



# CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY

Chairman Mark D. Radecki  
Vice Chair Cory C. Moss  
Board Member Abraham N. Cruz  
Board Member Roy Haber, III  
Board Member Newell W. Ruggles

REGULAR MEETING AGENDA  
JUNE 9, 2016 AT 9:00 A.M.\*

(Immediately following the conclusion of the City Council Meeting)

Location: City Council Chamber, 15651 East Stafford Street, City of Industry, California 91744

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### **Addressing the Authority:**

- ▶ **Agenda Items:** *Members of the public may address the Authority on any matter listed on the Agenda. In order to conduct a timely meeting, there will be a three-minute time limit per person for any matter listed on the Agenda. Anyone wishing to speak to the Authority is asked to complete a Speaker's Card which can be found at the back of the room and at each podium. The completed card should be submitted to the City Clerk prior to the Agenda item being called and prior to the individual being heard by the Authority.*
- ▶ **Public Comments (Non-Agenda Items):** *Anyone wishing to address the Authority on an item not on the Agenda may do so during the "Public Comments" period. In order to conduct a timely meeting, there will be a three-minute time limit per person for the Public Comments portion of the Agenda. State law prohibits the Authority from taking action on a specific item unless it appears on the posted Agenda. Anyone wishing to speak to the Authority is asked to complete a Speaker's Card which can be found at the back of the room and at each podium. The completed card should be submitted to the City Clerk prior to the Agenda item being called by the City Clerk and prior to the individual being heard by the Authority.*

### **Americans with Disabilities Act:**

- ▶ *In compliance with the ADA, if you need special assistance to participate in any City meeting (including assisted listening devices), please contact the City Clerk's Office (626) 333-2211. Notification of at least 48 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting.*

### **Agendas and other writings:**

- ▶ *In compliance with SB 343, staff reports and other public records permissible for disclosure related to open session agenda items are available at City Hall, 15625 East Stafford Street, Suite 100, City of Industry, California, at the office of the City Clerk during regular business hours, Monday through Friday 9:00 a.m. to 5:00 p.m. Any person with a question concerning any agenda item may call the City Clerk's Office at (626) 333-2211.*

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1. Call to Order
  2. Flag Salute
  3. Roll Call
  4. Public Comments

5. **BOARD MATTERS**

- 5.1 Consideration of the minutes of the February 11, 2016 regular meeting and February 23, 2016 special meeting

*RECOMMENDED ACTION: Approve as submitted.*

- 5.2 Consideration of a First Amendment to the Professional Services Agreement with The Pun Group, LLP, to provide Annual Financial Statement Audits for the years ending June 30, 2016 and June 30, 2017 with an option for two (2) one-year extensions for the years ending June 30, 2018 and June 30, 2019

*RECOMMENDED ACTION: Approve the First Amendment to the Professional Services Agreement.*

- 5.3 Presentation of the Industry Public Facilities Authority's FY 2016-17 Proposed Operating Budget

Consideration of Resolution No. PFA 2016-02 – A RESOLUTION OF THE INDUSTRY PUBLIC FACILITIES AUTHORITY (“IPFA”) OF THE CITY OF INDUSTRY, CALIFORNIA, APPROVING AND ADOPTING THE FY 2016-17 PROPOSED IPFA BUDGET

*RECOMMENDED ACTION: Adopt Resolution No. PFA 2016-02.*

6. Adjournment.

*INDUSTRY PUBLIC FACILITIES AUTHORITY*

ITEM NO. 5.1

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INDUSTRY PUBLIC FACILITIES AUTHORITY  
REGULAR MEETING MINUTES  
CITY OF INDUSTRY, CALIFORNIA  
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**CALL TO ORDER**

The Regular Meeting of the Industry Public Facilities Authority of the City of Industry, California, was called to order by President Mark D. Radecki at 10:46 a.m. in the City of Industry Council Chamber, 15651 East Stafford Street, California.

**ROLL CALL**

PRESENT: Mark Radecki, Chairman  
Cory C. Moss, Vice Chair  
Abraham N. Cruz, Board Member  
Newell Ruggles, Board Member

ABSENT: Roy Haber, Board Member

STAFF PRESENT: Paul J. Philips, Executive Director; James M. Casso, City Attorney; and Cecelia Dunlap, Assistant Secretary.

**PUBLIC COMMENTS**

There were no public comments.

**CONSIDERATION OF THE MINUTES OF THE NOVEMBER 12, 2015 REGULAR MEETING**

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER CRUZ TO APPROVE THE MINUTES AS SUBMITTED. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, MOSS, RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

**CONSIDERATION OF RESOLUTION NO PFA 2016-01 – A RESOLUTION OF THE INDUSTRY PUBLIC FACILITIES AUTHORITY OF THE CITY OF INDUSTRY, CALIFORNIA, AMENDING RESOLUTION NO. PFA 2015-01 TO AMEND THE ANNUAL BUDGET FOR FISCAL YEAR 2015-16**

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INDUSTRY PUBLIC FACILITIES AUTHORITY  
REGULAR MEETING MINUTES  
CITY OF INDUSTRY, CALIFORNIA  
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MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER CRUZ TO ADOPT RESOLUTION NO. PFA 2016-01. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, MOSS, RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

**ADJOURNMENT**

There being no further business, the Industry Public Facilities Authority adjourned at 10:48 a.m.

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MARK D. RADECKI  
CHAIRMAN

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CECELIA DUNLAP  
ASSISTANT SECRETARY

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INDUSTRY PUBLIC FACILITIES AUTHORITY  
SPECIAL MEETING MINUTES  
CITY OF INDUSTRY, CALIFORNIA  
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**CALL TO ORDER**

The Special Meeting of the Industry Public Facilities Authority of the City of Industry, California, was called to order by President Mark D. Radecki at 9:22 a.m. in the City of Industry Council Chamber, 15651 East Stafford Street, California.

**ROLL CALL**

PRESENT: Mark Radecki, Chairman  
Cory C. Moss, Vice Chair  
Abraham N. Cruz, Board Member  
Roy Haber, Board Member  
Newell Ruggles, Board Member

STAFF PRESENT: Paul J. Philips, Executive Director; James M. Casso, City Attorney; and Cecelia Dunlap, Assistant Secretary.

**PUBLIC COMMENTS**

There were no public comments.

**CONSIDERATION OF ANNUAL AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015, AND THE CONTINUING ANNUAL DISCLOSURE REPORT**

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER HABER TO RECEIVE AND FILE. MOTION CARRIED 5-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, HABER, RUGGLES, MOSS, RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	NONE
ABSTAIN:	BOARD MEMBERS:	NONE

**ADJOURNMENT**

There being no further business, the Industry Public Facilities Authority adjourned at 9:24 a.m.

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INDUSTRY PUBLIC FACILITIES AUTHORITY  
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MARK D. RADECKI  
CHAIRMAN

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CECELIA DUNLAP  
ASSISTANT SECRETARY

*INDUSTRY PUBLIC FACILITIES AUTHORITY*

ITEM NO. 5.2





# INDUSTRY PUBLIC FACILITIES AUTHORITY

P.O. BOX 3366 • CITY OF INDUSTRY, CALIFORNIA 91744

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Mark D. Radecki, Chairman  
Cory C. Moss, Vice Chair  
Abraham N. Cruz, Board Member  
Roy M. Haber, III, Board Member  
Newell W. Ruggles, Board Member

Paul J. Philips, Executive Director  
James M. Casso, General Counsel  
Phyllis Tucker, Treasurer  
Cecelia Dunlap, Assistant Secretary

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## STAFF REPORT

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TO: Honorable Chairman and Board Members

FROM: Paul J. Philips, Executive Director

STAFF: Susan Paragas, City Controller

DATE: June 9, 2016

SUBJECT: First Amendment to the Professional Services Agreement with the Audit Firm, The Pun Group, to Extend their Contract to Conduct the Year-End Annual Audit for the Industry Public Facilities Authority

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### **BACKGROUND:**

The Industry Public Facilities Authority ("IPFA") is subject to annual financial statement audits by certified public accountants ("CPAs") that are independent of the IPFA's fiscal affairs. The purpose of the audit on IPFA's financial statements is to obtain an opinion from the CPAs to verify IPFA's conformance with Generally Accepted Accounting Principles and related government accounting standards and requirements.

The City of Industry solicited bid proposals from several audit firms to conduct the audit for its component units. At the IPFA Board meeting of October 8, 2015, the Board approved the professional services agreement for The Pun Group to perform audit for the year-ended June 30, 2016.

### **DISCUSSION:**

IPFA is due for its annual financial statements audit for the coming fiscal year ending June 30, 2016. The Pun Group performed the audit of IPFA's financial statements for the year

ended June 30, 2015 and provided reliable technical expertise and assistance to City staff. The firm has gained a thorough understanding of the IPFA's internal controls and attained a comprehensive perspective of IPFA's financial processes. Given the involvement of the Finance Department in the undertakings to address the State Controller's Office findings and the complexities involved in the various component units of the City that include: the Industry Public Utilities Commission and the Successor Agency to the former Industry Urban-Development Agency, it would be beneficial to utilize The Pun Group for the subsequent annual audits.

Therefore, it is recommended that IPFA increase the period of the contract for The Pun Group for two additional years with the option of two one-year extensions, making the contract for a total of a five-year term. To comply with its procurement policy, the City will issue a request for proposal at the end of the contract to ensure IPFA is receiving the best value in their services.

In addition to the extension of the terms, the contract is amended to include additional scope of work for The Pun Group to prepare IPFA's financial statements. The table below contains the description of services and the proposed fees:

Description of Services	Estimated Hours	Optional Years			
		2015-2016	2016-2017	2017-2018	2018-2019
Audited Financial Statements of the City and its component units, Report on Internal Controls Over Financial Reporting, Auditor's Communication with City Council	462	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564
Preparation of the City's Financial Statements	38	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464
Report on Agreed-Upon Procedures Applied to the Appropriations Limit Worksheets (GANN Limit Review)	5	\$ 600	\$ 618	\$ 637	\$ 656
Audited Financial Statements of the Successor Agency to the Industry Urban-Development Agency, Report on Internal Controls Over Financial Reporting, Auditor's Communication with Board	76	\$ 9,600	\$ 9,888	\$ 10,185	\$ 10,490
Preparation of the Successor Agency to the Industry Urban Development Agency's Financial Statements	4	\$ 500	\$ 515	\$ 530	\$ 546
Audited Financial Statements of the Civic Recreational-Industrial Authority, Report on Internal Controls Over Financial Reporting, Auditor's Communication with Board	46	\$ 6,000	\$ 6,180	\$ 6,365	\$ 6,556
Preparation of the CCivic Recreational-Industrial Authority's Financial Statements	4	\$ 500	\$ 515	\$ 530	\$ 546
Audited Financial Statements of the Industry Public Facilities Authority, Report on Internal Controls Over Financial Reporting, Auditor's Communication with Board	46	\$ 6,000	\$ 6,180	\$ 6,365	\$ 6,556
Preparation of the Industry Public Facilities Authority's Financial Statements	4	\$ 500	\$ 515	\$ 530	\$ 546
<b>Maximum Fees</b>	<b>685</b>	<b>\$ 88,700</b>	<b>\$ 91,361</b>	<b>\$ 94,102</b>	<b>\$ 96,925</b>
<b>Optional Services</b>					
Uniform Grant Guidance Single Audit of Federal Grants of the City, for 1 major program. (If required)	25	\$ 3,500	\$ 3,570	\$ 3,677	\$ 3,787

**FISCAL IMPACT:**

The proposed all-inclusive fixed fees for IPFA will be as follows and will be included in the appropriate fiscal year budgets:

<u>Year Ending</u>	<u>Fees</u>
June 30, 2016	\$6,500
June 30, 2017	\$6,695
June 30, 2018	\$6,895
June 30, 2019	\$7,102

**RECOMMENDATION:**

It is recommended that the IPFA Board take the following actions:

- 1) Approve the First Amendment to the Professional Services Agreement with The Pun Group for the extension for two years, years ending June 30, 2016 and June 30, 2017 with a two one-year option for years ending June 30, 2018 and June 30, 2019.
- 2) Authorize the Executive Director to execute the amendment on behalf of IPFA.

**ATTACHMENTS:**

1. First Amendment to Professional Services Agreement between IPFA and The Pun Group for Professional Auditing Services

**FIRST AMENDMENT TO PROFESSIONAL SERVICES  
AGREEMENT BETWEEN THE INDUSTRY PUBLIC FACILITIES  
AUTHORITY AND THE PUN GROUP FOR PROFESSIONAL  
AUDITING SERVICES**

**ARTICLE 1. PARTIES AND DATE**

This first amendment to the Professional Services Agreement (“Amendment”) is entered this 9<sup>th</sup> day of June, 2016 by and between the Industry Public Facilities Authority (“IPFA”) and The Pun Group (“Consultant”).

**ARTICLE 2. RECITALS**

**2.1 WHEREAS**, IPFA and Consultant entered into a Professional Services Agreement dated October 7, 2015 (“Agreement”), Attachment 1, for Consultant to provide professional auditing services (“Services”) to IPFA; and

**2.2 WHEREAS**, the current Agreement with Consultant provides services for the year ended June 30, 2015; and

**2.3 WHEREAS**, the Services are described in Exhibit A of the Agreement; and

NOW, THEREFORE, THE PARTIES DO HEREBY AGREE TO THE FOLLOWING:

**ARTICLE 3. TERMS**

**3.1 Terms.** Section 1 of the Agreement is hereby amended to include the following: The Agreement is extended for two years, years ending June 30, 2016 and June 30, 2017 with the option to two one-year extensions for years ending June 30, 2018 and June 30, 2019 ; and

**3.2 Scope of Services.** Attachment 1-Section III (Approach of the Agreement) is amended to include the preparation of IPFA’s financial statement as stated in Section VI (Specific Audit Approach) of Attachment 2; and

**3.3 Fees and Payments.** Section 4 of the Agreement is hereby amended to include the fees in the Attachment 2, Section VIII (Cost Proposal); and

**3.4 Continuing Effect of Agreement.** Except as amended by this First Amendment, all provisions of the Agreement shall remain unchanged and in full force and effect. From and after the date of this First Amendment, whenever the term “Agreement” appears in the agreement, it shall mean the Agreement as amended by this First Amendment; and

**3.5 Affirmation of Agreement.** IPFA and Consultant each ratify and reaffirm each and every one of their respective rights and obligations arising under the Agreement. Each party represents and warrants to the other that there have been no written or oral modifications to the Agreement; and

**3.6 Adequate Consideration.** The parties hereto irrevocably stipulate and agree that they have received adequate and independent consideration for the performance of the obligations they have undertaken pursuant to the First Amendment; and

**3.7 Counterparts.** This First Amendment may be executed in counterparts, each of which is deemed to be an original, but when taken together shall constitute but one and the same instrument.

**[Signatures on following page]**

**“IPFA ”**  
Industry Public Facilities Authority

**“CONSULTANT”**  
The Pun Group, LLP

By: \_\_\_\_\_  
Paul J. Philips, Executive Director

By: \_\_\_\_\_  
Kenneth H. Pun, Managing Partner

**Attest:**

By: \_\_\_\_\_  
Cecelia Dunlap, Assistant Secretary

**Approved as to form:**

By: \_\_\_\_\_  
James M. Casso, City Attorney

Attachments: Attachment 1 – Professional Services Agreement, October 8, 2015-The Pun Group  
Attachment 2 – The Pun Group Proposal to Perform Professional Auditing  
Services, May 19, 2016

**INDUSTRY PUBLIC FACILITIES AUTHORITY**  
**PROFESSIONAL SERVICES AGREEMENT**

This PROFESSIONAL SERVICES AGREEMENT ("Agreement"), is made and effective as of October 8, 2015 ("Effective Date"), between the Industry Public Facilities Authority, a public body, corporate and politic, ("IPFA"), and The Pun Group, LLP, a California Limited Liability Partnership ("Consultant"). IPFA and Consultant are hereinafter collectively referred to as the "Parties".

