SAN DIEGO UNIFIED PORT DISTRICT

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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The San Diego Unified Port District (District) was established on December 18, 1962 in accordance with laws of the State of California. The District operates under the Public Trust Doctrine, which specifies that the waterways and waterfronts are primarily reserved for water-dependent uses such as fishing, cargo activity, bay tours, and recreational access such as hotels and restaurants; as well as environmental and natural-habitat preservation.

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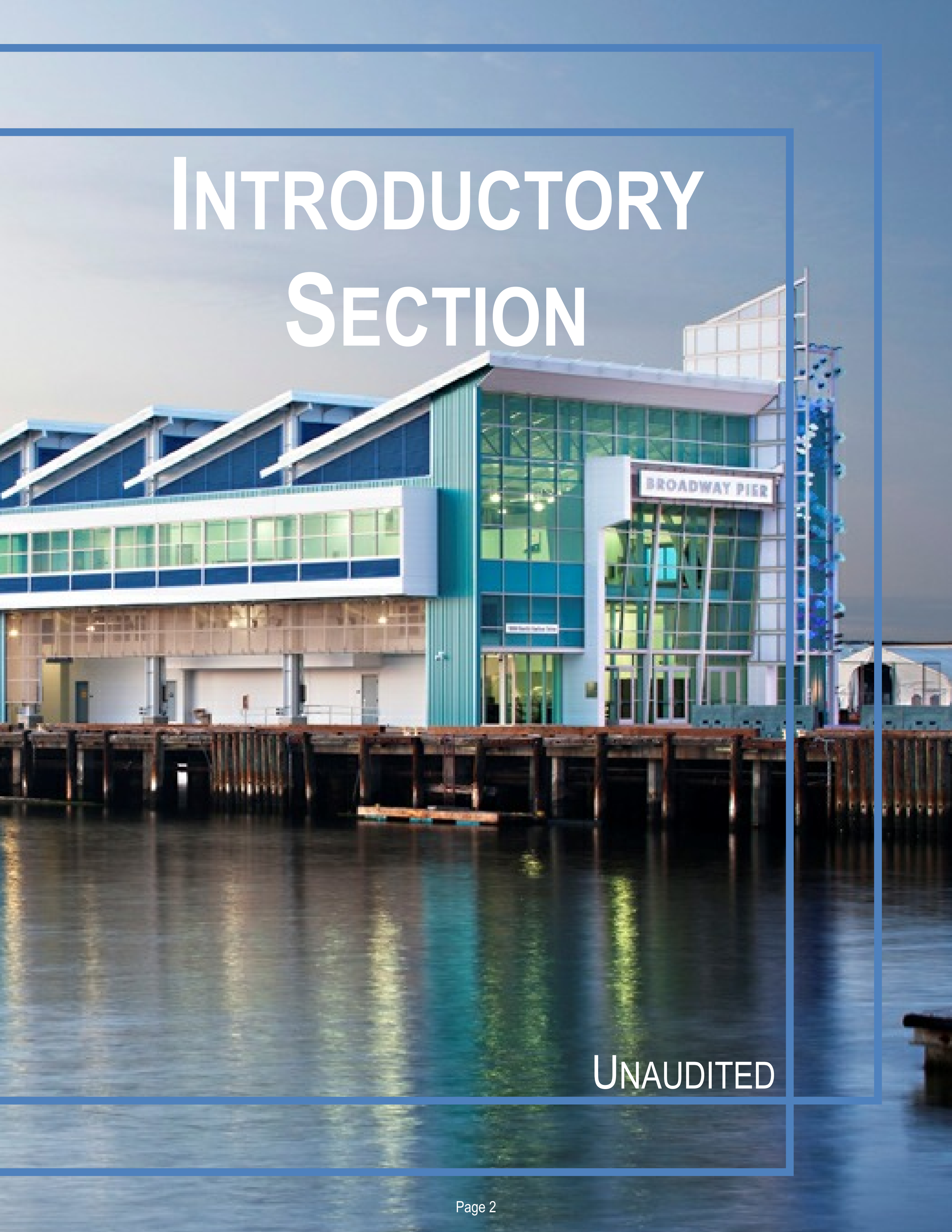


UNAUDITED

District Overview

SAN DIEGO UNIFIED PORT DISTRICT

The San Diego Unified Port District (District) is a regional public agency established in 1962 by an act of the California State Legislature to consolidate management responsibilities for San Diego Bay. This consolidation provides ongoing efficiencies and centralized planning for the tidelands along San Diego Bay.

- The District is an economic engine, creating jobs and dollars for the regional economy through the promotion of maritime trade, tourism, and other commercial activities.
- The District is an environmental steward, preserving and enhancing the natural resources of the San Diego Bay and surrounding tidelands.
- The District is a provider of community services, providing public access, public safety, recreation, and community activities along the waterfront for visitors and residents of the region.

A seven member Board of Port Commissioners governs the District. Board members are appointed to four-year terms by the city councils of Chula Vista, Coronado, Imperial Beach, National City, and San Diego. The San Diego City Council appoints three commissioners and each of the other member city councils appoints one commissioner. Port Commissioners establish policies that the District staff, under the direction of the President/Chief Executive Officer, uses to conduct daily operations.

The District’s maritime and real estate operations generate billions of dollars for the region’s economy and allow the District to operate without the benefit of tax dollars. The District does have the authority to levy a tax, but has not done so since 1970.

Vision, Mission, and Core Values

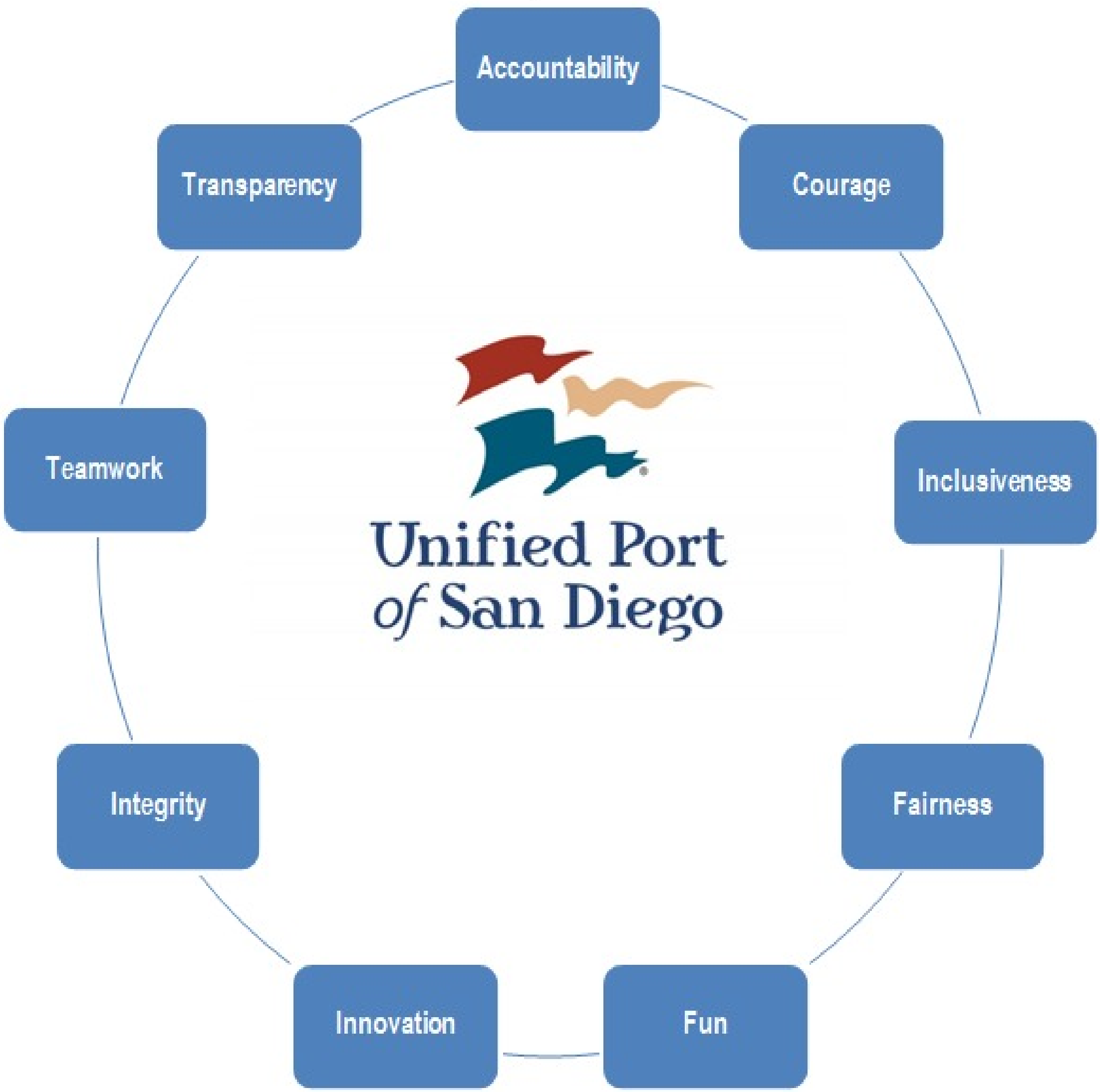
VISION

To foster a world class Port through excellence in public service.

MISSION

The San Diego Unified Port District will protect the Tidelands Trust resources by providing economic vitality and community benefit through a balanced approach to maritime industry, tourism, water and land recreation, environmental stewardship, and public safety.

CORE VALUES



Unified Port of San Diego

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October 31, 2016

To the Board of Port Commissioners and the Public:

It is a pleasure to present the Comprehensive Annual Financial Report (CAFR) of the San Diego Unified Port District (District) as of and for the fiscal year ended June 30, 2016. The purpose of this report is to provide the Board of Port Commissioners (BPC), the California State Lands Commission, the public, and other interested parties with reliable information concerning the financial condition and results of operations for the District. The District's Financial Services Department prepared this report following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures in this report, rests with the management of the District.

To the best of our knowledge and belief, this report fairly presents and fully discloses the District's financial position, changes in financial position, and cash flows in accordance with generally accepted accounting principles (GAAP). On the basis that the cost of internal controls should not outweigh their benefits, the District has established a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

GAAP requires that management provide a narrative overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

The District requires that an independent certified public accounting firm, selected by the BPC, audit the financial statements on an annual basis. Macias Gini & O'Connell LLP issued an unmodified (or clean) opinion on the District's financial statements for the fiscal year ended June 30, 2016. The independent auditor's report is presented as the first component of the Financial Section of the report.

PROFILE OF THE DISTRICT

The San Diego Unified Port District (District), an autonomous public agency, was established on December 18, 1962 in accordance with laws of the State of California for the acquisition, construction, operation, maintenance, development, management, and regulation of harbor works and improvements, including rail, water, and air terminal facilities, and tidelands and submerged lands of the Harbor of San Diego and San Diego Bay, and for the promotion of commerce, navigation, fisheries, and recreation. The District is governed by a seven-member Board of Port Commissioners (BPC) appointed by the District's five member cities (Chula Vista, Coronado, Imperial Beach, National City, and San Diego).

In 2001, the California legislature established the SDCRAA by enacting the San Diego County Regional Airport Authority Act (Airport Authority Act), California Public Utilities Code Section 170000 et seq. The Airport Authority Act was amended in 2002 and proposed a phased transfer of all airport operations of the District to SDCRAA. Effective January 1, 2003, pursuant to the Airport Authority Act and the MOU dated as of December 31, 2002, the District transferred all airport operations and certain related assets and liabilities to SDCRAA.

The District has guided the development of this prime waterfront property with a carefully selected portfolio of world-class commercial real estate, maritime, and public uses. Seventeen hotels, 28 marinas, numerous restaurants, tours, and museum attractions operate side-by-side with a working waterfront of boatyards, sport fishing landings, and marine cargo terminals. The District is considered the 4th largest of 11 California ports and the largest break-bulk (non-container) port in California. The District also maintains 22 public parks as amenities that attract visitors and enhance the value of our waterfront.

The District's revenues are derived from three major revenue generating operations:

- Real Estate, which leases commercial, parking, and industrial properties, and plans and facilitates the development of selected real estate assets;
- Maritime, which manages maritime cargo and cruise terminals, as well as industrial property connected with maritime businesses;
- Harbor Police, which implements and coordinates public safety, marine firefighting, and homeland security measures on tidelands and San Diego Bay, and provides airport law enforcement services to the San Diego County Regional Airport Authority.

The District is an environmental steward of the San Diego Bay and sets measurable goals for conservation, waste reduction, and pollution prevention; and supports a well-planned waterfront through sustainable development, protection of natural resources, and creative place making on our waterfront.

Board of Port Commissioners

District policies are established by a seven member BPC appointed by the member cities. The BPC appoints the Chief Executive Officer, who oversees daily operations for the organization. Through resolutions and directives, the BPC sets policies for the District. The Chief Executive Officer and executive staff then implement these policies.

LOCAL ECONOMY AND OUTLOOK

Earlier this year the national economy grew at a slow pace but is gaining momentum with consumer spending and employment conditions showing consistent improvement as rising job and income growth reflect gains in household wealth. According to various economic reports, the economy, as measured by gross domestic product (GDP), is expected to grow at an annual average rate of 1.5% for calendar year 2016 and the unemployment rate is anticipated to be around 4.9% with solid job gains. Inflation projections remain low for calendar year 2016 at an annualized rate of 1.2%, below the 2.0% Federal Reserve Bank's target rate.

The U.S. economy is anticipated to grow moderately into next year while navigating global challenges with expectations of only a partial uptick in global economic growth. Nationwide, the economy is forecasted to grow at a 2.2% annualized rate in 2017 with an unemployment forecast of 4.6% while anticipating the inflation rate to increase to about 2.2%. (Source: *Bloomberg survey of U.S. economic indicators from over 75 economists' forecasts, September 8, 2016*).

California's economic growth has been notable in recent years and this trend is expected to continue in the near future. The international trade sector is a major driver of the State's economy as the second-largest exporting state in the country. California's labor market continues to strengthen with an unemployment rate of 5.2% through April 2016 (Source: *San Diego Regional Economic Development Corporation – Economic Snapshot: July 2016*). The calendar year 2017 forecast unemployment rate for

California is 5.5% (Source: *Los Angeles County Economic and Development Corporation – The Kyser Center for Economic Research: February 2016*).

San Diego's economy ranked 13th among major U.S. metropolitan areas with a year-over-year employment growth rate of 2.7% through April 2016, with key growth in the professional and business sectors, construction, and healthcare services. The region's unemployment rate of 4.5% is below the national rate of 5.0%. The leisure and hospitality industry sector is making significant job contributions to the region in calendar year 2016 with San Diego's position as one of the top visitor and convention destinations (Source: *San Diego Regional Economic Development Corporation – Economic Snapshot: July 2016*).

FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING

The District believes that strategic financial discipline is essential for the economic sustainability of any organization in order to insure effective operations and sound fiscal health. Performing regular financial reviews and developing timely financial strategies that are aligned with the organizational goals can provide valuable information for the District's management and the BPC decision-making process.

The District is undergoing a comprehensive transformation and has made tremendous changes to the organizational structure and our ways of doing business. The District focuses on five primary goals, with 16 major initiatives to achieve those goals, most of which are highlighted in the Major Initiatives and Accomplishments section.

The five goals are:

- Growing revenue at a minimum of 5% per year
- Managing growth at a disciplined cost structure
- Increasing awareness of the District and our many contributions in the region
- Developing and increasing our ability across the agency to innovate and lead
- Focusing and improving efforts to support our people, their development, and our corporate culture

The District has adopted a comprehensive set of financial policies, including policies related to reserves, budget development, five-year financial forecast, investments, Capital Improvement Program (CIP), and Major Maintenance Program, among others.

<u>Operating Reserves</u>

The District continues to maintain a healthy level of operating reserves so it can weather significant economic downturns more effectively and manage consequences of unexpected emergencies. Operating reserves generate investment income, provide margin of safety and stability to protect the District from exposure to catastrophic events and economic impacts, and provide flexibility to pursue emergent opportunities. The District's BPC Policy No. 117 - Operating Reserve Policy calls for 50% of budgeted operating and maintenance expenses reduced by expenses where a separate funding exists. The balance is established annually upon the adoption of the fiscal year budget. The current operating reserve balance is $68.3 million, which is funded at the required policy level. The operating reserve includes a $20 million minimum required balance established for the purpose of self-insurance against possible losses that could occur as the result of a catastrophic event. For more information, the Operating Reserve Policy can be found in its entirety at https://www.portofsandiego.org/public-documents/cat_view/161-port-commissioners/206-bpc-policies.html.

Five Year Financial Forecast

Each year, the District updates a Five Year Cash Flow Forecast (cash flow) which serves as the framework for development of the annual operating budget. The financial policies are reflected in the cash flow and resources are allocated based on the District's Strategic Plan adopted by the BPC with a focus on the five goals and the major initiatives supporting the goals.

The following outlines the long-range and financial policies that guide the preparation of the budget:

- Revenues and other sources exceed expenses before depreciation and amortization and before capital outlays.
- The District activities authorized in the budget will help stimulate the economy in the San Diego region.
- Grow revenues at a minimum of 5% per year.
- Manage growth at a disciplined cost structure.
- Proactive maintenance of facilities and infrastructure.
- Capital investment in the tidelands will provide significant, long-term economic benefits to the region and will provide public improvements and infrastructure that will stimulate private investment in the tidelands bringing new revenues to the District and creating new jobs and opportunities for the region. Financial policies will enable the District to maintain its sound financial condition so that capital investment in the tidelands may continue.

Capital Improvement Program (CIP)

The BPC adopted Policy No. 120 – Capital Improvement Program, a five-year plan, for the orderly development or improvement of the District's capital assets. The policy is intended to facilitate capital development projects and budgets, which are strategically cohesive, ensure clear and consistent treatment of all proposed capital projects on the tidelands, streamline the process, increase efficiency, reduce costs, and improve outcomes. For more information, the policy can be found in its entirety https://www.portofsandiego.org/bpc-policies/1431-bpc-policy-no-120-capital-improvement-program-cip/file.html.

Major Maintenance Program

The BPC has also adopted Policy No. 130 – Major Maintenance Program for improving its major maintenance process and results to streamline project selection and funding process, to address the repair, operation, maintenance, or development of District infrastructure and facilities. The District invested in a new Asset Management Program (AMP), which uses a scientifically based methodology to determine which critical assets require repairs or replacements. Proactive maintenance of our facilities and infrastructure through the AMP supports strong relationship with the District tenants and business partners, while improving public safety. For more information, Policy No. 130 – Major Maintenance

Program can be found in its entirety at https://www.portofsandiego.org/bpc-policies/5218-bpc-policy-no-130-major-maintenance-program/file.html.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Integrated Planning

On November 17, 2015, the BPC accepted the Integrated Planning Framework Report, which marked the completion of the District's 50-year visioning process as part of its Integrated Planning effort. The Framework Report contains comprehensive planning ideas in the following key areas: land use, water use, mobility, public access and recreation, natural resources, safety and resilience, and economic development. The Framework Report, along with the BPC accepted Vision Statement, Guiding Principles, and Assessment Report, collectively form the Integrated Planning Vision. The Integrated Planning Vision reflects a robust public engagement effort and represents a balanced approach to the broad desires and inputs from various interest groups in the region. The Integrated Planning Vision will serve as the guide for the comprehensive update to the District's Port Master Plan, which is currently underway.

Chula Vista Bayfront

The 535 acre Chula Vista Bayfront (CVB) is the last large developable waterfront site in Southern California and a prime opportunity for a uniquely-branded resort, convention center, and other commercial development, along with 240 acres of public realm space set aside as parks, open space, and nature preserves. The District is continuing its multi-year efforts to demolish legacy industrial structures.

The District continued negotiations with RIDA Development Corporation on a resort hotel and conference center. A land exchange with North C.V. Waterfront L.P. dba Pacifica was finalized wherein the District exchanged approximately 35 acres located within the harbor district of the CVB, east of the marina for approximately 97 acres, located within the environmentally sensitive Sweetwater District of the CVB. The land exchange is part of the ongoing redevelopment of the CVB, gradually replacing former industrial sites with new development providing a balance of jobs, environmental buffers, housing, and recreation.

National City Balanced Plan

The District worked collaboratively with the City of National City and key stakeholders to arrive at a balanced land use plan (Balanced Plan) in the National City Marina District that maintains cargo efficiencies while maximizing public access to the water. The Balanced Plan proposes to reconfigure the land uses to optimize recreational, maritime, and commercial uses within the marina district and is the result of a public planning process. On April 14, 2016, the BPC directed staff to initiate environmental review for the Balanced Plan, which also includes a permanent realignment of the Bayshore Bikeway and other commercial projects consistent with the plan.

Redevelopment Solicitations

The District conducted a competitive process for two major waterfront redevelopment opportunities: Central Embarcadero and Harbor Island. The Central Embarcadero site encompasses 70 acres of land and water located adjacent the USS Midway Museum and Manchester Grand Hyatt. The six qualified proposals received for the Central Embarcadero ranged from $57 million to $1.5 billion of total investment, with four of the six proposals exceeding $600 million of proposed investment. The Harbor Island site is 57 acres of land and water located across the street from the San Diego International Airport. The District is currently working on exclusive negotiating agreements with two finalists, whose development proposals ranged from $600 million to $978 million of total proposed investment.

The Lane Field Hotel Projects

The District opened its 17th waterfront hotel on Lane Field North: a dual-branded property, Marriott's Bayfront SpringHill Suites and Residence Inn as well as associated retail and meeting space and a 1.66 acre public park at the corner of Broadway and Harbor Drive. The Lane Field South Hotel Project broke ground on a 400 room InterContinental Hotel that will complete the redevelopment of the Lane Field site.

New Restaurant Developments

Sunroad Harbor Island, Inc. successfully completed a new restaurant and floating event center, Coasterra, operated by the Cohn Restaurant Group. The restaurant is located on the east end of Harbor Island. Carnitas Snack Shack completed construction on its walk-up cafe as part of the North Embarcadero Visionary Plan Phase I. Environmental analysis commenced on the Brigantine's new restaurant at the Iconic Waterfront Restaurant site on the North Embarcadero. Construction is expected to commence in February 2017.

Climate Action Plan

The District is an economic engine and a leader in environmental innovation and stewardship, and through its Green Port Program, integrates environmental sustainability into daily business decisions. In December 2013, the BPC adopted a Climate Action Plan (CAP) placing the District at the forefront of the San Diego region's climate planning efforts to reduce greenhouse gas (GHG) emissions. The CAP provides a long-term, integrated, strategic vision for the Green Port Program and establishes GHG reduction goals for District tidelands. It contains a palette of potential GHG reduction measures to achieve the goals. The CAP identifies baseline GHG emissions for all existing uses and operations on District tidelands, GHG reduction goals for 2020 and 2035, and GHG reduction policies and measures to achieve the goals over time.

Fiscal year 2016 marks the second year of implementing the District's CAP and the most sustainable year yet for the District, with 28 of the 75 emission reduction measures either with completed actions or in progress. To date, the District has conserved roughly 142 million gallons of water, resulting in a 63% reduction in water since 2008. Over the past three years, the District has completed a variety of energy efficiency retrofits resulting in 900,000 kilowatt hours of energy savings, reducing the District's energy consumption by 38% at the District's operated facilities. Combined, the District has avoided nearly $7 million in water and energy costs. Beyond the District's own operations, District tenants have saved nearly 6.2 million kilowatt hours in energy.

The San Diego Port Tenants Association was recently awarded an $8.2M grant (including matching funds) from the California Energy Commission to demonstrate zero emissions freight drayage trucks and cargo handling equipment. The grant award will allow seven District tenants to utilize and test pre-commercial technology to reduce emissions, develop consumer confidence, and decrease the market costs of zero emission vehicles.

Cargo

The District worked with Vickerman & Associates to develop a proposed Tenth Avenue Marine Terminal (TAMT) Redevelopment Plan, which is currently undergoing an Environmental Impact Report (EIR). The resulting plan is a proposed 20-year, market-driven suite of infrastructure projects that will modernize the TAMT. The proposed plan and EIR will align potential targeted infrastructure improvements to meet cargo market needs. The District was awarded a $10 million Transportation Investment Generating Economic Recovery (TIGER) grant that will fund the first phase of the 20-year plan, which will demolish antiquated infrastructure, create flexible open space, and enhance rail capability, benefiting current and potential cargo customers.

The District continues to actively market the TAMT to target accounts and cargos that are ideally suited to the terminal. These efforts have resulted in increased utilization by regional companies like National Steel and Shipbuilding Company, Solar Turbines, Ballast Point Brewing & Spirits, as well as the U.S. Navy for import and export shipments. Dole Fresh Fruit has deployed three new-build refrigerated container vessels into service at TAMT since December 2015. The new Dole Pacific, Dole Atlantic, and Dole Caribbean are larger than previous vessels deployed in the San Diego service; each vessel can accommodate more than 1½ times the number of containers transported by the earlier vessels and have contributed to a 17.6% increase in container twenty-foot equivalent units year-over-year. San Diego Refrigerated Services was granted a new lease at the TAMT, securing a key tenancy to continue providing valuable cold storage service at the terminal. Additional efforts to support cargo business include the launch of the "The Special Advantage" marketing campaign, which highlights our capabilities in three cargo markets: refrigerated containers, break bulk, and dry bulk.

Automobile imports at the National City Marine Terminal (NCMT) have continued to grow since fiscal year 2012. The District processed 462,900 automobiles this fiscal year; a 19.3% increase over the previous year and 5.7% higher than the pre-recession number in fiscal year 2008. The District is working closely with Pasha Automotive Services (Pasha) to accommodate both international and Hawaii cargo volumes, and proactively manage business growth. These efforts include recent inducement calls at the NCMT of Pasha's newest vessel, Marjorie C, which typically calls in Los Angeles. The District is also working with Vickerman & Associates to develop a long-term optimization plan for the NCMT that addresses the growth projections in the automobile market.

The District, in partnership with the City of San Diego and the San Diego County Regional Airport Authority, relaunched World Trade Center San Diego, an organization dedicated to growing international trade and investment opportunities.

Cruise

The District recently received the Cruisers' Choice Destination Awards from Cruise Critic, the world's largest cruise review website, recognizing San Diego as one of the top five cruise destinations in the United States and Canada. The awards program is based on consumer ratings submitted with reviews on the Cruise Critic website. This year approximately 198,400 cruise passengers visited San Diego, an 8.3% increase over the previous year. The District has continued investing in cruise terminal improvements to enhance cruise customer experience and operational efficiencies.

Pond 20

Pond 20 is a 95-acre, undeveloped parcel of land near Imperial Beach. It is an area that many consider to be the gateway to South County's beaches. The District acquired the site in October 1998 as part of the Western Salt land acquisition. In January 2012, an MOU entered into between the District, the City of Imperial Beach, and the City of San Diego that allowed the three entities to move forward with exploring future uses for the site. After extensive public outreach, the District received proposals ranging from partial economic development to habitat restoration. Permitting is necessary for any potential development and requires land use planning and zoning designation. A decision is pending for the District issued Request for Proposals for the development of a mitigation bank on approximately 80 acres of Pond 20 reserving two other parcels for commercial development.

New Business

As part of the District's efforts to diversify our revenue stream, we are pursuing opportunities in parking asset management, advertising on tidelands, aquaculture, and monetization of attractions and events. We are taking a comprehensive approach to managing parking assets by bringing forward a five-year parking business plan and have installed Smart Meters on tidelands.

Awards Received by the District

- 2015 Certificate of Achievement of Excellence in Financial Reporting Award, (Financial Services Department), GFOA
- 2015 Award of Financial Reporting Achievement (Financial Services Department), GFOA
- 2016 Cruisers' Choice Destination Award – Top Five Cruise Destinations, U.S. and Canada, Cruise Critic
- 2016 Woman of the Year Finalist (CEO Randa Coniglio), San Diego Magazine
- 2016 iCommute Diamond Award – Platinum Tier, SANDAG
- 2016 National Planning Excellence Award for a Planning Advocate (Commissioner Ann Moore), American Planning Association
- 2016 Top Lawyers Award (General Counsel Thomas Russell), San Diego Magazine
- 2016 Project of the Year (North Harbor Drive Realignment), American Public Works Association – San Diego Chapter
- 2016 Public Safety Dispatcher of the Year (Lora Smoot, Harbor Police Department), San Diego Association of Public Safety Dispatchers
- 2016 Best Workplace for Commuters, Center for Urban Transportation Research
- 2016 Client of the Year (Award Recognizes Owner Agencies for Consistent Chapter Support), Construction Management Association of America – San Diego Chapter
- 2016 Project Achievement Award – Public Works Projects Under $2 million (J Street Storm Drain Project), Construction Management Association of America – San Diego Chapter
- 2016 Project Achievement Award - Building/New Construction Projects Under $5 million (Pond 20 Palm Avenue Fence Replacement Project), Construction Management Association of America – San Diego Chapter
- 2016 Citizen Diplomat Organization of the Year, San Diego Diplomacy Council

ACKNOWLEDGMENTS

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2015. This is the second year that the District has received this prestigious award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial recording. In order to be awarded a Certificate of Achievement, the District has to publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements. The preparation of this report could not have been accomplished without the hard work and dedication demonstrated by the District's Financial Services Department.

