



DATE: December 6, 2017

TO: Governing Board, Intermodal Container Transfer Facility Joint Powers Authority

FROM: Richard D. Cameron, Executive Director

SUBJECT: Financial Audit – Fiscal Year Ended June 30, 2017

Macias, Gini & O'Connell LLP (MGO) has completed the financial audit of the Intermodal Container Transfer Facility Joint Powers Authority (ICTF JPA) for the fiscal year that ended June 30, 2017. Their audit has determined that for the fiscal year ended June 30, 2017, the financial position, changes in financial position, and cash flows are presented fairly.

Operating revenues for the fiscal year decreased 15.1% to \$4,365,045 due to the decrease in containers that moved through the facility during the fiscal year that ended June 30, 2017. Net assets increased by 3.01% to \$11,105,966 over the same period. The volume of containers that moved through the Intermodal Container Transfer Facility gates decreased by 14.6% to 299,825 containers, generally attributable to the high on-dock rail activity during this period.

It is recommended that the Governing Board receive and file the financial audit report for the fiscal year ended June 30, 2017.

It is also recommended that the Board make the following finding:

“The Board finds the activity is administrative activity that will not result in direct or indirect physical changes in the environment, and, as such, is not a “project” as defined by CEQA Guidelines section 15378.”

Richard D. Cameron
Executive Director

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Financial Statements

June 30, 2017 and 2016

(With Independent Auditor's Report Thereon)



Certified
Public
Accountants

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

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Independent Auditor's Report

To the Board of Directors
Intermodal Container Transfer Facility Joint Powers Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Intermodal Container Transfer Facility Joint Powers Authority (Authority) as of and for the years ended June 30, 2017 and 2016, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Macias Gini & O'Connell LLP

Los Angeles, California

November 20, 2017

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Management's Discussion and Analysis

June 30, 2017 and 2016

(Unaudited)

The Intermodal Container Transfer Facility Joint Powers Authority (Authority) was formed in 1983 pursuant to an agreement between the Ports of Los Angeles and Long Beach, California (Venturers) for purposes of financing and constructing the Intermodal Container Transfer Facility (Facility) and leasing the Facility to Southern Pacific Transportation Company (subsequently, a wholly owned subsidiary of Union Pacific Corporation) (Tenant).

This section of the Authority's annual financial report presents management's discussion and analysis of the Authority's financial performance during the years ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the Authority's financial statements and related notes.

Overview of the Financial Statements

This section serves as an introduction to the Authority's basic financial statements. The basic financial statements comprise of the following components:

The *Statements of Net Position* present information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increase or decrease in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event that gives rise to the change occurs, regardless of the timing of the related cash flows.

The *Statements of Cash Flows* present the inflows and outflows of cash and cash equivalents and resulting cash and cash equivalents position at fiscal year-end.

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 the Authority's financial activities.

**INTERMODAL CONTAINER TRANSFER FACILITY
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Management's Discussion and Analysis (Continued)

June 30, 2017 and 2016

(Unaudited)

Financial Highlights and Analysis of Net Position

The following is a condensed summary of the Authority's net position as of June 30, 2017, 2016, and 2015:

Schedule of Net Position

	FY 2017	FY 2016	FY 2015	Increase (Decrease) Over Prior Year	
				FY 2017	FY 2016
Current assets	\$ 9,102,784	\$ 8,666,754	\$ 9,869,437	\$ 436,030	\$ (1,202,683)
Capital assets, net	2,086,858	2,194,888	2,302,918	(108,030)	(108,030)
Total Assets	11,189,642	10,861,642	12,172,355	328,000	(1,310,713)
Other liabilities	83,676	80,412	478,931	3,264	(398,519)
Total liabilities	83,676	80,412	478,931	3,264	(398,519)
Net position					
Investment in capital assets	2,086,858	2,194,888	2,302,918	(108,030)	(108,030)
Unrestricted	9,019,108	8,586,342	9,390,506	432,766	(804,164)
Total net position	\$ 11,105,966	\$ 10,781,230	\$ 11,693,424	\$ 324,736	\$ (912,194)

Fiscal Year 2017

The \$0.4 million, or 5.0%, increase in current assets is primarily due to an increase in cash and cash equivalents that is a result of lower distributions paid to Venturers. Current fiscal year's depreciation of \$0.1 million accounted for the decrease in net capital assets. Liabilities increased by \$3.3 thousand due to more unpaid invoices at fiscal year-end comparing to fiscal year 2016.