**RECITALS**

**WHEREAS**, IPFA desires to engage Consultant to perform the services described herein, and Consultant desires to perform such services in accordance with the terms and conditions set forth herein.

**NOW, THEREFORE**, for and in consideration of the mutual covenants and conditions herein contained, IPFA and Consultant agree as follows:

**1. TERM**

This Agreement shall commence on the Effective Date, and shall remain and continue in effect until tasks described herein are completed, but in no event later than March 31, 2016, unless sooner terminated pursuant to the provisions of this Agreement.

**2. SERVICES**

(a) Consultant shall perform the tasks ("Services") described and set forth in Exhibit A, attached hereto and incorporated herein as though set forth in full. ("Scope of Services"). Tasks other than those specifically described in the Scope of Services shall not be performed without prior written approval of the IPFA. The Services shall be performed by Consultant, unless prior written approval is first obtained from the IPFA. In the event of conflict or inconsistency between the terms of this Agreement and Exhibit A, the terms of this Agreement shall prevail.

(b) IPFA shall have the right to request, in writing, changes to the Services. Any such changes mutually agreed upon by the Parties, and any corresponding increase or decrease in compensation, shall be incorporated by written amendment to this Agreement.

(c) Consultant shall perform all Services in a manner reasonably satisfactory to the IPFA and in a first-class manner in conformance with the standards of quality normally observed by an entity providing professional auditing services, serving a public agency.

(d) Consultant shall comply with all applicable federal, state, and local laws, regulations and ordinances in the performance of this Agreement, including but not limited to, the conflict of interest provisions of Government Code Section 1090 and the Political Reform Act (Government Code Section 81000 *et seq.*). During the term of this Agreement, Consultant shall not perform any work for another person or entity for whom Consultant was not working on the Effective Date if both (i) such work would require Consultant to abstain from a decision under this Agreement pursuant to a conflict of interest statute or law; and (ii) IPFA has not consented in writing to Consultant's performance of such work. No officer or employee of IPFA shall have any financial interest in this Agreement that would violate California Government Code Sections 1090 *et seq.* Consultant

hereby warrants that it is not now, nor has it been in the previous twelve (12) months, an employee, agent, appointee, or official of IPFA. If Consultant was an employee, agent, appointee, or official of IPFA in the previous twelve (12) months, Consultant warrants that it did not participate in any manner in the forming of this Agreement. Consultant understands that, if this Agreement is made in violation of Government Code §1090 *et. seq.*, the entire Agreement is void and Consultant will not be entitled to any compensation for Services performed pursuant to this Agreement, and Consultant will be required to reimburse IPFA for any sums paid to the Consultant. Consultant understands that, in addition to the foregoing, it may be subject to criminal prosecution for a violation of Government Code § 1090 and, if applicable, will be disqualified from holding public office in the State of California.

(e) Consultant represents that it has, or will secure at its own expense, all licensed personnel required to perform the Services. All Services shall be performed by Consultant or under its supervision, and all personnel engaged in the Services shall be qualified and licensed to perform such services.

### **3. MANAGEMENT**

IPFA's Finance Director shall represent the IPFA in all matters pertaining to the administration of this Agreement, review and approval of all products submitted by Consultant, but shall have no authority to modify the Services or the compensation due to Consultant.

### **4. PAYMENT**

(a) IPFA agrees to pay Consultant monthly, in accordance with the payment rates and terms and the schedule of payment as set forth in Exhibit B ("Rate Schedule"), attached hereto and incorporated herein by this reference as though set forth in full, based upon actual time spent on the above tasks. This amount shall not exceed Six Thousand Dollars (\$6,000.00) for the total Term of the Agreement unless additional payment is approved as provided in this Agreement.

(b) Consultant shall not be compensated for any services rendered in connection with its performance of this Agreement which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by IPFA. Consultant shall be compensated for any additional services in the amounts and in the manner as agreed to by IPFA and Consultant at the time IPFA's written authorization is given to Consultant for the performance of said services.

(c) Consultant shall submit invoices monthly for actual services performed. Invoices shall be submitted on or about the first business day of each month, or as soon thereafter as practical, for services provided in the previous month. Payment shall be made within thirty (30) days of receipt of each invoice as to all non-disputed fees. If IPFA disputes any of Consultant's fees it shall give written notice to Consultant within thirty (30) days of receipt of an invoice of any disputed fees set forth on the invoice. Any final payment under this Agreement shall be made within 45 days of receipt of an invoice therefore.

(d) In the event IPFA is required to undergo a single audit in accordance with the Federal Single Audit Act and OMB Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, the Contractor shall charge an additional fee of Three Thousand Dollars (\$3,000.00) for each major program audit. The number of programs determined to be a major program will be based on the determination required by OMB Circular A-133 and will be discussed with IPFA prior to commencement of any audit work. Any work performed under this Section shall be provided only upon the prior written approval of IPFA.

## **5. SUSPENSION OR TERMINATION OF AGREEMENT**

(a) IPFA may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon the Consultant at least ten (10) days prior written notice. Upon receipt of said notice, the Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If IPFA suspends or terminates a portion of this Agreement such suspension or termination shall not make void or invalidate the remainder of this Agreement.

(b) In the event this Agreement is terminated pursuant to this Section, IPFA shall pay to Consultant the actual value of the work performed up to the time of termination, provided that the work performed is of value to IPFA. Upon termination of the Agreement pursuant to this Section, the Consultant shall submit an invoice to IPFA pursuant to Section 5 of this Agreement.

## **6. OWNERSHIP OF DOCUMENTS**

(a) Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts, and other such information required by IPFA that relate to the performance of services under this Agreement. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to the representatives of IPFA or its designees at reasonable times to review such books and records; shall give IPFA the right to examine and audit said books and records; shall permit IPFA to make transcripts or copies therefrom as necessary; and shall allow inspection of all work, data, documents, proceedings, and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

(b) Upon completion of, or in the event of termination or suspension of this Agreement, all original documents, designs, drawings, maps, models, computer files, surveys, notes, and other documents prepared in the course of providing the services to be performed pursuant to this Agreement shall become the sole property of IPFA and may be used, reused, or otherwise disposed of by IPFA without the permission of the Consultant. With respect to computer files, Consultant shall make available to IPFA, at the Consultant's office, and upon reasonable written request by IPFA, the necessary computer software and hardware for purposes of accessing, compiling, transferring, copying and/or printing computer files. Consultant hereby grants to IPFA all right, title, and interest, including any copyright, in and to the documents, designs, drawings, maps, models, computer files, surveys, notes, and other documents prepared by Consultant in the course of providing the services under this Agreement. All reports, documents, or other written material developed by Consultant in the performance of the Services pursuant to this Agreement, shall be and remain the property of IPFA.

## **7. INDEMNIFICATION**

### **(a) Indemnity for professional liability**

When the law establishes a professional standard of care for Consultant's Services, to the fullest extent permitted by law, Consultant shall indemnify, protect, defend and hold harmless IPFA and any and all of its officials, employees and agents ("Indemnified Parties") from and against any and all losses, liabilities, damages, costs and expenses, including legal counsel's fees and costs caused in whole or in part by any negligent or wrongful act, error or omission of Consultant, its officers, agents, employees



or Subconsultants (or any agency or individual that Consultant shall bear the legal liability thereof) in the performance of professional services under this Agreement.

(b) DUTY TO DEFEND. In the event IPFA, its officers, employees, agents and/or volunteers are made a party to any action, claim, lawsuit, or other adversarial proceeding arising from the performance of the services encompassed by this Agreement, and upon demand by IPFA, Consultant shall have an immediate duty to defend IPFA at Consultant's cost or at IPFA's option, to reimburse IPFA for its costs of defense, including reasonable attorney's fees and costs incurred in the defense of such matters.

Payment by IPFA is not a condition precedent to enforcement of this indemnity. In the event of any dispute between Consultant and IPFA, as to whether liability arises from the sole negligence of the IPFA or its officers, employees, or agents, Consultant will be obligated to pay for IPFA's defense until such time as a final judgment has been entered adjudicating IPFA as solely negligent. Consultant will not be entitled in the absence of such a determination to any reimbursement of defense costs including but not limited to attorney's fees, expert fees and costs of litigation.

## 8. INSURANCE

Consultant shall maintain prior to the beginning of and for the duration of this Agreement insurance coverage as specified in Exhibit C attached hereto and incorporated herein by reference.

## 9. INDEPENDENT CONSULTANT

(a) Consultant is and shall at all times remain as to IPFA a wholly independent consultant and/or independent contractor. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultants exclusive direction and control. Neither IPFA nor any of its officers, employees, or agents shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents, except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees, or agents are in any manner officers, employees, or agents of IPFA. Consultant shall not incur or have the power to incur any debt, obligation, or liability whatever against IPFA, or bind IPFA in any manner.

(b) No employee benefits shall be available to Consultant in connection with the performance of this Agreement. Except for the fees paid to Consultant as provided in the Agreement, IPFA shall not pay salaries, wages, or other compensation to Consultant for performing services hereunder for IPFA. IPFA shall not be liable for compensation or indemnification to Consultant for injury or sickness arising out of performing services hereunder.

## 10. LEGAL RESPONSIBILITIES

The Consultant shall keep itself informed of State and Federal laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. The Consultant shall at all times observe and comply with all such laws and regulations. IPFA, and its officers and employees, shall not be liable at law or in equity occasioned by failure of the Consultant to comply with this Section.

## 11. UNDUE INFLUENCE

Consultant declares and warrants that no undue influence or pressure was used against or in concert with any officer or employee of IPFA in connection with the award, terms or implementation of this Agreement, including any method of coercion, confidential financial arrangement, or financial

inducement. No officer or employee of IPFA has or will receive compensation, directly or indirectly, from Consultant, or from any officer, employee or agent of Consultant, in connection with the award of this Agreement or any work to be conducted as a result of this Agreement. Violation of this Section shall be a material breach of this Agreement entitling IPFA to any and all remedies at law or in equity.

**12. NO BENEFIT TO ARISE TO LOCAL OFFICERS AND EMPLOYEES**

No member, officer, or employee of IPFA, or their designees or agents, and no public official who exercises authority over or responsibilities with respect to the Project during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any agreement or sub-agreement, or the proceeds thereof, for work to be performed in connection with the Project performed under this Agreement.

**13. RELEASE OF INFORMATION/CONFLICTS OF INTEREST**

(a) All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without IPFA's prior written authorization. Consultant, its officers, employees, agents, or subconsultants, shall not without written authorization from IPFA, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories, or other information concerning the work performed under this Agreement or relating to any IPFA project or property located within IPFA's jurisdiction, unless otherwise required by law or court order.

(b) Consultant shall promptly notify IPFA should Consultant, its officers, employees, agents, or subconsultants be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions, or other discovery request ("Discovery"), court order, or subpoena from any person or party regarding this Agreement and the work performed there under or with respect to any IPFA project or property located within IPFA's jurisdiction, unless Consultant is prohibited by law from informing IPFA of such Discovery, court order or subpoena. IPFA retains the right, but has no obligation, to represent Consultant and/or be present at any deposition, hearing, or similar proceeding as allowed by law. Unless IPFA is a party to the lawsuit, arbitration, or administrative proceeding and is adverse to Consultant in such proceeding, Consultant agrees to cooperate fully with IPFA and to provide the opportunity to review any response to discovery requests provided by Consultant. However, IPFA's right to review any such response does not imply or mean the right by IPFA to control, direct, or rewrite said response.

**14. NOTICES**

Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, which provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by notice:

To IPFA:

Industry Public Facilities Authority  
15625 E. Stafford Street, Suite 100  
City of Industry, CA 91744  
Attention: Executive Director

With a Copy To: James M. Casso, General Counsel  
P.O. Box 4131  
West Covina, CA 91791

To Consultant: Kenneth H. Pun  
The Pun Group, LLP  
200 E. Sandpointe Avenue, Suite 600  
Santa Ana, CA 92707

## **15. ASSIGNMENT**

The Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, without prior written consent of IPFA.

Before retaining or contracting with any subconsultant for any services under this Agreement, Consultant shall provide IPFA with the identity of the proposed subconsultant, a copy of the proposed written contract between Consultant and such subconsultant which shall include and indemnity provision similar to the one provided herein and identifying IPFA as an indemnified party, or an incorporation of the indemnity provision provided herein, and proof that such proposed subconsultant carries insurance at least equal to that required by this Agreement or obtain a written waiver from IPFA for such insurance.

Notwithstanding Consultant's use of any subconsultant, Consultant shall be responsible to IPFA for the performance of its subconsultant as it would be if Consultant had performed the Services itself. Nothing in this Agreement shall be deemed or construed to create a contractual relationship between IPFA and any subconsultant employed by Consultant. Consultant shall be solely responsible for payments to any subconsultants. Consultant shall indemnify, defend and hold harmless the Indemnified Parties for any claims arising from, or related to, the services performed by a subconsultant under this Agreement.

## **16. GOVERNING LAW/ATTORNEYS' FEES**

IPFA and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties, and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the municipal, superior, or federal district court in Los Angeles County, California. If any action at law or suit in equity is brought to enforce or interpret the provisions of this Agreement, or arising out of or relating to the Services provided by Consultant under this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and all related costs, including costs of expert witnesses and consultants, as well as costs on appeal, in addition to any other relief to which it may be entitled.

## **17. ENTIRE AGREEMENT**

This Agreement contains the entire understanding between the Parties relating to the obligations of the Parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations, and statements, oral or written and pertaining to the subject of this Agreement or with respect to the terms and conditions of this Agreement, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the

representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

**18. SEVERABILITY**

If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then such term or provision shall be amended to, and solely to, the extent necessary to cure such invalidity or unenforceability, and in its amended form shall be enforceable. In such event, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

**19. COUNTERPARTS**

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

**20. CAPTIONS**

The captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and shall have no significance in the interpretation of this Agreement.

**21. WAIVER**

The waiver by IPFA or Consultant of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition herein contained. No term, covenant or condition of this Agreement shall be deemed to have been waived by IPFA or Consultant unless in writing.

**22. REMEDIES**

Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance of the exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any of all of such other rights, powers or remedies.

**23. AUTHORITY TO EXECUTE THIS AGREEMENT**

The person or persons executing this Agreement on behalf of Consultant represents and warrants that he/she has the authority to execute this Agreement on behalf of the Consultant and has the authority to bind Consultant to the performance of its obligations hereunder.

**(SIGNATURES ON FOLLOWING PAGE)**

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the Effective Date.

**“IPFA”**  
**Industry Public Facilities Authority**

**“CONSULTANT”**  
The Pun Group, LLP

By: Paul J. Philips 10-8-2015  
Paul Philips, Executive Director

By: Kenneth H. Pun  
Kenneth H. Pun, Managing Partner

**Attest:**

By: Cecelia Dunlap  
Cecelia Dunlap, Secretary

**Approved as to form:**

By: James M. Casso  
James M. Casso, General Counsel

Attachments:	Exhibit A	Scope of Services
	Exhibit B	Rate Schedule
	Exhibit C	Insurance Requirements

## EXHIBIT A

### SCOPE OF SERVICES

Consultant shall audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of IPFA as of and for the year ended June 30, 2015.