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

We wish to express our appreciation to all who assisted and contributed to the preparation of this report, which includes the Financial Services Department and all other departments for their unfailing support to ensure fiscal transparency and accountability, and to maintain the District's financial statements in conformance with the highest professional standards.

Finally, we would like to thank all the members of the Board of Port Commissioners for their continued guidance and leadership towards ensuring the fiscal integrity of the District.

Respectfully Submitted,

Randa J. Coniglio

Randa J. Coniglio
President/CEO

Robert DeAngelis

Robert DeAngelis
CFO/Treasurer

Jeanette Sales, CPA
Director, Financial Services

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Diego Unified Port District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego Unified Port District

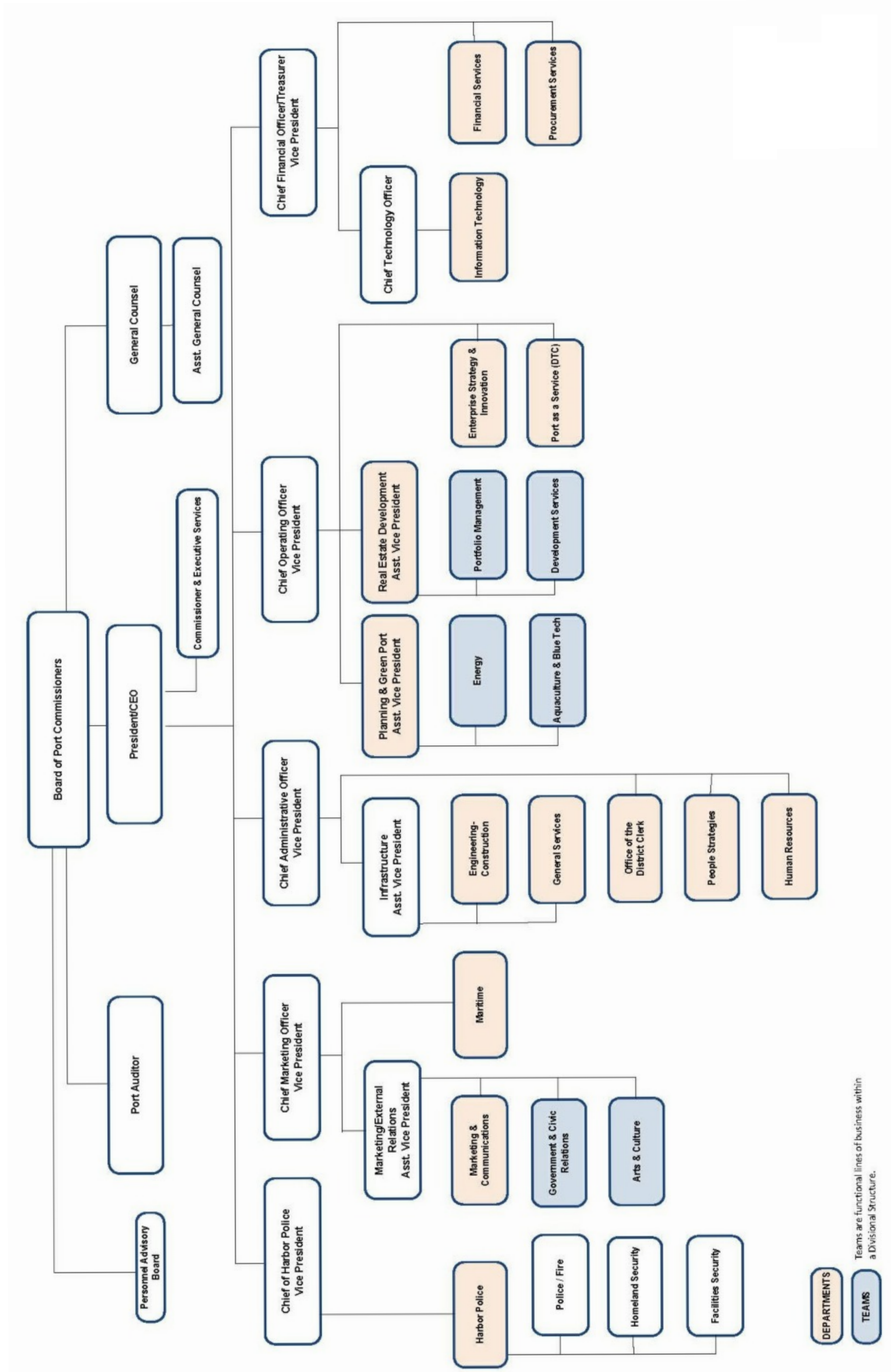
California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

District Organization Chart



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ASSISTANT VICE PRESIDENT
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Job Nelson

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FINANCIAL SECTION

Independent Auditor’s Report

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Independent Auditor's Report

To the Honorable Commissioners
of the San Diego Unified Port District
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Diego Unified Port District (District) as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1(p) and Note 12 to the basic financial statements, effective July 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* As a result of the implementation of GASB Statement No. 72, the District has disclosed its investments in accordance with the fair value hierarchy. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 26-43 and the schedule of changes in net pension liability and related ratios, schedule of employer contributions, and other postemployment benefit plan schedule of funding progress on pages 92–96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

San Diego, CA
October 28, 2016

Management’s Discussion and Analysis (Unaudited)

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The financial management of the San Diego Unified Port District (District) offers readers of these basic financial statements this narrative overview and analysis of the financial activities of the District as of and for fiscal years ended June 30, 2016 and June 30, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities, and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to the basic financial statements.

Financial Highlights – year ended June 30, 2016

- As of June 30, 2016, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $477.4 million.
- Operating revenues for the District were $160.3 million for fiscal year 2016 compared to $149.6 million for fiscal year 2015.
- Operating expenses, including depreciation and amortization, for the District were $145.9 million for fiscal year 2016 compared to $139.3 million for fiscal year 2015.
- Nonoperating revenues for the District were $7.9 million for fiscal year 2016 compared to $9.6 million for fiscal year 2015.
- Nonoperating expenses for the District were $4.0 million for fiscal year 2016 compared to $15.5 million for fiscal year 2015.
- Revenues from capital grants and contributions totaled $1.7 million for fiscal year 2016 compared to $4.8 million for fiscal year 2015.
- The District's total net position increased by $20.0 million during fiscal year 2016 compared to a $9.1 million increase in fiscal year 2015.

Financial Highlights – year ended June 30, 2015

- As of June 30, 2015, the assets of the District exceeded liabilities by $457.4 million.
- Operating revenues for the District were $149.6 million for fiscal year 2015 compared to $145.8 million for fiscal year 2014.
- Operating expenses, including depreciation and amortization, for the District were $139.3 million for fiscal year 2015 compared to $141.0 million for fiscal year 2014.
- Nonoperating revenues for the District were $9.6 million for fiscal year 2015 compared to $2.5 million for fiscal year 2014.
- Nonoperating expenses for the District were $15.5 million for fiscal year 2015 compared to $8.6 million for fiscal year 2014.
- Revenues from capital grants and contributions totaled $4.8 million for fiscal year 2015 compared to $9.6 million for fiscal year 2014.
- The District's total net position decreased by $74.6 million (including a restatement of $83.7 million for GASB Statement No. 68) during fiscal year 2015 compared to an $8.3 million increase in fiscal year 2014.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the basic financial statements and the notes to the basic financial statements. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities. These components are described below.

Basic Financial Statements

The District is comprised of a single enterprise fund. The basic financial statements provide a broad view of the District's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the District's financial position, which assist in assessing the District's economic condition at the end of the fiscal year. The basic financial statements are prepared using the flow of economic resources measurement focus and the full accrual basis of accounting, which means they follow methods similar to those used by most private sector companies. The basic financial statements take into account all revenues and expenses connected with the fiscal year even if the cash involved has not been received or paid.

The *Statements of Net Position* present all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as "net position." Increases or decreases in the District's net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating over time.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information showing how the District's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., invoices for goods or services received but for which payment has not yet been made).

The final required financial statement is the *Statements of Cash Flows*. The statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, investing, noncapital financing, and financing activities. It also provides answers to such questions as, "Where did cash come from?" "What was cash used for?" and "What was the change in cash and cash equivalents during the reporting period?"

The basic financial statements can be found immediately following this discussion and analysis.

Notes to the Basic Financial Statements

The notes provide additional information and more detail that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found immediately following the basic financial statements.

Financial Analysis

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of this year's activities?" Net position, which is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure financial health or financial position. Increases or decreases in net position are one indicator of whether the District's financial health is improving or deteriorating over time. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the District's net position and changes in the District's net position.

Statements of Net Position

To begin our analysis, a summary of the District's Statements of Net Position is presented on the following page. The District's net position totaled $477.4 million at the end of fiscal year 2016, compared to $457.4 million at the end of fiscal year 2015 and $532.0 million at the end of fiscal year 2014. The largest portion of the District's net position in fiscal year 2016, 89.9%, is its net investment in capital assets compared to 93.8% in fiscal year 2015, and 92.1% in fiscal year 2014.

The District's financial position at June 30, 2016, 2015, and 2014 is summarized as follows:

Condensed Statements of Net Position
(Expressed in thousands)

	2016	2015	2014
Current assets	$ 136,421	$ 137,787	$ 127,197
Other noncurrent assets	20,214	18,338	31,822
Capital assets	546,668	547,886	533,116
Total assets	703,303	704,011	692,135
Deferred outflows of resources	20,124	16,950	182
Total assets and deferred outflows of resources	$ 723,427	$ 720,961	$ 692,317
Current liabilities	$ 34,826	$ 47,727	$ 37,743
Noncurrent liabilities	204,511	191,253	122,561
Total liabilities	239,337	238,980	160,304
Deferred inflows of resources	6,721	24,590	-
Net investment in capital assets	504,229	507,624	490,021
Restricted	7,357	4,787	4,122
Unrestricted	(34,217)	(55,020)	37,870
Total net position	477,369	457,391	532,013
Total liabilities, deferred inflows of resources, and net position	$ 723,427	$ 720,961	$ 692,317

As of June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $477.4 million compared to $457.4 million as of June 30, 2015 and $532.0 million as of June 30, 2014. The largest portion of the District's net position represents its investment in capital assets, less the amount of associated debt outstanding. The District uses these capital assets to generate regional economic growth and to provide public safety services and recreational opportunities to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, the funds required to repay this debt are to be provided annually from operations. The unrestricted net position were ($34.2) million as of June 30, 2016, ($55.0) million as of June 30, 2015, and $37.9 million as of June 30, 2014. The negative unrestricted balances reported at June 30, 2016 and June 30, 2015 were due to the implementation of GASB 68. Refer to Note 11(a)i for additional information on the District's Capital Improvement Program (CIP) commitments.

Capital Assets

The District's net book value was $546.7 million as of June 30, 2016, $547.9 million as of June 30, 2015, and $533.1 million as of June 30, 2014. The funds used for capital improvements are derived from several sources, including the District's unrestricted funds, federal and state grants, capital contributions from external sources, long-term debt, and current revenue sources.

Capital Assets
(Expressed in thousands)

Description	June 30, 2016	June 30, 2015	June 30, 2014
Nondepreciable assets:			
Land	$ 246,689	$ 239,275	$ 227,861
Construction-in-progress	14,277	22,441	54,181
Depreciable/amortizable assets:			
Land improvements	7,650	7,650	7,650
Buildings and structures	577,028	564,204	535,315
Machinery and equipment	88,316	86,482	80,244
Roads and parking lots	120,647	114,592	93,967
Intangible	3,563	2,377	2,068
Total assets	1,058,170	1,037,021	1,001,286
Accumulated depreciation/amortization	(511,502)	(489,135)	(468,170)
Capital assets, net	$ 546,668	$ 547,886	$ 533,116

Capital Assets – Fiscal year 2016 compared to 2015:

The District invested a total of $19.8 million in construction-in-progress during fiscal year 2016 (refer to Note 3 for the summary of capital assets activity). Some of these projects were completed and capitalized during the fiscal year.

Following are amounts expended during fiscal year 2016 for some of the major capital projects:

$2.6 million, National City Marine Terminal (NCMT) Berth Structural and Mooring Repair
$1.9 million, Port Security Grants Projects
$1.6 million, Administration Building Elevator Repairs
$1.6 million, National City Aquatic Center
$1.3 million, America's Cup Harbor Improvements – Phase I, North Harbor Drive Realignment
$1.2 million, B Street Pier – West End Fender Upgrade
$885 thousand, Harbor Police Headquarters Investigations Building Replacement
$874 thousand, Asset Management Program
$861 thousand, Chula Vista Bayfront Master Plan Pre-Design
$663 thousand, Public Viewing Platform (Sunset Point at the Port)
$610 thousand, Tenth Avenue Marine Terminal (TAMT) Berths 10-1 and 10-2 Fender System Upgrade
$519 thousand, Shelter Island Fishing Pier Boat Dock Replacement
$434 thousand, B Street Pier – Cruise Ship Terminal Photovoltaic Installation
$431 thousand, North Embarcadero Visionary Plan (NEVP) Phase I
$387 thousand, TAMT Transit Shed 1 Phase II Demolition
$376 thousand, Shoreline Stabilization at Bayside Park
$370 thousand, Light Emitting Diode (LED) Lighting Retrofit Project FY 15/16
$317 thousand, SAP Enhancements
$310 thousand, Shelter Island Boat Launch Facility Improvements
$2.6 million, all other capital projects

Capital Assets – Fiscal year 2015 compared to 2014:

The District invested a total of $27.1 million in construction-in-progress during fiscal year 2015 (refer to Note 3 for the summary of capital assets activity). Some of these projects were completed and capitalized during the fiscal year.

Following are amounts expended during fiscal year 2015 for some of the major capital projects:

$5.8 million, NEVP Phase I
$4.4 million, Goodrich South Campus Demolition
$3.6 million, Chula Vista Bayfront – H Street Extension
$2.7 million, America's Cup Harbor Improvements – Phase I, North Harbor Drive Realignment
$1.9 million, National City Aquatic Center
$857 thousand, Broadway Pier Surface Enhancements
$815 thousand, Chula Vista Bayfront Master Plan Pre-Design
$631 thousand, Chula Vista L Ditch
$586 thousand, NCMT Fire Alarm System Replacement
$571 thousand, Administration Building Annex Emergency Roof Replacement
$559 thousand, TAMT Diesel Tank 4 Emergency Repairs
$559 thousand, Harbor Police Headquarters New Patrol Building
$508 thousand, Point Loma Pavement Repair
$464 thousand, Port Security Grants Projects
$441 thousand, 32nd Street and Water Street Pavement Repair
$423 thousand, TAMT Berths 10-3, 10-4, 10-7, and 10-8 Fuel and Water Vaults Modifications
$344 thousand, Parks & Facilities LED Lighting Retrofit
$326 thousand, TAMT Transit Shed 1 Phase II Demolition
$313 thousand, Pond 20 Short Term Aesthetic Improvement
$1.2 million, all other capital projects

Revenues, Expenses, and Changes in Net Position

While the Statements of Net Position show the change in the District's financial position, the Statements of Revenues, Expenses, and Changes in Net Position provide insight as to the nature and source of the change in financial position. The District's summarized results of operations for the fiscal years ended June 30, 2016, 2015, and 2014 are presented below:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(Expressed in thousands)

	2016	2015	2014
Operating revenues:			
Real Estate operations	$ 102,747	$ 95,940	$ 89,282
Maritime operations	37,365	35,265	34,480
Harbor Police	16,835	14,729	17,203
Other operating revenues	3,340	3,631	4,807
Total operating revenues	160,287	149,565	145,772
Operating expenses:			
Direct expenses			
Real Estate operations	27,623	27,782	31,280
Maritime operations	18,334	18,002	21,573
Harbor Police	35,007	31,081	32,623
Other operating expenses	8,267	9,685	5,151
Depreciation and amortization	22,721	21,218	19,597
General and administrative expenses	33,949	31,561	30,729
Total operating expenses	145,901	139,329	140,953
Income from operations	14,386	10,236	4,819
Nonoperating revenues	7,889	9,615	2,497
Nonoperating expenses	3,960	15,522	8,594
Nonoperating income/(loss)	3,929	(5,907)	(6,097)
Capital grants and contributions	1,663	4,781	9,564
Change in net position	19,978	9,110	8,286
Beginning net position	457,391	532,013	523,727
Restatement - GASB 68	-	(83,732)	-
Ending net position	$ 477,369	$ 457,391	$ 532,013

The major components of the District's operating revenues include concession fees, land and building leases, Harbor Police and General and Administrative (G&A) cost reimbursements for services provided to the San Diego County Regional Airport Authority (SDCRAA), wharfage, parking fees, storage space rentals, cruise ship passenger and security fees, dockage fees, and citations issued for vehicle code violations.

The District's operating expenses consist primarily of personnel expenses, contractual services, community and environmental support (including municipal services for fire, police, and medical emergency), and maintenance and repairs.

Nonoperating revenues include gain/loss from disposal of capital assets, reimbursed legal fees, grant revenues, asset forfeiture proceeds, interest income, legal insurance settlements, insurance proceeds, and miscellaneous other nonoperating revenues.

The major components of nonoperating expenses are legal expense and interest expense.

Capital grants and capital project contributions include Port Security capital grants and NEVP project contributions.

Operating Revenues – Fiscal year 2016 compared to 2015:

(Expressed in thousands)	2016	2015	$ Change Increase (Decrease)	% Change
Real Estate operations	$ 102,747	$ 95,940	$ 6,807	7.1%
Maritime operations	37,365	35,265	2,100	6.0%
Harbor Police	16,835	14,729	2,106	14.3%
Other operating revenues	3,340	3,631	(291)	(8.0%)
Total operating revenues	$ 160,287	$ 149,565	$ 10,722	7.2%

- Real Estate operating revenues of $102.7 million increased $6.8 million from $95.9 million. Concession revenue increased $6.1 million mainly due to stronger performance by tidelands hotels, restaurants, and other visitor-serving businesses and a tenant rent credit ending January 2016. Other rental revenue increased $1.2 million mainly due to a right of entry and option payments received. Parking and parking meter revenue increased $839 thousand due to an increase in parking rates, an increase in visitors, and installation of additional smart meters along the tidelands. The increases were partially offset by a decrease in fixed rent revenue of $1.4 million mainly due to an industrial tenant lease ending in the prior fiscal year. The remaining variance was from all other operating revenue sources.

- Maritime operating revenues of $37.4 million increased by $2.1 million from $35.3 million. Storage space rental revenue increased by $963 thousand primarily due to an increase in the number of storage days from automobile operations at NCMT. Other rental revenue increased by $336 thousand due to an increase in event rental at the Port Pavilion and a one-time payment from a tenant as consideration for a conditional agreement to lease at TAMT. Dockage revenue increased by $310 thousand due to an increase of cargo operations at TAMT and NCMT. Parking revenue increased by $214 thousand from the B Street Pier public parking lot. The remaining variance was from all other operating revenue sources.

- Harbor Police operating revenues of $16.8 million increased $2.1 million from $14.7 million primarily from an additional billing adjustment resulting from the audited true up of the prior year's actual police costs provided to the airport versus the estimated standard rates.

- Other operating revenues decreased $291 thousand from lower San Diego Gas & Electric (SDG&E) Partnership reimbursements due to delays in the contract execution.

Operating Revenues – Fiscal year 2015 compared to 2014:

(Expressed in thousands)	2015	2014	$ Change Increase (Decrease)	% Change
Real Estate operations	$ 95,940	$ 89,282	$ 6,658	7.5%
Maritime operations	35,265	34,480	785	2.3%
Harbor Police	14,729	17,203	(2,474)	(14.4%)
Other operating revenues	3,631	4,807	(1,176)	(24.5%)
Total operating revenues	$ 149,565	$ 145,772	$ 3,793	2.6%

- Real Estate operating revenues of $95.9 million increased $6.7 million from $89.3 million. Concession revenue increased $4.8 million due to stronger performance by tidelands hotels, restaurants, and other visitor-serving businesses. Parking and parking meter revenue increased approximately $1.8 million mainly due to an increase in the parking rates at managed lots and an increase in visitors to the waterfront, plus a pilot program at metered lots along the Embarcadero area, which included increased parking meter rates, new hours, and seven day enforcement. The remaining variance was from all other operating revenue sources.

- Maritime operating revenues of $35.3 million increased by $785 thousand from $34.5 million. Wharfage revenue increased by $543 thousand due to an increase in the number of automobiles and general cargos including project cargos, steel, and refrigerated containers. Storage space rental revenue increased by $239 thousand due to an increased number of storage days from automobile operations at NCMT and from miscellaneous cargo at TAMT. Concession revenue increased by $208 thousand mainly due to increased business in harbor excursion cruises. Dockage revenue increased by $163 thousand due to the above stated cargo business increase in both terminals, and from research vessels at TAMT. These increases were partially offset by a reduction in fixed rent revenue of $331 thousand due to the termination of certain lease agreements. Other rental revenue decreased by $110 thousand due to less event rental at the Port Pavilion.

- Harbor Police operating revenues of $14.7 million decreased $2.5 million from $17.2 million. The fiscal year 2015 reimbursements for airport police services decreased by $1.9 million due to additional billing adjustments in fiscal year 2014 stemming from the Memorandum of Understanding (MOU) with the SDCRAA and additional reimbursements from audited true up of prior year police costs. Grant revenues decreased by $959 thousand due to accounting reclassification of grants revenue from operating to nonoperating. These decreases are partially offset by higher citations revenue of $350 thousand due to continued increased enforcement of parking violations around the tidelands.

- Other operating revenues decreased $1.2 million primarily due to a $943 thousand reclassification of grant revenues to nonoperating revenues.

Operating Expenses - Fiscal year 2016 compared to 2015:

(Expressed in thousands)	2016	2015	$ Change Increase (Decrease)	% Change
Direct expenses				
Real Estate operations	$ 27,623	$ 27,782	$ (159)	(0.6%)
Maritime operations	18,334	18,002	332	1.8%
Harbor Police	35,007	31,081	3,926	12.6%
Other operating expenses	8,267	9,685	(1,418)	(14.6%)
Depreciation and amortization	22,721	21,218	1,503	7.1%
General and administrative expenses	33,949	31,561	2,388	7.6%
Total operating expenses	$ 145,901	$ 139,329	$ 6,572	4.7%

- Real Estate operating expenses of $27.6 million, before depreciation and G&A expenses, decreased $159 thousand primarily due to a decrease in legal contingencies of approximately $2.2 million and the prior year completion of the Americans with Disabilities Act (ADA) improvements at various locations along the tidelands of $559 thousand. The decrease was partially offset by increases in the following: a change in the recording of the GASB 68 and Other Postemployment Benefits (OPEB) accounting adjustment of $1.1 million, reimbursement of tenant improvements of $460 thousand, a rise in facility management service fees of $219 thousand which is based on parking revenues collected, and an increase of $216 thousand in consulting fees to develop and manage new business opportunities for revenue optimization. The remaining variance was from all other operating expense sources.

- Maritime operating expenses of $18.3 million, before depreciation and G&A expenses, increased $332 thousand from $18.0 million. The increase was primarily due to $141 thousand consulting fees for the National City Marina District Balanced Land Use Plan project and $125 thousand related to TAMT stormwater, legal, and fire system maintenance costs.

- Harbor Police operating expenses of $35.0 million before depreciation and G&A expenses, increased $3.9 million from $31.1 million. A change in the recording of GASB 68 and OPEB accrual resulted in a $2.2 million increase, while workers' compensation increased by $1.4 million, and retirement expense increased by $449 thousand. The remaining variance was from all other operating expense sources.

- Other operating expenses of $8.3 million, before depreciation and G&A expenses, decreased $1.4 million from $9.7 million. The decrease was mainly due to the prior year's legal contingency costs of $983 thousand and changes in accounting for GASB 68 and the OPEB accrual.

- Total depreciation and amortization expenses of $22.7 million increased $1.5 million from $21.2 million due to depreciation for newly completed capital projects, the largest being America's Cup Harbor Phase I - North Harbor Drive Realignment.

- G&A expenses of $33.9 million increased $2.4 million from $31.6 million mainly due to an increase in salaries and wages of $1.2 million as a result of a new organizational structure that was implemented, including the mid-year addition of full-time positions. Also contributing to the increase were additional software and equipment maintenance costs of $798 thousand and accounting adjustments of $465 thousand for GASB 68 and OPEB. The remaining variance was from all other expense sources.

Operating Expenses - Fiscal year 2015 compared to 2014:

(Expressed in thousands)	2015	2014	$ Change Increase (Decrease)	% Change
Direct expenses				
Real Estate operations	$ 27,782	$ 31,280	$ (3,498)	(11.2%)
Maritime operations	18,002	21,573	(3,571)	(16.6%)
Harbor Police	31,081	32,623	(1,542)	(4.7%)
Other operating expenses	9,685	5,151	4,534	88.0%
Depreciation and amortization	21,218	19,597	1,621	8.3%
General and administrative expenses	31,561	30,729	832	2.7%
Total operating expenses	$ 139,329	$ 140,953	$ (1,624)	(1.2%)

- Real Estate operating expenses of $27.8 million, before depreciation and G&A expenses, decreased $3.5 million primarily due to a change in reporting of expenses of $5.9 million for the Municipal Services Agreement (MSA) with member cities for fire, police, and medical emergency and an accounting adjustment of $1.4 million due to the implementation of GASB 68. The decrease was partially offset by an increase in the following: legal contingencies of approximately $1.5 million, tenant environmental compliance projects of $815 thousand, completion of ADA improvements at various locations along the tidelands of $458 thousand, engineering support for capital development and major maintenance assistance of $359 thousand, additional maintenance needed for the North Embarcadero area of $327 thousand as the result of the completion of the NEVP Phase I project, an increase in parking enforcement at District parking metered lots of $224 thousand, and a rise in facility management service fees of $191 thousand which is based on parking revenues collected. The remaining variance was from all other operating expense sources.

- Maritime operating expenses of $18.0 million, before depreciation and G&A expenses, decreased $3.6 million from $21.6 million. The decrease was primarily due to a $2.1 million remediation cost incurred in the prior fiscal year and none in the current year. A $1.1 million decrease was due to a change in reporting of expenses for MSA with member cities for fire, police, and medical emergency and an accounting adjustment of $800 thousand due to the implementation of GASB 68. These decreases were partially offset by increases in the following: $355 thousand increase in facility management services for a temporary trailer rental to house a new tenant, services operator retention at NCMT increased by $278 thousand due to increased automobile activity, and $260 thousand for Maritime studies and other consulting fees.

- Harbor Police operating expenses of $31.1 million, before depreciation and G&A expenses, decreased $1.5 million from $32.6 million. The decrease of $3.7 million was primarily due to the implementation of GASB 68. This was partially offset by increases in overtime, higher benefit costs, and a newly added cost for providing security at NEVP Phase I and Lane Field Park.

- Other operating expenses of $9.7 million, before depreciation and G&A expenses, increased $4.5 million from $5.2 million. The increase was primarily due to a change in reporting of expenses of $7.0 million for MSA with member cities for fire, police, and medical emergency. The increase was partially offset by an accounting adjustment of $1.1 million for the implementation of GASB 68 and a decrease of $1.2 million in environmental project costs for Regional Harbor Monitoring Program, Goodrich South Campus Site, and Green Port Clean Air.

- Total depreciation and amortization expenses of $21.2 million increased $1.6 million from $19.6 million due to depreciation for newly completed capital projects, the largest being NEVP Phase I.

- G&A expenses of $31.6 million increased $832 thousand from $30.7 million primarily due to the following increases: $1.2 million increased marketing and outreach efforts, $603 thousand increased technology infrastructure and cloud software services, $367 thousand increased costs associated with retiree healthcare, and approximately $302 thousand increased costs at administrative building primarily due to energy efficiency retrofit efforts. The increase was partially offset by an accounting adjustment of $2.0 million due to the implementation of GASB 68. The remaining variance was from nonpersonnel expense categories.

Nonoperating Revenues, Expenses, and Capital Grants and Contributions - Fiscal year 2016 compared to 2015:

(Expressed in thousands)	2016	2015	$ Change Increase (Decrease)	% Change
Nonoperating revenues	$ 7,889	$ 9,615	$ (1,726)	(18.0%)
Nonoperating expenses	$ 3,960	$ 15,522	$ (11,562)	(74.5%)
Capital grants and contributions	$ 1,663	$ 4,781	$ (3,118)	(65.2%)

- The District's nonoperating revenues of $7.9 million, excluding capital grants and contributions, decreased $1.7 million from $9.6 million mainly from accounting for the gain from land exchange transactions that occurred in each year.

- Total nonoperating expenses of $4.0 million decreased $11.6 million from $15.5 million. The decrease is due to higher prior year expenses for legal settlements of $9.4 million, write-offs of previously capitalized projects of $1.9 million, and interest expense of $204 thousand. The remaining variance was from all other nonoperating expense sources.

