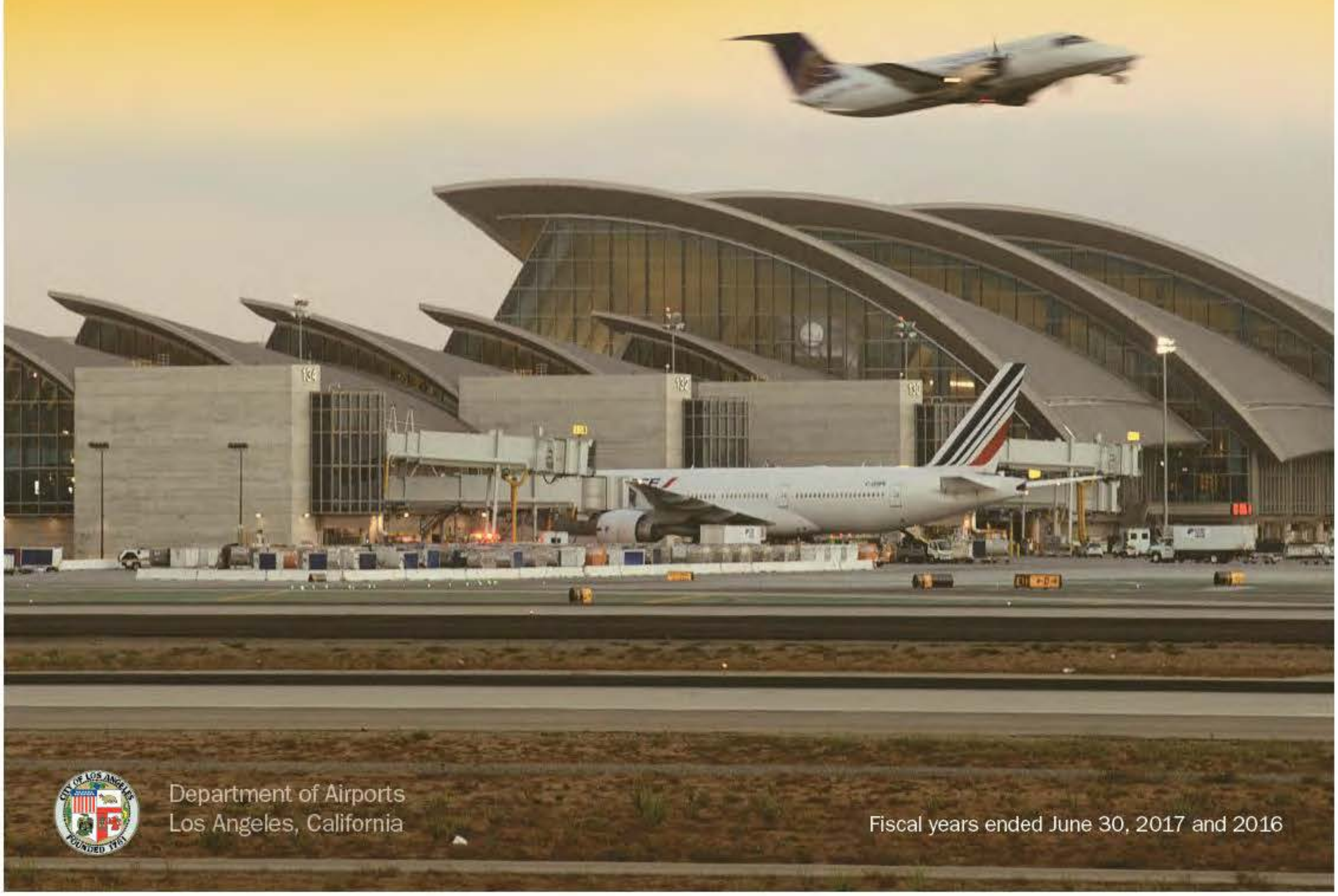
Los Angeles
World Airports

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Department of Airports
Los Angeles, California

Fiscal years ended June 30, 2017 and 2016


TOM BRADLEY INTERNATION
P3
Allegiant
Boutique Air
Frontier
JetBlue
Spirit
Virgin America
Tom Bradley
Int'l Terminal
Parking
American


BOARDING PASS
GATE G12
SEAT 3A
LOS ANGELES
LAWA
PARIS
CDG
FLIGHT CD9876
DATE 24NOV17
TIME 08:30
CLASS First Class
LOS ANGELES WORLD AIRPORTS
DEPARTMENT OF AIRPORTS OF THE
CITY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED JUNE 30, 2017
AND 2016
BOARDING PASS
GATE C11
SEAT 9A
Air New Zealand
SAS
Tom Bradley International Terminal
380 World Way
Prepared by Financial Reporting Division

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Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2017 and 2016

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Prepared by: Financial Reporting Division of Los Angeles World Airports


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Los Angeles World Airports

October 23, 2017

To the Members of the Board of Airport Commissioners
Los Angeles, California

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) for the fiscal year ended June 30, 2017. The CAFR, which was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), contains financial statements and statistical data that fully disclose all material financial operations of LAWA. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LAWA's management. We believe that the data presented is complete and reliable in all material respects. This transmittal letter presents a summary of LAWA's background, economic condition and outlook, and major initiatives and developments.

Accounting principles generally accepted in the United States of America (GAAP) require management to provide a narrative introduction, overview, and analysis to accompany the 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 MD&A can be found immediately following the report of the independent auditor.

Profile of the Reporting Entity

LAWA is an independent, financially self-sufficient department of the City of Los Angeles (City) created pursuant to Article XXIV, Section 238 of the City Charter. LAWA is under the management and control of a seven-member Board of Airport Commissioners (Board) appointed by the Mayor and confirmed by the City Council.

Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop and operate all property, plant and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated or controlled by the City; and (c) fix, regulate and collect rates and charges for use of the airport system. A Chief Executive Officer administers LAWA and reports to the Board.

LAWA operates and maintains two airports, Los Angeles International Airport (LAX) and Van Nuys Airport (VNY), within the five-county area of Los Angeles, Orange, Ventura, Riverside and San Bernardino counties (Air Trade Area). LAWA voluntarily returned the certificate relating to LA/Palmdale Regional Airport (PMD) to the Federal Aviation Administration (FAA), but may, upon compliance with certain requirements, request to have the PMD certificate issued. LA/ONT International Airport (ONT) was transferred to the Ontario International Airport (OIAA) on November 1, 2016 pursuant to the Settlement Agreement described in Note 17 of the notes to the financial statements.

Located approximately 15 miles from downtown Los Angeles on the western boundary of the City, LAX is the largest airport in the Air Trade Area. LAX occupies approximately 3,425 acres in an area generally bounded on the north by Manchester Avenue, on the east by Aviation Boulevard, on the south by Imperial Highway, and on the west by the Pacific Ocean. Commercial airline service started in December 1946, and the present terminal complex in LAX was constructed in 1961. In the early 1980s, LAX added domestic and international terminals, parking structures and a second level roadway.

According to Airport Council International (ACI) statistics, in calendar year 2016, LAX ranked as the fourth busiest airport in the world, and second busiest airport in the United States. LAX was named to Skytrax's 2017 list of top 10 most improved airports. The airport offers 737 daily nonstop flights to 100 cities in the U.S. and 1,386 weekly nonstop flights to 88 cities in 44 countries on 73 commercial air carriers. LAX ranks 14th in the world and fifth in the U.S. in air cargo tonnage processed, with more than 2.2 million tons of air cargo valued at over $101.4 billion. LAX served more than 82.9 million passengers and handled 633,013 passenger flight operations (departures and arrivals) in fiscal year 2017.

VNY is a general aviation airport located 20 miles northwest of downtown Los Angeles, in the San Fernando Valley, and occupies approximately 730 acres. VNY is one of the busiest general aviation airports in the United States with over 218,217 operating movements in fiscal year 2017. More than 100 businesses are located at the airport, including four fixed-base operators and numerous other aviation service companies. These businesses cater to a variety of private, government and corporate aviation needs. VNY has been recognized by ACI as the first General Aviation Airport in the world to attain Level 2 Airport Carbon Accreditation. The airport successfully achieved a 5% emissions reduction from 2013 to 2015.

PMD is located at the Antelope Valley approximately 60 miles north of LAX. Currently, there is no scheduled service at PMD. LAWA owns approximately 17,500 acres of land at and around the site. LAWA has transferred operation, management, and control of the PMD terminal facility from LAWA to the City of Palmdale, but has retained certain rights for future development of the adjoining 17,500 acres.

On November 1, 2016, the City transferred, assigned and delivered to OIAA the City's right, title and interest in and certain of the assets, properties, rights and interests solely used or held solely for use in connection with LAWA's operation of ONT pursuant to the Settlement Agreement described in Note 17 of the notes to the financial statements. In connection therewith, LAWA has received approximately $120.0 million[1] from OIAA and is to receive $70.0 million (with appropriate discount) from ONT, over a period of approximately 10 years.

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[1] *Based on the ONT Settlement Agreement, the OIAA has made all scheduled payments to date. LAWA has received $30.0 million from the City of Ontario and $40.0 million from the unrestricted cash ONT accounts. OIAA has also made the additional payment of $50.0 million payment (with appropriate discount valued $47.3 million). The outstanding receivable balance of the $70.0 million (with appropriate discount valued $64.9 million) was $56.8 million as of June 30, 2017.*

Economic Condition and Outlook

The financial condition of LAWA is primarily dependent upon the demand for air transportation with the geographical area served by LAX and VNY. Passenger and cargo traffic at the airports depends upon the demographic characteristics and economic activity of the five-county Air Trade Area.

According to Los Angeles County Economic Development Corporation (LAEDC) 2017-2018 economic forecast, the Southern California economy will continue to experience employment gains and will have moderate improvement in local unemployment rates. The leading job gains are expected to be in the industries of health care and social assistance, professional and business services, leisure and hospitality, professional, scientific and technical services and retail trade. Transportation and infrastructure projects such as the on-going multi-billion dollar modernization program at LAX and the expansion of Los Angeles' light rail system are expected to make significant contribution to job growth and the economy in Southern California.

Orange County's economy has made significant headway in terms of economic growth and job creation with the largest job gains in construction, leisure and hospitality, and health care and social assistance. Employment growth is expected to continue in the coming year.

The Inland Empire (Riverside and San Bernardino counties) continued to experience job growth in broad-base industries including transportation, warehousing and utilities, health care and social assistance, construction and wholesale and retail trade. Employment growth is expected to continue in the coming year at a slower pace. Ventura County's unemployment rate is expected to decline and is attributed mainly to job growth in leisure and hospitality, health care and assistance and it is expected to flatten out over the next years.

LAEDC forecasts that the U.S. economy will continue to grow at a modest pace because of the increase in consumer spending benefitting from employment gains and wage growth, moderate gains in housing sector and increase in manufacturing production. Instability of financial markets, policy-making of the new administration, Europe's fragile economy, and the political and security issues in some countries continue to be the key risks to the economic growth.

LAWA's airports are powerful economic engines for Southern California and vital to the economies of their surrounding communities. In April 2016, the economic impact analysis report issued by LAEDC reaffirmed LAX's role as a major economic generator in Southern California. Based on calendar year 2014 operations, LAX carried 70.7 million passengers[2] on over 578,000 domestic and international flights, and moved 2 million tons of mail and cargo[3]. These on-airport and off-airport services generated 620,610 jobs in Southern California with labor income of $37.3 billion and economic output (business revenues) of more than $126.6 billion. This activity added $6.2 billion to local and state revenues and $8.7 billion in federal tax revenues. The study also reported that LAX's ongoing capital-improvement program creates an additional 121,640 annual jobs with labor income of $7.6 billion and economic output of $20.3 billion, $966.0 million in state and local taxes, and $1.6 billion in federal tax revenues.

[2] *Passenger level reached 82.9 million and 77.8 million in fiscal year 2017 and 2016, respectively.*

[3] *Mail and cargo tonnage reached 2.3 million and 2.1 million in fiscal year 2017 and 2016, respectively.*

The Airline Industry

LAWA's aviation revenue generation depends, in large part, upon the financial health of the aviation industry. The economic condition of the industry is volatile, and it has undergone significant changes, including mergers, acquisitions, and bankruptcies in recent years. Further, other than the general economic condition as previously discussed, the industry is sensitive to a variety of factors, including (a) cost and availability of labor, fuel, aircraft, and insurance, (b) currency values, (c) competitive considerations, including airline ticket pricing, (d) traffic and capacity constraints, (e) governmental regulations, including security, taxes, and environmental requirements, (f) labor actions such as strikes and other union activities, and (g) disruptions due to airline incidents, criminal incidents, and acts of war or terrorism.

The International Air Transport Association (IATA) forecasted the global airline industry to generate profits of $29.8 billion in 2017, slightly lower than its outlook for 2016 due to rising costs. The outlook for the air passenger market remains strong but challenges remain for cargo, reflecting both structural and cyclical factors.

Meanwhile, passenger traffic at LAX showed growth of 6.6% in fiscal year 2017 compared to the prior fiscal year. Passenger and other traffic activity highlights during the last three fiscal years are discussed in the MD&A.

Initiatives and Developments

LAWA's overall mission is to serve the world - connecting people, places and cultures. In order to fulfill this mission, LAWA is committed to operate the Airport System safely and securely, enhance organizational capability, foster employee ownership, implement the capital improvements program, create premier passenger and customer service, implement best airport business practices to build revenue and control expenses, and secure and maintain stakeholder support.

LAWA is in the midst of a multi-billion dollar capital improvements program at LAX, which is expected to continue through 2024. The capital improvements program is developed based on anticipated facility needs, current and expected airline traffic, available funding sources, and project priorities. Among the projects underway are terminal improvements and upgrades, roadway improvements, runway and taxiway rehabilitation and improvement, and renewal of utilities and infrastructure components.

Listed below are descriptions of LAWA's projected major capital improvements projects included in LAX's 2017 Series A & B bond official statement:

Midfield Satellite Concourse (MSC)

This project consists of the development of a new 12-gate, 800,000 square feet concourse west of the Tom Bradley International Terminal (TBIT)/Bradley West terminal complex. This project includes utilities, apron improvements and baggage systems, will be connected via an underground tunnel to the TBIT/Bradley West, and will serve both international and domestic airline operations. This project is estimated to cost $1.7 billion and is expected to be completed by fiscal year 2020.

North Terminals Project

This project includes a planned phased construction project including the complete renovation of Terminal 3, reconstruction of check-in and passenger screening areas for Terminals 2 and 3, installation of an in-line checked baggage inspection system serving Terminal 2 and Terminal 3, relocation of the affected airlines and renovation of infrastructure and support spaces necessary to accommodate airlines in Terminal 5, Terminal 6, and the TBIT that are planned to be relocated from Terminal 2 and Terminal 3, secure connections between Terminal 2, Terminal 3 and TBIT, aircraft ramp improvements, infrastructure supporting the planned automated people mover, and additional renovations to Terminal 2. This project is estimated to cost $1.8 billion and is expected to be completed by fiscal year 2022.

Terminal 1 Improvement Project

This project consists of the phased reconstruction of substantially all of Terminal 1, including the development of a new centralized 12-lane passenger security screening checkpoint, a new checked baggage inspection system, redeveloped public areas, hold rooms, gate areas, airline operations space, and adjacent apron areas. This project is estimated to cost $514.0 million and is expected to be completed by fiscal year 2019.

Terminal 1.5

This project consists of the development of a new terminal building between Terminal 1 and Terminal 2 that would link the two terminals directly and result in a single unified facility. This project is estimated to cost $513.0 million and is expected to be completed in fiscal year 2021.

Terminal 2 Improvement Project

This project consists of the phased redevelopment of portions of Terminal 2, including ticketing lobby, baggage-claim areas, baggage screening, concourse areas, and building systems. This project is estimated to cost $194.0 million and is expected to be completed by fiscal year 2018.

Acquisition of Terminal 4 Improvements

This project consists of the acquisition by LAWA of the Terminal 4 improvements undertaken by American Airlines. This project is estimated to cost $190.0 million and the improvements are expected to be acquired by June 2018.

Terminals 6/7/8 Improvement Project

This project consists of the phased redevelopment of portions of these terminals, including a new checked baggage screening system, a new baggage sortation system, renovated baggage claim areas, renovated passenger security screening checkpoints, airline office areas, the replacement of passenger boarding bridges, and the construction of a new clubroom for use by United Airlines premium passengers. This project is estimated to cost $544.0 million and to be completed by fiscal year 2019.

Terminal Commercial Management

This project consists of the development of certain public use areas in Terminals 1, 2, 3, 6 and the TBIT, including public seating, restroom facilities, and common area enhancements. Under the terms of its agreements with LAWA, Westfield Airports, LLC (Westfield) is funding and undertaking these improvements, which are to be purchased by LAWA in phases when completed. This project is estimated to cost $128.0 million and was substantially completed in fiscal year 2017.

Other Terminal Projects

These projects consist of electrical upgrades, gate and holdroom renovations, replacement of passenger boarding bridges, baggage system improvements, fire/life safety improvements, lighting improvements, signage and wayfinding improvements, and other miscellaneous terminal improvements. These projects are estimated to cost $221.0 million and to be completed by fiscal year 2022.

Baggage System Enhancements

This project includes construction of outbound baggage systems supporting the combined operations of both the TBIT and the MSC. The project includes construction of baggage conveyance systems, explosives trace detection workstations, an on-screen resolution control room, and installation/integration of TSA-provided explosive detection system machines. This project is estimated to cost $260.0 million and is expected to be completed by fiscal year 2020.

Elevators and Escalators Replacements

This project consists of the comprehensive upgrading of elevator and escalator systems throughout the public areas of LAX (primarily in the Central Terminal Area (CTA)) that have exceeded their useful lives. This project is estimated to cost $245.0 million and to be completed by fiscal year 2018.

Runway Safety Area (RSA) Improvements

This project consists of improvements to the west end of Runway 7L-25R to bring the RSA into compliance with Federal Aviation Administration (FAA) standards and to extend the runway by 800 feet. Also included are improvements to the east ends of Runways 6L-24R and 6R-24L. This project is estimated to cost $231.0 million and was substantially completed in fiscal year 2017[4].

Noise Mitigation and Soundproofing

This project consists of the soundproofing of residences located near LAX that are significantly affected by aircraft noise. Also, LAWA is currently implementing a voluntary program of acquisition of residences located in the Manchester Square and Belford areas that are affected by aircraft noise. This project is estimated to cost $307.0 million and to be completed by fiscal year 2023.

Landside Access and Modernization Program (LAMP)

The LAMP includes an Automated People Mover (APM) System, a Consolidated Rental Car Facility (ConRAC) and Intermodal Transportation Facilities (ITF). The APM and ConRAC projects are expected to be designed, built, financed, operated, and maintained by third party operators (the DBFOM approach).

An APM system would connect the CTA with a new ConRAC and new ITF. It is expected that the APM project would include, but not limited to, right-of-way acquisitions, fixed infrastructure guideways, APM stations, and APM maintenance facility, and other system infrastructure such as computer systems and APM train cars. The APM project is expected to be operational in 2024.

The proposed ConRAC would be located east of the CTA, and it may include a customer service building, a ready/return area, a vehicle storage area, quick-turnaround facilities, and an area for rental car customers to access and exit the APM system. The ConRAC project is expected to open in 2023.

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[4] *LAX has completed the FAA mandatory safety improvements to all four of its runways in August 2017.*

Two ITFs are currently proposed on the APM route where users would access and exit the APM system. The ITFs would have pick-up and drop-off locations for private and commercial vehicles that currently access the terminals using the CTA roadways, and parking facilities for passengers and employees. The ITFs may be phased in over several years following completion of the APM system.

Various roadway and access improvements to LAX may be required to support the LAMP. These projects would be completed in phases as the ConRAC, APM, and ITFs become operational.

Outlook for the Future

LAWA's operations are supported solely by its own revenues. The department strives to balance revenues generated from cost recovery formulas applied to aeronautical users and those generated from fluctuating non-aeronautical revenues driven by passenger traffic and commercial opportunities. Management placed emphasis on the following goals and objectives as outlined in LAWA's Strategic Plan when developing the fiscal year 2018 budget: 1) expect and support organizational excellence; 2) innovate to enhance security, efficiency and effectiveness; 3) deliver facilities and guest experiences that are exceptional, and 4) sustain a strong business. Management continues to exercise fiscal prudence from within each LAWA division in administering the operating budget. The unrestricted net position, together with other fund sources such as operating revenue, debt proceeds, and grant receipts, will balance the subsequent fiscal year's budget as well as maintain projected reserves.

Operating revenues for fiscal year 2018 are projected to increase by 3.5%, as it was partially impacted relative to prior periods by the removal of revenues generated at ONT subsequent to its transfer. Over half of LAWA's revenues are driven by cost recovery formulas used in calculation of airfield and terminal rates and charges. These aeronautical revenues are expected to be higher than fiscal year 2017 due to increased operating expenses and debt service recovered from the airfield and terminal cost centers. Revenues from in-terminal concession agreements and parking/ground transportation operations, boosted by increased levels of passenger traffic, are also expected to contribute to greater overall revenues.

LAWA projected operating expenses support the ongoing operation and maintenance of LAWA's airports and real estate holdings. Projections of non-personnel expenses for fiscal year 2018 reflect the removal of non-personnel budgets for the operation of ONT following its transfer on November 1, 2016. Personnel budgets for LAWA staff supporting ONT, however, do remain in place pursuant to a cost recovery Staff Augmentation Agreement between LAWA and OIAA (see Note 17 of the notes to the financial statements.)

The largest portion of LAWA's operating expenses consists of salaries, fringe benefits and other related payroll expenses, which is expected to increase by 4.2% for fiscal year 2018. This assumes a 3.8% increase in the current headcount from 3,578 to approximately 3,715, a 5.9% increase in personnel expenses associated with salaries plus overtime, and a 5.2% decrease in pension contributions. Increase in projected personnel expenses is attributable to additional traffic officers and custodial resources to manage increasing passenger volumes in terminals and supplemental LAWA staffing necessary to provide operational support and engagement needed to effectively manage the delivery of multiple large capital projects as described above.

Internal Control Framework

LAWA's internal control framework is designed to provide reasonable but not absolute assurance regarding: (a) safeguarding of assets against loss from unauthorized use or disposition; (b) execution of transactions in accordance with management's authorization; (c) reliability of financial records used in preparing financial statements and maintaining accountability for assets; (d) effectiveness and efficiency of operations; and (e) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above structure. We believe that LAWA's internal control framework adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Budgetary Control

The annual operating budget is proposed by LAWA's management and adopted by the Board in a public meeting before the beginning of each fiscal year. The level of budgetary control (the level at which expenditures may not exceed appropriations) is by commitment item within each airport. The commitment items are salaries and benefits, contractual services, administrative services, materials and supplies, utilities, advertising and public relations, other operating expenses, and equipment and vehicles.

Independent Audit

Macias Gini & O'Connell LLP (MGO), a firm of independent certified public accountants, audited LAWA's financial statements. MGO concluded, based upon its audit, that there was a reasonable basis for rendering an unmodified opinion that LAWA's financial statements as of and for the fiscal years ended June 30, 2017 and 2016, were fairly presented in conformity with GAAP. MGO's report is on pages 1 and 2.

MGO conducted an additional audit to determine LAWA's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAWA complied in all material respects with the requirements applicable to and that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2017. MGO's report is on pages 157 and 158.

MGO also conducted a third audit to determine LAWA's compliance with the requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill 2051*, and concluded that LAWA complied in all material respects with the requirements applicable to and that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2017. MGO's report is on pages 165 and 166.

As a recipient of federal grants, LAWA is required to undergo an additional audit to meet the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The results of the Single Audit performed by MGO are issued in a separate report.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LAWA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the sixth consecutive year that LAWA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR 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 CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

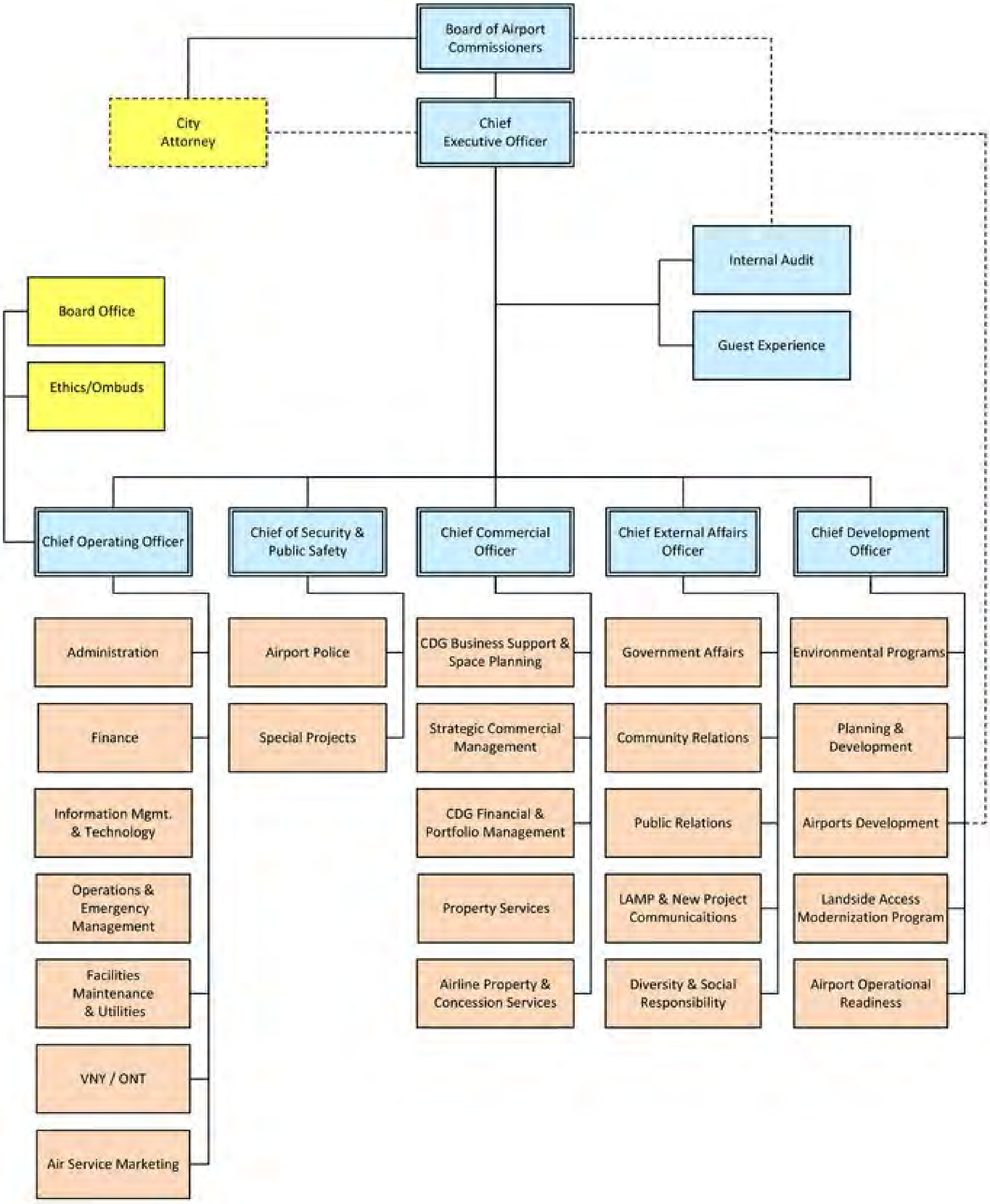
Acknowledgement

Publication of this CAFR is a reflection of the excellence and professionalism of LAWA's entire staff. The dedicated service and efforts of the Financial Reporting Division made the preparation of this report possible. We would like to express our appreciation to all team members who assisted in and contributed to its preparation.

Respectfully submitted,

Deborah Flint	Ryan P. Yakubik
Chief Executive Officer	Chief Financial Officer

Organization of the Los Angeles World Airports



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Chief Executive Officer

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Mike Feuer, City Attorney
Ron Galperin, City Controller

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Mitch O'Farrell, District 13
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LOS ANGELES WORLD AIRPORTS EXECUTIVE STAFF

Deborah Flint, Chief Executive Officer
Samson Mengitsu, Deputy Executive Director, Chief Operating Officer
Ryan Yakubik, Deputy Executive Director, Chief Financial Officer
Debbie Bowers, Deputy Executive Director, Chief Commercial Officer
Samantha Bricker, Deputy Executive Director, Environmental Programs Group
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Robert Gilbert, Deputy Executive Director, Chief Development Officer
Cynthia Guidry, Deputy Executive Director, Planning and Development Group
Roger Johnson, Deputy Executive Director, LAMP Program Executive
Aura Moore, Deputy Executive Director, Chief Information Officer
Keith Wilschetz, Deputy Executive Director, Operations and Emergency Management
Raymond Ilgunas, General Counsel

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Presented to

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California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

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STAR WARS
2017 Comprehensive Annual Financial Report

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- Management's Discussion and Analysis
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- Required Supplementary Information
- Supplemental Information

Independent Auditor's Report

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles (City), as of and for the fiscal years ended June 30, 2017 and 2016, and the related notes to the 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 LAWA as of June 30, 2017 and 2016, 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 Matters

Basis of Presentation

As discussed in Note 1, the financial statements of LAWA are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of LAWA. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. 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 5 to 37, the schedule of LAWA's proportionate share of the net pension liability on page 105, and the schedule of contributions - pension on pages 106 to 108 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 audits were conducted for the purpose of forming an opinion on the financial statements of LAWA. The accompanying introductory section, supplemental information, statistical section, and compliance section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

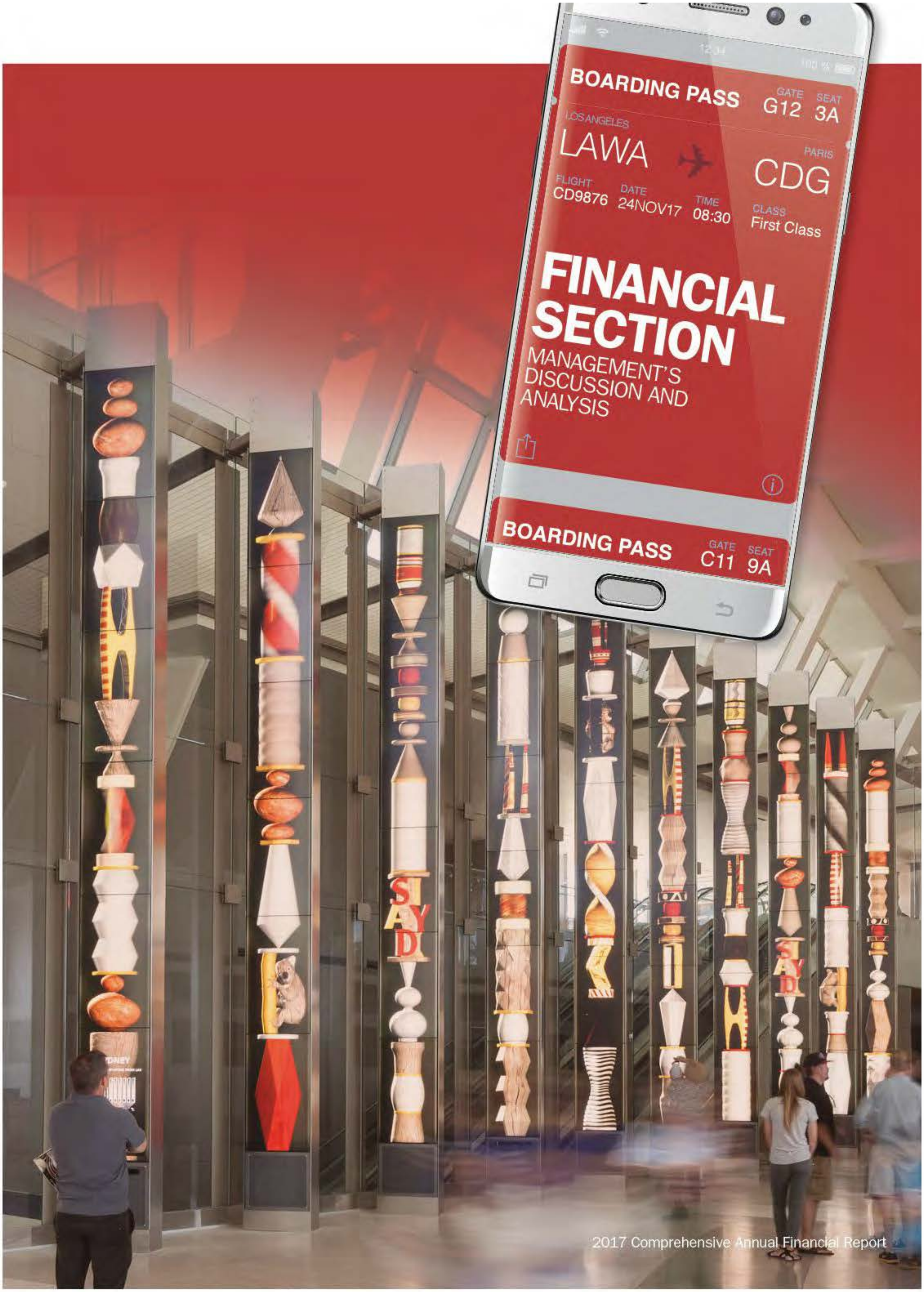
The accompanying combining schedules on pages 112 to 117; Schedule of Passenger Facility Charge Revenues and Expenditures and accompanying notes on pages 159 to 163; and Schedule of Customer Facility Charge Revenues and Expenditures and accompanying notes on pages 167 to 169 (collectively Information) are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying introductory section on pages i to xiii and statistical section on pages 122 to 154 have not been subjected to the auditing procedures applied in the audits of the 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 23, 2017, on our consideration of LAWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAWA's internal control over financial reporting and compliance.

Los Angeles, California
October 23, 2017



FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Management's Discussion and Analysis (Unaudited) June 30, 2017 and 2016

Los Angeles World Airports (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles, California (City). LAWA is an enterprise fund that owns and operates Los Angeles International Airport (LAX) and Van Nuys Airport (VNY). LAWA also owns approximately 17,750 acres of land located east of USAF Plant 42 in the City of Palmdale, and retains the rights for future development of the Palmdale property. On November 1, 2016, the City transferred, assigned and delivered to Ontario International Airport Authority (OIAA) the City's right, title and interest in and certain of the assets, properties, rights and interests solely used or held solely for use in connection with LAWA's operation of LA/ONT International Airport (ONT) pursuant to the Settlement Agreement described in Note 17 of the notes to the financial statements.

