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Intermodal Container Transfer Facility - Joint Powers Authority

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DATE: December 10, 2014

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

FROM: Douglas A. Thiessen, Executive Director

SUBJECT: Financial Audit – Fiscal Year Ended June 30, 2013

Simpson & Simpson has completed the financial audit of the Joint Powers Authority for the fiscal year that ended June 30, 2013. Their audit has determined that for the fiscal year ended June 30, 2013, the financial position, changes in financial position, and cash flows are presented fairly.

Operating revenues for the fiscal year increased 9.6% to \$4,187,005. Net assets increased by 1.4% to \$9.9 million over the same period. The volume of containers that moved through the ICTF gates increased by 5.1% to 426,698 containers.

It is recommended that the Governing Board receive and file the financial audit report for the fiscal year ended June 30, 2013.

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.”

Douglas A. Thiessen  
Executive Director



**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**  
Financial Statements  
June 30, 2013 and 2012  
(With Independent Auditor's Report Thereon)



Port of  
**LONG BEACH**  
The Green Port

**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**

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## Independent Auditor's Report

The Board of Directors  
Intermodal Container Transfer Facility Joint Power Authority:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Intermodal Container Transfer Facility Joint Power Authority (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents. The financial statements of the Authority as of and for the year ended June 30, 2012, were audited by other auditors whose report dated December 18, 2012, expressed an unqualified opinion on those financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.



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### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year 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 3 to 7 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.

A handwritten signature in dark ink, appearing to read 'Simpson &amp; Simpson'.

Los Angeles, California  
November 6, 2013

**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**

Management's Discussion and Analysis

June 30, 2013 and 2012

(Unaudited)

This section of the Intermodal Container Transfer Facility Joint Powers Authority's (the Authority) annual financial report presents the management's discussion and analysis of the Authority's financial performance during the years ended June 30, 2013 and 2012. Information presented here should be considered in conjunction with the Authority's financial statements, which follow this section.

**Overview of the Financial Statements**

The financial statements comprise of two components: the Authority's financial statements and the notes to the financial statements. This section serves as an introduction to the Authority's financial statements.

During FY2012, management identified an error relating to the recognition of net facility revenues in prior years. The error resulted in an overstatement of both facility rental revenues and receivable from Tenant for all fiscal years prior to FY2012. Management corrected the error by restating the prior years' financial statements.

**Net Position**

Net position is the difference between the Authority's assets and liabilities. Over time, increases or decreases in net position serve as an indicator of the Authority's financial position. The following is a condensed summary of the Authority's net position as of June 30, 2013, 2012, and 2011:

**Schedule of Net Position**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>
Current assets	\$ 7,391,998	\$ 7,145,960	\$ 9,252,673
Capital assets, net	2,518,978	2,627,008	2,735,037
Total assets	<u>9,910,976</u>	<u>9,772,968</u>	<u>11,987,710</u>
Other liabilities	97,216	56,924	24,834
Total liabilities	<u>97,216</u>	<u>56,924</u>	<u>24,834</u>
Net position			
Invested in capital assets	2,518,978	2,627,008	2,735,037
Unrestricted	7,294,782	7,089,036	9,227,839
Total net position	<u>\$ 9,813,760</u>	<u>\$ 9,716,044</u>	<u>\$ 11,962,876</u>

**INTERMODAL CONTAINER TRANSFER FACILITY  
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Management's Discussion and Analysis

June 30, 2013 and 2012

(Unaudited)

**Fiscal Year 2013**

The \$0.2 million, or 3.4% increase in current assets is primarily due to an increase in cash and cash equivalents. Cash and cash equivalents increased by \$132.7 thousand, primarily due to higher collections from Tenant offset by lower distributions to the Ports of Los Angeles and Long Beach, California (Venturers).

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

Net position of the Authority increased by 1.0% to \$9.8 million from \$9.7 million at June 30, 2013 primarily due to the increase in current assets as discussed above. Of the \$9.8 million net position as of June 30, 2013, \$2.5 million, or 25.7%, 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 \$7.3 million, or 74.3%, in net position are unrestricted and may be used to meet the Authority's ongoing obligations.

**Fiscal Year 2012**

The \$2.1 million, or 22.8%, decrease in current assets is primarily due to a decrease in cash and cash equivalents. Cash and cash equivalents decreased by \$2.1 million, or 31.9%, compared to fiscal year 2011 primarily due to lower collections from the Tenant.

