E-2

Intermodal Container Transfer Facility - Joint Powers Authority

DATE: October 21, 2013

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

FROM: Douglas A. Thiessen, Executive Director

SUBJECT: Financial Audit – Fiscal Year Ended June 30, 2012

KPMG LLC has completed the financial audit of the Joint Powers Authority for the fiscal year that ended June 30, 2012. Their audit has determined that for the fiscal year ended June 30, 2012, the financial position, changes in financial position, and cash flows are presented fairly.

Operating revenues for the fiscal year decreased 4.5% to $3,820,186. Net assets decreased by 18.8% to $9.7 million, due to a decrease in cash and cash equivalents. The volume of containers that moved through the ICTF gates decreased by 2.6% to 405,985 containers.

It is recommended that the Governing Board receive and file the financial audit report for the fiscal year ended June 30, 2012.

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."

D Thiessen

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KPMG

INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY

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KPMG

KPMG LLP
Suite 2000
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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, 2012 and 2011 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 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 2 through 6 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.

KPMG LLP

December 18, 2012

This section of the Intermodal Container Transfer Facility Joint Powers Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the years ended June 30, 2012 and 2011. Readers should consider information presented here 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 financial statements. This section is intended to serve as an introduction to the Authority's financial statements.

The following is a condensed summary of the Authority's net assets as of June 30, 2012, 2011, and 2010:

Schedule of Net Assets

	June 30		
	2012	2011	2010 (As restated)
Current assets	$ 7,145,960	9,252,673	11,222,584
Capital assets, net	2,627,008	2,735,037	2,843,070
Total assets	9,772,968	11,987,710	14,065,654
Other liabilities	56,924	24,834	38,949
Total liabilities	56,924	24,834	38,949
Net assets:			
Invested in capital assets	2,627,008	2,735,037	2,843,070
Unrestricted	7,089,036	9,227,839	11,183,635
Total net assets	$ 9,716,044	11,962,876	14,026,705

Fiscal Year 2012

The 22.8% decrease in current assets is primarily due to a decrease in cash and cash equivalents. The value of cash and cash equivalents decreased by $2.1 million, a decrease of 31.9% compared to last year primarily due to lower collections from the tenant offset by lower distributions paid to Venturers.

Net assets 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 assets as of June 30, 2012, $2.6 million, or 27.0%, 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 $7.1 million, or 73.0%, of the net assets are classified as unrestricted and they may be used to meet the Authority's ongoing obligations.

Fiscal Year 2011

The 17.5% decrease in current assets is primarily due to a decrease in cash and cash equivalents. The value of cash and cash equivalents decreased by $2.1 million, a decrease of 24.6% compared to last year primarily due to lower collections from the tenant offset by lower distributions paid to Venturers.

Net assets of the Authority decreased by 14.7% to $12.0 million at June 30, 2011 primarily due to the decrease in current assets as discussed above. Of the $12.0 million net assets as of June 30, 2011, $2.7 million, or 22.9%, 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 $9.2 million, or 77.1%, of the net assets are classified as unrestricted and they may be used to meet the Authority's ongoing obligations.

During 2011, 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 years prior to 2011. Management corrected the error by restating the 2010 financial statements. The effect of the corrections can be found in the notes to the financial statements (note 2).

Summary of Operations and Changes in Net Assets

The following is a summary of the Authority's changes in net assets for the years ended June 30, 2012, 2011, and 2010:

Schedule of Changes in Net Assets

	Year ended June 30		
	2012	2011	2010 (As restated)
Operating revenue:			
Facility rental	$ 3,820,186	3,999,544	3,816,310
Operating expense:			
Depreciation	108,030	108,033	108,030
Total operating income	3,712,156	3,891,511	3,708,280
Nonoperating revenue (expense):			
Interest income	36,419	44,660	55,578
Settlement from Lehman Brothers	4,593	—	—
Distribution to Venturers	(6,000,000)	(6,000,000)	(8,000,000)
Changes in net assets	(2,246,832)	(2,063,829)	(4,236,142)
Total net assets, beginning of year	11,962,876	14,026,705	18,262,847
Total net assets, end of year	$ 9,716,044	11,962,876	14,026,705

The following is a summary of container volume for the years ended June 30, 2012, 2011, and 2010:

	2012	2011	2010
Containers moved through the gate	405,985	416,956	400,866

Fiscal Year 2012

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

Interest income decreased 18.5% due to declining yield on the average daily cash balance in the investment account and lower balances maintained due to declining container movement through the Authority's facility. Nonoperating income of $4,593 was received from the City of Long Beach based on the investment settlement claim filed by the City of Long Beach to Lehman Brothers. Additionally, distributions to Venturers remained the same in 2012 as in 2011.