The management of LAWA presents the following narrative overview of LAWA's financial activities for the fiscal years ended June 30, 2017 and 2016. This discussion and analysis should be read in conjunction with LAWA's financial statements that begin on page 41.

Using This Financial Report

LAWA's financial report consists of this management's discussion and analysis (MD&A), and the financial statements that follow after the MD&A. The financial statements include:

The *Statements of Net Position* present information on all of LAWA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2017 and 2016. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources was reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAWA's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAWA's operations and information showing the changes in net position for the fiscal years ended June 30, 2017 and 2016. These statements can, among other things, be useful indicators of how LAWA recovered its costs through rates and charges. All changes in net position were reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses were recorded and reported in these statements for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. Consequently, only transactions that affect LAWA's cash and cash equivalents accounts were recorded in these statements. At the end of the statements, a reconciliation is provided to assist in understanding the difference between operating income and cash flows from operating activities.

The *Notes to the Financial Statements* present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of LAWA's financial activities.

Passenger and Other Traffic Activity Highlights

The following tables present a summary of passenger and other traffic at LAX for the last three fiscal years:

Los Angeles International Airport

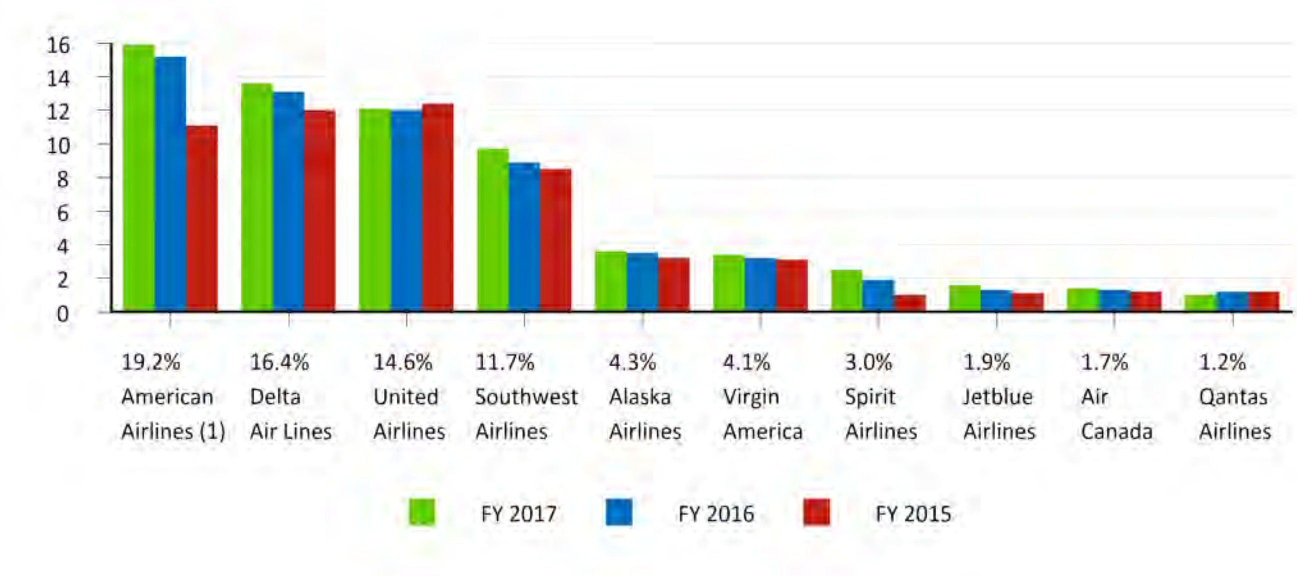
				% Change	
	FY 2017	FY 2016	FY 2015	FY 2017	FY 2016
Total passengers	82,923,839	77,799,530	72,062,730	6.6%	8.0%
Domestic passengers	58,934,016	56,151,106	52,478,111	5.0%	7.0%
International passengers	23,989,823	21,648,424	19,584,619	10.8%	10.5%
Departing passengers	41,602,124	38,952,367	36,114,325	6.8%	7.9%
Arriving passengers	41,321,715	38,847,163	35,948,405	6.4%	8.1%
Passenger flight operations					
Departures	316,704	300,023	291,107	5.6%	3.1%
Arrivals	316,309	299,652	290,920	5.6%	3.0%
Landing weight					
(thousand lbs)	62,635,426	59,166,582	54,990,272	5.9%	7.6%
Air cargo (tons)					
Mail	107,150	92,675	87,791	15.6%	5.6%
Freight	2,209,063	2,024,248	2,016,438	9.1%	0.4%

Note: Prior years' data may change because of updated available information, however, in order to remain comparable and consistent with the published data, the passenger and other traffic numbers for prior fiscal years are not changed. Fiscal Year (FY) 2017 traffic data is based on information available on August 1, 2017.

Passenger Traffic

The following charts present the top ten airlines at LAX by number of passengers for fiscal year 2017 and the comparative passengers for fiscal years 2016 and 2015.

LAX- FY 2017 Top Ten Carriers and Percentage of Market Share (passengers in millions)



(1) American Airlines merged with US Airways and combined data was reported starting FY 2016.

Passenger Traffic, Fiscal Year 2017

Passenger traffic at LAX increased by 6.6% in fiscal year 2017 as compared to fiscal year 2016. Of the 82.9 million passengers that moved in and out of LAX, domestic passengers accounted for 71.1%, while international passengers accounted for 28.9%. American Airlines ferried the largest number of passengers at 15.9 million with a 4.6% increase in passenger traffic. Delta Air Lines, ranked second with 13.6 million passengers posted a 3.8% increase in passenger traffic. United Airlines, ranked third with 12.1 million passengers posted a 0.8% increase in passenger traffic. Southwest Airlines (9.7 million) and Alaska Airlines (3.6 million) complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.4 million passengers and was ranked ninth overall.

Passenger Traffic, Fiscal Year 2016

Passenger traffic at LAX increased by 8.0% in fiscal year 2016 as compared to fiscal year 2015. Of the 77.8 million passengers that moved in and out of LAX, domestic passengers accounted for 72.2%, while international passengers accounted for 27.8%. American Airlines ferried the largest number of passengers at 15.2 million with a 11.8%[5] increase in passenger traffic. Delta Air Lines, ranked second with 13.1 million passengers posted a 9.2% increase in passenger traffic. United Airlines, ranked third with 12.0 million passengers posted a 3.2% decrease in passenger traffic. Southwest Airlines (8.9 million) and Alaska Airlines (3.5 million) complete the top five air carriers operating at LAX. Air Canada was the top foreign flag carrier with 1.3 million passengers and was ranked ninth overall.

[5] *American Airlines merged with US Airways and combined data was reported in FY 2016. On a comparable basis, FY 2015 passenger data for American Airlines was normalized to show combined total of 13.6 million for the purpose of calculating the increase in passenger traffic.*

Flight Operations, Fiscal Year 2017

Departures and arrivals at LAX increased by 33,338 flights or 5.6% during fiscal year 2017 when compared to fiscal year 2016. Scheduled and charter were up 33,636 flights, while commuter flights were down 298. Revenue landing pounds were up 5.9%. The top three carriers in terms of landing pounds were American Airlines, Delta Air Lines, and United Airlines. In total, these three airlines contributed 40.8% of the total revenue pounds at LAX.

Flight Operations, Fiscal Year 2016

Departures and arrivals at LAX increased by 17,648 flights or 3.0% during fiscal year 2016 when compared to fiscal year 2015. Scheduled and charter were up 19,080 flights, while commuter flights were down 1,432. Revenue landing pounds were up 7.6%. The top three carriers in terms of landing pounds were American Airlines, Delta Air Lines, and United Airlines. In total, these three airlines contributed 42.1% of the total revenue pounds at LAX.

Air Cargo Operations, Fiscal Year 2017

Freight and mail cargo at LAX increased by 9.4% in fiscal year 2017 as compared to fiscal year 2016. Freight and mail were up by 184,815 tons and 14,475 tons, respectively. Domestic cargo was up by 42,423 tons or 5.0% and international cargo was up by 156,867 tons or 12.4%. Federal Express was the top air freight carrier accounting for 16.9% of total freight cargo, followed by American Airlines with 4.5%. United Airlines was the top mail carrier accounting for 23.6% of total mail cargo.

Air Cargo Operations, Fiscal Year 2016

Freight and mail cargo at LAX increased by 0.6% in fiscal year 2016 as compared to fiscal year 2015. Freight and mail were up by 7,810 tons and 4,884 tons, respectively. Domestic cargo was up by 14,185 tons or 1.7% and international cargo was down by 1,491 tons or 0.1%. Federal Express was the top air freight carrier accounting for 17.8% of total freight cargo, followed by Delta Air Lines with 4.8%. Delta Air Lines was the top mail carrier accounting for 24.5% of total mail cargo.

Overview of LAWA's Financial Statements

Financial Highlights, Fiscal Year 2017

- LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at June 30, 2017 by $5.1 billion.
- Bonded debt of LAWA had a net increase of $347.4 million.
- Operating revenue totaled $1.4 billion.
- Operating expenses (including depreciation and amortization of $309.1 million) totaled $1.1 billion.
- Net nonoperating revenue was $23.8 million.
- Federal and other government grants totaled $87.8 million.
- LAWA's proportionate share of net pension liability (NPL) for the retirement benefits, based on the ratio of LAWA's contributions to the City's retirement plan's total contributions, was $774.4 million as of measurement date June 30, 2016, and reporting date June 30, 2017. NPL, the difference between the total pension liability (TPL) and the retirement plan's net position, is an important measure required by Governmental Accounting Standards Board (GASB) Statements No. 68[6] and 71[7], to report in the financial statements (see Note 13 of the notes to the financial statements.)
- As a result of the transfer of ONT assets and liabilities to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement, the changes in net position reflected four months of business activities for ONT from July 1, 2016 to October 31, 2016 in fiscal year 2017 and a full year of business activities for ONT in fiscal years 2016 and 2015. LAWA recognized a loss of $225.3 million on the disposal of ONT as a special item (see Note 17 of the notes to the financial statements.)
- Net position increased by $171.7 million.

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[6] *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27, issued in June 2012*
[7] *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68, issued in November 2013*

Financial Highlights, Fiscal Year 2016

- LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at June 30, 2016 by $4.9 billion.
- Bonded debt of LAWA had a net increase of $615.5 million.
- Operating revenue totaled $1.3 billion.
- Operating expenses (including depreciation and amortization of $250.1 million) totaled $984.5 million.
- Net nonoperating revenue was $54.8 million.
- Federal and other government grants totaled $49.3 million.
- LAWA's proportionate share of NPL for the retirement benefits, based on the ratio of LAWA's contributions to the City's retirement plan's total contributions, was $697.5 million as of measurement date June 30, 2015, and reporting date June 30, 2016. NPL, the difference between the TPL and the retirement plan's net position, is an important measure required by GASB Statements No. 68 and 71, to report in the financial statements (see Note 13 of the notes to the financial statements.)
- Net position increased by $405.4 million.

Net Position Summary

A condensed summary of LAWA's net position for fiscal years 2017, 2016, and 2015 is presented below:

Condensed Net Position (amounts in thousands)

	FY 2017	FY 2016	FY 2015	FY 2017 increase (decrease)	FY 2016 increase (decrease)
Assets					
Unrestricted current assets	$ 875,829	$ 953,498	$ 801,802	$ (77,669)	$ 151,696
Restricted current assets	1,921,000	1,826,813	1,666,940	94,187	159,873
Capital assets, net	8,746,290	8,237,704	7,457,471	508,586	780,233
Other noncurrent assets	68,013	13,151	16,070	54,862	(2,919)
Total assets	11,611,132	11,031,166	9,942,283	579,966	1,088,883
Deferred outflows of resources					
Deferred charges on debt refunding	38,550	25,763	27,051	12,787	(1,288)
Deferred outflows of resources related to pension	206,553	138,220	142,391	68,333	(4,171)
Total deferred outflows of resources	245,103	163,983	169,442	81,120	(5,459)
Liabilities					
Current liabilities payable from unrestricted assets	388,167	358,841	319,941	29,326	38,900
Current liabilities payable from restricted assets	212,756	174,686	132,667	38,070	42,019
Noncurrent liabilities	5,337,544	5,001,300	4,401,545	336,244	599,755
Net pension liability	774,356	697,482	615,349	76,874	82,133
Total liabilities	6,712,823	6,232,309	5,469,502	480,514	762,807
Deferred inflows of resources					
Deferred inflows of resources related to pension	74,147	65,236	150,019	8,911	(84,783)
Total deferred inflows of resources	74,147	65,236	150,019	8,911	(84,783)
Net Position					
Net investment in capital assets	3,899,605	3,651,912	3,359,104	247,693	292,808
Restricted for debt service	423,327	397,828	350,101	25,499	47,727
Restricted for capital projects	968,050	750,234	801,276	217,816	(51,042)
Restricted for operation & maintenance reserve	185,897	194,818	188,375	(8,921)	6,443
Restricted for federal forfeited property & protested funds	1,463	1,368	1,517	95	(149)
Unrestricted	(223,180)	(98,556)	(208,169)	(124,624)	109,613
Total net position	$ 5,255,162	$ 4,897,604	$ 4,492,204	$ 357,558	$ 405,400

Net Position, Fiscal Year 2017

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2017 and 2016, LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5.1 billion and $4.9 billion, respectively, representing an increase of 3.5% or $171.7 million.

The largest portion of LAWA's net position ($3.9 billion or 76.9%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position ($1.4 billion or 27.5%) represents resources that are subject to various restrictions on how they may be used. The negative unrestricted net position (-$223.2 million or -4.4%) was primarily a result of the transfer of ONT, which carried a net position of $364.9 million as of October 31, 2016, to OIAA pursuant to the ONT Settlement Agreement as described in Note 17 of the notes to the financial statements. In connection with the ONT transfer, LAWA recognized a loss of $225.3 million as a special item. The negative unrestricted net position was also attributed to the recognition of $76.9 million additional net pension liability (NPL) in accordance with GASB Statements No. 68 and 71.

Unrestricted current assets decreased by $77.7 million or 8.1%, from $953.5 million at June 30, 2016 to $875.8 million at June 30, 2017. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2017) held in the City Treasury. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions and transfers to fiscal agents for debt service. Without the transfer of ONT which carried unrestricted current assets of $71.3 million at June 30, 2016, the actual decrease would be approximately $6.4 million.

Restricted current assets include cash and investments (including reinvested cash collateral in 2017) held in the City Treasury for future capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for LAWA capital expenditures incurred at LAX and for bond principal and interest payments. Restricted current assets increased by $94.2 million or 5.2%, from $1.8 billion at June 30, 2016 to $1.9 billion at June 30, 2017. Without the transfer of ONT which carried restricted current assets of $84.8 million at June 30, 2016, the actual increase would be approximately $179.0 million or 9.8%. The increase in year-end investment portfolio held by fiscal agents of $90.2 million, or 10.8% from $834.3 million in fiscal year 2016 to $924.5 million in fiscal year 2017 was mainly due to unspent proceeds of newly issued 2017 series bonds as of June 30, 2017.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, new airport revenue and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by $508.6 million, or 6.2%. Without the transfer of ONT which carried a net capital assets of $283.5 million at June 30, 2016, the actual increase would be approximately $792.1 million or 9.6%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

Other noncurrent assets increased by $54.9 million or 417.2%. The increase was primarily due to noncurrent receivable from OIAA of $47.1 million[8] as a result of the ONT Settlement Agreement described in Note 17 of the notes to the financial statements.

[8] *Total receivable from OIAA was $56.8 million, with current receivable of $9.7 million and noncurrent receivable of $47.1 million.*

Current liabilities payable from unrestricted assets increased $29.3 million or 8.2%. This was mainly due to an increase of $48.2 million or 181.7% in other current liabilities, offset by a decrease of $9.0 million, or 3.8% in contracts and accounts payable, and a decrease of $9.5 million, or 62.7% in obligations under securities lending transactions. The increase in other current liabilities was primarily a result of an increase in customers' advance payments and unapplied credits issued to the airlines of $19.4 million, and an increase in LAWA's share of the City Treasury's year-end pending investment trade of $28.4 million in fiscal year 2017.

Current liabilities payable from restricted assets increased $38.1 million or 21.8%. This was mainly due to an increase of $37.0 million or 177.9% in LAWA's share of the City Treasury's year-end pending investment trade in fiscal year 2017, an increase of $7.4 million in current maturities of bonded debt (after redemption[9] of $4.3 million current bonded debt), offset by a decrease of $11.8 million or 61.8% in obligations under securities lending transactions.

The net increase in noncurrent liabilities was $413.1 million or 7.2%. The increase was primarily a result of bond issuances of $677.6 million with net change in premium of $34.6 million, offset by advance refunding[10] of $214.1 million, bond redemption[10] of $51.2 million; and the shift of $107.9 million to current bonded debt in fiscal year 2017. The net increase was also attributable to the recognition of additional proportionate share of NPL of $76.9 million. According to the Governmental Accounting Standards 68 Actuarial Valuation Report based on June 30, 2016 measurement date for employer reporting as of June 30, 2017, the increase in NPL was mainly due to the return on the market value of assets of 0.24% during fiscal year 2016 that was less than the assumption of 7.5% used in the June 30, 2015 valuation.

Total deferred outflows of resources increased $81.1 million or 49.5%. The increase was mainly due to increase of $12.8 million or 49.6% in deferred charges on debt refunding, and recognition of $88.6 million in deferred outflows of resources for differences between projected and actual investment earnings related to pension in fiscal year 2017, offset by decrease of $20.2 million or 28.6% in deferred outflows of resources for changes of assumptions related to pension.

Total deferred inflows of resources increased $8.9 million or 13.7%. The increase was mainly due to an increase of $25.7 million, or 85.6% in deferred inflows of resources for differences between expected and actual experience related to pension, offset by a decrease of $20.1 million in deferred inflows of resources for differences between projected and actual investment earnings related to pension.

[9] *Redemption and advance refunding totaled $269.6 million in fiscal year 2017.*

Net Position, Fiscal Year 2016

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2016 and 2015, LAWA's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $4.9 billion and $4.5 billion, respectively, representing a 9.0% increase or $405.4 million.

The largest portion of LAWA's net position ($3.7 billion or 74.6%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less accumulated depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position ($1.3 billion or 27.4%) represents resources that are subject to various restrictions on how they may be used. The unrestricted net position (-$98.6 million or -2.0%) was a result of the recognition of $82.1 million additional NPL in accordance with GASB Statements No. 68 and 71.

Unrestricted current assets increased by 18.9%, from $801.8 million at June 30, 2015 to $953.5 million at June 30, 2016. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2016) held in the City Treasury. Cash inflows were more than outflows during the fiscal year. Unrestricted cash inflows were from operating activities, investment activities, noncapital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for operating activities, capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2016) held in the City Treasury for future capital projects funded by PFCs and CFCs. Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for LAWA capital expenditures incurred at LAX and for bond principal and interest payments. The year-end investment portfolio held by fiscal agents increased by 27.6% from $653.9 million in fiscal year 2015 to $834.3 million in fiscal year 2016 mainly due to unspent proceeds of newly issued 2016 series bonds as of June 30, 2016.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by 10.5%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

The recognition of the current portion of the receivable from the City General Fund of $2.8 million was the primary reason for the decrease in other noncurrent assets.

Current liabilities payable from unrestricted assets had a net increase of $38.9 million or 12.2%. This was mainly due to the increase of $20.1 million, or 9.3% in contracts and accounts payable as a result of the accrued $34.4 million acquisition of Terminal 1 renovations at year-end; increase of $10.7 million, or 243.3% in obligations under securities lending transactions, and increase of $4.9 million or 22.6% in other current liabilities. The increase in other current liabilities was mainly due to an increase in LAWA's share of the City Treasury's year-end pending investment trade of $9.0 million, offset by decrease of $5.5 million in unapplied credits issued to the airlines in FY 2016, and increase of $1.9 million negative unbilled receivables arising from the landing fees and building rentals reconciliation.

Current liabilities payable from restricted assets had an increase of $42.0 million or 31.7% due to the increase of $14.7 million, or 17.2% in current maturities of bonded debt, increase of $12.4 million in obligations under securities lending transactions, increase of $9.4 million in LAWA's allocated share of the City Treasury's fiscal year-end pending investment trades, increase of $2.7 million in accrued interest payable, and increase of $2.4 million, or 120.2% in contracts and accounts payable in fiscal year 2016. The net increase in noncurrent liabilities was $681.9 million or 13.6%, as a result of additional bond issuances of $613.5 million and the recognition of LAWA's additional proportionate share of NPL of $82.1 million in fiscal year 2016.

The total deferred outflows of resources had a net decrease of $5.5 million or 3.2%. The decrease was mainly due to the decrease of $18.4 million, or 20.7% in the proportionate share of deferred outflows of resources for changes of assumptions related to pension, and the decrease of $1.3 million or 4.8% in deferred charges on debt refunding, offset by the increase of $7.4 million or 14.0% in deferred outflows of resources for contribution after measurement date related to pension, and the increase of $6.8 million in the deferred outflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions related to pension.

The total deferred inflows of resources had a net decrease of $84.8 million or 56.5%. The decrease was mainly due to the decrease of $92.3 million, or 82.1% in the deferred inflows of resources for differences between projected and actual investment earnings related to pension, and the decrease of $4.2 million or 21.6% in the the deferred inflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions related to pension, offset by the increase of $11.7 million, or 63.6% in the deferred inflows of resources for differences between expected and actual experience related to pension.

Changes in Net Position Summary

A condensed summary of LAWA's changes in net position for fiscal years ended 2017, 2016, and 2015 is presented below. As previously discussed, due to the transfer of ONT to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement described in Note 17 of the notes to the financial statements, the changes in net position reflected four months of business activities for ONT from July 1, 2016 to October 31, 2016 in fiscal year 2017 and a full year of business activities for ONT in fiscal years 2016 and 2015.

Condensed Changes in Net Position
(amounts in thousands)

	FY 2017	FY 2016	FY 2015	FY 2017 increase (decrease)	FY 2016 increase (decrease)
Operating revenue	$ 1,372,730	$ 1,285,816	$ 1,121,584	$ 86,914	$ 164,232
Less- Operating expenses	778,198	734,419	712,060	43,779	22,359
Operating income before depreciation and amortization	594,532	551,397	409,524	43,135	141,873
Less- Depreciation and amortization	309,126	250,109	201,214	59,017	48,895
Operating income	285,406	301,288	208,310	(15,882)	92,978
Other nonoperating revenue, net	23,846	54,841	24,803	(30,995)	30,038
Federal and other government grants	87,756	49,271	34,761	38,485	14,510
Special item - loss on transfer of ONT	(225,347)	—	—	(225,347)	—
Changes in net position	171,661	405,400	267,874	(233,739)	137,526
Net position, beginning of year, as previously reported	4,897,604	4,492,204	4,841,849	405,400	(349,645)
Change in accounting principle	—	—	(617,519)	—	617,519
Net position, beginning of year, as restated	4,897,604	4,492,204	4,224,330	405,400	267,874
Net position, end of year	$ 5,069,265	$ 4,897,604	$ 4,492,204	$ 171,661	$ 405,400

Operating Revenue

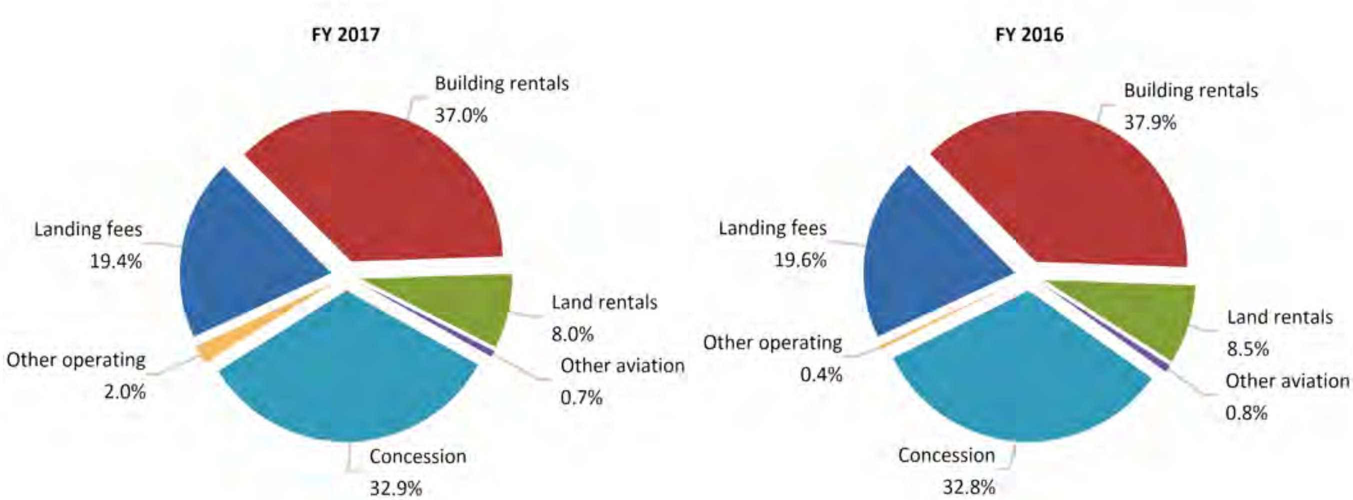
LAWA derives its operating revenue from several major airport business activities. The following table presents a summary of these business activities during fiscal years 2017, 2016, and 2015:

Summary of Operating Revenue (amounts in thousands)

	FY 2017	FY 2016	FY 2015	FY 2017 increase (decrease)	FY 2016 increase (decrease)
Aviation revenue					
Landing fees	$ 265,828	$ 252,589	$ 239,659	$ 13,239	$ 12,930
Building rentals	507,981	487,349	389,796	20,632	97,553
Land rentals	110,314	109,422	102,746	892	6,676
Other aviation revenue	10,081	9,606	7,126	475	2,480
Total aviation revenue	894,204	858,966	739,327	35,238	119,639
Concession revenue	451,088	422,278	377,617	28,810	44,661
Other operating revenue	27,438	4,572	4,640	22,866	(68)
Total operating revenue	$ 1,372,730	$ 1,285,816	$ 1,121,584	$ 86,914	$ 164,232

Operating Revenue, Fiscal Year 2017

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2017 and 2016.



For the fiscal year ended June 30, 2017, total operating revenue was $1.4 billion, a $86.9 million or 6.8% increase from the prior fiscal year. The growth in aviation related revenue was $35.2 million. Non-aviation revenue had an increase of $51.7 million, with $28.8 million increase in concessions and $22.9 million increase in other operating income.

As described in Note 1i of the notes to the financial statements, landing fees assessed to air carriers at LAX are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas.

Landing fees increased by $13.2 million or 5.2%, from $252.6 million in fiscal year 2016 to $265.8 million in fiscal year 2017. At LAX, landing fees were up by $20.8 million, or 8.6%. The increase in landing fees was primarily due to the increase in actual capital and operating expenses allocable to the landing fee cost centers.

Building rentals increased by $20.6 million or 4.2% from $487.3 million in fiscal year 2016 to $508.0 million in fiscal year 2017. At LAX, total building rental revenue posted a growth of $30.7 million, or 6.6%. The increase was primarily attributable to the improvements and refurbishments in the terminals, scheduled rate increases associated with the Terminal Rate Agreement, as well as new and renegotiated leases signed with the airlines and other tenants.

Land rental revenue was up by $0.9 million from $109.4 million in fiscal year 2016 to $110.3 million in fiscal year 2017. Land rental revenue increased by $2.4 million at LAX and $0.6 million at VNY. The increase in land rental revenue at LAX was mainly due to an increase in leased areas. The increase was offset by the decrease of $2.1 million in ONT land rental revenue, reflective of only four months period of ONT operations in fiscal year 2017.

Total revenue from concessions was $451.1 million in fiscal year 2017, a 6.8% growth from $422.3 million in fiscal year 2016. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessions for advertising, foreign exchange booths, telecommunications, automated teller machines, luggage cart rental, and security screening services. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, transportation network company (TNC)[10] and other commercial ground transportation operations. The total revenue from concessions was $441.6 million and $398.7 million for LAX in fiscal year 2017 and 2016, respectively. The increase was offset by the decrease of $14.1 million in ONT concession revenue, reflective of only four months period of ONT operations in fiscal year 2017.

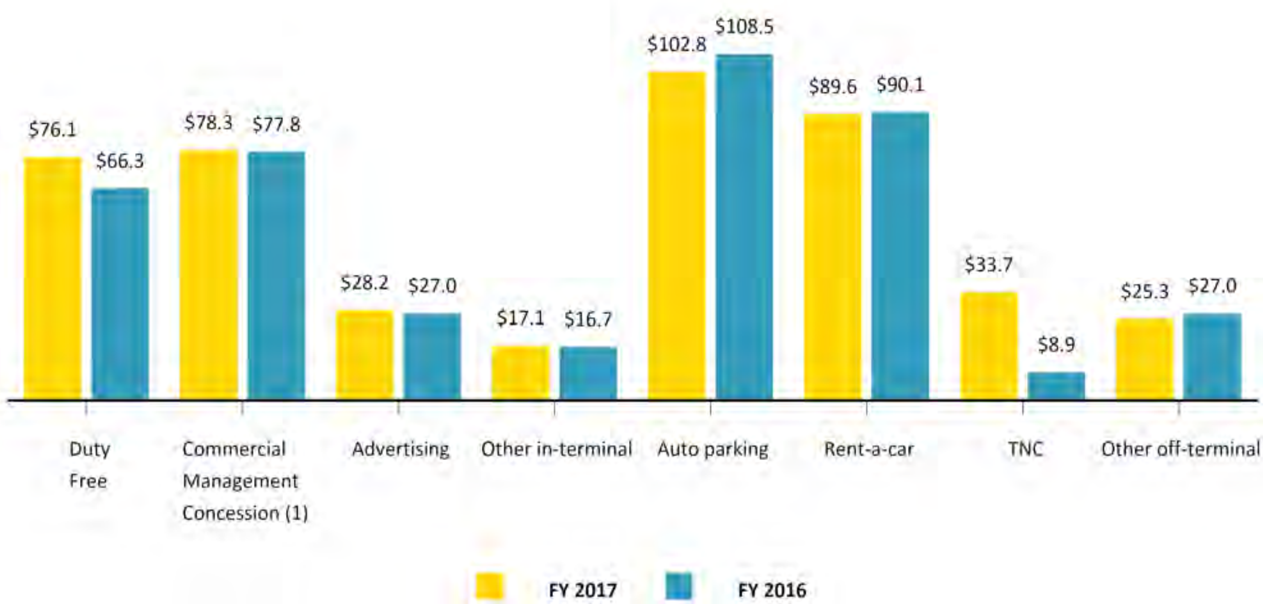
At LAX, in-terminal concession revenue during fiscal year 2017 had a net increase of $13.0 million or 7.0% as compared to fiscal year 2016. The increase was primarily a result of growth in duty free revenues of $9.8 million, or 14.8% due to increase in international passengers, and increase in advertising revenue of $1.6 million, or 6.1% due to negotiated increases in the minimum annual guarantee (MAG).

[10] *Transportation network companies currently permitted to operate at LAX include Uber and Lyft.*

Off-terminal concession revenue at LAX in fiscal year 2017 was $242.9 million as compared to $213.0 million in fiscal year 2016, an increase of $29.9 million, or 14.0%. The increase was mainly driven by the increase of TNC revenue of $24.8 million, or 278.7% from fiscal year 2016. The increase in TNC revenue was the result of a full year of TNC operation in fiscal year 2017 as compared to only six months operations in fiscal year 2016, and the significant growth in ridership driven by the popularity of TNC together with the increase in passenger traffic during fiscal year 2017. TNC revenue-generating operations were launched in late December 2015.

Out of the remaining increase of $5.1 million in off-terminal concession revenue, $2.6 million was from auto parking, $4.1 million from rent-a-car, $1.8 million from flyaway bus service, and offsetting decrease of $3.4 million from bus, limousine and taxi services.

Comparative LAWA concession revenue by type for fiscal years 2017 and 2016 are presented in the following chart (amounts in millions).

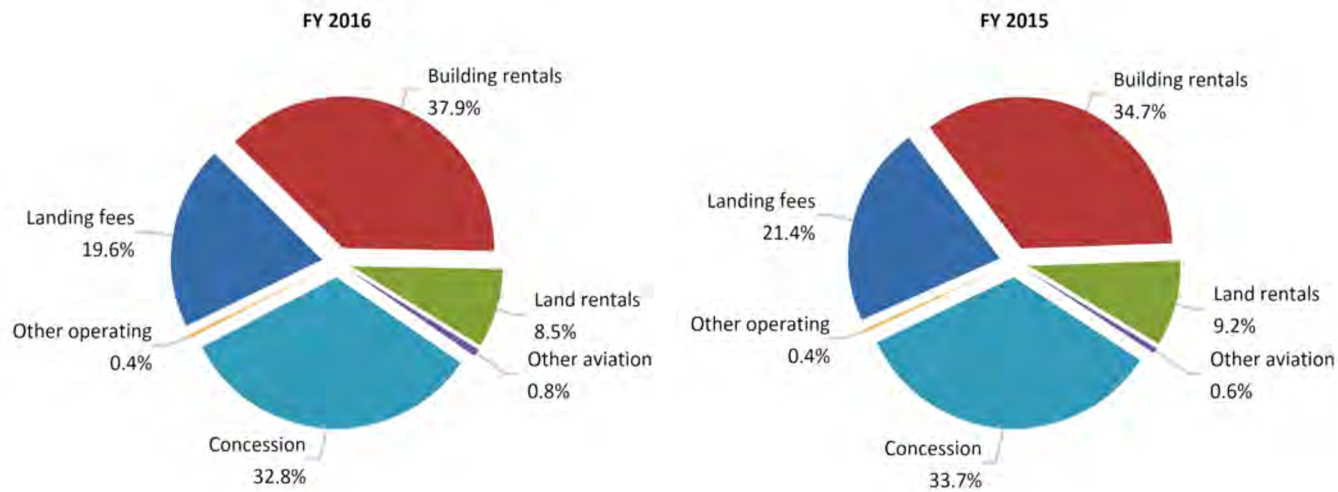


(1) Commercial Management Concession revenue includes total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires.