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

Net position of the Authority decreased by 18.8% to \$9.7 million at June 30, 2012 primarily due to the decrease in current assets as discussed above. Of the \$9.7 million net position as of June 30, 2012, \$2.6 million, or 27.0%, 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 \$7.1 million, or 73.0%, of the net position are classified as 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

June 30, 2013 and 2012

(Unaudited)

**Summary of Operations and Changes in Net Position**

The following is a summary of the Authority's changes in net position for the years ended June 30, 2013, 2012, and 2011:

**Schedule of Changes in Net Position**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>
Operating revenue			
Facility rental	\$ 4,187,005	\$ 3,820,186	\$ 3,999,544
Operating expense			
Depreciation	108,030	108,030	108,033
Total operating income	<u>4,078,975</u>	<u>3,712,156</u>	<u>3,891,511</u>
Nonoperating revenue (expense)			
Interest income	14,204	36,419	44,660
Settlement from Lehman Brothers	4,537	4,593	--
Distribution to Venturers	<u>(4,000,000)</u>	<u>(6,000,000)</u>	<u>(6,000,000)</u>
Changes in net position	97,716	(2,246,832)	(2,063,829)
Total net position, beginning of year	<u>9,716,044</u>	<u>11,962,876</u>	<u>14,026,705</u>
Total net position, end of year	<u>\$ 9,813,760</u>	<u>\$ 9,716,044</u>	<u>\$ 11,962,876</u>

Container volumes that moved through the Authority's gate are 426,698, 405,985, and 416,956 containers for fiscal years 2013, 2012, and 2011 respectively.

**Fiscal Year 2013**

The \$0.4 million or 9.6% increase in facility rental income mainly reflects a 5.1% increase in containers that moved through the Authority's facility during the fiscal year ended June 30, 2013.

Interest income decreased by 61.0% due to lower yield on the average daily cash balance in the Authority's investment. 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 decreased from \$6.0 million in fiscal year 2012 to \$4.0 million in fiscal year 2013.

**Fiscal Year 2012**

The \$0.2 million or 4.5% decrease in facility rental income mainly reflects a 2.6% decrease in containers that moved through the Authority's facility during the fiscal year ended June 30, 2012.

Interest income decreased by 18.5% due to declining yield on the average daily cash balance in the investment account and lower balances maintained due to the decrease in container movement through the



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Management's Discussion and Analysis

June 30, 2013 and 2012

(Unaudited)

Authority's facility. Nonoperating income of \$4.6 thousand was received from the City of Long Beach based on the investment settlement claim filed by the City of Long Beach against Lehman Brothers. Additionally, distributions to Venturers remained at \$6.0 million for both fiscal years 2012 and 2011.

**Capital Assets**

The Authority's investment in capital assets net of accumulated depreciation as of June 30, 2013, 2012, and 2011 amounted to \$2.5 million, \$2.6 million and \$2.7 million, respectively. Construction of the intermodal container transfer 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, 2013, 2012, and 2011, capital assets, net of accumulated depreciation, consisted of the following:

**Summary of Capital Assets**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</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	(2,893,192)	(2,785,162)	(2,677,133)
Total capital assets, net	<u>\$ 2,518,978</u>	<u>\$ 2,627,008</u>	<u>\$ 2,735,037</u>

The Authority's interest in the Facility is the \$5.4 million in combined contributions from the Ports. 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 2013, 2012, and 2011.

**Debt Administration**

In November 1984, the Authority issued \$53.9 million of 1984 Series A Bonds on behalf of the Southern Pacific Transportation Company (Tenant/operator) in order to construct the Intermodal Container Transfer Facility. In May 1989, the Authority issued \$52.3 million of 1989 Series A Refunding Revenue Bonds in order to advance refund the 1984 Series A Bonds. In October 1999, the Authority issued \$42.9 million of 1999 Series A Bonds to advance refund \$44.2 million of the outstanding 1989 Series A Bonds. The 1999 Series A Bonds will be due in November 2014.

The 1999 Series A Refunding Bonds are payable solely from lease payments by the Tenant under a long-term lease agreement for the use of the Facility, and since such lease payments approximate the annual debt service, the nature of the bonds is such that the long-term indebtedness is that of the Tenant and not the Authority. All debt service payments on the bonds are paid by the bond trustee from cash accumulated in the revenue fund.

Additionally, payment of the principal and interest on the 1999 Series A Refunding Bonds is insured by Ambac Assurance Corporation.

**INTERMODAL CONTAINER TRANSFER FACILITY  
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Management's Discussion and Analysis

June 30, 2013 and 2012

(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 intermodal container transfer facility.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 11 – 17 of this report.