Accounting standards generally accepted in the United States of America provide for certain Required Supplementary Information (RSI), such as Management's Discussion and Analysis (MD&A), to supplement the IPFA's 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. Consultant shall apply certain limited procedures to the IPFA's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to Consultant's inquiries, the basic financial statements, and other knowledge Consultant obtained during our audit of the basic financial statements. Consultant shall not express an opinion or provide any assurance on the information because the limited procedures do not provide Consultant with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

#### 1) Management's Discussion and Analysis

Consultant shall report on Supplementary Information other than RSI that accompanies the IPFA's financial statements. Consultant will subject the following Supplementary Information to the auditing procedures applied in Consultant's audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

#### 1) Schedule of Long-Term Debt

### **Audit Objectives**

The objective of the audit is the expression of opinions as to whether IPFA's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Consultant's audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the IPFA and other procedures we consider necessary to enable Consultant to express such opinions. Consultant shall issue a written report upon completion of its audit of the IPFA's financial statements. Consultant's report will be addressed

to the IPFA Board. Consultant cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for Consultant to modify its opinions or add emphasis-of-matter or other-matter paragraphs. If Consultant's opinions on the financial statements are other than unmodified, Consultant will discuss the reasons with IPFA in advance. If, for any reason, Consultant is unable to complete the audit or are unable to form or have not formed opinions, Consultant may decline to express opinions or issue reports, or may withdraw from this engagement.

Consultant shall provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during Consultant's audit Consultant becomes aware that IPFA is subject to an audit requirement that is not encompassed in the terms of this engagement, Consultant shall communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, Consultant's audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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. Consultant will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because Consultant will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, Consultant will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. Consultant will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Consultant's responsibility

as auditors is limited to the period covered by Consultant's audit and does not extend to later periods for which Consultant is not engaged as auditor.

Consultant's procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. Consultant will request written representations from your attorneys as part of the engagement, and they may bill IPFA for responding to this inquiry. At the conclusion of Consultant's audit, Consultant will require certain written representations from IPFA about IPFA's responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures—Internal Control**

Consultant's audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that Consultant considers relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Consultant's tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, Consultant will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, Consultant will perform tests of the IPFA's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of Consultant's audit will not be to provide an opinion on overall compliance and Consultant will not express such an opinion in its report on compliance issued pursuant to *Government Auditing Standards*.

### **Other Nonaudit Services**

Consultant may also assist in preparing the financial statements and related notes of IPFA in conformity with U.S. generally accepted accounting principles based on information provided by IPFA. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.



## **IPFA's Responsibilities**

IPFA is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. IPFA is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. IPFA is also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

IPFA is also responsible for making all financial records and related information available to Consultant and for the accuracy and completeness of that information. IPFA is also responsible for providing Consultant with (1) access to all information of which it is aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that Consultant may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom Consultant determines it necessary to obtain audit evidence.

IPFA's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to Consultant in the written representation letter that the effects of any uncorrected misstatements aggregated by Consultant during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

IPFA is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing Consultant about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. IPFA's responsibilities include informing Consultant of its knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, Consultant is responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that Consultant reports.

Consultant is responsible for the preparation of the supplementary information, which it has been engaged to report on, in conformity with U.S. generally accepted accounting principles. IPFA agrees to include Consultant's report on the supplementary information in any document that contains and indicates that Consultant has reported on the supplementary information. IPFA also agrees to include the audited financial statements with any presentation of the supplementary information that includes Consultant's report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with Consultant's report thereon. IPFA's responsibilities include acknowledging to Consultant in the written representation letter that (1) IPFA is responsible for presentation of the supplementary information in accordance with GAAP; (2) IPFA believes the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and

(4) IPFA has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

IPFA is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. IPFA is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to Consultant corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. IPFA is also responsible for providing management's views on Consultant's current findings, conclusions, and recommendations, as well as IPFA's planned corrective actions, for the report, and for the timing and format for providing that information.

IPFA agrees to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services Consultant provides. IPFA will be required to acknowledge in the management representation letter Consultant's assistance with preparation of the financial statements and related notes and that IPFA has reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, IPFA agrees to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Third-Party Service Providers**

Consultant may from time to time, and depending on the circumstances, use third-party service providers in serving IPFA's account, upon receiving prior written consent from IPFA, in accordance with Section 15 of the Agreement. Consultant may share confidential information about IPFA with these service providers, but remain committed to maintaining the confidentiality and security of the IPFA's information. Accordingly, Consultant maintains internal policies, procedures, and safeguards to protect the confidentiality of IPFA's personal information. In addition, Consultant will secure confidentiality agreements with all service providers to maintain the confidentiality of IPFA's information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of IPFA's confidential information to others. In the event that Consultant is unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, Consultant will remain responsible for the work provided by any such third-party service providers, in accordance with the provisions of Section 15 of the Agreement.

### **Assistance By IPFA Personnel**

Consultant will ask that IPFA's personnel, to the extent possible, prepare required schedules and analyses, and make selected invoices and other required documents available to Consultant's staff. This assistance by IPFA's personnel will serve to facilitate the progress of Consultant's work and minimize Consultant's time requirements.

## **Independence**

Professional standards require that a firm and its members maintain independence throughout the duration of the professional relationship with a client. In order to preserve the integrity of our relationship, no offer of employment shall be discussed with any of The Pun Group, LLP's professionals assigned to the audit, during the one year period prior to the commencement of the year-end audit. Should such an offer of employment be made, or employment commences during the indicated time period, Consultant will consider this an indication that Consultant's independence has been compromised. As such, Consultant may be required to recall our auditors' report due to our lack of independence. In the event additional work is required to satisfy independence requirements, such work will be billed at Consultant's standard hourly rates, as set forth in Exhibit B.

## **Report Distribution**

Consultant will provide copies of our reports to IPFA; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

## **Access to Working Papers**

The audit documentation for this engagement will be retained for a minimum of seven years after the report release or for any additional period requested by the Oversight Agency for Audit or Pass-through Entity. If Consultant is aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, Consultant will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Consultant is required to undergo a "peer review" every three years. During the course of a Peer Review engagement, selected working papers and financial reports, on a sample basis, will be inspected by an outside party on a confidential basis. Consequently, the accounting and/or auditing work Consultant performed for you may be selected. IPFA signing this letter represents IPFA's acknowledgement and permission to allow such access should IPFA's engagement be selected for review. As a result of Consultant's prior or future services to IPFA, Consultant may be required or requested to provide information or documents to IPFA or a third-party in connection with a legal or administrative proceeding (including a grand jury investigation) in which Consultant is not a party. If this occurs, Consultant's efforts in complying with such request or demands will be deemed a part of this engagement and Consultant shall be entitled to compensation for our time and reimbursement for our reasonable out-of-pocket expenditures (including legal fees) in complying with such request or demand, unless Consultant is the defendant, subject, or target of the legal or administrative proceeding. This is not intended, however, to relieve us of our duty to observe the confidentiality requirements of Consultant's profession.

EXHIBIT B  
RATE SCHEDULE

<u>Total by Class</u>		<u>Rate</u>
Partners		\$ 225.00
Managers		\$ 200.00
Supervisory		\$ 175.00
Senior Accountants		\$ 150.00
Staff Accountants		\$ 125.00
Clerical		\$ 100.00

EXHIBIT CINSURANCE REQUIREMENTS

Without limiting Consultant's indemnification of IPFA, and prior to commencement of the Services, Consultant shall obtain, provide and maintain at its own expense during the term of this Agreement, policies of insurance of the type and amounts described below and in a form satisfactory to Agency.

**General liability insurance.** Consultant shall maintain commercial general liability insurance with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than \$1,000,000.00 per occurrence, \$2,000,000.00 general aggregate, for bodily injury, personal injury, and property damage. The policy must include contractual liability that has not been amended. Any endorsement restricting standard ISO "insured contract" language will not be accepted.

**Automobile liability insurance.** Consultant shall maintain automobile insurance at least as broad as Insurance Services Office form CA 00 01 covering bodily injury and property damage for all activities of the Consultant arising out of or in connection with Work to be performed under this Agreement, including coverage for any owned, hired, non-owned or rented vehicles, in an amount not less than \$1,000,000.00 combined single limit for each accident.

**Professional liability (errors & omissions) insurance.** Consultant shall maintain professional liability insurance that covers the Services to be performed in connection with this Agreement, in the minimum amount of \$1,000,000 per claim and in the aggregate. Any policy inception date, continuity date, or retroactive date must be before the effective date of this agreement and Consultant agrees to maintain continuous coverage through a period no less than three years after completion of the services required by this agreement.

**Workers' compensation insurance.** Consultant shall maintain Workers' Compensation Insurance (Statutory Limits) and Employer's Liability Insurance (with limits of at least \$1,000,000.00).

Consultant shall submit to IPFA, along with the certificate of insurance, a Waiver of Subrogation endorsement in favor of Agency, its officers, agents, employees and volunteers.

**Proof of insurance.** Consultant shall provide certificates of insurance to IPFA as evidence of the insurance coverage required herein, along with a waiver of subrogation endorsement for workers' compensation. Insurance certificates and endorsement must be approved by IPFA's Risk Manager prior to commencement of performance. Current certification of insurance shall be kept on file with IPFA at all times during the term of this contract. IPFA reserves the right to require complete, certified copies of all required insurance policies, at any time.

**Duration of coverage.** Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the Services hereunder by Consultant, his agents, representatives, employees or subconsultants.

**Primary/noncontributing.** Coverage provided by Consultant shall be primary and any insurance or self-insurance procured or maintained by IPFA shall not be required to contribute with it. The limits of insurance required herein may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of IPFA before the IPFA's own insurance or self-insurance shall be called upon to protect it as a named insured.

**IPFA's rights of enforcement.** In the event any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, IPFA has the right but not the duty to obtain the insurance it deems necessary and any premium paid by IPFA will be promptly reimbursed by Consultant, or IPFA will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, IPFA may cancel this Agreement.

**Acceptable insurers.** All insurance policies shall be issued by an insurance company currently authorized by the Insurance Commissioner to transact business of insurance in the State of California, with an assigned policyholders' Rating of A- (or higher) and Financial Size Category Class VI (or larger) in accordance with the latest edition of Best's Key Rating Guide, unless otherwise approved by the IPFA's Risk Manager.

**Waiver of subrogation.** All insurance coverage maintained or procured pursuant to this agreement shall be endorsed to waive subrogation against IPFA, its elected or appointed officers, agents, officials, employees and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against IPFA, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

**Enforcement of contract provisions (non estoppel).** Consultant acknowledges and agrees that any actual or alleged failure on the part of IPFA to inform Consultant of non-compliance with any requirement imposes no additional obligations on the Agency nor does it waive any rights hereunder.

**Requirements not limiting.** Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type. If the Consultant maintains higher limits than the minimums shown above, IPFA requires and shall be entitled to coverage for the higher limits maintained by the Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to IPFA.

**Notice of cancellation.** Consultant agrees to oblige its insurance agent or broker and insurers to provide to IPFA with a thirty (30) day notice of cancellation (except for nonpayment for which a ten (10) day notice is required) or nonrenewal of coverage for each required coverage.

**Additional insured status.** General liability policies shall provide or be endorsed to provide that IPFA and its officers, officials, employees, and agents, and volunteers shall be additional insureds under such policies. This provision shall also apply to any excess liability policies.

**Prohibition of undisclosed coverage limitations.** None of the coverages required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to IPFA and approved of in writing.

**Separation of Insureds.** A severability of interests provision must apply for all additional insureds ensuring that Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limits of liability. The policy(ies) shall not contain any cross-liability exclusions.

**Pass Through Clause.** Consultant agrees to ensure that its subconsultants, subcontractors, and any other party involved with the project who is brought onto or involved in the project by Consultant, provide the same minimum insurance coverage and endorsements required of Consultant. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with consultants, subcontractors, and others engaged in the project will be submitted to IPFA for review.

**IPFA's right to revise specifications.** IPFA reserves the right at any time during the term of the contract to change the amounts and types of insurance required by giving the Consultant ninety (90) days advance written notice of such change. If such change results in substantial additional cost to the Consultant, IPFA and Consultant may renegotiate Consultant's compensation.

**Self-insured retentions.** Any self-insured retentions must be declared to and approved by IPFA. IPFA reserves the right to require that self-insured retentions be eliminated, lowered, or replaced by a deductible. Self-insurance will not be considered to comply with these specifications unless approved by IPFA.

**Timely notice of claims.** Consultant shall give IPFA prompt and timely notice of claims made or suits instituted that arise out of or result from Consultant's performance under this Agreement, and that involve or may involve coverage under any of the required liability policies.

**Additional insurance.** Consultant shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgment may be necessary for its proper protection and prosecution of the work.



# PROPOSAL

## CITY OF INDUSTRY

CITY OF INDUSTRY, CALIFORNIA

*Proposal to Perform Professional Auditing Services*

For the Fiscal Years Ending June 30, 2016 and 2017  
with option to extend for two (2) additional years

MAY 19, 2016

**Kenneth H. Pun, CPA, CGMA**

Managing Partner

200 East Sandpointe Avenue, Suite 600, Santa Ana, CA 92707

**Phone:** (949) 777-8801 | **Fax:** (949) 777-8850 | **Email:** ken.pun@pungroup.com

California CPA License Number: PAR 7601

Federal Identification Number: 46-4016990





# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

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May 19, 2016

City of Industry  
 Ms. Susan Paragas | Controller  
 15625 East Stafford Street, Suite 100  
 City of Industry, California 91744

Dear Ms. Susan Paragas:

Please allow us to introduce our Firm and share our qualifications and proposed audit plan for the City of Industry (the "City") pursuant to your Request for Proposal for Professional Auditing Services for the Fiscal Years Ending June 30, 2016 and 2017 with option to extend for two (2) additional years. The Pun Group, LLP has the knowledge and experience necessary to continue as the City's public accounting firm, and the work plan to ensure a smooth audit process.

This letter is an acknowledgement of the Firm's understanding of the work to be performed. **We hereby offer our commitment to perform all of the required work, complete the audit, and issue the necessary auditor's report within the time periods outlined by the City.** We are secure in affirming our commitment because we have:

1. A lengthy legacy of serving California cities.
2. Prodigious experience serving governmental entities, including the City of Industry.
3. An efficient, lower-cost approach to auditing that focuses on high-risk areas.

I will serve as your primary contact for contract negotiations. I am the managing partner of the Firm and have been authorized to legally bind the Firm. My contact information follows:

Name: Mr. Kenneth H. Pun, CPA, CGMA  
 Position: Managing Partner  
 Address: 200 East Sandpointe Avenue, Suite 600  
 Santa Ana, California 92707  
 Telephone: (949) 777-8801  
 Email: ken.pun@pungroup.com

You may also contact the following partner, who is authorized to represent the Firm:

Name: Mr. Gary M. Caporicci, CPA, CGFM, CFF  
 Position: Partner  
 Address: 200 East Sandpointe Avenue, Suite 600  
 Santa Ana, California 92707  
 Telephone: (949) 777-8802  
 Email: gary.caporicci@pungroup.com

The Pun Group is the right choice for the City of Industry because we are experienced and focused in your industry.

- We have audited and consulted many California cities and performing similar scope of work to the City's request.
- We have assisted many clients in earning the GFOA Certificate of Achievement for Excellence in Financial Reporting.