Other operating revenue increased by $22.9 million or 500.1% in fiscal year 2017 as a result of the ONT employee salary reimbursement of $21.0 million from OIAA pursuant to the Staff Augmentation Agreement (SAA) as described in Note 17 of the notes to the financial statements. Pursuant to the SAA, some LAWA staff may remain at ONT for as long as 21 months after the closing of the ONT Settlement Agreement on November 1, 2016. Accordingly, these ONT employee salary reimbursements are expected to continue on a limited duration which will end no later than August 1, 2018.

Operating Revenue, Fiscal Year 2016

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2016 and 2015.



For the fiscal year ended June 30, 2016, total operating revenue was $1.3 billion, a $164.2 million or 14.6% increase from the prior fiscal year. The growth in aviation related revenue was $119.6 million. Non-aviation revenue had a net increase of $44.6 million mostly from concessions.

As described in the notes to the financial statements, landing fees assessed to air carriers at LAX and ONT are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Landing fees increased by $12.9 million or 5.4%, from $239.7 million in fiscal year 2015 to $252.6 million in fiscal year 2016. At LAX, landing fees were up by $13.3 million, or 5.9%. The increase in landing fees was due to the increase in actual expenses. At ONT, landing fees were down by $0.4 million, or 3.3%.

Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas. Terminal rental rates calculated for ONT follow a residual fee methodology. Rates are set initially during the fiscal year based on budgeted operating revenue and expenses. Reconciliation between actual revenue and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

At LAX, total building rental revenue posted a growth of $97.4 million, or 26.7%. The increase was primarily attributable to the improvements and refurbishments in the terminals, scheduled rate increases associated with the Terminal Rate Agreement, as well as new and renegotiated leases signed with the airlines and other tenants. At ONT, building rental decreased by $0.3 million, or 2.0%, due to decreases in operating expenses.

Land rental revenue was up by $6.7 million from $102.7 million in fiscal year 2015 to $109.4 million in fiscal year 2016. Land rental revenue increased by $5.7 million at LAX and $0.4 million at ONT, and increased by $0.6 million at VNY. The increase in land rental revenue at LAX was mainly due to the increase in leased areas.

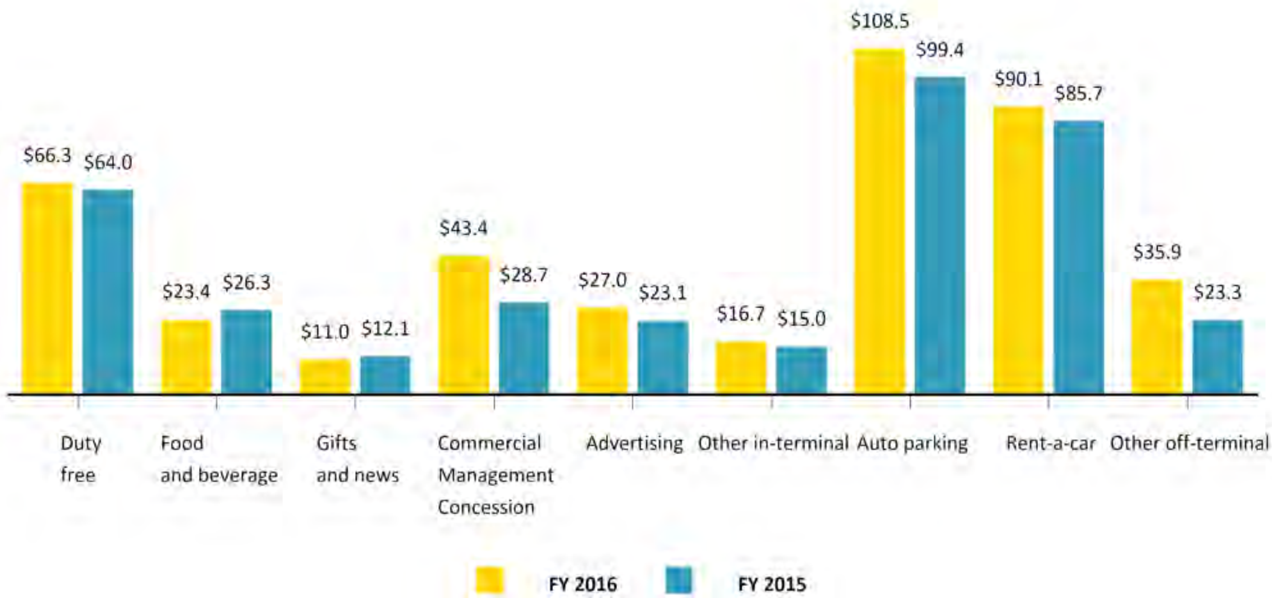
Total revenue from concessions was $422.3 million in fiscal year 2016, an 11.8% growth from $377.6 million in fiscal year 2015. In-terminal concession revenue includes rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, and luggage cart rental. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services, TNC and other commercial ground transportation operations.

At LAX, in-terminal concession revenue during fiscal year 2016 had a net increase of $19.0 million or 11.4% as compared to fiscal year 2015. The concessions benefited from the increased passenger traffic. Duty free revenues increased by $2.3 million, or 3.6%. Advertising revenue increased by $3.9 million, or 17.3% as a result of negotiated increases in the MAG. Foreign exchange and telecommunications increased by $1.7 million, or 20.2%. As discussed in Note 8 of the notes to the financial statements, LAWA entered into Terminal Commercial Management Concession Agreements with Westfield Airports, LLC to develop, lease, and manage certain retail food and beverage operations in specific locations at the TBIT, Terminals 1, 2, 3 and 6. Overall, the total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires showed a net increase of $11.1 million, or 17.0%.

Off-terminal concession revenue at LAX in fiscal year 2016 was $213.0 million as compared to $187.4 million in fiscal year 2015, an increase of $25.6 million, or 13.7%. Of the $25.6 million increase, $8.3 million was from auto parking, $4.7 million from rent-a-car, $1.5 million from bus, limousine and taxi services, and $2.2 million from flyaway bus service. New fees charged to TNC added $8.9 million in fiscal year 2016.

At ONT, in-terminal concession revenue was down $0.4 million, or 16.0% from fiscal year 2015, mainly due to the decrease of $0.4 million, or 40.0% in gifts and news. Off-terminal concession revenue showed an increase of $0.5 million, or 2.4% from fiscal year 2015 mainly due to increase of $0.8 million, or 5.9% in auto parking revenue, offset by the decrease of $0.3 million, or 4.2% in rent-a-car.

Comparative concession revenue by type for fiscal years 2016 and 2015 are presented in the following chart (amounts in millions).



Operating Expenses

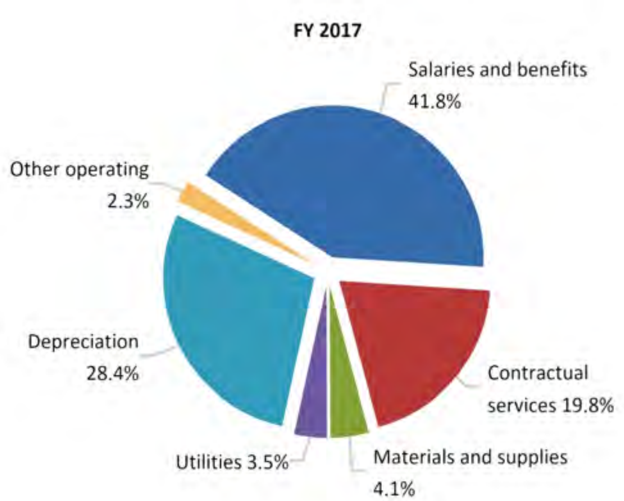
The following table presents a summary of LAWA's operating expenses for the fiscal years ended June 30, 2017, 2016, and 2015. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

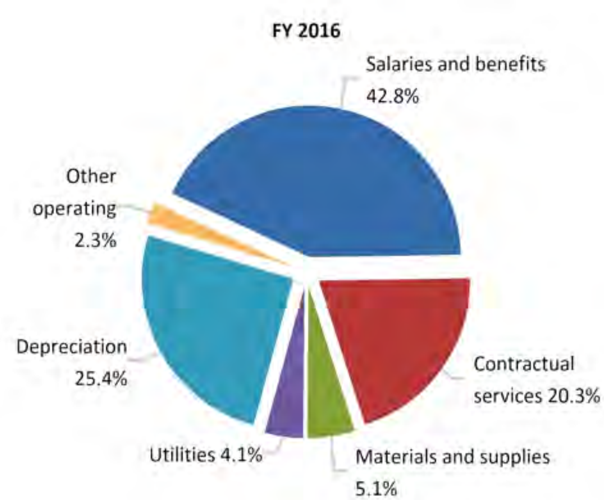
Summary of Operating Expenses
(amounts in thousands)

	FY 2017	FY 2016	FY 2015	FY 2017 increase (decrease)	FY 2016 increase (decrease)
Salaries and benefits	$ 455,032	$ 421,028	$ 405,923	$ 34,004	$ 15,105
Contractual services	215,386	199,919	190,445	15,467	9,474
Materials and supplies	44,634	50,325	49,810	(5,691)	515
Utilities	37,675	40,843	43,247	(3,168)	(2,404)
Other operating expenses	25,471	22,304	22,635	3,167	(331)
Operating expenses before depreciation	778,198	734,419	712,060	43,779	22,359
Depreciation	309,126	250,109	201,214	59,017	48,895
Total operating expenses	$ 1,087,324	$ 984,528	$ 913,274	$ 102,796	$ 71,254

Operating Expenses, Fiscal Year 2017

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2017 and 2016.





For the fiscal year ended June 30, 2017, LAWA operating expenses were $1.1 billion, a $102.8 million or 10.4% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by $34.0 million, contractual services, up by $15.5 million, and depreciation, up by $59.0 million, offset by the decrease in materials and supplies of $5.7 million and decrease in utilities of $3.2 million. Total operating expense was $1,040.7 million and $890.3 million for LAX in fiscal year 2017 and 2016, respectively. Total operating expenses was $23.5 million and $71.5 million for ONT in fiscal year 2017 and 2016, respectively.

LAWA's salaries and benefits expense increased by $34.0 million or 8.1% in fiscal year 2017. At LAX, salaries and benefits expense increased by $50.6 million or 13.0%. The increase was partially due to the inclusion of ONT's salaries and benefits of $17.4 million subsequent to the ONT transfer on November 1, 2016 as described in Note 17 of the notes to the financial statements. Without the ONT's salaries and benefits of $17.4 million, the actual increase in salaries and benefits would be $33.2 million or 8.6%. Within this category, salaries and overtime before capitalized charges at LAX had an increase of $24.0 million or 8.3%. Without the ONT's salaries and overtime of $12.8 million, the actual increase in salaries and overtime would be $11.2 million or 3.9%. This increase was mainly due to bargaining agreements with employee unions. The combined increase in pension, healthcare subsidy, and accrued sick and vacation was $23.9 million, or 20.6%. Without the ONT's pension, healthcare subsidy, and accrued sick and vacation of $4.3 million, the actual increase would be $19.6 million or 16.8%. The increase was mainly driven by increase in recognition of GASB 68 non-cash pension expense of $17.2 million from $61.2 million to $78.4 million in fiscal year 2017. Workers' compensation increased by $1.6 million from $8.1 million to $9.7 million in fiscal year 2017.

LAWA contractual services increased by $15.5 million from $199.9 million to $215.4 million in fiscal year 2017. Contractual services expense was $203.3 million and $182.7 million for LAX in fiscal year 2017 and 2016, respectively. Contractual services expense was $4.4 million and $11.2 million for ONT in fiscal year 2017 and 2016, respectively, reflective of only four months period of ONT operations in fiscal year 2017.

The increase in contractual service expense at LAX was mainly due to higher city services charges of $12.3 million due to increased cost allocation plan rates for central (personnel, controller, general services) and direct services (fire and police departments); higher legal services expense of $3.9 million due to claims related to the procurement of Aircraft Rescue and Fire Fighting (ARFF) vehicles, higher operations and emergency management expenses, offset by lower capital planning and engineering services and environmental program expenses in fiscal year 2017. At ONT, contractual service expense was $4.4 million, a decrease of $6.6 million in fiscal year 2017, reflective of only four months period of ONT operations in fiscal year 2017.

LAWA materials and supplies decreased by $5.7 million from $50.3 million to $44.6 million in fiscal year 2017. LAX expense was $43.8 million and $46.1 million in fiscal year 2017 and 2016, respectively. The increase in materials and supplies at LAX was mainly due to higher maintenance costs. Materials and supplies expense was $0.4 million and $3.5 million for ONT in fiscal year 2017 and 2016, respectively, reflective of only four months period of ONT operations in fiscal year 2017.

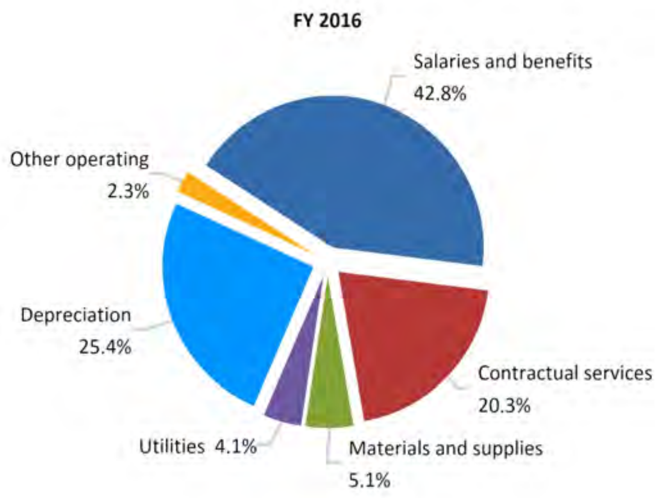
LAWA utilities expense decreased by $3.2 million from $40.8 million to $37.7 million in fiscal year 2017. Utilities expense was $36.0 million and $36.2 million for LAX in fiscal year 2017 and 2016, respectively. Utilities expense was $1.2 million and $4.1 million for ONT in fiscal year 2017 and 2016, respectively, reflective of only four months period of ONT operations in fiscal year 2017.

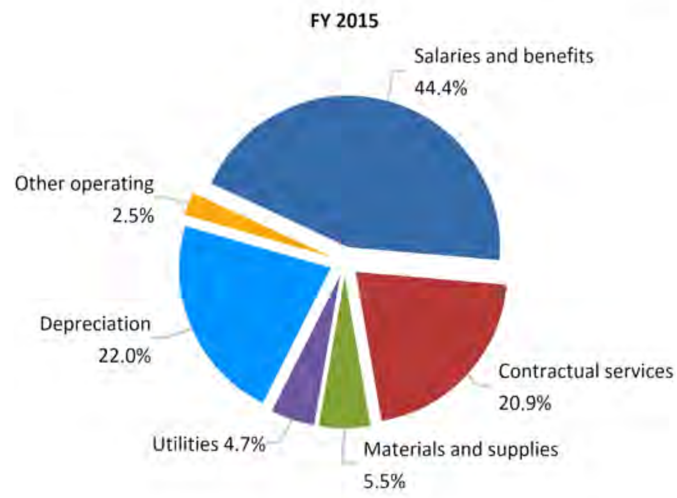
LAWA other operating expense increased by $3.2 million from $22.3 million to $25.5 million in fiscal year 2017. Other operating expenses was $25.8 million and $20.7 million for LAX in fiscal year 2017 and 2016, respectively. Other operating expenses was $0.1 million and $1.1 million for ONT in fiscal year 2017 and 2016, respectively. The increase at LAX was mainly due to the accrual and payment of $3.7 million property taxes for the Park One parking lot pursuant to the lease covering the fiscal years from 2014 to 2017.

The increase in depreciation charges from $250.1 million to $309.1 million in fiscal year 2017 was a result of the completion of the associated projects related to Bradley West core renovation, Bradley West Terminal connector, some terminal renovations, TCM improvements, west maintenance facility and CTA curbside development project.

Operating Expenses, Fiscal Year 2016

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2016 and 2015.





For the fiscal year ended June 30, 2016, operating expenses were $984.5 million, a $71.3 million or 7.8% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by $15.1 million, contractual services, up by $9.5 million, and depreciation, up by $48.9 million, offset by the decrease in utilities of $2.4 million.

Salaries and overtime before capitalized charges had an increase of $6.0 million or 2.0% due mainly to bargaining agreements with employee unions. The combined increase in retirement contributions, healthcare subsidy, and accrued sick and vacation was $15.0 million, or 13.6%. The increase in workers' compensation of $5.0 million, or 36.9% was mainly due to the decrease in the number of high value cases during fiscal year 2016 as compared to fiscal year 2015. The increase in contractual services was mainly due to higher city services payment, capital planning and engineering services, offset by lower legal services expenses. The increase in depreciation charges from $201.2 million to $250.1 million in fiscal year 2016 was due to the completion of associated projects related to Bradley West, and the replacement of the CUP facilities at LAX. During fiscal year 2016, $1.8 billion was reclassified from construction work in progress to depreciable capital asset categories. The decrease in utilities from $43.2 million to $40.8 million in fiscal year 2016 was due to the decrease in electricity of $1.0 million, or 3.1%, and decrease in water charges of $2.0 million, or 29.0%, offset by the increase of $0.6 million or 11.1% in gas and telephone. The decrease in fiscal year 2016 electricity charges was resulted from the operation of a new, more energy efficient CUP. The decrease in water charges was due to a one-time rate adjustment credit of $0.7 million and efforts to lower water consumption in fiscal year 2016.

Materials and supplies increased by $0.5 million or 1.0%, and other operating expenses decreased by $0.3 million, or 1.5%. The decrease in other operating expenses was mainly due to a decrease of $2.7 million as a result of the change in accrued property tax from possessory interest tax instead of real estate tax for the Skyview property; offset by the increase of a legal settlement costs of $1.3 million to the State Water Resources Control Board relating to monitoring of underground fuel storage tank. Bad debts expenses in fiscal year 2016 was $0.4 million as compared to a reduction in bad debts expenses of $0.4 million in fiscal year 2015.

Nonoperating Transactions

Nonoperating transactions are activities that do not result from providing services as well as producing and delivering goods in connection with LAWA's ongoing operations. The following table presents a summary of these activities during fiscal years 2017, 2016, and 2015.

Summary of Nonoperating Transactions (amounts in thousands)

	FY 2017	FY 2016	FY 2015	FY 2017 increase (decrease)	FY 2016 increase (decrease)
Nonoperating revenue					
Passenger facility charges	$ 166,770	$ 153,964	$ 141,466	$ 12,806	$ 12,498
Customer facility charges	33,890	36,082	33,185	(2,192)	2,897
Interest income	25,013	21,956	22,240	3,057	(284)
Net change in fair value of investments	(20,738)	15,074	(2,074)	(35,812)	17,148
Other nonoperating revenue	15,886	17,857	9,175	(1,971)	8,682
	$ 220,821	$ 244,933	$ 203,992	$ (24,112)	$ 40,941
Nonoperating expenses					
Interest expense	$ 194,482	$ 185,275	$ 169,630	$ 9,207	$ 15,645
Other nonoperating expenses	2,493	4,817	9,559	(2,324)	(4,742)
	$ 196,975	$ 190,092	$ 179,189	$ 6,883	$ 10,903
Federal capital grants	$ 87,756	$ 49,271	$ 34,761	$ 38,485	$ 14,510
Special item - loss on transfer of ONT	$ (225,347)	$ —	$ —	$ (225,347)	$ —

Nonoperating Transactions, Fiscal Year 2017

LAWA PFCs increased by $12.8 million, or 8.3% in fiscal year 2017. At LAX, PFCs increased by $13.5 million or 8.9% from $150.4 million to $163.9 million as a result of the increase of 6.6% passenger traffic in fiscal year 2017. At ONT, PFCs decreased by $0.7 million or 18.4%, reflective of only four months period of ONT operations in fiscal year 2017.

CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWA, posted a decrease of $2.2 million, or 6.1% in fiscal year 2017. At LAX, CFCs increased by $0.5 million, or 1.7% from $32.0 million to $32.5 million in fiscal year 2017. At ONT, CFCs decreased by $2.7 million, or 67.1%, reflective of only four months period of ONT operations in fiscal year 2017.

Interest income increased by $3.1 million, or 13.9% in fiscal year 2017. At LAX, interest income increased by $3.7 million, or 18.8% from $19.6 million to $23.3 million in fiscal year 2017 mainly due to higher average balance of cash and pooled investments held in City Treasury. The net change in fair value of investments reflects the decrease driven by the downward year-end net adjustment to the fair value of investment securities. At ONT, interest income decreased by $0.6 million or 28.0%, reflective of only four months period of ONT operations in fiscal year 2017.

Interest expenses increased by $9.2 million, or 5.0% in fiscal year 2017. At LAX, interest expenses increased by $11.1 million, or 6.1% from $182.4 million to $193.5 million in fiscal year 2017 mainly due to the net additional issuances of $463.5 million revenue bonds (after advance refunding) to finance capital improvement projects. At ONT, interest expenses decreased by $1.9 million or 64.9% in fiscal year 2017 as a result of the payoff of all ONT outstanding revenue bonds due to the ONT transfer on November 1, 2016.

Other nonoperating revenue decreased by $2.0 million, or 11.0% in fiscal year 2017. At LAX, other nonoperating revenue decreased by $2.2 million, or 12.5% from $18.0 million to $15.7 million in fiscal year 2017. The decrease was mainly due to the offset of $2.3 million rental income from residential acquisition program with the corresponding acquired assets in fiscal year 2017. At ONT, the other nonoperating revenue increased by $0.3 million in fiscal year 2017 as a result of $0.6 million loss on disposal of properties in fiscal year 2016 offset by the decrease of $0.3 million Transportation Security Administration (TSA) revenue.

Other nonoperating expenses decreased by $2.3 million, or 48.2% in fiscal year 2017. At LAX, other nonoperating expenses decreased by $4.3 million, or 63.3% from $6.8 million to $2.5 million in fiscal year 2017. The decrease was mainly due to $1.3 million decrease in bond issuance expenses in fiscal year 2017 and $3.0 million nonoperating expenses related primarily to an improvement expense adjustment between LAX and VNY in fiscal year 2016.

LAWA federal and other government grants increased by $38.5 million, or 78.1% in fiscal year 2017. At LAX, federal capital grants increased by $38.5 million, or 78.2% from $49.3 million to $87.8 million mainly due to the increase of $36.3 million TSA in-line baggage reimbursement grants from $1.8 million in fiscal year 2016 to $38.1 million in fiscal year 2017.

As described in Note 17 of the notes to the financial statements, LAWA transferred the assets and liabilities of ONT to OIAA on November 1, 2016 pursuant to the ONT Settlement Agreement. As a result of the transfer, LAWA recognized a loss of $225.3 million on the disposal of the ONT as a special item.

Nonoperating Transactions, Fiscal Year 2016

As a result of the increase of 8.0% passenger traffic in fiscal year 2016 , PFCs increased by $12.6 million, or 9.1% at LAX. At ONT, effective April 1, 2016, the PFCs was increased from $2.00 to $4.50. The decreased PFCs revenue at ONT of $0.1 million, or 1.6% was a result of a reversal of a prior year estimate.

CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWA, posted an increase of $2.9 million, or 8.7% in fiscal year 2016. CFCs increased by $2.7 million, or 9.0%, at LAX, and increased by $0.2 million, or 6.5%, at ONT.

Interest income decreased slightly by $0.3 million, or 1.3% due to slightly lower average balance of cash and pooled investments held in City Treasury. The net change in fair value of investments reflects the increase driven by the upward year-end net adjustment to the fair value of investment securities. The other nonoperating revenue increased by $8.7 million, or 94.6% in fiscal year 2016. This was mainly due to increase of $1.0 million in sales of property and equipment, increase of $5.1 million from the favorable litigation settlement relating to the Runway 25L Relocation and Center Taxiway Improvement project, and increase of $2.3 million rental income from residential acquisition program. Interest expenses increased with additional issuances of $613.5 million revenue bonds in fiscal year 2016 to finance capital improvement projects. The decrease in other nonoperating expenses was mainly due to lower expenses offset by the increase of $1.3 million bond issuance expenses in fiscal year 2016.

Long-Term Debt

As of June 30, 2017, LAWA's outstanding long-term debt before unamortized premium and discount was $5.0 billion. Issuances during the year amounted to $677.6 million, redemption and advance refunding totaled $269.6 million, and payments for scheduled maturities were $96.2 million. Together with the unamortized premium and discount, bonded debt of LAWA increased by $347.4 million to a total of $5.3 billion.

As of June 30, 2016, LAWA's outstanding long-term debt before unamortized premium and discount was $4.7 billion. Issuances during the year amounted to $613.5 million, and payments for scheduled maturities were $85.8 million. Together with the unamortized premium and discount, bonded debt of LAWA increased by $615.5 million to $5.0 billion.

As of June 30, 2017, LAWA's outstanding long-term debt consisted of only LAX outstanding bonds. As of June 30, 2016, LAWA's outstanding long-term debt consisted of LAX's outstanding bonds of $4.6 billion and ONT's outstanding debt of $55.5 million. All ONT outstanding bonds were paid off in fiscal year 2017 as a result of the ONT transfer on November 1, 2016.

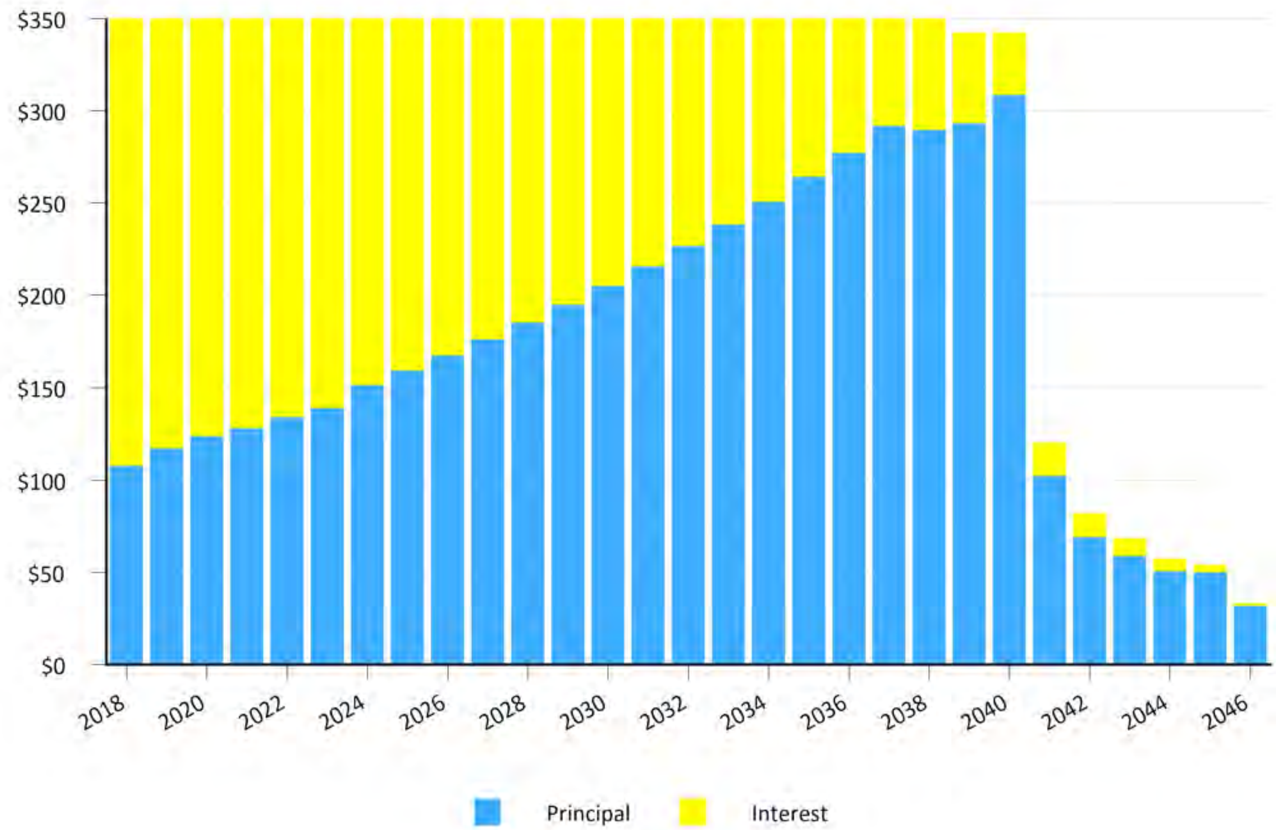
As of June 30, 2017 and 2016, LAWA had $455.1 million and $426.0 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

As of June 30, 2017 and 2016, the ratings of LAX's outstanding bonds by Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings were as follows: AA, Aa3, and AA respectively for LAX Senior Bonds; AA-, A1, and AA- respectively for LAX Subordinate Bonds.

As of June 30, 2016, the ratings of ONT's outstanding bonds by Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings were A-, Baa1 and A-, respectively. No ONT bonds remained outstanding at the end of fiscal year 2017.

Additional information regarding LAWA's bonded debt can be found in Note 6 of the notes to the financial statements .

Outstanding principal, plus scheduled interest as of June 30, 2017, is scheduled to mature as shown in the following chart (amounts in millions).



Capital Assets

LAWA's investment in capital assets, net of accumulated depreciation, as of June 30, 2017 and 2016 were $8.7 billion and $8.2 billion, respectively. This investment, which accounts for 75.3% and 74.7% of LAWA's total assets as of June 30, 2017 and 2016, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress.

LAWA's policy affecting capital assets can be found in Note 1f of the notes to the financial statements. Additional information can be found in Note 4 of the notes to the financial statements.

Capital Assets, Fiscal Year 2017

Major capital expenditure activities during fiscal year 2017 included:

- LAX - $512.1 million renovations at Terminals 1 to 8
- LAX - $236.0 million construction of Midfield Satellite Concourse (MSC)
- LAX - $101.0 million construction of runways and taxiways
- LAX - $88.5 million residential acquisition, soundproofing and noise mitigation
- LAX - $78.5 million interior improvements and security upgrades at TBIT and Bradley West
- LAX - $50.1 million preconstruction activities related to Landside Access Modernization Program (LAMP)
- LAX - $34.3 million replacement and improvements of elevators and escalators
- LAX - $34.1 million construction of TBIT baggage handling system
- LAX - $12.4 million in costs related to construction of west maintenance facility
- LAX - $8.7 million Central Terminal Area (CTA) curbside development project and Second Level Roadway Joint and Deck replacement
- LAX - $5.5 million construction activities related to Imperial Cargo Complex

At June 30, 2017, the amounts committed for capital expenditures included $4.7 million for airfield and runways, $6.6 million for noise mitigation program, $53.5 million for terminals and facilities, and $17.6 million for various other projects.

Capital Assets, Fiscal Year 2016

Major capital expenditure activities during fiscal year 2016 included:

- LAX - $356.4 million renovations at Terminals 1 to 8
- LAX - $166.2 million interior improvements and security upgrades at TBIT and Bradley West
- LAX - $88.7 million construction of MSC
- LAX - $72.6 million construction of runways and taxiways
- LAX - $56.6 million CTA curbside development project and Second Level Roadway Joint and Deck replacement
- LAX - $55.9 million in costs related to construction of west maintenance facility
- LAX - $44.7 million replacement and improvements of elevators and escalators
- LAX - $41.1 million residential acquisition, soundproofing and noise mitigation
- LAX - $18.0 million replacement of Central Utility Plant (CUP) facilities
- LAX - $12.1 million in costs related to various information technology network and systems projects
- LAX - $11.5 million preconstruction activities related to LAMP
- LAX - $7.0 million preconstruction related to ConRAC

At June 30, 2016, the amounts committed for capital expenditures included $7.9 million for airfield and runways, $6.6 million for noise mitigation program, $81.1 million for terminals and facilities, and $20.1 million for various other projects.

Landing Fees, Fiscal Year 2018

The airline landing fees for fiscal year 2018, which became effective as of July 1, 2017 are as follows:

Los Angeles International Airport

Permitted air carriers	Non-permitted air carriers	
$60.00	$75.00	For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less
115.00	144.00	For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds
3.62	4.53	Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds
4.60	5.75	Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds

Landing fee rates were based on budgeted operating expenses and revenues. Reconciliation between actual revenues and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

Request for Information

This report is designed to provide a general overview of the Los Angeles World Airports' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ryan P. Yakubik, Chief Financial Officer, Los Angeles World Airports, 1 World Way, Los Angeles, CA 90045.