- Capital grants and contributions of $1.7 million decreased $3.1 million from $4.8 million. This was primarily due to a reduction of capital contributions of $3.1 million from Civic San Diego for costs incurred for the NEVP Phase I project as the project was completed in the prior fiscal year. Please refer to Note 4(b) for additional information on funding for the NEVP Phase I project.

Nonoperating Revenues, Expenses, and Capital Grants and Contributions - Fiscal year 2015 compared to 2014:

(Expressed in thousands)	2015	2014	$ Change Increase (Decrease)	% Change
Nonoperating revenues	$ 9,615	$ 2,497	$ 7,118	285.1%
Nonoperating expenses	$ 15,522	$ 8,594	$ 6,928	80.6%
Capital grants and contributions	$ 4,781	$ 9,564	$ (4,783)	(50.0%)

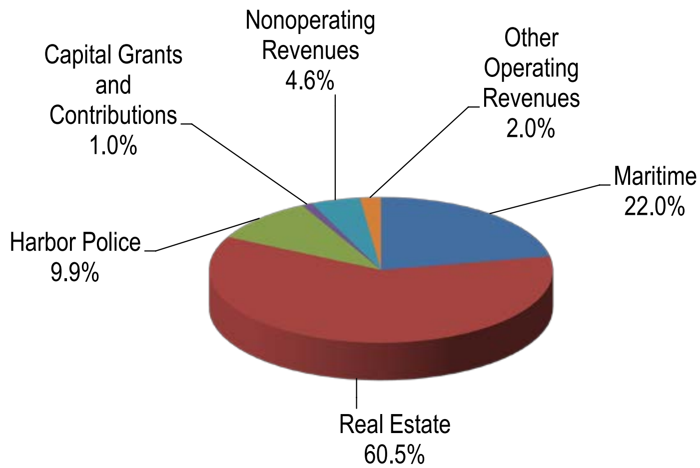
- The District's nonoperating revenues of $9.6 million, excluding capital grants and contributions, increased $7.1 million from $2.5 million. The increase was primarily due to a gain from disposal of capital assets of $4.5 million from a land exchange transaction, reimbursed legal fees of $1.2 million, grant revenue-other which was classified as operating revenue in the prior fiscal year of $943 thousand, legal settlements of $237 thousand, and asset forfeiture proceeds of $235 thousand.

- Total nonoperating expenses of $15.5 million increased $6.9 million from total nonoperating expenses of $8.6 million. The increase is mainly due to a legal settlement of $9.4 million and a write-off of previously capitalized project expenditures of $1.9 million. This increase was partially offset by a decrease in financial assistance of $4.5 million for the annual payment to the City of San Diego for the Convention Center expansion project. The last annual payment was made during the year ended June 30, 2014.

- Capital grants and contributions of $4.8 million decreased $4.8 million from $9.6 million. This was primarily due to reduced capital contributions of $3.9 million from Civic San Diego for costs incurred for the NEVP Phase I project as the project has been completed, donations of $628 thousand, and port security grant reimbursements of $142 thousand. Please refer to Note 4(b) for additional information on funding for the NEVP Phase I project.

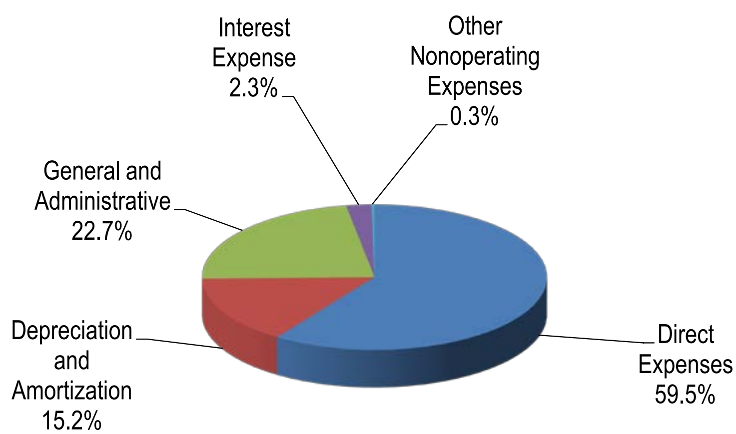
The following charts show the total District revenues and expenses as percentages by major categories for fiscal year 2016:

Fiscal Year 2016 Revenues



Total Revenues $169,840,299

Fiscal Year 2016 Expenses



Total Expenses $149,861,462

Debt Administration

The authority of the District to incur debt is described in Section 29 of the San Diego Unified Port District Act. The District is authorized, by its enabling legislation, to levy property taxes along with its five member cities (Chula Vista, Coronado, Imperial Beach, National City, and San Diego). From 1963 to 1970, the District required a small tax levy to pay debts incurred for improvements accomplished before the formation of the District. Since then, revenues from the principal operational areas have been sufficient to support District operations, service bonded indebtedness, and allow for capital improvements. As a result, no taxes have been levied since 1970.

As part of the airport transfer on January 1, 2003, as described in Note 1(a), the District issued a $50.0 million promissory note to the SDCRAA and a $2.4 million note for the Pond 20 real estate. As of June 30, 2013, the Pond 20 Note was paid in full. Under the Airport Transfer Agreement, the $50.0 million promissory note was unsubordinated and fully negotiable, had an interest rate of the prime rate plus 1.0%, with monthly payments of interest only for seven years, with the principal due and payable beginning on December 31, 2009. The note was amended as a result of a settlement agreement, effective June 1, 2004, between the District and the SDCRAA. The note is now being amortized over a period of 25 years, which commenced January 1, 2006, with a fixed rate of 5.5% per annum; the note remains subordinated to all other bonded indebtedness of the District.

On October 28, 2004, the District issued $49.5 million aggregate principal amounts of revenue bonds. The issuance consisted of $23.0 million and $26.5 million principal amounts for the Series A 2004 Bonds and Series B 2004 Bonds, respectively. The bonds were sold at a premium of $2.5 million, which netted issuance proceeds of $52.0 million. The bonds, which are composed of serial and term, are due over 25 years and bear interest rates ranging from 2.0% to 5.25%. Approximately $47.0 million was used to reimburse the District for the prior payment of costs for certain projects in the completed fiscal year 2003-2007 CIP. The bonds are being repaid using the pledged revenues of the District, as defined in Article 1, Section 1.02 of the indenture related to these bonds.

On November 20, 2013, the District issued $25.5 million Series A 2013 revenue refunding bonds to advance refund the entire $26.6 million of the outstanding Series B 2004 Revenue Bonds. The District used the net proceeds to purchase U.S. Treasury State and Local Government Series securities that were deposited in an irrevocable trust to provide for all future debt service and for the Series B 2004 Revenue Bonds redemption on September 1, 2014. As a result, the full amount of the $26.6 million Series B 2004 Revenue Bonds is considered defeased and the District has removed the liability from its accounts. The advance refunding reduced total debt service payments over the next 16 years by approximately $2.5 million, and resulted in an economic gain of $1.7 million (i.e. difference between the present value of the debt service payments on the old and new debt).

Following is a summary of the District's outstanding notes and bonds payable as of June 30, 2016 and June 30, 2015:

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016	Amounts due within one year
Notes:					
SDCRAA promissory note	$ 38,358,256	$ -	$ (1,608,986)	$ 36,749,270	$ 1,705,491
Civic San Diego loan advance - NEVP	7,674,518	-	(4,079,986)	3,594,532	685,601
Revenue bonds:					
Series A 2004 bonds payable	9,420,000	-	(1,725,000)	7,695,000	1,795,000
Series A 2004 bonds premium	181,675	-	(36,843)	144,832	-
Series A 2013 bonds payable	25,205,000	-	-	25,205,000	-
Series A 2013 bonds premium	2,349,590	-	(241,051)	2,108,539	-
Total notes and bonds	$ 83,189,039	$ -	$ (7,691,866)	$ 75,497,173	$ 4,186,092

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015	Amounts due within one year
Notes:					
SDCRAA promissory note	$ 39,886,768	$ -	$ (1,528,512)	$ 38,358,256	$ 1,608,986
Civic San Diego loan advance - NEVP	8,356,247	4,336,243	(5,017,972)	7,674,518	500,084
Revenue bonds:					
Series A 2004 bonds payable	11,070,000	-	(1,650,000)	9,420,000	1,725,000
Series A 2004 bonds premium	219,890	-	(38,215)	181,675	-
Series A 2013 bonds payable	25,205,000	-	-	25,205,000	-
Series A 2013 bonds premium	2,566,428	-	(216,838)	2,349,590	-
Total notes and bonds	$ 87,304,333	$ 4,336,243	$ (8,451,537)	$ 83,189,039	$ 3,834,070

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all California citizens, taxpayers, stakeholders, and the District's creditors. This financial report seeks to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the San Diego Unified Port District, Office of the District Clerk, P.O. Box 120488, San Diego, California 92112-0488. Or, you may contact the District by phone (619) 686-6203 or by email at publicrecords@portofsandiego.org.

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Basic Financial Statements

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Net Position
June 30, 2016 and June 30, 2015

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	$ 50,231,949	$ 56,681,270
Investments	67,033,049	64,241,785
Accounts receivable, net of allowance	17,560,338	15,302,884
Other current assets	1,595,216	1,560,874
Total current assets	136,420,552	137,786,813
Noncurrent assets:		
Restricted assets:		
Restricted cash and investments:		
Deposits and other miscellaneous	10,182,596	4,140,810
Escrow accounts:		
South Bay Power Plant remediation and other miscellaneous	1,361,139	4,679,195
Workers' compensation collateral	2,804,902	2,804,552
Series 2004 and 2013 Bonds:		
Debt service reserve funds held by trustee	3,377,926	3,378,688
Total restricted assets	17,726,563	15,003,245
Other noncurrent assets:		
Cash and investments designated for specific capital projects and commitments	841,090	3,276,495
Other noncurrent assets	1,646,423	59,090
Total other noncurrent assets	2,487,513	3,335,585
Capital assets:		
Nondepreciable assets:		
Land	246,688,798	239,274,790
Construction-in-progress	14,276,823	22,440,463
Depreciable assets:		
Land improvements	7,650,334	7,650,334
Buildings and structures	577,027,746	564,204,257
Machinery and equipment	88,315,656	86,482,274
Roads and parking lots	120,646,645	114,592,204
Intangible assets	3,563,633	2,377,155
Total capital assets	1,058,169,635	1,037,021,477
Less accumulated depreciation and amortization	(511,501,985)	(489,135,591)
Capital assets, net	546,667,650	547,885,886
Total noncurrent assets	566,881,726	566,224,716
Total assets	703,302,278	704,011,529
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on bond refunding	157,696	169,749
Deferred outflows - pension contributions made subsequent to the measurement date	16,918,957	16,780,113
Deferred outflows - difference between actual and expected experience	3,048,224	-
Total deferred outflows	20,124,877	16,949,862
Total assets and deferred outflows of resources	$ 723,427,155	$ 720,961,391

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Net Position
June 30, 2016 and June 30, 2015

LIABILITIES	2016	2015
Current liabilities:		
Accounts payable	$ 14,997,550	$ 17,444,966
Accrued liabilities	7,907,116	17,927,690
Current portion of accrued leave	4,593,502	4,481,392
Deposits and other short-term liabilities	2,602,227	3,476,551
Accrued interest payable, Series 2004 and 2013 Bonds	539,479	562,479
Notes payable, current portion	2,391,092	2,109,070
Bonds payable, current portion	1,795,000	1,725,000
Total current liabilities	34,825,966	47,727,148
Noncurrent liabilities:		
Liabilities - payable from restricted assets:		
South Bay Power Plant remediation and Lane Field Mitigation	4,061,139	4,379,195
Other long-term liabilities:		
Notes payable to SDCRAA, net of current portion	35,043,779	36,749,270
Bonds payable, net of current portion	33,358,371	35,431,265
Unearned revenue	7,274,746	4,566,736
Civic San Diego loan advance - NEVP, net of current portion	2,908,931	7,174,434
Other long-term liabilities	32,409	-
Accrued leave, net of current portion	1,293,526	1,100,968
Net OPEB obligation	39,946,115	34,843,659
Net pension liability - GASB 68	80,591,608	67,007,825
Total other long-term liabilities	200,449,485	186,874,157
Total noncurrent liabilities	204,510,624	191,253,352
Total liabilities	239,336,590	238,980,500
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - net differences between projected and actual earnings on pension investments	6,721,175	24,590,338
Total liabilities and deferred inflows of resources	246,057,765	263,570,838
NET POSITION		
Net investment in capital assets	504,229,416	507,623,256
Restricted for other projects and grants	7,357,368	4,786,859
Unrestricted	(34,217,394)	(55,019,562)
Total net position	477,369,390	457,390,553
Total liabilities, deferred inflows of resources, and net position	$ 723,427,155	$ 720,961,391

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2016 and June 30, 2015

	2016	2015
Operating revenues:		
Real Estate operations	$ 102,746,982	$ 95,939,734
Maritime operations	37,365,254	35,265,385
Harbor Police	16,834,920	14,728,677
Other operating revenues	3,340,521	3,631,384
Total operating revenues	160,287,677	149,565,180
Operating expenses:		
Direct expenses:		
Real Estate operations	27,623,213	27,781,900
Maritime operations	18,334,341	18,002,488
Harbor Police	35,007,326	31,080,891
Other operating expenses	8,266,688	9,685,129
Depreciation and amortization	22,721,000	21,217,742
General and administrative expenses	33,948,676	31,560,710
Total operating expenses	145,901,244	139,328,860
Income from operations	14,386,433	10,236,320
Nonoperating revenues (expenses):		
Interest income	758,904	699,793
Settlement income	1,424,560	593,159
Net increase (decrease) in the fair value of investments	92,005	(36,742)
Interest expense	(3,517,592)	(3,816,021)
Financial assistance other	(9,498)	-
Other nonoperating expenses	(433,128)	(11,706,290)
Other nonoperating revenues	5,614,647	8,358,693
Nonoperating revenues (expenses), net	3,929,898	(5,907,408)
Income before capital contributions	18,316,331	4,328,912
Capital grants and contributions	1,662,506	4,780,800
Change in net position	19,978,837	9,109,712
Net position, beginning of year	457,390,553	448,280,841
Net position, end of year	$ 477,369,390	$ 457,390,553

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Cash Flows
Fiscal Years Ended June 30, 2016 and June 30, 2015

	2016	2015
Cash flows from operating activities:		
Payments from customers	$ 157,155,900	$ 150,422,854
Payments to suppliers	(58,889,086)	(37,116,766)
Payments to employees	(78,196,193)	(74,707,109)
Other receipts	1,940,393	(2,816,907)
Net cash provided by operating activities	22,011,014	35,782,072
Cash flows from noncapital financing activities:		
Maintenance Fund - Salute to Bob Hope	(8,167)	(1,036)
Lane Field Mitigation	3,000,000	-
Financial assistance to other governments	(9,498)	-
Note payments	(2,212,017)	(2,162,622)
Net cash provided by (used in) noncapital financing activities	770,318	(2,163,658)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(22,712,689)	(35,313,835)
Proceeds on sale of capital assets	3,078,003	69,923
Federal/state grants received	1,615,558	1,632,356
Contributions for capital assets	46,948	3,131,151
Payment of bond principal	(1,725,000)	(1,650,000)
Interest paid	(3,987,499)	(3,983,906)
Civic San Diego loan advance - NEVP, net of current portion	-	4,336,243
Net cash used in capital and related financing activities	(23,684,679)	(31,778,068)
Cash flows from investing activities:		
Purchase of short-term investments	(62,546,630)	(67,929,020)
Maturity of short-term investments	56,148,986	73,080,558
Interest received from investment securities	851,670	663,051
Net cash provided by (used in) investing activities	(5,545,974)	5,814,589
Net increase (decrease) in cash and cash equivalents	(6,449,321)	7,654,935
Cash and cash equivalents, beginning of year	56,681,270	49,026,335
Cash and cash equivalents, end of year	$ 50,231,949	$ 56,681,270

(Continued)

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Cash Flows
Fiscal Years Ended June 30, 2016 and June 30, 2015

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Income from operations	14,386,433	$ 10,236,320
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization expenses	22,721,000	21,217,742
Gain (loss) on disposal of assets	-	(41,158)
Settlement income	1,424,560	593,159
Other nonoperating activities	516,183	(3,368,696)
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable	(2,257,454)	1,585,161
Other current assets	(34,342)	(188,457)
Deferred outflows of resources	(3,175,015)	(16,768,060)
Accounts payable	(1,965,859)	1,973,404
Accrued liabilities	(9,739,450)	7,973,187
Other restricted assets	(351)	(212)
Other long-term liabilities	18,878,797	(11,293,168)
Deposits and other short-term liabilities	(874,324)	(727,488)
Deferred inflows of resources	(17,869,164)	24,590,338
Net cash provided by operating activities	$ 22,011,014	$ 35,782,072

Supplemental disclosure of noncash investing, capital, and financing activities:	2016	2015
Additions to capital assets included in accounts payable	$ -	$ 436,165
Donated capital assets	$ -	$ 17,293
Net increase (decrease) in the fair value of investments	$ 92,005	$ (36,742)
Gain on disposal of assets - land exchange	$ 61,004	$ 4,544,110
Capital project write-offs - prior year costs	$ (348,823)	$ (1,949,313)
Reduction of NEVP maintenance credit (Civic San Diego loan)	$ (3,476,955)	$ (4,383,862)
Bond issue premium 2013 Series A (amortization)	$ 241,051	$ 216,838
Bond issue premium 2004 Series A (amortization)	$ 36,843	$ 38,215

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

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(1) Nature of Organization and Summary of Significant Accounting Policies

(a) Organization

The San Diego Unified Port District (District), an autonomous public agency, was established on December 18, 1962 in accordance with laws of the State of California for the acquisition, construction, operation, maintenance, development, management, and regulation of harbor works and improvements, including rail, water, and air terminal facilities, and tidelands and submerged lands of the Harbor of San Diego and San Diego Bay, and for the promotion of commerce, navigation, fisheries, and recreation. The District is governed by a seven-member Board of Port Commissioners (BPC) appointed by the District's five member cities (Chula Vista, Coronado, Imperial Beach, National City, and San Diego).

In 2001, the California legislature established the SDCRAA by enacting the San Diego County Regional Airport Authority Act (Airport Authority Act), California Public Utilities Code Section 170000 et seq. The Airport Authority Act was amended in 2002 and proposed a phased transfer of all airport operations of the District to SDCRAA. Effective January 1, 2003, pursuant to the Airport Authority Act and the MOU dated as of December 31, 2002, the District transferred all airport operations and certain related assets and liabilities to SDCRAA.

(b) Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies and, as such, the District is accounted for as a proprietary fund. The accompanying basic financial statements have been prepared using the flow of economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized when incurred.

(c) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less at the time of purchase.

(d) Investments

Investments are stated at fair value. Valuations are obtained by using quotations obtained from independent published sources.

(e) Accounts Receivable

An allowance for uncollectible accounts receivable has been provided in the amount of $11 thousand as of June 30, 2016 and $1.1 million as of June 30, 2015. The amount is based upon management's estimate of accounts that will not be collected. Accounts receivable are carried at original invoice amount for fixed rent tenants and at estimated invoice amount for concession (i.e., variable) rent tenants, less an estimate made for doubtful receivables for both fixed rent and concession tenants based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by evaluating individual tenant receivables and considering a t enant's financial condition, credit history, and current economic conditions.

(f) Designated Assets

The BPC may designate funds, which they do not consider to be available for general operations. At June 30, 2016, the District has designated funds primarily for the unpaid contractual portion of some capital projects that are currently in progress totaling $841 thousand compared to $3.3 million on June 30, 2015. This designation is classified in the accompanying statements of net position as cash and investments designated for specific capital projects and commitments.

Excluded from the above designation are additional commitments against existing cash reserves that have been authorized by the BPC as follows:

- Remaining costs to complete CIP projects not funded by grants, donations, or contributions, but will be funded from existing and future cash resources totaling $12.6 million (see Note 11 (a)i) compared to $16.6 million in fiscal year 2015.
- Commitments for other specific projects and activities (non-CIP) totaling $10.4 million compared to $8.0 million in fiscal year 2015.
- Operating reserves in alignment with BPC Policy No. 117. The policy requires that operating reserves at the end of each fiscal year are equal to six months of budgeted operating and maintenance expenses.

(g) Restricted Assets

Funds are set aside as restricted assets and are not available for current spending, when constraints placed on their use are legally enforceable due to either:

1. Externally imposed requirements by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or,
2. Constitutional provisions or enabling legislation.

The District classifies assets as restricted when the resources that were received or earned contain an explicit understanding between the resource provider and the District that the funds would be used for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

(h) Capital Assets

Capital assets are carried at cost (except for property contributed by third parties, which is recorded at fair value at the date of contribution) less an allowance for accumulated depreciation/amortization. Assets acquired under capital leases are amortized over the estimated useful life. Recurring normal maintenance and repair costs are charged to operations, whereas major repairs, improvements, and replacements that extend the assets useful life are capitalized. The capitalization threshold is $5,000 and depreciation/amortization is computed by use of the straight-line method over the following estimated useful lives:

Land improvements	30 to 40 years
Roads and parking lots	10 to 30 years
Building, water borne structures, and other terminals	10 to 50 years
Automotive and field equipment, furniture, and fixtures	3 to 15 years
Intangible assets	3 to 20 years

(i) Compensated Absences

All employees of the District earn annual leave that is paid upon termination or retirement. Annual leave is accrued and paid at current rates of compensation. Employees earn annual leave at the following rates as of June 30, 2016:

Years of Active Service	Annual Accrued Hours (days)	Maximum Accrued Hours (days)
0-5th	144 hours (18 days)	432 hours (54 days)
6-10th	184 hours (23 days)	552 hours (69 days)
11-15th	224 hours (28 days)	552 hours (69 days)
16th-up	254 hours (31.75 days)	632 hours (79 days)

(j) District Net Position

Net investment in capital assets consists of capital assets, which are net of accumulated depreciation/amortization and further reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, and deferred outflows of resources.

Restricted net position consists of restricted assets reduced by liabilities related to those assets. Restricted amounts represent limitations imposed on its use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, and laws or regulations of other governments.

Unrestricted net position may be used to meet the District's commitments and ongoing obligations.

(k) Revenue Classifications

The District classifies revenue as operating or nonoperating revenues, based on the following criteria:

Operating revenues are derived from the revenue sources that constitute the principal ongoing activities of the District's operations. The major components of the operating revenue sources are provided as follows:

- Real Estate operating revenues are generally derived from flat-fee ground rentals, rental fees based on a fixed percentage of tenant revenues subject to certain minimum monthly fees, parking fees, and park usage fees.

- Maritime operating revenues include charges for fixed rents, storage, other rental revenue, passenger fees, cruise ship security charges, dockage, wharfage, and other marine services subject to District tariffs filed with the Federal Maritime Commission. Wharfage revenue is the charge assessed to both inbound and outbound cargo when crossing over District property. Dockage fees are the charges assessed against a vessel for the right to berth at a wharf or pier of the District.

- Harbor Police operating revenues include police services provided to the SDCRAA, citation revenue, and expense reimbursements, which include cost recovery for services provided.

Nonoperating revenues are from sources related to financing activities and other activities that do not constitute the principal ongoing activities of the District's operations. The major components of the nonoperating revenue sources are reimbursed legal fees/litigation costs, donated revenue, investment income from cash and investments, and legal settlements. Capital grants and contributions consist of grant reimbursements for capital and noncapital projects, contributions from external sources, and labor and benefits.

(l) Expense Classifications

The District classifies expenses as operating or nonoperating based on the following criteria:

Operating expenses are from expense sources that constitute the principal ongoing activities of the District's operations. The major components of the District's operating expenses consist of personnel expenses, contractual services, community and environmental support (including municipal services for fire, police, and medical emergency), and maintenance and repairs.

Nonoperating expenses are from expense sources that are related to financing, investing, and other activities that do not constitute the principal ongoing activities of the District's operations. The major components of nonoperating expenses are legal expense and interest expense.

(m) Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's defined benefit pension plan administered by San Diego City Employees' Retirement System (SDCERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by SDCERS.

(n) Capital Grants and Contributions

The District recognizes capital related grant revenue as capital contributions when a capital grant agreement is approved, all eligibility requirements have been met, and qualifying expenses are incurred. Contributed capital assets and donated revenue are recorded at fair value in the period when the donation is received.

(o) Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) New Governmental Accounting Standards

The District implemented the following new governmental accounting standards as of July 1, 2015:

GASB Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements. It also provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. Refer to Note 12 for additional information related to GASB 72 implementation.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also establishes requirements for defined contribution pensions that are not within the scope of Statement 68. In addition, it amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes. There was no impact on the District's financial statements resulting from the implementation of this statement.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. There was no impact on the District's financial statements resulting from the implementation of this statement.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* This statement establishes criteria allowing certain qualified external investment pools to measure all of its investments at amortized cost for financial reporting purposes. This statement establishes additional note disclosure requirements to include information about any limitations or restrictions on participant withdrawals. There was no impact on the District's financial statements resulting from the implementation of this statement.

(q) *Upcoming Governmental Accounting Standards*

The following governmental accounting standards have been issued, but are not yet effective:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. This statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57*, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This statement will be effective for the District beginning in fiscal year 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this statement is to improve accounting and financial reporting by governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement will be effective for the District beginning in fiscal year 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual obligations, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. There will be no impact on the District's financial statements resulting from the implementation of this statement.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No*. 68, Accounting and Financial Reporting for Pensions.* This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). There will be no impact on the District's financial statements resulting from the implementation of this statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14.* The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. There will be no impact on the District's financial statements resulting from the implementation of this statement.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. It requires that a government recognize revenue when the resources become applicable to the reporting period. There will be no impact on the District's financial statements resulting from the implementation of this statement.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary purpose of Statement No. 82 is to improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. This statement will be effective for the District beginning in fiscal year 2017.

(2) Cash and Investments, Escrow Accounts, and Funds Held by Trustee

Summary of cash and investments:	2016	2015
Cash and cash equivalents	$ 50,231,949	$ 56,681,270
Investments	67,033,049	64,241,785
Restricted cash and investments:		
Refundable security deposits	1,812,279	1,843,994
Lane Field Mitigation Funds	3,000,000	-
Chula Vista Bayfront Infrastructure Improvement Funds	3,000,000	-
Other	2,370,317	2,296,816
Total restricted cash and investments	10,182,596	4,140,810
Designated cash and investments:		
Designated for specific capital projects and commitments	841,090	3,276,495
Total cash and investments	$ 128,288,684	$ 128,340,360

Cash and investments consist of the following:	2016	2015
Cash on hand, current	$ 2,500	$ 2,500
Deposits with financial institutions	2,820,110	4,221,716
Investments	125,466,074	124,116,144
Total cash and investments	$ 128,288,684	$ 128,340,360

Investments Authorized by California Government Code and the District Investment Policy

California Government Code § 53600 et seq. and the BPC's Policy No. 115 (BPC 115), Guidelines for Prudent Investments, regulate the investment of the District's temporary idle cash. The table below identifies only those investments that are authorized by both California Government Code and BPC 115. The table also identifies restrictions as to investment terms to maturity and maximum allowable investment percentages. While the maximum allowable term to maturity for various investment classes may be five years, BPC 115 limits the portfolio's weighted average days to maturity to three years. At no time during fiscal year 2016 and fiscal year 2015 did the portfolio's weighted average days to maturity exceed three years. Other than the maximum allowable term to maturity, the District's BPC 115 is similar to the restrictions pursuant to California Government Code § 53600 et seq.

		Maximum Allowable Investment	
Investment Types Authorized by California Government Code and BPC 115	Term to Maturity	Total (% of Portfolio)	Any One Issuer (% of Portfolio)
U.S. Treasury Bills, Notes, Bonds	5 Years	No Restriction	No Restriction
U.S. Agency Obligations	5 Years	No Restriction	No Restriction
Bankers Acceptances	180 Days	40% Fair Market Value (FMV)	10% FMV
Certificates of Deposit - Account Registry Service (CDARS)	5 Years	30% FMV	FDIC Limit
Commercial Paper[1]	270 Days	15% FMV	10% FMV
Negotiable Certificates of Deposit	1 Year	30% FMV	No Restriction
Medium-term notes - "A" rating	2 Years	30% FMV	5% FMV
Medium-term notes - "AA" rating	3 Years	30% FMV	5% FMV
Repurchase Agreements	1 Year	No Restriction	No Restriction
Reverse Repurchase Agreements	60 Days	10% FMV	No Restriction
Local Agency Investment Fund (LAIF)	n/a	No Restriction	n/a
Shares of Beneficial Interest – Issued by Management Companies	n/a	20% FMV	10% FMV
Shares of Beneficial Interest – Issued by Joint Powers Authorities (JPA)	2 Years	30% FMV	n/a
State Obligations - California and Others	5 years	No Restriction	No Restriction
California Local Agency Obligations	5 Years	No Restriction	No Restriction
Supranational Obligations - "AA" rating[2]	5 Years	30% FMV	No Restriction

[1]BPC 115 allows up to 30% of A1 and P1 rated commercial paper if maturity does not exceed 31 days.