**200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707**  
**Tel: 949-777-8800 • Toll Free: 855-276-4272 • Fax: 949-777-8850**  
[www.pungroup.com](http://www.pungroup.com)

City of Industry  
Ms. Susan Paragas | Controller  
Page 2

- Our depth of resources and specific government experience are substantial, and we are committed to deploying these resources and our experience on behalf of the City. Simply put, the City will continue as one of our most important clients, and will receive the priority service it deserves.
- We have assigned Gary Caporicci, our GASB Implementation Specialist, who is appointed to the State Retirement Advisory Committee by the State Controller, in assisting the City in the implementation of GASB's new standards.

Our goal for this audit is to complete the process in accordance with regulations while minimizing disruption to the City's daily operations. The Firm will:

- Take advantage of its solid familiarity with the City's operations.
- Create a detailed audit plan during initial stages of the audit.
- Maintain an open communication line between the Engagement Team and the City's Management.
- Assign duties to qualified staff members.

This method ensures that the audit process will be performed steadily, communicated clearly, and completed efficiently.

**The Firm is an Equal Opportunity Employer and complies with all Federal and State hiring requirements.**

This proposal meets the requirements of the City's Request for Proposal. This letter and the accompanying proposal represent a *firm and irrevocable offer valid for a period of 90 days*.

Proof of current General Liability, Business Auto Liability, Professional Liability, and Workers' Compensation insurance can be found at the Appendices section under this proposal. We will provide a copy of our Certificate of Insurance with coverages and amounts specified in the contract with the City within 10 calendar days after the notice of contract award.

If you have any questions about the proposal or the Firm, do not hesitate to contact us. We look forward to speaking with you.

Sincerely,

The Pun Group, LLP  
Certified Public Accountants and Business Advisors



Kenneth H. Pun, CPA, CGMA  
Managing Partner

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

### SECTION I – INDEPENDENCE

The Pun Group, LLP (the “Firm”) requires all employees to adhere to strict independence standards in relation to the Firm’s clients. These independence standards exceed, in many instances, the standards promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group, LLP certifies that it is independent of the City of Industry (the “City”). The Firm meets independence requirements defined by the United States Government Accountability Office’s (U.S. GAO’s) *Government Auditing Standards*, and the American Institute of Certified Public Accountants (AICPA).

### SECTION II – LICENSE TO PRACTICE IN CALIFORNIA

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants, and meet the Continuing Professional Education requirements under U.S. GAO’s *Government Auditing Standards* to perform the proposed audits.



# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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### SECTION III – FIRM QUALIFICATIONS AND EXPERIENCE

#### ***About The Pun Group, LLP***

The Pun Group, LLP, *formerly known as Pun & McGeady LLP*, Certified Public Accountants and Business Advisors, founded in 2012, is a limited liability partnership. We are a full-service accounting firm that is comprised of forty (40) professionals who work on a *full-time basis* and provide auditing, accounting, and advisory services. **Our Partners Group have served governmental agencies since 1989**, under the umbrella of its predecessor firm, Caporicci & Larson, where all key personnel assigned provided outstanding services to governmental entities throughout California. Out of the forty (40) professionals, thirty (30) of them are focused in the Government Assurance Practice. The Firm has offices in Orange County, San Diego, Palm Desert (California) and Phoenix (Arizona).

The combination of hands-on experience and practical knowledge exercised by our audit professionals makes the Firm unique in our field. Our technical knowledge and thorough understanding of current regulations and issues—along with the Firm’s commitment to hard work, integrity, and teamwork on every engagement—enable us to help our clients succeed.

Our Governmental Partners Group—which include Kenneth H. Pun, Gary M. Caporicci, Paul J. Kaymark, Lisa B. Lumbard and Jack F. Georger—provide auditing, accounting, and advisory services to numerous governmental entities throughout the United States. With more than one hundred-fifty (150) years of combined experience in the governmental industry we have become a trusted business partner, and well-respected as one of the most socially responsible accounting firms.

In addition to annual financial audits, team members undertake special studies in financial management, accounting, cost-accounting-system analysis, internal audit services, and internal control documentation and testing. By participating in industry associations and activities, we are always up to date on the latest industry changes and the impact they will have on your operations. We will keep you and our colleagues in the Firm, fully informed of these developments. Our team is committed to bringing the full breadth and depth of our expertise to the audit of the City offering an outstanding value.

Our *Orange County* office, located at 200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707 will perform the requested services for the City. In this location we count on 6 partners, 2 senior managers, 1 manager, 2 supervisors, 4 seniors, 6 professional staff and 4 administrative staff. However, we may assign additional staff from our San Diego or Palm Desert (California) offices to the engagement, at no additional cost to the City. No subcontractors will be used.

While many accounting Firms can perform an audit, not all can build a great working relationship with their clients. The Pun Group, LLP prides itself on developing lasting, personal relationships with our clients. Our hands-on partner involvement and low personnel turnover are crucial tools to our success and highly beneficial to the City.

Our Firm has:

- Extensive experience in audits of local governments as well as experience with preparation of Comprehensive Annual Financial Reports, and comprehensive assistance with the implementation of new GASB Pronouncements.
- Strong work ethic and willingness to respond to the City of Industry requirements and needs.

#### ***Staff Consistency***

The Firm is committed to maintaining staff continuity throughout audit engagements. While we cannot guarantee that our staff members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. We also offer benefits including retirement plans, medical plans, profit-sharing programs, and continuing education. The Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. **The Firm also supports affirmative-action philosophies and works hard to provide opportunities for self-enhancement to members of disadvantaged groups.**

We guarantee that the partners assigned to this audit will be involved throughout the entire engagement term, and that assigned staff members will return to the City in future years if they are still with the firm. One of our primary audit concerns is staff continuity, and our hands-on partner involvement ensures that qualified and experienced professionals will perform audits efficiently and effectively every year of the engagement.

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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### ***Other Services Offered by the Firm***

#### **Auditing and Accounting**

The Pun Group, LLP provides all levels of attestation services, including audits, reviews, and special examinations on specific accounts, items, and transactions. Additionally, we provide the following: preparation of financial statements, projections, and forecasts; practical analysis of financial information on ratios, inventory, revenues, and expenses; SEC compliance; IFRS conversions.

#### **Business/Tax Consulting**

We provide guidance to closely held, emerging, and family-owned businesses. Our extensive experience with privately held businesses during their entire life cycle allows us to assist our clients to create value, increase profitability, secure financing, and reach goals.

#### **Business Valuation**

We provide many business valuation services, including, but not limited to, the following: mergers and acquisitions, joint-venture agreements, goodwill impairment, fairness opinions, restructuring from public to private entities, and allocation of purchase price.

Our multi-disciplinary team includes JDs, and MBAs who have expertise in economics, financial modeling, business management, marketing, psychology, law, competitive analysis, consumer behavior, and market research. Professional designations held by our members include CFE, CVA, CGMA, CIA, CGFM, CFF and MFAA.

#### **Financial Recovery/Forensic Services**

We provide many forensic accounting services, including, but not limited to the following: fraud and mismanagement, fraudulent transfers, stockbrokerage churning, fraud risk assessment, safeguarding of assets, organizational reviews.

Our forensic accounting and fraud investigation team excels in solving complex economic crimes. We provide guidance on the prevention and detection of fraud. Members of the team speak as leading experts at forensic accounting and fraud investigation conferences around the nation.

#### **Tax Services**

Our Firm provides many tax services, including, but not limited to the following: planning/consulting, compliance, IRS and state representation, estate planning and valuation.

We have specialists in international, federal, state and local taxes. Through careful planning, we can assist our clients with tax strategies for all levels of taxation.

### ***Local Office's Information Technology (IT) Audit Capabilities***

In order to promote audit efficiency, the Firm uses the following technology in providing auditing services:

- The Firm uses ProSystem fx® Engagement for audit documentation. It allows real time synchronization of the workpapers and real time quality control review.
- Citrix Receiver allows the engagement team to access the Firm's secure network through internet anywhere they are.
- The Firm uses ProSystem fx® Portal for file sharing with the client. Provided by client, items are uploaded to this secured site and are downloaded and reviewed prior to the fieldwork.

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

### Most Recent External Quality Control Review


The Firm participates in the AICPA Peer Review Program, which is designed to identify weaknesses in accounting-service policies, practices, and procedures.

In 2015, an independent reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complies with the AICPA's stringent standards for quality control.

A quality-control reviewer considers, among other things, a firm's policies regarding hiring, training, supervision, delegation of responsibilities, and access to technical resources.

The reviewer determined that the Firm's accounting and auditing work and internal quality-control system meet the AICPA's guidelines for professional standards.

The Firm's participation in the Peer Review Program demonstrates our commitment to quality. We also affirm our dedication to excellent client service through our voluntary memberships in the AICPA—including the AICPA's Governmental Audit Quality Center—and CalCPA.



**GYL DeCaauwer LLP**  
Certified Public Accountants • Business Consultants

JOHN LEUNG, CPA  
STEVENS C. WILLIAMS, CPA  
JOSEPH O. ROMERO, CPA

System Review Report

**The Pun Group, LLP**  
Santa Ana, California;  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of The Pun Group, LLP (the firm) in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/peersummary](http://www.aicpa.org/peersummary).

As required by the standards, engagements selected for review included an engagement performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of The Pun Group, LLP in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. The Pun Group, LLP has received a peer review rating of *pass*.

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[www.gyldecauwer.com](http://www.gyldecauwer.com)



GYL DeCaauwer LLP  
Ontario, California  
October 13, 2015

*your  
success  
is our  
DESTINATION*



CPA MERICA  
INTERNATIONAL  
A Coopers & Lybrand International

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

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California Society of CPAs  
1800 Gateway Dr., Ste. 200  
San Mateo, CA 94404

February 4, 2016

Kenneth Hing-Kwong Pun  
The Pun Group LLP  
200 E Sandpointe Ave  
Suite 600  
Santa Ana, CA 92707

Dear Mr. Pun:

It is my pleasure to notify you that on January 27, 2016 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is June 30, 2018. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Linda McCrone, CPA  
Director, Peer Review Program

cc: John Lerias

Firm Number: 8192426      Review Number 372240



Administered in California by the California Society of CPAs

T: (650) 522-3094 | F: (650) 522-3080 | peerreview@calcpa.org

### ***Federal or State Desk Review***

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

### ***Disciplinary Action***

No disciplinary action has been taken by state regulatory bodies or professional organizations against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the City of Industry.



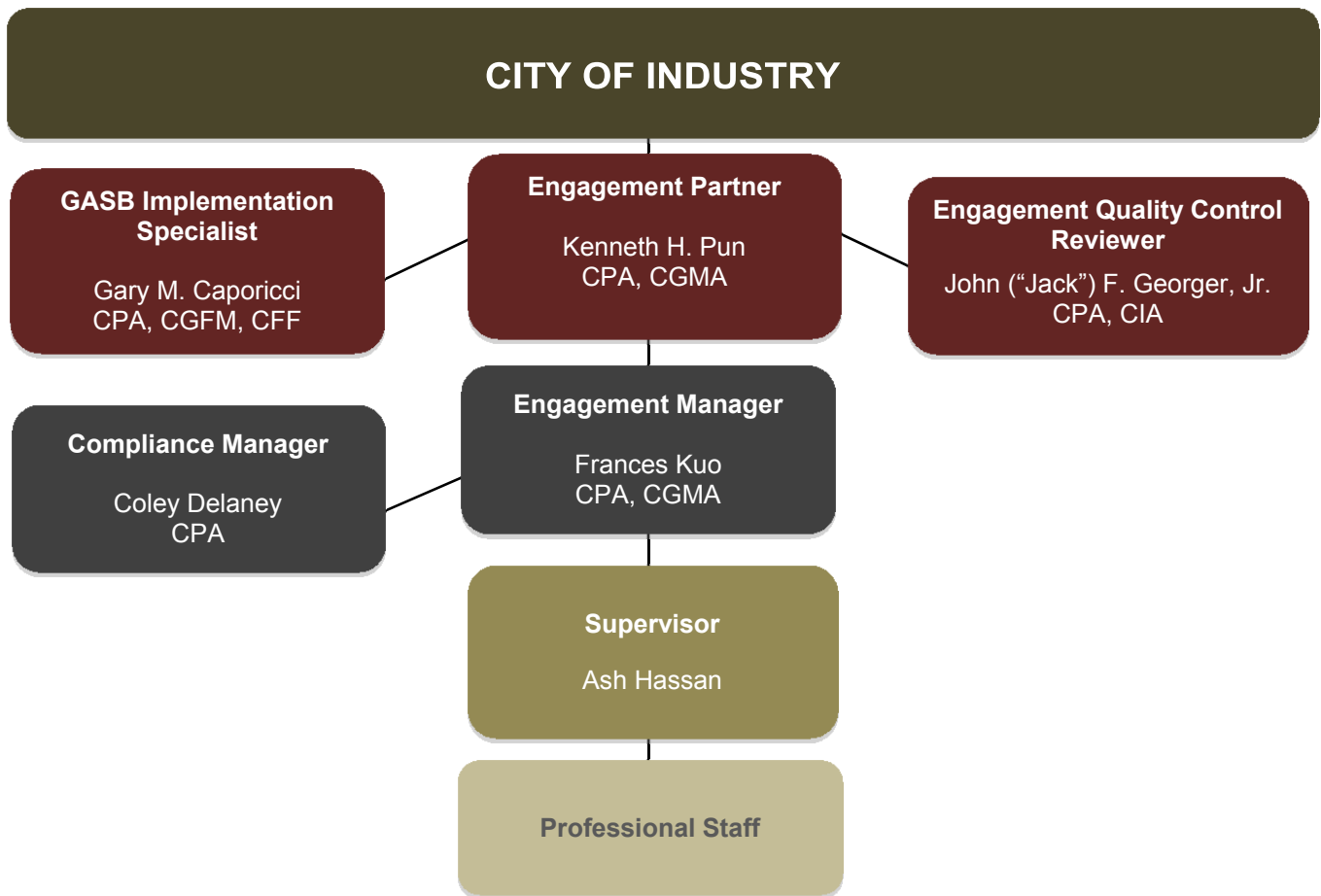
# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

### SECTION IV – PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

#### Proposed Engagement Team

The Engagement Team is carefully chosen to provide the City with all the services needed to successfully complete the audit. The Engagement and Concurring Partners are personally involved in the audit, and the Engagement Team has significant experience in governmental auditing. Our broad experience and technical capabilities allow us to provide technical support, interpret findings, and offer effective solutions to any issues that may arise.



The personnel assigned to this engagement are fully qualified to perform an efficient audit of the City, and their extensive experience will be critical to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to, all GASB pronouncements, the Single Audit Act, Uniform Grant Guidance (formerly known as OMB Circular A-133), and fund operations.

If the Firm changes key personnel we will provide the City with a written notification. Engagement personnel will only be changed with the express prior written permission from the City. Audit personnel may be replaced only by those with similar or better qualifications and experience.

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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### **Kenneth H. Pun, CPA, CGMA | *Engagement Partner***

With over fifteen years of public accounting experience, Kenneth Pun is the Assurance Partner and the Partner In-Charge of the Governmental and Not-for-Profit Practice at the Firm. He specializes in audits and management consulting for governmental organizations. Ken will actively act as the Engagement Partner with the assigned task of directly overseeing the Engagement Team. He will be responsible for the speedy delivery of services for the City of Industry. In addition, he will manage engagement planning and fieldwork, review for quality and approve work papers and reports.

