



**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**

Financial Statements

June 30, 2005 and 2004

(With Independent Auditors' Report Thereon)

**INTERMODAL CONTAINER TRANSFER FACILITY  
JOINT POWERS AUTHORITY**

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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the Intermodal Container Transfer Facility Joint Powers Authority (Authority) as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

September 16, 2005

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

June 30, 2005 and 2004

This section of the Intermodal Container Transfer Facility Joint Powers Authority (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2005 and 2004. Please read it in conjunction with the Authority's financial statements, which follow this section.

**Overview of the Financial Statements**

The financial statements comprise two components, the Authority's financial statements and the notes to the financial statements. This section is intended to serve as an introduction to the Authority's financial statements.

**Condensed Financial Position Information**

**Summary of Net Assets**  
June 30, 2005, 2004 and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 8,942,282	6,740,585	8,044,182
Capital assets	3,383,220	3,491,250	3,599,281
<b>Total assets</b>	<u>12,325,502</u>	<u>10,231,835</u>	<u>11,643,463</u>
Other liabilities	8,121	—	1,942
<b>Total liabilities</b>	<u>8,121</u>	<u>—</u>	<u>1,942</u>
Net assets:			
Invested in capital assets	3,383,220	3,491,250	3,599,281
Unrestricted	8,934,161	6,740,585	8,042,240
<b>Total net assets</b>	<u>\$ 12,317,381</u>	<u>10,231,835</u>	<u>11,641,521</u>

**Fiscal Year 2005**

The 32.7% increase in current and other assets mainly reflects the increase in accrued accounts receivable from Tenant (from \$4.2 million last year to \$6.2 million this year, or an increase of 47.6%). The increase in accounts receivable can be explained by the fact there was a growth of 19.2% in container throughput this year.

Net assets of the Authority increased 20.4% to \$12.3 million at June 30, 2005. Of the \$12.3 million net assets, \$3.4 million, or 27.5%, are invested in capital assets. There is no debt outstanding that is related to these capital assets. There are no net assets that are subject to external restrictions on how it may be used. The remaining \$8.9 million, or 72.5%, of the net assets are classified as unrestricted and they may be used to meet the Authority's ongoing obligations.

**Fiscal Year 2004**

The 16% decrease in current and other assets mainly reflects the decrease in accrued accounts receivable from Tenant (from \$5.4 million last year to \$4.2 million this year, or a decrease of 22.2%). The decrease in accounts receivable can be explained by the fact there was an 18.1% drop in container throughput this year.

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June 30, 2005 and 2004

Net assets of the Authority decreased 12.1% to \$10.2 million. Of the \$10.2 million net assets, \$3.5 million, or 34.3%, are invested in capital assets. There is no debt outstanding that is related to these capital assets. There is no net asset that is subject to external restrictions on how it may be used. The remaining \$6.7 million, or 65.7%, of the net assets are classified as unrestricted and may be used to meet the Authority's ongoing obligations.

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

The following is a summary of the Authority's operations for the years ended June 30, 2005, 2004 and 2003:

**Summary of Activities**

Years ended June 30, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating revenues:			
Facility rental	\$ 7,050,152	5,551,596	7,337,545
Operating expenses:			
Depreciation	<u>108,030</u>	<u>108,030</u>	<u>108,030</u>
Total operating income	6,942,122	5,443,566	7,229,515
Nonoperating revenue (expenses):			
Interest income	143,424	146,748	204,861
Distribution to venturers	<u>(5,000,000)</u>	<u>(7,000,000)</u>	<u>(8,000,000)</u>
Changes in net assets	2,085,546	(1,409,686)	(565,624)
Total net assets, beginning of year	<u>10,231,835</u>	<u>11,641,521</u>	<u>12,207,145</u>
Total net assets, end of year	<u>\$ 12,317,381</u>	<u>10,231,835</u>	<u>11,641,521</u>

**Container Volume**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Containers moved through the gate	600,622	503,641	614,826

**Fiscal Year 2005**

The 27.0% increase in facility rental mainly reflects the 19.2% increase in containers that moved through the gate during the fiscal year ended June 30, 2005. Increase in container throughput this year reflects the higher container volumes that flowed through the Ports of Los Angeles and Long Beach.

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Management's Discussion and Analysis

June 30, 2005 and 2004

Interest income decreased 2.3% due mainly to the decreased average cash balance in the investment account. Fiscal year 2005 also saw a decrease of \$2,000,000, or 28.6%, in cash distribution to the two venturer ports. In summary, there was an increase of \$2,085,546 in net assets change for fiscal year 2005, or 20.4% higher than the net assets change for fiscal year 2004.

***Fiscal Year 2004***

The 24.3% decrease in facility rental reflects the 18.1% decrease in containers that moved through the gate during the fiscal year ended June 30, 2004. Container volume overall decreased mainly because the Ports of Los Angeles and Long Beach increased their on-dock rail capacities in recent years, thereby reducing the demand for the Authority's services.

Interest income decreased 28.4% due mainly to the decreased average cash balance in the investment account. Fiscal year 2004 also saw a decrease of \$1,000,000, or 12.5%, in cash distribution to the two venturer ports. In summary, there was a decrease of \$1,409,686 in net assets change for fiscal year 2004, or 12.1% lower than the net assets change for fiscal year 2003.

**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 the financial statements can be found on pages 9-13 of this report.