[2]Suprantational Obligations include Inter-American Development Bank, International Bank for Reconstruction and Development, and the International Finance Corporation.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that fluctuations in market interest rates will adversely affect the fair value of an investment. In general, an investment with a longer term to maturity has a greater sensitivity to changes in market interest rates than does an investment with a shorter term to maturity.

One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by structuring the maturities to coincide with expected capital investment cash outflows. Investment purchases are further structured so as to mature at fairly regular intervals in order to provide liquidity sufficient for operations. The District uses remaining days to maturity, weighted average days to maturity and duration as methods by which to analyze the portfolio's overall sensitivity to interest rate risk. The District intends to hold callable securities until maturity, however, for disclosure purposes; the District uses the call date as equivalent to maturity date.

The District's investment portfolio is conservatively managed. Although the District is authorized by BPC policy to invest in securities whose fair value would be considered highly sensitive to interest rate risk, the District did not own any specific securities considered highly sensitive. The fair value of the District's position in the external pools LAIF and CalTrust (Shares of Beneficial Interest – JPA) is the same as the value of the pool shares as of June 30, 2016 and 2015.

Information pertaining to the portfolio's overall sensitivity to interest rate risk at June 30, 2016 and 2015 is provided in the following tables:

District Investments		Remaining Days to Maturity			
Investment Type	Fair Value at June 30, 2016	120 Days or Less	121 to 360	361 to 720	721 to 1,080
U.S. Treasury Securities	$ 11,006,045	$ 9,004,249	$ 2,001,796	$ -	$ -
Federal Agencies (Coupon)	59,042,411	38,015,509	15,012,970	6,013,932	-
Federal Agencies (Discount)	2,995,164	2,995,164	-	-	-
Local Agency Investment Fund - LAIF	39,000,000	-	39,000,000	-	-
Shares of Beneficial Interest - JPA	9,411,868	-	-	9,411,868	-
Medium Term Notes	4,010,586	2,000,456	-	2,010,130	-
Totals:	$ 125,466,074	$ 52,015,378	$ 56,014,766	$ 17,435,930	$ -

District Investments		Remaining Days to Maturity			
Investment Type	Fair Value at June 30, 2015	120 Days or Less	121 to 360	361 to 720	721 to 1,080
U.S. Treasury Securities	$ 13,031,794	$ -	$ 2,003,750	$ 11,028,044	$ -
Federal Agencies (Coupon)	47,331,036	24,311,935	6,008,162	15,014,169	1,996,770
Federal Agencies (Discount)	2,960,118	-	-	2,960,118	-
Local Agency Investment Fund - LAIF	46,100,000	-	46,100,000	-	-
Shares of Beneficial Interest - JPA	7,357,049	-	-	7,357,049	-
Medium Term Notes	7,336,147	5,327,671	-	2,008,476	-
Totals:	$ 124,116,144	$ 29,639,606	$ 54,111,912	$ 38,367,856	$ 1,996,770

Disclosures Relating to Credit Risk

Credit risk is the risk that the issuer of an investment will not repay its obligation as promised. Credit quality is measured using a rating assigned by a nationally recognized statistical rating organization.

The information presented below identifies the minimum credit rating required by California Government Code, the District's investment policy, and the actual rating as of June 30, 2016 and 2015 for each investment type.

	Fair Value at	Minimum	Actual Rating				Not
Investment Type	June 30, 2016	Rating	AA+	AA	A	AAf /S1+	Rated
U.S. Treasury Securities	$ 11,006,045	n/a	$ 11,006,045	$ -	$ -	$ -	$ -
Federal Agencies (Coupon)	59,042,411	n/a	59,042,411	-	-	-	-
Federal Agencies (Discount)	2,995,164	n/a	2,995,164	-	-	-	-
Local Agency Investment Fund - LAIF	39,000,000	n/a	-	-	-	-	39,000,000
Shares of Beneficial Interest - JPA	9,411,868	n/a	-	-	-	9,411,868	-
Medium Term Notes	4,010,586	A	-	2,010,130	2,000,456	-	-
Totals:	$125,466,074		$ 73,043,620	$ 2,010,130	$ 2,000,456	$ 9,411,868	$ 39,000,000

	Fair Value at	Minimum	Actual Rating				Not
Investment Type	June 30, 2015	Rating	AA+	A+	A	AAf /S1+	Rated
U.S. Treasury Securities	$ 13,031,794	n/a	$ 13,031,794	$ -	$ -	$ -	$ -
Federal Agencies (Coupon)	47,331,036	n/a	47,331,036	-	-	-	-
Federal Agencies (Discount)	2,960,118	n/a	2,960,118	-	-	-	-
Local Agency Investment Fund - LAIF	46,100,000	n/a	-	-	-	-	46,100,000
Shares of Beneficial Interest - JPA	7,357,049	n/a	-	-	-	7,357,049	-
Medium Term Notes	7,336,147	A	2,323,282	3,004,389	2,008,476	-	-
Totals:	$124,116,144		$ 65,646,230	$ 3,004,389	$ 2,008,476	$ 7,357,049	$ 46,100,000

On June 30, 2016, Standard & Poor's affirmed the U.S. credit rating of AA+. Moody's Investors Service affirmed their Aaa credit rating on October 7, 2015, and Fitch Ratings affirmed their AAA ratings on April 12, 2016. Funds held in trustee and fiscal agent accounts as of June 30, 2016 and 2015 met California Government Code minimum credit rating requirements.

Concentration of Credit Risk

The District's investment policy is consistent with the California Government Code with respect to the categorical limitations placed on the amount that may be invested in any one issuer. The District's investment holdings at June 30, 2016 and 2015, grouped by issuer, are identified in the tables below.

Issuer	Investment Type	Fair Value at June 30, 2016	Percentage of Portfolio
United States of America	U.S. Treasury Securities	$ 11,006,045	8.8%
Federal Home Loan Bank	Federal Agencies Securities	17,012,508	13.6%
Federal Home Loan Mortgage Corporation	Federal Agencies Securities	35,010,307	27.9%
Federal National Mortgage Association	Federal Agencies Securities	2,002,028	1.6%
Federal Farm Credit Bank	Federal Agencies Securities	8,012,732	6.4%
Wells Fargo & Company	Medium Term Notes	2,000,456	1.6%
Walmart Stores Incorporated	Medium Term Notes	2,010,130	1.6%
CalTRUST Short-Term Fund	Shares of Beneficial Interest - JPA	9,411,868	7.4%
Local Agency Investment Fund	Local Agency Investment Fund	39,000,000	31.1%
Totals:		$ 125,466,074	100.0%

Issuer	Investment Type	Fair Value at June 30, 2015	Percentage of Portfolio
United States of America	U.S. Treasury Securities	$ 13,031,794	10.5%
Federal Home Loan Bank	Federal Agencies Securities	17,418,071	14.0%
Federal Home Loan Mortgage Corporation	Federal Agencies Securities	17,866,265	14.4%
Federal National Mortgage Association	Federal Agencies Securities	3,001,020	2.4%
Federal Farm Credit Bank	Federal Agencies Securities	12,005,798	9.7%
General Electric Company	Medium Term Notes	3,004,389	2.4%
Microsoft Corporation	Medium Term Notes	2,323,282	1.9%
Wells Fargo & Company	Medium Term Notes	2,008,476	1.7%
CalTRUST Short-Term Fund	Shares of Beneficial Interest - JPA	7,357,049	5.9%
Local Agency Investment Fund	Local Agency Investment Fund	46,100,000	37.1%
Totals:		$ 124,116,144	100.0%

Custodial Credit Risk

Custodial credit risk is the risk that investments held by the transaction counterparty may not be recoverable in the event of the failure of the counterparty firm. The District's adopted investment policy states that, "To protect against potential losses by the collapse of individual securities dealers, all securities owned by the District shall be held in safekeeping by a third party bank trust department acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All securities will be received and delivered using standard delivery-versus-payment procedures." The District uses a custodial bank for the receipt and safekeeping of its securities and all securities purchased in fiscal year 2016 and fiscal year 2015 were received using delivery-versus-payment procedures.

California Government Code requires that financial institutions secure local government agency deposits by pledging securities in an undivided collateral pool; the depository holds the collateral. The market value of the securities held in the collateral pool must be greater than or equal to 110.0% of the total amount deposited by the public agencies. A financial institution may, in accordance with California Government Code, secure the local public agency deposits using first trust deed mortgages; however, the market value of the first trust deed mortgages collateral must be at least 150.0% of the total amount deposited.

All individual securities as of June 30, 2016 and 2015 were held by a third party bank trust department acting as agent for the District under the terms of a custody agreement. Pooled accounts as of June 30, 2016 and 2015 were held by a third party bank trust department acting as agent for each fund under the terms of a custody agreement.

Investments in CalTRUST Investment Pool

The District is a voluntary participant in the Investment Trust of California (doing business as CalTRUST), a Shares of Beneficial Interest program. CalTRUST is a Joint Powers Authority (JPA) authorized by California Government Code sections 53601 and 53635 created for the purpose of pooling local agency assets for investing. The District participates in the CalTRUST short-term fund which has a target duration of 0 to 2 years. Authorized securities under this account typically include U.S. treasuries, U.S federal agencies, collateralized mortgage obligations, mortgage-backed securities, asset-backed securities, bankers acceptances, commercial paper, certificates of deposit, repurchase agreements backed by 102% U.S. government agencies and treasuries, medium-term notes, and rated money-market mutual funds.

The investment objectives of CalTRUST seek to attain a high level of current income consistent with the preservation of capital. The program is subject to interest rate and credit risk. This is primarily due to interest rate movements and the potential decline of the District's share value in response to events affecting the issuer of any securities or its credit rating. CalTRUST is not registered as an investment company under the Investment Company Act of 1940 (Act) and, accordingly, is not subject to the provisions of that Act and the rules thereunder, including the protective rules relating to registered money market mutual funds and other types of mutual funds. Funds invested in the CalTRUST short-term fund may be withdrawn with a 24-hour notice.

Investments in Certificates of Deposit Account Registry Service (CDARS)

The District participates in the CDARS program through Pacific Commerce Bank, a locally owned bank. Deposits through this program are authorized by California Government Code Sections 53601.8 and 53635.8, and are 100% FDIC insured.

Local Agency Investment Fund (LAIF)

The District is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasury of the State of California. Funds invested in LAIF may be withdrawn daily up to $10.0 million. LAIF withdrawals over $10.0 million require a 24-hour notice.

Escrow Accounts and Funds Held by Trustee

Pursuant to the April 27, 1999 Property Escrow Agreement between the District and Dynegy South Bay LLC (formerly Duke Energy South Bay LLC), the District had $1.1 million as of June 30, 2016 and $4.4 million as of June 30, 2015 in a Property Escrow Account with US Bank for decommissioning, dismantling, and environmental remediation of the South Bay Power Plant Site. All of the escrow funds are invested in an AAAm/Aaa-mf rated Wells Fargo Advantage Heritage Money Market Fund. The Property Escrow Funds may be used by Dynegy solely in connection with the End of Term Actions stated in the Lease Agreement and the Remediation Measures as stated in the Environmental Remediation Agreement.

The District has an amended escrow agreement dated July 27, 1994 with the City of Imperial Beach to provide an escrow fund of $300 thousand for certain claim costs attributable to District property which may arise from beach clean-up, pier maintenance, and lifeguard services. The escrow funds are invested in a U S Bank money market account and had a balance of $300 thousand as of June 30, 2016 and 2015.

On July 1, 2004 the District established an escrow agreement for Payment Agreement Obligations with National Union Fire Insurance Company of Pittsburgh, PA, on behalf of itself and other member companies of American International Group, Inc., as beneficiary, and the Bank of New York Mellon as escrow agent. The escrow fund was created for the purpose of providing collateral for the District's obligations under any workers' compensation claim. The balance in the escrow account was $2.8 million as of June 30, 2016 and 2015, and is invested in the Bank of New York Mellon's Cash Reserve account, an uncollateralized interest-bearing overnight deposit product with daily access. The assets held in this account are part of the escrow agent's balance sheet whose long-term deposit rating is AA- and short-term deposit rating is A-1+ as of June 30, 2016, and AA- and A-1+ respectively as of June 30, 2015.

Under provisions of the indenture for the District's Revenue Bonds 2004 Series A and B and the 2013 Refunding Revenue Bonds Series A, the District is required to maintain a Reserve Fund of $3.4 million with an independent trustee. The District's trustee is US Bank and the funds are invested in the First American Treasury Obligations Fund in accordance with the language in the District's bond documents. The fund invests exclusively in short-term U.S. treasury obligations and repurchase agreements secured by U.S. treasury obligations. The fund had a rating of AAAm from S&P, Aaa-mf from Moody's, and AAAmmf from Fitch as of June 30, 2016 and June 30, 2015.

(3) Capital Assets

Following is a summary of the capital assets activity for the fiscal years ended June 30, 2016 and June 30, 2015, respectively:

Capital Assets

(Expressed in thousands)

Description	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
Nondepreciable assets:				
Land	$ 239,275	$ 7,414	$ -	$ 246,689
Construction-in-progress	22,441	19,829	(27,993)	14,277
Depreciable/amortizable assets:				
Land improvements	7,650	-	-	7,650
Buildings and structures	564,204	12,824	-	577,028
Machinery and equipment	86,482	2,189	(355)	88,316
Roads and parking lots	114,592	6,055	-	120,647
Intangible	2,377	1,186	-	3,563
Total assets	1,037,021	49,497	(28,348)	1,058,170
Accumulated depreciation/amortization:				
Land improvements	(6,256)	(224)	-	(6,480)
Buildings and structures	(348,489)	(13,797)	-	(362,286)
Machinery and equipment	(52,427)	(5,368)	355	(57,440)
Roads and parking lots	(81,709)	(3,030)	-	(84,739)
Intangible	(254)	(303)	-	(557)
Total accumulated depreciation/amortization	(489,135)	(22,722)	355	(511,502)
Capital assets, net	$ 547,886	$ 26,775	$ (27,993)	$ 546,668

Capital Assets

(Expressed in thousands)

Description	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Nondepreciable assets:				
Land	$ 227,861	$ 11,414	$ -	$ 239,275
Construction-in-progress	54,181	27,082	(58,822)	22,441
Depreciable/amortizable assets:				
Land improvements	7,650	-	-	7,650
Buildings and structures	535,315	28,889	-	564,204
Machinery and equipment	80,244	6,532	(294)	86,482
Roads and parking lots	93,967	20,625	-	114,592
Intangible	2,068	309	-	2,377
Total assets	1,001,286	94,851	(59,116)	1,037,021
Accumulated depreciation/amortization:				
Land improvements	(6,006)	(250)	-	(6,256)
Buildings and structures	(335,422)	(13,067)	-	(348,489)
Machinery and equipment	(47,424)	(5,256)	253	(52,427)
Roads and parking lots	(79,228)	(2,481)	-	(81,709)
Intangible	(90)	(164)	-	(254)
Total accumulated depreciation/amortization	(468,170)	(21,218)	253	(489,135)
Capital assets, net	$ 533,116	$ 73,633	$ (58,863)	$ 547,886

The District recognized depreciation/amortization expenses of $22.7 million and $21.2 million for the years ended June 30, 2016 and 2015, respectively.

(4) Long-Term Debt

(a) Summary of Long-Term Liabilities

Below is a summary of long-term liabilities and their activity for the fiscal years ended June 30, 2016 and 2015, respectively:

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016	Amounts due within one year
Notes:					
SDCRAA promissory note	$ 38,358,256	$ -	$ (1,608,986)	$ 36,749,270	$ 1,705,491
Civic San Diego loan advance - NEVP	7,674,518	-	(4,079,986)	3,594,532	685,601
Revenue bonds:					
Series A 2004 bonds payable	9,420,000	-	(1,725,000)	7,695,000	1,795,000
Series A 2004 bonds premium	181,675	-	(36,843)	144,832	-
Series A 2013 bonds payable	25,205,000	-	-	25,205,000	-
Series A 2013 bonds premium	2,349,590	-	(241,051)	2,108,539	-
Total notes and bonds	83,189,039	-	(7,691,866)	75,497,173	4,186,092
Other noncurrent liabilities:					
Unearned revenue - Other	182,874	1,215	(9,382)	174,707	-
Unearned revenue - NEVP credits	4,383,862	3,476,955	(760,778)	7,100,039	-
Net OPEB obligation	34,843,659	10,621,530	(5,519,074)	39,946,115	-
Net pension liability - GASB 68	67,007,825	30,470,264	(16,886,481)	80,591,608	-
Accrued leave	5,582,360	4,827,825	(4,523,157)	5,887,028	4,593,502
SBPP remediation	4,379,195	3,871	(3,321,927)	1,061,139	-
Lane Field mitigation	-	3,000,000	-	3,000,000	-
Other long-term liabilities	-	34,417	(2,008)	32,409	-
Total other noncurrent liabilities	116,379,775	52,436,077	(31,022,807)	137,793,045	4,593,502
Total long-term liabilities	$ 199,568,814	$ 52,436,077	$ (38,714,673)	$ 213,290,218	$ 8,779,594

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015	Amounts due within one year
Notes:					
SDCRAA promissory note	$ 39,886,768	$ -	$ (1,528,512)	$ 38,358,256	$ 1,608,986
Civic San Diego loan advance - NEVP	8,356,247	4,336,243	(5,017,972)	7,674,518	500,084
Revenue bonds:					
Series A 2004 bonds payable	11,070,000	-	(1,650,000)	9,420,000	1,725,000
Series A 2004 bonds premium	219,890	-	(38,215)	181,675	-
Series A 2013 bonds payable	25,205,000	-	-	25,205,000	-
Series A 2013 bonds premium	2,566,428	-	(216,838)	2,349,590	-
Total notes and bonds	87,304,333	4,336,243	(8,451,537)	83,189,039	3,834,070
Other noncurrent liabilities:					
Unearned revenue - Other	183,910	1,784	(2,820)	182,874	-
Unearned revenue - NEVP credit	-	4,383,862	-	4,383,862	-
Net OPEB obligation	29,536,934	10,382,727	(5,076,002)	34,843,659	-
Net pension liability - GASB 68	-	100,327,558	(33,319,733)	67,007,825	-
Accrued leave	5,501,544	4,448,683	(4,367,867)	5,582,360	4,481,392
SBPP remediation	8,371,663	-	(3,992,468)	4,379,195	-
Total other noncurrent liabilities	43,594,051	119,544,614	(46,758,890)	116,379,775	4,481,392
Total long-term liabilities	$ 130,898,384	$ 123,880,857	$ (55,210,427)	$ 199,568,814	$ 8,315,462

The District's required debt service payments for the notes and bonds as of June 30, 2016, excluding the bond premium, are as follows:

Years Ending June 30	Principal	Interest	Total Debt Service
2017	$ 4,186,092	$ 3,725,970	$ 7,912,062
2018	4,400,526	3,511,287	7,911,813
2019	4,628,844	3,281,644	7,910,488
2020	4,827,138	3,037,824	7,864,962
2021	4,782,335	2,779,434	7,561,769
2022-2026	24,158,609	10,162,328	34,320,937
2027-2031	26,260,258	3,039,461	29,299,719
Total	$ 73,243,802	$ 29,537,948	$ 102,781,750

(b) Notes Payable

SDCRAA Promissory Note

As part of the transfer of airport operations and the San Diego International Airport (SDIA) to the SDCRAA on January 1, 2003 and pursuant to the MOU, the District issued a $50.0 million promissory note to the SDCRAA. The note is being amortized over a period of 25 years with a fixed rate of 5.5% per annum; the note remains subordinated to all other bonded indebtedness of the District and matures in December 2030.

Civic San Diego Advance – NEVP Phase I

On April 9, 2007, the District entered into a Joint Exercise of Powers Agreement (JPA) with the City of San Diego and the Centre City Development Corporation, now known as Civic San Diego (CSD), to design and fund phases of the NEVP. The JPA provided that the District and CSD equally share the cost for the Phase I design, and that costs for subsequent phases shall be agreed upon in an amendment to be approved by the governing body of each party.

On February 28, 2011, a First Amendment to the JPA (First Amendment) was signed with the City of San Diego and the former Redevelopment Agency of the City of San Diego acting through CSD. The First Amendment revised the definition of Phase I and established an estimated total construction cost of $28.6 million, subject to certain credits to the District for previous work on Broadway Pier and offsets for future maintenance.

According to Section 2, Item 6.1.5.3 of the First Amendment, the District has begun to pay $850 thousand annually to CSD as repayment of their loan advances. Upon the completion of Lane Field, the District shall pay CSD the greater of $850 thousand or 50.0% of revenues received from Lane Field. The District may prepay advances anytime.

The NEVP Phase I improvements were completed on October 31, 2014, and in accordance with Section 6.1.3 of the First Amendment, the District has applied the NEVP Phase I maintenance credit of approximately $4.4 million against the loan advances from CSD in recognition of the District's assumption of the maintenance obligations.

On August 21, 2015, the District notified the JPA that the improvements for NEVP Phase I and Setback Park/Plaza were complete, and the District's maintenance and security obligations have begun. The maintenance credit for Setback Park/Plaza was calculated to be $1.6 million, the security credit for

Setback Park/Plaza was $384 thousand and the security credit for NEVP Phase I was $1.5 million, totaling approximately $3.5 million. On April 14, 2016, the CSD notified the District that they agreed to the maintenance and security credits totaling approximately $3.5 million and accordingly, the District has applied the $3.5 million credit during fiscal year 2016 against the loan advances from CSD.

The District has recorded the maintenance and security credits of $3.5 million as unearned revenue under other noncurrent liabilities.

(c) Revenue Bonds and Pledge of Revenues

Series A 2004 Bonds

On October 28, 2004, the District issued $23.0 million (par value) of Series A Revenue Bonds (Bonds) which are secured by a pledge and lien on net pledged revenues.

The Bonds were issued for a term of 25 years with interest rates ranging from 2% to 5.25%. The proceeds from the sale of the Bonds were used to reimburse the District for certain previous capital expenditures, fund the Bonds' reserve requirement, and finance the costs of issuance.

The Series A 2004 Bonds include serial and term bonds, with mandatory sinking fund requirements. Term bonds outstanding on the Series A 2004 bonds are $3.5 million and $5.9 million. Principal payments remaining as of June 30, 2016 total $7.7 million.

Series A 2013 Bonds

On November 20, 2013, the District issued $25.5 million Series A 2013 revenue refunding bonds to advance refund the entire $26.6 million of the outstanding Series B 2004 Revenue Bonds that is now defeased and is no longer in the District liability accounts. Series A 2013 Bonds were issued for a term of 16 years with interest rates ranging from 2.0% to 5.0%. Serial bonds range in maturity from $270 thousand to $3.1 million, with maturity dates ranging from September 1, 2014 to September 1, 2029. The first payment of $270 thousand was made on June 30, 2014. The next principal payment will commence on June 30, 2021 for $2.0 million. Principal payments remaining as of June 30, 2016 total $25.2 million.

Pledged Revenues

Pledged revenues for the year ended June 30, 2016, totaled $163.6 million. This represents approximately 96.3% of total District revenues and 364.1% of the remaining Series A 2004 and 2013 Bonds' principal and interest requirements compared to $152.4 million for the year ended June 30, 2015. Net pledged revenues for the year ended June 30, 2016 totaled $38.8 million, which represents 1,156.8% of the Series A 2004 and 2013 Bonds' annual principal and interest requirements of $3.4 million. Net pledged revenues for the year ended June 30, 2015 totaled $31.6 million, which represents 935.4% of the Series A 2004 and 2013 Bonds' annual principal and interest requirements of $3.4 million.

(d) *Unearned Revenue*

As mentioned in Note 4(b) Civic San Diego Advance – NEVP Phase I, the District has recorded the $3.5 million credit received for the NEVP maintenance and security credits as unearned revenue, and will account for realized revenue on the 50.0% Civic San Diego share of maintenance and security costs as the costs are incurred over a 30 year period in accordance with the terms of the First Amendment.

The District also accounted for realized revenue on maintenance expenses for other maintenance funds for artworks such as the Unconditional Surrender, Bob Hope, and Pacific Spirit.

(e) *Accrued Leave*

All employees of the District earn annual leave that is paid upon termination or retirement. The accrued leave of $5.9 million is based on current compensation rates.

(f) *South Bay Power Plant Site Demolition and Remediation*

Pursuant to the Asset Sale Agreement between the District and SDG&E, the District acquired the South Bay Power Plant (Plant) in April 1999, and the Plant was subsequently leased to Duke Energy South Bay, LLC (Duke South Bay).

In May 2006, the BPC adopted a resolution granting consent to transfer ownership of Duke South Bay to LS Power Generation, LLC (LS Power), at the request of Duke Energy Americas, LLC the parent company of Duke South Bay. One of the conditions included is that Duke Capital, LLC the guarantor of Duke South Bay obligations to the District, has acknowledged and agreed the "Duke Guarantees" (the Lease Guaranty dated April 1, 1999, the Environmental Remediation Guaranty dated April 22, 1999, and the Guaranty of Contract and Permit Rights Assignment and Property Escrow Agreement dated April 22, 1999, each made by Duke Capital, LLC in favor of the District) shall remain in effect until such time as the District grants its consent for the release of said Duke Guarantees.

In November 2006, the BPC consented to LS Power's merger with Dynegy Inc. (Dynegy). The merger included a transfer of control of the equity interests in LSP South Bay from LS Power to Dynegy. The Duke South Bay guarantees have remained in effect since the Dynegy transaction.

Also in fiscal year 1999, the California State Legislature appropriated $15.0 million to assist the District in mitigating environmental and community issues associated with the Plant, which the District deposited into a property escrow account, and together with their earnings are to be used for the "End of Term Actions" as described in the Lease, including decommissioning, demolition, and remediation of the Plant facility and site. The balance in the property escrow account after drawdown and income on investments as of June 30, 2016 and 2015 were $1.1 million and $4.4 million, respectively. This amount is reported in the Statements of Net Position as restricted assets.

Costs associated with decommissioning and demolition of the Plant, in excess of amounts available in the escrow account, are the responsibility of Dynegy. Dynegy and SDG&E have allocated responsibilities between themselves for the cost and performance of the environmental remediation of the Plant and site. Pursuant to the lease document and other agreements, Dynegy is required to decommission, dismantle, remove the facility and improvements, and return the Plant site free and clear of all structures and improvements.

On February 2, 2013, the above ground superstructure for the Plant was demolished.

(g) Lane Field Mitigation

In fiscal year 2016, the District recorded a $3.0 million fee under a MOU with the California Coastal Commission and Lane Field Development. The fee is for the purposes of establishing lower cost overnight visitor accommodations at appropriate locations on tidelands with the City of San Diego.

(5) Defined Benefit Pension Plan

Plan Descriptions

The District's defined benefit pension plan (Plan), administered by the SDCERS, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. SDCERS is a multiple-employer public employee retirement system that acts as a common investment and administrative agent for the City of San Diego, the District, and the SDCRAA. The Group Trust is administered by a Board of Administration. The District's Plan is a qualified governmental pension plan under Sections 401(a) and 414(d) of the Internal Revenue Code and is integrated with the federal Social Security program. The Board of Administration issues a publicly available financial report that includes financial statements and required supplementary information for SDCERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 West A Street, Suite 400, San Diego, California 92101, or by calling (619) 525-3600. The report is also available online at www.sdcers.org.

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to Plan members, who must be public employees and beneficiaries. Benefits for Classic Members are based on years of credited service, equal to one year of full time employment. General Classic Members are eligible to retire at age 55 after 20 years of creditable service or at age 62 after five years of creditable service. Safety Classic Members are eligible to retire at age 50 after 20 years of creditable service or at age 55 after five years of service. Safety Members hired after January 1, 2010 are eligible to retire at age 55 with five years of service (excludes five year permissible purchased service), or any age with 30 years of service with the District. Safety Members hired after January 1, 2013 are eligible to retire at age 50 with five years of service. All members are eligible for non-Industrial disability benefits after ten years of service credit. The death benefit is one of the following: non-industrial death before eligible to retire, non-industrial death after eligible to retire, and industrial death benefit. The cost of living adjustment is applied based on changes in Consumer Price Index, to a maximum of 2% per year.

Non-sworn employees hired after January 1, 2009 will be automatically enrolled in a defined benefit plan after five years of service. This Plan has a set benefit percentage for each year of service, and increases by 0.25% every five years thereafter. The District pays 100% of this cost. These employees can contribute to a 457(b) plan and their contributions are matched by the District up to 4% in a 401(a) plan. Employees determine how their contributions are invested based on a line-up of mutual funds and target date funds. The District matches increases starting with the 16th year of service to an amount up to 6%.

Effective January 1, 2013, new District employees who are deemed to be "New Members" under the California Public Employees' Pension Reform Act (PEPRA) will be subject to a number of plan provisions including a change in the contribution.

