



DATE: November 9, 2016

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

FROM: Douglas A. Thiessen, Executive Director

SUBJECT: Financial Audit – Fiscal Year Ended June 30, 2016

Simpson & Simpson has completed the financial audit of the Intermodal Container Transfer Facility Joint Powers Authority (ICTF JPA) for the fiscal year that ended June 30, 2016. Their audit has determined that for the fiscal year ended June 30, 2016, the financial position, changes in financial position, and cash flows are presented fairly.

Operating revenues for the fiscal year decreased 9.9% to \$5,141,308 due to a decrease in the number of containers moving through the facility during this period. Net assets decreased by 7.8% to \$10,781,230 over the same period. The volume of containers that moved through the Intermodal Container Transfer Facility gates decreased by 13.1% to 351,011 containers, generally attributable to continued high on-dock rail activity during this period.

It is recommended that the Governing Board receive and file the financial audit report for the fiscal year ended June 30, 2016.

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, 2016 and 2015

(With Independent Auditor's Report Thereon)



Certified
Public
Accountants

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

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Independent Auditor's Report

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

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, 2016, 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.

Prior Period Financial Statements

The financial statements of the Authority as of June 30, 2015 were audited by other auditors whose report dated November 23, 2015, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Macias Gini & O'Connell LLP

Los Angeles, California
November 3, 2016

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Management's Discussion and Analysis
June 30, 2016 and 2015
(Unaudited)

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

This section of the Authority's annual financial report presents the management's discussion and analysis of the Authority's financial performance during the years ended June 30, 2016 and 2015. This discussion has been prepared by the management and should be read in conjunction with the Authority's financial statements and related notes, which follow this section.

Overview of the Financial Statements

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

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

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

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

The *Notes to the Financial Statements* present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of the Authority's financial activities.

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JOINT POWERS AUTHORITY**

Management's Discussion and Analysis (Continued)
June 30, 2016 and 2015
(Unaudited)

Net Position

The following is a condensed summary of the Authority's net position as of June 30, 2016, 2015, and 2014:

Schedule of Net Position

	FY 2016	FY 2015	FY 2014	Increase (Decrease) Over Prior Year	
				FY2016	FY2015
Current assets	\$ 8,666,754	\$ 9,869,437	\$ 7,743,375	\$ (1,202,683)	\$ 2,126,062
Capital assets, net	2,194,888	2,302,918	2,410,948	(108,030)	(108,030)
Total Assets	10,861,642	12,172,355	10,154,323	(1,310,713)	2,018,032
Other liabilities	80,412	478,931	82,615	(398,519)	396,316
Total liabilities	80,412	478,931	82,615	(398,519)	396,316
Net position					
Net investment in capital assets	2,194,888	2,302,918	2,410,948	(108,030)	(108,030)
Unrestricted	8,586,342	9,390,506	7,660,760	(804,164)	1,729,746
Total net position	\$ 10,781,230	\$ 11,693,424	\$ 10,071,708	\$ (912,194)	\$ 1,621,716

Fiscal Year 2016

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

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

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

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

Fiscal Year 2015

The \$2.1 million, or 27.5%, increase in current assets is primarily due to an increase of \$3.4 million in cash and cash equivalents offset by a decrease of \$1.3 million in receivable from the Tenant. The increase in cash and cash equivalents is mainly a result of an increase in net facility revenues.

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

Liabilities increased by \$396.3 thousand due to more unpaid invoices at fiscal year-end.

Net position of the Authority increased by 16.1% to \$11.7 million from \$10.1 million at June 30, 2015 due

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Management's Discussion and Analysis (Continued)
June 30, 2016 and 2015
(Unaudited)

to the increase in current assets as discussed above. Of the \$11.7 million net position as of June 30, 2015, \$2.3 million, or 19.7%, 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 \$9.4 million, or 80.3%, in net position are unrestricted and may be used to meet the Authority's ongoing obligations.