Fiscal Year 2011

The 4.8% increase in facility rental income mainly reflects a 4.0% increase in containers that moved through the Authority's facility during the year ended June 30, 2011.

Interest income decreased 19.6% due to declining yield on the average daily cash balance in the investment account and lower balances maintained due to declining container movement through the Authority's facility. Additionally, distributions to Venturers decreased 25% due to a decrease in rental income. The distributions to Venturers are based on rental income and therefore fluctuate in the same manner.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2012, 2011, and 2010 amounted to $2,627,008, $2,735,037, and $2,843,070, 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, 2012, 2011, and 2010, capital assets, net of accumulated depreciation, consisted of the following:

Capital Assets, Net

	June 30 2012	June 30 2011	June 30 2010
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	(2,785,162)	(2,677,133)	(2,569,100)
	$ 2,627,008	2,735,037	2,843,070

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 $108,029, $108,033, and $108,030 in 2012, 2011, and 2010 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 recent years, which has resulted 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. Container movement decreased in fiscal year 2010 by 22.8% in comparison to the previous fiscal year. A total of 405,985 containers were moved through the facility in fiscal year 2012 or a decrease of 2.6% as compared to 416,956 containers in the previous fiscal year. The Authority has been impacted by the on-dock rail facilities, compounded by a slowdown in economic activity in the last three fiscal years.

Notes to 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 10 – 17 of this report.

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, California 90801-0570.

INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY

Statements of Net Assets

June 30, 2012 and 2011

Assets		**2012**	**2011**
Current assets:			
Cash and cash equivalents (note 3)	$	4,413,713	6,479,722
Receivable from Tenant		2,732,247	2,772,951
Total current assets		7,145,960	9,252,673
Capital assets, at cost, less accumulated depreciation (note 6)		2,627,008	2,735,037
Total assets	$	9,772,968	11,987,710
Liabilities			
Liabilities:			
Distribution to Venturers (note 4)	$	56,924	—
Tenant reimbursements in excess of expenses (note 5)		—	24,834
Total liabilities		56,924	24,834
Net Assets			
Net assets (notes 2 and 4):			
Invested in capital assets		2,627,008	2,735,037
Unrestricted		7,089,036	9,227,839
Total net assets		9,716,044	11,962,876
Total liabilities and net assets	$	9,772,968	11,987,710

See accompanying notes to financial statements.

INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2012 and 2011

		2012	2011
Operating revenue:			
Facility rental (note 1)	$	3,820,186	3,999,544
Operating expense:			
Depreciation		108,030	108,033
Operating income		3,712,156	3,891,511
Nonoperating revenue (expense):			
Interest income		36,419	44,660
Settlement from Lehman Brothers		4,593	—
Distribution to Venturers (note 4)		(6,000,000)	(6,000,000)
Changes in net assets		(2,246,832)	(2,063,829)
Total net assets at beginning of year		11,962,876	14,026,705
Total net assets at end of year	$	9,716,044	11,962,876

See accompanying notes to financial statements.

INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY

Statements of Cash Flows

Years ended June 30, 2012 and 2011

		2012	2011
Cash flows from operating activities:			
Collection of net revenues from Tenant	$	3,860,890	3,812,768
Tenant advances for goods and services in excess of payments		32,090	22,985
Net cash provided by operating activities		3,892,980	3,835,753
Cash flows from investing activities:			
Interest received		36,418	44,660
Settlement received		4,593	—
Distribution to Venturers (note 4)		(6,000,000)	(6,000,000)
Net cash used in investing activities		(5,958,989)	(5,955,340)
Net decrease in cash and cash equivalents		(2,066,009)	(2,119,587)
Cash and cash equivalents at beginning of year		6,479,722	8,599,309
Cash and cash equivalents at end of year	$	4,413,713	6,479,722
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	3,712,156	3,891,511
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		108,030	108,033
Change in receivable from Tenant		40,704	(149,676)
Increase (decrease) in Tenant reimbursements in excess of expenses and accounts payable		32,090	(14,115)
Total adjustments		180,824	(55,758)
Net cash provided by operating activities	$	3,892,980	3,835,753

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

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 7), 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:

Date	Portion of net revenue accruing to the Authority
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.