(a) GASB Statement No. 68 Disclosures

Plan Benefits

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	General	
Hire date	Prior to January 1, 2009	On or after January 1, 2009
Benefit formula	2.5% @ 55	1.5% @ 55
Benefit vesting schedule	5 years service	10 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55 – 62	55 – 62
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	0.75% to 1.5%
Required employee contribution rates	9.85%	*
Required employer contribution rates	40.09%	*

*For General Members hired on or after January 1, 2009, the Member is a participant for purposes of establishing reciprocity, but does not begin earning service credit until the 1st day of their 6th year of employment. As a result, the actuarial valuation has not yet reflected the contribution rates for members hired on or after January 1, 2009.

	Safety		
Hire date	Prior to January 1, 2010	On or after January 1, 2010	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 – 55	55	50
Monthly benefits, as a % of eligible compensation	2.5% to 3.0%	2.5% to 3.0%	2.5% to 2.7%
Required employee contribution rates	13.38%	13.38%	*
Required employer contribution rates	47.68%	47.68%	*

*For Safety Members hired on or after January 1, 2013, the Member is a participant for purposes of establishing reciprocity, but does not begin earning service credit until the 1st day of their 6th year of employment. As a result, the actuarial valuation has not yet reflected the contribution rates for members hired on or after January 1, 2013.

Employees Covered

As of the measurement date of June 30, 2015, the following employees were covered by the benefit terms of the Plan:

	General	Safety
Inactive employees or beneficiaries currently receiving benefits	427	109
Inactive employees entitled to but not yet receiving benefits	247	37
Active employees	272	105
Total	946	251

Contributions

Section 0800, Division 8 of the Amended and Restated San Diego Unified Port District Retirement Plan and Trust requires the District to contribute to the Plan on behalf of the members, a percentage of compensation of all members. The Participation and Administration Agreement of the Group Trust requires member contributions to be actuarially determined to provide a specific level of benefit. Based upon the advice of the actuary, SDCERS will periodically determine and adopt by rule the required contributions separately for general members (including miscellaneous) and safety members.

Classic member contribution rates, as a percentage of compensation, vary according to age at entry, benefit tier level, and certain negotiated contracts that require the District to pay a portion of the employees' contributions, which is referred to as the "offset." The contribution rates for fiscal years 2016 and 2015, determined by the June 30, 2014 and June 30, 2013 actuarial valuations, are as follows:

	2016	2015
General Members	9.85%	10.26%
Safety Members	13.38%	13.48%

All or part of the member contribution rate is subject to potential offset. For employees hired prior to October 1, 2006, the offset rates, expressed as a percentage of compensation, are 8.8% for safety employees, 8.5% for management employees, and 7% for all other employees. For general employees hired on or after October 1, 2006, the offset rates are 7.5% for management employees and 6% for all others. Employees hired after January 1, 2009, other than safety, are not eligible to participate in the defined benefit plan until the completion of five years of service and do not have any offset.

Effective January 1, 2013, new members under PEPRA are required to pay at least 50% of the normal cost with no offset.

For fiscal years 2016 and 2015, the contributions made by the District to the Plan are as follows:

	2016	2015
Contributions - employer	$14,400,000	$14,300,000
Contributions - employee (paid by employer)	$ 2,518,957	$ 2,480,113

Based on the June 30, 2014 and June 30, 2013 actuarial valuations, the fiscal years 2016 and 2015 employer's actuarially determined contribution rates expressed as a percentage of compensation are as follows:

	2016	2015
General Members	40.09%	41.81%
Safety Members	47.68%	44.74%

Net Pension Liability

The District's net pension liability as of June 30, 2016 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2016 is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability are shown on the following page.

Actuarial Assumptions - The total pension liability in the June 30, 2014 and June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	June 30, 2014	June 30, 2013
Valuation Date	June 30, 2014	June 30, 2013
Measurement date	June 30, 2015	June 30, 2014
Actuarial cost method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial assumptions:		
Discount rate	7.25%	7.25%
Inflation	3.3%	3.3%
Cost-of-living adjustment	2.0%	2.0%
Projected salary increase	3.3%[1]	3.3%[1]
Investment rate of return	7.25%[2]	7.25%[2]
Mortality	0.02% to 18.34%[3]	0.02% to 18.34%[3]

[1] Plus merit component based on employee classification and years of service.
[2] Net of investment expenses.
[3] Mortality: All active member and healthy retired members follow the RP2000 Combined Mortality Table (male and female). Disabled retirees are variations of the CALPERS Disability Tables. Further details of the mortality rate can found in the SDCERS' June 30, 2014 and June 30, 2013 actuarial valuation reports.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study conducted by the actuary for the period July 1, 2007 – June 30, 2010, and the results of an economic experience study performed by the actuary prior to the completion of the June 30, 2014 valuation.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the employees will continue to contribute to SDCERS at the current rates and the District will continue its historical practice of contributing to SDCERS based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, an amount necessary to amortize the remaining Unfunded Actuarial Liability, and the amount needed to avoid negative amortization, if any. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability.

The table below reflects best estimates of geometric long-term expected real rates of return and nominal rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 and June 30, 2014. Expected returns are based on observable information in the equity and fixed income markets and consensus estimates for major economic and capital market inputs, such as earnings and inflation, and where necessary, judgment-based modifications are made to these inputs. These rates of return are net of investment expenses.

Asset Class	Target Allocation	Long - Term Expected Real Rates of Return	Long - Term Expected Nominal Rates of Return
U .S. Equity	21.0%	4.5%	6.7%
Non - U.S. Equity	14.0%	4.6%	6.8%
Emerging Market Equity	1.0%	5.8%	8.0%
Global Equity	5.0%	4.7%	6.9%
U. S. Fixed Income	22.0%	0.6%	2.8%
Emerging Market Debt	5.0%	3.7%	5.9%
Real Estate	11.0%	4.1%	6.3%
Private Equity & Infrastructure	13.0%	6.6%	8.8%
Opportunity Fund	8.0%	4.1%	6.2%
Total	100%		

Changes in the Net Pension Liability

Changes in the Net Pension Liability through the year ended June 30, 2015 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	$429,008,437	$362,000,612	$67,007,825
Changes in the year:			
Service cost	7,968,724	-	7,968,724
Interest on the total pension liability	30,611,374	-	30,611,374
Differences between actual and expected experience	4,572,336	-	4,572,336
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	16,886,481	(16,886,481)
Contribution - employee (paid by employer)	-	-	-
Contribution - employee	-	1,309,360	(1,309,360)
Net investment income	-	12,063,813	(12,063,813)
Benefit payments	(21,775,473)	(21,775,473)	-
Administrative expenses	-	(691,003)	691,003
Net changes	21,376,961	7,793,178	13,583,783
Balance at June 30, 2015	$450,385,398	$369,793,790	$80,591,608

Source: *SDCERS GASB 67/68 Report with a measurement date of June 30, 2015*

Changes in the Net Pension Liability through the year ended June 30, 2014 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	$410,026,471	$309,698,913	$100,327,558
Changes in the year:			
Service cost	8,387,418	-	8,387,418
Interest on the total pension liability	29,357,390	-	29,357,390
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	13,900,000	(13,900,000)
Contribution - employee (paid by employer)	-	2,695,566	(2,695,566)
Contribution - employee	-	1,541,907	(1,541,907)
Net investment income	-	53,655,565	(53,655,565)
Administrative expenses	-	(728,497)	728,497
Benefit payments, including refunds of employee contributions	(18,762,842)	(18,762,842)	-
Net changes	18,981,966	52,301,699	(33,319,733)
Balance at June 30, 2014	$429,008,437	$362,000,612	$67,007,825

Source: *SDCERS GASB 67/68 Report with a measurement date of June 30, 2014*

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the District, as of the measurement dates June 30, 2015 and June 30, 2014, calculated using the discount rate, as well as what the District's net pension liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net Pension Liability	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
June 30, 2015	$134,552,310	$80,591,608	$35,680,792
June 30, 2014	$119,427,769	$67,007,828	$23,451,306

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the issued SDCERS financial reports.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2016 and June 30, 2015, the District recognized pension expense of $9.6 million and $7.9 million, respectively. At June 30th, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 16,918,957	$ -	$ 16,780,113	$ -
Difference between actual and expected experience	3,048,224	-	-	-
Changes in assumptions	-	-	-	-
Net differences between projected and actual earning on plan investments	-	6,721,175	-	24,590,338
Total	$ 19,967,181	$ 6,721,175	$ 16,780,113	$ 24,590,338

Deferred outflows of resources related to contributions subsequent to the measurement date in the amount of $16.9 million at June 30, 2016 will be recognized as a reduction of the net pension liability during the year ended June 30, 2017. The deferred outflows and deferred inflows of resources related to pensions at June 30, 2016 will be recognized as pension expense as follows:

Year Ending June 30	Pension Expense
2017	$ (1,693,077)
2018	$ (1,693,077)
2019	$ (3,217,191)
2020	$ 2,930,394

Payable to the Pension Plan

The District had no outstanding required contributions payable to the pension plan for the year ended June 30, 2016.

(b) Preservation of Benefits Plan (POB Plan)

The POB Plan is a qualified governmental excess benefit arrangement (QEBA) under Code Section 415(m)(3), which was created by Congress to allow the payment of promised pension benefits that exceed the Code Section 415(b) limits (and therefore cannot be paid from a qualified retirement plan). As required by federal tax law, the POB Plan is unfunded within the meaning of the federal tax laws. The District may not pre-fund the POB Plan to cover future liabilities beyond the current year as it can with an IRC Section 401(a) pension plan. SDCERS has established procedures to pay for these benefits on a pay-as-you-go basis, which is funded by the District. For purposes of disclosure requirements under GASB Statement No. 67, the District considers the POB Plan to be an arrangement that allows payment of benefits earned under the pension plan and does not consider the POB Plan to be a separate defined benefit plan.

For fiscal years 2016 and 2015, the District paid $273 thousand and $250 thousand respectively in benefits above 415(b) limits for the POB Plan. The number of participants in any given year for the POB Plan is determined by the number of pension plan participants who exceed the current year's section 415(b) limitations as calculated by SDCERS' actuary. The maximum annual participant payment from a defined benefit plan for calendar years 2016 and 2015 was $210 thousand. For non-safety members, the limit is adjusted downward depending on the age of the participant when benefits began. In fiscal year 2016, the District POB Plan pension cost was approximately $274 thousand, however, the District contributed $273 thousand to the Plan. In fiscal year 2015, the District POB Plan pension cost was $245 thousand compared to the District's contribution of $250 thousand.

(6) Employees' Deferred Compensation Plan (Plan)

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457(b). The Plan, available to the District's employees who are eligible for benefits, permits them to defer a portion of their salary until future years. The District, at its discretion, can make employer contributions to the Plan.

The deferred compensation is not available to employees until termination, retirement, total disability, death, or unforeseeable emergency. Employees may borrow from their account but must repay the borrowed amount with interest.

The Plan is administered by the District and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

As such, employee assets held in IRC Section 457 plans are not the property of the District and are not subject to the claims of the District's general creditors. In accordance with Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, employee assets are not reflected in the District's basic financial statements.

(7) Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

In addition to pension benefits described in Note 5, the District has a defined benefit plan that provides medical, dental, and life insurance coverage to all eligible current and retired employees. Employees hired prior to October 1, 2006 are eligible for these benefits as retirees if they retire from active employment with at least 5 years of District service. Employees hired on or after October 1, 2006 are eligible for these benefits as retirees if they retire from active employment with at least 10 years of District service. Separate financial statements are not issued for the District's OPEB Plan.

For Harbor Police (sworn) employees hired on or after January 1, 2010, and all other employees hired on or after January 1, 2009, in lieu of the above benefits, the District will create an employer funded Health Reimbursement Account (HRA) to pay for health care related expenses incurred by a retired employee and/or a qualified dependent. Employees are eligible for these benefits as retirees if they retire from active employment with at least 10 years of District service. Harbor Police start accruing the benefits the day they are hired and General Members start accruing the benefits beginning in year 6. The HRA will be managed by a third-party administrator and funded through a trust. The trust will not be activated until the actuarially determined annual required contribution reaches $100,000.

The contribution requirements of the District and Plan members (if any) are established by the District's Board.

For the years ended June 30, 2016 and 2015, the District funded benefits on a "pay as you go" basis and elected not to pre-fund its OPEB obligation.

OPEB Cost and Net OPEB Obligation

To determine the Unfunded Actuarial Accrued Liability (UAAL) and the Annual Required Contribution (ARC) of the employer, the District retained Sunlin Consulting, LLP, to prepare the actuarial valuation bi-annually in accordance with the parameters of GASB Statement No. 45. Based on the latest actuarial report issued on June 19, 2015, the UAAL as of July 1, 2014 was $94.3 million and the ARC for the fiscal years ended June 30, 2016 and 2015 was $9.1 million. The District recognized $8.3 million as OPEB expense for the year ended June 30, 2016 and $8.4 million for the year ended June 30, 2015. Of these amounts, $3.2 million was the total contributions made in 2016 and $3.1 million in 2015. In 2016, a total of $5.1 million was added to the net OPEB liability.

The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation for the years ended June 30, 2016 and 2015:

	2016	2015
Annual required contribution	$ 9,053,565	$ 9,053,565
Interest on net OPEB obligation	1,567,965	1,329,162
Adjustment to annual required contribution	(2,356,781)	(1,949,919)
Annual OPEB cost (expense)	8,264,749	8,432,808
Contributions made	(3,162,293)	(3,126,083)
Increase in net OPEB obligation	5,102,456	5,306,725
Net OPEB obligation – beginning of year	34,843,659	29,536,934
Net OPEB obligation – end of year	$ 39,946,115	$ 34,843,659

The District's annual OPEB cost, the percentage of annual OPEB cost contributed during the year to the Plan, and the net OPEB obligation for 2014, 2015, and 2016 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 7,998,232	41%	$ 29,536,934
2015	$ 8,432,808	37%	$ 34,843,659
2016	$ 8,264,749	38%	$ 39,946,115

Funded Status and Funding Progress

The following table summarizes the District's OPEB Plan funded status as of the most recent actuarial valuation dated as of July 1, 2014.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	$ -	$94,341,528	$(94,341,528)	0.0%	$40,275,371	234.2%

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 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 assets, consistent with a long-term perspective of the calculations.

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 required annual contribution and unfunded liability was determined as part of the July 1, 2014 actuarial valuation that assumes: (a) 4.5% investment rate of return, and (b) annual healthcare cost increase ranging from an initial rate of 8.0% to an ultimate rate of 5.0% over a six year period. The valuation was performed using the projected unit credit and the UAAL is being amortized over 24 years on a level dollar basis.

The schedule presented as required supplementary information following the notes to the basic financial statements presents information regarding the funded status for the three most recent actuarial valuations. The schedule of funding progress is intended to present information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The District maintains a comprehensive Risk Management Program, which includes risk transfer, loss prevention, loss control, and claims administration. The District purchases excess liability, police professional liability, public officials liability, workers' compensation liability, employment practices liability, property insurance, fiduciary liability, crime/public employee dishonesty, marine protection and indemnity, and automobile liability, as well as other miscellaneous insurance coverage. The District's coverage includes a variety of self-insured retentions or deductibles. The District's self-insured retentions or deductibles as of June 30, 2016, were as follows:

Self-Insured Retentions/Deductibles
(as of June 30, 2016)

Coverage	Self-Insured Retentions/ Deductibles
Excess liability	$ 1,000,000
Workers' compensation	500,000
Employment practices liability	250,000
Police professional liability	250,000
Public officials liability	250,000
Property insurance	100,000
Cyber liability	50,000
Pollution liability*	50,000
Fiduciary liability	25,000
Crime/public employee dishonesty	5,000
Marine protection and indemnity	5,000
Automobile liability (hired auto physical damage)	1,000
Foreign property & liability	1,000

*Pollution liability was specifically purchased for the Pacifica Land Exchange transaction.

Since July 1, 2004, the District has participated in a loss-sensitive workers' compensation program with a $500 thousand per claim deductible. The District is required to fund an escrow account that is held as security in the unlikely event the District fails to meet its required obligations. As of June 30, 2016, the escrow account amount is $2.8 million. The escrow account is not drawn upon for the deductible payments. There have not been any significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage for each of the last three years.

As of June 30, 2016, the District recorded $2.9 million for workers' compensation claims liabilities, which include anticipated future expenses on open workers' compensation claims based on estimates provided by the District's workers' compensation carrier. The insurance carrier determines the reserves required to pay for future liabilities by estimating the probable ultimate cost for the life of each claim, including consideration of any incremental claim adjustment expenses. This is done by estimating the three categories of exposure on each claim: temporary or permanent disability, medical expenses, and legal and other associated claims expenses. However, the District's ultimate exposure is limited to the amount of the deductible for each claim as identified in the above table. These reserves are adjusted as the claim develops over time. While the ultimate losses incurred are dependent on future developments, District management believe that the accrued liability is adequate to cover such losses. Changes in the District's claims liabilities for the years ended June 30, 2016 and 2015 were as follows:

Year Ended June 30	Claims Liability at Beginning of Period	Claims Incurred During the Period, and Changes in Estimate	Claims Payment	Claims Liability at End of Period
2015	$ 1,821,853	$ 570,558	$ (745,289)	$ 1,647,122
2016	$ 1,647,122	$ 2,279,184	$ (1,023,758)	$ 2,902,548

(9) Lease Revenues

A substantial portion of the District's land and water and some of its facilities, including marine terminal facilities and office and commercial space, are leased to tenants. The Port Act prohibits transfer of land ownership to the lessee and the leases are accounted for as operating leases. The majority of lease agreements are not cancelable and permits the District to periodically adjust rents. In addition, many of these leases are secured by letters of credit, which totaled approximately $4.1 million and $3.5 million at June 30, 2016 and 2015, respectively. In the normal course of operations, it is expected that all significant expiring leases will be renewed or replaced by similar agreements.

The District leases its land and facilities on both a fixed (i.e., flat) and variable (i.e., percentage) basis. Percentage rentals are received on the basis of percentages of sales and are protected by stipulated minimums. Such percentage rentals totaled approximately $69.1 million in 2016 and $62.9 million in 2015. Both numbers exclude the minimum annual guarantees for the marine terminal facilities which are accounted for in wharfage revenue. Rentals received under flat rate leases, including marine terminal facilities, totaled approximately $35.2 million in 2016 and $36.6 million in 2015.

Stipulated minimum rents under non-cancelable operating leases having initial or remaining terms of more than one year are as follows:

Years Ending June 30	
2017	$ 96,510,477
2018	93,885,307
2019	91,156,093
2020	90,110,165
2021	89,696,971
Thereafter	2,382,290,218
Total	$ 2,843,649,231

Future rents were determined based on minimum rents stipulated under the leases up to the lease expiration date (table above reflects terms through fiscal year 2080) assuming that options to extend, for some marine terminal tenants, will be exercised. However, these rents may increase or decrease based on the periodic lease rental reviews, at which time new rents may be established.

The amounts in the above table are net of the rent credits for One Park Boulevard (OPB) dba Hilton San Diego Bayfront Hotel. The 66-year lease commenced January 1, 2006; OPB is obligated to pay the District the greater of minimum rents versus percentage rents on a monthly basis. The District granted OPB rent credits of up to 60% of rent after construction and 100% of rent during 34 months of construction. Rent credits during construction totaled $8.3 million. The minimum annual rent to the District after the hotel's eighth lease year is $4.9 million before rent credits. The District will retain 40% of the total rent paid until OPB receives rent credits totaling $46.5 million or when the rent credit expires on December 31, 2016. As of January 31, 2016, OPB has received the maximum rent credits totaling $46.5 million. The District will receive an increase in percentage rental rates if hotel revenues exceed the projected lease revenues. OPB also leased 894 parking spaces in the adjacent District-owned Convention Center Hotel Public Parking Facility.

(10) Lease Commitments

(a) Administration Building Parking Lot

The District leases the northeast portion of the property the District uses for its administration building parking lot from the California Department of Transportation (Caltrans), the property owner since 1984. The lease term is for ten years commencing on July 1, 2013. The rental rates shall be subject to adjustment every five years by negotiating a fair market lease rate agreed upon by both parties. If a fair market lease rate cannot be agreed upon, the adjustment will be determined by using the Consumer Price Index (CPI). The District and Caltrans agreed that the monthly rent would be $1,780 or $21,360 annually.

(b) San Diego County Regional Airport Authority Employee Parking and Visitor Lot

The SDCRAA is sub-leasing a portion of the former General Dynamics (GD) leasehold to the District for use as an employee and visitor parking lot. The lease is for 66 years commencing January 1, 2003. The rent is based on the same square foot rental rate determined for the entire former GD property leased from the District to the SDCRAA. Rental increases are determined by appraisal, review, and negotiation. The District and SDCRAA agreed that the monthly rent would be $12,074 plus a $381 cost recovery for electricity for a total monthly rent of $12,455 or $149,460 annually.

(c) Submerged Land Adjacent to 880 Harbor Island Drive, San Diego Bay

The District leases approximately 0.3 acres of submerged land in the bed of San Diego Bay from the California State Lands Commission (CSLC). The submerged land is adjacent to 880 Harbor Island Drive. The lease is for 40 years commencing June 28, 2010. The annual amount to be paid for the first year is $3,000. In years two and three, a minimum annual rent of $6,000 per year is to be applied against 3.8% of the District's gross income from gross sales generated by the sublease of the premises in excess of the minimum annual rental. Year four and forward the minimum annual rent increases to $12,009 per year. Beginning in the fifth year and every fifth year thereafter, CSLC also reserves the right to modify the minimum rental amount owed by applying the percentage change of the CPI over the prior five year lease period to the current minimum annual rent owed for such period. In fiscal year 2016, CSLC notified the District that the minimum annual rent has been increased from $12,009 to $13,077.

(d) Tide and Submerged Lands in San Diego Bay in the Cities of San Diego, Coronado, and National City

The District leases approximately 108 acres of tide and submerged lands in multiple locations in the cities of San Diego, Coronado, and National City from the CSLC for the purposes of statewide public benefit including but not limited to commercial and recreational navigation, and existing industrial marine terminal facilities. The lease is for 28 years commencing July 1, 1997. The annual amount to be paid is a minimum annual rent of $10,000 or the total of the following, whichever is greater: (1) 10.0% of District's gross income from operated moorings; and (2) 25.0% of the District's gross income from revenues generated by subleases on the leased premises. Annual rent of $100 for the operation of a maintenance access road will remain fixed during the term of the lease. In fiscal year 2014, CSLC notified the District that the minimum annual rent was increased from $10,000 to $14,965.

(e) Westerly Corner of Sassafras Street and Pacific Highway known as 3045 Pacific Highway

The District leases approximately 20,100 square feet of land located at the westerly corner of Sassafras Street and Pacific Highway from Caltrans for the purpose of operating attended parking lots for tideland activities by a current District tenant. The lease term is for eight years commencing on September 1, 2015. The rental rates shall be subject to a 3% increase every other year. The rental rate shall be subject to adjustment review every five years by negotiating a fair market lease rate agreed upon by both parties. The District and Caltrans agreed that the monthly rent would be $2,098 or $25,176 annually.

(f) Corner of Sassafras Street and Pacific Highway known as 3275 Pacific Highway

The District leases approximately 56,100 square feet of land located at the corner of Sassafras Street and Pacific Highway from Caltrans for the purpose of operating attended parking lots for tideland activities by a current District tenant. The lease term is for eight years commencing on September 1, 2015. The rental rates shall be subject to a 3% increase every other year. The rental rate shall be subject to adjustment review every five years by negotiating a fair market lease rate agreed upon by both parties. The District and Caltrans agreed that the monthly rent would be $9,032 or $108,384 annually.

(g) Electric Vehicles

In fiscal year 2013, the District amended the lease agreement with Enterprise Fleet Management to lease an additional two vehicles for use by District staff. The lease term is for three years and the annual amount to be paid for the first year was $20,468 and each year after for a total of $61,423 over three years. In April 2016, the vehicles were returned to Enterprise Fleet Management upon lease expiration.

Future rent payments under the above operating lease agreements as of June 30, 2016 are as follows:

Years Ending June 30	
2017	$ 335,861
2018	336,529
2019	339,968
2020	341,964
2021	345,506
2022-2026	1,245,672
2027-2031	829,580
2032-2036	837,809
2037-2041	846,859
2042-2046	856,815
2047-2051	842,283
2052-2056	747,300
2057-2061	747,300
2062-2066	747,300
2067-2071	373,650
Total	$ 9,774,396

Total rental expenses for the above mentioned operating leases for the fiscal years ended June 30, 2016 and 2015, were approximately $314 thousand and $243 thousand, respectively.

(11) Commitments and Contingencies

(a) Commitments

As of June 30, 2016, the District had significant commitments for capital expenditures and other matters as described below:

i. Capital Improvement Program (CIP): Beginning in fiscal year 1992, the BPC approved a five-year CIP for the development of certain capital outlay projects. Each project in the plan is reviewed and authorized by the BPC in accordance with Board Policy No. 120, Capital Improvement Program. The CIP is renewed every five years, and annually the program is reviewed and revised as appropriate. On June 7, 2012, the fiscal year 2014-2018 CIP was approved. On October 21, 2015, the fiscal year 2014-2018 CIP was amended and approved by the Board. As of June 30, 2016, the remaining cost to complete CIP projects which were approved to be funded from existing and future cash resources, excluding projects funded by grants, donations, and contributions, was approximately $12.6 million compared to approximately $16.6 million as of June 30, 2015.

   Funds have been designated for the unpaid contractual portion of CIP projects that are not funded by grants, donations, or contributions. The designated funds are classified in the accompanying statements of net position as cash and investments designated for specific capital projects and commitments with a total balance of $841 thousand.

ii. Fire, Police, Emergency Medical, and Lifeguard Services: The District enters into a contract with the five member cities for annual fire, police, and emergency medical services on the non-taxpaying tidelands that cover services from July 1, 2012 through June 30, 2021. This agreement has an annual escalation based on San Diego County Consumer Price Index (CPI), except for years when the District's actual percentage increase in operating revenues are less than the CPI, CPI will be based on the index change from the prior calendar year. Additionally, the District contracts with Imperial Beach for lifeguard services on the non-taxpaying tidelands. The combined cost for these services was $7.6 million for fiscal year 2016 compared to $7.5 million in fiscal year 2015. In addition, the District has a contract with the City of Imperial Beach for tidelands maintenance services at a cost of $942 thousand for fiscal year 2016 and $930 thousand in fiscal year 2015.

(b) Contingencies

As of June 30, 2016, the District was subject to contingencies arising from legal and environmental matters as described below:

i. Environmental Matters: The District owns, in public trust, tidelands and submerged lands adjacent to San Diego Bay. Most of that land is leased to operators of facilities located on the properties. The operations of many of those facilities have generated waste discharges either on the land adjacent to San Diego Bay or into the waters of the bay, which threaten the bay environment. Administrative agencies such as the San Diego County Department of Environmental Health Services (DEH) and the California Regional Water Quality Control Board, San Diego Region (RWQCB) are increasing enforcement efforts directed at these operations to regulate ongoing activities and to clean up alleged environmental damage from past facility operations. These enforcement efforts frequently include discussions with the District and consideration of adding the District to the permits or other regulatory orders, as a responsible party, regulating the operations and cleanup obligations.

   In addition, the District's leases and operating agreements with these tenants typically include provisions requiring the tenant/operators to indemnify the District for any damage to property or losses to the District as a result of the tenant's operations. Also, the leases and operating agreements typically require the District to be named as an additional insured under certain insurance policies of the tenant/operators. According to the District's legal counsel, when these types of claims are asserted against the District, the District not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all responsible parties involved, including the tenant/operators and any applicable insurers. The District's legal counsel can neither predict the net exposure to the District with respect to these matters nor the probability or remoteness of any outcome. However, the District believes that the recoveries discussed above will be sufficient to reduce the District's financial responsibility for any pollution remediation known as of the date of the financial statements to amounts not considered to be material to the financial statements of the District.

(a) Contamination at National Steel and Shipbuilding Company (NASSCO) and BAE Systems leasehold vicinity: The District has resolved its liability for a multi-party environmental litigation brought under the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the California Hazardous Substances Account Act (HSAA), and numerous other state and federal laws, styled as City of San Diego v. National Steel and Shipbuilding Company, et al., (S.D. Cal.), filed on October 19, 2009 in federal court in San Diego (Lawsuit). The Lawsuit related to the alleged liabilities of the parties to the lawsuit for the cleanup of marine sediment contamination at what is known and referred to as the "Shipyard Sediment Site" located in a portion of San Diego Bay in San Diego, California (Site). The Site is the subject of a Cleanup and Abatement Order (CAO) adopted by the RWQCB in March 2012. The District was named as a d ischarger in the CAO based upon its status as the statutorily-mandated trustee of the subject tidelands, which are alleged to have been contaminated by tenants of the District (and others) with a variety of pollutants over many years of operations of shipbuilding and power plant facilities, City of San Diego (City) storm drains, and a United States Navy shipyard. The District was also named as a discharger on the grounds that it, along with the City, is a c o-permittee of the MS4 storm drains that discharge into the Site. Consequently, the District is named as a defendant and cross-defendant (and has brought its own counterclaim and cross-claims) in the complaint and various cross-claims filed in the lawsuit, which seek to allocate liability among the parties.