Net position of the Authority increased by 3.0% to \$11.1 million from \$10.8 million at June 30, 2017 primarily due to the increase in current assets as discussed above. Of the \$11.1 million net position as of June 30, 2017, \$2.1 million, or 18.9%, are invested in capital assets. There is no debt outstanding related to these capital assets. There are no assets subject to external restrictions on how they may be used. The remaining \$9.0 million, or 81.1%, in net position are unrestricted and may be used to meet the Authority's ongoing obligations.

**INTERMODAL CONTAINER TRANSFER FACILITY
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Management's Discussion and Analysis (Continued)

June 30, 2017 and 2016

(Unaudited)

Fiscal Year 2016

The \$1.2 million, or 12.2%, decrease in current assets is primarily due to the distribution to the Venturers of \$6 million offset by the increase in cash and cash equivalents prior to the distribution.

Current fiscal year's depreciation of \$0.1 million accounted for the decrease in net capital assets.

Liabilities decreased by \$398.5 thousand due to less unpaid invoices at fiscal year-end comparing to fiscal year 2015. In fiscal year 2015, more unpaid invoices were accrued due to the lower cash balance in the bank account.

Net position of the Authority decreased by 7.8% to \$10.8 million from \$11.7 million at June 30, 2016 due to the decrease in current assets as discussed above. Of the \$10.8 million net position as of June 30, 2016, \$2.2 million, or 20.4%, are invested in capital assets. There is no debt outstanding related to these capital assets. There are no assets subject to external restrictions on how they may be used. The remaining \$8.6 million, or 79.6%, in net position are unrestricted and may be used to meet the Authority's ongoing obligations.

Summary of Operations and Analysis of Changes in Net Position

The following is a summary of the Authority's changes in net position for the years ended June 30, 2017, 2016, and 2015:

Schedule of Changes in Net Position

	FY 2017	FY 2016	FY 2015	Increase (Decrease) Over Prior Year	
				FY 2017	FY 2016
Operating revenue					
Facility rental	\$ 4,365,045	\$ 5,141,308	\$ 5,703,421	\$ (776,263)	\$ (562,113)
Operating expense					
Depreciation	108,030	108,030	108,030	--	--
Net operating income	4,257,015	5,033,278	5,595,391	(776,263)	(562,113)
Nonoperating revenue (expense)					
Interest income	66,176	52,434	21,690	13,742	30,744
Settlement from Lehman Brothers	1,545	2,094	4,635	(549)	(2,541)
Distribution to Venturers	(4,000,000)	(6,000,000)	(4,000,000)	2,000,000	2,000,000
Net nonoperating revenue (expense)	(3,932,279)	(5,945,472)	(3,973,675)	2,013,193	(1,971,797)
Changes in net position	324,736	(912,194)	1,621,716	1,236,930	(2,533,910)
Net position, beginning of year	10,781,230	11,693,424	10,071,708	(912,194)	1,621,716
Net position, end of year	\$ 11,105,966	\$ 10,781,230	\$ 11,693,424	\$ 324,736	\$ (912,194)

Container volumes that moved through the Authority's gate are 299,825, 351,011, and 404,151 containers for fiscal years 2017, 2016, and 2015, respectively.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Management's Discussion and Analysis (Continued)

June 30, 2017 and 2016

(Unaudited)

Fiscal Year 2017

The \$0.8 million or 15.1% decrease in facility rental revenue was mainly due to the decrease in containers that moved through the Authority's facility during the fiscal year ended June 30, 2017. Availability of new alternatives to Asian intermodal cargo moving through U.S. West Coast ports has caused competitions in containers volume.

Interest income increased by 26.2% due to higher cash balance deposited in the City of Long Beach's investment pool. An investment settlement resulting from the claim filed by the City of Long Beach against Lehman Brothers is shown as nonoperating revenue. Distributions to Venturers totaled \$4.0 million in fiscal years 2017.