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, 2016, 2015, and 2014:

Schedule of Changes in Net Position

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>Increase (Decrease)</u>	
				<u>Over Prior Year</u>	
				<u>FY 2016</u>	<u>FY 2015</u>
Operating revenue					
Facility rental	\$ 5,141,308	\$ 5,703,421	\$ 4,345,271	\$ (562,113)	\$ 1,358,150
Operating expense					
Depreciation	108,030	108,030	108,030	--	--
Total operating income	5,033,278	5,595,391	4,237,241	(562,113)	1,358,150
Nonoperating revenue (expense)					
Interest income	52,434	21,690	14,454	30,744	7,236
Settlement from Lehman Brothers	2,094	4,635	6,253	(2,541)	(1,618)
Distribution to Venturers	(6,000,000)	(4,000,000)	(4,000,000)	(2,000,000)	--
Changes in net position	(912,194)	1,621,716	257,948	(2,533,910)	1,363,768
Total net position, beginning of year	11,693,424	10,071,708	9,813,760	1,621,716	257,948
Total net position, end of year	\$ 10,781,230	\$ 11,693,424	\$ 10,071,708	\$ (912,194)	\$ 1,621,716

Container volumes that moved through the Authority's gate are 351,011, 404,151, and 434,670 containers for fiscal years 2016, 2015, and 2014, respectively.

Fiscal Year 2016

The \$0.6 million or 9.9% decrease in facility rental revenue mainly due to the decrease in containers that moved through the Authority's facility during the fiscal year ended June 30, 2016.

Interest income increased by 141.8% due to the change to distributions from an annual to monthly basis that results in higher monthly cash balance deposited in the City of Long Beach's investment pool. An investment settlement resulting from the claim filed by the City of Long Beach against Lehman Brothers is shown as nonoperating revenue. Distributions to Venturers were \$6.0 million and \$4.0 million in fiscal years 2016 and 2015, respectively.

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Management's Discussion and Analysis (Continued)
June 30, 2016 and 2015
(Unaudited)

Interest income increased by 50.1% due to higher cash balance deposited in the City of Long Beach's investment pool. An investment settlement resulting from the claim filed by the City of Long Beach against Lehman Brothers is shown as nonoperating revenue. Distributions to Venturers remained at \$4.0 million in fiscal years 2015 and 2014.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, as of June 30, 2016, 2015, and 2014 amounted to \$2.2 million, \$2.3 million, and \$2.4 million, respectively. Construction of the Facility was completed in 1986. Construction funds were provided by the Venturer ports (\$5.4 million), Southern Pacific Transportation Company (\$36.2 million), and revenue bonds issued by the Authority on behalf of Southern Pacific Transportation Company (\$53.9 million). At June 30, 2016, 2015, and 2014, capital assets, net of accumulated depreciation, consisted of the following:

Summary of Capital Assets

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</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	<u>5,412,170</u>	<u>5,412,170</u>	<u>5,412,170</u>
Less accumulated depreciation	<u>(3,217,282)</u>	<u>(3,109,252)</u>	<u>(3,001,222)</u>
Total capital assets, net	<u>\$ 2,194,888</u>	<u>\$ 2,302,918</u>	<u>\$ 2,410,948</u>

The Authority's interest in the Facility is the \$5.4 million in combined contributions from the Venturers. There had been no addition to capital assets since the Facility's construction was completed in 1986. Reductions in capital assets are from annual depreciation provisions for fiscal years 2016, 2015, and 2014.

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 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 matured in November 2014.

The 1999 Series A Refunding Bonds were 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 trust.

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

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Management's Discussion and Analysis (Continued)
June 30, 2016 and 2015
(Unaudited)

Factors that May Affect the Authority's Operations

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

Request for Information

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

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**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Statements of Net Position

June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents (note 2)	\$ 8,250,210	\$ 8,204,813
Receivable from Tenant	416,544	1,664,624
Total current assets	8,666,754	9,869,437
Capital assets, at cost, less accumulated depreciation (note 5)	2,194,888	2,302,918
TOTAL ASSETS	10,861,642	12,172,355
 LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	1,715	408,847
Excess Tenant advances (note 4)	78,697	70,084
TOTAL LIABILITIES	80,412	478,931
 NET POSITION		
Net position (note 3)		
Net investment in capital assets	2,194,888	2,302,918
Unrestricted	8,586,342	9,390,506
TOTAL NET POSITION	\$ 10,781,230	\$ 11,693,424