**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, P.O. Box 570, Long Beach, CA 90801-0570.

**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**

Statements of Net Position

June 30, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (note 2)	\$ 4,546,374	\$ 4,413,713
Receivable from Tenant	2,845,624	2,732,247
Total current assets	7,391,998	7,145,960
Capital assets, at cost, less accumulated depreciation (note 5)	2,518,978	2,627,008
<b>TOTAL ASSETS</b>	<b>9,910,976</b>	<b>9,772,968</b>
 <b>LIABILITIES AND NET POSITION</b>		
Liabilities		
Accounts payable	45,905	56,924
Tenant reimbursements in excess of expenses (note 4)	51,311	--
<b>TOTAL LIABILITIES</b>	<b>97,216</b>	<b>56,924</b>
 <b>NET POSITION</b>		
Net position (note 3):		
Invested in capital assets	2,518,978	2,627,008
Unrestricted	7,294,782	7,089,036
<b>TOTAL NET POSITION</b>	<b>\$ 9,813,760</b>	<b>\$ 9,716,044</b>

See accompanying notes to the financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**

Statements of Revenues, Expenses, and Changes in Net Position  
For the Years ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUE</b>		
Facility rental (note 1)	\$ 4,187,005	\$ 3,820,186
<b>OPERATING EXPENSE</b>		
Depreciation	108,030	108,030
Operating income	4,078,975	3,712,156
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Interest income	14,204	36,419
Settlement from Lehman Brothers	4,537	4,593
Distribution to Venturers (note 3)	(4,000,000)	(6,000,000)
<b>CHANGES IN NET POSITION</b>	97,716	(2,246,832)
Total net position, beginning of year	9,716,044	11,962,876
Total net position, end of year	\$ 9,813,760	\$ 9,716,044

See accompanying notes to the financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection of net revenues from Tenant	\$ 4,062,609	\$ 3,860,890
Tenant advances for goods and services in excess of payments	51,311	32,090
Net cash provided by operating activities	4,113,920	3,892,980
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	14,204	36,418
Settlement received	4,537	4,593
Distributions paid to Venturers	(4,000,000)	(6,000,000)
Net cash used in investing activities	(3,981,259)	(5,958,989)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	132,661	(2,066,009)
Cash and cash equivalents, July 1	4,413,713	6,479,722
Cash and cash equivalents, June 30	\$ 4,546,374	\$ 4,413,713
 <b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED</b>		
<b>BY OPERATING ACTIVITIES</b>		
Operating income	\$ 4,078,975	\$ 3,712,156
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	108,030	108,030
Changes in:		
Receivable from Tenant	(113,377)	40,704
Accounts payable	(11,019)	32,090
Tenant reimbursements in excess of expenses	51,311	--
Total adjustments to reconcile operating income to net cash provided by operating activities	34,945	180,824
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 4,113,920	\$ 3,892,980

See accompanying notes to the financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**

Notes to the Financial Statements

June 30, 2013 and 2012

**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 an 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. 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 (note 6), 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.

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%

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.

**INTERMODAL CONTAINER TRANSFER FACILITY  
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Notes to the Financial Statements

June 30, 2013 and 2012

**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 yearly 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.

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 intermodal container transfer 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. Investment decisions are made by the City Treasurer of the City of Long Beach, California.

Interest income and realized gains and losses arising from the pooled cash and investments are apportioned to each participant of the City of Long Beach's cash and investment 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 participant based on average daily balances.

The Authority's investments, including its equity in the City of Long Beach's cash and investment pool, are stated at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of guaranteed investment contracts (participating) and other investments with no regular market is estimated based on similar traded investments. Guaranteed investment contracts (nonparticipating) are reported at cost. The fair value of mutual funds, government sponsored investment pools, and other similar investment is stated at share value or appropriate allocation of fair value of the pool, if separately reported. Certain money market investments with initial maturities at the time of purchase of less than one year are recorded at cost. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in

**INTERMODAL CONTAINER TRANSFER FACILITY  
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June 30, 2013 and 2012

the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

**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.

**Use of Estimates** – The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Adoption of New GASB Pronouncements** - GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*” Issued in December 2010, this statement incorporates into the GASB’S authoritative literature certain accounting and financial reporting guidance and pronouncements issued on or before November 30, 1989 by the Financial Accounting Standards Board, opinions issued by the Accounting Principles Board as well as accounting research bulletins of the American Institute of Certified Public Accountants’ Committee on Accounting Procedures. The Authority implemented this statement in fiscal year 2013. This statement has no material impact on the Authority’s financial statements.

GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*” Issued in June 2011, this statement provides guidance for reporting deferred outflows and inflows of resources, and net position in a statement of financial position and related disclosures. Transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods are now identified as deferred outflows or inflows of resources respectively, and hence, are distinguished from assets and liabilities. This statement requires reporting of net position as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The Authority implemented this statement in fiscal year 2013. This statement has no material impact on the Authority’s financial statements.