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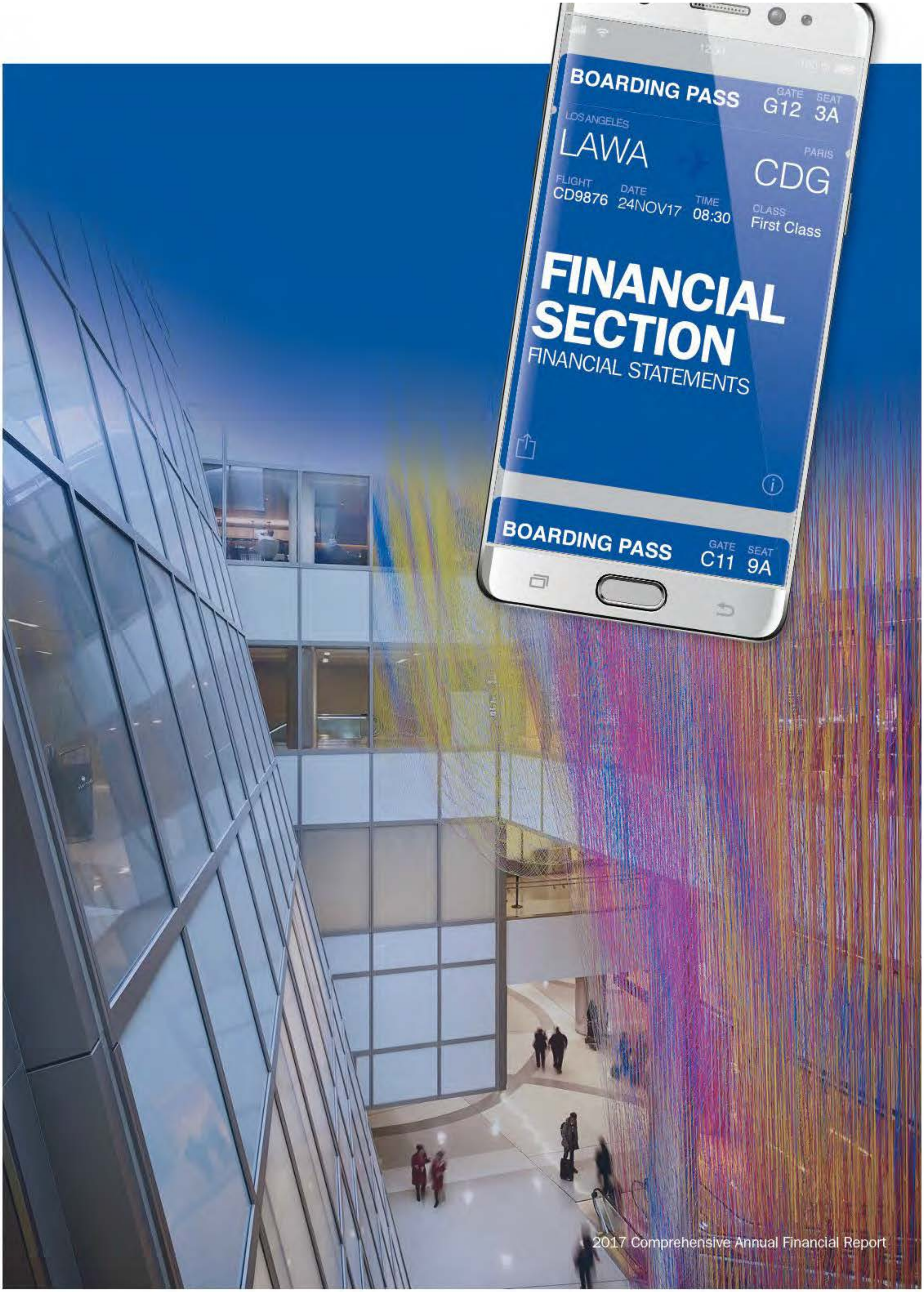
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SEAT 9A
2017 Comprehensive Annual Financial Report

Financial Statements

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Statements of Net Position
June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
ASSETS		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	$ 773,590	$ 849,991
Investments with fiscal agents	22,282	16,465
Accounts receivable, net of allowance for uncollectible accounts: 2017 - $33; 2016 - $1,066	1,625	11,975
Unbilled receivables	44,501	38,213
Accrued interest receivable	3,435	3,207
Grants receivable	12,322	24,771
Loans receivable	136	169
Receivable from OIAA	9,674	—
Receivable from City General Fund	2,849	2,766
Prepaid expenses	4,129	4,339
Inventories	1,286	1,602
Total unrestricted current assets	875,829	953,498
Restricted current assets		
Cash and pooled investments held in City Treasury	968,021	969,292
Investments with fiscal agents	924,494	834,330
Accrued interest receivable	1,324	1,440
Passenger facility charges receivable	23,881	18,428
Customer facility charges receivable	3,280	3,323
Total restricted current assets	1,921,000	1,826,813
Total current assets	2,796,829	2,780,311
Noncurrent Assets		
Capital assets		
Not depreciated	2,269,426	2,757,914
Depreciated, net	6,476,864	5,479,790
Total capital assets	8,746,290	8,237,704
Other noncurrent assets		
Investments with fiscal agents	17,585	6,843
Loans receivable, net of current portion	383	523
Receivable from OIAA, net of current portion	47,110	—
Receivable from City General Fund, net of current portion	2,935	5,785
Total other noncurrent assets	68,013	13,151
Total noncurrent assets	8,814,303	8,250,855
TOTAL ASSETS	11,611,132	11,031,166
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	38,550	25,763
Deferred outflows of resources related to Pension	206,553	138,220
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 245,103	$ 163,983

Statements of Net Position (continued)
June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	$ 226,928	$ 235,948
Accrued salaries	18,137	16,429
Accrued employee benefits	5,694	5,928
Estimated claims payable	8,277	8,537
Commercial paper	48,736	50,310
Obligations under securities lending transactions	5,658	15,161
Other current liabilities	74,737	26,528
Total current liabilities payable from unrestricted assets	388,167	358,841
Current liabilities payable from restricted assets		
Contracts and accounts payable	7,959	4,375
Current maturities of bonded debt	107,850	100,495
Accrued interest payable	31,529	29,511
Obligations under securities lending transactions	7,295	19,104
Other current liabilities	58,123	21,201
Total current liabilities payable from restricted assets	212,756	174,686
Total current liabilities	600,923	533,527
Noncurrent Liabilities		
Bonded debt, net of current portion	5,215,626	4,875,613
Accrued employee benefits, net of current portion	42,150	41,118
Estimated claims payable, net of current portion	71,382	70,900
Liability for environmental/hazardous materials cleanup	7,500	12,783
Net pension liability	774,356	697,482
Other long-term liabilities	886	886
Total noncurrent liabilities	6,111,900	5,698,782
TOTAL LIABILITIES	6,712,823	6,232,309
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to Pension	74,147	65,236
TOTAL DEFERRED INFLOWS OF RESOURCES	74,147	65,236
NET POSITION		
Net investment in capital assets	3,899,605	3,651,912
Restricted for:		
Debt service	423,327	397,828
Passenger facility charges eligible projects	481,751	484,961
Customer facility charges eligible projects	300,402	255,612
Capital projects reserve	—	9,661
Operations and maintenance reserve	185,897	194,818
Federally forfeited property and protested funds	1,463	1,368
Unrestricted	(223,180)	(98,556)
TOTAL NET POSITION	$ 5,069,265	$ 4,897,604

See accompanying notes to the financial statements.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
OPERATING REVENUE		
Aviation revenue		
Landing fees	$ 265,828	$ 252,589
Building rentals	507,981	487,349
Land rentals	110,314	109,422
Other aviation revenue	10,081	9,606
Total aviation revenue	894,204	858,966
Concession revenue	451,088	422,278
Other operating revenue	27,438	4,572
Total operating revenue	1,372,730	1,285,816
OPERATING EXPENSES		
Salaries and benefits	455,032	421,028
Contractual services	215,386	199,919
Materials and supplies	44,634	50,325
Utilities	37,675	40,843
Other operating expenses	25,471	22,304
Total operating expenses before depreciation and amortization	778,198	734,419
Operating income before depreciation and amortization	594,532	551,397
Depreciation and amortization	309,126	250,109
OPERATING INCOME	285,406	301,288
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	166,770	153,964
Customer facility charges	33,890	36,082
Interest income	25,013	21,956
Net change in fair value of investments	(20,738)	15,074
Interest expense	(194,482)	(185,275)
Other nonoperating revenue	15,886	17,857
Other nonoperating expenses	(2,493)	(4,817)
Total nonoperating revenue, net	23,846	54,841
INCOME BEFORE CAPITAL GRANTS AND SPECIAL ITEM	309,252	356,129
Federal and other government grants	87,756	49,271
Special item - loss on transfer of ONT	(225,347)	—
CHANGE IN NET POSITION	171,661	405,400
NET POSITION, BEGINNING OF YEAR	4,897,604	4,492,204
NET POSITION, END OF YEAR	$ 5,069,265	$ 4,897,604

See accompanying notes to the financial statements[11].

[11] *As a result of the transfer of the ONT assets and liabilities to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement, the changes in net position reflected four months of business activities for ONT from July 1, 2016 to October 31, 2016 in fiscal year 2017 and a full year of business activities for ONT in fiscal year 2016.*

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016
(amounts in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,402,455	$ 1,270,832
Payments to suppliers	(242,641)	(235,795)
Payments for employee salaries and benefits	(435,848)	(418,427)
Payments for City services	(106,949)	(96,023)
Net cash provided by operating activities	617,017	520,587
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	11,556	10,524
Noncapital cash used for ONT transfer	(28,573)	—
Net cash provided by (used for) noncapital financing activities	(17,017)	10,524
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	495,515	711,782
Principal paid on revenue bonds and commercial paper notes	(101,196)	(85,770)
Interest paid on revenue bonds and commercial paper notes	(244,694)	(222,341)
Revenue bonds issuance costs	(1,156)	(1,561)
Acquisition and construction of capital assets	(1,067,365)	(959,656)
Proceeds from passenger facility charges	160,459	156,315
Proceeds from customer facility charges	33,933	35,783
Capital contributed by federal agencies	100,205	38,565
Net cash used for capital and related financing activities	(624,299)	(326,883)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	26,952	22,395
Net change in fair value of investments	(20,738)	15,074
Cash collateral received (paid) under securities lending transactions	(18,293)	23,155
Sales of investments	65,429	18,370
(Purchases) of investments held by fiscal agents	(4,597)	(6,145)
Net cash provided by investing activities	48,753	72,849
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,454	277,077
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,663,933	2,386,856
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,688,387	$ 2,663,933
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and pooled investments held in City Treasury- unrestricted	$ 773,590	$ 849,991
Investments with fiscal agents- unrestricted	22,282	16,465
Cash and pooled investments held in City Treasury- restricted	968,021	969,292
Investments with fiscal agents- restricted	924,494	828,185
Total cash and cash equivalents	$ 2,688,387	$ 2,663,933

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 285,406	$ 301,288
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	309,126	250,109
Change in provision for uncollectible accounts	(1,033)	281
Other nonoperating revenues (expenses), net	3,898	8,049
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	12,128	(10,661)
Unbilled receivables	(1,811)	(9,345)
Prepaid expenses and inventories	386	370
Loans receivable	173	162
Contracts and accounts payable	(25,719)	(18,952)
Accrued salaries	1,708	2,601
Accrued employee benefits	798	846
Other liabilities	14,505	(5,682)
Net pension liability and related changes in deferred outflows and inflows of resources	17,452	1,521
Total adjustments	331,611	219,299
Net cash provided by operating activities	$ 617,017	$ 520,587
SIGNIFICANT NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets included in contracts and accounts payable	$ 146,095	$ 125,284
Revenue bonds proceeds received in escrow trust fund	224,967	—
Debt defeased and related costs paid through escrow trust fund with revenue bonds	(224,967)	—
Contributions received (used) in relation to capital assets	12,449	(10,706)

See accompanying notes to the financial statements.

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Index to the Notes to the Financial Statements

The notes to the financial statements include disclosures that are necessary for a better understanding of the accompanying financial statements. An index to the notes follows:

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1. Reporting Entity and Summary of Significant Accounting Policies

a. Organization and Reporting Entity

Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles (the City) established pursuant to Article XXIV, Section 238 of the City Charter. LAWA operates and maintains Los Angeles International Airport (LAX) and Van Nuys Airport (VNY) general aviation airport. In addition LAWA owns approximately 17,750 acres of land located east of United States Air Force Plant 42 in the City of Palmdale and retains the rights for future development of the Palmdale property. On November 1, 2016, the City transferred, assigned and delivered to Ontario International Airport Authority (OIAA) the City's right, title and interest in and certain of the assets, properties, rights and interests solely used or held solely for use in connection with LAWA's operation of LA/ONT International Airport (ONT) pursuant to the Settlement Agreement described in Note 17 of the notes to the financial statements.

LAWA is under the management and control of a seven-member Board of Airport Commissioners (the Board) appointed by the City Mayor and approved by the City Council. Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop, and operate all property, plant, and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated, or controlled by the City; and (c) fix, regulate, and collect rates and charges for the use of the Airport System. An Executive Director administers LAWA and reports to the Board.

LAWA is reported as a major enterprise fund in the City's basic financial statements presented in its Comprehensive Annual Financial Report. The accompanying financial statements present the net position and changes in net position and cash flows of LAWA. These financial statements are not intended to present the financial position and the changes in financial position of the City, or cash flows of the City's enterprise funds.

b. Basis of Accounting

LAWA is reported as an enterprise fund and maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. Separate funds are used to account for each of the two airports[12] which referred to above and the Palmdale property.

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[12] *Excluding ONT airport which was transferred to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement described in Note 17 of the notes to the financial statements.*

c. Cash, Cash Equivalents, and Investments

LAWA's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAWA's portion of the pool is presented on the statements of net position as "Cash and Pooled Investments Held in City Treasury." LAWA's investments, including its share in the City's investment pool, are stated at fair value based on quoted market prices except for money market investments that have remaining maturities of one year or less at time of purchase, which are reported at amortized cost. Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period.

As permitted by the California Government Code, the City engages in securities lending activities. LAWA's share of assets and liabilities arising from the reinvested cash collateral has been recognized in the statements of net position.

LAWA considers its unrestricted and restricted cash and investments held in the City Treasury as demand deposits and therefore these amounts are reported as cash equivalents. LAWA has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents.

d. Accounts Receivable and Unbilled Receivables

LAWA recognizes revenue in the period earned. Receivables outstanding beyond 90 days are put into the collection process and then referred after 120 days to LAWA's resident City attorneys for possible write-off. An allowance for uncollectible accounts is set up as a reserve by LAWA policy. This policy requires that 2% of outstanding receivables plus 80% of all bankruptcy accounts and all referrals to City Attorney be reserved as uncollectible through a provisional month-end charge to operating expense.

Unbilled receivables balances are the result of revenue accrued for services that exceed $5,000 each, but not yet billed as of year-end. This accrual activity occurs primarily at year-end when services provided in the current fiscal year period might not get processed through the billing system for up to sixty days into the next fiscal year.

e. Inventories

LAWA's inventories consist primarily of general custodial supplies and are recorded at cost on a first-in, first-out basis.

f. Capital Assets

All capital assets are carried at cost or at estimated fair value on the date received in the case of properties acquired by donation or by termination of leases, less allowance for accumulated depreciation. Maintenance and repairs are charged to operations in the period incurred. Renewals and betterments are capitalized in the asset accounts. LAWA has a capitalization threshold of $5,000 for all capital assets other than internally generated computer software where the threshold is $500,000.

Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are capitalized. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

LAWA capitalizes interest costs of bond proceeds used during construction (net of interest earnings on the temporary investment of tax-exempt bond proceeds). Net interest capitalized in fiscal years 2017 and 2016 were $34.7 million and $28.2 million, respectively.

Depreciation and amortization are computed on a straight-line basis. The estimated useful lives of the major property classifications are as follows: buildings and facilities, 10 to 40 years; airfield and other improvements, 10 to 35 years; equipment, 5 to 20 years; and computer software, 5 to 10 years. No depreciation is provided for construction work in process until construction is completed and/or the asset is placed in service. Also, no depreciation is taken on air easements and emission reduction credits because they are considered inexhaustible.

g. Contracts Payable, Accounts Payable, and Other Liabilities

All transactions for goods and services obtained by LAWA from City-approved contractors and vendors are processed for payment via its automated payment system. This procedure results in the recognition of expense in the period that an invoice for payment is processed through the system, or when a vendor first provided the goods and/or services. If the goods and/or services were received or if the invoice was received but not yet processed in the system, an accrual is made manually by journal voucher into the general ledger to reflect the liability to the vendor. When LAWA makes agreements that require customers to make cash deposits, these amounts are then reflected as other current liabilities.

h. Operating and Nonoperating Revenues and Expenses

LAWA distinguishes between operating revenues and expenses, and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with LAWA's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. LAWA derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. LAWA's major operating expenses include salaries and employee benefits, fees for contractual services including professional services, parking operations and shuttle services, and other expenses including depreciation and amortization, maintenance, insurance, and utilities.

i. Landing Fees

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX or ONT. A separate landing fee is calculated annually for each airport to recover the costs of constructing, maintaining and operating airfield facilities. Costs recovered through these fees are identified for each airport using allocation methods of relevant costs attributable to those facilities. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following each fiscal year end.

j. Terminal Rates and Charges

On September 17, 2012, the Board approved a methodology of calculating rates and charges for airlines and airline consortia using passenger terminals at LAX. The rates, which will recover the costs of acquiring, constructing, operating and maintaining terminal facilities, are as follows: terminal building rate, federal inspection services area (FIS) rate, common use holdroom rate, common use baggage claim rate, common use outbound baggage system rate, common use ticket counter rate, and terminal special charges for custodial services, outbound baggage system maintenance, terminal airline support systems, and loading bridge capital and maintenance.

The rates were effective January 1, 2013 to airlines and airline consortia (signatory airlines) agreeing to the methodology and executing a rate agreement with LAWA. Agreements with signatory airlines terminate on December 31, 2022.

The rate agreement provides a Signatory Transitional Phase-in (STP) program that allows for reduced rates during the first five years of the implementation period. In addition, signatory airlines will share in the concession revenue derived from the terminals based on prescribed two-tiered formulas. Tier One Revenue Sharing had the effect of reducing the calculated terminal building rate (beginning calendar year 2014) and FIS rate (beginning calendar year 2016). Tier Two Revenue Sharing was first distributed for calendar year 2016 in fiscal year 2017.

Airlines with existing leases that opt not to sign an agreement under the methodology (non-signatory tenant airlines) will continue to pay rates and charges based on their current leases until they sign the rate agreement. Airlines with no existing leases that opt not to sign the rate agreement (non-signatory tariff airlines) are charged the tariff rates. Non-signatory airlines are not eligible to participate in the STP and revenue sharing programs.

k. Concession Revenue

Concession revenues are generated through LAWA concessionaires, tenants or airport service providers who pay monthly fees or rents for using or accessing airport facilities to offer their goods and services to the general public and air transportation community. Payments to LAWA are typically based on negotiated agreements with these parties to remit amounts based on either a Minimum Annual Guarantee (MAG) or on gross receipts. Amounts recorded to revenue are determined by the type of revenue category set up in the general ledger system and integrated with the monthly accounts receivable billing process. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The tenants' operations report and payment are due to LAWA in the month following the activity. The timing of concessionaire reporting and when revenue earned is recorded will determine when or if accruals are required for each tenant agreement.

l. Unearned Revenue

Unearned revenue consists of concessionaire rentals and payments received in advance, which will be amortized to revenue on the straight-line basis over the applicable period.

m. Accrued Employee Benefits

Accrued employee benefits include estimated liability for vacation and sick leaves. LAWA employees accumulate annual vacation and sick leaves in varying amounts based on length of service. Vacation and sick leaves are recorded as earned. Upon termination or retirement, employees are paid the cash value of their accumulated leaves. Accrued employee benefits as of June 30, 2017 and 2016 are as follows (amounts in thousands):

Type of benefit	2017	2016
Accrued vacation leave	$ 24,488	$ 23,691
Accrued sick leave	23,356	23,355
Sub-total	$ 47,844	$ 47,046
Current portion	(5,694)	(5,928)
Noncurrent portion	$ 42,150	$ 41,118

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAWA reports a separate section for deferred outflows of resources and deferred inflows of resources, respectively. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and won't be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that won't be recognized as an inflow of resources until then.

LAWA reported deferred charges on debt refunding of $38.6 million and $25.8 million for fiscal years 2017 and 2016, respectively, as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

As a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27,* and GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 6*8, LAWA reported the following deferred outflows and inflows of resources:

Deferred outflows of resources related to pension (amounts in thousands):

	2017	2016
Changes of assumptions related to pension	$ 50,491	$ 70,724
Contribution after measurement date related to pension	62,173	60,694
Changes in proportionate share of contribution	5,264	6,802
Differences between projected and actual investment earnings related to pension	88,625	—
Total	$ 206,553	$ 138,220

Deferred inflows of resources related to pension (amounts in thousands):

	2017	2016
Differences between expected and actual experience related to pension	$ 55,787	$ 30,059
Differences between projected and actual investment earnings related to pension	—	20,096
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension	18,360	15,081
Total	$ 74,147	$ 65,236

o. Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as nonoperating revenue (operating grants) or capital grant contributions in the statements of revenues, expenses, and changes in net position.

p. Bond Premiums and Discounts

Bond premiums, discounts, and gains and losses on extinguishment of debt are deferred and amortized over the life of the bonds. At the time of bond refunding, the unamortized premiums or discounts are amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Bonds payable is reported net of the applicable bond premium or discount.

LAWA amortizes bond premiums or discounts using the effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond premiums or discounts is calculated using the effective market interest rate at the time of issuances versus the coupon rate used in straight-line method.

q. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets* - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* - This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2017 and 2016, net positions of $968.1 million and $935.4 million, respectively, are restricted by enabling legislation.

- *Unrestricted Net Position* - This category represents net position of LAWA that is not restricted for any project or other purpose.

r. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes of which both restricted and unrestricted resources are available, LAWA's policy is to apply restricted resources first.

s. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

2. New Accounting Standards

Implementation of the following GASB statements is effective fiscal year 2017.

Issued in June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 767 and 68,* establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, this statement also clarifies the application of certain provisions of GASB Statement No. 68 with regard to the information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported. This statement has no impact on LAWA's financial statements.

Issued in June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement has no impact on LAWA's financial statements.

Issued in August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement has no impact on LAWA's financial statements.

Issued in December 2015, GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, amends the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27,* to exclude pensions provided to employees of state or local governmental employers through certain cost-sharing multiple-employer defined benefit pension plan. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics as defined. This statement has no impact on LAWA's financial statements.

Issued in January 2016, GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement has no impact on LAWA's financial statements.

Issued in March 2016, GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. LAWA implemented this statement.

The GASB has issued several pronouncements that have effective dates that may impact future presentations. LAWA is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* addresses accounting and financial reporting for other postemployment benefit (OPEB) that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Implementation of this statement is effective fiscal year 2018.

Issued in March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* 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. Implementation of this statement is effective fiscal year 2018.

Issued in November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes standards of accounting and financial reporting for certain Asset Retirement Obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Implementation of this statement is effective fiscal year 2019.

Issued in January 2017, GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Implementation of this statement is effective fiscal year 2020.

Issued in March 2017, GASB Statement No. 85, *OMNIBUS 2017*, is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Implementation of this statement is effective fiscal year 2018.

Issued in May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Implementation of this statement is effective fiscal year 2018.

Issued in June 2017, GASB Statement No. 87, *Leases* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2021.

3. Cash and Investments

a. Pooled Investments

Pursuant to the California Government Code and the Los Angeles City Council File No. 94-2160, the City Treasurer provides an Annual Statement of Investment Policy (the Policy) to the City Council. The Policy governs the City's pooled investment practices with the following objectives, in order of priority, safety of principal, liquidity, and rate of return. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted under California law.

Each investment transaction and the entire portfolio must comply with the California Government Code and the Policy. Examples of investments permitted by the Policy are obligations of the U.S. Treasury and government agencies, commercial paper notes, negotiable certificates of deposit, guaranteed investment contracts, bankers' acceptances, medium-term corporate notes, money market accounts, and the State of California Local Agency Investment Fund (LAIF).

LAWA maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAWA's share of $1.7 billion and $1.8 billion in the Pool as of June 30, 2017 and 2016 represented approximately 20.0% and 21.6%, respectively. There are no specific investments belonging to LAWA. Included in LAWA's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAWA's allocated shares for fiscal years 2017 and 2016 were $102.7 million and $37.3 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

b. City of Los Angeles Securities Lending Program

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are: safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility of the Investment Advisory Committee.

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

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the Pool is available for lending. The City receives cash, U.S. treasury securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the policy. In accordance with the Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 90 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

LAWA participates in the City's securities lending program through the pooled investment fund. LAWA recognizes its proportionate share of the cash collateral received for securities loaned and the related obligation for the general investment pool. At June 30, 2017, LAWA's portion of the cash collateral and the related obligation in the City's program was $13.0 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2017 was $13.0 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAWA's portion of the noncash collateral at June 30, 2017 was $200.3 million. At June 30, 2016, LAWA's portion of the cash collateral and the related obligation in the City's program was $34.3 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2016 was $34.3 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAWA's portion of the noncash collateral at June 30, 2016 was $121.6 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102.0% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the years. There was no credit risk exposure to the City at June 30, 2017 and 2016 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

c. Investments with Fiscal Agents

The investment practices of the fiscal agents that relate to LAWA's portfolio are similar as those of the City Treasurer, and have similar objectives. LAWA's investments held by fiscal agents are for the following purposes (amounts in thousands):

	2017	2016
Unrestricted, current		
Commercial paper and cash at bank	$ 22,282	$ 16,465
Restricted, current and noncurrent		
Bond security funds	455,125	425,975
Construction funds	486,954	415,198
Subtotal	942,079	841,173
Total	$ 964,361	$ 857,638

The bond security funds are pledged for the payment or security of certain bonds. These investments are generally short-term securities and have maturities designed to coincide with required bond retirement payments. The construction funds are bond proceeds on deposit with the fiscal agents. They are used to reimburse LAWA for capital expenditures incurred or to be incurred at LAX.

At June 30, 2017, the investments and their maturities are as follows (amounts in thousands):

		Investment maturities		
	Amount	1 to 60 days	61 to 365 days	366 days to over 5 years
Money market mutual funds	$ 591,046	$ 591,046	$ —	$ —
State of California LAIF	333,448	—	333,448	—
U.S. Treasury securities	17,585	—	—	17,585
Subtotal	942,079	$ 591,046	$ 333,448	$ 17,585
Bank deposit accounts	22,282			
Total	$ 964,361			

At June 30, 2016, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities: 1 to 60 days	61 to 365 days	366 days to over 5 years
Money market mutual funds	$ 318,788	$ 318,788	$ —	$ —
State of California LAIF	508,832	—	508,832	—
U.S. Treasury securities	6,145	—	6,145	—
Collateralized investment contract	6,843	—	—	6,843
Subtotal	840,608	$ 318,788	$ 514,977	$ 6,843
Bank deposit accounts	17,030			
Total	$ 857,638			

Fair Value Measurements

The investments are categorized into its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and.
- Level 3: Investments reflect prices based upon unobservable sources.

At June 30, 2017, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1
Money Market Funds	$ 591,046	$ 591,046
U.S. Treasury securities	17,585	17,585
Total investments by fair value level	608,631	$ 608,631
Investments not subject to fair value hierarchy		
State of California LAIF	333,448	
Bank deposit accounts	22,282	
Total	$ 964,361	

At June 30, 2016, the investments by fair value level are as follows (amounts in thousands):

	Amount	Fair Value Measurements Using Level 1	Fair Value Measurements Using Level 2
Money Market Funds	$ 318,788	$ 318,788	$ —
Collateralized investment contract	6,843	—	6,843
U.S. Treasury securities	6,145	6,145	—
Total investments by fair value level	331,776	$ 324,933	$ 6,843
Investments not subject to fair value hierarchy			
State of California LAIF	508,832		
Bank deposit accounts	17,030		
Total	$ 857,638		

Interest Rate Risk. LAWA adopts the City's policy that limits the maturity of investments to five years for U.S. Treasury and government agency securities. The policy allows funds with longer term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2017 and 2016, the money market mutual funds were rated AAAm by Standard and Poor's, and Aaa by Moody's. The collateralized investment contract is not rated.

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

As of June 30, 2017, LAWA's investments in the LAIF held by fiscal agents totaled $333.4 million. The total amount invested by all public agencies in LAIF at that date was $22.8 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2017, the investments in the PMIA totaled $77.6 billion, of which 97.1% is invested in non-derivative financial products and 2.9% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 194 days as of June 30, 2017. LAIF is not rated. As of June 30, 2016, LAWA's investments in the LAIF held by fiscal agents totaled $508.8 million. The total amount invested by all public agencies in LAIF at that date was $22.7 billion. As of June 30, 2016, the investments in the PMIA totaled $75.5 billion, of which 97.2% is invested in non-derivative financial products and 2.8% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 167 days as of June 30, 2016.

The Local Investment Advisory Board (the Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The Pooled Money Investment Board whose members are the State Treasurer, Director of Finance, and State Controller, has oversight responsibility for PMIA. The value of the pool shares in LAIF, which may be withdrawn anytime, is determined on a historical basis, which is different than the fair value of LAWA's position in the pool. The bank deposit accounts are covered by Federal depository insurance up to a certain amount. Financial institutions are required under California law to collateralize the uninsured portion of the deposits by pledging government securities or first trust deed mortgage notes. The collateral is held by the pledging institution's trust department and is considered held in LAWA's name.

4. Capital Assets

LAWA had the following activities in capital assets during fiscal year 2017 (amounts in thousands):

	Balance at July 1, 2016	Additions	Retirements & disposals [1]	Transfers	Balance at June 30, 2017
Capital assets not depreciated					
Land and land clearance	$ 1,060,503	$ —	$ (57,737)	$ 11,292	$ 1,014,058
Air easements	46,975	—	(2,503)	—	44,472
Emission reduction credits	2,853	—	—	217	3,070
Construction work in progress	1,647,583	1,112,534	(855)	(1,551,436)	1,207,826
Total capital assets not depreciated	2,757,914	1,112,534	(61,095)	(1,539,927)	2,269,426
Capital assets depreciated					
Buildings	3,258,154	—	(216,015)	562,924	3,605,063
Improvements	4,199,916	3,056	(304,573)	976,000	4,874,399
Equipment and vehicles	278,416	11,670	(33,835)	1,003	257,254
Total capital assets depreciated	7,736,486	14,726	(554,423)	1,539,927	8,736,716
Accumulated depreciation					
Buildings	(628,864)	(99,815)	101,266	—	(627,413)
Improvements	(1,424,099)	(195,125)	175,221	—	(1,444,003)
Equipment and vehicles	(203,733)	(14,186)	29,483	—	(188,436)
Total accumulated depreciation	(2,256,696)	(309,126)	305,970	—	(2,259,852)
Capital assets depreciated, net	5,479,790	(294,400)	(248,453)	1,539,927	6,476,864
Total	$ 8,237,704	$ 818,134	$ (309,548)	$ —	$ 8,746,290

(1) Retirements and disposals included the write-off of $309.6 million net book value of ONT capital assets as of October 31, 2016 as a result of the transfer of ONT pursuant to the ONT Settlement Agreement as described in Note 17 of the notes to the financial statements.

LAWA had the following activities in capital assets during fiscal year 2016 (amounts in thousands):

	Balance at July 1, 2015	Additions	Retirements & disposals	Transfers	Balance at June 30, 2016
Capital assets not depreciated					
Land and land clearance	$ 970,990	$ —	$ (724)	$ 90,237	$ 1,060,503
Air easements	46,975	—	—	—	46,975
Emission reduction credits	5,918	—	—	(3,065)	2,853
Construction work in progress	2,473,804	1,021,106	(784)	(1,846,543)	1,647,583
Total capital assets not depreciated	3,497,687	1,021,106	(1,508)	(1,759,371)	2,757,914
Capital assets depreciated					
Buildings	2,510,102	—	—	748,052	3,258,154
Improvements	3,435,810	2,170	—	761,936	4,199,916
Equipment and vehicles	252,519	8,835	(3,312)	20,374	278,416
Total capital assets depreciated	6,198,431	11,005	(3,312)	1,530,362	7,736,486
Accumulated depreciation					
Buildings	(503,439)	(74,290)	—	(51,135)	(628,864)
Improvements	(1,541,128)	(163,115)	—	280,144	(1,424,099)
Equipment and vehicles	(194,080)	(12,704)	3,051	—	(203,733)
Total accumulated depreciation	(2,238,647)	(250,109)	3,051	229,009	(2,256,696)
Capital assets depreciated, net	3,959,784	(239,104)	(261)	1,759,371	5,479,790
Total	$ 7,457,471	$ 782,002	$ (1,769)	$ —	$ 8,237,704

5. Commercial Paper

As of June 30, 2017 and 2016, LAWA had outstanding commercial paper (CP) notes of $48.7 million and $50.3 million, respectively. The respective average interest rates in effect as of June 30, 2017 and 2016 were 1.07% and 0.55%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAWA entered into a letter of credit (LOC) and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Bank of the West for $54.5 million to expire on October 2, 2017; Sumitomo Mitsui Bank for $109.0 million to expire on October 2, 2017; Wells Fargo Bank for $218.0 million to expire on October 2, 2017; and Barclays Bank PLC for $163.5 million to expire on January 16, 2018. LAWA paid the LOC banks an average annual commitment fee approximately 0.27% on the stated amount of the LOC for fiscal years 2017 and 2016. LOC fees of $2.0 million and $1.5 million were paid for fiscal years 2017 and 2016, respectively. Please refer to note 19 of the notes to the financial statements relating to the subsequent extension of the LOC.

LAWA had the following CP activity during fiscal year 2017 (amounts in thousands):

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Series B	$ —	$ 3,081	$ —	$ 3,081
Series C	50,310	341	(4,996)	45,655
Total	$ 50,310	$ 3,422	$ (4,996)	$ 48,736

LAWA had the following CP activity during fiscal year 2016 (amounts in thousands):

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Series C	$ 50,123	$ 187	$ —	$ 50,310

6. Bonded Debt

Bonds issued by LAWA are payable solely from revenues of LAWA and are not general obligations of the City.

a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2017 and 2016 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	Fiscal year of last scheduled maturity	Original principal	Outstanding principal 2017	Outstanding principal 2016
Issue of 2006, Series A	10/18/06	4.500% - 5.000%	2026	$ 83,720	$ —	$ 51,525
Issue of 2006, Series B	10/18/06	5.400% - 5.590%	2026	6,435	—	3,980
Issue of 2008, Series A	8/6/08	3.750% - 5.500%	2038	602,075	279,025	506,300
Issue of 2008, Series C	8/6/08	3.000% - 5.250%	2038	243,350	11,540	16,925
Issue of 2009, Series A	12/3/09	2.000% - 5.250%	2039	310,410	270,800	277,570
Issue of 2009, Series C	12/3/09	5.175% - 6.582%	2039	307,350	290,455	299,045
Issue of 2009, Series E	12/3/09	2.000% - 5.000%	2020	39,750	13,055	17,015
Issue of 2010, Series A	4/8/10	3.000% - 5.000%	2040	930,155	870,185	888,025
Issue of 2010, Series B	11/4/10	5.000%	2040	134,680	134,680	134,680
Issue of 2010, Series C	11/4/10	7.053%	2040	59,360	59,360	59,360
Issue of 2010, Series D	11/30/10	3.000% - 5.500%	2040	875,805	837,165	846,125
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	79,940	87,235
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	133,480	136,385
Issue of 2012, Series C	12/18/12	3.000% - 5.000%	2019	27,870	15,825	21,755
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	170,685	170,685
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	67,650	69,455
Issue of 2015, Series A	2/24/15	2.000% - 5.000%	2045	267,525	262,030	265,780
Issue of 2015, Series B	2/24/15	3.000% - 5.000%	2045	47,925	47,075	47,925
Issue of 2015, Series C	2/24/15	2.000% - 5.000%	2035	181,805	180,165	180,995
Issue of 2015, Series D	11/24/15	5.000%	2041	296,475	290,785	296,475
Issue of 2015, Series E	11/24/15	2.000% - 5.000%	2041	27,850	27,010	27,850
Issue of 2016, Series A	6/1/16	3.000% - 5.000%	2042	289,210	287,605	289,210
Issue of 2016, Series B	1/19/17	4.000% - 5.000%	2046	451,170	451,170	—
Issue of 2016, Series C	12/6/16	1.425% - 3.887%	2038	226,410	226,410	—
Total principal amount				$ 5,902,430	5,006,095	4,694,300
Unamortized premium					320,461	287,483
Unamortized discount					(3,080)	(5,675)
Net revenue bonds					5,323,476	4,976,108
Current portion of debt					(107,850)	(100,495)
Net noncurrent debt					$ 5,215,626	$ 4,875,613

b. Pledged Revenue

The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. LAWA has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that LAWA's pledged revenues, as defined in the master senior and subordinate indentures, shall be the security and source of payment for the bonds.