### **John (“Jack”) F. Georger, Jr., CPA, CIA | *Engagement Quality Control Reviewer***

Throughout his forty years of experience, Jack has worked diligently alongside numerous governmental municipalities, including cities, counties, and transportation agencies, as well as not-for-profit entities, providing clients with financial and compliance auditing as well as consultation services. As an Assurance Partner in our Firm, he advises clients with their complex accounting questions, and supports the engagement team with audit issues. Jack is responsible for the review of all reports issued by the Firm to ensure the utmost quality and compliance with professional standards. He is responsible for the final quality-control review within the engagement.

### **Gary M. Caporicci, CPA, CGFM, CFF | *GASB Implementation Specialist***

Gary Caporicci is an ***appointed member of the State Controller’s Retirement Advisory Committee***. Mr. Caporicci will utilize his expertise in providing advice and consultation during the implementation of the new GASB standards. As an assurance partner with over forty years of experience, Gary has provided financial and compliance audit and consultation services to governmental clients including cities, counties, transportation agencies, and school districts, as well as various not-for-profit entities. Gary will be responsible in providing advice and consultation for the implementation of these new standards.

### **Frances Kuo, CPA, CGMA | *Engagement Manager***

Frances Kuo will bring her attention to detail and commitment to delivering a high quality audit to the City of Industry. Frances will work closely with the Assurance partners directing the audit team in its daily activities and tasks. She is an Assurance Services/Audit Manager who has extensive experience in auditing local governmental entities including cities, counties, transportation agencies, special districts, and not-for-profit entities.

### **Coley Delaney, CPA | *Compliance Manager***

Working as a Compliance Manager, Coley will direct the audit team in all compliance-related matters. He is an Assurance Services/Audit Manager in the Firm whose extensive auditing experience includes cities, counties, special districts, and not-for-profit entities.

### **Ash Hassan | *Supervisor***

Ash will direct the audit staff and coordinate with the City of Industry personnel to create a seamless transition during the auditing process, and will secure the effective implementation of the audit approach.

### ***Professional Staff***

All governmental-audit members are qualified to perform financial and compliance audits of governmental agencies. This ensures that the staff quality will be consistent throughout the engagement term. Because we support both staff development and engagement continuity, we encourage senior and staff accountants to take increased responsibilities on their previous engagements as they advance professionally.

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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### ***Quality-Control System***

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group LLP is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group LLP works exclusively with those who share the same moral integrity and values.

Our quality-control system was crafted with excellence in mind. It not only meets AICPA standards, but also matches our own elevated standards, which includes the following professional-development activities.

### ***Professional Development***

Each Engagement Team member is up-to-date with continuing professional education requirements. The Firm encourages staff members to participate in the continuing education programs offered by the AICPA and the CalCPA Education Foundation in order to always keep our staff well versed in the changing field and any new regulations. These classes include, among others:

- Basic Concepts of Governmental Accounting, Financial Reporting and Auditing
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Grant Guidance (formerly known as OMB Circular A-133)
- Governmental and Nonprofit Annual Update
- Governmental Accounting and Auditing: The Annual Update
- Auditing Standards: A Comprehensive Review

In addition, the Firm provides comprehensive in-house training for all levels of staff. The program includes seminars developed by the Firm, educational programs developed by the AICPA and CalCPA, and on-the-job training.

Every year, all professional and administrative staff members receive an annual overview and review of topics such as these:

- Principles of accounting and financial reporting for state and local governments
- Governmental fund types
- Newly issued U.S. generally accepted auditing standards and government auditing standards
- Internal control evaluation approaches, including COSO Internal Control Framework
- Updates on recent governmental accounting and reporting guidelines and pronouncements
- Single Audit requirements and approaches
- Risk based audit approaches
- Working paper techniques
- Current issues facing the governmental community

These ongoing continuing education activities and training programs ensure that the Engagement Team is always receiving the most current and pertinent information; we believe that an educated staff is a necessity when providing the most efficient and effective audit of the City.

### ***Engagement Team Resumes***

City of Industry deserves experienced professionals who work as a team. The Pun Group, LLP will provide qualified employees to perform the audit; no subcontractors will be used. Resumes for key Engagement Team members follow.

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

Kenneth H. Pun, CPA\*, CGMA

Engagement Partner



Kenneth H. Pun is the Managing Partner and the Director of the Governmental and Not-for Profit Practice of the Firm.

Prior to founding his own practice, Ken was employed by Caporicci & Larson, a specialty CPA firm recognized as one of California's foremost experts in governmental and not-for-profit accounting, auditing, and advisory service. He started with the firm in 2001 and was promoted to Partner in 2008. He has performed numerous audits for cities, counties, transportation agencies, community college districts, other special districts, and not-for-profit healthcare entities of various sizes.

By leveraging more than fifteen years of public accounting experience with a high level of expertise, Ken is often engaged by clients as a result of premier level of service he provides, his commitment, and his innovative methods of increasing operational efficiencies and reducing costs. Ken is a trusted advisor and a leader of accounting services to governmental and not-for-profit organizations.

In addition to working with clients, Ken provides the audit teams with direction and technical guidance to ensure adherence to The Pun Group's quality controls, and he assists with the development of the Assurance Services practice. Ken also speaks on topics related to audits and quality control and shares his expertise with clients through annual educational seminars.

### EDUCATION

- ✓ BS Degree in Business Administration, emphasis in Accounting from the University of California, Riverside

\*Licensed by the State of California

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, CalCPA Governmental Accounting and Auditing Committee
- ✓ Member, CalCPA Governmental Accounting and Auditing Conference Planning Committee
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ Speaker, CSMFO Conference (2014)
- ✓ Instructor, CalCPA Fall Series (2014) – Long Beach and Orange County Chapter

### PROFESSIONAL EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Bradbury	• City of Calexico
• City of Carpinteria	• City of Cerritos
• City of Chula Vista	• City of Clearlake
• City of Clovis	• Town of Danville
• City of Desert Hot Springs	• City of Encinitas
• City of Fairfield	• City of Gardena
• City of Hemet	• City of Hermosa Beach
• City of Huntington Park	• City of Industry
• City of Lakewood	• City of Monterey Park
• City of Morro Bay	• City of National City
• City of Placerville	• City of Poway
• City of Ridgecrest	• City of San Bernardino
• City of Solana Beach	• City of Shafter
• City of Stockton	• Alliance Medical Center
• Anderson Valley Health Clinic	• Centro Medico Community Clinic
• Desert Hot Springs Health and Wellness Foundation	• Family Health Centers of San Diego
• Industry Convalescent Hospital	• Marin City Health and Wellness Center
• McCloud Healthcare Clinic	• Mountain Valleys Health Centers
• Redwood Coast Medical Services	• Shingletown Medical Center

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

**Email:** Ken.Pun@pungroup.com | **Phone:** (949) 777-8801 | **Fax:** (949) 777-8850

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

• Tulare Community Health Clinic	• United Health Centers of San Joaquin Valley
• Gold Coast Transit	• North County Transit District
• San Diego Metropolitan Transit System	• Shasta Regional Transportation Agency
• SunLine Transit Agency	• Las Virgenes Municipal Water District
• Las Virgenes-Triunfo Joint Powers Authority	• Encinitas Ranch Golf Authority
• Fallbrook Healthcare District	• Marina Coast Water District
• Menlo Park Fire Protection District	• Newport Coast Elementary School District
• Riverside County Flood Control and Water Conservation District	• Southwestern Community College District

### OTHER RELEVANT EXPERIENCE

#### **City of Stockton**

The City of Stockton filed a petition for Chapter 9 bankruptcy protection with the United States Bankruptcy Court on June 28, 2012, the largest municipality bankruptcy at the time. The Firm was engaged as audit liaison and advisor in 2012 for the City's 2011 audit. The City also engaged the Firm to help drafting the Comprehensive Annual Financial Report in accordance with U.S. GAAP and in compliance with GFOA guidelines for the certificate of achievement for excellence in financial reporting program.

With the superb services provided, the City of Stockton also engaged the Firm to provide audit service for the years ending June 30, 2012 through 2015 due to the early termination of the contract from its predecessor firm. Mr. Kenneth H. Pun has been assigned as the engagement partner who facilitated the audit process since then. The engagement team completed the audit and issued the audit reports for the year ended June 30, 2012 and 2013 within the one year timeframe.

#### **City of Desert Hot Springs**

The City of Desert Hot Springs engaged the Firm to provide professional auditing services since June 30, 2013. During the audit, certain deficiencies were noted that the City cited as the cause of their financial hardship. The City reduced its overall workforce resulting in many positions unfilled. However, our firm was still able to complete the engagement in a timely manner and provide valuable recommendations to the City Council in addressing their deficiencies.

In addition, during the year ended June 30, 2013, the City entered into a very complicated financial arrangement, New Market Tax Credit financing, for the construction of the Desert Hot Springs Health and Wellness Center. Our firm has provided guidance to the City in addressing complex accounting issues and helped drafting the stand-alone financial statements to fulfil the addition reporting requirements under the New Market Tax Credit financing.

#### **San Diego Metropolitan Transit System ("MTS")**

On January 1, 2003, California Senate Bill 1703 (SB 1703) became effective. SB 1703 required the consolidation of the planning and programming functions of MTS and the North County Transit District (NCTD) into the San Diego Association of Governments (SANDAG) in an initial transfer to take place prior to July 1, 2003. SB 1703 also required the consolidation of certain project development and construction functions of MTS and NCTD into SANDAG in a subsequent transfer to take place prior to January 30, 2004. The initial transfer occurred on July 1, 2003, and the subsequent transfer occurred on October 13, 2003. With these actions, employees were transferred from MTS and NCTD to SANDAG, and certain planning, development, and construction functions were also transferred.

After the enactment of SB 1703, Mr. Kenneth H. Pun was able to convert MTS financial model from general-purpose government to stand-alone business-type activities government under GASB Statement No. 34 in 2007. By doing so, MTS has significantly improved their financial reporting.

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

### John F. Georger, Jr., CPA\*, CIA Engagement Quality Control Reviewer



Jack Georger is the Partner of the Governmental Division by leveraging more than forty years of public accounting and auditing experience in the government, agribusiness, financial services, manufacturing and non-profit sectors. Mr. Georger brings an in-depth knowledge and practical expertise to each client engagement. Mr. Georger coordinates, plans, and manages financial audit activities, consulting activities, federal and state compliance audit activities, performance audits and numerous quality control and internal control reviews for a broad mix of governmental agencies and programs throughout the United States.

Jack is a continuing professional education course instructor for the AICPA. Annually, he instructs over 300 hours on accounting and auditing subjects. He has coauthored training material in governmental accounting and auditing for the AICPA and is the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits.

Mr. Georger is licensed to practice as a certified public accountant in the states of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri, Connecticut (inactive), and Wyoming (inactive), and is a Certified Internal Auditor (CIA).

### EDUCATION

- ✓ Bachelor of Science, George Mason University Fairfax, Virginia

*\*Licensed by the State of California, New York, Virginia, Maryland, District of Columbia, Georgia, South Carolina, Missouri and Connecticut (inactive) and Wyoming (inactive)*

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Institute of Internal Auditors
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, CalCPA Government Accounting and Auditing Committee
- ✓ Member, New York Society of Certified Public Accountants (NYSSCPA)
- ✓ Chairman, NYSSCPA Government Accounting and Auditing Committee
- ✓ Member, NYSSCPA Auditing Standards Committee
- ✓ Member, NYSSCPA Financial Accounting Standards Committee
- ✓ Member, NYSSCPA Not-for-Profit Committee
- ✓ Member, Missouri Society of Certified Public Accountants (MSCPA)
- ✓ South Carolina Association of Certified Public Accountants (SCACPA)
- ✓ Member, Government Finance Officers Association (GFOA) – CAFR Reviewer

### KEY CLIENTS

- Local Governments:
  - Town of Andrews, South Carolina
  - County of Isle of Wight, Virginia
  - City of Richmond, Virginia

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Instructor of over 300 hours of municipal accounting courses offered by the AICPA
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

Gary M. Caporicci, CPA\*, CGFM, CFF  
GASB Implementation Specialist



Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. In addition, he authors white papers for the California Committee on Municipal Accounting.

Prior to working with the Firm, Gary founded his own accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Prior to that, Gary held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

### EDUCATION

- ✓ BS Degree in Accounting and Finance from the Armstrong University

*\*Licensed by the State of California*

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, Author and Instructor, California Society of Certified Public Accountants (CalCPA)
- ✓ Past Chair, CalCPA Governmental Accounting and Auditing Committee
- ✓ Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- ✓ Member, CalCPA Council
- ✓ Chair, California Committee on Municipal Accounting (CCMA)
- ✓ Member, Government Finance Officers Association (GFOA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)
- ✓ Member, Governmental Accounting Standards Board (GASB),
- ✓ Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- ✓ National Reviewer and Speaker, Government Finance Officers Association
- ✓ Adjunct Professor, National University
- ✓ Past Member, Texas Governmental Accounting and Auditing Committee
- ✓ GFOA Certificate for Excellence in Financial Reporting – Reviewer

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Author and instructor of various municipal accounting courses offered by CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

**Frances Kuo, CPA\*, CGMA**  
Engagement Manager



Frances Kuo is a Senior Manager in The Pun Group, LLP's Assurance division. Frances has over ten years of accounting and auditing experience working with governmental agencies, not-for-profit entities, and employee benefit plans. Frances also has particular expertise in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Grant Guidance (formerly OMB Circular A-133).

Frances has performed audits and other attestation services for several municipalities throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special Districts. She has assisted these clients with publishing their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Ms. Kuo is the in-house instructor who provides training, both theoretical and on-the-job training, to lower level staff. She has developed training materials on the risk based audit approach, GASB Statement No. 34 reporting, Single Audits, and employee benefit plan audits.

### EDUCATION

- ✓ BS Degree in Business Administration, Emphasis in Accounting, from the University of California, Riverside
- ✓ BA Degree in Economics from the University of California, Riverside

*\*Licensed by the State of California, Arizona and Virginia.*

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)
- ✓ Member, California Society of Municipal Finance Officers (CSMFO)

### RELEVANT PROJECT EXPERIENCE

• City of Arcadia	• City of Bradbury
• City of Cerritos	• City of Carpinteria
• City of Desert Hot Springs	• City of Gardena
• City of Huntington Park	• City of Huntington Beach
• City of Hermosa Beach	• City of Hemet
• City of Industry	• City of Monterey Park
• City of Ridgecrest	• Conejo Recreation and Park District
• Las Virgenes Municipal Water District	• Marina Coast Water District
• Mountains Recreation and Conservation Authority	• San Diego Transit Corporation Retirement Plan
• Tulare Community Health Clinic	• San Diego Metropolitan Transit System
• San Diego Association of Governments	• Southwestern Community College District
• Valley Sanitary District	• Shanghai Jiao Tong University Foundation of America

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.



# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

Coley Delaney, CPA\*  
Compliance Manager



Coley Delaney is a Senior Manager within The Pun Group, LLP's Assurance division. In his nine years of accounting and auditing experience, Coley has worked with governmental agencies, not-for-profit entities and private for-profit entities. Coley specializes in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Grant Guidance (formerly known as OMB Circular A-133).

Coley has performed audits and other attestation services for several governmental agencies throughout California including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts, and he has helped them publish their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Mr. Delaney develops training materials and shares his expertise internally with other Firm professionals. Coley is a frequent speaker at in-house seminars on topics related to government auditing standards and Single Audits.

### EDUCATION

- ✓ BA Degree in Business Economics Emphasis in Accounting from the University of California, Santa Barbara.