    The District entered into a $1.4 million settlement with NASSCO regarding the southern portion of the Site and a $2.1 million settlement with BAE Systems regarding the northern portion of the Site. These settlements have been paid by the District. As a result, the District has resolved its liability for cleanup costs with respect to the Site remedial footprint, and the litigation as to the District was dismissed.

(b) Former Campbell Shipyard: This matter involves industrial contamination from shipyard activities, which impacted the land, groundwater, and sediments at the site. In 1995, the RWQCB issued a CAO that named Campbell Industries, a former District tenant, and its parent, Marine Construction and Design Company. The cleanup has been completed and the District is now implementing the long-term Monitoring and Reporting Program. The District is also evaluating the sources of newly discovered contamination within the site boundaries, which could require additional remedial efforts. The best estimate for the cost at this time is $600 thousand on the current awarded contract. Costs for each future fiscal year are not estimated.

(c) Shelter Island Yacht Basin (SIYB): In 1996, the SIYB portion of San Diego Bay was placed on the Clean Water Act section 303(d) list of impaired waters due to elevated levels of dissolved copper in the water column. A Total Maximum Daily Load (TMDL) study was conducted for the site and found that the majority of the copper was attributed to boat hull paint. The TMDL requires a 76.0% overall reduction of residual copper loading to SIYB over a 17-year staged compliance schedule period. The TMDL identified the District, the SIYB marina owners/operators, persons owning boats moored in SIYB, and SIYB underwater hull cleaners as accountable for the discharges of copper from boat hull antifouling paints to the waters of the SIYB.

The District has been actively involved in alternative hull coatings research, education and outreach, and policy development. These efforts are intended to directly or indirectly reduce copper loading into the SIYB. The District and the tenants of the SIYB cooperatively developed the SIYB Dissolved Copper TMDL Implementation Plan to obtain TMDL compliance and describe the Best Management Practices that may be implemented in order to achieve a reduction.

In 2011, the RWQCB named the District as a responsible party in an investigative order requiring only sampling and monitoring of the SIYB. The District continues to comply with the terms of the Investigative Order. At this time, the District is unable to estimate the likely outcome of these actions or the range of potential costs. However, in early 2013, it was determined that the District and other parties to the TMDL were able to reach the 2012 10.0% reduction mandated by the RWQCB. The District is currently working on the next TMDL target of a 40.0% reduction by 2017 and developing activities to meet that goal.

(d) Lockheed Tow Basin and Marine Railway Facilities: The District is involved in an action against defendants Lockheed Martin Corporation and General Dynamics Corporation related to contamination at the adjacent Lockheed Martin Marine Railway and former Tow Basin facilities. Lockheed Martin leased the Marine Railway Facility, and General Dynamics and Lockheed Martin leased the former Tow Basin facility from the District, and operated those facilities in a manner that resulted in contamination. The District is subject to cross-complaints from these defendants, who are seeking to apportion to the District some liability for these costs and fees incurred in the investigation of environmental contamination in sediment. Currently, the parties are analyzing sediment remedial alternatives in consultation with the RWQCB.

The District's potential liability for contamination at these sites arises from its status as landowner. However, the District did not directly cause the environmental contamination at issue and is looking to defendants Lockheed Martin and General Dynamics to fund the site investigations and remedial actions. The District will also look to its insurance carriers to fund any share that the District's may ultimately be required to pay to resolve this matter. Site investigations continue and a remedial plan has not yet been selected. Accordingly, the District's liability for this matter cannot be reasonably estimated at this time.

(e) Redevelopment of the Former BF Goodrich South Campus Site: In 1999, the District began the redevelopment of the former BF Goodrich South Campus Site, which was formerly an aircraft plant which operated at the site since the 1940's. The South Campus Site consists of historic tidelands that were leased to BF Goodrich and uplands, formerly owned by BF Goodrich, that were exchanged with the District through a Land Transfer Agreement. The RWQCB issued a clean-up and abatement order to BF Goodrich to address the site contaminant discharges to nearby wetland areas. The District's Relocation Agreement, as amended, with BF Goodrich includes District contribution towards the site clean-up, and Goodrich's support for the site redevelopment. To date the District has contributed $2.8 million towards site clean-up which is the District's entire obligation under the cost sharing provision under this Agreement.

Recently, the RWQCB issued a revised Cleanup and Abatement Order to United Technology Aerospace System (UTAS) which requires UTAS to clean-up both soil and groundwater and the South Campus Site on a set schedule. The District and UTAS' joint consultant have completed the inspection and remediation of the Pacifica Exchange Parcel and a closure letter has been issued by RWQCB. The District, UTAS, City of Chula Vista, and Pacifica Company have completed a Soil Management Plan in order to address contamination found on the Pacifica Exchange Parcel during development of the Parcel. The District and UTAS are currently conducting testing of the northern portion of the South Campus Site also known as "H-23" in order for UTAS to comply with the CAO, and to identify potential remediation requirements on the H-23 Parcel.

The District is a defendant in a lawsuit initiated by the Successor Agency for the Redevelopment Agency of the City of Chula Vista against UTAS. UTAS has cross-complained against the District, and the District has brought a counter-claim against UTAS related to UTAS's obligation to clean-up and abate hazardous materials released by UTAS on and around the South Campus Site. The parties are currently mediating issues related to the lawsuit. Formal litigation has been stayed by the parties in order to attempt to resolve the issues through mediation.

(f) Pepper Oil: The District is involved in litigation over environmental contamination at and around 2300 Tidelands Avenue, National City, which the District leases to the Pepper Oil Company and its affiliate, Southern California Truck Stop. The California Department of Toxic Substance Control (DTSC) has found that soils at the property contain contaminants of concern, including volatile organic compounds, polychlorinated biphenyls (PCBs), and metals. DTSC has also found PCBs and free product through a groundwater investigation. The District, Pepper Oil, and Southern California Truck Stop are also working with DTSC to address this property contamination. Site investigations are ongoing.

The District filed its complaint against Pepper Oil, Southern California Truck Stop, and several affiliated entities in January 2013, alleging claims for nuisance, trespass, contribution, indemnity, and breach of contract, among others. Defendants have asserted counterclaims against the District, alleging that the District is liable for contamination existing in and around the property. The parties are currently engaged in discovery.

The District's share of liability cannot be reasonably estimated at the present time. The District anticipates that insurance may cover much of the liability incurred in this matter.

(g) Laurel Hawthorn Central Embayment (LHCE): In June 2014, the RWQCB issued an investigation order directing the District, the SDCRAA, and General Dynamics to conduct a sediment chemistry investigation in an area of San Diego Bay defined by the RWQCB as LHCE. The LHCE is located between the US Coast Guard facility and Solar Turbines, bound by imaginary lines projecting from Laurel and West Hawthorn Streets.

The RWQCB issued the order to fill a data gap. Previous sampling conducted by SDCRAA from a 42-inch storm water outfall that discharges to the LHCE demonstrated elevated levels of metals, polychlorinated biphenyls (PCBs), and polycyclic aromatic hydrocarbons (PAHs). This outfall conveys storm water from portions of the San Diego International Airport, the former General Dynamics Lindbergh Field Plant, Pacific Highway, and upland properties owned by the City of San Diego. Based on these sampling results, the RWQCB concluded that an initial assessment of sediment chemistry is needed to determine the extent and magnitude of pollutants and to determine if additional assessment and/or cleanup are required. The RWQCB also found that jet fuel (PAHs) and brake pad residuals (metals) from the airport, PCB and metals from the former General Dynamics site are some of the likely sources of wastes discharged to the LHCE. The RWQCB named the District, SDCRAA, and General Dynamics as potentially responsible parties.

The order requires the District, SDCRAA, and General Dynamics to submit a sediment chemistry assessment work plan sufficient to delineate the extent of sediment contamination within the LHCE by September 18, 2014, conduct sampling for a list of pollutants including PCBs, PAHs, and metals, and complete an analysis report. The District and other responsible parties fulfilled the order's requirements with the submittal of a final report in April 2015.

While meetings between the RWQCB, District, and other parties have ensued in 2016, the RWQCB's intent for future analysis or clean-up in the LHCE has not been finalized. As a result, the District's share of liability cannot be reasonably estimated at the present time and the District anticipates that insurance will likely cover the liability incurred in this matter.

(h) Sunroad Marina: In 2012, the District received an investigation order from the RWQCB to investigate possible impairment of sediment in the Sunroad Marina located in the East Basin of Harbor Island, which the District completed in 2013. The report showed sediment in some areas of the Sunroad Marina site was potentially impaired. In 2015, the RWQCB responded to the investigation report and requested the District either complete a risk assessment, remedial action plan or stressor identification study to resolve the potential impairment. The District presented a proposed study work plan to the RWQCB in 2015. The estimated study cost was $52,000. The District is waiting on a response from RWQCB before proceeding with the proposed plan. The District's potential liability cannot be reasonably estimated at the present time.

(i) Mouth of Chollas Creek: On October 26, 2015, the RWQCB issued an investigation order directing the District and BNSF Railway, Caltrans, City of La Mesa, City of Lemon Grove, City of San Diego, Metropolitan Transit System, NASSCO, and the US Navy to conduct an investigation of bay sediments within the mouth of Chollas Creek, which the RWQCB defined as an "approximately 24.9 acre" area "bounded on the east by the weir located downstream of the Belt Street Bridge, on the north side by the NASSCO pier, and to the south by Naval Base San Diego Pier 1 extending to the end of the piers." The order lists the District as a secondary discharger, which means that the District need not comply unless and until the others listed on the order fail to comply. The City of San Diego has taken the lead on drafting the Phase 1 work plan and initial investigation. The District's potential liability for this matter cannot be reasonably estimated at the present time.

(j) 1444 Crosby Street: The DEH has referred the case regarding a reported pipeline release near 1444 Crosby Street to the RWQCB. The DEH reported that the release was detected during a site assessment for a release at the adjacent property in 1996. The District presented a summary of known contamination and prior remedial efforts to the RWQCB in March 2016. The District and RWQCB will meet to discuss next steps for this site during the second half of 2016. The District's potential liability for this matter cannot be reasonably estimated at the present time.

(k) Naval Training Center (NTC) Boat Channel: The NTC Boat Channel is a waterway under City of San Diego jurisdiction, which receives run-off from Lindbergh Field. The site was formerly part of the NTC which underwent Base Realignment and Closure (BRAC) beginning in the early 1990s. At that time, the NTC was transferred to the City of San Diego, except for Navy Boat Channel which had unresolved sediment contamination issues. In 2015, the Navy contacted the District as a former operator of Lindbergh Field, and requested the District participate in a cost-sharing arrangement for addressing the sediment contamination. Discussions are ongoing. As a result, the District's share of liability cannot be reasonably estimated at the present time, and the District anticipates that insurance might cover much of the potential liability incurred in this matter.

ii. The District has been named as a defendant in a lawsuit filed by property owner SLPR, LLC in February 2006. The complaint alleges that dredging in the San Diego Bay performed by the District and the Army Corps of Engineers compromised the integrity of the "rip-rap" barrier and pool wall located on the plaintiff's Coronado bay front property. Two neighboring property owners joined the lawsuit in late 2007, making similar claims. The District denies liability and intends to vigorously contest any liability or claims. The District brought a motion for summary judgment which was granted but the court of appeal reversed and remanded the case to the trial court. Plaintiffs sought leave to amend their complaint and the court granted leave and we are waiting for service of the amended complaint. A trial date is not presently set due to plaintiff's motion to file an amended complaint.

The likelihood of an unfavorable outcome is presently unknown as expert discovery has not been completed. However, a finding of significant liability against the District should be low. If liability is determined against the District, potential exposure could range in the millions of dollars, but should be covered by available insurance, except any attorney's fees awarded relative to an inverse condemnation cause of action.

iii. The District has been named as a defendant in two lawsuits filed by San Diego Navy Broadway Complex Coalition. The first lawsuit filed in November 2013 and the second filed in March 2014 have been consolidated by the court. The complaint alleges that the District violated the California Environmental Quality Act and the California Coastal Act when it approved the Port Master Plan Amendment for the San Diego Convention Center expansion. While the District contends that it did not violate either of these statutes and damages are normally not awarded in such cases, the District could be required to pay the plaintiff's attorneys' fees and costs if the plaintiff obtains a judgment against the District. The amount cannot be reasonably determined at the present time.

iv. The District has been named as a defendant in a lawsuit filed by San Diego Navy Broadway Complex Coalition in April 2014. The complaint alleges that the District violated the California Environmental Quality Act and the California Coastal Act when it approved the Port Master Plan Amendment for the Sunroad hotel project. While the District contends that it did not violate either of these statutes and damages are normally not awarded in such cases, the District could be required to pay the plaintiff's attorneys' fees and costs if the plaintiff obtains a judgement against the District. The amount cannot be reasonably determined at the present time.

v. The District has certified claims against it and is named as a defendant in certain other legal actions arising from occurrences and transactions conducted in the ordinary course of business, including without limitation, contract disputes, personal injury matters, and employment claims. The District's legal counsel has indicated that it is not currently possible to estimate the amount or range of potential loss to the District related to each of these matters. Therefore, to the extent possible, a reasonable estimate of the potential aggregate liability has been recorded in the District's basic financial statements as of June 30, 2015 and June 30, 2016 for these claims and lawsuits.

(12) GASB Statement No. 72, *Fair Value Measurement and Application*

The District began the fair value measurement and application of GASB Statement No. 72 in June 30, 2016. This statement establishes a hierarchy for ranking the quality and reliability of information used to determine fair values of certain assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The District utilizes the Market approach as a valuation technique in the application of GASB Statement No. 72 for its investment portfolio. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

The District categorizes its fair value measurements for the investment portfolio within the fair value hierarchy established by generally accepted accounting principles. The hierarchy provides three levels of the fair value with the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement); valuations based on inputs (other than quoted prices included within Level 1) that are observable either directly or indirectly (Level 2 measurement); and, valuations that have significant unobservable inputs (Level 3 measurement). The investments in LAIF and CalTrust are not subject to fair value hierarchy.

The District has the following recurring fair value measurements as of June 30, 2016 and June 30, 2015:

Asset Type:

- U.S. Treasury Securities of $11.0 million and $13.0 million as of June 30, 2016 and June 30, 2015, respectively, are classified as Level 2 of the fair value hierarchy. These investments are typically traded in the secondary market and are valued by a pricing service using available market information and pricing models and methodologies such as benchmark curves, benchmarking of like securities and bid, mean and ask evaluations.

- U.S. Agency Obligations of $62.0 million and $50.3 million as of June 30, 2016 and June 30, 2015, respectively, are classified as Level 2 of the fair value hierarchy. These investments are typically traded in the secondary market and are valued by a pricing service using available market information with processes such as matrix pricing and option adjusted spread pricing models and methodologies.

- Medium Term Notes of $4.0 million and $7.3 million as of June 30, 2016 and June 30, 2015, respectively, are classified as Level 2 of the fair value hierarchy. These investments are typically traded in the secondary market and are valued by a pricing service using available market information with processes such as option adjusted spread pricing models and methodologies.

Required Supplementary Information (Unaudited)

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SAN DIEGO UNIFIED PORT DISTRICT
Required Supplementary Information (Unaudited)
Fiscal Years Ended June 30, 2016 and June 30, 2015

Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years*

	Measurement Date	
	June 30, 2015	June 30, 2014
Total Pension Liability		
Service cost	$ 7,968,724	$ 8,387,418
Interest (includes interest on service cost)	30,611,374	29,357,390
Changes of benefit terms	-	-
Differences between expected and actual experience	4,572,336	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(21,775,473)	(18,762,842)
Net change in total pension liability	21,376,961	18,981,966
Total pension liability - beginning	429,008,437	410,026,471
Total pension liability - ending	$ 450,385,398	$ 429,008,437
Plan Fiduciary Net Position		
Contributions - employer	$ 16,886,481	$ 16,595,566
Contributions - member	1,309,360	1,541,907
Net investment income	12,063,813	53,655,565
Benefit payments, including refunds of member contributions	(21,775,473)	(18,762,842)
Administrative expense	(691,003)	(728,497)
Net change in plan fiduciary net position	7,793,178	52,301,699
Plan fiduciary net position - beginning	362,000,612	309,698,913
Plan fiduciary net position - ending	$ 369,793,790	$ 362,000,612
Net pension liability - ending	$ 80,591,608	$ 67,007,825
Plan fiduciary net position as a percentage of the total pension liability	82.11%	84.38%
Covered employee payroll	$ 33,272,693	$ 34,528,283
Net pension liability as a percentage of covered employee payroll	242.22%	194.07%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms specific to the plan.

Change of Assumptions: There were no changes in assumption.

*Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

Source: SDCERS GASB67/68 Report with a measurement date of June 30, 2015 and June 30, 2014

Schedule of Employer Contributions
Last Ten Fiscal Years
(Expressed in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined/Required contribution	$ 14,400	$14,300	$13,900	$13,200	$12,600	$11,500	$ 7,200	$ 7,300	$ 6,900	$ 8,300
Contributions in relation to the actuarially determined contribution	14,400	14,300	13,900	13,200	12,600	11,501	7,201	7,340	6,900	9,300
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ (1)	$ (1)	$ (40)	$ -	$ (1,000)
Covered-employee payroll	$ 38,458	$33,273	$34,528	$35,873	$34,632	$39,165	$40,370	$38,635	$37,160	$33,927
Contributions as a percentage of covered-employee payroll	37.44%	42.98%	40.26%	36.80%	36.38%	29.37%	17.84%	19.00%	18.57%	27.41%

Notes to Schedule:

Valuation date	June 30, 2013
Timing	Actuarially determined contributions are calculated based on the actuarial valuation performed at the beginning of the prior fiscal year.

Key Methods and Assumptions Used to Determine Contributions (for the most recent fiscal year):

Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Expected Value Method
Amortization method	Level Percent Closed
Discount rate	7.25%
Amortization growth rate	3.30%
Salary increases	3.30% plus merit component based on employee classification and years of service
Cost-of-living adjustments	2.0%
Mortality	Healthy retired members use the RP2000 Combined Mortality table (male and female). For Safety female members, rates are set forward one year.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the June 30, 2013 actuarial valuation report.

Source: SDCERS GASB 67/68 Report with a measurement date of June 30, 2015

Other Postemployment Benefit Plan Schedule of Funding Progress
(Expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	$ -	$ 80,436	$ (80,436)	0.0%	$ 42,918	187.4%
July 1, 2012	$ -	$ 90,510	$ (90,510)	0.0%	$ 41,099	220.2%
July 1, 2014	$ -	$ 94,342	$ (94,342)	0.0%	$ 40,275	234.2%


1400
Unified Port
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STATISTICAL SECTION

UNAUDITED

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Contents

This section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the basic financial statements, notes to the basic financial statements, and required supplementary information shows about the District's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports and underlying records for the relevant year.

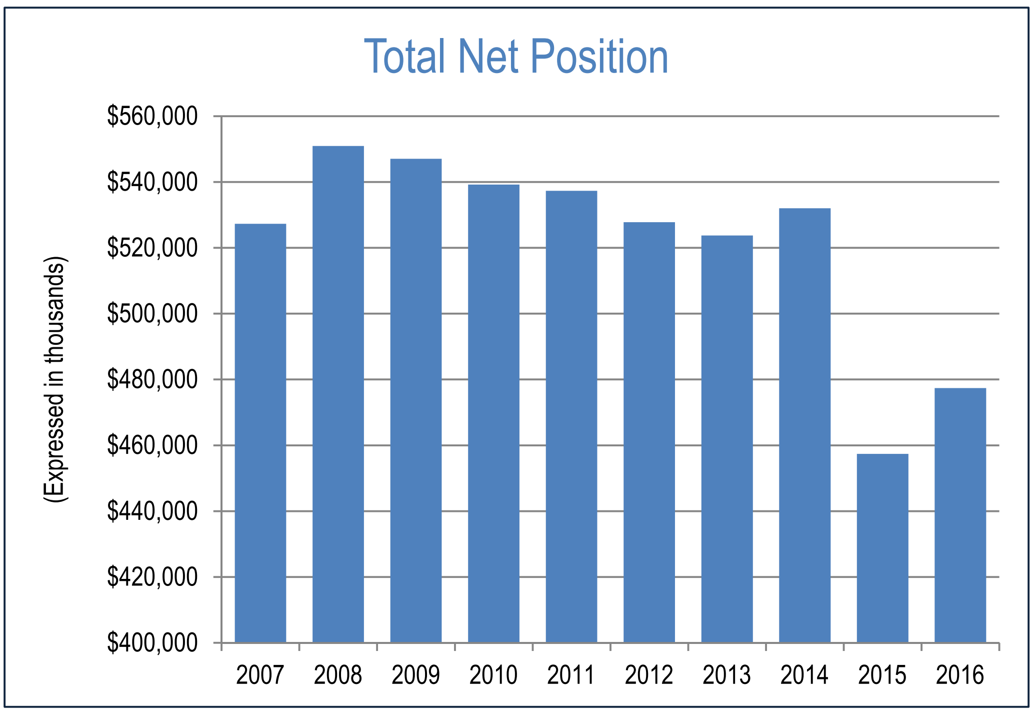
Net Position – Last Ten Fiscal Years

(Expressed in thousands)

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2007	$ 393,819	$ 23,989	$ 109,478	$ 527,286
2008	405,709	29,861	115,378	550,948
2009	413,928	29,163	103,970	547,061
2010	427,013	26,759	85,450	539,222
2011	439,531	19,202	78,600	537,333
2012[1]	460,701	12,872	54,211	527,784
2013[1]	474,797	3,436	45,494	523,727
2014	490,021	4,122	37,870	532,013
2015[2]	507,624	4,787	(55,020)	457,391
2016	504,229	7,357	(34,217)	477,369

[1]In 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities, by* restating the financial statements for 2012 and 2013. The restatement reflects the District's expensing of unamortized bond issue costs.

[2]In 2015, the District's unrestricted net position was ($55.0) million which includes a restatement of net position of $83.7 million due to the implementation of GASB Statement No. 68.



Changes in Net Position – Last Ten Fiscal Years

(Expressed in thousands)

	2007	2008	2009	2010	2011	2012[1]	2013[1]	2014	2015[2]	2016
Operating revenues:										
Real Estate operations	$ 82,807	$ 87,181	$ 78,536	$ 71,560	$ 80,904	$ 79,782	$ 82,604	$ 89,282	$ 95,940	$ 102,747
Maritime operations	37,750	42,520	40,694	37,604	34,033	33,090	33,469	34,480	35,265	37,365
Harbor Police	11,406	12,289	12,464	12,934	13,190	15,639	15,313	17,203	14,729	16,835
Other operating revenues	1,765	2,140	2,816	2,511	3,240	2,225	3,884	4,807	3,631	3,340
Total operating revenues	133,728	144,130	134,510	124,609	131,367	130,736	135,270	145,772	149,565	160,287
Operating expenses:										
Direct expenses:										
Real Estate operations	19,745	21,897	21,191	26,704	26,512	34,656	33,186	31,280	27,782	27,623
Maritime operations	20,499	23,328	23,243	22,338	19,031	20,612	20,448	21,573	18,002	18,334
Harbor Police	29,626	31,049	32,974	33,043	35,407	31,458	33,756	32,623	31,081	35,007
Other operating expenses	7,007	8,442	11,732	2,502	1,830	75	1,123	5,151	9,685	8,267
Depreciation and amortization	16,983	17,412	18,117	18,511	19,267	19,096	18,935	19,597	21,218	22,721
General and administrative expenses	28,223	27,867	31,428	30,902	31,357	34,600	35,951	30,729	31,561	33,949
Total operating expenses	122,083	129,995	138,685	134,000	133,404	140,497	143,399	140,953	139,329	145,901
Income/(loss) from operations	11,645	14,135	(4,175)	(9,391)	(2,037)	(9,761)	(8,129)	4,819	10,236	14,386
Nonoperating revenues/(expenses):										
Interest income	8,325	8,319	5,518	2,672	1,678	1,127	627	694	700	759
Settlement income	16,444	36	1,166	128	2,623	5	6	356	593	1,425
Net inc/(dec) in the fair value of invest.	291	(19)	1,117	(259)	(392)	(349)	(206)	166	(37)	92
Interest expense	(4,923)	(4,834)	(4,702)	(4,576)	(4,564)	(4,396)	(4,206)	(3,998)	(3,816)	(3,518)
Financial assistance other	(3,047)	(968)	(5,983)	(206)	(2,163)	(3,330)	-	-	-	(10)
Convention Center expansion support	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	-	-
Other nonoperating expenses	(357)	(390)	(1,043)	(456)	(205)	(80)	(78)	(96)	(11,706)	(433)
Other nonoperating revenues	4,782	6,458	3,371	3,759	4,741	4,007	986	1,281	8,359	5,615
Nonoperating income/(loss)	17,015	4,102	(5,056)	(3,438)	(2,782)	(7,516)	(7,371)	(6,097)	(5,907)	3,930
Capital grants and contributions	9,973	5,425	5,347	4,990	2,930	8,339	11,443	9,564	4,781	1,662
Change in net position	38,633	23,662	(3,884)	(7,839)	(1,889)	(8,938)	(4,057)	8,286	9,110	19,978
Beginning net position	488,653	527,286	550,948	547,061	539,222	537,333	527,784	523,727	532,013	457,391
Restatement	-	-	(3)	-	-	(611)	-	-	(83,732)	-
Ending net position	$ 527,286	$ 550,948	$ 547,061	$ 539,222	$ 537,333	$ 527,784	$ 523,727	$ 532,013	$ 457,391	$ 477,369

[1]In 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* by restating the financial statements for 2012 and 2013. The restatement reflects the District's expensing of unamortized bond issue costs.

[2]In 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27,* with new pension reporting requirements for employers. The implementation of GASB 68 restates the net position for the affected reporting units to give retroactive effect.

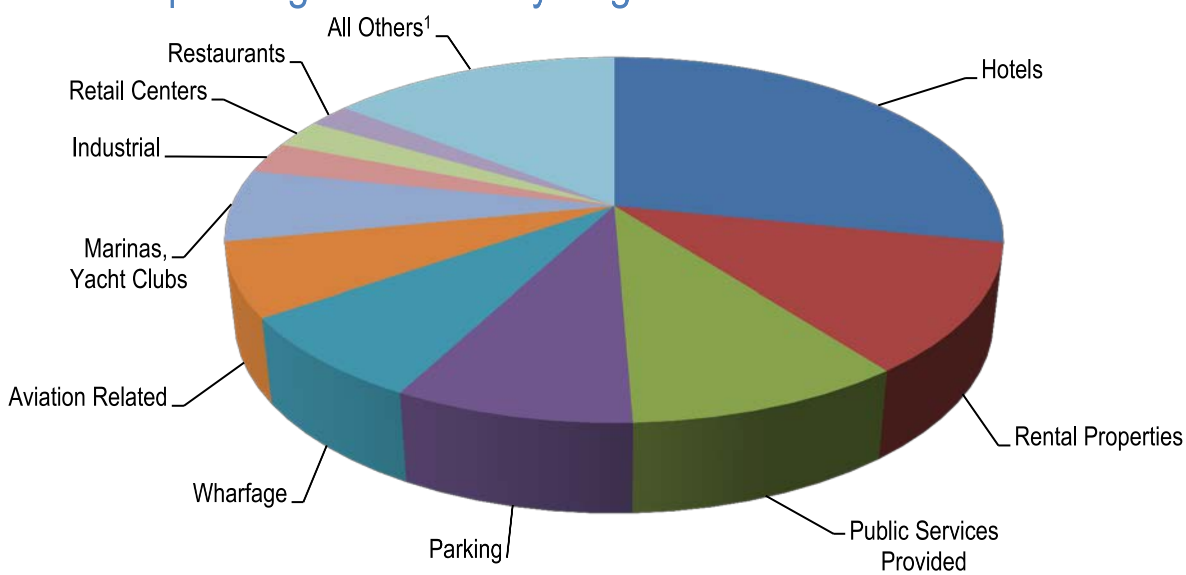
Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Hotels[1]	$ 36,716	$ 37,484	$ 32,323	$ 25,125	$ 30,866	$ 32,824	$ 33,667	$ 37,700	$ 40,739	$ 45,198
Rental Properties	17,012	15,518	18,141	15,499	15,585	15,439	16,191	17,101	16,900	18,321
Public Services Provided[2]	10,336	11,324	11,550	11,567	12,130	14,200	13,922	15,309	13,427	15,610
Parking	9,160	10,324	8,989	8,690	7,303	7,532	8,598	10,082	12,151	13,431
Wharfage	11,609	13,687	9,839	9,723	9,755	10,867	11,270	11,535	12,078	12,223
Aviation Related	11,514	11,338	11,488	11,504	11,503	11,564	11,053	10,575	10,469	10,420
Marinas, Yacht Clubs[3]	8,026	8,308	8,735	8,116	8,099	8,736	9,216	8,529	9,482	10,245
Industrial	2,941	4,722	4,270	5,379	10,439	6,008	6,023	5,919	5,579	4,452
Retail Centers	3,400	3,126	3,119	2,867	3,053	3,491	3,604	3,815	3,928	4,009
Restaurants[4]	2,397	2,459	2,540	2,627	2,560	2,316	2,326	2,888	3,097	3,332
Dockage	2,828	3,175	2,676	2,553	2,404	1,967	1,938	1,920	2,083	2,393
Passenger Fees	3,379	6,076	4,964	4,756	2,422	1,554	1,289	1,133	1,167	1,264
Citations	271	300	284	307	322	373	395	794	1,144	1,009
Passenger Security Charges	1,892	3,238	3,078	3,066	1,841	1,174	989	999	1,006	804
Piers & Floats	104	107	93	84	86	128	89	97	111	150
Grant Revenue	682	435	489	932	628	873	846	959	-	-
Other	11,461	12,509	11,932	11,814	12,371	11,690	13,854	16,417	16,204	17,426
Total	$ 133,728	$ 144,130	$ 134,510	$ 124,609	$ 131,367	$ 130,736	$ 135,270	$ 145,772	$ 149,565	$ 160,287

[1]All hotel leases include restaurants and six hotel leases include marinas.
[2]Includes police services to San Diego County Regional Airport Authority (SDCRAA).
[3]Not included are marinas under hotel operations or under a restaurant lease.
[4]The District has nine direct restaurant agreements, not included are restaurants in hotels, marinas, and retail centers.