Fiscal Year 2016

The \$0.6 million or 9.9% decrease in facility rental revenue was mainly due to the decrease in containers that moved through the Authority's facility during the fiscal year ended June 30, 2016. Availability of new alternatives to Asian intermodal cargo moving through U.S. West Coast ports has caused competitions in containers volume.

Interest income increased by 141.8% due to the change to distributions from an annual to monthly basis that results in higher monthly cash balance deposited in the City of Long Beach's investment pool. An investment settlement resulting from the claim filed by the City of Long Beach against Lehman Brothers is shown as nonoperating revenue. Distributions to Venturers totaled \$6.0 million in fiscal years 2016.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, as of June 30, 2017, 2016, and 2015 amounted to \$2.1 million, \$2.2 million, and \$2.3 million, respectively. Construction of the Facility was completed in 1986. Construction funds were provided by the Venturer ports (\$5.4 million), Southern Pacific Transportation Company (\$36.2 million), and revenue bonds issued by the Authority on behalf of Southern Pacific Transportation Company (\$53.9 million). At June 30, 2017, 2016, and 2015, capital assets, net of accumulated depreciation, consisted of the following:

Summary of Capital Assets

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Property and equipment	\$ 5,401,520	\$ 5,401,520	\$ 5,401,520
Furniture and fixtures	10,650	10,650	10,650
Total capital assets	5,412,170	5,412,170	5,412,170
Less accumulated depreciation	(3,325,312)	(3,217,282)	(3,109,252)
Total capital assets, net	<u>\$ 2,086,858</u>	<u>\$ 2,194,888</u>	<u>\$ 2,302,918</u>

The Authority's interest in the Facility is the \$5.4 million in combined contributions from the Venturers. There had been no addition to capital assets since the Facility's construction was completed in 1986. Reductions in capital assets are from annual depreciation provisions for fiscal years 2017, 2016, and 2015.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Management's Discussion and Analysis (Continued)

June 30, 2017 and 2016

(Unaudited)

Factors that May Affect the Authority's Operations

Fluctuations in economic activity that drive the movement of cargo in and out of the San Pedro Bay ports along with beneficial cargo owners deciding how to transport their cargo both have the ability to affect the volume of operations through the Facility.

Request for Information

Questions about this report or requests for additional information should be addressed to the Executive Director, Intermodal Container Transfer Facility Joint Powers Authority, 4801 Airport Plaza Drive, Long Beach, CA 90815.

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**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Statements of Net Position

June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents (note 2)	\$ 8,660,540	\$ 8,250,210
Receivable from Tenant	442,244	416,544
Total current assets	9,102,784	8,666,754
Capital assets, at cost, less accumulated depreciation (note 5)	2,086,858	2,194,888
TOTAL ASSETS	11,189,642	10,861,642
 LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	--	1,715
Excess Tenant advances (note 4)	83,676	78,697
TOTAL LIABILITIES	83,676	80,412
NET POSITION		
Net position (note 3)		
Investment in capital assets	2,086,858	2,194,888
Unrestricted	9,019,108	8,586,342
TOTAL NET POSITION	\$ 11,105,966	\$ 10,781,230

See accompanying notes to the basic financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUE		
Facility rental (note 1)	\$ 4,365,045	\$ 5,141,308
OPERATING EXPENSE		
Depreciation	108,030	108,030
Net operating income	4,257,015	5,033,278
NONOPERATING REVENUE (EXPENSES)		
Interest income	66,176	52,434
Settlement from Lehman Brothers	1,545	2,094
Distribution to Venturers (note 3)	(4,000,000)	(6,000,000)
Net nonoperating expenses	(3,932,279)	(5,945,472)
CHANGES IN NET POSITION	324,736	(912,194)
Net position, beginning of year	10,781,230	11,693,424
Net position, end of year	\$ 11,105,966	\$ 10,781,230