*\*Licensed by the State of California*

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, American Institute of Certified Public Accountants (AICPA)
- ✓ Member, California Society of Certified Public Accountants (CalCPA)

### RELEVANT PROJECT EXPERIENCE

• City of Arvin	• City of Arcadia
• City of Chula Vista	• City of Clearlake
• City of Clovis	• Town of Danville
• City of Fairfield	• City of Encinitas
• City of Gardena	• City of Hermosa Beach
• City of Industry	• City of Monterey Park
• City of Poway	• City of National City
• City of Solana Beach	• City of San Bernardino
• City of Stockton	• City of Shafter
• Redwood Coast Medical Services	• Family Health Centers of San Diego
• San Diego Metropolitan Transit System	• United Health Centers of San Joaquin Valley
• SunLine Transit Agency	• North County Transit District
• Fallbrook Healthcare District	• Southwestern Community College District

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

### Ash Hassan Supervisor



Ash Hassan is a Supervisor of The Pun Group, LLP. He has more than eight (8) years of governmental experience that ranges from GASB audit/reporting, Internal Controls/, Single Audit, not-for-profit organizations, employee benefit plans, Corporate Financial Reporting, and Data Analysis.

In various engagements, Ash has been involved in providing significant services to various governmental entities and actively contributed and participated in the planning process, implementation of the audit work plan, supervision of staff, compliance testing for the Single Audit Concept and preparation of the Comprehensive Annual Financial Reports. Ash has experience in both private and public sectors.

### EDUCATION

- ✓ BS Degree in Accounting from Cairo University.

### PROFESSIONAL & CIVIC AFFILIATIONS

- ✓ Member, California Society of Certified Public Accountants (CalCPA)

### RELEVANT PROJECT EXPERIENCE

• City of Covina	• City of Rancho Mirage
• City of Lawndale	• City of Woodland Hills
• City of Compton	• City of Hughson
• City of Seal Beach	• City of Fullerton
• City of Simi Valley	• City of Santa Fe Springs
• Orange County Transportation Authority (OCTA)	• City of Oxnard
• Santa Barbara County Association of Governments	• Midway City Sanitary District
• Southeast Area Social Services Funding Authority (SASSFA)	• West San Gabriel Valley Consortium.
• Friends of Oasis Senior Center	• California Community Economic Development Association
• Costa Mesa Senior Center	• Spring Board Nonprofit Consumer Credit Management
• Newport Beach Public Library Foundation	• Tony Hawk Foundation
• Neighborhood Housing of Orange County	• Realty World ,Inc.
• Haralambos Beverage Company, Inc.	• Suzuki Motor Corporation 401K
• View tech Financial Services	• Alta Marketing 401k
• Aluratek, Inc.	• Fisher & Paykel 401K

### CONTINUING PROFESSIONAL EDUCATION

- ✓ Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation and local universities including:
  - Governmental and Nonprofit Annual Update
  - Government Auditing Standards
  - GASB Basic Financial Statements for State and Local Governments
  - Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
  - Financial Accounting Standards Board Annual Updates
  - Statement on Standards for Accounting and Review Services Updates
- ✓ Has met the current CPE educational requirements to perform audits of governmental agencies.

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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### SECTION V – REFERENCES

The following five clients are examples of some of the engagements that are similar to the requirements in the City's proposal. Additional references are available upon request. Please feel free to contact these governmental agencies to learn more about their experiences working with us.

#### Reference 1:

Name of Client: City of Stockton  
 Service Period: June 30, 2012 to Present  
 Scope of Work: The Firm has provided professional auditing services to the City of Stockton which includes the audit of the City's CAFR, Single Audit, and Measure W. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

GFOA Award: Yes  
 Engagement Partner: Kenneth H. Pun | Concurring Partner: Gary M. Caporicci  
 Engagement Manager: Coley Delaney | Compliance Manager: Frances Kuo  
 Total Hours: Average 2,500 hours per year  
 Principle Client Contact: Mr. Edwin Gato  
[edwin.gato@stockton.ca.gov](mailto:edwin.gato@stockton.ca.gov)  
 Accounting Manager  
 425 N. El Dorado Street  
 Stockton, CA 95202  
 (209) 937-8499

#### Reference 2:

Name of Client: San Diego Metropolitan Transit System  
 Service Period: June 30, 2005 to Present  
 Scope of Work: The Firm has provided professional auditing services to the San Diego Metropolitan Transit System, since 2005, which includes the audit of the CAFR and Single Audit. In addition, the Firm has performed agreed-upon procedures on the Indirect Cost Rates, compliance with California Transportation Development Act for MTS, San Diego Transportation Corporation and San Diego Trolley Incorporated, compliance on National Transit Database and compliance audit on Public Transportation Modernization Improvement and Service Enhancement Account.

GFOA Award: Yes  
 Engagement Partner: Kenneth H. Pun | Concurring Partner: Gary M. Caporicci  
 Engagement Manager: Coley Delaney | Compliance Manager: Frances Kuo  
 Total Hours: Average 1,850 hours per year  
 Client Contact: Ms. Erin Dunn  
 Controller  
[erin.dunn@sdmts.com](mailto:erin.dunn@sdmts.com)  
 1255 Imperial Avenue, Suite 1000,  
 San Diego, CA 92101  
 (619) 557-4536

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

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### Reference 3:

Name of Client: City of Desert Hot Springs  
 Service Period: June 30, 2013 to Present  
 Scope of Work: The Firm has provided professional auditing services to the City of Desert Hot Springs which includes the audit of the City's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit and Transient Occupancy Tax (TOT).

GFOA Award: N/A  
 Engagement Partner: Kenneth H. Pun | Concurring Partner: Gary M. Caporicci  
 Engagement Manager: Frances Kuo | Compliance Manager: Coley Delaney  
 Total Hours: Average 500 hours per year  
 Principle Client Contact: Ms. Linda Kelly  
[lkelly@cityofdhs.org](mailto:lkelly@cityofdhs.org)  
 Financial Specialist  
 65-950 Pierson Blvd.  
 Desert Hot Springs, CA 92240  
 (760) 329-6411 ext. 289

### Reference 4:

Name of Client: City of Clovis  
 Service Period: June 30, 2006 to Present  
 Scope of Work: The Firm has provided professional auditing services to the City of Clovis which includes the audit of the City's CAFR, Successor Agency and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

GFOA Award: Yes  
 Engagement Partner: Kenneth H. Pun | Concurring Partner: Gary M. Caporicci  
 Engagement Manager: Coley Delaney | Compliance Manager: Frances Kuo  
 Total Hours: Average 400 hours per year  
 Principle Client Contact: Ms. Jamie Hughson  
[JamieH@ci.clovis.ca.us](mailto:JamieH@ci.clovis.ca.us)  
 Finance Director  
 1033 Fifth Street  
 Clovis, CA 93612  
 (559) 324-2106

### Reference 5:

Name of Client: Town of Danville  
 Service Period: June 30, 1999 to Present  
 Scope of Work: The Firm has provided professional auditing services to the Town of Danville which includes the audit of the City's CAFR, Financing Authority, the Lighting and Landscaping Assessment District's Basic Financial Statements, and Single Audit. In addition, the firm has performed agreed-upon procedures of the Appropriation Limit.

GFOA Award: Yes  
 Engagement Partner: Kenneth H. Pun | Concurring Partner: Gary M. Caporicci  
 Engagement Manager: Coley Delaney | Compliance Manager: Frances Kuo  
 Total Hours: Average 300 hours per year  
 Principle Client Contact: Ms. Lani Ha  
[LHa@danville.ca.gov](mailto:LHa@danville.ca.gov)  
 Accounting Manager  
 510 La Gonda Way  
 Danville, CA 94526  
 (925) 314-3358

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

### Firm's Municipal Clients

The Pun Group, LLP has performed numerous audits of governmental organizations subject to financial and compliance audits. These audits were performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, Uniform Grant Guidance (formerly known as OMB Circular A-133) and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. **A list of current engagements is as follows:**

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Engagement Partner	Total Hours
City of Arvin	2013 – Present	Yes	Yes	N/A	Kenneth H. Pun	400
City of Bradbury	2012 – Present	Yes	N/A	N/A	Kenneth H. Pun	150
City of Calexico	2007 – Present	Yes	Yes	N/A	Kenneth H. Pun	750
City of Cerritos	2009 – Present	Yes	Yes	Yes	Kenneth H. Pun	400
City of Clovis	2006 – Present	Yes	Yes	Yes	Kenneth H. Pun	400
Town of Danville	1999 – Present	Yes	Yes	Yes	Gary Caporicci	300
City of Desert Hot Springs	2013 – Present	Yes	N/A	N/A	Kenneth H. Pun	500
City of Encinitas	2014 – Present	Yes	Yes	Yes	Kenneth H. Pun	350
City of Gardena	2007 – Present	Yes	Yes	Yes	Gary Caporicci	700
City of Hemet	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	380
City of Hermosa Beach	2004 – Present	Yes	N/A	Yes	Kenneth H. Pun	200
City of Huntington Park	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	650
City of Industry	2015 – Present	Yes	Yes	Yes	Kenneth H. Pun	710
City of Laguna Niguel	2016 – 2020	Yes	Yes	Yes	Kenneth H. Pun	400
City of Lakewood	2013 – Present	Yes	Yes	Yes	Kenneth H. Pun	380
City of Monterey	2016 – 2020	Yes	Yes	Yes	Kenneth H. Pun	626
City of Morro Bay	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	400
City of National City	2013 – Present	Yes	Yes	Yes	Kenneth H. Pun	600
City of Placerville	2008 – Present	Yes	Yes	N/A	Kenneth H. Pun	350
City of Ridgecrest	2009 – Present	Yes	Yes	Yes	Kenneth H. Pun	300
City of San Bernardino	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	3,000
City of Stockton	2012 – 2020	Yes	Yes	N/A	Kenneth H. Pun	2,500
Gold Coast Transit System	2015 – Present	Yes	Yes	Yes	Paul J. Kaymark	150
San Diego Metropolitan Transit System	2005 – Present	Yes	Yes	Yes	Kenneth H. Pun	1,850
Shasta Regional Transportation Agency	2015 – Present	Yes	N/A	N/A	Kenneth H. Pun	200
Ventura County Railroad Company, LLC	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	60

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Engagement Partner	Total Hours
Ventura County Transportation Commission	2015 – Present	Yes	Yes	Yes	Kenneth H. Pun	400
Altadena Library District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	90
Antelope Valley State Water Contractors Association	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	40
Barstow Heights Community Services District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	40
Big Bear City Airport District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	120
Big Bear City Community Services District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	200
Bodega Bay Fire Protection District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	140
Casitas Municipal Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	230
Desert Recreation District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	150
Desert Recreation Foundation	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	40
Diablo Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	350
East Orange County Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	130
El Toro Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	270
Encinitas Ranch Golf Authority	2015 – Present	Yes	N/A	N/A	Kenneth H. Pun	100
Fallbrook Healthcare District	2008 – Present	Yes	N/A	N/A	Kenneth H. Pun	75
Golden Hills Community Services District	2016 – 2018	Yes	N/A	N/A	Paul J. Kaymark	180
Las Virgenes Municipal Water District	2014 – Present	Yes	N/A	N/A	Kenneth H. Pun	300
Marina Coast Water District	2012 – Present	Yes	N/A	Yes	Kenneth H. Pun	240
Menlo Park Fire Protection District	2015 – Present	Yes	Yes	Yes	Kenneth H. Pun	240
Newport Coast Elementary School Foundation	2010 – Present	Yes	N/A	N/A	Kenneth H. Pun	20
North Coast Fire Protection District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	120
North County Dispatch JPA	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	60
North of the River Municipal Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	150
Orange County Coastkeeper	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	60
Palmdale Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	180
Palos Verdes Library District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	110
Port of Hueneme - Oxnard Harbor District	2015 – Present	Yes	N/A	Yes	Kenneth H. Pun	250
Rancho Santa Fe Fire Protection District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	120
Riverside County Flood Control and Water	2015 – Present	Yes	N/A	Yes	Kenneth H. Pun	250

## CITY OF INDUSTRY

*Proposal to Perform Professional Auditing Services*

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Engagement Partner	Total Hours
San Diego Coastkeeper	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	75
San Mateo Mosquito and Vector Control District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	130
San Elijo Joint Powers Authority	2016 – 2020	Yes	N/A	N/A	Kenneth H. Pun	146
South Bay Regional Public Communications Authority	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	100
Southwestern Community College District	2009 – Present	Yes	Yes	N/A	Kenneth H. Pun	720
Stallion Springs Community Services District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	220
San Bernardino County Fire Protection District	2016 – 2020	Yes	N/A	N/A	Paul J. Kaymark	200
The Farm Mutual Water Company	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	170
Trabuco Canyon Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	200
TwentyNine Palms Water District	2016 – 2020	Yes	N/A	N/A	Paul J. Kaymark	160
Valley Sanitary District	2015 – Present	Yes	N/A	Yes	Kenneth H. Pun	140
West County Agency	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	55
West County Wastewater District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	240
West Valley Water District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	320
West Valley Mosquito and Vector Control District	2016 – 2020	Yes	N/A	N/A	Paul J. Kaymark	100
Wilmington Cemetery District	2015 – Present	Yes	N/A	N/A	Paul J. Kaymark	65
Alliance Medical Center	2013 – Present	Yes	N/A	N/A	Kenneth H. Pun	300
Anderson Valley Health Clinic	2012 – Present	Yes	N/A	N/A	Kenneth H. Pun	200
Centro Medico Community Clinic	2015 – Present	Yes	N/A	N/A	Kenneth H. Pun	80
Desert Hot Springs Health and Wellness Foundation	2013 – Present	Yes	N/A	N/A	Kenneth H. Pun	100
Family Health Centers of San Diego	2009 – Present	Yes	Yes	Yes	Kenneth H. Pun	600
Industry Convalescent Hospital	2015 – Present	Yes	N/A	N/A	Kenneth H. Pun	230
Marin City Health and Wellness Center	2010 – Present	Yes	Yes	N/A	Kenneth H. Pun	110
McCloud Healthcare Clinic	2013 – Present	Yes	Yes	N/A	Kenneth H. Pun	200
Mountain Valleys Health Centers	2015 – Present	Yes	Yes	N/A	Kenneth H. Pun	200
Redwood Coast Medical Services	2008 – Present	Yes	Yes	N/A	Kenneth H. Pun	200
Shingletown Medical Center	2013 – Present	Yes	Yes	N/A	Kenneth H. Pun	190
Tulare Community Health Clinic	2008 – Present	Yes	Yes	N/A	Kenneth H. Pun	200
United Health Centers of San Joaquin Valley	2010 – 2016	Yes	Yes	N/A	Kenneth H. Pun	300

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

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### SECTION VI – SPECIFIC AUDIT APPROACH

#### Scope of Work

The City of Industry is requesting an opinion as to the fair presentation of its basic financial statements in accordance with generally accepted accounting principles (GAAP) and applicable laws and regulations. These audits are to be performed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants.
- The standards applicable to financial audits contained in the most current version of the Generally Accepted Government Auditing Standards (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act as amended in 1996.
- The provisions of U.S. Office of Management and Budget (OMB) Uniform Grant Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-Profit Organizations and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

To accomplish this task, the Firm will:

- ✓ Perform an audit of the financial statements of the City and its component units. The City's blended component units are:
  - Successor Agency to the Industry Urban-Development Agency ("SA")
  - Civic Recreational-Industrial Authority ("CRIA")
  - Industry Public Facilities Authority ("PFA")
  - Industry Public Utilities Commission ("IPUC")
  - Industry Property and Housing Management Authority ("IPHMA")
- ✓ **Preparation of the Financial Statements** of the following entities. The financial statements will be fully compliant with all current and proposed GASB pronouncements:
  - City's Basic Financial Statements
  - Successor Agency to the Industry Urban Development Agency
  - Civic Recreational-Industrial Authority
  - Industry Public Facilities Authorities
- ✓ Issue financial statements for the Successor Agency to the Industry Urban-Development Agency, Civic Recreational-Industrial Authority and Industry Public Facilities Authority. The individual component unit financial statement will be issued with no MD&A.
- ✓ Review the City's Annual Financial Report (AFR), in full compliance with all current and proposed GASB statements, which will include both Government-Wide Financial Statements and Fund Financial Statements. Apply limited audit procedures to MD&A and required supplementary information pertaining to the General Fund and each major fund of the City.
- ✓ Apply limited procedures to the *management discussion and analysis* as required by the auditing standards to be applied to required supplementary information. The Firm will apply an understanding of the method of preparation, the source and basis for the information presented, comparing for consistency to the audited data, and ascertaining that the *management's discussion and analysis* contains all of the information required by GASB 34 and does not contain information prohibited to be presented in the *management's discussion and analysis*.
- ✓ When required, prepare a separate Single Audit Report, to include the following:
  - Report on compliance and on internal control over financial reporting based on audit of financial statements performed in accordance with *Government Auditing Standards*.
  - Report on compliance with requirements applicable to each major program, internal control over compliance, and on the schedule of expenditures of federal awards in accordance with OMB Uniform Grant Guidance, "Audits of State and Local Governments", and the Single Audit Act of 1984 (Public Law 98-502).
  - Schedule of Expenditures of Federal Awards.



# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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- Notes to Schedule of Expenditures of Federal Awards.
  - Schedule of Findings and Questioned Costs.
  - Any other required schedules or reports.
  - Prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.
- ✓ Prepare Agreed-upon Procedures Applied to the Appropriations Limitation (GANN Limit) report prescribed by Article XIII-B of the California Constitution.
  - ✓ Prepare year-end adjusting journal entries as needed.
  - ✓ Issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letters shall be addressed to the City Manager.

The Firm will be available for consultation by phone on accounting and financial issues during the year at no extra cost. The Firm will also serve as auditor for certain addition projects and studies as may be deemed necessary by the City.

The Firm will make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the City.

Supplemental reports, audits, or agreed-upon procedures must be added in a written agreement prior to commencing audit work. The Firm and the City will discuss and approved the scope and associated costs of these tasks.

### ***Working Paper Retention and Access to Working Papers***

The Firm will retain, at its own expense, all working papers and reports for a minimum of (7) seven years, unless the City notifies the Firm in writing of the need to extend the retention period. Upon request, the Firm will make working papers available to City of Industry or other governmental agencies included in the federal or state grant audits. The Firm will comply with reasonable requests from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

### ***Objectives of Our Services***

Our primary objective for the proposed audit is to examine the City's financial statements and express our opinion on their fairness of presentation, in accordance with generally accepted accounting principles. Other objectives that will benefit the City include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls
- To identify opportunities to make City operations more efficient and reduce costs
- To perform the audit efficiently and effectively, so disruption to office operations is minimized
- To provide continuing advisory services to help the City implement recommendations
- To meet these objectives at no additional cost to the City

The Engagement Team will perform the audit in accordance with the Firm's quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work.

The Firm will supply portable computers to the onsite staff members.

Our audit approach emphasizes careful planning, open communication, and proper assignment of responsibilities. This method ensures that audit requirements will be met with minimal disruption of the City's daily operations, and that the audit will proceed efficiently with full understanding between the Engagement Team and the City.

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

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### **Proposed Segmentation of the Engagement and Timeline**

The audit will be performed in four phases:

**Initial Planning Meeting** | During a mutually acceptable time frame, normally July of each year.

The Engagement Partner and Manager will meet with City's Management to get up to speed with City policies and procedures, establish any specific requirements Management may have, identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.

**Interim** | May commence August/September of each year.

The Engagement Team—including the Engagement Partner—will assess accounting policies adopted by the City, obtain an understanding of the City and its operating environment, review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal control, perform preliminary analytical procedures, evaluate Single Audit compliance (if needed), identify any audit issues, and prepare confirmation correspondence. The Engagement Team and City Management will establish expectations including responsibilities and assignments for the year-end audit, and will hold a progress status meeting at the end of the Interim phase.

**Year-End** | May commence during the last week of September or the first week of October of each year.

The Engagement Team—including the Engagement Partner—will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform preliminary analytical procedures, search for unrecorded liabilities, perform substantive analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The Engagement Team and City Management will hold an exit conference at the end of the Year-End phase.

**Reporting** | Draft copies of reports will be provided in by November of each year; Final reports and management letter will be provided no later than Mid-November of each year.

The Firm will review and prepare audit reports and perform quality control procedures in accordance with the Quality Control Standards issued by the AICPA. We will also review reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be issued in a letter to Management. At the City's request, the Engagement Partner and Manager will present the audit to the City's governing body.

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal City circumstances delay the audit.

### **Level of staff and number of hours to be assigned to each proposed segment of the engagement**

The Pun Group, LLP understands that the City is not only looking to employ our auditing services, but is also seeking to receive value within that professional relationship. We believe that our value is derived from our in-depth knowledge, experience, and commitment that our auditing firm employs. We stress and emphasize "employ", because all of the knowledge and expertise listed on paper will not benefit you unless it is applied. That is why we have developed a plan that we feel will accomplish the objectives of the City and your particular needs. Our Firm will utilize the information that you have shared with us and our experience from our previous audits of this nature, from various government entities and cities to develop an effective plan for all major areas.

#### **Example of Major Areas (not limited to):**

- Audit of the City's financial statements and the related notes to financial statements
- Single Audit procedures and required reporting (if applicable)
- Agreed-upon procedures on Appropriations Limit calculation
- Communication with those charged with governance
- Internal Control and Management Letters (if applicable)

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

### **Total Hours:**

Staff Classification Performing Work	Estimated Hours Annually
Partners	85
Managers	130
Supervisory	155
Senior Accountants	170
Staff Accountants	240
Clerical	20
<b>Total Annual Hours:</b>	<b>800</b>

Hours by Audit Phase	Hours
Phase I - Planning	110
Phase II - Interim	250
Phase III - Year End	320
Phase IV - Reporting	120
<b>Total Annual Hours:</b>	<b>800</b>

### **Sample size and the extent to which statistical sampling is to be used in this engagement**

In our audit approach, statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. The population size and assurance level needed from any given test will determine the sample size used in our testing.

### **Extent of use of EDP software in the engagement**

We use EDP Software in our engagement to increase our efficiency and quality of our work and meet the new professional requirements regarding fraud and internal control. Our engagement team will import data from the City's financial software and extract useful data for the purpose of testing and analytical procedures particular in the following areas:

- Successful Fraud Test
- Questionable Invoices
- Phantom Vendor Schemes
- Kickback or Conflict-of-Interest Schemes
- Dormant Account Schemes
- Money Laundering Schemes

### **Type and extent of analytical procedures to be used in the engagement**

We use analytical procedures during the interim phase to set up expectations for the year-to-date results and balances and compare them with budgeted and prior-year amounts. This allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.

We also use trend and ratio analysis to identify any uncertain or unusual events. In order to perform these analysis, our firm performs a survey of cities and counties and develops benchmarks on certain key financial indicators, such as cost of services to tax revenues ratios, average general fund balance, capital assets, debt per capital, general fund unassigned fund balance to total general fund expenditures, etc. Our staff members have previous experience in successfully implanting analytical procedures to the City's benefit.

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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### ***Approach to be taken to gain and document an understanding of the City's internal control structure***

Audit risk assessment will be established by an internal control review, combined with the Engagement Team's understanding of the City's operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the City's processes and identify any control deficiencies. These diagnostic review procedures allow the Engagement Team to evaluate the City's systems and controls and to provide constructive feedback to City Management.

The Engagement Team will perform a walkthrough of the City's accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, and payroll and related liabilities, etc. Auditors will document the process with a flowchart or narrative summary.

### ***Approach to be taken in determining laws and regulations that will be subject to audit test work***

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and pertinent contracts—to ensure that we conduct audits in accordance with applicable laws and regulations. We test transactions for compliance with the Single Audit Act, California Government Code, GANN Appropriations Limit, provisions of applicable grant guidelines, requirements of local measures, etc.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most transactions are tested as part of the Interim phase, we cannot determine which grants to test for the Single Audit until the Year-End phase of audit.

Our compliance audits of cash, investments, debt covenants, and other areas are performed in accordance with the California Government code, which has many provisions and regulations covering investments.

### ***Approach to be taken in drawing audit samples for purposes of tests of compliance***

To test compliance, we follow the AICPA's *Audit Sampling Considerations of Uniform Grant Guidance Compliance Audits*. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

### ***GASB Implementation Specialist***

Gary M. Caporicci, the Firm's *GASB Implementation Specialist*, is an **appointed member to the State Retirement Advisory Committee by the State Controller** and has tremendous expertise in assisting clients with the implementation of GASB pronouncements.

For more than 40 years, Mr. Caporicci has successfully provided professional auditing, accounting, financial reporting and management advisory/consulting services to a broad spectrum of governmental entities.

Caporicci is a leader in the new GASB standards going into effect in the coming years. He will actively assist the City during the process of implementation and compliance related to new accounting standards.

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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### ***Client Training Seminar***

**Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues.** The day-long session—held in Clovis, San Diego, Cerritos, and Danville—qualifies for **eight hours of CPE** with the California Board of Accountancy.

Participants of this year's training seminar will receive a high-level examination of numerous technical issues, including the following:

- ✓ Fiscal Policies
- ✓ The Latest & Greatest on Pension, OPEB, Local Initiatives and the Future of the Defined Benefit Plan
- ✓ GASB 74 & 75 - Implementation of the New OPEB Standards
- ✓ A Look Back on the Implementation of GASB 68 and 71
- ✓ Uniform Grant Guidance
- ✓ Survey of Cities and Counties

Importantly, all of our clients are invited to attend the Pun Group, LLP client training seminar **FREE OF CHARGE.**

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

### **SECTION VII – IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS**

While we do not expect any problems with the audit, we will carefully investigate and monitor the following relevant accounting issues:

- Investments:
  - Compliance with GASB 31 and GASB 34
  - Authorization and approval process for City investments
  - Controls to assure City's compliance with investment limitations and types of specific investments
  - Monitoring by the City of its investments
- Financial Reporting:
  - CAFR compliance with current reporting and disclosure requirements issued by GASB
  - CAFR eligibility for financial reporting conformance awards issued by GFOA
  - Compliance with the various GASBs in effect, especially the implementation of GASB 68 and 71 related to pension accounting
  - Compliance with infrastructure obligations and regulatory provisions
- Internal Control Structure:
  - City's internal control functions and compliance with proper internal control philosophies
  - Computer-system processes and controls, and adequacy of the control environment

Over the period of the engagement, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures:

- GASB 72 – *Fair Value Measurement and Application*
- GASB 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*
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB 76 – *The Hierarchy of Generally Accepted Account Principles for State and Local Governments*
- GASB 77 – *Tax Abatement Disclosures*
- GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB 79 – *Certain External Investment Pools and Pool Participants*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement 14*

#### ***Discussion of Relevant Accounting Issues***

Over the period of the engagement, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to the following new and upcoming pronouncements, and any others that become effective during the proposal period, in order to determine proper implementation procedures. Based on our understanding through our study of the City's financials, we have determined the following GASB pronouncements may have some impact to the City's financial statements:

GASB 72 – *Fair Value Measurement and Application*

GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB 77 – *Tax Abatement Disclosures*

GASB 79 – *Certain External Investment Pools and Pool Participants*

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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**GASB Statement No. 72, *Fair Value Measurement and Application***, addresses accounting and financial reporting issues related to fair value measurements. To determine a fair value measurement, a government should consider the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

**GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, replace the requirements of GASB Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

**GASB Statement No. 77, *Tax Abatement Disclosures***, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

**GASB Statement No. 79, *Certain External Investment Pools and Pool Participants***, establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The Firm believes the following pronouncement has minimal impact to the City's financial statements:

- GASB 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*
- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement 14*

# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

### SECTION VIII – COST PROPOSAL

#### Certification

We are committed to the performance of a high quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed, at no additional cost to the City of Industry.

**Name of Firm:** The Pun Group, LLP  
 Certified Public Accountants and Business Advisors  
 200 Sandpointe Avenue, Suite 600  
 Santa Ana, California 92707

**Certification:** Kenneth H. Pun is entitled to represent the Firm, empowered to submit the bid, and authorized to sign a contract with the City of Industry.

Kenneth H. Pun, CPA, CGMA | Managing Partner  
 The Pun Group, LLP

#### Total All-Inclusive Maximum Price

Following are our total fixed fees the Fiscal Years Ending June 30, 2016 and 2017 with option to extend for two (2) additional years.

#### ATTACHMENT A Audit Work Cost Proposal Form

Description of Services	Estimated Hours	Optional Years			
		2015-2016	2016-2017	2017-2018	2018-2019
Audited Financial Statements of the City and its component units, Report on Internal Controls Over Financial Reporting, Auditor's Communication with City Council	462	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564
Preparation of the City's Financial Statements	38	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464
Report on Agreed-Upon Procedures Applied to the Appropriations Limit Worksheets (GANN Limit Review)	5	\$ 600	\$ 618	\$ 637	\$ 656
Audited Financial Statements of the Successor Agency to the Industry Urban-Development Agency, Report on Internal Controls Over Financial Reporting, Auditor's Communication with Board	76	\$ 9,600	\$ 9,888	\$ 10,185	\$ 10,490
Preparation of the Successor Agency to the Industry Urban Development Agency's Financial Statements	4	\$ 500	\$ 515	\$ 530	\$ 546
Audited Financial Statements of the Civic Recreational-Industrial Authority, Report on Internal Controls Over Financial Reporting, Auditor's Communication with Board	46	\$ 6,000	\$ 6,180	\$ 6,365	\$ 6,556
Preparation of the CCivic Recreational-Industrial Authority's Financial Statements	4	\$ 500	\$ 515	\$ 530	\$ 546
Audited Financial Statements of the Industry Public Facilities Authority, Report on Internal Controls Over Financial Reporting, Auditor's Communication with Board	46	\$ 6,000	\$ 6,180	\$ 6,365	\$ 6,556
Preparation of the Industry Public Facilities Authority's Financial Statements	4	\$ 500	\$ 515	\$ 530	\$ 546
<b>Maximum Fees</b>	<b>685</b>	<b>\$ 88,700</b>	<b>\$ 91,361</b>	<b>\$ 94,102</b>	<b>\$ 96,925</b>
<b>Optional Services</b>					
Uniform Grant Guidance Single Audit of Federal Grants of the City, for 1 major program. (If required)	25	\$ 3,500	\$ 3,570	\$ 3,677	\$ 3,787



# CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services

\*Based on the information provided by the City of Industry and our understanding of the engagement, the City is subject to the Single Audit Act in accordance with OMB Uniform Grant Guidance. The Single Audit fees are based on (1) one major program. If the City of Industry applies for additional funding subsequent to the preparation of this proposal, the fee to audit additional major programs will be \$3,500 each. The number of programs determined to be "major" will be based on OMB Uniform Grant Guidance. The Engagement Team will discuss this with the City's Management before starting Single Audit work.

### *Out of Pocket Expenses in the Total Maximum Price and Reimbursement Rates*

The Firm's policy is to maintain flexible billing rates in order to meet the needs of clients and help them control costs. In the interest of **continuing** our long-term relationship, we will **absorb all costs** required to familiarize ourselves with the operations and accounting systems, as well as, travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the City of Industry. These **costs** will also be **absorbed** by the Firm.