**Capital Assets and Debt Administration**

***Capital Assets***

The Authority's investment in capital assets as of June 30, 2005 and 2004 amounted to \$3,383,220 and \$3,491,250, respectively (net of accumulated depreciation). Construction of the Intermodal Container Transfer Facility was completed in 1986. Construction funds were provided by the Ports of Los Angeles and Long Beach (\$5.4 million), Southern Pacific Transportation Company (\$36.2 million), and revenue bonds issued by the Authority (\$53.9 million). At June 30, 2005, 2004 and 2003, capital assets consisted of the following:

<b>Capital Assets, Net</b>			
June 30, 2005, 2004, and 2003			
	2005	2004	2003
Authority's interest in facility:			
Property and equipment	\$ 5,401,520	5,401,520	5,401,520
Furniture and fixtures	10,650	10,650	10,650
	5,412,170	5,412,170	5,412,170
Less accumulated depreciation	(2,028,950)	(1,920,920)	(1,812,889)
	\$ 3,383,220	3,491,250	3,599,281

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Management's Discussion and Analysis

June 30, 2005 and 2004

The Authority's interest in facility only reflects the \$5.4 million in combined contributions from the Ports of Los Angeles and Long Beach. There has been no addition to capital assets since the facility construction was completed in 1986. Reduction in net capital assets of \$108,030 and \$108,030 in 2005 and 2004, respectively, reflects depreciation for the year.

***Debt Administration***

In November 1984, the Authority issued \$53,915,000 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 \$52,315,000 of 1989 Series A Refunding Revenue Bonds in order to advance refund the 1984 Series A Bonds. In October 1999, the Authority issued \$42,915,000 of 1999 Series A Bonds to advance refund \$44,205,000 of 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 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 of and interest on the 1999 Series A Refunding Bonds when due is insured by Ambac Assurance Corporation.

**Factors That May Affect the Authority's Operations**

Both the Port of Los Angeles and the Port of Long Beach (the Ports) have increased their on-dock rail capacity in the last years, which could result in an increase of containers being loaded onto or off of trains at the Ports' terminals and a reduction of containers passing through the Authority. Although container moves dropped in fiscal year 2004, the Authority was less impacted by the on-dock rail facilities in fiscal year 2005. A total of 600,622 containers were moved through the facility in fiscal year 2005, or an increase of 19.2% as compared to 503,641 containers in the same period of the prior year.

**Requests 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.

**INTERMODAL CONTAINER TRANSFER FACILITY  
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Statements of Net Assets

June 30, 2005 and 2004

<b>Assets</b>	<u>2005</u>	<u>2004</u>
<b>Current assets:</b>		
Cash and investments (note 2)	\$ 2,768,712	2,505,413
Receivable from Tenant	6,173,570	4,231,113
Other receivable (note 4)	—	4,059
Total current assets	<u>8,942,282</u>	<u>6,740,585</u>
Capital assets, at cost, less accumulated depreciation (note 5)	<u>3,383,220</u>	<u>3,491,250</u>
Total assets	<u>12,325,502</u>	<u>10,231,835</u>
<b>Liabilities</b>		
<b>Liabilities:</b>		
Tenant reimbursements in excess of expenses (note 4)	8,121	—
Commitments and contingencies (notes 6 and 7)		
<b>Net Assets</b>		
<b>Net assets (note 3):</b>		
Invested in capital assets	3,383,220	3,491,250
Unrestricted	<u>8,934,161</u>	<u>6,740,585</u>
Total net assets	<u>\$ 12,317,381</u>	<u>10,231,835</u>

See accompanying notes to financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY  
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Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Facility rental (note 1)	\$ 7,050,152	5,551,596
Operating expenses:		
Depreciation (note 5)	<u>108,030</u>	<u>108,030</u>
Operating income	6,942,122	5,443,566
Nonoperating revenue (expenses):		
Interest income	143,424	146,748
Distribution to venturers (note 3)	<u>(5,000,000)</u>	<u>(7,000,000)</u>
Changes in net assets	2,085,546	(1,409,686)
Total net assets at beginning of year	<u>10,231,835</u>	<u>11,641,521</u>
Total net assets at end of year	<u>\$ 12,317,381</u>	<u>10,231,835</u>

See accompanying notes to financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY  
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Statements of Cash Flows  
Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Collection of net revenues from Tenant	\$ 5,107,695	6,703,441
Payments for goods and services	12,180	(6,000)
Net cash provided by operating activities	<u>5,119,875</u>	<u>6,697,441</u>
Cash flows from investing activities:		
Interest received	143,424	146,748
Distributions to venturers	(5,000,000)	(7,000,000)
Net cash used in investing activities	<u>(4,856,576)</u>	<u>(6,853,252)</u>
Net increase (decrease) in cash and cash equivalents	263,299	(155,811)
Cash and cash equivalents at beginning of year	<u>2,505,413</u>	<u>2,661,224</u>
Cash and cash equivalents at end of year	<u>\$ 2,768,712</u>	<u>2,505,413</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>6,942,122</u>	<u>5,443,566</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	108,030	108,030
Change in receivable from Tenant	(1,942,457)	1,151,845
Change in Tenant reimbursements in excess of expenses and other payable	<u>12,180</u>	<u>(6,000)</u>
Total adjustments	<u>(1,822,247)</u>	<u>1,253,875</u>
Net cash provided by operating activities	<u>\$ 5,119,875</u>	<u>6,697,441</u>

See accompanying notes to financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY  
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Notes to Financial Statements

June 30, 2005 and 2004

**(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 debt (note 6), reimbursements of operating expenses of the Authority (up to \$100,000 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.