Operating Revenues by Segment - Current Fiscal Year



[1]All Others segment includes Dockage, Passenger Fees, Passenger Security Charges, Grant Revenue, Citations, Piers & Floats, and Other.

Ten Largest Customers – Current Fiscal Year and Nine Years Ago

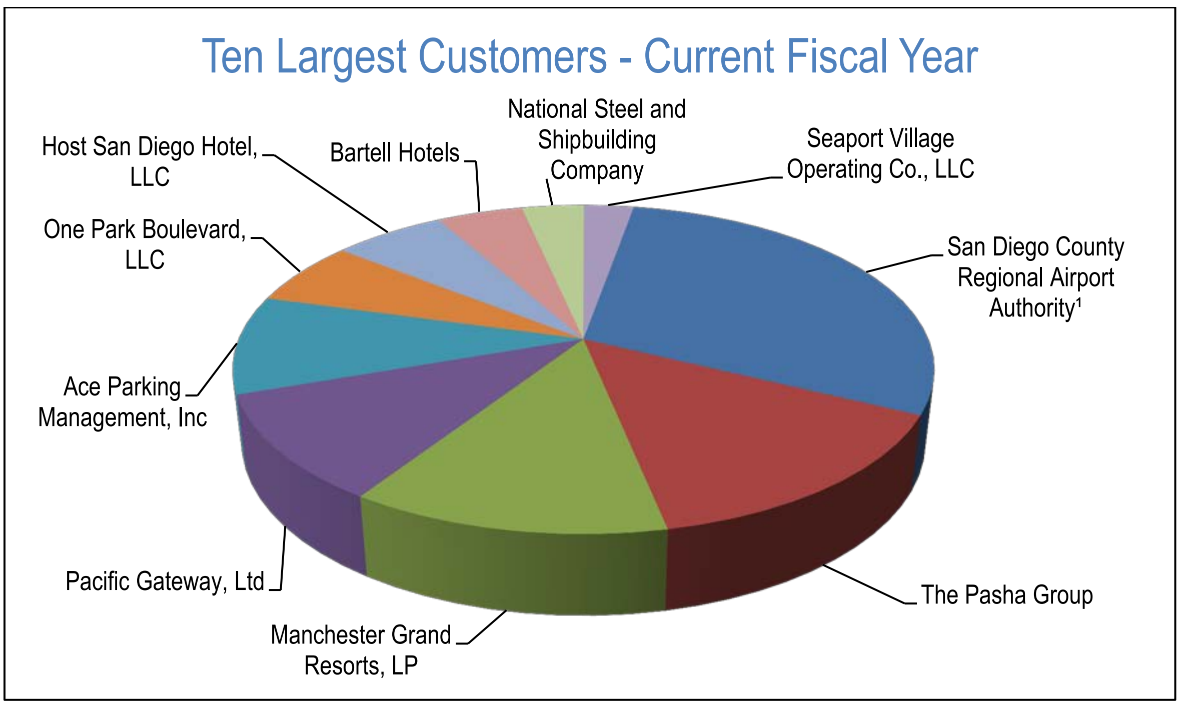
(Expressed in thousands)

Customer	2007	%
San Diego County Regional Airport Authority[1]	$ 23,452	17.5%
The Pasha Group	10,508	7.9%
Manchester Grand Resorts, LP	10,364	7.8%
Pacific Gateway, Ltd	8,782	6.6%
Host San Diego Hotel, LLC	6,035	4.5%
Ace Parking Management, Inc	5,335	4.0%
Bartell Hotels	3,101	2.3%
Holland America Line, Inc	2,782	2.1%
Felcor Hotel Asset Company, LLC	2,616	2.0%
Royal Carribbean Cruises Ltd	2,497	1.9%
Total Ten Largest Customers	75,472	56.6%
Other	58,256	43.4%
Total Operating Revenues	$ 133,728	100.0%

[1]Includes reimbursements for airport police services.

Customer	2016	%
San Diego County Regional Airport Authority[1]	$ 28,380	17.7%
The Pasha Group	13,963	8.7%
Manchester Grand Resorts, LP	11,940	7.4%
Pacific Gateway, Ltd	10,061	6.3%
Ace Parking Management, Inc	9,304	5.8%
One Park Boulevard, LLC	6,126	3.8%
Host San Diego Hotel, LLC	5,955	3.7%
Bartell Hotels	4,541	2.8%
National Steel and Shipbuilding Company	3,284	2.0%
Seaport Village Operating Co, LLC	2,655	1.7%
Total Ten Largest Customers	96,209	59.9%
Other	64,078	40.1%
Total Operating Revenues	$ 160,287	100.0%

[1]Includes reimbursements for airport police services.



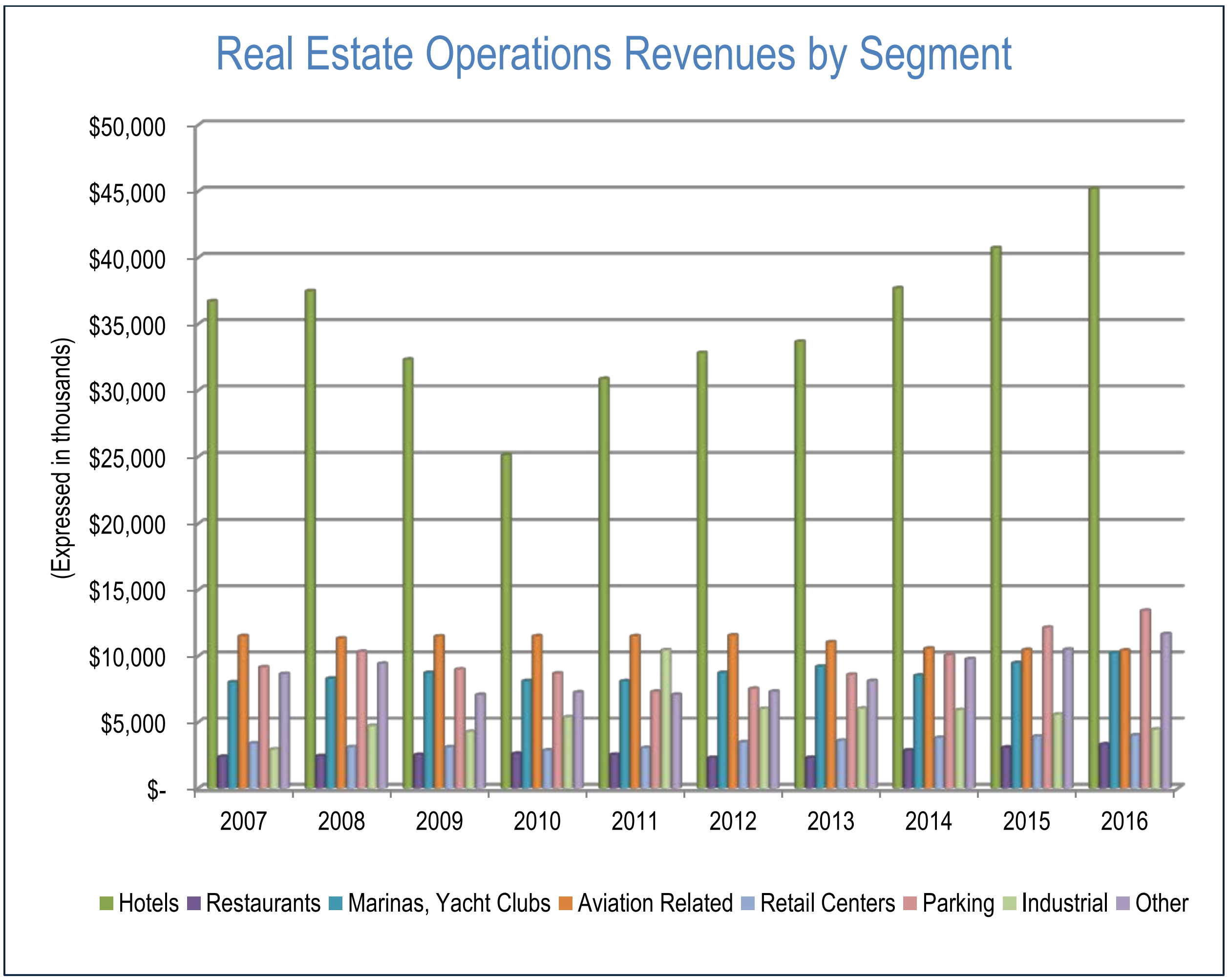
[1]Includes reimbursements for airport police services.

Real Estate Operations Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Hotels[1]	$ 36,716	$ 37,484	$ 32,323	$ 25,125	$ 30,866	$ 32,824	$ 33,667	$ 37,700	$ 40,739	$ 45,198
Restaurants[2]	2,397	2,459	2,540	2,627	2,560	2,316	2,326	2,888	3,097	3,332
Marinas, Yacht Clubs[3]	8,026	8,308	8,735	8,116	8,099	8,736	9,216	8,529	9,482	10,245
Aviation Related	11,514	11,338	11,488	11,504	11,503	11,564	11,053	10,575	10,469	10,420
Retail Centers	3,400	3,126	3,119	2,867	3,053	3,491	3,604	3,815	3,928	4,009
Parking	9,160	10,324	8,989	8,690	7,303	7,532	8,598	10,082	12,151	13,431
Industrial	2,941	4,722	4,270	5,379	10,439	6,008	6,023	5,919	5,579	4,452
Other	8,653	9,420	7,072	7,252	7,081	7,311	8,117	9,774	10,495	11,660
Total	$ 82,807	$ 87,181	$ 78,536	$ 71,560	$ 80,904	$ 79,782	$ 82,604	$ 89,282	$ 95,940	$ 102,747

[1]All hotel leases include restaurants and six hotel leases include marinas.
[2]The District has nine direct restaurant agreements, not included are restaurants in hotels, marinas, and retail centers.
[3]Not included are marinas under hotel operations or under a restaurant lease.



Real Estate Operations Ten Largest Fixed Rent Tenants –

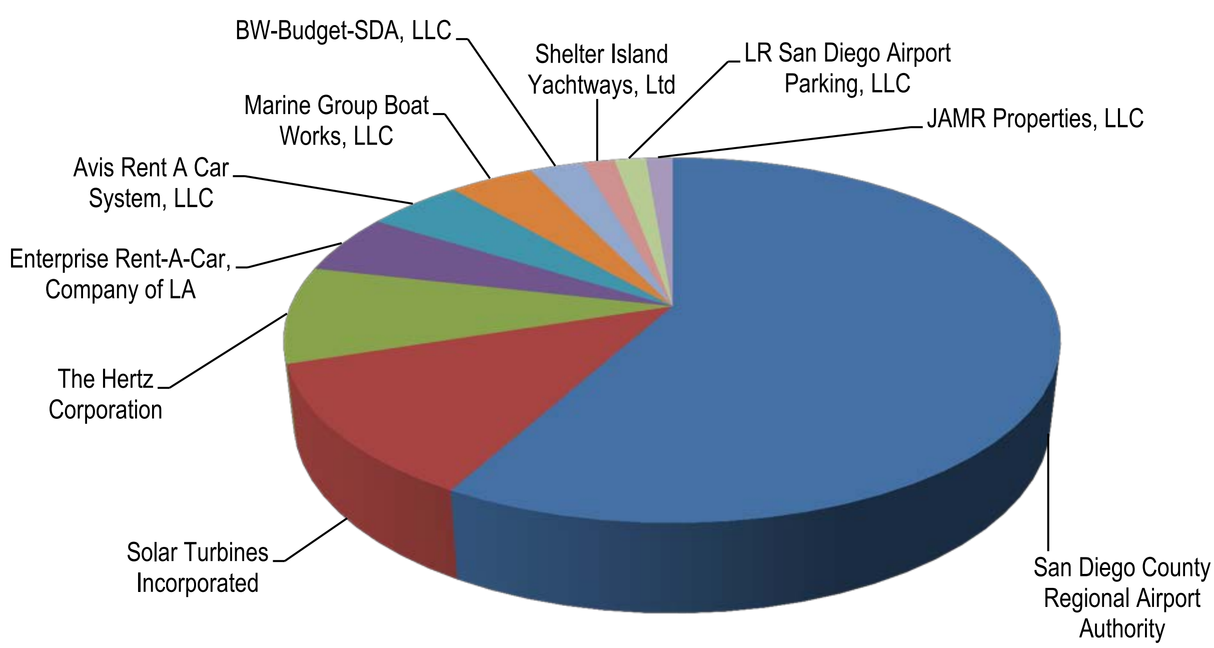
Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2007	%
San Diego County Regional Airport Authority	$ 11,514	56.8%
Solar Turbines Incorporated	1,191	5.9%
The Hertz Corporation	1,076	5.3%
Vanguard Car Rental USA Inc. dba National Car Rental	788	3.9%
Avis Rent A Car System, LLC	700	3.5%
Lee-Al, Inc. dba Budget Rent-A-Car	791	3.9%
San Diego Yacht Club	358	1.8%
Newport Beach Sales & Leasing dba Budget Rent-A-Car	295	1.5%
Metropolitan Life Insurance Company dba Park and Ride	287	1.4%
Marine Group Boat Works, LLC	273	1.3%
Total Ten Largest Fixed Rent Tenants	17,273	85.3%
Other Fixed Rent	2,997	14.7%
Total Real Estate Operations Fixed Rent	$ 20,270	100.0%

Tenant	2016	%
San Diego County Regional Airport Authority	$ 10,414	48.8%
Solar Turbines Incorporated	2,137	10.0%
The Hertz Corporation	1,537	7.2%
Enterprise Rent-A-Car, Company of LA	951	4.5%
Avis Rent A Car System, LLC	855	4.0%
Marine Group Boat Works, LLC	757	3.5%
BW-Budget-SDA, LLC	475	2.2%
Shelter Island Yachtways, Ltd	288	1.3%
LR San Diego Airport Parking, LLC	280	1.3%
JAMR Properties, LLC	238	1.1%
Total Ten Largest Fixed Rent Tenants	17,932	83.9%
Other Fixed Rent	3,410	16.1%
Total Real Estate Operations Fixed Rent	$ 21,342	100.0%

Real Estate Operations Ten Largest Fixed Rent Tenants Current Fiscal Year



Real Estate Operations Ten Largest Percentage Rent Tenants –

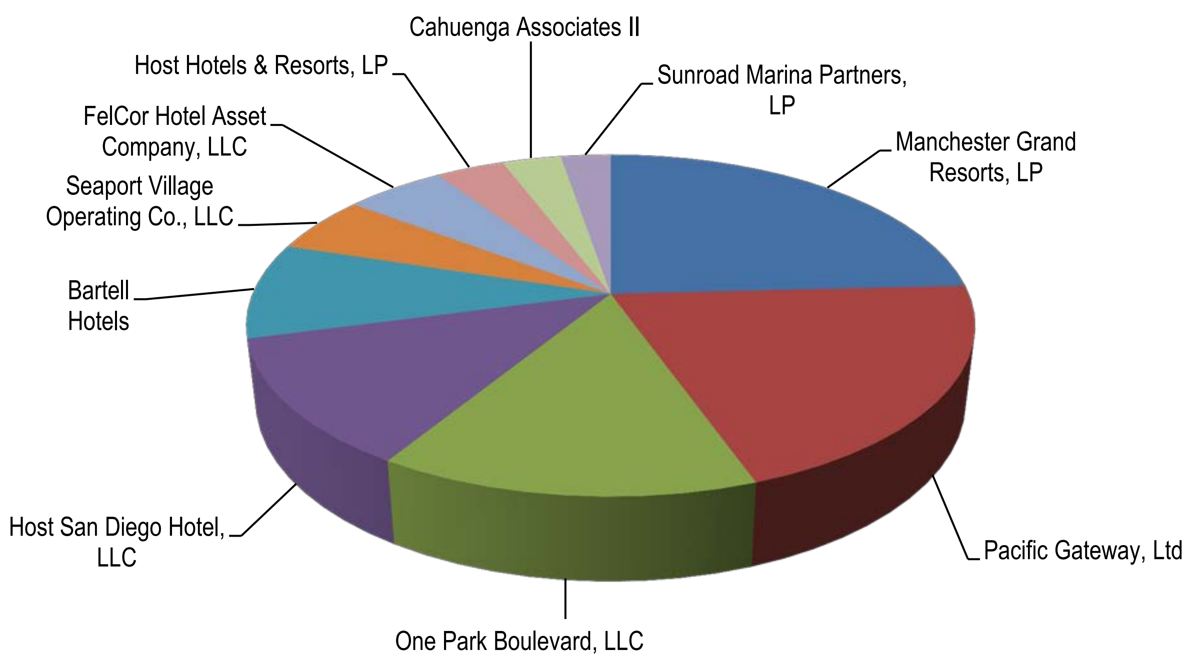
Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2007	%
Manchester Grand Resorts, LP	$ 10,364	20.0%
Pacific Gateway, Ltd	8,782	17.0%
Starwood Sheraton San Diego CMBS I, LLC	3,870	7.5%
FelCor Hotel Asset Company, LLC	2,609	5.0%
Starwood Sheraton San Diego West	2,166	4.2%
Seaport Village Operating Co, LLC	2,051	4.0%
Host Hotels & Resorts, LP	1,645	3.2%
Bartell Hotels	1,322	2.6%
Sunroad Marina Partners, LP	1,264	2.4%
SD Marina, LLC	1,146	2.2%
Total Ten Largest Percentage Rent Tenants	35,219	68.1%
Other Percentage Rent	16,503	31.9%
Total Real Estate Operations Percentage Rent	$ 51,722	100.0%

Tenant	2016	%
Manchester Grand Resorts, LP	$ 11,936	17.8%
Pacific Gateway, Ltd	10,039	14.9%
One Park Boulevard, LLC	7,010	10.4%
Host San Diego Hotel, LLC	5,947	8.8%
Bartell Hotels	4,472	6.7%
Seaport Village Operating Co, LLC	2,655	4.0%
FelCor Hotel Asset Company, LLC	2,608	3.9%
Host Hotels & Resorts, LP	1,799	2.7%
Cahuenga Associates II	1,543	2.3%
Sunroad Marina Partners, LP	1,302	1.9%
Total Ten Largest Percentage Rent Tenants	49,311	73.4%
Other Percentage Rent	17,888	26.6%
Total Real Estate Operations Percentage Rent	$ 67,199	100.0%

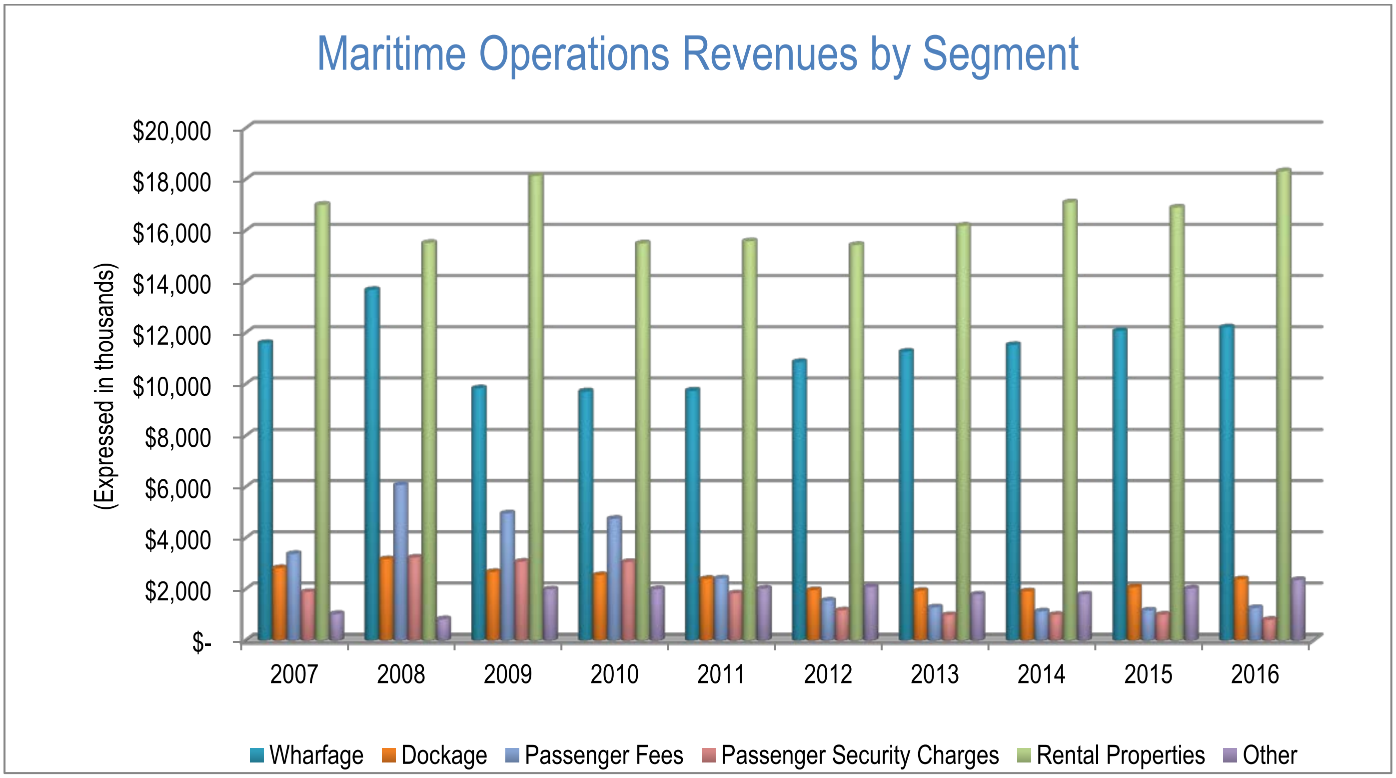
Real Estate Operations Ten Largest Percentage Rent Tenants Current Fiscal Year



Maritime Operations Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Berths:										
Wharfage	$ 11,609	$ 13,687	$ 9,839	$ 9,723	$ 9,755	$ 10,867	$ 11,270	$ 11,535	$ 12,078	$ 12,223
Dockage	2,828	3,175	2,676	2,553	2,404	1,967	1,938	1,920	2,083	2,393
Passenger Fees	3,379	6,076	4,964	4,756	2,422	1,554	1,289	1,133	1,167	1,264
Passenger Security Charges	1,892	3,238	3,078	3,066	1,841	1,174	989	999	1,006	804
Rental Properties	17,012	15,518	18,141	15,499	15,585	15,439	16,191	17,101	16,900	18,321
Other	1,030	826	1,996	2,007	2,026	2,089	1,792	1,792	2,031	2,360
Total	$ 37,750	$ 42,520	$ 40,694	$ 37,604	$ 34,033	$ 33,090	$ 33,469	$ 34,480	$ 35,265	$ 37,365

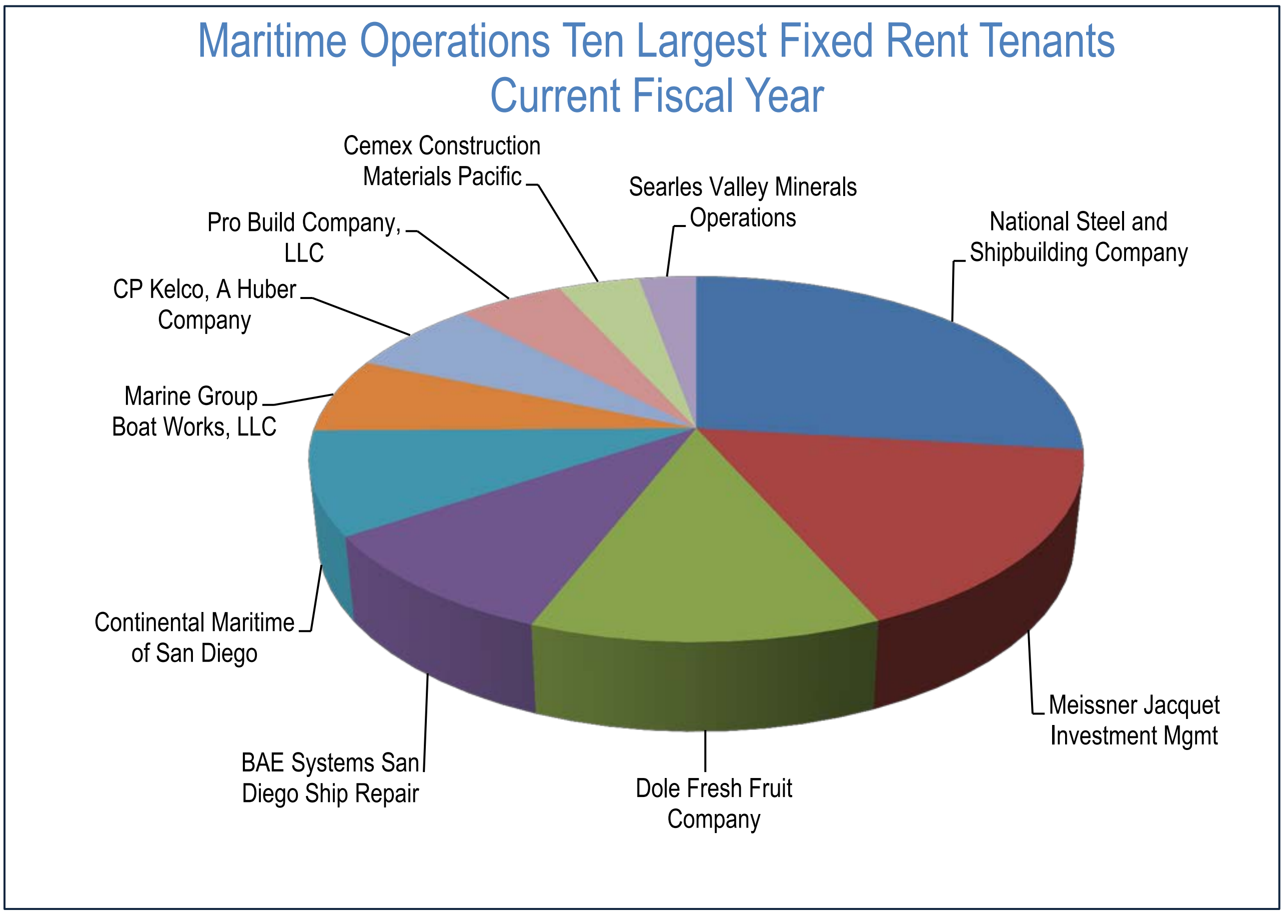


Maritime Operations Ten Largest Fixed Rent Tenants –
Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2007	%
National Steel and Shipbuilding Company	$ 4,376	29.7%
Meissner Jacquet Investment Management	2,387	16.2%
Dole Fresh Fruit Company	1,502	10.2%
Dixieline Lumber Company	1,128	7.6%
Continental Maritime of San Diego	622	4.2%
Knight & Carver Yachtcenter, Inc.	555	3.8%
BAE Systems San Diego Ship Repair	547	3.7%
CP Kelco, A Huber Company	399	2.7%
Pasha Automotive Services	292	2.0%
Weyerhaeuser Company	279	1.9%
Total Ten Largest Fixed Rent Tenants	12,087	82.0%
Other Fixed Rent	2,669	18.0%
Total Maritime Operations Fixed Rent	$ 14,756	100.0%

Tenant	2016	%
National Steel and Shipbuilding Company	$ 3,188	23.0%
Meissner Jacquet Investment Mgmt	1,958	14.1%
Dole Fresh Fruit Company	1,485	10.7%
BAE Systems San Diego Ship Repair	1,152	8.3%
Continental Maritime of San Diego	1,085	7.8%
Marine Group Boat Works, LLC	786	5.7%
CP Kelco, A Huber Company	774	5.6%
Pro Build Company, LLC	623	4.5%
Cemex Construction Materials Pacific	473	3.4%
Searles Valley Minerals Operations	334	2.4%
Total Ten Largest Fixed Rent Tenants	11,858	85.5%
Other Fixed Rent	2,032	14.5%
Total Maritime Operations Fixed Rent	$ 13,890	100.0%