See accompanying notes to the basic financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of net revenues from Tenant	\$ 4,339,345	\$ 6,389,388
Tenant advances for goods and services in excess of payments	3,264	(398,519)
Net cash provided by operating activities	4,342,609	5,990,869
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	66,176	52,434
Settlement received	1,545	2,094
Distributions paid to Venturers	(4,000,000)	(6,000,000)
Net cash used in investing activities	(3,932,279)	(5,945,472)
NET INCREASE IN CASH AND CASH EQUIVALENTS	410,330	45,397
Cash and cash equivalents, beginning of year	8,250,210	8,204,813
Cash and cash equivalents, end of year	\$ 8,660,540	\$ 8,250,210
 RECONCILIATION OF NET INCOME TO NET CASH PROVIDED		
BY OPERATING ACTIVITIES		
Operating income	\$ 4,257,015	\$ 5,033,278
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	108,030	108,030
Changes in:		
Receivable from Tenant	(25,700)	1,248,080
Accounts payable	(1,715)	(407,132)
Excess Tenant advances	4,979	8,613
Total adjustments to reconcile operating income to net cash provided by operating activities	85,594	957,591
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,342,609	\$ 5,990,869

See accompanying notes to the basic financial statements.

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**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements

June 30, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies

A. Organization

The Intermodal Container Transfer Facility Joint Powers Authority (Authority) was formed in 1983 pursuant to an agreement between the Ports of Los Angeles and Long Beach, California (Venturers) for purposes of financing and constructing the Intermodal Container Transfer Facility (Facility) and leasing the Facility to Southern Pacific Transportation Company (subsequently, a wholly owned subsidiary of Union Pacific Corporation) (Tenant). The agreement has a term of 50 years. The Facility commenced operations on November 17, 1986.

The Authority's principal source of income is from Tenant lease payments. Scheduled lease payments are allocated from "Net Facility Revenues" arising from the Facility's operations. While bonds are outstanding, the term "Net Facility Revenues" is defined as revenues received (which are forwarded monthly by the Tenant to the bond trustee) less payments of principal, premiums, and interest on the bond indebtedness, reimbursements of operating expenses of the Authority (up to \$0.1 million a year as adjusted for inflation), payments of trustee fees, registrar, paying agent fees, and fees charged by any credit facility obtained in connection with the bonds paid by the Tenant. Net Facility Revenues are distributed by the bond trustee each November based upon revenues received for the fiscal period from November 1 to October 31. After all bonds cease to be outstanding, Net Facility Revenues is calculated as revenues received less reimbursements of operating expenses of the Authority. Net Facility Revenues are distributed by the Tenant each month in arrears fifteen days after the end of each month.

Net Facility Revenues are shared, in accordance with the lease, as follows:

<u>Date</u>	<u>Portion of net revenue accruing to the Authority</u>
Until contribution repayment date, determined to be May 1, 1992	In proportion to contributions made between the Tenant and the Authority, which are 88.09% and 11.91%, respectively
For the period from the repayment date until aggregate net revenues not paid to the Authority exceed by \$12,300,000 the aggregate amount paid to the Authority (Minimum Aggregate Return):	
From the repayment date until the second anniversary after repayment	25%
From the second to the fourth anniversary after repayment	30%
From the fourth to the sixth anniversary after repayment	35%
From the sixth anniversary until the Minimum Aggregate Return is met	45%
Remainder of lease term	50%

**INTERMODAL CONTAINER TRANSFER FACILITY
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Notes to the Basic Financial Statements (Continued)

June 30, 2017 and 2016

The contribution repayment date is defined as the date at which Net Facility Revenues equaled the Tenant's contributions to the Facility. The Minimum Aggregate Return was met on or about June 1, 1994; accordingly, Net Facility Revenues are now shared equally.

B. Significant Accounting Policies

The Ports of Long Beach and Los Angeles, the two Venturers, provide administrative and financial services, respectively, at no cost to the Authority. At the beginning of each fiscal year, Tenant advances funds to the Authority to cover the budgeted operating expenses for the year. Such advance is reimbursed to Tenant in the Annual Distribution of Net Revenues to the Authority.

Method of Accounting – The Authority is accounted for as an enterprise fund, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The measurement focus is on the determination of changes in net position, financial position, and cash flows. Operating revenues consist of facility rental revenues from the Authority's Tenant. Operating expenses consist of depreciation expense on the Authority's capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority uses the accrual method of accounting. Accordingly, uncollected facility revenues are included in the determination of receivables due from Tenant in the accompanying financial statements. For purposes of estimating the allocation of Net Facility Revenues, such net revenues are presumed to occur evenly during the fiscal year.