**2. Cash and Cash Equivalents**

At June 30, 2013 and 2012, the cash and cash equivalents balances consisted of the following:

	2013	2012
Cash	\$ 189,923	\$ 6,111
City of Long Beach's cash and investment pool	4,356,451	4,407,602
Total cash and cash equivalents	<u>\$ 4,546,374</u>	<u>\$ 4,413,713</u>



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June 30, 2013 and 2012

**Authorized Investments**

The Authority does not have its own investment policy but follows the City of Long Beach's investment policy. At June 30, 2013 and 2012 as permitted by the California Government Code Section 53635, a portion of the Authority's cash balance totaling \$4.4 million for both fiscal years, 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 Government Code Section 53600 et seq. to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

	Maximum maturities	Maximum concentration	Maximum investment in one issuer
Bonds issued by the city	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%	10%
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 agreement	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 of Long Beach Council, either specifically or as part of an investment program, at least three months prior to purchase.

\*\* \$40 million per account.

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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. At both June 30, 2013 and 2012, the Authority had \$4.4 million, 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).

**Deposits**

At June 30, 2013, 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, 2013 and 2012, the Authority's carrying amount of cash is \$189.9 thousand and \$6.1 thousand, respectively, while the bank balance is \$206.0 thousand and \$6.1 thousand, respectively. The difference of \$16.1 thousand in 2013 represents primarily outstanding checks. The bank balance is covered by federal depository insurance.

**3. Net Position**

Pursuant to the agreement creating the Authority, the Venturers were required to make a capital contribution totaling \$5.0 million 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 year 2013, a total of \$4.0 million was distributed in equal shares to the Venturers. A total of \$6.0 million was distributed to the Venturers, in equal shares, for fiscal year 2012.

At June 30, 2013 and 2012, the changes in joint venture net position are as follows:

	Port of Los Angeles	Port of Long Beach	Total
Balance at June 30, 2011	\$ 6,160,757	\$ 5,802,119	\$ 11,962,876
Operating income and interest revenue	1,876,584	1,876,584	3,753,168
Distribution to Venturers	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(6,000,000)</u>
Balance at June 30, 2012	5,037,341	4,678,703	9,716,044
Operating income and interest revenue	2,048,858	2,048,858	4,097,716
Distribution to Venturers	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(4,000,000)</u>
Balance at June 30, 2013	<u>\$ 5,086,199</u>	<u>\$ 4,727,561</u>	<u>\$ 9,813,760</u>

**INTERMODAL CONTAINER TRANSFER FACILITY  
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June 30, 2013 and 2012

**4. Excess Tenant Advances**

Advances have exceeded expenses by \$51.3 thousand in fiscal year 2013 and have been recorded as liabilities due to the Tenant. The Authority has not received an advance from the Tenant to cover expenses incurred for fiscal year 2012.

**5. Capital Assets**

At June 30, 2013 and 2012, capital assets consisted of the following:

	2013	2012
Authority's interest in facility		
Property and equipment	\$ 5,401,520	\$ 5,401,520
Furniture and fixtures	10,650	10,650
Total capital assets	5,412,170	5,412,170
Less accumulated depreciation	(2,893,192)	(2,785,162)
Total capital assets, net	\$ 2,518,978	\$ 2,627,008

In fiscal years 2013 and 2012, there were no capital assets additions or retirements. The only changes were related to annual depreciation provisions.

**6. Bonds Issued on Behalf of Tenant**

Pursuant to an indenture of trust dated November 1, 1984, the Authority issued \$53.9 million of 1984 Series A Bonds on behalf of the Tenant in order to construct the intermodal container transfer facility. In May 1989, the Authority issued \$52.3 million of 1989 Series A Refunding Revenue Bonds in order to advance refund the 1984 Series A Bonds.

In October 1999, the Authority issued \$42.9 million of Intermodal Container Transfer Facility Refunding Revenue Bonds, 1999 Series A (1999A Bonds) to advance refund \$44.2 million of outstanding 1989 Series A Refunding Revenue Bonds. As of June 30, 2013, Refunding Revenue Bonds, 1999 Series A, had an outstanding balance of \$7.6 million and will be due in November 2014.

The bonds are payable solely from payments by the Tenant under a long-term lease agreement for the use of the Facility. Such lease payments approximate the annual debt service costs on the outstanding bonds. The bonds do not constitute an obligation of the Authority, the Port of Los Angeles or the Port of Long Beach. The nature of the bonds is such that the long-term indebtedness is that of the Tenant and not the Authority, Port of Los Angeles, or Port of Long Beach. Accordingly, no obligation is reported in the accompanying financial statements. All debt service payments on the bonds are paid by the Bond Trustee from cash accumulated in the revenue fund (note 1).

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**7. 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, reducing the obligation of the Authority for such improvements. The Authority revised its estimate of its share of the cost of the street improvements (including maintenance costs) to approximately \$1.0 million. For the fiscal years ended June 30, 2013 and 2012, the Tenant made payments for maintenance fees of \$0.1 million each for both fiscal years, directly to the City of Carson.

**8. Subsequent Events**

The Authority has evaluated subsequent events from the balance sheet date through November 6, 2013, the date on which the financial statements were issued.