



**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Financial Statements

June 30, 2006 and 2005

(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 (the Authority) as of and for the years ended June 30, 2006 and 2005, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Intermodal Container Transfer Facility Joint Powers Authority as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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 U.S. generally accepted accounting principles. 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

July 16, 2007

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

June 30, 2006 and 2005

This section of the Intermodal Container Transfer Facility Joint Powers Authority (the Authority) annual financial report presents the management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2006 and 2005. 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, 2006, 2005, and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 14,364,491	8,942,282	6,740,585
Capital assets	<u>3,275,190</u>	<u>3,383,220</u>	<u>3,491,250</u>
Total assets	<u>\$ 17,639,681</u>	<u>12,325,502</u>	<u>10,231,835</u>
Other liabilities	\$ 3,524,138	8,121	—
Total liabilities	<u>\$ 3,524,138</u>	<u>8,121</u>	<u>—</u>
Net assets:			
Invested in capital assets	\$ 3,275,190	3,383,220	3,491,250
Unrestricted	<u>10,840,353</u>	<u>8,934,161</u>	<u>6,740,585</u>
Total net assets	<u>\$ 14,115,543</u>	<u>12,317,381</u>	<u>10,231,835</u>

Fiscal Year 2006

The 60.6% increase in current and other assets reflects the increase in cash and investments as well as the increase in accrued accounts receivable from the Southern Pacific Transportation Company (Tenant). At June 30, 2006, there was a \$3.5 million cash distribution due to the Port of Los Angeles, but payment was not made prior to June 30, 2006; hence the increase in cash and investments. The increase in accounts receivable from \$6.2 million last year to \$8.4 million this year, or an increase of 36.0%, is primarily due to the 16.7% growth in container throughout this year.

Net assets of the Authority increased 14.6% to \$14.1 million at June 30, 2006. Of the \$14.1 million net assets, \$3.3 million, or 23.2%, 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 \$10.8 million, or 76.8%, of the net assets are classified as unrestricted and they may be used to meet the Authority's ongoing obligations.

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June 30, 2006 and 2005

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 in 2004 to \$6.2 million in 2005, or an increase of 47.6%). The increase in accounts receivable is primarily due to a 19.3% growth 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.

Summary of Operations and Changes in Net Assets

The following is a summary of the Authority's operations for the years ended June 30, 2006, 2005, and 2004:

Summary of Activities			
Years ended June 30, 2006, 2005, and 2004			
	2006	2005	2004
Operating revenues:			
Facility rental	\$ 8,717,190	7,050,152	5,551,596
Operating expenses:			
Depreciation	108,030	108,030	108,030
Total operating income	8,609,160	6,942,122	5,443,566
Nonoperating revenue (expenses):			
Interest income	189,002	143,424	146,743
Distribution to Venturers	(7,000,000)	(5,000,000)	(7,000,000)
Changes in net assets	1,798,162	2,085,546	(1,409,686)
Total net assets, beginning of year	12,317,381	10,231,835	11,641,521
Total net assets, end of year	\$ 14,115,543	12,317,381	10,231,835

Container Volume

	2006	2005	2004
Containers moved through the gate	701,172	600,622	503,641

Fiscal Year 2006

The 23.6% increase in facility rental mainly reflects the 16.7% increase in containers that moved through the gate during the fiscal year ended June 30, 2006. Increase in container throughput this year reflects the higher container volumes that flowed through the Ports of Los Angeles and Long Beach (Ports).

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Management's Discussion and Analysis

June 30, 2006 and 2005

Interest income increased 31.8% due mainly to the increased average cash balance in the investment account. Fiscal year 2006 also saw an increase of \$2 million, or 40%, in cash distribution to the two venturer ports comprised of the Ports. In summary, there was a positive \$1.8 million in net assets change for fiscal year 2006, which represents 13.8% less than the net assets change for fiscal year 2005.

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.

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 247.9% higher than the net assets change for fiscal year 2004.