Capital Assets – Capital assets represent the Authority's initial contribution toward the development and construction of the Facility. No further contributions are required. All additional costs will be paid by the Tenant. Depreciation of the Facility is computed using the straight-line method over the estimated useful life of the asset. The estimated useful life of the Facility is 50 years.

Cash and Investments – In order to maximize investment return, the Authority invests its excess cash in the City of Long Beach's cash and investment pool that is used as a demand deposit account by participating units of the pool. Investment decisions are made by the City Treasurer of the City of Long Beach, California. The Authority's investments, including its equity in the City of Long Beach's cash and investment pool, are stated at fair value.

Interest income and realized gains and losses arising from the pooled cash and investments are apportioned to each participating unit of the pool on a pro rata basis based on average daily balances. The change in fair value of the pooled investments is also allocated to each participating unit based on average daily balances.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements (Continued)

June 30, 2017 and 2016

Statements of Cash Flows – For purposes of the statements of cash flows, the Authority considers investments with an initial maturity of three months or less, including its investments in the City of Long Beach's cash and investment pool, to be cash equivalents.

Net Position – The Authority's equity is reported as net position, which is classified into the following categories:

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

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

Use of Estimates – The preparation of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New GASB Pronouncement

GASB Statement No. 87, "Leases." Issued in June 2017, this statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement will be effective beginning fiscal year 2021.

**INTERMODAL CONTAINER TRANSFER FACILITY
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Notes to the Basic Financial Statements (Continued)

June 30, 2017 and 2016

2. Cash and Cash Equivalents

At June 30, 2017 and 2016, the cash and cash equivalents balances consisted of the following:

	2017	2016
Cash	\$ 223,545	\$ 246,682
City of Long Beach's cash and investment pool	8,436,995	8,003,528
Total cash and cash equivalents	\$ 8,660,540	\$ 8,250,210

Authorized Investments

The Authority does not have its own investment policy but follows the City of Long Beach's investment policy. At June 30, 2017 and 2016, as permitted by the California Government Code Section 53635, a portion of the Authority's cash balance totaling \$8.4 million and \$8.0 million for fiscal years 2017 and 2016, respectively, was on deposit in the City of Long Beach's investment pool. The table below identifies the investment types that are authorized by the City of Long Beach's investment policy. The City of Long Beach's investment policy also requires the diversification of investment instruments in accordance with the guidelines of the California Government Code Section 53600 et seq. to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

Type of Investments	Maximum Maturities	Maximum Concentration	Maximum Investment in One Issuer
Bonds issued by the City of Long Beach	5 years*	30%	None
U.S. Treasury Notes, Bonds, or Bills	5 years*	100%	None
Registered State Warrants or Treasury Notes or Bonds of the State of California	5 years*	30%	None
Local Agency Bonds	5 years*	30%	None
Federal Agency Securities	5 years*	100%	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years*	30%	10%
Time Certificates of Deposit	5 years*	100%	10%
Repurchase Agreements	90 days	100%	None
Reverse Repurchase Agreements	92 days	20%	None
Securities Lending Program	92 days	20%	None
Medium-term Notes	5 years*	30%	10%
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	100%	**
Asset-backed Securities	5 years	20%	None
Mortgage-backed Securities	5 years	20%	None

* Maximum maturity of five years unless a longer maturity is approved by the City Long Beach

** \$40 million per account

**INTERMODAL CONTAINER TRANSFER FACILITY
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Notes to the Basic Financial Statements (Continued)

June 30, 2017 and 2016

The Authority's equity in the City of Long Beach's cash and investment pool does not consist of specifically identified cash deposits or securities. Such investments are stated at fair value. Interest from this pool is allocated to the Authority on a pro rata basis of the Authority's share of total interest in the pool based on average daily balances.

Pooled Funds

As noted above, a significant portion of the Authority's cash balance is deposited with the City of Long Beach's investment pool which can be withdrawn on demand and without penalty. The City of Long Beach's investment pool does not maintain a credit rating.