LAWA has received approval from the FAA to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal (TBIT) Renovations, Bradley West projects and Terminal 6 improvements. Board of Airport Commissioners authorized amounts of $118.0 million and $124.0 million were used for debt service in fiscal years 2017 and 2016, respectively.

The total principal and interest remaining to be paid on the bonds is $8.8 billion. Principal and interest paid during fiscal year 2017 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the $118.0 million PFCs funds discussed in the preceding paragraph), were $340.5 million and $735.5 million, respectively. Advance refunding of LAX Series 2008A was $214.1 million, and redemption of ONT Series 2006 A and B was $55.5 million in fiscal year 2017. Principal and interest paid during fiscal year 2016 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, after application of the $124.0 million PFCs funds discussed in the preceding paragraph), were $307.9 million and $708.6 million, respectively.

c. Bond Issuances

On December 6, 2016, LAWA issued $226.4 million of LAX senior refunding revenue bonds Series 2016C, and on January 19, 2017, $451.2 million of LAX subordinate revenue bonds Series 2016B. The Series 2016C bonds were issued at par, and the Series 2016B bonds were sold with premium of $51.1 million. The 2016C bonds were issued to advance refund and defease a portion of the Series 2008A senior revenue bonds in the amount of $214.1 million. These transactions resulted in a cash flow savings of $39.7 million and economic gain of $24.8 million. The 2016B bonds were issued to fund certain capital projects at LAX.

On November 24, 2015, LAWA issued senior lien LAX revenue bonds Series 2015D of $296.5 million and Series 2015E of $27.8 million, and on June 1, 2016, LAX subordinate revenue bonds Series 2016A of $289.2 million. The premium for these issuances totaled $99.9 million. The bonds were issued to pay for certain capital projects at LAX.

d. Principal Maturities and Interest

Scheduled annual principal maturities and interest are as follows (amounts in thousands):

Fiscal year(s) ending	Principal	Interest	Total
2018	$ 107,850	$ 252,230	$ 360,080
2019	117,280	247,107	364,387
2020	123,460	241,687	365,147
2021	127,810	236,206	364,016
2022	133,905	230,122	364,027
2023 - 2027	792,265	1,043,324	1,835,589
2028 - 2032	1,027,305	814,098	1,841,403
2033 - 2037	1,321,965	522,756	1,844,721
2038 - 2042	1,062,760	177,721	1,240,481
2043 - 2046	191,495	21,893	213,388
Total	$ 5,006,095	$ 3,787,144	$ 8,793,239

e. Build America Bonds

LAX Subordinate Revenue Bonds 2009 Series C and 2010 Series C with par amounts of $307.4 million and $59.4 million, respectively, were issued as federally taxable Build America Bonds (BABs) under the American Recovery and Reinvestment Act of 2009. LAWA receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as “sequestration”) for the federal fiscal years ending September 30, 2017 and September 30, 2016 reduced the subsidy. The interest subsidy on the BABs was $7.6 million in fiscal year 2017 and $7.8 million in fiscal year 2016. The subsidy is recorded as a non-capital grant, a component of other nonoperating revenue.

7. Changes in Long-Term Liabilities

LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2017 (amounts in thousands):

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Current Portion
Revenue bonds	$ 4,694,300	$ 677,580	$ (365,785)	$ 5,006,095	$ 107,850
Unamortized premium	287,483	51,142	(18,164)	320,461	—
Unamortized discount	(5,675)	—	2,595	(3,080)	—
Net revenue bonds	4,976,108	728,722	(381,354)	5,323,476	107,850
Accrued employee benefits	47,046	6,726	(5,928)	47,844	5,694
Estimated claims payable	79,437	8,759	(8,537)	79,659	8,277
Liability for environmental/ hazardous materials cleanup	12,783	1,580	(6,863)	7,500	—
Net pension liability	697,482	76,874	—	774,356	—
Other long-term liabilities	886	—	—	886	—
Total	$ 5,813,742	$ 822,661	$ (402,682)	$ 6,233,721	$ 121,821

LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2016 (amounts in thousands):

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Current Portion
Revenue bonds	$ 4,166,535	$ 613,535	$ (85,770)	$ 4,694,300	$ 100,495
Unamortized premium	200,004	99,858	(12,379)	287,483	—
Unamortized discount	(5,950)	—	275	(5,675)	—
Net revenue bonds	4,360,589	713,393	(97,874)	4,976,108	100,495
Accrued employee benefits	46,200	5,928	(5,082)	47,046	5,928
Estimated claims payable	80,978	7,498	(9,039)	79,437	8,537
Liability for environmental/ hazardous materials cleanup	12,783	—	—	12,783	—
Net pension liability	615,349	82,133	—	697,482	—
Other long-term liabilities	886	—	—	886	—
Total	$ 5,116,785	$ 808,952	$ (111,995)	$ 5,813,742	$ 114,960

8. Leases and Agreements

a. Operating Leases and Agreements As Lessor

LAWA has entered into numerous rental agreements with concessionaires for food and beverage, gift and news, duty-free, rental car facilities, and advertisements. In general, the agreements provide for cancellation on a 30-day notice by either party; however, they are intended to be long-term in nature with renewal options. Accordingly, these agreements are considered operating leases for purposes of financial reporting.

The agreements provide for a concession fee equal to the greater of a minimum annual guarantee (MAG) or a percentage of gross revenues. Certain agreements are subject to escalation of the MAG. For the fiscal years ended June 30, 2017 and 2016, revenues from such agreements were $333.2 million and $300.5 million, respectively. The respective amounts over MAG were $111.0 million and $78.3 million. Minimum future rents or payments under these agreements over the next five years, assuming no material changes from concessionaires' current levels of gross sales, and that current agreements are carried to contractual termination, are as follows (amounts in thousands):

Fiscal year ending	Amount
2018	$ 177,394
2019	130,077
2020	130,077
2021	34,944
2022	12,073
Total	$ 484,565

On March 1, 2012, LAWA and Westfield Airports, LLC (Westfield) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for Westfield to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 at LAX for a term of 17 years consisting of two-year development period and fifteen-year operational period. Since then, the Terminal 2 portion has been amended with an expiration date the same as the TBIT portion, which is no later than January 31, 2032. Westfield will select concessionaires subject to LAWA approval. Concession agreements awarded by Westfield shall have a term no longer than ten years. The agreement requires Westfield and its concessionaires to invest no less than $81.9 million in initial improvements and $16.4 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to Westfield or the issuance of rent credit.

Under the 3-1-12 Agreement, the MAG will be adjusted each year by the greater of (a) $210 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA beginning January 1, 2014. For any year in which the number of enplaned passengers in TBIT and Terminal 2 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis.

On June 22, 2012, LAWA and Westfield entered into another Terminal Commercial Management Concession Agreement (6-22-12 Agreement) for Westfield to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Terminals 1, 3, and 6 at LAX. The term of this agreement is 17 years consisting of two-year development period and fifteen-year operational period. Under this agreement, the expiration dates of Terminal 1, 3 and 6 are June 30, 2032, June 30, 2029 and September 30, 2030, respectively. Westfield will select concessionaires subject to LAWA approval. Concession agreements awarded by Westfield shall have a term no longer than ten years. The agreement requires Westfield and its concessionaires to invest no less than $78.6 million in initial improvements and $15.7 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to Westfield or the issuance of rent credit.

Under the 6-22-12 Agreement, the MAG will be adjusted each year by the greater of (a) $240 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA. For any year in which the number of enplaned passengers in Terminals 1, 3, and 6 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis beginning January 1, 2014. Please refer to note 19 of the notes to the financial statements relating to a subsequent amendment of the Westfield Agreements.

Minimum future rents under these two agreements with Westfield over the next five years assuming no material changes from concessionaires' current levels of gross sales are estimated as follows (amounts in thousands):

Fiscal year ending	Amount
2018	$ 37,100
2019	38,028
2020	38,979
2021	39,953
2022	41,458
Total	$ 195,518

LAWA also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from less than 10 years to 40 years and generally expire between 2017 and 2025. Certain airlines and consortium of airlines at LAX also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2017 and 2016, revenues from these leases were $618.3 million and $596.8 million, respectively.

Future rents under these land and terminal lease agreements over the next five years were based on the assumption that current agreements are carried to contractual termination. The estimated future rents are as follows (amounts in thousands):

Fiscal year ending	Amount
2018	$ 591,642
2019	571,190
2020	556,553
2021	540,643
2022	477,321
Total	$ 2,737,349

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2017 and 2016 are as follows (amounts in thousands):

	2017	2016
Buildings and facilities	$ 4,958,174	$ 4,238,368
Accumulated depreciation	(850,205)	(799,561)
Net	4,107,969	3,438,807
Land	630,002	687,317
Total	$ 4,737,971	$ 4,126,124

b. Lease Obligations

LAWA leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2017 and 2016 were $7.2 million and $7.8 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

Fiscal year(s) ending	Amount
2018	$ 7,381
2019	7,190
2020	5,676
2021	3,557
2022	3,557
2023-2027	16,899
2028-2032	9,459
Total	$ 53,719

9. Passenger Facility Charges

Passenger Facility Charges (PFCs) are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. Both the fee and the intended projects are reviewed and approved by the Federal Aviation Administration (FAA). Airlines operating at LAX and ONT have been collecting PFCs on behalf of LAWA. As described in Note 17 of the notes to the financial statements, due to the transfer of the ONT to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement, the financial results reflected four months of PFCs activities for ONT from July 1, 2016 to October 31, 2016 in fiscal year 2017 and a full year of PFCs activities for ONT in fiscal year 2016.

PFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements. The current PFCs at LAX is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA are $4.1 billion and $3.1 billion at LAX as of June 30, 2017 and 2016, respectively. LAWA has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the TBIT Renovations, Bradley West projects and Terminal 6 improvements. Board authorized amounts of $118.0 million and $124.0 million were used for debt service in fiscal years 2017 and 2016, respectively.

The following is a summary of projects approved by FAA at LAX as of June 30, 2017 and 2016 (amounts in thousands):

	2017	2016
Terminal development	$ 3,141,679	$ 2,148,395
Noise mitigation	863,745	863,745
Airfield development and equipment	83,620	83,620
Total	$ 4,089,044	$ 3,095,760

LAWA's PFCs collected and the related interest earnings through June 30, 2017 and 2016 were as follows (amounts in thousands):

	2017	2016
Amount collected	$ 2,462,491	$ 2,296,409
Interest earnings	254,578	249,083
Total	$ 2,717,069	$ 2,545,492

As of June 30, 2017 and 2016, LAWA's cumulative expenditures to date on approved PFCs projects totaled $2.3 billion and $2.1 billion, respectively.

10. Customer Facility Charges

In November 2001, the Board approved the collection of a state-authorized Customer Facility Charge (CFCs) from car rental agencies serving LAX and ONT. State law allows airports to collect a fee of $10.00 per on-airport rental car agency transaction to fund the development of a consolidated car rental facility and common-use transportation system. CFCs are recorded as nonoperating revenue and presented as restricted assets in the financial statements.

CFCs collected and the related interest earnings[13] through June 30, 2017 and 2016 were as follows (amounts in thousands):

	2017	2016
Amount collected	$ 326,172	$ 292,282
Interest earnings	18,004	15,009
Total	$ 344,176	$ 307,291

As of June 30, 2017 and 2016, cumulative expenditures on approved CFCs projects totaled $58.6 million and $57.4 million, respectively. Cumulative expenditures on approved CFCs projects for LAX totaled $3.0 million for fiscal years 2017 and 2016. Cumulative expenditures on approved CFCs projects for ONT totaled $55.6 million and $54.4 million for fiscal year 2017 and 2016, respectively.

Under Section 1939 of California Legislature, LAWA can change the amount and basis for collecting a CFCs from the current $10.00 per contract level to a maximum of $9.00 per transaction day, up to a 5-day maximum. Also, changes made to the amount and basis for collecting the CFCs would have to be initiated by January 1, 2018 by submitting certain information to the State of California (State).

The Landside Access and Modernization Program (LAMP) included proposed landside projects at LAX including a future ConRAC, Intermodal Transportation Facilities (ITF), which may include pick-up and drop-off locations for commercial vehicles that currently access the Central Terminal Area (CTA) on adjacent roadways and parking facilities for passenger and employees; the Automated People Mover (APM) System, and certain parking projects. The proposed ConRAC would be located east of the CTA, and it may include a customer service building, a ready/return area, a vehicle storage area, quick-turnaround facilities, and an area for rental car customers to access and exit the APM system. LAWA expects that the capital costs of a future ConRAC at LAX and portion of the APM system would be paid from annual CFCs revenues that are currently collected from on-airport rental car companies and remitted to LAWA. LAWA has initiated the State process to increase the CFCs rate charged at LAX. Please refer to note 19 of the notes to the financial statements relating to a subsequent Board authorization relating to CFC collection.

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[13] *As described in Note 17 of the notes to the financial statements, due to the transfer of the ONT to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement, the financial results reflected four months of CFCs activities for ONT from July 1, 2016 to October 31, 2016 in fiscal year 2017 and a full year of CFCs activities for ONT in fiscal year 2016.*

11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled $87.8 million and $49.3 million in fiscal years 2017 and 2016, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

12. Related Party Transactions

The City provides services to LAWA such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2017 and 2016 were $111.9 million and $98.9 million, respectively.

LAWA collects parking taxes at LAX on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2017 and 2016 were $9.7 million and $9.3 million, respectively.

In December 2009, two cases were settled that related to FAA's audit findings of improper payments by LAWA to the City General Fund. The cases involved compliance review by FAA of the transfer of LAWA revenue funds to the City General Fund for the implementation of a joint strategic international marketing alliance, and the legality of the transfer of $43.0 million out of approximately $58.0 million representing condemnation proceeds received for certain City-owned property taken by the State for use in the construction of the Century Freeway. The settlement calls for a series of semi-annual payments over ten years through June 30, 2019 by the City General Fund to LAWA totaling $17.7 million plus 3.0% interest for a total of $21.3 million. The installment payments will be offset against billings for actual cost of services provided by the City General Fund to LAWA. At June 30, 2017 and 2016, the respective outstanding principal amount of $2.9 million and $5.8 million receivable beyond one year were reported under other noncurrent assets. The balance of $2.9 million was reported as receivable within one year under unrestricted current assets for both June 30, 2017 and 2016.

13. Pension Plan

a. General Information

Plan Description

All full-time employees of LAWA are eligible to participate in the Los Angeles City Employees' Retirement System (LACERS), a single-employer defined benefit pension plan (the Pension Plan). LACERS serves as a common investment and administrative agent for City departments and agencies that participate in LACERS. LACERS is under the exclusive management and control of its Board of Administration whose authority is granted by statutes in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. Benefits and benefit changes are established by ordinance and approved by City Council and the Mayor.

All employees who became members of LACERS before July 1, 2013 are designated as Tier 1 members. On or after July 1, 2013, new employees became members of LACERS Tier 2. However, on July 9, 2015, Tier 2 was rescinded and a new tier of benefits was created. As a result, Ordinance 184134 was adopted on January 12, 2016, where all active Tier 2 members were transferred to Tier 1 as of February 21, 2016. Thereafter, new members became Tier 3 members of LACERS.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website *http://lacers.org/aboutlacers/reports/index.html*. As a City department, LAWA shares in the risks and costs with the City. LAWA presents the related defined benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the completion date of LAWA's financial statements, LACERS' financial statements and the Pension Plan's actuarial valuation study for fiscal year 2017 are not yet available.

Benefits Provided

LACERS provides for service and disability retirement benefits, as well as death benefits. Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, members are eligible for future retirement benefits, which increase with length of service. If a member who has five or more years of continuous City service terminates employment, the member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

LACERS Tier 1 members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the member's average monthly pensionable salary during the member's last 12 months of service, or during any other 12 consecutive months of service designated by the member, multiplied by the member's years of service credit. Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater.

Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary will be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a $2,500 funeral allowance is paid, and modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

LACERS Tier 3 members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provide that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Members also are eligible to retire with an age-based reduced benefits before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, LACERS also provides Tier 3 members an enhanced retirement benefits with a 2.0% retirement factor if the member retires at age 63 with at least 10 years of service; or a retirement factor of 2.1% if the member retires at age 63 with 30 years of service. Tier 3 retirement benefits are determined by multiplying the member's retirement factor (1.5% - 2.1%), with the member's last 36 months of final average compensation or any other 36 consecutive months designated by the member, and by the member's years of service credit.

Tier 3 members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the member's final average monthly salary for each year of service or 1/3 of the member's final average monthly salary, if greater. Upon an active member's death, a refund of the member's contributions and, depending on the member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Retirement allowances are indexed annually for inflation. The LACERS Board of Administration has authority to determine the average annual percentage change in the CPI for the purpose of providing a COLA to the benefits of eligible members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 members or 2.0% for Tier 3 members. The excess over the maximum will be banked for Tier 1 members only.

Membership

As of June 30, 2016, LACERS had 20,078 Tier 1 active vested members; 3,907 and 461 active nonvested Tier 1 and Tier 3 members respectively; 18,357 inactive Tier 1 retired members; 4,677 inactive nonvested members; and 2,218 terminated members not yet receiving benefits. As of June 30, 2015, LACERS had 20,906 and 2,989 active vested and nonvested members, respectively; 4,408 and 17,932 inactive nonvested and inactive retired members, respectively; and 2,099 inactive terminated members not yet receiving benefits. (Note: information for fiscal year 2017 is not yet available on this report issue date).

Member Contributions

The current contribution rate for most of the Tier 1 members is 11% of their pensionable salary including a 1% increase in the member contribution rate pursuant to the 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP cost obligation is fully recovered, whichever comes first); and 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy pursuant to a 2011 City Council ordinance. As of June 30, 2017 and June 30, 2016, all active Tier 1 members are now paying additional contributions, and are not subject to the retiree medical subsidy cap. The contribution rate for Tier 3 members is 11% of their pensionable salary including 4% of additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy. Unlike Tier 1, Tier 3 members do not pay the ERIP contribution, therefore, Tier 3 members' contribution rate will not drop down when Tier 1 members cease to pay the 1% ERIP contribution.

Employer Contributions

The City contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS actuary after the completion of the annual actuarial valuation. The average employer contribution rates were 23.02% and 20.76% of compensation[14] as of June 30, 2016 (based on the June 30, 2014 valuation) and June 30, 2015 (based on the June 30, 2013 valuation), respectively. (Note: information for fiscal year 2017 is not yet available on this report issue date).

The total City contributions to LACERS of $681.0 million and $652.0 million for the years ended June 30, 2017 and June 30, 2016, respectively, consisted of the following (amounts in thousands):

	2017		2016	
Required contributions	$	453,356	$	440,546
Family death benefit Plan		148		158
Total City contributions		453,504		440,704
Member contributions		227,532		211,345
Total	$	681,036	$	652,049

The required City contribution of $453.4 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $227.5 million were made toward the retirement and voluntary family death benefits for fiscal year 2017.

The required City contribution of $440.5 million was equal to 100% of the actuarially determined employer contribution. Member contributions of $211.3 million were made toward the retirement and voluntary family death benefits for fiscal year 2016.

[14] *After adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 Triennial Experience Study) on the City's contributions.*

LAWA's Contributions to the Pension Plan

LAWA's contributions to the Pension Plan for the year ended June 30 (amounts in thousands):

	2017	2016
LAWA's required contributions to the Pension Plan	$ 62,173	$ 60,694

The LAWA contributions made to the Pension Plan under the required contribution category in the amounts of $62.2 million and $60.7 million for fiscal years 2017 and 2016, respectively, were equal to 100% of the actuarially determined contribution of the employer.

b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to the Pension Plan

LACERS' Net Pension Liability (NPL) for fiscal year 2017 was measured as of June 30, 2016 and determined based upon the Plan Fiduciary Net Position (FNP) and Total Pension Liability (TPL) from actuarial valuation as of June 30, 2016. LACERS' NPL for fiscal year 2016 was measured as of June 30, 2015 and determined based upon the FNP and TPL from actuarial valuation as of June 30, 2015.

As of the reporting date June 30, 2017 (measurement date of June 30, 2016) and reporting date June 30, 2016 (measurement date of June 30, 2015), LAWA reported its proportionate shares of TPL, FNP and NPL as follows (amounts in thousands):

	Reporting date 6/30/17 Measurement date 6/30/16	Reporting date 6/30/16 Measurement date 6/30/15
LAWA's proportionate share:		
Total Pension Liability	$ 2,402,907	$ 2,363,848
Plan Fiduciary Net Position	(1,628,551)	(1,666,366)
Net Pension Liability	$ 774,356	$ 697,482
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67.77%	70.49%

LAWA's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAWA during fiscal year 2016. The NPL was measured as of June 30, 2016 and determined based upon the Pension Plan's FNP (plan assets) and TPL from actuarial valuations as of June 30, 2016.

Change in LAWA's proportionate share of the NPL as of June 30, 2017 (measurement date June 30, 2016) and 2016 (measurement date June 30, 2015) was as follows (amounts in thousands):

	NPL	Proportion
Proportion - Reporting date June 30, 2017 (measurement date June 30, 2016)	$ 774,356	13.79%
Proportion - Reporting date June 30, 2016 (measurement date June 30, 2015)	$ 697,482	13.98%
Change - Increase(Decrease)	$ 76,874	(0.19)%

Change in LAWA's proportionate share of the NPL as of June 30, 2016 (measurement date June 30, 2015) and 2015 (measurement date June 30, 2014) was as follows (amounts in thousands):

	NPL	Proportion
Proportion - Reporting date June 30, 2016 (measurement date June 30, 2015)	$ 697,482	13.98%
Proportion - Reporting date June 30, 2015 (measurement date June 30, 2014)	$ 615,349	13.80%
Change - Increase	$ 82,133	0.18%

For the year ended June 30, 2017, LAWA recognized pension expense of $79.7 million. At June 30, 2017, LAWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 62,173	$ —
Differences between expected and actual experience	—	55,787
Changes of assumptions	50,491	—
Net difference between projected and actual earnings on pension plan investments	88,625	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,264	18,360
Total	$ 206,553	$ 74,147

$62.2 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

Fiscal year ending	Amount
2018	$ 11,690
2019	11,690
2020	35,531
2021	13,642
2022	(2,320)

For the year ended June 30, 2016, LAWA recognized pension expense of $62.2 million. At June 30, 2016, LAWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$ 60,694	$ —
Differences between expected and actual experience	—	30,059
Changes of assumptions	70,724	—
Net difference between projected and actual earnings on pension plan investments	—	20,096
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,802	15,081
Total	$ 138,220	$ 65,236

$60.7 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

Fiscal year ending	Amount
2017	$ (2,758)
2018	(2,758)
2019	(2,758)
2020	21,389
2021	(825)

c. Actuarial Assumptions for the June 30, 2016 Measurement Date for Fiscal Year 2017

The total pension liabilities as of June 30, 2016 and June 30, 2015 were determined by actuarial valuations as of June 30, 2016 and June 30, 2015, respectively, using the following actuarial assumptions[15], applied to all periods included in the measurement:

Inflation:	3.25%
Discount rate:	7.50%
Salary increases:	Ranges from 4.40% to 10.50% based on years of service, including inflation
Investment rate of return:	7.50%, net of pension plan investment expense, including inflation
Post-Retirement Mortality Rates:	
Healthy Members and all Beneficiaries:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.
Disabled Members:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.
Termination Rates before Retirement: Pre-Retirement Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.
Retirement Age and Benefit for Inactive Vested Participants:	Pension benefit paid at the later of age 58 or the current attained age. For reciprocals, 4.40% compensation increases per annum.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.
Service:	Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	5% of future inactive vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.25% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.
Employee Contribution Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 3.25% is used to approximate that crediting rate in this valuation.
Actuarial Cost Method:	Entry Age Cost Method.

[15] *The actuarial assumptions used in the June 30, 2016 and June 30, 2015 valuations were based on the results of an experience study for the period from July 1, 2011 through June 30, 2014. They are the same as the assumptions used in the June 30, 2016 funding actuarial valuation for LACERS.*

d. Discount Rate for Fiscal Year 2017

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2016 and June 30, 2015. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016 and June 30, 2015.

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

Asset Class	Target Allocation	Long-Term (Arithmetic) Expected Real Rate of Return
U.S. Large Cap Equity	20.40%	5.94%
U.S. Small Cap Equity	3.60%	6.64%
Developed	21.75%	6.98%
Emerging Market	7.25%	8.48%
Core Bonds	16.53%	0.71%
High Yield Bonds	2.47%	2.89%
Private Real Estate	5.00%	4.69%
Cash	1.00%	-0.46%
Credit Opportunities	5.00%	3.07%
Public Real Assets	5.00%	3.41%
Private Equity	12.00%	10.51%
Total	100.00%	

Sensitivity of LAWA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAWA's proportionate share of the NPL as of June 30, 2016 and June 30, 2015, calculated using the discount rate of 7.50%, as well as what LAWA's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate (amounts in thousands):

	June 30, 2016	June 30, 2015
1% decrease	6.50%	6.50%
Net Pension Liability	$1,091,371	$1,012,535
Current discount rate	7.50%	7.50%
Net Pension Liability	$774,356	$697,482
1% increase	8.50%	8.50%
Net Pension Liability	$510,333	$435,297

Pension Plan Fiduciary Net Position

The Pension Plan's fiduciary net position has been determined on the same basis used by the Pension Plan and the plans basis of accounting, including policies with respect to benefit payments and valuation of investments. Detailed information about LACERS net position is available in the separately issued LACERS financial reports, which can be found on the LACERS website.

e. Payable to the Pension Plan for Fiscal Year 2017

The City annual costs for the plans are calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of the applicable GASB statements. LAWA paid 100% of its annual contributions of $62.2 million and $60.7 million to the Pension Plan for fiscal years ended June 30, 2017 and June 30, 2016, respectively. At June 30, 2017 and June 30, 2016, LAWA did not have any payable to be reported for the outstanding amount of contributions to the Pension Plan required for the year end.

14. Other Postemployment Benefit Plan (OPEB)

a. General Information

Plan Description

LACERS provides other postemployment health care benefits under a Postemployment Health Care Plan to eligible retirees and their eligible spouses/domestic partners who participate in the Pension Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. Under Division 4, Chapter 11 of the City's Administrative Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City. These benefits may also extend to the coverage of other eligible dependent(s). To be eligible for health care benefits, member must: 1) be at least age 55; 2) had at least 10 whole years of service with LACERS; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

LACERS' publicly issued financial report, which covers both pension benefits and other postemployment benefits, may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328 or LACERS' website *http://lacers.org/aboutlacers/reports/index.html*. As a City department, LAWA shares in the risks and costs with the City. LAWA presents the related OPEB benefit disclosures as a participant in a single employer plan of the City on a cost-sharing basis. As of the completion date of LAWA's financial statements, LACERS' financial statements and the OPEB's actuarial valuation study for fiscal year 2017 are not yet available.

Benefits Provided

The maximum subsidies are set annually by the LACERS Board of Administration. Both Tier 1 and Tier 3 members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and the eligible members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Pension Plan members are entitled to LACERS' postemployment health care benefits after the retired member's death. During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at $1,190 for those members who retire on or after July 1, 2011; however, members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium.

Funding Policy for OPEB

The City Charter requires periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for OPEB for the fiscal year ended June 30, 2016, was 5.58% of covered payroll, determined by the June 30, 2014 actuarial valuation. The required contribution rate for OPEB for the fiscal year ended June 30, 2015, was 5.61% of covered payroll, determined by the June 30, 2013 actuarial valuation. (Note: information for fiscal year 2017 is not yet available on this report issue date)

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, investment returns, and the health care cost trends. The funded status of the plan and the annual required contributions of the employer, determined by the annual actuarial valuations, are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

LACERS switched to the Entry Age cost method beginning from the June 30, 2012 actuarial valuation to determine the required annual contribution amount for OPEB. The required annual contribution amount is composed of two components: normal cost which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the unfunded actuarial accrued liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets.

The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that health cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are closed as each layer of the UAAL is systematically amortized over a fixed period.

Funded Status and Funding Progress

The following is funded status information for OPEB as of June 30, 2016, and June 30, 2015 (amounts in thousands): (Note: information for fiscal year 2017 is not yet available on this report issue date)

	2016	2015	2014
Actuarial Accrued Liability (AAL)	$ 2,793,689	$ 2,646,989	$ 2,662,853
Actuarial value of assets	2,248,753	2,108,925	1,941,225
Unfunded AAL	$ 544,936	$ 538,064	$ 721,628
Funded ratio	80.49%	79.67%	72.90%
Covered payroll	$ 1,968,703	$ 1,907,665	$ 1,898,064
Unfunded AAL as a percentage of covered payroll	27.68%	28.21%	38.02%

City's Contributions to OPEB

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB plan, and the net OPEB asset (liability) for fiscal year 2016 and the two preceding years for each of the plans are as follows (amounts in thousands): (Note: information for fiscal year 2017 is not yet available on this report issue date)

Year ended	Annual OPEB Cost (AOC)		Percentage of AOC contributed	Net OPEB Asset (Liability)
6/30/2014	$	97,841	100%	—
6/30/2015	$	100,467	100%	—
6/30/2016	$	105,983	100%	—

LAWA's Contributions to OPEB

LAWA's contributions to OPEB for the year ended June 30 (amounts in thousands):

	2017		2016	
LAWA's required contributions to OPEB	$	13,436	$	14,858

LAWA's contributions made for OPEB, in the amounts of $13.4 million and $14.9 million for fiscal years 2017 and 2016, respectively, represent 100% of the Annual Required Contribution (ARC) as defined by GASB Statements No. 43[16] and No. 45[17] .

[16] *GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in April 2004*

[17] *GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension, issued in June 2004*

b. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on LACERS plan provisions and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques, such as seven-year smoothing of assets and amortization of UAAL over various periods of time depending on the nature of the UAAL, that are designed to reduce the effects of short-term volatility in funding, consistent with the long-term perspective of the calculations.

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
Amortization Method	Level Percent of Payroll – assuming a 4.00% increase in total covered payroll.
Amortization Period	Multiple layers – closed amortization period. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years, except that assumptions specifically related with the Postemployment Health Care benefits and reviewed annually by the LACERS Board are amortized over 15 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB Statements No. 25/27 layers for the Pension Plan, were combined and amortized over 30 years. Health trend and premium assumption changes are amortized over 15 years. Years remaining range from 8 to 26 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of fair value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized returns and losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.
Actuarial Assumptions:	
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Mortality Table for Retirees	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and no set back for females.
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set seven years for males and set forward eight years for females.
Marital Status	60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the member's death.
Participation	50% of inactive members are assumed to receive a subsidy for a City approved health carrier. 100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.
Health Care Cost Trend Rates	Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected premium.

15. Risk Management

The Risk Management Division administers LAWA's risk and claims management program by implementing a comprehensive risk identification, assessment, regulation and insurance program. The program addresses key risks that may adversely affect LAWA's ability to meet its business goals and objectives and effectively insures against losses, transfers risk or otherwise mitigates risk losses.

LAWA maintains insurance coverage of $1.3 billion for general aviation liability perils and $1.0 billion for war and allied perils (Terrorism) . Additional insurance coverage is carried for general all risk property insurance for $2.5 billion, that includes $250.0 million sub-limits for boiler and machinery, and $25.0 million for earthquake perils. Deductibles for these policies are $10,000 per claim with a $500,000 annual aggregate for general liability losses, and $100,000 per occurrence and no aggregate for general property casualty. Historically, no liability or property claims have reached or exceeded the stated policy limits stated above.

Additionally, LAWA maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits or where insurance is not available or viable. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. LAWA also monitors contractual transfer of risk by and through insurance review and requirements of contractors, tenants, airlines. For fiscal years 2017, 2016, and 2015, no claims were in excess of LAWA's insurance coverage or approached a substantial portion of the overall coverage capacities.

A number of claims/lawsuits were pending against LAWA that arose in the normal course of its operations. LAWA recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. The City Attorney provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The probability weighted liability for litigation and other claims for the fiscal years ended June 30, 2017 and 2016 were $10.1 million and $11.7 million, respectively.

LAWA is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by the City. Liability and risk are retained by LAWA. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAWA's accrued workers' compensation liabilities at June 30, 2017 and 2016 were $69.6 million and $67.7 million, respectively.

The changes in LAWA's estimated claims payable are as follows (amounts in thousands):

	June 30		
	2017	2016	2015
Balance at beginning of year	$ 79,437	$ 80,978	$ 74,836
Provision for current year's events and changes in provision for prior years' events	8,759	7,498	14,267
Claims payments	(8,537)	(9,039)	(8,125)
Balance at end of year	$ 79,659	$ 79,437	$ 80,978
Current portion	(8,277)	(8,537)	(9,039)
Noncurrent portion	$ 71,382	$ 70,900	$ 71,939

16. Commitments, Litigations, and Contingencies

a. Commitments

Commitments for acquisition and construction of capital assets, and purchase of materials and supplies were $84.2 million and $126.2 million as of June 30, 2017 and 2016, respectively. Significant amounts were committed for terminals and facilities, airfield and runways, as well as noise mitigation program.

b. Aviation Security

Concerns about the safety and security of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in the light of existing international hostilities, potential terrorist attacks, and world health concerns, including epidemics and pandemics. As a result of terrorist activities, certain international hostilities and risk of violent crime, LAWA has implemented enhanced security measures mandated by the FAA, the Transportation Security Administration (TSA), the Department of Homeland Security and Airport management. Current and future security measures may create significantly increased inconvenience, costs and delays at LAX which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may adversely affect LAWA's operations, expenses and revenues. LAX has been the target of a foiled terrorist bombing plot and has been recognized as a potential terrorist target. Recent incidents at United States and international airports underscore this risk. LAX is a high profile public facility in a major metropolitan area. LAWA cannot predict whether LAX or any of LAWA's other airports will be actual targets of terrorists or other violent acts in the future.

c. Environmental Issues

LAWA bears full responsibility for the cleanup of environmental contamination on property it owns. However, if the contamination originated based on contractual arrangements, the tenants are held responsible even if they declare bankruptcy.