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 9-15 of this report.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2006 and 2005 amounted to \$3,275,190 and \$3,383,220, respectively (net of accumulated depreciation). 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 (\$53.9 million). At June 30, 2006, 2005, and 2004, capital assets consisted of the following:

Capital Assets, Net			
June 30, 2006, 2005, and 2004			
	2006	2005	2004
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	(2,136,980)	(2,028,950)	(1,920,920)
	\$ 3,275,190	3,383,220	3,491,250

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June 30, 2006 and 2005

The Authority's interest in the facility only reflects the \$5.4 million in combined contributions from the Ports. There has been no addition to capital assets since the facility construction was completed in 1986. Reduction in net capital assets of \$108,030 in 2006 and 2005, reflects depreciation for the respective years.

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 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 movement dropped in fiscal year 2004, the Authority was less impacted by the on-dock rail facilities in fiscal years 2006 and 2005. A total of 701,172 containers were moved through the facility in fiscal year 2006, or an increase of 16.7% as compared to 600,622 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.

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Statements of Net Assets

June 30, 2006 and 2005

Assets	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and investments (note 2)	\$ 5,969,331	2,768,712
Receivable from Tenant	<u>8,395,160</u>	<u>6,173,570</u>
Total current assets	14,364,491	8,942,282
Capital assets, at cost, less accumulated depreciation (note 5)	<u>3,275,190</u>	<u>3,383,220</u>
Total assets	<u>17,639,681</u>	<u>12,325,502</u>
Liabilities		
Liabilities:		
Accounts payable	5,200	—
Tenant reimbursements in excess of expenses (note 4)	18,938	8,121
Cash distribution payable to the Port of Los Angeles	<u>3,500,000</u>	—
Commitments and contingencies (notes 6 and 7)	<u> </u>	<u> </u>
Total liabilities	<u>3,524,138</u>	<u>8,121</u>
Net Assets		
Net assets (note 3):		
Invested in capital assets	3,275,190	3,383,220
Unrestricted	<u>10,840,353</u>	<u>8,934,161</u>
Total net assets	<u>\$ 14,115,543</u>	<u>12,317,381</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, 2006 and 2005

	2006	2005
Operating revenues:		
Facility rental (note 1)	\$ 8,717,190	7,050,152
Operating expenses:		
Depreciation	108,030	108,030
Operating income	8,609,160	6,942,122
Nonoperating revenue (expenses):		
Interest income	189,002	143,424
Distribution to venturers (note 3)	(7,000,000)	(5,000,000)
Changes in net assets	1,798,162	2,085,546
Total net assets at beginning of year	12,317,381	10,231,835
Total net assets at end of year	\$ 14,115,543	12,317,381

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Collection of net revenues from Tenant	\$ 6,495,599	5,107,695
Payments for goods and services	16,018	12,180
Net cash provided by operating activities	6,511,617	5,119,875
Cash flows from investing activities:		
Interest received	189,002	143,424
Distributions paid to Venturers	(3,500,000)	(5,000,000)
Net cash used in investing activities	(3,310,998)	(4,856,576)
Net increase in cash and cash equivalents	3,200,619	263,299
Cash and cash equivalents at beginning of year	2,768,712	2,505,413
Cash and cash equivalents at end of year	\$ 5,969,331	2,768,712
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 8,609,160	6,942,122
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	108,030	108,030
Change in receivable from Tenant	(2,221,590)	(1,942,457)
Change in Tenant reimbursements in excess of expenses and other payable	16,017	12,180
Total adjustments	(2,097,543)	(1,822,247)
Net cash provided by operating activities	\$ 6,511,617	5,119,875

See accompanying notes to financial statements.

**INTERMODAL CONTAINER TRANSFER FACILITY
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Notes to Financial Statements

June 30, 2006 and 2005

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The Intermodal Container Transfer Facility Joint Powers Authority (the 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

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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

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 determination of changes in net assets, financial position, and cash flows. Operating revenues consist of facility rental revenues from the Authority's Tenant, Union Pacific Corporation. 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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, for proprietary fund accounting, the Authority applies all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board and predecessor entities issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Capital Assets – Capital assets represent the Authority's initial contribution toward the development and construction of the intermodal 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.