Additional information regarding the pool, including the investment portfolio and related interest rate, weighted average maturity of investments, custodial credit, credit, and concentration of credit risks, is presented in the City of Long Beach Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Long Beach, Department of Financial Management, 333 West Ocean Boulevard, 6th Floor, Long Beach, California, 90802 or the City of Long Beach's website <http://longbeach.gov/Finance/City-Budget-and-Finances/Accounting/CAFR/>.

Deposits

At June 30, 2017, the Authority's cash and cash equivalents consisted of deposits with the City of Long Beach's Treasury, and deposits with an independent financial institution, all of which are presented in the accompanying basic financial statements at fair value.

At June 30, 2017 and 2016, the Authority's carrying amount of cash was \$223.5 thousand and \$246.7 thousand, respectively. The bank balances were \$223.5 thousand and \$250.8 thousand at June 30, 2017 and 2016, respectively. At June 30, 2017, there were no reconciling differences in the carrying amount of cash and bank balance. At June 30, 2016, reconciling differences were primarily accounted for by outstanding checks of \$4.1 thousand. The bank balance is covered by federal depository insurance up to \$250,000. The Authority has not experienced any losses related to uninsured account balances.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements (Continued)

June 30, 2017 and 2016

3. Net Position

Pursuant to the agreement creating the Authority, the Venturers were required to make a capital contribution of \$5.0 million each in 1983. In addition, the Port of Los Angeles contributed services and other direct costs amounting to approximately \$0.4 million in 1988. During fiscal years 2017 and 2016, \$4.0 million and \$6.0 million, respectively, were distributed in equal shares to the Venturers.

At June 30, 2017 and 2016, the changes in joint venture net position are as follows:

	Port of Los Angeles	Port of Long Beach	Total
Balance at June 30, 2015	\$ 6,026,031	\$ 5,667,393	\$ 11,693,424
Operating income and interest revenue	2,543,903	2,543,903	5,087,806
Distribution to Venturers	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(6,000,000)</u>
Balance at June 30, 2016	5,569,934	5,211,296	10,781,230
Operating income and interest revenue	2,162,368	2,162,368	4,324,736
Distribution to Venturers	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(4,000,000)</u>
Balance at June 30, 2017	<u>\$ 5,732,302</u>	<u>\$ 5,373,664</u>	<u>\$ 11,105,966</u>

4. Excess Tenant Advances

The Authority has received advances from the Tenant to cover its contractual administrative costs for the years ended June 30, 2017 and 2016. Advances have exceeded expenses by \$83.7 thousand and \$78.7 thousand in fiscal years 2017 and 2016, respectively, and have been recorded as liabilities due to the Tenant.

5. Capital Assets

At June 30, 2017 and 2016, capital assets consisted of the following:

	2017	2016
Authority's interest in Facility		
Property and equipment	\$ 5,401,520	\$ 5,401,520
Furniture and fixtures	10,650	10,650
Total capital assets	<u>5,412,170</u>	<u>5,412,170</u>
Less accumulated depreciation	<u>(3,325,312)</u>	<u>(3,217,282)</u>
Total capital assets, net	<u>\$ 2,086,858</u>	<u>\$ 2,194,888</u>

In fiscal years 2017 and 2016, there were no capital assets additions or retirements. The only changes were related to annual depreciation provisions. Depreciation expense was \$108.0 thousand for the years ending June 30, 2017 and 2016.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Notes to the Basic Financial Statements (Continued)

June 30, 2017 and 2016

6. Additional Street Improvements Contingency

Concurrent with the issuance of a conditional use permit and parcel map by the City of Carson for that portion of the Facility located in the City of Carson, the Authority, the Tenant, and the City of Carson entered into an agreement dated December 3, 1984, whereby the Authority and Tenant are required to make certain street improvements to certain Carson streets that adjoin the Facility. During fiscal year 1996, the City of Carson received grants for a number of these street improvements, partially reducing the obligation of the Authority for such improvements. The Authority's remaining share of construction obligations for the street improvements (including maintenance costs) is approximately \$2.3 million as of June 30, 2017. The project is currently pending environmental review. The Tenant made payments directly to the City of Carson for maintenance fees of \$108.6 thousand and \$113.2 thousand for fiscal years 2017 and 2016, respectively.