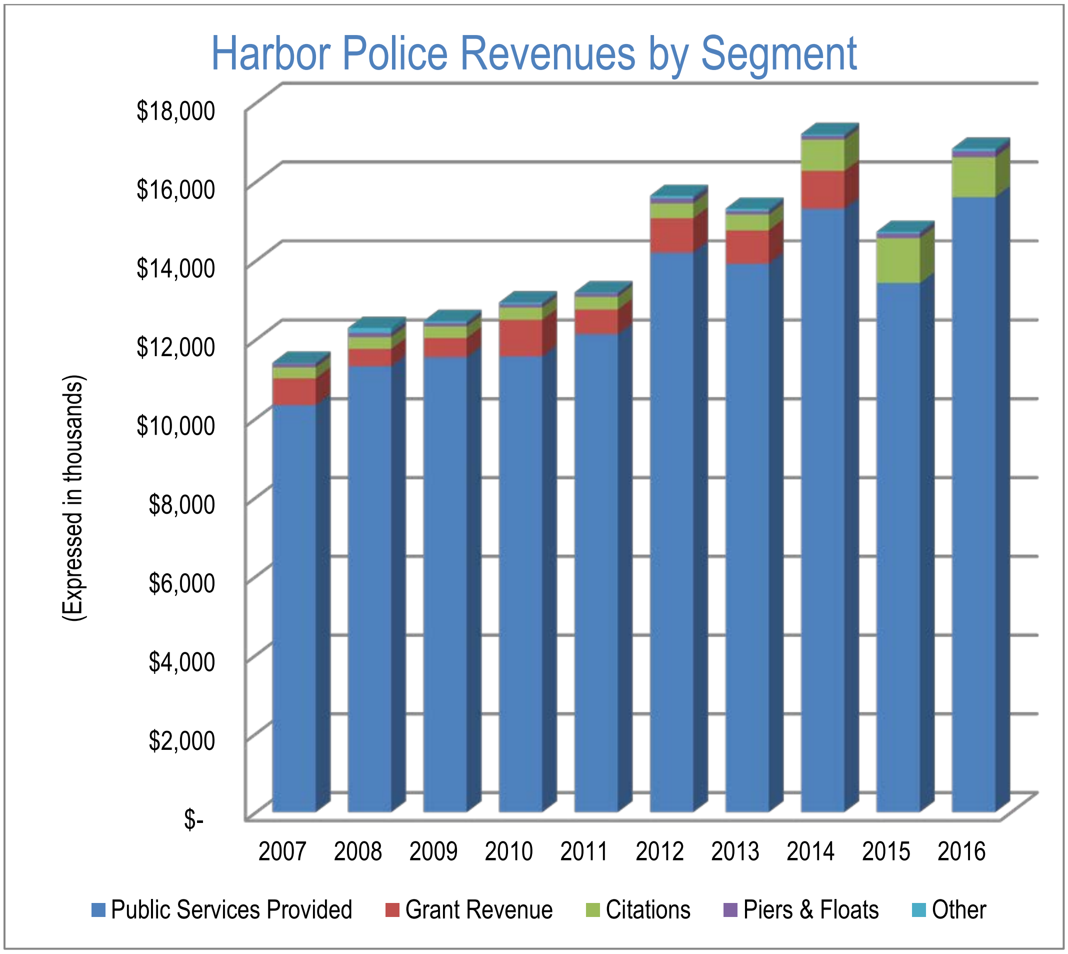


Harbor Police Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Services Provided[1]	$ 10,336	$ 11,324	$ 11,550	$ 11,567	$ 12,130	$ 14,200	$ 13,922	$ 15,309	$ 13,427	$ 15,610
Grant Revenue[2]	682	435	489	932	628	873	846	959	-	-
Citations	271	300	284	307	322	373	395	794	1,144	1,009
Piers & Floats	104	107	93	84	86	128	89	97	111	150
Other	13	123	48	44	24	65	61	44	47	66
Total	$ 11,406	$ 12,289	$ 12,464	$ 12,934	$ 13,190	$ 15,639	$ 15,313	$ 17,203	$ 14,729	$ 16,835

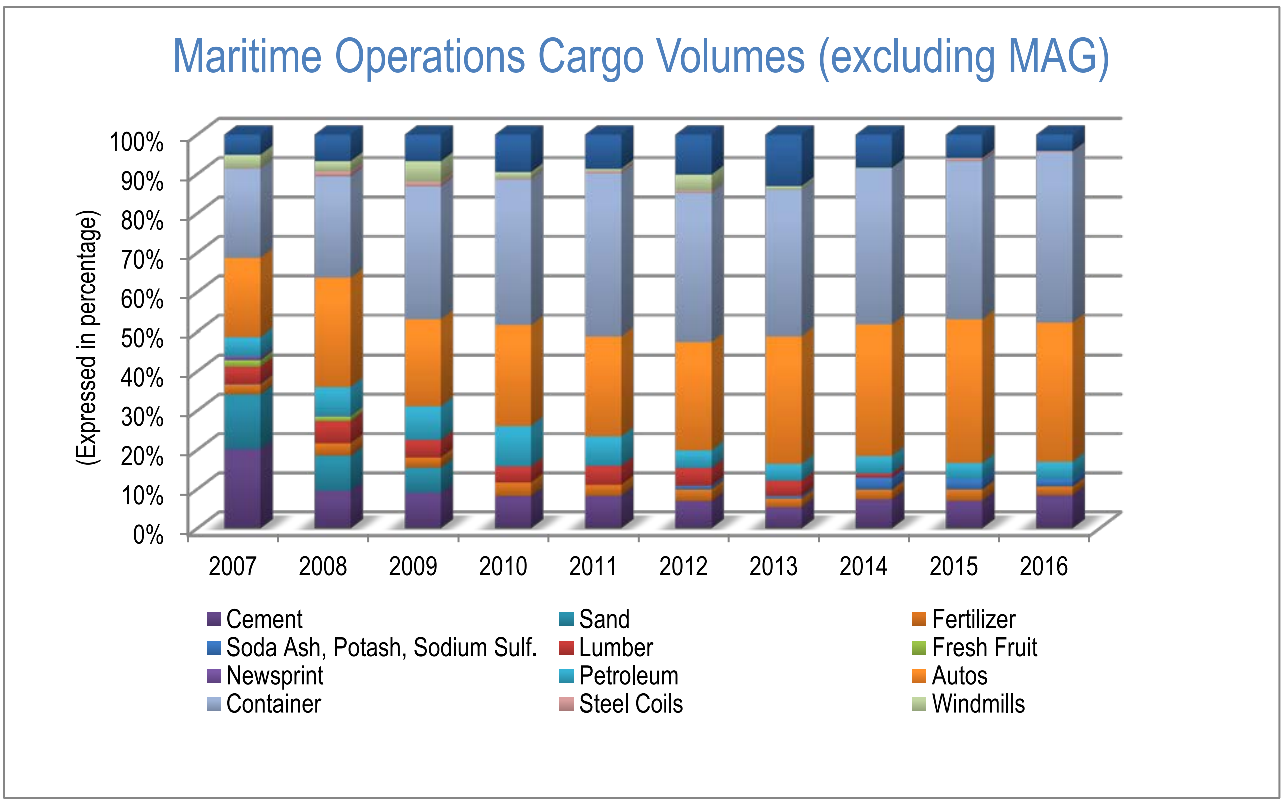
[1]Police services provided to SDCRAA (excluding G&A cost reimbursements).
[2]Grant revenue was reclassified to nonoperating revenues in fiscal year 2015.



Maritime Operations Cargo Volumes – Last Ten Fiscal Years

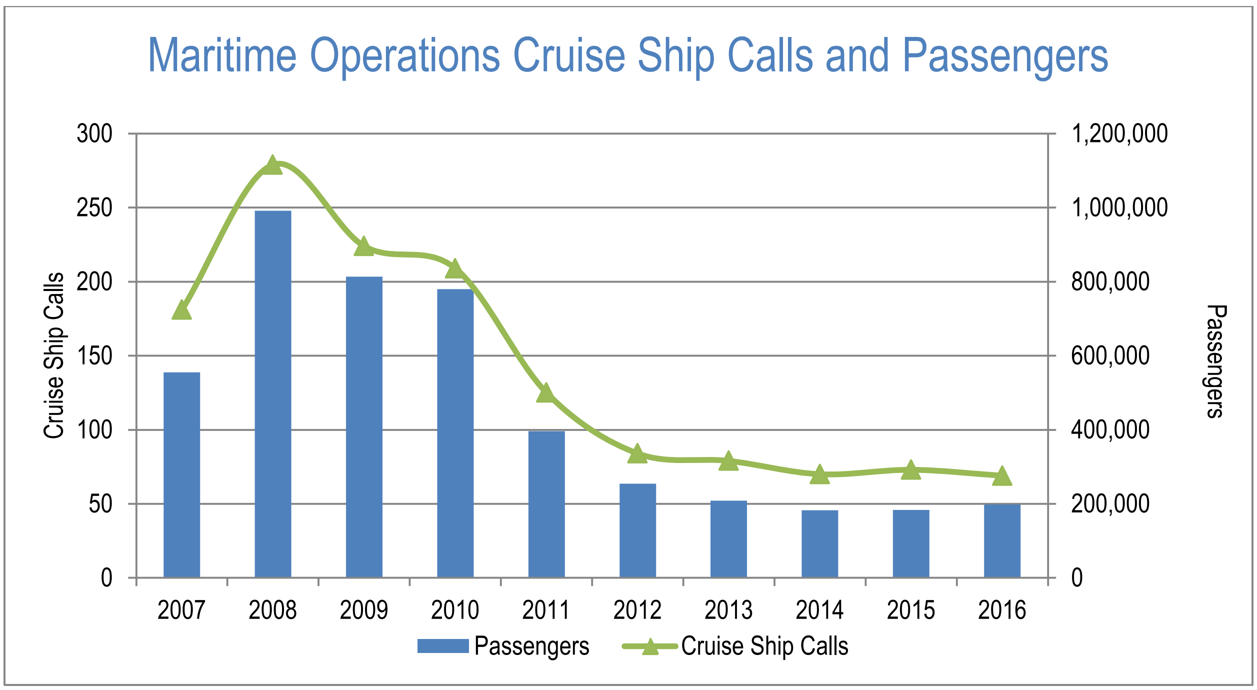
(Expressed in metric tons)

Cargo	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cement	547,708	227,423	160,590	127,679	122,233	115,962	88,618	121,218	123,646	158,709
Sand	378,422	215,501	114,537	-	-	-	-	-	-	-
Fertilizer	69,263	77,470	46,849	54,478	41,494	50,917	36,503	41,304	50,279	42,244
Soda Ash, Potash, Sodium Sulf.	5,184	-	-	-	-	14,928	10,897	51,570	49,589	36,359
Lumber	116,958	134,732	80,146	63,994	72,645	77,188	65,344	17,701	-	-
Fresh Fruit	45,295	29,870	-	-	-	-	-	-	-	-
Newsprint	27,628	2,283	-	-	-	-	-	-	-	-
Petroleum	133,086	178,078	153,589	162,225	111,078	75,806	71,822	74,003	71,582	84,044
Autos	543,715	664,870	394,569	401,375	379,821	468,786	545,001	556,954	649,725	670,847
Container	615,208	618,830	604,841	580,822	617,289	640,586	621,921	660,586	717,085	823,560
Steel Coils	3,831	31,358	20,400	5,546	6,732	9,849	43	-	13,253	6,811
Windmills	93,262	63,191	94,101	25,106	10,763	68,541	15,360	3,942	627	37
Other	139,239	162,002	121,384	150,015	129,487	172,800	219,577	140,966	106,759	79,333
Total Cargo	2,718,799	2,405,608	1,791,006	1,571,240	1,491,542	1,695,363	1,675,086	1,668,244	1,782,545	1,901,944
Minimum Annual Guarantee (MAG)	474,086	625,322	1,028,467	1,306,058	1,338,920	1,224,974	1,007,575	996,412	953,280	971,669
Total Cargo with MAG	3,192,885	3,030,930	2,819,473	2,877,298	2,830,462	2,920,337	2,682,661	2,664,656	2,735,825	2,873,613

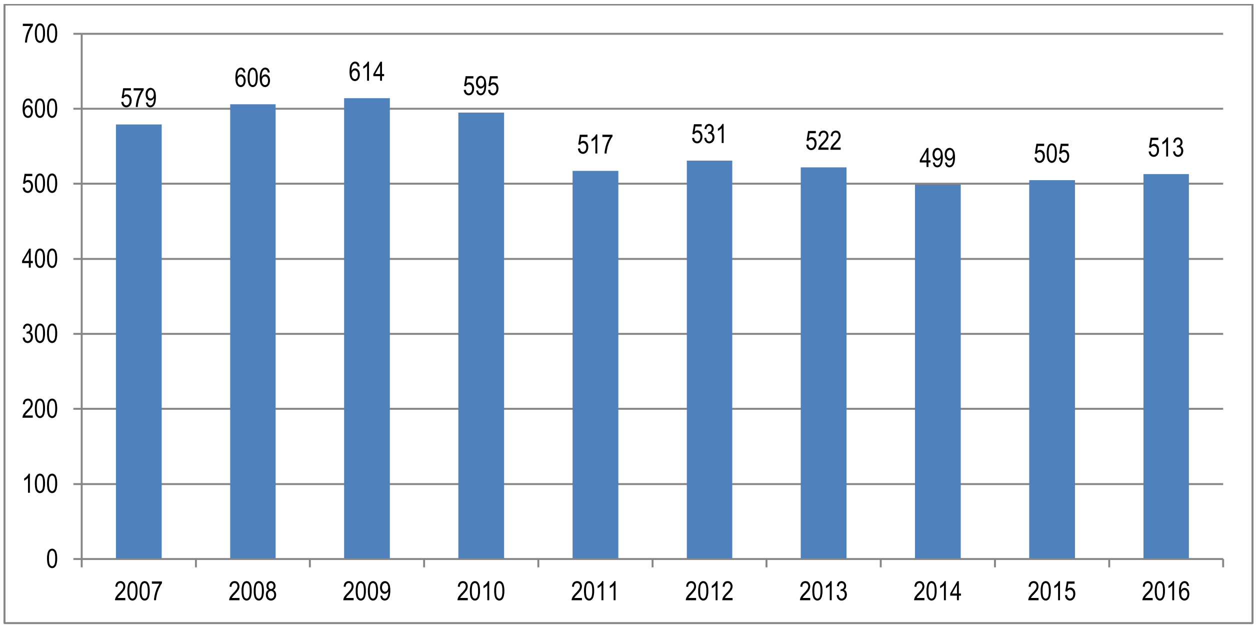


Maritime Operations Cruise Ship Calls and Passengers – Last Ten Fiscal Years

Fiscal Year	Cruise Ship Calls	Passengers
2007	181	555,071
2008	279	991,559
2009	224	813,822
2010	209	779,721
2011	125	396,018
2012	84	254,774
2013	79	208,812
2014	70	182,693
2015	73	183,136
2016	69	198,399



District Employee Headcount – Last Ten Fiscal Years



This chart reflects the number of regular full-time employees at June 30th of each fiscal year.

Capital Assets – Current Fiscal Year

Total Land and Water	
District's Jurisdiction:	
Land - Estimated (in acres)	2,464
Water - Estimated (in acres)	3,534
Leased Area:	
Leased Land - Estimated (in square feet)	81,151,297
Leased Water- Estimated (in square feet)	43,590,483
Leased Buildings - Estimated (in square feet)	5,994,510
Leased Piers - Estimated (in square feet)	76,525
Public Safety	
Stations	1
Sub-stations	3
Sworn Officers	130
Number of Calls	60,129
Traffic Citations	3,389
Parking Citations	28,187
Arrests	2,230
Number of Parks	**22**
Total Acreage	148
Parking (number of short-term and long-term spaces)	
Navy Pier	386
B Street Pier	178
Hilton Garage	1,859
Convention Center Garage	1,829
Imperial Beach	63
Metered (throughout District)	1,049
Pay Stations (Spanish Landing)	214
Unmetered (throughout District)	2,448
Number of Cargo Terminals	**2**
National City Marine Terminal:	
Size (in acres)	125
Number of Berths	7
Wharf (in linear feet)	4,925
Warehouse Capacity (in square feet)	325,761
Tenth Avenue Marine Terminal:	
Size (in acres)	96
Number of Berths	8
Wharf (in linear feet)	4,347
Storage Facilities:	
Cold Storage (in million cubic feet)	6
Warehouse Capacity (in square feet)	750,000
Number of Cruise Terminals	**2**
B Street Cruise Ship Terminal:	
Size (in acres)	9.1
Wharf (in linear feet)	2,400
Number of Berths	5
Broadway Pier Cruise Ship Terminal:	
Size (in acres)	3.1
Wharf (in linear feet)	2,135
Number of Berths	5

Debt Service Coverage – Last Ten Fiscal Years

(Expressed in thousands)

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Pledged Revenues[1]	$158,471	$151,982	$140,754	$125,401	$133,350	$133,385	$132,702	$145,141	$152,377	$163,551
Operating and Maintenance Expenses[2]	(104,180)	(110,250)	(124,681)	(113,795)	(108,826)	(114,155)	(115,988)	(114,368)	(120,774)	(124,741)
Net Pledged Revenues - Senior Debt	$ 54,291	$ 41,732	$ 16,073	$ 11,606	$ 24,524	$ 19,230	$ 16,714	$ 30,773	$ 31,603	$ 38,810
Senior Debt Service[3]										
Principal	$ 1,170	$ 1,215	$ 1,255	$ 1,305	$ 1,360	$ 1,420	$ 1,490	$ 1,840	$ 1,650	$ 1,725
Interest	2,295	2,248	2,208	2,159	2,105	2,010	1,949	1,822	1,729	1,630
Total Senior Debt Service	$ 3,465	$ 3,463	$ 3,463	$ 3,464	$ 3,465	$ 3,430	$ 3,439	$ 3,662	$ 3,379	$ 3,355
Senior Debt Coverage Ratio	15.67	12.05	4.64	3.35	7.08	5.61	4.86	8.40	9.35	11.57

[1]Pledged Revenues are calculated pursuant to the first and second supplemental indentures for Series 2004 and Series 2013 Revenue Bonds.
[2]Operating and Maintenance Expenses are calculated pursuant to the first and second supplemental indentures for Series 2004 and Series 2013 Revenue Bonds.
[3]Senior Debt Service is calculated pursuant to the first and second supplemental indentures for Series 2004 and Series 2013 Revenue Bonds.

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years

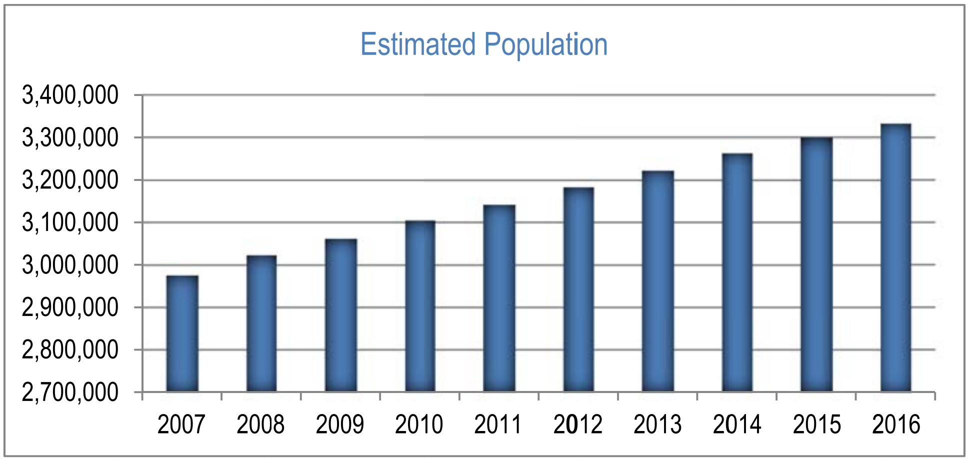
(Expressed in thousands)

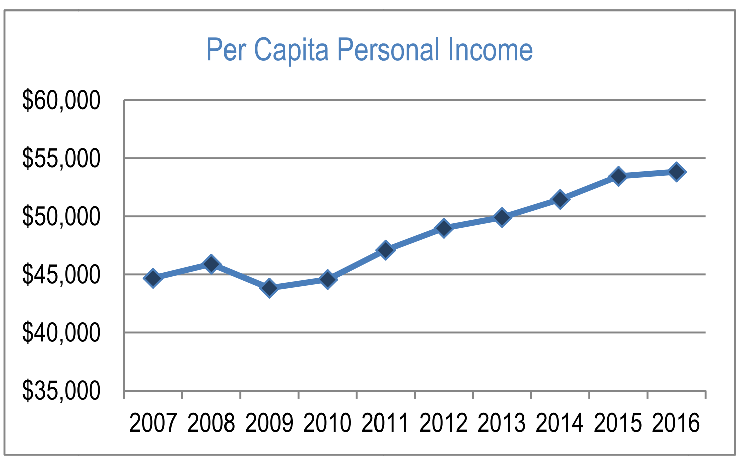
Fiscal Year	Revenue Bonds	Notes[1]	Capital Leases	Total Debt	Percent of Personal Income[2]	Per Capita[2]
2007	$ 49,221	$ 50,561	$ -	$ 97,796	0.07%	$ 32
2008	47,848	49,198	-	95,218	0.07%	31
2009	46,431	48,098	2,698	95,561	0.07%	31
2010	44,979	46,589	2,508	92,557	0.06%	29
2011	43,468	44,610	1,931	88,641	0.06%	28
2012	41,909	42,914	1,273	84,867	0.05%	26
2013	40,293	45,474	646	85,310	0.05%	26
2014	39,061	48,243	-	84,518	0.05%	26
2015	37,156	46,033	-	83,189	0.05%	25
2016	35,153	40,344	-	75,497	0.04%	23

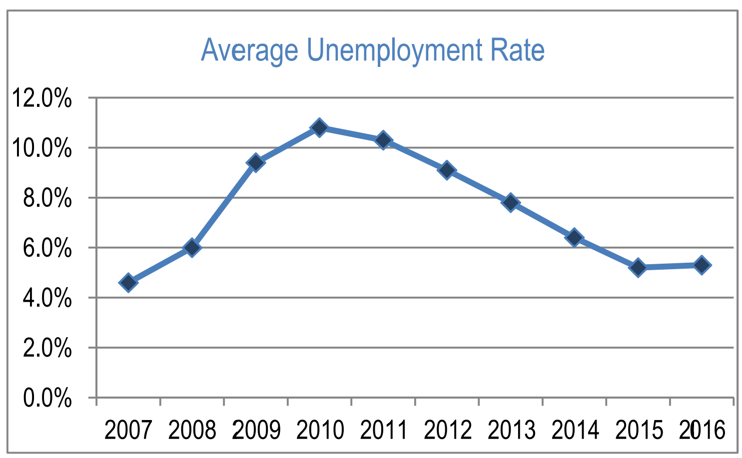
[1]Includes the San Diego County Regional Airport Authority (SDCRAA), Pond 20, and Civic San Diego notes.
[2]Refer to the Demographic and Economic Statistics table for further detail on population and per capita information.

San Diego County Demographic and Economic Statistics – Last Ten Fiscal Years

Calendar Year	Estimated Population[1]	Personal Income (in thousands)[1]	Per Capita Personal Income[1]	Average Unemployment Rate[2]
2007	2,975,742	132,954,811	44,680	4.6%
2008	3,022,116	138,673,021	45,886	6.0%
2009	3,061,203	134,139,980	43,819	9.4%
2010	3,104,543	138,346,589	44,563	10.8%
2011	3,141,768	147,960,807	47,095	10.3%
2012	3,183,413	155,954,440	48,990	9.1%
2013	3,222,558	160,828,662	49,907	7.8%
2014	3,263,431	167,931,419	51,459	6.4%
2015	3,299,521	176,336,301[3]	53,443[3]	5.2%
2016	3,332,516[3]	179,409,343[3]	53,836[3]	5.3%







Sources:

[1] *US Department of Commerce, Bureau of Economic Analysis, Regional Income Division. Last updated: November 19, 2015 – new estimates for 2014; revised estimates for 1969-2013*

[2] *California Employment Development Department (March 2015 Benchmark)*

[3] *Personal Income and Per Capita Personal Income were estimated based on percentage of annual state personal income changes projected for 2015 and 1st Qtr. 2016 from California Department of Commerce website.*

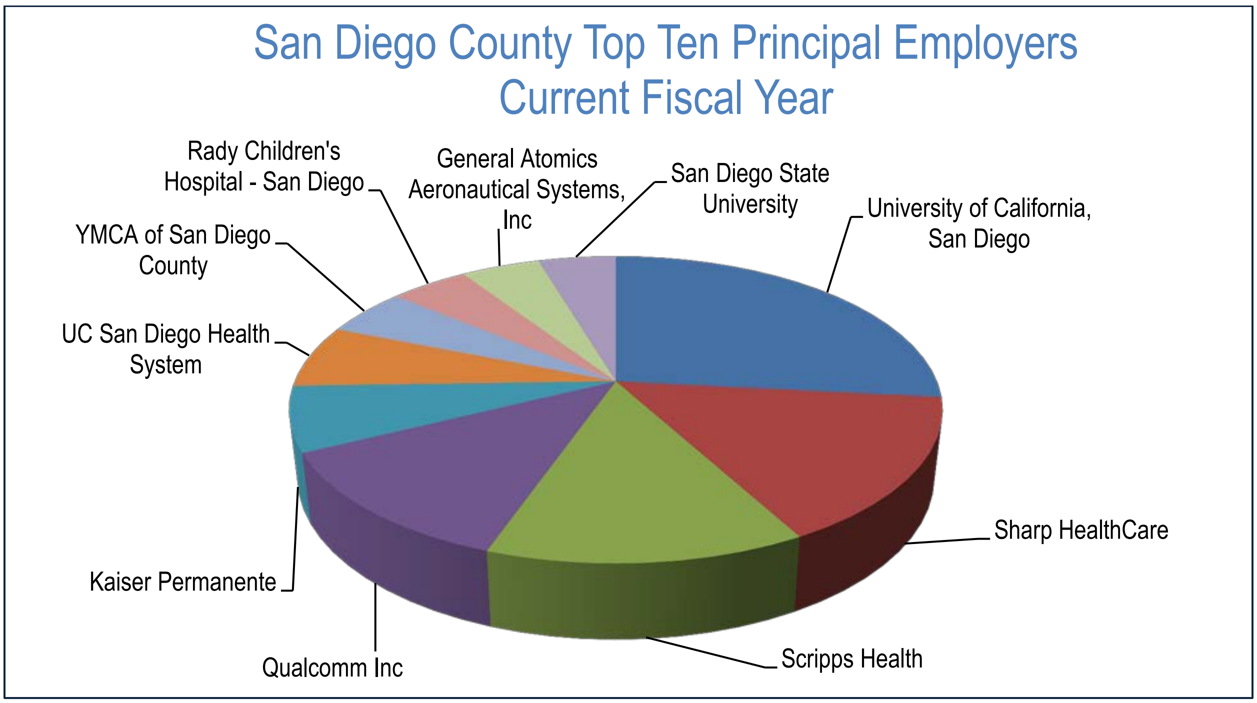
San Diego County Top Ten Principal Employers – Current Fiscal Year and Nine Years Ago

2007 Employer	Local Employees	Rank	%
State of California	40,600	1	3.06%
Federal Government	39,900	2	3.01%
University of California, San Diego	26,924	3	2.03%
County of San Diego	16,147	4	1.22%
San Diego Unified School District	14,555	5	1.10%
Sharp HealthCare	13,872	6	1.05%
Scripps Health	12,196	7	0.92%
San Diego State University-EMC	11,247	8	0.85%
City of San Diego	11,195	9	0.84%
Qualcomm Inc	8,008	10	0.60%

Total Industry Employment in San Diego County (Year 2006): 1,326,100

2016 Employer	Local Employees	Rank	%
University of California, San Diego	29,287	1	2.10%
Sharp HealthCare	16,896	2	1.21%
Scripps Health	14,644	3	1.05%
Qualcomm Inc	13,500	4	0.97%
Kaiser Permanente	7,535	5	0.54%
UC San Diego Health System	7,229	6	0.52%
YMCA of San Diego County	5,487	7	0.39%
Rady Children's Hospital - San Diego	5,122	8	0.37%
General Atomics Aeronautical Systems, Inc	5,088	9	0.36%
San Diego State University	5,064	10	0.36%

Total Industry Employment in San Diego County (Year 2015): 1,395,500



Sources:
San Diego Business Journal Book of Lists (Year 2007 – as at January 1, 2007 and Year 2016 – as at July 1, 2015)
Total Industry Employment - California Employment Development, Labor Market Information, March 2015 Benchmark – Years 2006 and 2015

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