### *Rates for Additional Professional Services*

Below is the Firm's standard hourly billing rates, delineated by staffing levels:

Auditor's Standard Hourly Billing Rates	
Position	FY 2015-16
Partner(s)	\$ 250
Senior Manager(s)	\$ 225
Manager(s)	\$ 200
Supervisor(s)	\$ 175
Senior Accountant(s)	\$ 150
Staff Accountant(s)	\$ 125
Clerical	\$ 100

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added in a written agreement prior to commencing audit work. The Firm and the City will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above quoted hourly rates.

### *Manner of Payment*

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill the City of Industry, at the rates outlined in the Total All-Inclusive Maximum Price section, in four stages: (1) at the conclusion of the planning phase, (2) at the conclusion of the interim phase, (3) at the conclusion of the Year-End phase, (4) and after presentation and acceptance of the final audit reports. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

Work Performed	% of Proposal Amount
For Planning	10%
For Interim work	40%
For Year-End work	40%
At Presentation and Acceptance of Final Reports	10%
Total	100%

# CITY OF INDUSTRY

## *Proposal to Perform Professional Auditing Services*

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### ***Benefits of Choosing The Pun Group, LLP***

The Pun Group, LLP is recognized for its professionalism, integrity, and providing clients with effective resolutions for their unique circumstances and issues. Our Firm prides itself on being able to provide personalized client services, and with that sentiment in mind, we have carefully chosen our engagement teams. The Pun Group's main objective is always to provide the City with solutions and directions, led by highly experienced and capable partners who can successfully implement the work and produce the results you expect. This philosophy and mindset allows us to provide a superior level of service.

We trust that this proposal has given you the information you need about the Firm, the Engagement Team members, overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the City of Industry and providing you with the excellent level of service that you expect and deserve.

### ***Thank You***

Thank you for giving us the opportunity to introduce the Firm and submit our qualifications to provide you with audit services. Please direct inquiries to:

Mr. Kenneth H. Pun, CPA, CGMA  
Managing Partner  
200 East Sandpointe Avenue, Suite 600  
Santa Ana, California 92707  
ken.pun@pungroup.com  
(949) 777-8801

Sincerely,

A handwritten signature in black ink that reads "The Pun Group, LLP". The signature is written in a cursive, flowing style.

The Pun Group, LLP  
Certified Public Accountants and Business Advisors

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# APPENDIX

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✓ *Proof of Insurance*

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## CITY OF INDUSTRY

## Proposal to Perform Professional Auditing Services



## CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
3/8/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Wood Gutmann & Bogart 15901 Red Hill Ave., Suite 100 Tustin CA 92780		CONTACT NAME: Connie Jones PHONE (A/C No., Ext): 714-505-7000 FAX (A/C No): 714-573-1770 E-MAIL ADDRESS: connie@wgbib.com	
INSURED PUN&M-1 The Pun Group, LLP 200 East Sandpointe Avenue, Suite 600 Santa Ana CA 92707		INSURER(S) AFFORDING COVERAGE INSURER A: TRAVELERS CAS INS CO OF AMER 19046 INSURER B: Travelers Property Casualty Co of A 25674 INSURER C: Argonaut Insurance Company INSURER D: TRAVELERS CAS INS CO OF AMER 19046 INSURER E: INSURER F:	

## COVERAGES

CERTIFICATE NUMBER: 351569536

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:		6807G592120-16	3/1/2016	3/1/2017	EACH OCCURRENCE \$2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$300,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$2,000,000 GENERAL AGGREGATE \$4,000,000 PRODUCTS - COMPIOP AGG \$4,000,000 \$
D	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$		BA-8G976703	3/1/2016	3/1/2017	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$ EACH OCCURRENCE \$ AGGREGATE \$ \$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A	UB4548T41-2-16	3/1/2016	3/1/2017	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE - EA EMPLOYEE \$1,000,000 E.L. DISEASE - POLICY LIMIT \$1,000,000
C	E&O Retro 12/29/11		Pending	3/1/2016	3/1/2017	3,000,000 agg 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Proof Of Insurance Only

## CERTIFICATE HOLDER

Proof Of Insurance Only

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

DA, III

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*INDUSTRY PUBLIC FACILITIES AUTHORITY*

ITEM NO. 5.3





# INDUSTRY PUBLIC FACILITIES AUTHORITY

P.O. BOX 3366 • CITY OF INDUSTRY, CALIFORNIA 91744

(626) 333-2211 • FAX (626) 961-6795 • [www.cityofindustry.org](http://www.cityofindustry.org)

Mark D. Radecki, Chairman  
Cory C. Moss, Vice Chair  
Abraham N. Cruz, Board Member  
Roy M. Haber, III, Board Member  
Newell W. Ruggles, Board Member

Paul J. Philips, Executive Director  
James M. Casso, General Counsel  
Phyllis Tucker, Treasurer  
Cecelia Dunlap, Assistant Secretary

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## STAFF REPORT

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TO: Honorable Chairman and Board Members

FROM: Paul J. Philips, Executive Director

STAFF: Susan Paragas, City Controller

DATE: June 9, 2016

SUBJECT: Consideration to Approve and Adopt the Industry Public Facilities Authority's ("IPFA") FY 2016-17 Proposed Budget.

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### Background:

On April 4, 2016, the Financial Services Department introduced the new FY 2016-17 (FY 17) Budget Process to all Citywide staff. The new FY 17 Budget Process entailed: a new "Zero-Based Budget" budget policy, which aligns actual costs to its true City operations; completion of formal budget forms; and undertaking a collaborative, Citywide approach in which all departments were responsible for submitting their budget requests. Other affiliated City entities also participated and submitted their budget requests to the City.

In May 2016, final budgetary reviews were completed by Finance, the Director of Development Services & Administration, and the City Manager in order to present the FY 2016-17 (FY 17) Proposed Budget for consideration to adopt for all City entities, including the Industry Public Facilities Authority's ("IPFA"), on June 8<sup>th</sup> and June 9, 2016.

### Overview of FY 2017 Proposed City Operating Budget

The FY 2016-17 Proposed Budget is a balanced budget and reflects the City's commitment to: our residents, fiscal and administrative reform efforts, continued fiscal stability, improving quality of life through support of surrounding communities, and improving fiscal

transparency. The FY 17 Proposed Citywide Budget (All Funds) totals \$259.7 million, with a \$40.3 million budget in its General Fund. Proposed Revenues total \$226.5 million in all its City funds, and \$50.1 million in its General Fund.

An overview of the major city budgets are listed below.

<b>Chart 1 – Figures in Millions</b>				
	<b>FY 13/14 Actuals</b>	<b>FY 14/15 Actuals</b>	<b>FY 15/16 Adopted</b>	<b>FY 16/17 Proposed</b>
<b>General Fund</b>	\$35.7	\$45.5	\$34.3	\$40.3
<b>CIP Program</b>	6.9	6.8	37.0	33.4
<b>Debt Services</b>	90.0	119.9	81.2	174.6
<b>Other Funds</b>	5.6	6.3	11.7	11.4
<b>Totals</b>	<b>\$138.2</b>	<b>\$178.5</b>	<b>\$164.2</b>	<b>\$259.7</b>

In FY 17, the General Fund budget will increase by \$6.1 million (17.7%) to \$40.3 million. The City’s operating budget is fully supported by on-going revenues. The City utilizes its reserves to supports its CIP Program, in which \$33.4 million will be allocated to CIPs. The City’s reserves also supports other City funds that have operating deficits.

IPFA FY 17 Proposed Budget

The Industry Public Facilities Authority (“IPFA”) is the City’s governing finance authority that issues governmental bonds and notes to finance major City capital projects as well as refinance and refund older bond issuances. The IPFA Fund (Fund 440) is an internal service fund that is supported by bond proceeds, and other affiliated-City Funds, such as the General Fund as necessary. This fund supports the majority of the City’s debt services associated with issuances of City bonds and its respective debt service schedules.

Below is a summary of the FY 17 Proposed IPFA Revenues & Expenditure Budget.

	<b>FY 15/16 Revenues</b>	<b>FY 16/17 Revenues</b>	<b>Increase / (Decrease)</b>
	<b>A</b>	<b>B</b>	<b>B - A</b>
<b>Interest &amp; Lease Income</b>	\$5,192,850	\$5,937,700	\$744,850
<b>Tax Override Revenues (Fund 135)</b>	-	45,880,052	45,880,052
<b>RPTTF Revenues – Successor Agency</b>	-	55,759,479	55,759,479
<b>Totals:</b>	<b>\$5,192,850</b>	<b>\$107,577,231</b>	<b>\$102,384,381</b>

	<b>FY 15/16 Expenditures</b>	<b>FY 16/17 Expenditures</b>	<b>Surplus / (Use of Reserves)</b>
	<b>A</b>	<b>B</b>	<b>B - A</b>
<b>IPFA – Fund 440</b>	\$17,350,420	\$86,417,878	\$69,067,458
<b>Totals:</b>	<b>\$17,350,420</b>	<b>\$86,417,878</b>	<b>\$69,067,458</b>

In FY 17, the IPFA Proposed Budget reflects a significant increase (\$69 million) from FY 16 and will total \$86.4 million in expenditures. The major reason for this is; in July 2015 (FY 16), the City's IPFA successfully issued \$575 million of Tax Allocation Refunding Bonds (TAB) and refunded \$592 million of outstanding TAB bonds for the former Industry Urban-Development Authority ("IUDA"). Subsequently, the associated debt and debt service shifted over from the Successor Agency's debt to the City's debt, and as such, augmented the City's IPFA Budget.

To support this significant increase, as part of the bond issuance, the IPFA debt service will be supported by \$45.9 million of Tax Override Revenues (Fund 135) and pledged Successor Agency Redevelopment Property Tax Trust Fund ("RPTTF") tax increment revenues of \$55.8 million. In doing so, the City is anticipated to yield annual savings of \$20 million, which will be used to pay down other outstanding City bonds.

### Recommendation

Staff is recommending the IPFA Board to adopt the attached resolution approving the FY 17 Proposed IPFA Budget. In addition, the FY 17 IPFA Budget will be a part of the City's FY 2016-17 Proposed Operating Budget for the City Council to ratify on June 9, 2016.

Exhibits:

- A. Resolution
- B. IPFA Budget Section

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PJP/SP:sa

**RESOLUTION NO. PFA 2016-02**

**A RESOLUTION OF THE INDUSTRY PUBLIC FACILITIES AUTHORITY (“IPFA”) OF THE CITY OF INDUSTRY, CALIFORNIA, APPROVING AND ADOPTING THE FY 2016-17 PROPOSED IPFA BUDGET**

**WHEREAS**, on April 4, 2016, the Financial Services Department introduced the new FY 2016-17 (FY 17) Budget Process to all Citywide staff; and

**WHEREAS**, the FY 17 Budget Process was a collaborative, Citywide approach in which all departments and affiliated City entities were responsible for submitting their budget requests; and

**WHEREAS**, the appropriate department for the Industry Public Facilities Authority (“IPFA”) submitted their budget request to the City; and

**WHEREAS**, Finance, Director of Development Services & Administration, and the City Manager reviewed each budget request with respect to the City’s total budget and Citywide fiscal condition; and

**WHEREAS**, the FY 2016-17 Proposed IPFA Budget is hereby incorporated into the City’s FY 2016-17 Proposed Operating Budget.

**NOW, THEREFORE, THE INDUSTRY PUBLIC FACILITIES AUTHORITY OF THE CITY OF INDUSTRY, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:**

Section 1. The IPFA’s Revenue Budget of \$107,577,231 and Expenditure Budget of \$86,417,878 for the fiscal year 2016-2017 is hereby approved and adopted.

Section 2. Contingent upon City Council approval, the IPFA’s Budget for the fiscal year 2016-2017 is hereby approved and incorporated into the City’s FY 2016-17 Proposed Operating Budget.

Section 3. The Secretary shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

**PASSED, APPROVED AND ADOPTED** by the Industry Public Facilities Authority at a regular meeting held on June 9, 2016, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

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Mark D. Radecki, Chairman

**ATTEST:**

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Cecelia Dunlap, Assistant Secretary

## Public Finance Authority Fund (Fund 440) – Summary of Expenditures &amp; Account Detail

Object #	Account Description	2013 Actual Amount	2014 Actual Amount	2015 Actual Amount	2016 Adopted Budget	2017 Proposed Budget
5120.01	Professional Services	\$6,500	\$ -	\$2,750	\$2,800	\$6,000
5120.03	Professional Services - Accounting	9,810	11,880	10,018	4,100	-
5710	Lease Obligation- PFA	373,144	373,144	373,144	373,150	373,150
5790	Miscellaneous	235	134	-	-	-
9450.16*	PFA - 2005 General Obligation Bond (Principal)	930,000	965,000	-	-	-
9450.17*	PFA - 2007 Tax Allocation Revenue Bond (Principal)	11,570,000	11,920,000	-	12,590,000	-
9450.18	PFA - 2010 Refunding Lease Revenue Bond (Principal)	685,000	705,000	730,000	750,000	780,000
9470.01	2015A Proj 1 Tax Allocation Revenue Refunding Bonds	-	-	-	-	32,000,000
9470.02	2015A Proj 2 Tax Allocation Revenue Refunding Bonds	-	-	-	-	495,000
9470.03	2015B Proj 2 Tax Allocation Revenue Refunding Bonds	-	-	-	-	10,245,000
9470.04	2015A Proj 2 Subordinate Tax Allocation Revenue Refunding Bonds	-	-	-	-	1,975,000
9470.05	2015A Proj 3 Tax Allocation Revenue Refunding Bonds	-	-	-	-	505,000
9470.06	2015B Proj 3 Tax Allocation Revenue Refunding Bonds	-	-	-	-	2,595,000
9451.16*	PFA - 2005 General Obligation Bond (Interest)	1,373,825	1,338,316	-	-	-
9451.17*	PFA - 2007 Tax Allocation Revenue Bond (Interest)	4,792,188	4,329,388	1,948,644	3,438,480	-
9451.18	PFA - 2010 Refunding Lease Revenue Bond (Interest)	255,913	235,063	213,538	187,590	156,988
9451.24	City - 2015B Subordinate Sales Tax Revenue Bond (Interest)	-	-	-	-	4,316,660
9471.01	2015A Proj 1 Tax Allocation Revenue Refunding Bonds	-	-	-	-	10,848,023
9471.02	2015A Proj 2 Tax Allocation Revenue Refunding Bonds	-	-	-	-	535,500
9471.03	2015B Proj 2 Tax Allocation Revenue Refunding Bonds	-	-	-	-	15,798,230
9471.04	2015A Proj 2 Sub Tax Allocation Revenue Refunding Bonds	-	-	-	-	2,867,794
9471.05	2015A Proj 3 Tax Allocation Revenue Refunding Bonds	-	-	-	-	542,250
9471.06	2015B Proj 3 Tax Allocation Revenue Refunding Bonds	-	-	-	-	2,360,783
9452	Bond Issuance Costs	-	446,881	21,500	-	-
9750	Fiscal Agent Fees	7,075	7,625	2,800	4,300	17,500
	<b>TOTALS:</b>	<b>\$20,003,689</b>	<b>\$20,332,429</b>	<b>\$3,302,393</b>	<b>\$17,350,420</b>	<b>\$86,417,878</b>

\* In July 2015, the City successfully issued \$575 million of Tax Allocation Bonds and refunded \$592 million of outstanding bonds for the SA. As a result, the associated SA debt and debt service shifted to the City's debt, and as such, will augment the City's debt services budget for FY 17.