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, 2016 and 2015

	2016	2015
OPERATING REVENUE		
Facility rental (note 1)	\$ 5,141,308	\$ 5,703,421
OPERATING EXPENSE		
Depreciation	108,030	108,030
Operating income	5,033,278	5,595,391
NONOPERATING REVENUE (EXPENSES)		
Interest income	52,434	21,690
Settlement from Lehman Brothers	2,094	4,635
Distribution to Venturers (note 3)	(6,000,000)	(4,000,000)
CHANGES IN NET POSITION	(912,194)	1,621,716
Total net position, beginning of year	11,693,424	10,071,708
Total net position, end of year	\$ 10,781,230	\$ 11,693,424

See accompanying notes to the financial statements.

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Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of net revenues from Tenant	\$ 6,389,388	\$ 6,982,856
Tenant advances for goods and services in excess of payments	(398,519)	396,316
Net cash provided by operating activities	5,990,869	7,379,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	52,434	21,690
Settlement received	2,094	4,635
Distributions paid to Venturers	(6,000,000)	(4,000,000)
Net cash used in investing activities	(5,945,472)	(3,973,675)
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,397	3,405,497
Cash and cash equivalents, beginning of year	8,204,813	4,799,316
Cash and cash equivalents, end of year	\$ 8,250,210	\$ 8,204,813
 RECONCILIATION OF NET INCOME TO NET CASH PROVIDED		
BY OPERATING ACTIVITIES		
Operating income	\$ 5,033,278	\$ 5,595,391
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	108,030	108,030
Changes in:		
Receivable from Tenant	1,248,080	1,279,435
Accounts payable	(407,132)	387,782
Excess Tenant advances	8,613	8,534
Total adjustments to reconcile operating income to net cash provided by operating activities	957,591	1,783,781
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,990,869	\$ 7,379,172

See accompanying notes to the financial statements.

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**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**
Notes to the Financial Statements
June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

A. Organization

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

The Authority's principal source of income is from Tenant lease payments. Scheduled lease payments are allocated from "Net Facility Revenues" arising from the Facility's operations. 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%

**INTERMODAL CONTAINER TRANSFER FACILITY
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Notes to the Financial Statements (Continued)
June 30, 2016 and 2015

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

B. Significant Accounting Policies

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

Method of Accounting – The Authority is accounted for as an enterprise fund, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The measurement focus is on the determination of changes in net position, financial position, and cash flows. Operating revenues consist of facility rental revenues from the Authority's Tenant. Operating expenses consist of depreciation expense on the Authority's capital assets.

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

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

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

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

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

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Notes to the Financial Statements (Continued)
June 30, 2016 and 2015

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 investments in the City of Long Beach’s cash and investment pool, to be cash equivalents.

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

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

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

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

Adoption of New GASB Pronouncements

GASB Statement No. 72, “Fair Value Measurement and Application.” Issued in February 2015, this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. The statement has no impact on the Authority’s financial statements as investments in an external government investment pool are not subject to reporting within the fair value hierarchy.

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Notes to the Financial Statements (Continued)
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GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." Issued in June 2015, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The statement has no impact on the Authority's financial statements.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." Issued in June 2015, this Statement improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. The statement has no impact on the Authority's financial statements.

GASB Statement No. 79, "Certain External Investment Pools and Pool Participants" Issued in December 2015, this statement addresses accounting and financial reporting for certain external investment pools and pool participants and establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The statement has no impact on the Authority's financial statements.

2. Cash and Cash Equivalents

At June 30, 2016 and 2015, the cash and cash equivalents balances consisted of the following:

	2016	2015
Cash	\$ 246,682	\$ 25,454
City of Long Beach's cash and investment pool	8,003,528	8,179,359
Total cash and cash equivalents	\$ 8,250,210	\$ 8,204,813

Authorized Investments

The Authority does not have its own investment policy but follows the City of Long Beach's investment policy. At June 30, 2016 and 2015, as permitted by the California Government Code Section 53635, a portion of the Authority's cash balance totaling \$8.0 million and \$8.2 million for fiscal years 2016 and 2015, respectively, was on deposit in the City of Long Beach's investment pool. The table on page 17 identifies the investment types that are authorized by the City of Long Beach's investment policy. The City of Long Beach's investment policy also requires the diversification of investment instruments in accordance with the guidelines of the California Government Code Section 53600 et seq. to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

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Notes to the Financial Statements (Continued)
June 30, 2016 and 2015

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

* Maximum maturity of five years unless a longer maturity is approved by the City Long Beach Council, either
** \$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.

