets may indicate improvement or deterioration of the Department's financial condition. The Department does not intend to liquidate capital assets to fund ongoing operations. Restricted assets are subject to external restrictions such as construction of capital assets, matching funding requirements for federally funded projects, repayment of long-term debt, and fulfillment of contractual obligations with third parties. Unrestricted net assets are available to fund the Department's continuing operations. As of September 30, 2009 and 2008, the Department held net assets as follows:

	2009	2008
Invested in capital assets, net of related debt	$ 1,410,740,241	1,335,522,370
Restricted for capital projects:		
Environmental mitigation credits (note 15)	44,278,068	44,278,068
Restricted for debt service (note 8)	101,972,603	102,046,032
Restricted – third-party obligations – nonrelated-entity debt service contingency and matching contribution (note 12)	147,301,520	147,301,520
Total restricted	293,552,191	293,625,620
Unrestricted:		
Contributed capital – outside sources	30,427,546	30,427,546
Contributed capital – other City funds	27,749,166	27,749,166
Other unrestricted	665,348,129	616,255,513
Total unrestricted	723,524,841	674,432,225
Total net assets	$ 2,427,817,273	2,303,580,215

(17) Subsequent Events

The Board of Harbor Commissioners and the City Council have approved on March 15, 2010 and March 23, 2010, respectively, the restructuring of certain Port debt. The proposed debt restructuring will consist of cash defeasance of the existing Series 2000A AMT-bonds in the amount of approximately $215 million, issuance of Series 2010 non-AMT bonds in an approximate amount of $230 million, and tendering certain AMT-bonds from Series 2002B, 2004A, and 2005A and issuing equivalent non-AMT refunding bonds. Pricing of the new money bonds and the tender launch is anticipated at the end of March 2010 while notice of redemption of the Series 2000A bond is anticipated in early April 2010.