As property owner, LAWA assumes the ultimate responsibility for cleanup in the event the tenant is unable to make restitution. Under certain applicable laws, LAWA may become liable for cleaning up soil and groundwater contamination on a property in the event that the previous owner does not perform its remediation obligations. LAWA accrues pollution remediation liabilities when costs are incurred or amounts can be reasonably estimated based on expected outlays. The liability accrued at June 30, 2017 and 2016 was $7.5 million and $12.8 million, respectively. LAWA does not expect any further recoveries reducing this obligation.

The California Regional Water Quality Control Board, Lahontan Region (Water Board) issued a Notice of Revised Proposed Cleanup and Abatement Order (Order) to Los Angeles County Sanitation District No. 20 (District) and the City of Los Angeles (City), as Dischargers, with respect to discharges to underground water from the Palmdale Reclamation Plant (Reclamation Plant) owned by the District. The Order states that the discharges have resulted in violations of waste discharge requirements for the Reclamation Plant and prohibitions contained in the Water Quality Control Plan for the Lahontan Region, and that discharges from the Reclamation Plant to unlined ponds and to the Effluent Management Site (owned by the City and now known as the Agricultural Site) have adversely affected and polluted groundwater in the area of the discharges. The Water Board issued an order to the District and LAWA to submit technical reports that include feasibility and costs to remove nitrate from groundwater to certain acceptable levels. The costs and timeframe to perform the Order, along with the apportionment of liability, are uncertain at this time.

17. Transfer of LA/ONT International Airport

The City, LAWA (the Department), the Board, City of Ontario, and Ontario International Airport Authority (OIAA), a joint powers authority of the County of San Bernardino and the City of Ontario, entered into a settlement agreement (ONT Settlement Agreement) relating to litigation filed by the City of Ontario in June 2013 (Ontario Litigation) against the City, the Department, and the Board.

The ONT Settlement Agreement provides, generally, for: (I) the City to transfer, assign and deliver to OIAA the City's right, title and interest in and certain of the assets, properties, rights and interests solely used or held solely for use in connection with the Department's operation of ONT, including: (a) certain real property, improvements and equipment comprising ONT and certain surrounding parcels; (b) certain contractual or entitlement rights, comprised of leases, contracts, grant agreements and entitlements; (c) certain accounts receivable and cash remaining in the accounts of ONT after the (i) transfer of certain passenger facility charges, (ii) transfer of $40.0 million from ONT accounts to other Department non-ONT accounts, and (iii) use of the funds in the reserve fund established for the original $90.2 million aggregate principal amount of ONT Refunding Revenue Bonds Series 2006A and Series 2006B (ONT Bonds) to discharge the outstanding ONT Bonds, all as provided in the ONT Settlement Agreement; (II) the development of a Staff Augmentation Agreement and a Department Employee Protection and Transition Plan; (III) termination and rescission of the joint powers agreement of the City and the City of Ontario; (IV) dismissal with prejudice of the Ontario Litigation and other related litigation; and (V) certain reimbursement payments and transfers of funds to the Department, including: (a) $30.0 million from the City of Ontario to the City for the benefit of the Department to be used for the capital and operating expenses of the airport system owned and operated by the Department (other than ONT); (b) $40.0 million from the unrestricted cash ONT accounts to other Department non-ONT accounts (as described above) to be used for the capital and operating expenses of the airport system owned and operated by the Department (other than ONT); (c) $120.0 million from OIAA to the Department, over a period of approximately 10 years and subject to certain conditions and limitations, including that a portion thereof may be paid by the transfer of certain previously collected passenger facility charges; and (d) funds from OIAA sufficient, together with amounts available in the applicable bond reserve fund, to cause the discharge of the ONT Bonds (as described above). The transactions contemplated by the ONT Settlement Agreement closed on November 1, 2016.

On June 20, 2016, the parties agreed to a Staff Augmentation Agreement (SAA). The SAA contemplated some LAWA staff may remain at ONT for as long as 21 months after the closing. However, it provided the OIAA with the right to declare certain categories of employees redundant and return them to available employment with a City Department. OIAA has exercised that right on several occasions.

Based on the ONT Settlement Agreement, the OIAA has made all scheduled payments to date. LAWA has received $30.0 million from the City of Ontario and $40.0 million from the unrestricted cash ONT accounts. OIAA has also made the additional payment of $50.0 million payment (with appropriate discount valued $47.3 million). The outstanding receivable balance of the $70.0 million (with appropriate discount valued $64.9 million) was $56.8 million as of June 30, 2017.

As a result of the transfer of the ONT assets and liabilities to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement, LAWA recognized a loss of $225.3 million on the disposal of ONT as a special item.

A condensed summary of ONT's changes in net position for fiscal year ended 2017 is presented below (amounts in thousands):

	FY 2017
Operating revenue	$ 21,604
Less- Operating expenses	17,377
Operating income before depreciation and amortization	4,227
Less- Depreciation and amortization	6,131
Operating loss	(1,904)
Other nonoperating revenue, net	4,964
Federal grants	(6)
Inter-agency transfers	35,415
Changes in net position	38,469
Net position, beginning of year	326,418
Net position, October 31, 2016	364,887
Write-off of net position	(364,887)
Net position, end of year	$ —

A summary schedule of ONT's write-off of net position is presented below (amounts in thousands):

	FY 2017
Special item - loss on transfer on ONT	$ 225,347
Inter-agency transfers	35,415
Transfer of residual operation from ONT	104,125
Total	$ 364,887

The transfer of residual operation from ONT to LAX is presented below (amounts in thousands). This activity represents inter-agency transfers, and is eliminated for presentation in the Statement of Revenues, Expenses, and Changes in Net Position.

	FY 2017
Proceeds from ONT transfer	$ 125,705
Receivable from OIAA	56,784
Land transferred to ONT	(32,326)
Personnel related liabilities transferred from ONT	(46,039)
Total	$ 104,124

18. Other Matter

City Financial Challenges

According to the City Administrative Officer's (CAO) year-end Financial Status Report for fiscal year 2017, there was a significant increase in liability claims expenses due to the payment of judgments and settlements. In order to manage the significant amount of judgment and settlement payouts, the CAO proposed a potential issuance of Judgment Obligation Bonds (JOB) with proceeds to be used to reimburse the Reserve Fund (or other City Funds) for advances or loans made to these expenses, and the City Council had adopted a resolution to proceed with the issuance of JOB. In addition, there were additional internal and external challenges including the potential federal funding issue, new labor agreements, and class action lawsuits that may adversely impact the City, the size and/or timing of which cannot be accurately determined at this time. The CAO is closely monitoring the federal appropriations process and any potential impacts to the City, as well as the fiscal impact based on the MOU agreements reached with the bargaining units, and identifying options to mitigate shortfalls to reduce liabilities going forward.

LAWA, as a proprietary department under the City Charter, is vested with the management and control of its assets. The budgetary challenges of the City's General Fund as well as the mitigating measures implemented by the Mayor and City Council do not directly affect LAWA's operations. However, auxiliary services provided to LAWA by other City departments may be impacted. In addition, the City's budget challenges may have an adverse effect on the trading value of LAWA's outstanding and future bond issues.

19. Subsequent Events

On July 26,2017, LAWA issued LAX subordinate revenue bonds 2017 Series A of $260.6 million, and 2017 Series B of $88.7 million. The premium for these issuances totaled $54.6 million. The bonds were issued to pay and/or reimburse for capital expenditures at LAX.

On August 25, 2017, the Board authorized a three-year letter of credit (LOC) agreement providing total of $500.0 million principal amount of credit to support LAX's commercial paper program with the following institutions: Sumitomo Mitsui Banking Corporation for $200.0 million, Wells Fargo Bank for $200.0 million, and Barclays Bank PLC for $100.0 million.

On September 20, 2017, the Board authorized issuance of LAX revenue bonds, notes or other obligations, in one or more series in an aggregate amount not to exceed $2.2 billion through fiscal year 2022 to pay for projected capital projects at LAX and to refund outstanding bonds for debt service savings.

On October 5, 2017, the Board authorized a third amendment to the Terminal Commercial Management Concession Agreement with Westfield Airports, LLC (Westfield) at LAX to add up to 30,000 square feet of concession space in the Midfield Satellite Concourse to the premises and generate a minimum of $6.4 million concession revenue per year and approximately $76.8 million in additional concession revenue over the term of the contract.

On October 5, 2017, the Board authorized collection of an updated CFC to fund costs of a consolidated rental car facility (ConRAC) and its share of a common-use transportation system (CTS) at LAX (Projects) pursuant to California Government Code Section 50474.3. The Board authorized the collection of a CFC of $7.50 per day for the first five days of each car rental contract, effective December 1, 2017, by rental car companies serving LAX. The Board authorized an increase in the CFC daily rate to $9.00 per day for the first five days of each car rental contract, effective the first day of the month following the commencement of rental car services to the public in the ConRAC, or such other earlier day if the Board determines that it is the best interest of the Projects to collect the increased CFC daily rate of $9.00 earlier.

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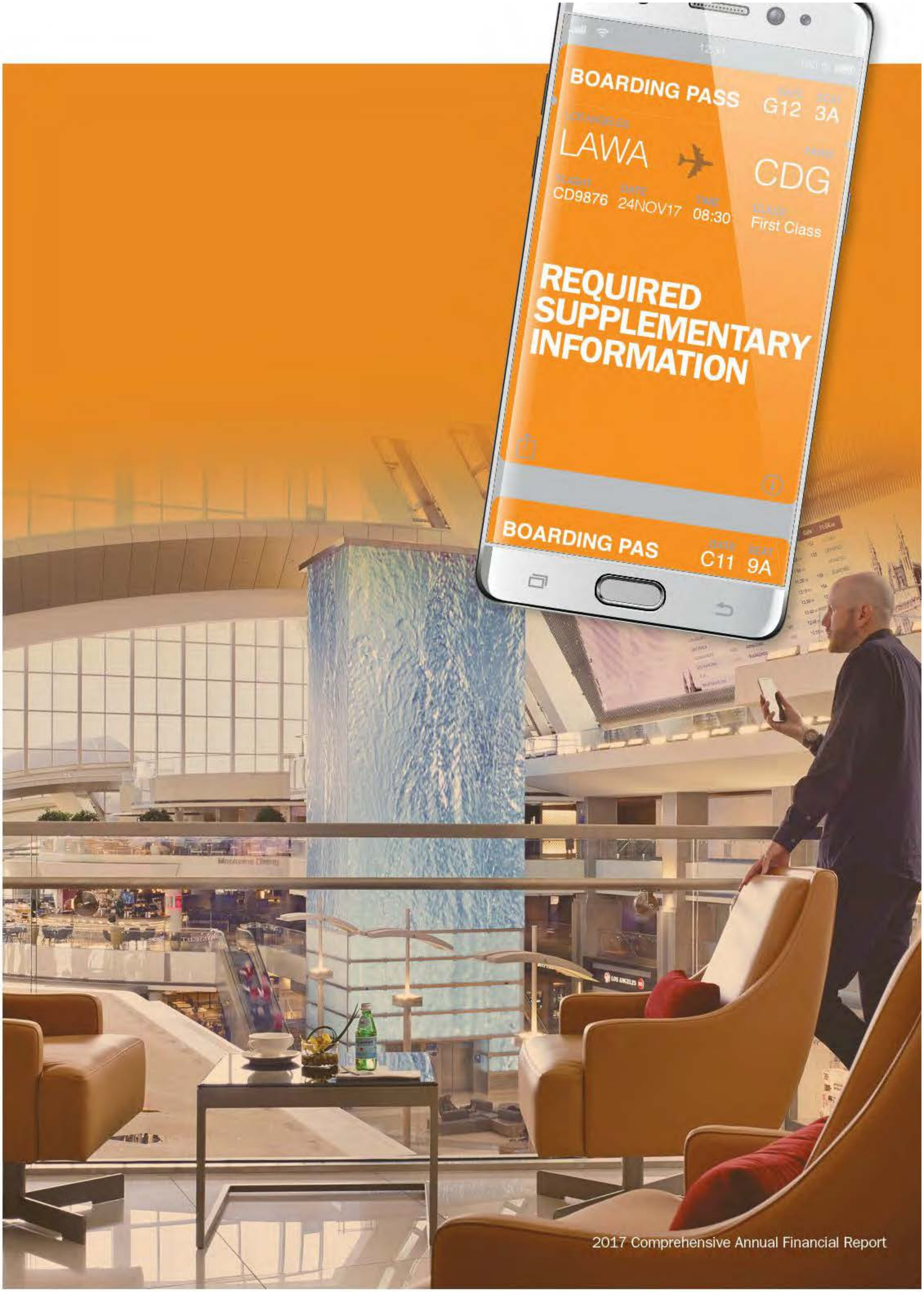
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REQUIRED SUPPLEMENTARY INFORMATION
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Required Supplementary Information

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Required Supplementary Information
Last Ten Fiscal Years Ended June 30*
(amounts in thousands)

Schedule of LAWA's Proportionate Share of the Net Pension Liability

Fiscal Year	Proportion of the Net Pension Liability	Proportionate share of the Net Pension Liability	Covered Payroll (2)	Proportionate share of the Net Pension Liability as a percentage of its Covered Payroll	Proportionate share of Pension Plan's Fiduciary Net Position	Proportionate share of Pension Plan's Total Pension Liability	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2015	13.80%	$ 615,349	$ 249,228	246.90%	$ 1,627,643	$ 2,242,992	72.57%
2016	13.98%	$ 697,482	$ 255,014	273.51%	$ 1,666,366	$ 2,363,848	70.49%
2017	13.79%	$ 774,356	$ 260,929	296.77%	$ 1,628,551	$ 2,402,907	67.77%

Notes to schedule:

1. Changes of assumptions for measurement date June 30, 2014:

   The June 30, 2014 calculations reflected various assumptions changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of the Pension Plan's Total Pension Liability is primarily due to the lowered assumed investment rate of return, from 7.75% in fiscal year 2013 to 7.50% in fiscal year 2014, and longer assumed life expectancies for members and beneficiaries.

2. Covered payroll is reported based on measurement period.

   * Since fiscal year 2015 was the first year of implementation, only three years are shown.

Required Supplementary Information (continued)
Last Ten Fiscal Years Ended June 30*
(amounts in thousands)

Schedule of Contributions - Pension

	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 62,173	$ 60,694	$ 53,261
Contributions in relation to the actuarially determined contributions	62,173	60,694	53,261
Contribution deficiency (excess)	$ —	$ —	$ —
LAWA's covered payroll	$ 271,035	$ 260,929	$ 255,014
LAWA's contributions as a percentage of covered payroll	22.94%	23.26%	20.89%

* Since fiscal year 2015 was the first year of implementation, only three years are shown.

Notes to schedule:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age actuarial cost method, level percent of salary.
Amortization method	Level percent of payroll - assuming a 4.0% increase in total covered payroll.
Amortization period	Multiple layers - closed amortization period. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over five years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An ad hoc change was made in 2014 to combine the unrecognized returns and losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.

(amounts in thousands)

Notes to schedule (continued):

	Reporting date 6/30/17 Measurement date 6/30/16	Reporting date 6/30/16 Measurement date 6/30/15
Investment rate of return	7.50%	7.50%
Inflation rate	3.25%	3.25%
Real across-the-board salary increase	0.75%	0.75%
Projected salary increases	Ranges from 10.50% to 4.40% based on years of service	Ranges from 10.50% to 4.40% based on years of service
Cost of living adjustment [(1)]	Tier 1: 3.00% Tier 2: 2.00%	Tier 1: 3.00% Tier 2: 2.00%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no set back for females	Healthy: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no set back for females

1. Actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 2.


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2017 Comprehensive Annual Financial Report

Supplemental Information

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Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Combining Schedule of Net Position June 30, 2017
(with June 30, 2016 comparative total)
(amounts in thousands)

	Los Angeles International Airport	LA/Ontario International Airport	Van Nuys Airport
ASSETS			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	$ 769,241	$ —	$ 4,347
Investments with fiscal agents	22,282	—	—
Accounts receivable, net of allowance for uncollectible accounts: 2017 - $33; 2016 - $1,066	—	—	1,625
Unbilled receivables	44,245	—	256
Accrued interest receivable	3,435	—	—
Grants receivable	12,322	—	—
Loans receivable	—	—	136
Receivable from OIAA	9,674	—	—
Receivable from City General Fund	2,849	—	—
Due from (to) other agencies	48,020	—	—
Prepaid expenses	4,116	—	13
Inventories	1,247	—	39
Total unrestricted current assets	917,431	—	6,416
Restricted current assets			
Cash and pooled investments held in City Treasury	967,893	—	128
Investments with fiscal agents	924,494	—	—
Accrued interest receivable	1,324	—	—
Passenger facility charges receivable	23,881	—	—
Customer facility charges receivable	3,280	—	—
Total restricted current assets	1,920,872	—	128
Total current assets	2,838,303	—	6,544
Noncurrent Assets			
Capital assets			
Not depreciated	2,164,208	—	13,226
Depreciated, net	6,424,629	—	45,397
Total capital assets	8,588,837	—	58,623
Other noncurrent assets			
Investments with fiscal agents	17,585	—	—
Loans receivable, net of current portion	—	—	383
Receivable from OIAA, net of current portion	47,110	—	—
Receivable from City General Fund, net of current portion	2,935	—	—
Total other noncurrent assets	67,630	—	383
Total noncurrent assets	8,656,467	—	59,006
TOTAL ASSETS	11,494,770	—	65,550
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on debt refunding	38,550	—	—
Deferred outflows of resources related to Pension	203,352	—	3,201
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 241,902	$ —	$ 3,201

	Palmdale Property	Total 2017	Total 2016
ASSETS			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	$ 2	$ 773,590	$ 849,991
Investments with fiscal agents	—	22,282	16,465
Accounts receivable, net of allowance for uncollectible accounts: 2017 - $33; 2016 - $1,066	—	1,625	11,975
Unbilled receivables	—	44,501	38,213
Accrued interest receivable	—	3,435	3,207
Grants receivable	—	12,322	24,771
Loans receivable	—	136	169
Receivable from OIAA	—	9,674	—
Receivable from City General Fund	—	2,849	2,766
Due from (to) other agencies	(48,020)	—	—
Prepaid expenses	—	4,129	4,339
Inventories	—	1,286	1,602
Total unrestricted current assets	(48,018)	875,829	953,498
Restricted current assets			
Cash and pooled investments held in City Treasury	—	968,021	969,292
Investments with fiscal agents	—	924,494	834,330
Accrued interest receivable	—	1,324	1,440
Passenger facility charges receivable	—	23,881	18,428
Customer facility charges receivable	—	3,280	3,323
Total restricted current assets	—	1,921,000	1,826,813
Total current assets	(48,018)	2,796,829	2,780,311
Noncurrent Assets			
Capital assets			
Not depreciated	91,992	2,269,426	2,757,914
Depreciated, net	6,838	6,476,864	5,479,790
Total capital assets	98,830	8,746,290	8,237,704
Other noncurrent assets			
Investments with fiscal agents	—	17,585	6,843
Loans receivable, net of current portion	—	383	523
Receivable from OIAA, net of current portion	—	47,110	—
Receivable from City General Fund, net of current portion	—	2,935	5,785
Total other noncurrent assets	—	68,013	13,151
Total noncurrent assets	98,830	8,814,303	8,250,855
TOTAL ASSETS	50,812	11,611,132	11,031,166
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on debt refunding	—	38,550	25,763
Deferred outflows of resources related to Pension	—	206,553	138,220
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ —	$ 245,103	$ 163,983

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Combining Schedule of Net Position June 30, 2017 (continued)
(with June 30, 2016 comparative total)
(amounts in thousands)

	Los Angeles International Airport	LA/Ontario International Airport	Van Nuys Airport
LIABILITIES			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	$ 225,492	$ —	$ 1,268
Accrued salaries	17,790	—	347
Accrued employee benefits	5,580	—	114
Estimated claims payable	8,137	—	140
Commercial paper	48,736	—	—
Obligations under securities lending transactions	5,658	—	—
Other current liabilities	73,631	—	975
Total current liabilities payable from unrestricted assets	385,024	—	2,844
Current liabilities payable from restricted assets			
Contracts and accounts payable	7,831	—	128
Current maturities of bonded debt	107,850	—	—
Accrued interest payable	31,529	—	—
Obligations under securities lending transactions	7,295	—	—
Other current liabilities	58,123	—	—
Total current liabilities payable from restricted assets	212,628	—	128
Total current liabilities	597,652	—	2,972
Noncurrent Liabilities			
Bonded debt, net of current portion	5,215,626	—	—
Accrued employee benefits, net of current portion	41,309	—	841
Estimated claims payable, net of current portion	70,347	—	1,035
Liability for environmental/hazardous materials cleanup	7,500	—	—
Net pension liability	761,187	—	13,169
Other long-term liabilities	886	—	—
Total noncurrent liabilities	6,096,855	—	15,045
TOTAL LIABILITIES	6,694,507	—	18,017
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to Pension	72,915	—	1,232
TOTAL DEFERRED INFLOWS OF RESOURCES	72,915	—	1,232
NET POSITION			
Net investment in capital assets	3,742,152	—	58,623
Restricted for:			
Debt service	423,327	—	—
Passenger facility charges eligible projects	481,751	—	—
Customer facility charges eligible projects	300,402	—	—
Capital projects reserve	—	—	—
Operations and maintenance reserve	185,897	—	—
Federally forfeited property and protested funds	1,463	—	—
Unrestricted	(165,742)	—	(9,121)
TOTAL NET POSITION	$ 4,969,250	$ —	$ 49,502

		Palmdale Property		Total 2017		Total 2016
LIABILITIES						
Current Liabilities						
Current liabilities payable from unrestricted assets						
Contracts and accounts payable	$	168	$	226,928	$	235,948
Accrued salaries		—		18,137		16,429
Accrued employee benefits		—		5,694		5,928
Estimated claims payable		—		8,277		8,537
Commercial paper		—		48,736		50,310
Obligations under securities lending transactions		—		5,658		15,161
Other current liabilities		131		74,737		26,528
Total current liabilities payable from unrestricted assets		299		388,167		358,841
Current liabilities payable from restricted assets						
Contracts and accounts payable		—		7,959		4,375
Current maturities of bonded debt		—		107,850		100,495
Accrued interest payable		—		31,529		29,511
Obligations under securities lending transactions		—		7,295		19,104
Other current liabilities		—		58,123		21,201
Total current liabilities payable from restricted assets		—		212,756		174,686
Total current liabilities		299		600,923		533,527
Noncurrent Liabilities						
Bonded debt, net of current portion		—		5,215,626		4,875,613
Accrued employee benefits, net of current portion		—		42,150		41,118
Estimated claims payable, net of current portion		—		71,382		70,900
Liability for environmental/hazardous materials cleanup		—		7,500		12,783
Net pension liability		—		774,356		697,482
Other long-term liabilities		—		886		886
Total noncurrent liabilities		—		6,111,900		5,698,782
TOTAL LIABILITIES		299		6,712,823		6,232,309
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to Pension		—		74,147		65,236
TOTAL DEFERRED INFLOWS OF RESOURCES		—		74,147		65,236
NET POSITION						
Net investment in capital assets		98,830		3,899,605		3,651,912
Restricted for:						
Debt service		—		423,327		397,828
Passenger facility charges eligible projects		—		481,751		484,961
Customer facility charges eligible projects		—		300,402		255,612
Capital projects reserve		—		—		9,661
Operations and maintenance reserve		—		185,897		194,818
Federally forfeited property and protested funds		—		1,463		1,368
Unrestricted		(48,317)		(223,180)		(98,556)
TOTAL NET POSITION	$	50,513	$	5,069,265	$	4,897,604

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2017
(with for the fiscal year ended June 30, 2016 comparative total)
(amounts in thousands)

	Los Angeles International Airport	LA/Ontario International Airport	Van Nuys Airport	Palmdale Property
OPERATING REVENUE				
Aviation revenue				
Landing fees	$ 261,639	$ 4,189	$ —	$ —
Reliever airport fee	(668)	—	668	—
Building rentals	493,382	6,373	4,921	3,305
Land rentals	98,563	1,088	11,390	405
Other aviation revenue	7,036	357	2,688	—
Total aviation revenue	859,952	12,007	19,667	3,710
Concession revenue	441,623	9,452	13	—
Other operating revenue	27,114	145	179	—
Total operating revenue	1,328,689	21,604	19,859	3,710
OPERATING EXPENSES				
Salaries and benefits	438,153	9,292	7,587	—
Contractual services	203,277	4,376	6,332	1,401
Materials and supplies	43,830	437	482	(115)
Utilities	36,043	1,156	272	204
Other operating expenses	25,782	68	266	487
Allocated administrative charges	(4,585)	2,048	2,241	296
Total operating expenses before depreciation and amortization	742,500	17,377	17,180	2,273
Operating income before depreciation and amortization	586,189	4,227	2,679	1,437
Depreciation and amortization	298,176	6,131	3,969	850
OPERATING INCOME (LOSS)	288,013	(1,904)	(1,290)	587
NONOPERATING REVENUE (EXPENSES)				
Passenger facility charges	163,869	2,901	—	—
Customer facility charges	32,545	1,345	—	—
Interest income	23,327	1,588	98	—
Net change in fair value of investments	(20,738)	—	—	—
Interest expense	(193,469)	(1,013)	—	—
Other nonoperating revenue	15,743	143	—	—
Other nonoperating expenses	(2,493)	—	—	—
Total nonoperating revenue, net	18,784	4,964	98	—
INCOME (LOSS) BEFORE CAPITAL GRANTS, INTER-AGENCY TRANSFERS & SPECIAL ITEM	306,797	3,060	(1,192)	587
Federal and other government grants	87,762	(6)	—	—
Inter-agency transfers	1,856	—	(1,856)	—
Transfer of residual operation from ONT	104,125	(104,125)	—	—
Special item - loss on transfer of ONT	—	(225,347)	—	—
CHANGE IN NET POSITION	500,540	(326,418)	(3,048)	587
NET POSITION, BEGINNING OF YEAR	4,468,710	326,418	52,550	49,926
NET POSITION, END OF YEAR	$ 4,969,250	$ —	$ 49,502	$ 50,513

	Total before eliminations	Eliminations	Total 2017	Total 2016
OPERATING REVENUE				
Aviation revenue				
Landing fees	$ 265,828	$ —	$ 265,828	$ 252,589
Reliever airport fee	—	—	—	—
Building rentals	507,981	—	507,981	487,349
Land rentals	111,446	(1,132)	110,314	109,422
Other aviation revenue	10,081	—	10,081	9,606
Total aviation revenue	895,336	(1,132)	894,204	858,966
Concession revenue	451,088	—	451,088	422,278
Other operating revenue	27,438	—	27,438	4,572
Total operating revenue	1,373,862	(1,132)	1,372,730	1,285,816
OPERATING EXPENSES				
Salaries and benefits	455,032	—	455,032	421,028
Contractual services	215,386	—	215,386	199,919
Materials and supplies	44,634	—	44,634	50,325
Utilities	37,675	—	37,675	40,843
Other operating expenses	26,603	(1,132)	25,471	22,304
Allocated administrative charges	—	—	—	—
Total operating expenses before depreciation and amortization	779,330	(1,132)	778,198	734,419
Operating income before depreciation and amortization	594,532	—	594,532	551,397
Depreciation and amortization	309,126	—	309,126	250,109
OPERATING INCOME (LOSS)	285,406	—	285,406	301,288
NONOPERATING REVENUE (EXPENSES)				
Passenger facility charges	166,770	—	166,770	153,964
Customer facility charges	33,890	—	33,890	36,082
Interest income	25,013	—	25,013	21,956
Net change in fair value of investments	(20,738)	—	(20,738)	15,074
Interest expense	(194,482)	—	(194,482)	(185,275)
Other nonoperating revenue	15,886	—	15,886	17,857
Other nonoperating expenses	(2,493)	—	(2,493)	(4,817)
Total nonoperating revenue, net	23,846	—	23,846	54,841
INCOME (LOSS) BEFORE CAPITAL GRANTS, INTER-AGENCY TRANSFERS & SPECIAL ITEM	309,252	—	309,252	356,129
Federal and other government grants	87,756	—	87,756	49,271
Inter-agency transfers	—	—	—	—
Transfer of residual operation from ONT	—	—	—	—
Special item - loss on transfer of ONT	(225,347)	—	(225,347)	—
CHANGE IN NET POSITION	171,661	—	171,661	405,400
NET POSITION, BEGINNING OF YEAR	4,897,604	—	4,897,604	4,492,204
NET POSITION, END OF YEAR	$ 5,069,265	$ —	$ 5,069,265	$ 4,897,604

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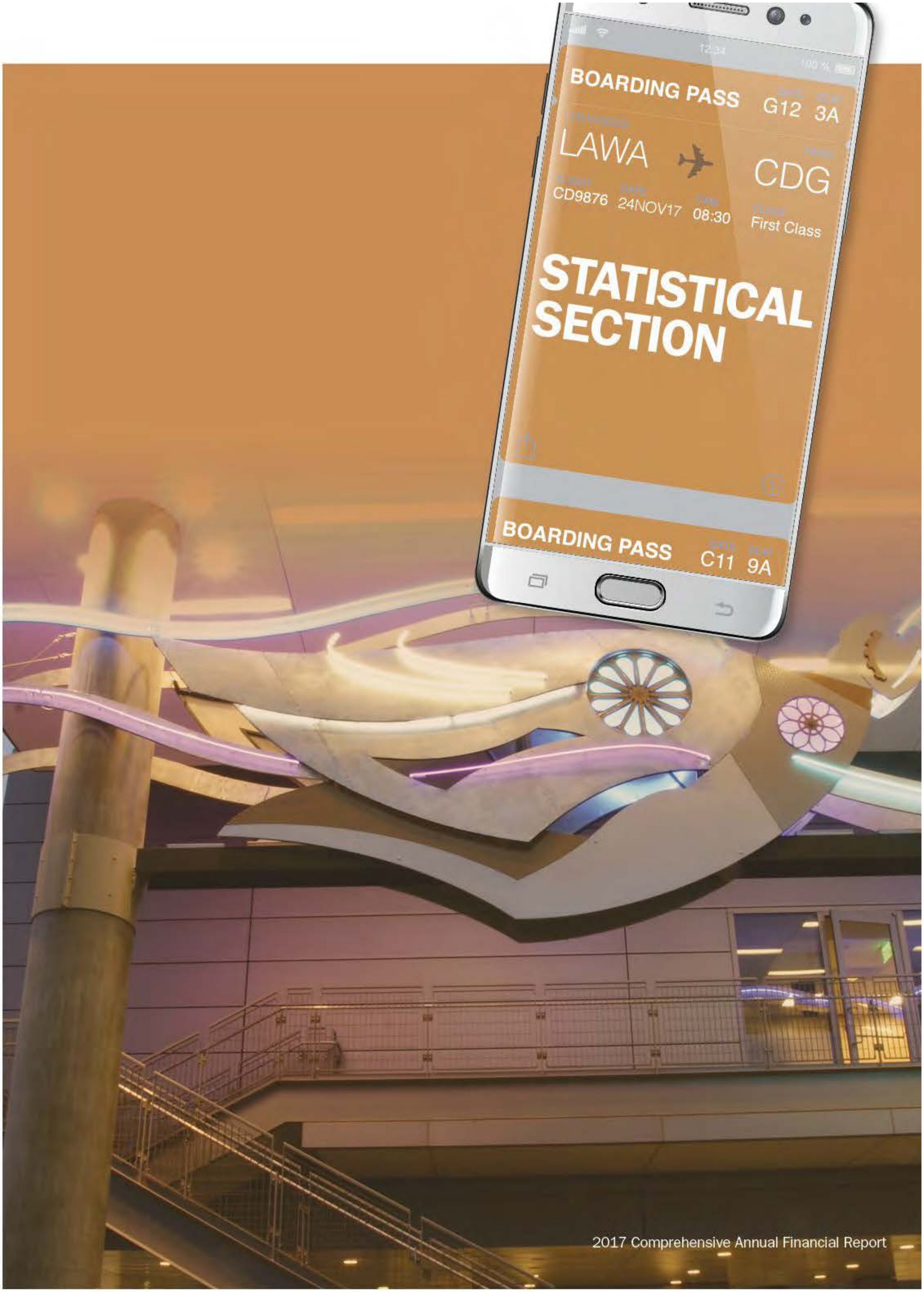
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2017 Comprehensive Annual Financial Report

Statistical Section

The Statistical Section's objective is to provide users of LAWA's financial statements with additional historical perspective, context and detail to assist in using the information presented in the financial statements, notes to the financial statements, required supplementary information, and supplemental information to assess LAWA's economic condition

Statistical Section (Unaudited)
Fiscal Year Ended June 30, 2017

The Statistical Section provides information with up to ten years of comparable data.

Financial Trend and Revenue Capacity

The financial trend schedules depict the financial position of LAWA over the years. The information provided allows for an understanding of how revenues and expenses have changed over the years. The revenue capacity schedules present the significant sources of LAWA's operating revenues.

Debt Capacity

The schedules present LAWA's outstanding debt over the years, related debt service ratios, and LAWA's ability to repay the outstanding debt and ability to issue additional debt in the future.

Operating Information

The schedules provide information on the distribution of LAWA's carriers, passenger traffic, airport personnel, and capital assets.