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, 2016 and 2015, the Authority had \$8.0 million and \$8.2 million respectively, deposited with the City of Long Beach's investment pool which can be withdrawn on demand and without penalty. The City of Long Beach's investment pool does not maintain a credit rating.

Additional information regarding the pool, including the investment portfolio and related interest rate, weighted average maturity of investments, custodial credit, credit, and concentration of credit risks, is presented in the City of Long Beach Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Long Beach, Department of Financial Management, 333 West Ocean Boulevard, 6th Floor, Long Beach, California, 90802.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Notes to the Financial Statements (Continued)
June 30, 2016 and 2015

Deposits

At June 30, 2016, 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, 2016 and 2015, the Authority's carrying amount of cash was \$246.7 thousand and \$25.5 thousand, respectively. The bank balances were \$250.8 thousand and \$100.1 thousand at June 30, 2016 and 2015, respectively. Differences in the carrying amount of cash and bank balances were primarily accounted for by outstanding checks of \$4.1 thousand and \$74.6 thousand fiscal years 2016 and 2015, respectively. The bank balance is covered by federal depository insurance up to \$250,000. The Authority has not experienced any losses related to uninsured account balances.

3. Net Position

Pursuant to the agreement creating the Authority, the Venturers were required to make a capital contribution of \$5.0 million each in 1983. In addition, the Port of Los Angeles contributed services and other direct costs amounting to approximately \$0.4 million in 1988. During fiscal years 2016 and 2015, \$6.0 million and \$4.0 million, respectively, were distributed in equal shares to the Venturers.

At June 30, 2016 and 2015, the changes in joint venture net position are as follows:

	Port of <u>Los Angeles</u>	Port of <u>Long Beach</u>	<u>Total</u>
Balance at June 30, 2014	\$ 5,215,173	\$ 4,856,535	\$ 10,071,708
Operating income and interest revenue	2,810,858	2,810,858	5,621,716
Distribution to Venturers	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(4,000,000)</u>
Balance at June 30, 2015	6,026,031	5,667,393	11,693,424
Operating income and interest revenue	2,543,903	2,543,903	5,087,806
Distribution to Venturers	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(6,000,000)</u>
Balance at June 30, 2016	<u>\$ 5,569,934</u>	<u>\$ 5,211,296</u>	<u>\$ 10,781,230</u>

4. Excess Tenant Advances

Advances have exceeded expenses by \$78.7 thousand and \$70.1 thousand in fiscal years 2016 and 2015, respectively, and have been recorded as liabilities due to the Tenant.

**INTERMODAL CONTAINER TRANSFER FACILITY
JOINT POWERS AUTHORITY**

Notes to the Financial Statements (Continued)
June 30, 2016 and 2015

5. Capital Assets

At June 30, 2016 and 2015, capital assets consisted of the following:

	2016	2015
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	(3,217,282)	(3,109,252)
Total capital assets, net	\$ 2,194,888	\$ 2,302,918

In fiscal years 2016 and 2015, there were no capital assets additions or retirements. The only changes were related to annual depreciation provisions. Depreciation expense was \$108,030 for the years ending June 30, 2016 and 2015, respectively.

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 Tenant in order to construct the 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.

The bonds were 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). 1999A Bonds were matured in November 2014. There were no outstanding bonds as of June 30, 2016 and 2015.

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's share of construction obligations for the street improvements (including maintenance costs) is approximately \$2.3 million as of June 30, 2016. The project is currently pending environmental review. The Tenant made payments directly to the City of Carson for maintenance fees of \$113.2 thousand and \$122.1 thousand for fiscal years 2016 and 2015, respectively.