(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 assets, financial position, and cash flows. Operating revenues consist of facility rental revenues from the Authority's Tenant, Union Pacific Railroad Company. 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 Governmental Accounting Standards Board (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. The Authority has elected not to apply private sector standards issued after November 30, 1989.

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 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 investment 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.

(2) Restatement

During 2011, management identified an error relating to the recognition of net facility revenues in prior years. The error resulted in an overstatement of net assets as follows:

Total net assets at June 30, 2010, as previously reported	$	18,680,971
Overstatement of revenues		4,654,266
Total net assets at June 30, 2010, as restated	$	14,026,705

(3) Cash and Cash Equivalents

At June 30, 2012 and 2011, the cash and cash equivalents balance consisted of the following:

		2012	2011
Cash	$	6,111	88,210
City of Long Beach's cash and investment pool		4,407,602	6,391,512
Total cash and cash equivalents	$	4,413,713	6,479,722

(a) Investments Authorized

The Authority does not have its own investment policy; instead the Authority uses the City of Long Beach's investment policy. At June 30, 2012 and 2011, as permitted by the California Government Code Section 53635, a portion of the Authority's cash balance totaling $4,407,602 and $6,391,512, 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 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 of Long Beach	5 years*	30%	None
U.S. Treasury notes, bonds, or bills	5 years*	None	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*	None	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	None	**
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 Council, either specifically or as part of an investment program, at least three months prior to purchase.

** $40 million per account.

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.

(b) 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 June 30, 2012 and 2011, the Authority had $4,407,602 and $6,391,512, respectively, deposited with the City of Long Beach's investment pool, which it can withdraw 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).

(c) ***Deposits***

At June 30, 2012, 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, 2012 and 2011, the Authority's carrying amount of cash in checking accounts is equal to the bank balance and is covered by federal depository insurance.

(4) Net Assets

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 $358,000 in 1988. During fiscal year 2012, a total of $6.0 million was distributed in equal shares to the Venturers. A total of $6.0 million was also distributed to the Venturers, in equal shares, for the fiscal year 2011.

At June 30, 2012 and 2011, the joint venture change in net assets is as follows:

		Port of Los Angeles	Port of Long Beach	Total
Balance at June 30, 2010, as restated	$	7,192,671	6,834,034	14,026,705
Operating income and interest revenue		1,968,086	1,968,085	3,936,171
Distribution to Venturers		(3,000,000)	(3,000,000)	(6,000,000)
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		(3,000,000)	(3,000,000)	(6,000,000)
Balance at June 30, 2012	$	5,037,341	4,678,703	9,716,044

(5) Excess Tenant Advances

The Authority has not received an advance from the Tenant to cover expenses incurred for 2012. Advances exceeded expenses in 2011 and have been recorded as liabilities due to the Tenant in the amounts of $24,834.

(Continued)

(6) Capital Assets

At June 30, 2012 and 2011, capital assets consisted of the following:

		2012	2011
Authority's interest in facility:			
Property and equipment	$	5,401,520	5,401,520
Furniture and fixtures		10,650	10,650
		5,412,170	5,412,170
Less accumulated depreciation		(2,785,162)	(2,677,133)
	$	2,627,008	2,735,037

In 2012 and 2011, there were no additions or retirements to capital assets. The only changes were related to accumulated depreciation, which was effected by depreciation expense of $108,030 and $108,033 in 2012 and 2011, respectively.

(7) Bonds Issued on Behalf of Tenant

Pursuant to an indenture of trust dated November 1, 1984, the Authority issued $53,915,000 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 $52,315,000 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 Intermodal Container Transfer Facility Refunding Revenue Bonds, 1999 Series A (1999A Bonds) to advance refund $44,205,000 of outstanding 1989 Series A Refunding Revenue Bonds. As of June 30, 2012, 1999A Bonds had an outstanding balance of $11,170,000 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 either 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).

(8) 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 million. For the years ended June 30, 2012 and 2011, the Tenant made payments for maintenance fees of $118,688 and $119,838, respectively, directly to the City of Carson.

(9) Subsequent Events

The Authority has evaluated subsequent events through December 18, 2012, the date the financial statements were available to be issued.