Demographic and Economic Data

The schedules offer demographic and economic indicators to help readers understand the environment within which LAWA's financial activities occur.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Net Position Summary
Last Ten Fiscal Years June 30
(amounts in thousands)

	2017	2016	2015	2014	2013
Assets					
Unrestricted current assets	$ 875,829	$ 953,498	$ 801,802	$ 773,686	$ 751,416
Restricted current assets	1,921,000	1,826,813	1,666,940	1,741,540	1,698,879
Capital assets, net	8,746,290	8,237,704	7,457,471	6,938,565	6,385,858
Other noncurrent assets	68,013	13,151	16,070	18,932	21,702
Total assets	11,611,132	11,031,166	9,942,283	9,472,723	8,857,855
Deferred outflows of resources					
Deferred charges on debt refunding	38,550	25,763	27,051	2,581	2,795
Deferred outflows of resources related to pension	206,553	138,220	142,391	—	—
Total deferred outflows of resources	245,103	163,983	169,442	2,581	2,795
Liabilities					
Current liabilities payable from unrestricted assets	388,167	358,841	319,941	414,285	274,859
Current liabilities payable from restricted assets	212,756	174,686	132,667	116,999	102,125
Noncurrent liabilities	5,337,544	5,001,300	4,401,545	4,102,171	3,933,194
Net pension liability	774,356	697,482	615,349	—	—
Total liabilities	6,712,823	6,232,309	5,469,502	4,633,455	4,310,178
Deferred inflows of resources					
Deferred inflows of resources related to pension	74,147	65,236	150,019	—	—
Total deferred inflows of resources	74,147	65,236	150,019	—	—
Net Position					
Net investment in capital assets	3,899,605	3,651,912	3,359,104	3,089,235	2,691,560
Restricted for debt service	423,327	397,828	350,101	334,396	316,249
Restricted for capital projects	968,050	750,234	801,276	944,200	937,398
Restricted for operation & maintenance reserve	185,897	194,818	188,375	178,598	173,101
Restricted for federal forfeited property & protested funds	1,463	1,368	1,517	1,313	1,117
Unrestricted	(223,180)	(98,556)	(208,169)	294,107	431,047
Total net position	$ 5,255,162	$ 4,897,604	$ 4,492,204	$ 4,841,849	$ 4,550,472

	2012	2011	2010	2009	2008
Assets					
Unrestricted current assets	$ 835,785	$ 973,345	$ 770,751	$ 676,544	$ 601,602
Restricted current assets	2,352,742	2,807,009	1,715,836	1,064,230	962,547
Capital assets, net	5,331,736	4,459,842	3,966,292	3,261,207	2,830,640
Other noncurrent assets	45,437	102,166	489,445	8,098	3,351
Total assets	8,565,700	8,342,362	6,942,324	5,010,079	4,398,140
Deferred outflows of resources					
Deferred charges on debt refunding	—	—	—	—	—
Deferred outflows of resources related to pension	—	—	—	—	—
Total deferred outflows of resources	—	—	—	—	—
Liabilities					
Current liabilities payable from unrestricted assets	382,293	338,685	359,225	220,164	531,194
Current liabilities payable from restricted assets	110,482	169,554	89,256	110,483	142,473
Noncurrent liabilities	3,717,043	3,757,733	2,711,343	1,180,396	493,931
Net pension liability	—	—	—	—	—
Total liabilities	4,209,818	4,265,972	3,159,824	1,511,043	1,167,598
Deferred inflows of resources					
Deferred inflows of resources related to pension	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—
Net Position					
Net investment in capital assets	2,407,904	2,061,683	2,013,081	2,084,626	2,157,223
Restricted for debt service	388,458	486,955	345,116	115,601	35,523
Restricted for capital projects	937,355	825,114	795,967	677,575	547,799
Restricted for operation & maintenance reserve	175,543	155,200	155,200	155,200	156,407
Restricted for federal forfeited property & protested funds	1,141	779	5,965	34,268	1,301
Unrestricted	445,481	546,659	467,171	431,766	332,289
Total net position	$ 4,355,882	$ 4,076,390	$ 3,782,500	$ 3,499,036	$ 3,230,542

Note:

1. *The net pension liability data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amount was not readily available.*
2. *Statistical information for the 2016 and all preceding years includes activities relating to ONT. As a result of the transfer of ONT operations during 2017, all information presented for years subsequent to 2016 include no ONT balances.*

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Changes in Net Position
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

	2017	2016	2015	2014	2013
Operating revenue					
Aviation revenue					
Landing fees	$ 265,828	$ 252,589	$ 239,659	$ 234,394	$ 227,683
Building rentals	507,981	487,349	389,796	339,420	285,873
Land rentals	110,314	109,422	102,746	101,369	94,694
Other aviation revenue	10,081	9,606	7,126	5,899	6,336
Concession revenue	451,088	422,278	377,617	354,847	328,636
Other operating revenue	27,438	4,572	4,640	2,577	3,571
Total operating revenue	1,372,730	1,285,816	1,121,584	1,038,506	946,793
Nonoperating revenue					
Passenger facility charges	166,770	153,964	141,466	136,280	130,512
Customer facility charges	33,890	36,082	33,185	32,345	30,896
Investment income	4,275	37,030	20,166	24,422	2,985
Other nonoperating revenue	15,886	17,857	9,175	11,901	12,098
Total nonoperating revenue	220,821	244,933	203,992	204,948	176,491
Total revenue	1,593,551	1,530,749	1,325,576	1,243,454	1,123,284
Operating expenses					
Salaries and benefits	455,032	421,028	405,923	388,677	371,708
Contractual services	215,386	199,919	190,445	179,988	184,139
Materials and supplies	44,634	50,325	49,810	49,604	52,158
Utilities	37,675	40,843	43,247	44,037	37,089
Other operating expenses	25,471	22,304	22,635	17,555	19,939
Depreciation and amortization	309,126	250,109	201,214	165,960	159,719
Total operating expenses	1,087,324	984,528	913,274	845,821	824,752
Nonoperating expenses					
Interest expense	194,482	185,275	169,630	137,005	97,089
Other nonoperating expenses	2,493	4,817	9,559	1,928	2,058
Total nonoperating expenses	196,975	190,092	179,189	138,933	99,147
Total expenses	1,284,299	1,174,620	1,092,463	984,754	923,899
Income before capital grants and special item	309,252	356,129	233,113	258,700	199,385
Federal and other grants	87,756	49,271	34,761	32,677	17,972
Special item - loss on transfer of ONT	(225,347)	—	—	—	—
Changes in net position	171,661	405,400	267,874	291,377	217,357
Net position, beginning of year, as previously reported	4,897,604	4,492,204	4,841,849	4,550,472	4,355,882
Change in accounting principle	—	—	(617,519)	—	(22,767)
Net position, beginning of year, as restated	4,897,604	4,492,204	4,224,330	4,550,472	4,333,115
Net position, end of year	$ 5,069,265	$ 4,897,604	$ 4,492,204	$ 4,841,849	$ 4,550,472

	2012	2011	2010	2009	2008
Operating revenue					
Aviation revenue					
Landing fees	$ 218,224	$ 203,424	$ 185,911	$ 185,553	$ 193,805
Building rentals	274,183	249,267	224,228	220,731	184,151
Land rentals	92,529	99,624	65,454	59,536	61,992
Other aviation revenue	8,456	4,033	4,078	4,648	8,007
Concession revenue	304,670	290,494	264,730	273,669	286,296
Other operating revenue	4,095	4,324	3,408	5,234	5,373
Total operating revenue	902,157	851,166	747,809	749,371	739,624
Nonoperating revenue					
Passenger facility charges	130,769	128,084	121,519	113,852	129,125
Customer facility charges	29,643	27,821	25,638	26,145	29,820
Investment income	36,014	31,801	47,898	60,094	78,827
Other nonoperating revenue	15,848	13,918	25,158	10,999	6,391
Total nonoperating revenue	212,274	201,624	220,213	211,090	244,163
Total revenue	1,114,431	1,052,790	968,022	960,461	983,787
Operating expenses					
Salaries and benefits	376,042	359,700	360,033	348,504	344,322
Contractual services	182,487	161,784	161,751	169,474	173,994
Materials and supplies	39,881	37,343	37,283	45,173	45,502
Utilities	35,048	34,392	33,668	34,348	33,608
Other operating expenses	24,258	23,704	24,221	23,622	29,647
Depreciation and amortization	151,654	130,805	108,221	108,887	105,762
Total operating expenses	809,370	747,728	725,177	730,008	732,835
Nonoperating expenses					
Interest expense	86,700	82,501	39,349	24,541	22,474
Other nonoperating expenses	1,310	3,842	987	27,487	674
Total nonoperating expenses	88,010	86,343	40,336	52,028	23,148
Total expenses	897,380	834,071	765,513	782,036	755,983
Income before capital grants and special item	217,051	218,719	202,509	178,425	227,804
Federal and other grants	62,441	75,171	80,955	90,069	125,292
Special item - loss on transfer of ONT	—	—	—	—	—
Changes in net position	279,492	293,890	283,464	268,494	353,096
Net position, beginning of year, as previously reported	4,076,390	3,782,500	3,499,036	3,230,542	2,877,446
Change in accounting principle	—	—	—	—	—
Net position, beginning of year, as restated	4,076,390	3,782,500	3,499,036	3,230,542	2,877,446
Net position, end of year	$ 4,355,882	$ 4,076,390	$ 3,782,500	$ 3,499,036	$ 3,230,542

Note:

1. *The net pension liability data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amount was not readily available.*
2. *Statistical information includes full years' activities relating to ONT for the fiscal year 2016 and all preceding years, and four months activities relating to ONT in fiscal year 2017 as a result of the transfer of ONT operations during 2017.*

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Operating Revenue
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

	2017	2016	2015	2014	2013
Landing fees					
Permitted/signatory	$ 265,382	$ 251,898	$ 239,200	$ 233,947	$ 227,132
Non-permitted/non-signatory	446	691	459	447	551
Total landing fees	265,828	252,589	239,659	234,394	227,683
Building rentals					
Terminals	445,848	422,713	329,688	274,836	229,023
Other buildings	62,133	64,636	60,108	64,584	56,850
Total building rentals	507,981	487,349	389,796	339,420	285,873
Land rentals	110,314	109,422	102,746	101,369	94,694
Other aviation revenue					
Plane parking	2,631	3,279	1,031	942	875
Fuel fee	3,279	2,784	2,729	2,175	2,200
Other	4,171	3,543	3,366	2,782	3,261
Total other aviation revenue	10,081	9,606	7,126	5,899	6,336
Concession revenue					
Duty free	76,066	66,287	63,983	55,756	50,409
Commercial management concession	43,252	43,343	28,674	9,078	30
Food and beverage	23,431	23,440	26,249	37,354	37,747
Gifts and news	11,556	11,035	12,076	22,227	23,019
Advertising	28,185	26,998	23,196	18,603	20,936
Foreign exchange	9,149	8,003	7,093	6,508	6,356
Telecommunications	1,986	2,082	1,379	879	761
Luggage carts	1,995	2,746	2,754	2,786	2,690
Automated teller machines	3,780	3,840	3,840	3,840	3,620
Security Screening Services	250	—	—	—	—
Subtotal- In-terminal	199,650	187,774	169,244	157,031	145,568
Auto parking	102,813	108,507	99,401	93,391	87,398
Rent-a-car	89,575	90,059	85,658	83,621	77,303
Bus, limousine, and taxi	10,290	13,731	12,238	10,889	9,390
Transportation network company	33,678	8,897	—	—	—
Flyaway bus service	15,082	13,310	11,076	9,915	8,977
Subtotal- Off-terminal	251,438	234,504	208,373	197,816	183,068
Total concession revenue	451,088	422,278	377,617	354,847	328,636
Other operating revenue					
Sales and service	3,406	3,103	2,476	1,201	1,216
Miscellaneous	24,032	1,469	2,164	1,376	2,355
Total other operating revenue	27,438	4,572	4,640	2,577	3,571
Total operating revenue	$ 1,372,730	$ 1,285,816	$ 1,121,584	$ 1,038,506	$ 946,793

	2012	2011	2010	2009	2008
Landing fees					
Permitted/signatory	$ 217,403	$ 202,899	$ 184,703	$ 183,432	$ 187,587
Non-permitted/non-signatory	821	525	1,208	2,121	6,218
Total landing fees	218,224	203,424	185,911	185,553	193,805
Building rentals					
Terminals	216,366	193,566	185,372	183,947	147,398
Other buildings	57,817	55,701	38,856	36,784	36,753
Total building rentals	274,183	249,267	224,228	220,731	184,151
Land rentals	92,529	99,624	65,454	59,536	61,992
Other aviation revenue					
Plane parking	967	724	821	871	1,108
Fuel fee	2,142	2,230	1,954	990	2,144
Other	5,347	1,079	1,303	2,787	4,755
Total other aviation revenue	8,456	4,033	4,078	4,648	8,007
Concession revenue					
Duty free	45,434	36,743	26,338	30,502	35,380
Commercial management concession	—	—	—	—	—
Food and beverage	34,217	37,784	32,288	33,102	31,356
Gifts and news	18,411	19,214	17,826	18,391	19,047
Advertising	18,763	18,938	15,083	14,764	15,359
Foreign exchange	6,572	6,533	6,381	6,613	6,937
Telecommunications	1,109	1,920	1,824	2,759	2,133
Luggage carts	2,792	2,780	2,748	2,703	2,766
Automated teller machines	3,400	3,400	3,400	3,400	2,643
Security Screening Services	—	—	—	—	—
Subtotal- In-terminal	130,698	127,312	105,888	112,234	115,621
Auto parking	84,270	81,822	80,567	84,180	94,619
Rent-a-car	70,982	65,500	63,823	64,929	64,717
Bus, limousine, and taxi	8,969	6,940	6,211	6,327	6,601
Transportation network company	—	—	—	—	—
Flyaway bus service	9,751	8,920	8,241	5,999	4,738
Subtotal- Off-terminal	173,972	163,182	158,842	161,435	170,675
Total concession revenue	304,670	290,494	264,730	273,669	286,296
Other operating revenue					
Sales and service	2,573	2,442	2,095	2,541	2,911
Miscellaneous	1,522	1,882	1,313	2,693	2,462
Total other operating revenue	4,095	4,324	3,408	5,234	5,373
Total operating revenue	$ 902,157	$ 851,166	$ 747,809	$ 749,371	$ 739,624

Note: Statistical information includes full years' activities relating to ONT for the fiscal year 2016 and all preceding years, and four months activities relating to ONT in fiscal year 2017 as a result of the transfer of ONT operations during 2017.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Gross Concession Revenue Per Enplaned Passenger
Last Ten Fiscal Years Ended June 30
(amounts in thousands, except per enplaned)

	2017	2016	2015	2014	2013
Los Angeles International Airport					
In-terminal					
Duty free	$ 76,066	$ 66,287	$ 63,983	$ 55,756	$ 50,409
Commercial management concession	43,252	43,343	28,674	9,078	30
Food and beverage	23,172	22,746	25,598	36,619	36,475
Gifts and news	11,131	10,433	11,096	21,353	21,912
Advertising	27,977	26,437	22,553	17,784	19,875
Foreign exchange	9,149	8,003	7,093	6,508	6,356
Telecommunications	1,991	2,071	1,354	850	732
Luggage carts	1,959	2,636	2,644	2,676	2,580
Automated teller machines	3,750	3,750	3,750	3,750	3,303
Security Screening Services	250	—	—	—	—
Off-terminal					
Auto parking	96,697	94,086	85,803	79,914	73,932
Rent-a-car	87,433	83,299	78,556	76,558	70,517
Bus, limousine, and taxi	10,036	13,394	11,902	10,550	9,041
Transportation network company	33,678	8,897	—	—	—
Flyaway bus service	15,082	13,310	11,076	9,915	8,977
Total gross concession revenue	441,623	398,692	354,082	331,311	304,139
Total enplaned passengers	41,602	38,952	36,114	34,334	32,524
Gross concession revenue per enplaned passenger	$ 10.62	$ 10.24	$ 9.80	$ 9.65	$ 9.35

	2012	2011	2010	2009	2008
Los Angeles International Airport					
In-terminal					
Duty free	$ 45,434	$ 36,743	$ 26,338	$ 30,502	$ 35,380
Commercial management concession	—	—	—	—	—
Food and beverage	32,956	36,579	31,109	31,804	30,080
Gifts and news	17,282	17,998	16,713	17,106	17,598
Advertising	17,433	17,419	13,676	13,086	13,768
Foreign exchange	6,572	6,533	6,381	6,613	6,937
Telecommunications	976	1,714	1,629	2,475	1,953
Luggage carts	2,682	2,680	2,638	2,593	2,654
Automated teller machines	2,856	2,856	2,856	2,856	2,203
Security Screening Services	—	—	—	—	—
Off-terminal					
Auto parking	69,945	66,575	64,661	67,289	74,004
Rent-a-car	64,361	58,647	56,752	56,891	55,336
Bus, limousine, and taxi	8,519	6,531	5,917	5,882	6,044
Transportation network company	—	—	—	—	—
Flyaway bus service	9,751	8,920	8,241	5,999	4,738
Total gross concession revenue	278,767	263,195	236,911	243,096	250,695
Total enplaned passengers	31,519	30,281	29,003	28,329	31,142
Gross concession revenue per enplaned passenger	$ 8.84	$ 8.69	$ 8.17	$ 8.58	$ 8.05

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Operating Expenses Per Enplaned Passenger
Last Ten Fiscal Years Ended June 30
(amounts in thousands, except per enplaned)

	2017	2016	2015	2014	2013
Los Angeles International Airport					
Salaries and benefits	$ 438,153	$ 387,595	$ 374,018	$ 356,726	$ 338,004
Contractual services	203,277	182,659	174,745	161,771	162,661
Materials and supplies	43,830	46,062	46,102	45,726	47,908
Utilities	36,043	36,181	38,355	39,089	32,472
Other operating expenses	25,782	20,738	21,205	16,093	18,383
Administrative charges					
allocated to ONT, VNY & PMD	(4,585)	(9,356)	(9,027)	(9,378)	(9,998)
Total operating expenses					
before depreciation	742,500	663,879	645,398	610,027	589,430
Total enplaned passengers	41,602	38,952	36,114	34,334	32,524
Operating expenses per enplaned passenger	$ 17.85	$ 17.04	$ 17.87	$ 17.77	$ 18.12

	2012	2011	2010	2009	2008
Los Angeles International Airport					
Salaries and benefits	$ 339,551	$ 323,522	$ 317,000	$ 298,612	$ 291,015
Contractual services	162,071	143,684	141,253	148,627	151,155
Materials and supplies	35,986	32,699	32,661	38,738	37,870
Utilities	30,664	29,606	28,832	29,018	27,674
Other operating expenses	22,023	21,712	21,213	20,841	24,645
Administrative charges allocated to ONT, VNY & PMD	(10,135)	(9,995)	(11,407)	(12,925)	(14,627)
Total operating expenses before depreciation	580,160	541,228	529,552	522,911	517,732
Total enplaned passengers	31,519	30,281	29,003	28,329	31,142
Operating expenses per enplaned passenger	$ 18.41	$ 17.87	$ 18.26	$ 18.46	$ 16.62

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Landing Fee Rates
Last Ten Fiscal Years Ended June 30

Los Angeles International Airport

	Permitted air carriers		Non-permitted air carriers	
Fiscal Year	Passenger	Cargo	Passenger	Cargo
2017	$4.50	$3.54	$5.63	$4.43
2016	4.12	3.28	5.48	4.33
2015	4.27	3.51	5.59	4.56
2014	4.33	3.57	5.75	4.73
2013	4.37	3.60	5.58	4.71
2012	4.24	3.56	5.45	4.46
2011	4.06	3.31	5.08	4.18
2010	3.74	3.02	5.09	4.16
2009	3.88	3.21	4.81	4.05
2008	3.42	2.84	4.19	3.40

The above rates are assessed per 1,000 pounds of maximum gross landing weight for each landing of aircraft having a maximum gross landing weight of more than 25,000 pounds. Different rates apply for less than 12,000 pounds, and up to and including 25,000 pounds.

Landing rates are adopted by the Board of Airport Commissioners and become effective beginning July 1 of each fiscal year. The adopted rates are based on budgeted operating revenue and expenses. A reconciliation between the actual amounts against the estimates used in initial calculation may result in a year-end adjustment to unbilled receivables. The landing rates for fiscal year 2017 represent the adopted rate which is subject to reconciliation at the end of calender year 2017. The landing rates for fiscal years 2008 through 2016 represent the final reconciled rates.

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Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Outstanding Debt by Type and Debt Ratio
Last Ten Fiscal Years Ended June 30
(amounts in thousands, except per enplaned)

	2017	2016	2015	2014	2013
Los Angeles International Airport					
Outstanding debt					
Revenue bonds after premium & discount	$ 5,323,476	$ 4,919,100	$ 4,299,262	$ 3,982,811	$ 3,788,736
Debt service-revenue bonds					
Principal	$ 96,200	$ 81,700	$ 72,390	$ 53,220	$ 38,250
Interest, net of capitalized amount	229,481	196,552	184,017	157,758	91,258
Total debt service	$ 325,681	$ 278,252	$ 256,407	$ 210,978	$ 129,508
Total enplaned passengers	41,602	38,952	36,114	34,334	32,524
Outstanding debt per enplaned passenger	$ 127.96	$ 126.29	$ 119.05	$ 116.00	$ 116.49
Debt service per enplaned passenger	$ 7.83	$ 7.14	$ 7.10	$ 6.14	$ 3.98

	2012	2011	2010	2009	2008
Los Angeles International Airport					
Outstanding debt					
Revenue bonds after premium & discount	$ 3,571,753	$ 3,620,397	$ 2,563,489	$ 1,030,345	$ 212,210
Debt service-revenue bonds					
Principal	$ 44,985	$ 38,670	$ 21,205	$ 15,575	$ 12,415
Interest, net of capitalized amount	86,019	80,655	26,770	16,184	9,238
Total debt service	$ 131,004	$ 119,325	$ 47,975	$ 31,759	$ 21,653
Total enplaned passengers	31,519	30,281	29,003	28,329	31,142
Outstanding debt per enplaned passenger	$ 113.32	$ 119.56	$ 88.39	$ 36.37	$ 6.81
Debt service per enplaned passenger	$ 4.16	$ 3.94	$ 1.65	$ 1.12	$ 0.70

Notes: As a result of the transfer of ONT operations during 2017, the statistic information above presents only LAX.
The LAWA bond information for FY2016 is presented below:
LAX outstanding debt - revenue bonds after premium & discount $4,919,100
ONT outstanding debt - revenue bonds after premium & discount $57,008
LAWA outstanding debt - revenue bonds after premium & discount $4,976,108

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Revenue Bonds Debt Service Coverage
Last Ten Fiscal Years Ended June 30
(amounts in thousands, except debt service coverage)

	2017	2016	2015	2014	2013
Los Angeles International Airport					
Operating revenue	$ 1,328,689	$ 1,206,612	$ 1,045,800	$ 961,729	$ 865,473
Adjustments to arrive at					
pledged revenue (1)	(593,166)	(508,489)	(533,821)	(489,291)	(542,930)
Net pledged revenue	$ 735,523	$ 698,123	$ 511,979	$ 472,438	$ 322,543
Debt service, principal and interest					
Senior lien bonds	$ 249,044	$ 216,164	$ 201,193	$ 159,062	$ 79,886
Subordinate lien bonds	76,637	62,088	55,214	51,916	49,622
Total debt service	$ 325,681	$ 278,252	$ 256,407	$ 210,978	$ 129,508
Debt service coverage (GAAP basis)					
Senior lien bonds	2.95	3.23	2.55	2.97	4.04
Subordinate lien bonds	6.35	7.76	5.63	6.04	4.89
Total bonds	2.26	2.51	2.00	2.24	2.49
Debt service coverage (Bond indenture basis) (2)					
Senior lien bonds	4.71	6.23	3.82	6.01	6.33
Subordinate lien bonds	5.93	7.74	5.61	6.02	4.86
Total bonds	2.90	3.72	2.54	3.28	3.02

	2012	2011	2010	2009	2008
Los Angeles International Airport					
Operating revenue	$ 822,090	$ 767,844	$ 655,701	$ 651,271	$ 631,311
Adjustments to arrive at pledged revenue (1)	(519,677)	(492,571)	(503,710)	(480,522)	(482,559)
Net pledged revenue	$ 302,413	$ 275,273	$ 151,991	$ 170,749	$ 148,752
Debt service, principal and interest					
Senior lien bonds	$ 85,753	$ 79,095	$ 24,710	$ 18,433	$ 19,300
Subordinate lien bonds	45,251	40,230	23,265	13,326	2,353
Total debt service	$ 131,004	$ 119,325	$ 47,975	$ 31,759	$ 21,653
Debt service coverage (GAAP basis)					
Senior lien bonds	3.53	3.48	6.15	9.26	7.71
Subordinate lien bonds	4.79	4.88	5.47	11.43	55.02
Total bonds	2.31	2.31	3.17	5.38	6.87
Debt service coverage (Bond indenture basis) (2)					
Senior lien bonds	4.58	4.26	6.15	9.26	7.71
Subordinate lien bonds	4.76	4.83	5.33	9.65	12.17
Total bonds	2.61	2.54	3.13	4.99	4.97

1. *Adjustments include BABs subsidy; interest income net of PFCs, CFCs and construction funds; rental credits; and M&O expenses net of PFCs funded. LAX has received approval from FAA to collect and use PFCs to pay for debt service on certain bonds. The amounts used for this purpose were $118.0 million, $124.0 million, $91.0 million, $96.5 million, $34.4 million, and $25.2 million in fiscal years 2017, 2016, 2015, 2014, 2013, and 2012 respectively. Effective fiscal year 2017, GASB 68 non-cash pension expense of $17.2 million was adjusted from the M&O expenses.*
2. *Based on the bond indenture provisions, calculation of the senior lien bonds debt service excludes PFCs reimbursements; and the subordinate lien bonds debt service includes commercial paper principal (effective fiscal year 2017) and interest expenses.*

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Airline Landing Weight Trend
Last Ten Fiscal Years Ended June 30
(landing weight in thousand pounds)

	2017			2016			2015		
Carrier	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
Los Angeles International Airport									
American Airlines (4)	10,389,870	16.6%	1	9,557,554	16.1%	1	7,184,885	13.1%	3
Delta Air Lines (1)	8,046,001	12.8%	2	8,171,783	13.8%	2	7,479,719	13.6%	1
United Airlines (3)(5)	7,121,940	11.4%	3	7,181,910	12.1%	3	7,447,741	13.5%	2
Southwest Airlines	5,491,352	8.8%	4	5,203,678	8.8%	4	4,977,130	9.1%	4
Federal Express	2,068,855	3.3%	5	1,898,211	3.2%	7	1,795,385	3.3%	6
Virgin America (2)	2,048,950	3.3%	6	1,943,146	3.3%	6	1,860,734	3.4%	5
Alaska Airlines	1,897,388	3.0%	7	1,955,974	3.3%	5	1,658,662	3.0%	7
Spirit Airlines	1,344,172	2.1%	8	987,642	1.7%	11	508,438	0.9%	24
Qantas Airlines	1,171,352	1.9%	9	1,328,707	2.2%	8	1,373,361	2.5%	8
Cathay Pacific	1,135,572	1.8%	10	1,142,039	1.9%	9	1,113,726	2.0%	11
Korean Airlines	—	—%	—	1,132,512	1.9%	10	1,252,622	2.3%	9
US Airways (4)	—	—%	—	—	—%	—	1,173,526	2.1%	10
Skywest Airlines (5)	—	—%	—	—	—%	—	—	—%	—
Continental Airlines (3)	—	—%	—	—	—%	—	—	—%	—
Northwest Airlines (1)	—	—%	—	—	—%	—	—	—%	—
All Others	21,919,974	35.0%	—	18,663,426	31.7%	—	17,164,343	31.2%	—
Total	62,635,426			59,166,582			54,990,272		
Change from prior year	5.9%			7.6%			4.6%		

	2014			2013			2012		
	Landing	% to		Landing	% to		Landing	% to	
Carrier	weight	total	Rank	weight	total	Rank	weight	total	Rank
Los Angeles International Airport									
American Airlines [4]	7,042,141	13.4%	2	6,529,038	13.0%	2	5,886,364	11.8%	1
Delta Air Lines [1]	6,670,030	12.7%	3	5,650,964	11.3%	3	4,641,153	9.3%	3
United Airlines [3][5]	7,947,887	15.1%	1	6,771,183	13.5%	1	5,186,869	10.4%	2
Southwest Airlines	4,637,202	8.8%	4	4,641,112	9.2%	4	4,601,662	9.2%	4
Federal Express	1,740,088	3.3%	6	1,662,347	3.3%	6	1,628,897	3.3%	8
Virgin America [2]	2,070,384	3.9%	5	1,905,138	3.8%	5	1,634,820	3.3%	7
Alaska Airlines	1,718,274	3.3%	7	1,611,321	3.2%	7	1,518,762	3.0%	9
Spirit Airlines	385,800	0.7%	27	237,903	0.5%	40	305,118	0.6%	34
Qantas Airlines	1,304,899	2.5%	8	1,275,920	2.5%	8	1,331,893	2.7%	10
Cathay Pacific	893,119	1.7%	11	782,914	1.6%	12	778,532	1.6%	13
Korean Airlines	1,179,599	2.2%	9	1,189,653	2.4%	9	1,200,835	2.4%	11
US Airways [4]	1,066,394	2.0%	10	987,982	2.0%	11	1,003,778	2.0%	12
Skywest Airlines [5]	—	—%	—	—	—%	—	2,295,517	4.6%	5
Continental Airlines [3]	—	—%	—	1,142,672	2.3%	10	1,745,543	3.5%	6
Northwest Airlines [1]	—	—%	—	—	—%	—	—	—%	—
All Others	15,916,840	30.4%	—	15,818,680	31.4%	—	16,237,889	32.3%	
Total	52,572,657			50,206,827			49,997,632		
Change from prior year	4.7%			0.4%			3.3%		

Airline Landing Weight Trend (continued)
Last Ten Fiscal Years Ended June 30
(landing weight in thousand pounds)

	2011			2010			2009		
Carrier	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
Los Angeles International Airport									
American Airlines [4]	5,570,846	11.5%	2	5,616,948	11.9%	1	5,765,733	12.3%	1
Delta Air Lines [1]	4,487,225	9.3%	4	3,504,530	7.4%	4	2,549,234	5.5%	4
United Airlines [3][5]	5,584,145	11.5%	1	5,602,302	11.8%	2	5,667,801	12.1%	2
Southwest Airlines	4,737,254	9.8%	3	4,744,526	10.0%	3	5,068,050	10.9%	3
Federal Express	1,605,640	3.3%	6	1,523,405	3.2%	6	1,642,089	3.5%	5
Virgin America [2]	1,331,658	2.8%	9	1,079,918	2.3%	11	923,066	2.0%	13
Alaska Airlines	1,433,511	3.0%	7	1,365,625	2.9%	8	1,530,621	3.3%	7
Spirit Airlines	152,076	0.3%	54	75,072	0.2%	68	82,248	0.2%	60
Qantas Airlines	1,243,114	2.6%	10	1,426,256	3.0%	7	1,434,230	3.1%	9
Cathay Pacific	764,462	1.6%	13	699,675	1.5%	17	747,759	1.6%	15
Korean Airlines	1,219,303	2.5%	11	1,249,739	2.6%	10	1,138,866	2.4%	12
US Airways [4]	1,023,668	2.1%	12	987,948	2.1%	12	1,231,410	2.6%	11
Skywest Airlines [5]	2,187,953	4.5%	5	1,865,047	3.9%	5	1,634,395	3.5%	6
Continental Airlines [3]	1,402,854	2.9%	8	1,305,333	2.8%	9	1,286,451	2.8%	10
Northwest Airlines [1]	—	—%	—	826,879	1.7%	14	1,458,649	3.1%	8
All Others	15,678,643	32.3%	—	15,463,739	32.7%	—	14,538,431	31.1%	—
Total	48,422,352			47,336,942			46,699,033		
Change from prior year	2.3%			1.4%			-10.4%		

Carrier	2008 Landing weight	2008 % to total	2008 Rank
Los Angeles International Airport			
American Airlines (4)	6,203,061	11.9%	2
Delta Air Lines (1)	3,033,961	5.8%	4
United Airlines (3)(5)	6,558,553	12.6%	1
Southwest Airlines	5,092,746	9.8%	3
Federal Express	1,775,030	3.4%	6
Virgin America (2)	520,530	1.0%	24
Alaska Airlines	1,684,252	3.2%	7
Spirit Airlines	138,304	0.3%	56
Qantas Airlines	1,442,048	2.8%	9
Cathay Pacific	930,340	1.8%	13
Korean Airlines	1,138,390	2.2%	12
US Airways (4)	1,315,542	2.5%	11
Skywest Airlines (5)	1,787,682	3.4%	5
Continental Airlines (3)	1,387,393	2.7%	10
Northwest Airlines (1)	1,572,800	3.0%	8
All Others	17,518,313	33.6%	—
Total	52,098,945		
Change from prior year	-0.4 %		

(1) Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010.

(2) Virgin America operated at LAX beginning 2008.

(3) United Airlines merged with Continental Airlines in early 2014.

(4) American Airlines (AA) merged with US Airways and combined data was reported starting FY 2016.

(5) Skywest data was reported under the carriers it operated for starting FY 2013.

Note: The list presents top ten airlines for each year and their rank throughout the ten-year period.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Enplaned Passenger Data
Last Ten Fiscal Years Ended June 30

	2017			2016			2015		
Carrier	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
Los Angeles International Airport									
American Airlines (7)	8,002,129	19.2%	1	7,613,660	19.5%	1	5,556,523	15.4%	3
Delta Air Lines (1)	6,838,256	16.4%	2	6,550,711	16.8%	2	6,020,280	16.7%	2
United Airlines (5), (6)	6,062,305	14.6%	3	6,020,563	15.5%	3	6,225,103	17.2%	1
Southwest Airlines	4,843,969	11.7%	4	4,446,133	11.4%	4	4,212,706	11.7%	4
Alaska Airlines	1,799,163	4.3%	5	1,763,171	4.5%	5	1,652,816	4.6%	5
Virgin America (2)	1,725,332	4.1%	6	1,607,495	4.1%	6	1,534,368	4.2%	6
Spirit Airlines	1,237,471	3.0%	7	956,783	2.5%	7	510,478	1.4%	11
JetBlue Airways	784,922	1.9%	8	675,589	1.7%	8	570,938	1.6%	10
Air Canada	712,467	1.7%	9	660,642	1.7%	9	597,050	1.7%	9
Qantas Airlines	519,450	1.2%	10	596,257	1.5%	10	614,333	1.7%	8
US Airways (3)	—	—%	—	—	—%	—	1,201,325	3.3%	7
Skywest Airlines (6)	—	—%	—	—	—%	—	—	—%	—
Continental Airlines (5)	—	—%	—	—	—%	—	—	—%	—
Northwest Airlines (1)	—	—%	—	—	—%	—	—	—%	—
Mexicana Airlines (4)	—	—%	—	—	—%	—	—	—%	—
America West (3)	—	—%	—	—	—%	—	—	—%	—
All Others	9,076,660	21.9%	—	8,061,363	20.8%	—	7,418,405	20.5%	—
Total	41,602,124			38,952,367			36,114,325		
Change from prior year	6.8%			7.9%			5.2%		

Carrier	2014 Enplaned passengers	2014 % to total	2014 Rank	2013 Enplaned passengers	2013 % to total	2013 Rank	2012 Enplaned passengers	2012 % to total	2012 Rank
Los Angeles International Airport									
American Airlines (7)	5,329,141	15.5%	2	5,058,105	15.6%	2	4,598,923	14.6%	1
Delta Air Lines (1)	5,038,929	14.7%	3	4,171,972	12.8%	3	3,231,000	10.3%	4
United Airlines (5), (6)	6,568,648	19.1%	1	5,578,740	17.2%	1	3,610,573	11.5%	2
Southwest Airlines	3,796,292	11.1%	4	3,703,743	11.4%	4	3,516,770	11.2%	3
Alaska Airlines	1,741,179	5.1%	5	1,623,552	5.0%	5	1,522,926	4.8%	6
Virgin America (2)	1,658,310	4.8%	6	1,569,289	4.8%	6	1,387,310	4.4%	8
Spirit Airlines	369,236	1.1%	11	225,908	0.7%	22	265,973	0.8%	19
JetBlue Airways	446,183	1.3%	10	424,534	1.3%	12	358,326	1.1%	13
Air Canada	495,695	1.4%	9	459,937	1.4%	11	468,793	1.5%	12
Qantas Airlines	602,278	1.8%	8	575,310	1.8%	9	603,170	1.9%	11
US Airways (3)	1,035,543	3.0%	7	970,442	3.0%	7	964,577	3.1%	9
Skywest Airlines (6)	—	—%	—	—	—%	—	1,887,638	6.0%	5
Continental Airlines (5)	—	—%	—	965,486	3.0%	8	1,515,549	4.8%	7
Northwest Airlines (1)	—	—%	—	—	—%	—	—	—%	—
Mexicana Airlines (4)	—	—%	—	—	—%	—	—	—%	—
America West (3)	—	—%	—	—	—%	—	—	—%	—
All Others	7,252,104	21.1%	—	7,197,160	22.0%	—	7,587,596	24.0%	—
Total	34,333,538			32,524,178			31,519,124		
Change from prior year	5.6%			3.2%			4.1%		

Enplaned Passenger Data (continued)
Last Ten Fiscal Years Ended June 30

	2011			2010			2009		
Carrier	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
Los Angeles International Airport									
American Airlines (7)	4,304,325	14.2%	1	4,257,396	14.7%	1	4,277,478	15.1%	1
Delta Air Lines (1)	3,441,646	11.4%	4	2,704,832	9.3%	4	2,145,884	7.6%	4
United Airlines (5), (6)	3,838,593	12.7%	2	3,833,352	13.2%	2	3,871,963	13.7%	2
Southwest Airlines	3,512,432	11.6%	3	3,389,180	11.7%	3	3,556,203	12.6%	3
Alaska Airlines	1,384,992	4.6%	6	1,300,025	4.5%	6	1,360,046	4.8%	5
Virgin America (2)	1,085,506	3.6%	8	893,567	3.1%	9	733,879	2.6%	10
Spirit Airlines	139,504	0.5%	32	69,098	0.2%	48	73,567	0.3%	39
JetBlue Airways	264,531	0.9%	20	151,538	0.5%	33	7,746	—%	64
Air Canada	438,868	1.4%	12	416,345	1.4%	14	424,024	1.5%	13
Qantas Airlines	571,004	1.9%	10	606,970	2.1%	11	590,960	2.1%	12
US Airways (3)	981,885	3.2%	9	958,824	3.3%	8	1,060,803	3.7%	9
Skywest Airlines (6)	1,777,359	5.9%	5	1,441,834	5.0%	5	1,289,602	4.6%	6
Continental Airlines (5)	1,238,177	4.1%	7	1,214,520	4.2%	7	1,104,162	3.9%	7
Northwest Airlines (1)	—	—%	—	620,804	2.1%	10	1,091,261	3.9%	8
Mexicana Airlines (4)	80,708	0.3%	44	529,007	1.8%	12	596,599	2.1%	11
America West (3)	—	—%	—	—	—%	—	—	—%	—
All Others	7,221,009	23.7%	—	6,615,850	22.9%	—	6,144,801	21.5%	—
Total	30,280,539			29,003,142			28,328,978		
Change from prior year	4.4%			2.4%			-9.0%		

Carrier	2008 Enplaned passengers	% to total	Rank
Los Angeles International Airport			
American Airlines (7)	4,611,217	14.8%	1
Delta Air Lines (1)	2,358,251	7.6%	4
United Airlines (5), (6)	4,360,069	14.0%	2
Southwest Airlines	3,851,867	12.4%	3
Alaska Airlines	1,409,966	4.5%	5
Virgin America (2)	343,589	1.1%	17
Spirit Airlines	120,584	0.4%	37
JetBlue Airways	150	—%	71
Air Canada	477,779	1.5%	13
Qantas Airlines	614,211	2.0%	11
US Airways (3)	1,110,117	3.6%	9
Skywest Airlines (6)	1,383,225	4.4%	6
Continental Airlines (5)	1,143,870	3.7%	7
Northwest Airlines (1)	1,133,442	3.6%	8
Mexicana Airlines (4)	636,272	2.0%	10
America West (3)	—	—%	—
All Others	7,587,730	24.4%	—
Total	31,142,339		
Change from prior year	1.1%		

(1) Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010.

(2) Virgin America operated at LAX beginning 2008.

(3) America West merged into US Airways in late 2005.

(4) Following its filing for Chapter 15 bankruptcy, Mexicana Airlines suspended its operations at LAX in August 2010.

(5) United Airlines merged with Continental Airlines in early 2014.

(6) Skywest data was reported under the carriers in operated for starting FY 2013.

(7) American Airlines merged with US Airways and combined data was reported starting FY 2016.

Note: The list presents top ten airlines for each year and their rank throughout the ten-year period.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Employee Trend
Last Ten Fiscal Years Ended June 30

Division/Group	2017	2016	2015	2014	2013
Chief Commercial Officer	56	50	55	62	66
Chief Development Officer	10	3	—	—	—
Chief External Affairs Officer	59	62	68	83	77
Chief Financial Officer	108	104	156	157	143
Chief of Security & Public Safety	1,094	1,080	935	912	903
Chief Operating Officer/Administration	57	57	25	26	25
Environmental Programs	58	58	44	—	—
Facilities Maintenance & Utilities	1,318	1,290	1,244	1,442	1,457
Human Resources Services	91	83	83	79	73
Information Management & Technology	163	168	175	162	163
Operations and Emergency Management	393	381	449	473	526
Planning & Development	134	147	166	56	64
Procurement Services	37	37	39	39	38
Total	3,578	3,520	3,439	3,491	3,535

Division/Group	2012	2011	2010	2009	2008
Chief Commercial Officer	58	61	55	53	52
Chief Development Officer	—	—	—	—	—
Chief External Affairs Officer	77	81	90	109	137
Chief Financial Officer	135	137	137	141	129
Chief of Security & Public Safety	906	908	905	937	937
Chief Operating Officer/Administration	53	46	50	56	54
Environmental Programs	—	—	—	—	—
Facilities Maintenance & Utilities	1,456	1,461	1,441	1,544	1,552
Human Resources Services	70	69	66	60	63
Information Management & Technology	162	161	160	154	132
Operations and Emergency Management	536	536	556	636	692
Planning & Development	60	36	36	27	24
Procurement Services	39	39	39	30	32
Total	3,552	3,535	3,535	3,747	3,804

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Schedule of Capital Assets
Last Ten Fiscal Years Ended June 30
(amounts in thousands)

	2017	2016	2015	2014	2013
Total Capital Assets					
Land and land clearance	$ 1,014,058	$ 1,060,503	$ 970,990	$ 970,990	$ 970,990
Air easements	44,472	46,975	46,975	46,975	46,975
Emission reduction credits	3,070	2,853	5,918	5,918	5,918
Construction work in progress	1,207,826	1,647,583	2,473,804	1,932,822	2,854,349
Capital assets not depreciated	2,269,426	2,757,914	3,497,687	2,956,705	3,878,232
Buildings	3,605,063	3,258,154	2,510,102	2,365,058	886,348
Improvements	4,874,399	4,199,916	3,435,810	3,424,048	3,281,706
Capitalized leases	—	—	—	—	—
Equipment and vehicles	257,254	278,416	252,519	242,218	237,088
Capital assets depreciated	8,736,716	7,736,486	6,198,431	6,031,324	4,405,142
Less accumulated depreciation	(2,259,852)	(2,256,696)	(2,238,647)	(2,049,464)	(1,897,516)
Net capital assets	$ 8,746,290	$ 8,237,704	$ 7,457,471	$ 6,938,565	$ 6,385,858
Capital Assets Held for Leases					
Buildings and facilities	$ 4,958,174	$ 4,238,368	$ 3,487,044	$ 3,350,207	$ 1,845,187
Less accumulated depreciation	(850,205)	(799,561)	(607,779)	(614,881)	(562,696)
Net	4,107,969	3,438,807	2,879,265	2,735,326	1,282,491
Land	630,002	687,317	686,363	686,363	686,363
Total capital assets held for leases	$ 4,737,971	$ 4,126,124	$ 3,565,628	$ 3,421,689	$ 1,968,854

	2012	2011	2010	2009	2008
Total Capital Assets					
Land and land clearance	$ 872,057	$ 834,124	$ 829,956	$ 705,017	$ 705,017
Air easements	46,975	46,975	46,975	46,975	46,975
Emission reduction credits	5,918	5,918	5,918	5,918	—
Construction work in progress	2,027,552	1,976,232	1,790,155	1,406,017	948,299
Capital assets not depreciated	2,952,502	2,863,249	2,673,004	2,163,927	1,700,291
Buildings	827,911	827,911	827,911	775,533	775,533
Improvements	3,076,713	2,152,913	1,727,753	1,290,441	1,233,927
Capitalized leases	—	—	—	184,423	184,423
Equipment and vehicles	217,623	213,124	206,235	205,856	188,343
Capital assets depreciated	4,122,247	3,193,948	2,761,899	2,456,253	2,382,226
Less accumulated depreciation	(1,743,013)	(1,597,355)	(1,468,611)	(1,358,973)	(1,251,877)
Net capital assets	$ 5,331,736	$ 4,459,842	$ 3,966,292	$ 3,261,207	$ 2,830,640
Capital Assets Held for Leases					
Buildings and facilities	$ 1,748,987	$ 1,068,927	$ 841,811	$ 841,064	$ 816,560
Less accumulated depreciation	(505,895)	(463,618)	(431,793)	(410,386)	(390,256)
Net	1,243,092	605,309	410,018	430,678	426,304
Land	619,246	605,480	602,175	477,236	477,236
Total capital assets held for leases	$ 1,862,338	$ 1,210,789	$ 1,012,193	$ 907,914	$ 903,540

Note: Statistical information for the 2016 and all preceding years includes activities relating to ONT. As a result of the transfer of ONT operations during 2017, all information presented for years subsequent to 2016 include no ONT balances.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Air Trade Area Population
(Five-County Service Area)
Last Ten Years

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2017	10,241,278	3,194,024	2,384,783	2,160,256	857,386	18,837,727
2016	10,182,961	3,172,152	2,348,213	2,135,724	853,893	18,692,943
2015	10,150,617	3,152,376	2,318,762	2,122,015	851,451	18,595,221
2014	10,089,847	3,127,083	2,291,699	2,101,525	847,103	18,457,257
2013	10,021,318	3,102,606	2,266,290	2,086,576	840,955	18,317,745
2012	9,956,722	3,069,454	2,239,715	2,070,374	834,253	18,170,518
2011	9,874,887	3,035,167	2,212,874	2,054,735	829,511	18,007,174
2010	9,818,605	3,010,232	2,189,641	2,035,210	823,318	17,877,006
2009	9,801,096	2,990,805	2,140,626	2,019,432	815,284	17,767,243
2008	9,785,474	2,974,321	2,102,741	2,009,594	808,970	17,681,100

Source: California Department of Finance, estimates as of January each year.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Air Trade Area Personal Income
(Five-County Service Area)
Last Ten Years
(amounts in thousands)

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2015	$ 544,324,900	$ 183,052,341	$ 84,025,987	$ 75,402,896	$ 46,060,353	$ 932,866,477
2014	512,846,779	174,451,316	78,852,989	70,828,515	43,608,497	880,588,096
2013	483,578,594	166,369,802	75,223,346	66,754,823	41,728,050	833,654,615
2012	486,733,508	169,583,534	73,158,724	65,153,561	41,294,216	835,923,543
2011	454,935,533	157,031,273	71,213,948	63,448,707	39,627,111	786,256,572
2010	424,813,015	149,486,476	66,904,690	59,751,636	37,605,326	738,561,143
2009	411,495,352	140,937,698	65,359,484	58,489,655	36,439,784	712,721,973
2008	425,573,170	148,492,015	67,367,683	60,289,621	37,551,356	739,273,845
2007	412,257,372	150,227,748	66,347,611	59,059,093	37,592,170	725,483,994
2006	397,307,110	150,215,634	63,538,333	56,936,228	36,057,135	704,054,440

Source: US Department of Commerce, Bureau of Economic Analysis, Data subsequent to 2015 is not available.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Air Trade Area Personal Income Per Capita
(Five-County Service Area)
Last Ten Years

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Weighted Average
2015	$ 53,521	$ 57,749	$ 35,589	$ 35,431	$ 54,155	$ 50,167
2014	50,730	55,470	33,867	33,562	51,539	47,710
2013	48,140	53,321	32,765	31,916	49,619	45,511
2012	48,818	54,893	32,263	31,331	49,430	46,004
2011	45,969	51,383	31,828	30,738	47,679	43,664
2010	43,234	49,534	30,380	29,266	45,566	41,313
2009	42,043	47,181	30,446	29,042	44,704	40,114
2008	43,715	50,207	31,932	30,089	46,569	41,812
2007	42,499	51,244	31,972	29,646	46,989	41,257
2006	40,800	51,229	31,574	28,841	45,174	40,255

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2015 is not available.
Note: Weighted Average is computed by dividing total personal income by the total population of the trade area.

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Air Trade Area Unemployment Rate
(Five-County Service Area)
(with comparative Statewide and Nationwide rates)

Last Ten Years
(amounts in percent)

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	California	U.S.
2017 (1)	5.2	4.2	6.3	5.9	5.0	5.4	4.6
2016	5.2	4.0	6.1	5.7	5.2	5.4	4.9
2015	6.6	4.4	6.7	6.4	5.6	6.2	5.3
2014	8.2	5.5	8.2	8.0	6.6	7.5	6.2
2013	9.8	6.6	9.9	9.8	7.9	8.9	7.4
2012	10.9	7.9	11.6	11.4	9.1	10.4	8.1
2011	12.2	9.1	13.2	12.9	10.2	11.7	8.9
2010	12.5	9.7	13.8	13.5	10.8	12.2	9.6
2009	11.6	8.7	13.1	12.7	9.6	11.2	9.3
2008	7.6	5.3	8.6	8.0	6.3	7.3	5.8

Sources: California Employment Development Department for county rates.
U.S. Department of Labor for nationwide and statewide rates.

(1) Rates published in August 2017

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Los Angeles County
Principal Employers (Non-Government)
Current Year and Nine Years Ago

	2017			2008		
Employer	Employees	Rank	Percentage	Employees	Rank	Percentage
Kaiser Permanente	36,468	1	0.8%	36,500	1	0.8%
University of Southern California	20,163	2	0.4%	12,498	7	0.3%
Northrop Grumman Corp.	16,600	3	0.3%	20,500	2	0.5%
Providence Health & Services	15,255	4	0.3%	--	--	--
Target Corporation	15,000	5	0.3%	12,600	6	0.3%
Ralphs/Food 4 Less/Kroger	14,970	6	0.3%	14,000	5	0.3%
Walt Disney Co	13,000	7	0.3%	--	--	--
Albertsons/Vons/Pavilions	13,000	7	0.3%	10981	8	0.2%
Bank of America Corp	12,500	8	0.3%	17,442	3	0.4%
Cedars-Sinai Medical Center	12,242	9	0.2%	9,878	10	0.2%
NBC Universal	12000	10	0.2%	--	--	--
Boeing Co.	--	--	--	15,250	4	0.3%
Home Depot	--	--	--	10,450	9	0.2%
All Others	4,710,102	--	96.3%	4,395,701	--	96.5%
	4,891,300 [1]		100.0%	4,555,800 [1]		100.0%

Sources: Los Angeles Business Journal (LABJ) dated August 2017
[1] http://www.labormarketinfo.edd.ca.gov

LABJ Note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in L.A. County. Several companies may have qualified for this list, but failed to submit information or do not break out local employment data.


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2017 Comprehensive Annual Financial Report

Compliance Section Contents

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- Schedule of Customer Facility Charge Revenues and Expenditures
- Notes to the Schedule of Customer Facility Charge Revenues and Expenditures

Independent Auditor's Report on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Compliance

We have audited the compliance of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles, with compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, applicable to its passenger facility charge program for the fiscal year ended June 30, 2017.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of LAWA's management.

Auditor's Responsibility

Our responsibility is to express an opinion on LAWA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about LAWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of LAWA's compliance with those requirements.

Opinion

In our opinion, LAWA complied, in all material respects, with the compliance requirements referred to above that are applicable to its passenger facility charge program for the fiscal year ended June 30, 2017.

Internal Control Over Compliance

Management of LAWA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered LAWA's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAWA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

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

Los Angeles, California
October 23, 2017

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2017 and 2016
(amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over (under) revenues collected on approved projects
Program to date as of June 30, 2015					
Los Angeles International Airport	$ 1,968,096	$ 197,226	$ 2,165,322	$ 1,638,275	$ 527,047
LA/Ontario International Airport	174,349	44,956	219,305	174,124	45,181
Subtotal	2,142,445	242,182	2,384,627	1,812,399	572,228
Fiscal year 2015-16 transactions					
Los Angeles International Airport					
Quarter ended September 30, 2015	34,293	1,436	35,729	139,017	(103,288)
Quarter ended December 31, 2015	33,026	1,747	34,773	35,952	(1,179)
Quarter ended March 31, 2016	38,704	1,517	40,221	40,132	89
Quarter ended June 30, 2016	44,386	1,644	46,030	39,011	7,019
Subtotal	150,409	6,344	156,753	254,112	(97,359)
LA/Ontario International Airport					
Quarter ended September 30, 2015	1,001	118	1,119	—	1,119
Quarter ended December 31, 2015	848	146	994	—	994
Quarter ended March 31, 2016	(252)	127	(125)	—	(125)
Quarter ended June 30, 2016	1,958	166	2,124	150	1,974
Subtotal	3,555	557	4,112	150	3,962
Program to date as of June 30, 2016					
Los Angeles International Airport	2,118,505	203,570	2,322,075	1,892,387	429,688
LA/Ontario International Airport	177,904	45,513	223,417	174,274	49,143
Subtotal	2,296,409	249,083	2,545,492	2,066,661	478,831
Fiscal year 2016-17 transactions					
Los Angeles International Airport					
Quarter ended September 30, 2016	37,539	1,366	38,905	29,199	9,706
Quarter ended December 31, 2016	36,475	1,216	37,691	35,160	2,531
Quarter ended March 31, 2017	45,567	1,384	46,951	29,735	17,216
Quarter ended June 30, 2017	44,288	1,514	45,802	51,651	(5,849)
Subtotal	163,869	5,480	169,349	145,745	23,604
LA/Ontario International Airport					
Quarter ended September 30, 2016	1,966	135	2,101	10	2,091
Quarter ended December 31, 2016	247	(120)	127	51,361	(51,234)
Quarter ended March 31, 2017	—	—	—	—	—
Quarter ended June 30, 2017	—	—	—	—	—
Subtotal	2,213	15	2,228	51,371	(49,143)
Unexpended passenger facility charge revenues and interest earned June 30, 2017					
Los Angeles International Airport	2,282,374	209,050	2,491,424	2,038,132	453,292
LA/Ontario International Airport	180,117	45,528	225,645	225,645	—
Total	$ 2,462,491	$ 254,578	$ 2,717,069	$ 2,263,777	$ 453,292

See accompanying notes to the schedule of passenger facility charge revenues and expenditures.

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2017 and 2016

1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects.

The current PFC rate at LAX is $4.50 per enplaned passenger. PFCs collection authorities approved by FAA are $4.1 billion and $3.1 billion at LAX as of June 30, 2017 and 2016, respectively.

The details are as follows (amounts in thousands):

Application number	Charge effective date	Approval of use date	2017 Amount approved for use	2016 Amount approved for use
96-02-U-00-LAX, closed 6/2/03	3/26/1993	5/6/1996	$ 116,371	$ 116,371
96-03-C-00-LAX, closed 10/1/08	5/10/1996	5/10/1996	50,223	50,223
97-04-C-02-LAX	11/28/1997	11/28/1997	610,000	610,000
97-04-C-02-LAX	10/31/1998	1/31/1998	90,000	90,000
05-05-C-00-LAX	12/1/2005	12/1/2005	229,750	229,750
05-05-C-01-LAX	12/1/2005	12/1/2005	468,030	468,030
07-06-C-00-LAX	1/1/2008	1/1/2008	85,000	85,000
10-07-C-01-LAX	6/1/2012	6/1/2012	1,848,284	855,000
11-08-C-00-LAX	3/1/2019	5/2/2011	27,801	27,801
13-09-C-00-LAX	6/1/2019	10/24/2014	44,379	44,379
14-10-C-00-LAX	10/1/2019	4/16/2015	516,091	516,091
15-11-U-00-LAX	3/1/2019	2/26/2015	3,115	3,115
Total			$ 4,089,044	$ 3,095,760

Note:

a. In May 1996, FAA approved LAWA’s request to transfer a portion of PFCs revenues collected at LAX to fund certain projects at ONT. Accordingly, PFCs revenues totaling $126.1 million collected at LAX were transferred to ONT.

b. In April 2008, FAA approved LAWA’s amendment application number 05-05-C-01-LAX for $468.0 million to pay for debt service on bonds issued to finance the TBIT Renovations, Bradley West projects and Terminal 6 improvements. Board authorized amounts of $118.0 million and $124.0 million were used for debt service in fiscal years 2017 and 2016, respectively.

c. In September 2016, FAA approved LAWA's amendment request that decreased application number 97-03-C-00-ONT to $75.3 million to reflect the final costs of the projects in the application. This application was transferred to OIAA as a result of the ONT Settlement Agreement described in Note 17 of the notes to the financial statements.

d. In September 2016, FAA approved LAWA's amendment request that decreased application number 07-04-C-00-ONT to $71.6 million to reflect the final costs of the projects in the application. This application was transferred to OIAA as a result of the ONT Settlement Agreement described in Note 17 of the notes to the financial statements.

e. In June 2017, FAA approved LAWA's amendment request that increased application number 10-07-C-01-LAX to $1.8 billion to reflect actual bond capital financing and interest.

f. As part of the ONT Settlement Agreement, FAA approved the closeout of the outstanding ONT PFC applications 97-03-C-04-ONT and 07-04-C-03-ONT with the following approved and expended amounts (amounts in thousands):

PFC Application	Number	Project	Approved Amount	Expended Amount
97-03-C-04-ONT	1	Land Acquisition	$ 34,376	$ 34,376
97-03-C-04-ONT	2	Noise Mitigation	40,972	40,972
		Total	$ 75,348	$ 75,348
07-04-C-03-ONT	1	In-line Baggage Screening	$ 47,032	$ 47,032
07-04-C-03-ONT	2	Airfield Perimeter Security Enhancement - Part 2	5,531	5,531
07-04-C-03-ONT	3	Runway 08L/26R Reconstruction	13,764	13,764
07-04-C-03-ONT	4	Implementation of Information Technology (IT) Security Master Plan	325	325
07-04-C-03-ONT	5	ONT Master Plan	4,027	4,027
07-04-C-03-ONT	6	Aircraft Rescue ad Firefighting (ARFF) Vehicles	924	924
		Total	$ 71,603	$ 71,603

The general description of the approved projects and the expenditures to date are as follows (amounts in thousands):

Approved projects	Amount approved for collection	Expenditures to date June 30 2017	Expenditures to date June 30 2016
ONT Terminal Development Program	$ 116,371	$ 116,371	$ 116,371
Taxiway C Easterly Extension, Phase II	13,440	13,440	13,440
Remote Aircraft Boarding Gates	9,355	9,355	9,355
Interline Baggage Remodel - TBIT	2,004	2,004	2,004
Southside Taxiways Extension S & Q	9,350	9,350	9,350
TBIT Improvements	4,455	4,455	4,455
ONT Airport Drive West End	3,462	3,462	3,462
ONT Access Control Monitoring System	808	808	808
ONT Taxiway North Westerly Extension	7,349	7,349	7,349
Noise Mitigation - Land Acquisitions	485,000	413,199	412,813
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	90,000	90,000	90,000
Apron Lighting Upgrade	1,873	1,412	1,412
South Airfield Improvement Program (SAIP) and NLA Integrated Study	1,381	1,381	1,381
Century Cargo Complex - Demolition of AF3	1,000	880	880
Taxilane C-10 Reconstruction	780	2	2
LAX Master Plan	122,168	75,183	75,183
Aircraft Rescue and Firefighting Vehicles	975	444	444
PMD Master Plan	1,050	—	—
Aircraft Noise Monitoring and Management System	3,450	3,652	3,652
SAIP - Airfield Intersection Improvement	28,000	8,987	8,987
SAIP - Remote Boarding	12,500	8,218	8,218
TBIT Interior Improvements and Baggage Screening System	468,030	336,775	302,351
Implementation of IT Security Master Plan	56,573	32,807	32,816
Residential Soundproofing Phase II	35,000	34,141	34,327
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	51,086	51,086
Bradley West	1,848,284	307,820	243,522
Lennox Schools Soundproofing Program	27,801	21,214	15,294
Inglewood USD Soundproofing Program	44,379	10,000	10,000
Terminal 6 Improvements	210,131	43,377	24,115
Elevators/Escalators/Moving Walkways Replacement	110,000	110,000	88,350
Midfield Satellite Concourse North Project	5,960	5,960	5,960
Central Utility Plant Replacement	190,000	190,000	190,000
Lennox Schools Soundproofing Program - Future Sites	3,115	—	—
Total	$ 4,089,044	$ 2,038,132	$ 1,892,387

2. Basis of Accounting - Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) represents amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports. The Schedule was prepared using the accrual basis of accounting.

3. Excess Project Expenditures

The expenditures for the Aircraft Noise Monitoring and Management System and the Noise Mitigation - Other Local Jurisdictions Phase II were in excess of authorized amounts. However, in accordance with FAA guidelines, if actual allowable project costs exceed the estimate contained in the PFCs application in which the authority was approved, the public agency may elect to increase the total approved PFCs revenue in that application by 15% or less.

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Independent Auditor's Report on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Compliance

We have audited the compliance of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles, with compliance requirements described in the *California Civil Code Section 1939, as amended by Assembly Bill (AB) 2051,* applicable to its customer facility charge program for the fiscal year ended June 30, 2017.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of LAWA's management.

Auditor's Responsibility

Our responsibility is to express an opinion on LAWA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Civil Code Section 1939, as amended by AB 2051*. Those standards and the *California Civil Code Section 1939, as amended by AB 2051*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the customer facility charge program occurred. An audit includes examining, on a test basis, evidence about LAWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of LAWA's compliance with those requirements.

Opinion

In our opinion, LAWA complied, in all material respects, with the compliance requirements referred to above that are applicable to its customer facility charge program for the fiscal year ended June 30, 2017.

Internal Control Over Compliance

Management of LAWA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered LAWA's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LAWA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *California Civil Code Section 1939, as amended AB 2051*. Accordingly, this report is not suitable for any other purpose.

Los Angeles, California
October 23, 2017

Los Angeles World Airports
(Department of Airports of the City of Los Angeles, California)

Schedule of Customer Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2017 and 2016
(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over revenues collected on approved projects
Program to date as of June 30, 2015					
Los Angeles International Airport	$ 202,128	$ 11,789	$ 213,917	$ 3,026	$ 210,891
LA/Ontario International Airport	54,072	560	54,632	51,186	3,446
Subtotal	256,200	12,349	268,549	54,212	214,337
Fiscal year 2015-16 transactions					
Los Angeles International Airport					
Quarter ended September 30, 2015	8,358	560	8,918	—	8,918
Quarter ended December 31, 2015	7,551	703	8,254	—	8,254
Quarter ended March 31, 2016	7,358	550	7,908	—	7,908
Quarter ended June 30, 2016	8,729	802	9,531	—	9,531
Subtotal	31,996	2,615	34,611	—	34,611
LA/Ontario International Airport					
Quarter ended September 30, 2015	1,011	8	1,019	824	195
Quarter ended December 31, 2015	1,017	11	1,028	824	204
Quarter ended March 31, 2016	938	9	947	824	123
Quarter ended June 30, 2016	1,120	17	1,137	710	427
Subtotal	4,086	45	4,131	3,182	949
Program to date as of June 30, 2016					
Los Angeles International Airport	234,124	14,404	248,528	3,026	245,502
LA/Ontario International Airport	58,158	605	58,763	54,368	4,395
Subtotal	292,282	15,009	307,291	57,394	249,897
Fiscal year 2016-17 transactions					
Los Angeles International Airport					
Quarter ended September 30, 2016	8,803	963	9,766	—	9,766
Quarter ended December 31, 2016	7,714	945	8,659	—	8,659
Quarter ended March 31, 2017	7,001	633	7,634	—	7,634
Quarter ended June 30, 2017	9,027	432	9,459	—	9,459
Subtotal	32,545	2,973	35,518	—	35,518
LA/Ontario International Airport					
Quarter ended September 30, 2016	1,002	16	1,018	887	131
Quarter ended December 31, 2016	343	6	349	295	54
Quarter ended March 31, 2017	—	—	—	—	—
Quarter ended June 30, 2017	—	—	—	—	—
Subtotal	1,345	22	1,367	1,182	185
Unexpended customer facility charge revenues and interest earned June 30, 2017					
Los Angeles International Airport	266,669	17,377	284,046	3,026	281,020
LA/Ontario International Airport	59,503	627	60,130	55,550	4,580
Total	$ 326,172	$ 18,004	$ 344,176	$ 58,576	$ 285,600

See accompanying notes to the schedule of customer facility charge revenues and expenditures.

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2017 and 2016

1. General

Assembly Bill (AB) 491 of the 2001-2002 California Legislature (Section 1936) authorized the imposition of Customer Facility Charges (CFCs) and use of CFC revenue to plan, finance, design, and construct on-airport consolidated rental car facilities (ConRAC).

On March 5, 2007, the Board found that the ConRAC proposed by management was sufficiently definitive and authorized the collection of CFCs of $10.00 on each car rental transaction at LAX. The authorization included a two-year collection period of July 1, 2007 through June 30, 2009. On June 22, 2009, the Board resolved to extend the collection period until a determination is made that the project will not proceed.

On August 25, 2016, AB 2051 of the 2015-2016 California Legislature (Section 1939) repealed Section 1936 relating to rental passenger vehicles, modified difinitions and terms for uniformity, and made conforming changes in the Legislature requiring rental companies to collect CFCs for specified purposes and requires airports to provide certain audits and reports regarding those fees to specified committees of the Legislature.

Under Section 1939, LAWA can change the amount and basis for collecting a CFCs from the current $10.00 per contract level to a maximum of $9.00 per transaction day, up to a 5-day maximum. Also, changes made to the amount and basis for collecting the CFCs would have to be initiated by January 1, 2018 by submitting certain information to the State of California (State).

The Landside Access and Modernization Program (LAMP) included proposed landside projects at LAX including a future ConRAC, Intermodal Transportation Facilities (ITF), which may include pick-up and drop-off locations for commercial vehicles that currently access the Central Terminal Area (CTA) on adjacent roadways and parking facilities for passenger and employees; the Automated People Mover (APM) System, and certain parking projects. The proposed ConRAC would be located east of the CTA, and it may include a customer service building, a ready/return area, a vehicle storage area, quick-turnaround facilities, and an area for rental car customers to access and exit the APM system. LAWA expects that the capital costs of a future ConRAC at LAX and portion of the APM system would be paid from annual CFCs revenues that are currently collected from on-airport rental car companies and remitted to LAWA. LAWA has initiated the State process to increase the CFCs rate charged at LAX.

At LAX, CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	2017	2016
Amount collected	$ 266,669	$ 234,124
Interest earnings	17,377	14,404
Subtotal	284,046	248,528
Expenditures		
ConRAC planning and development costs	3,026	3,026
Unexpended CFCs revenue and interest earnings	$ 281,020	$ 245,502

At ONT, CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	2017	2016
Amount collected	$ 59,503	$ 58,158
Interest earnings	627	605
Subtotal	60,130	58,763
Expenditures		
LAWA direct investment	6,434	6,291
Common use shuttle service	38,106	37,287
Debt service	11,010	10,790
Subtotal	55,550	54,368
Unexpended CFCs revenue and interest earnings	$ 4,580	$ 4,395

As described in Note 17 of the notes to the financial statements, due to the transfer of ONT to OIAA on November 1, 2016 as contemplated by the ONT Settlement Agreement, all unexpended ONT CFCs revenue and interest earnings were transferred to OIAA during fiscal year 2017.

2. Basis of Accounting - Schedule of Customer Facility Charge Revenues and Expenditures

The accompanying Schedule of Customer Facility Charge Revenues and Expenditures was prepared using the accrual basis of accounting.

Los Angeles
World Airports

Los Angeles World Airports
Administrative Offices
1 World Way
Los Angeles, CA 90045-5803
Mail: PO Box 92216
Los Angeles, CA 90009-2216
Telephone: (310) 646-5252
Internet: www.lawa.aero

Los Angeles International Airport
1 World Way
Los Angeles, CA 90045-5803
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Van Nuys Airport
16461 Sherman Way, Suite 300
Van Nuys, CA 91406
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Department of Airports
Los Angeles, California