

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY AND SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY



Chair Cory C. Moss
Vice Chair Cathy Marcucci
Board Member Michael Greubel
Board Member Mark D. Radecki
Board Member Newell Ruggles

JOINT SPECIAL MEETING AGENDA FEBRUARY 6, 2023 AT 9:00 A.M.

Location: City Council Chamber, 15651 Mayor Dave Way, City of Industry, California 91744

Addressing the Authority/Agency:

NOTICE OF TELEPHONIC MEETING:

- **Pursuant to AB 361 (Government Code Section 54953(e)), this meeting will be held in person and telephonically. Members of the public can attend the hybrid meeting and offer public comments either in person or telephonically, by calling the following conference call number: 657-204-3264, then entering the following Conference ID: 974 587 025#. Pursuant to the Governor's Executive Order, and in compliance with the Americans with Disabilities Act, if you need special assistance to participate in the IPFA/SA meeting (including assisted listening devices), please contact the City Clerk's Office at (626) 333-2211 by 5:00 p.m. on Friday, February 3, 2023, to ensure that reasonable arrangements can be made to provide accessibility to the meeting.**
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- **Agenda Items:** Members of the public may address the Authority/ Agency 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.
- **Public Comments (Non-Agenda Items Only):** Anyone wishing to address the Authority/Agency 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/Agency from taking action on a specific item unless it appears on the posted Agenda.

Agendas and other writings:

In compliance with Government Code Section 54957.5(b), staff reports and other public records permissible for disclosure related to open session agenda items are available at City Hall, 15625 Mayor Dave Way, City of Industry, California, at the office of the City Clerk of the City Council during regular business hours, Monday through Thursday, 8:00 a.m. to 5:00 p.m., Fridays 8:00 a.m. to 4:00 pm. City Hall doors are closed between 12:00 p.m. to 1:00 p.m. each day. 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 Comment

5. **CONSENT CALENDAR**

- 5.1 Consideration of the Public Facilities Authority minutes of the June 9, 2022, joint special meeting and June 23, 2022, special meeting

RECOMMENDED ACTION: *Approve as submitted.*

- 5.2 Consideration of the Annual Audited Basic Financial Statements for the Year Ending June 30, 2022, with Independent Auditors' Report for the Public Facilities Authority

RECOMMENDED ACTION: *Approve the Annual Audited Financial Statements for FY 21-22.*

- 5.3 Consideration of Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters for the Year Ending June 30, 2022, for the Public Facilities Authority

RECOMMENDED ACTION: *Approve the Independent Auditor's Report for FY 21-22.*

- 5.4 Consideration of Auditor's Communications with the Chair and Board Members for the Year Ending June 30, 2022, for the Public Facilities Authority

RECOMMENDED ACTION: *Approve the Auditor's Communication Report for FY 21-22.*

- 5.5 Consideration of the Annual Audited Basic Financial Statements for the Year Ending June 30, 2022, with Independent Auditors' Report, for the Successor Agency to the Industry Urban-Development Agency

RECOMMENDED ACTION: *Approve the Annual Audited Financial Statements for FY 21-22.*

- 5.6 Consideration of the Independent Auditor' s Report on Internal Control Over Financial Reporting and Compliance and On Compliance and Other Matters for the Year Ending June 30, 2022, for the Successor Agency to the Industry Urban-Development Agency

RECOMMENDED ACTION: *Approve the Independent Auditor's Report for FY 21-22.*

- 5.7 Consideration of the Auditor's Communications with the Chair and Board Members for the Year Ending June 30, 2022, for the Successor Agency to the Industry Urban-Development Agency

RECOMMENDED ACTION: *Approve the Auditor's Communication Report for FY 21-22.*

- 5.8 Consideration of Resolution No. IPFA 2023-01 – A RESOLUTION OF THE CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY AUTHORIZING REMOTE TELECONFERENCE MEETINGS PURSUANT TO AB 361

RECOMMENDED ACTION: *Discuss and provide direction to staff.*

6. Adjournment

Industry Public Facilities Authority
FEBRUARY 6, 2023
ITEM NO. 5.1

JOINT SPECIAL MEETING MINUTES OF THE CITY OF INDUSTRY CITY COUNCIL,
SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY,
INDUSTRY PUBLIC UTILITIES COMMISSION
AND INDUSTRY PUBLIC FACILITIES AUTHORITY

JUNE 9, 2022
PAGE 1

CALL TO ORDER

The Joint Special Meeting of the City Council, Successor Agency to the Industry Urban-Development Agency, Industry Public Utilities Commission and Industry Public Facilities Authority of the City of Industry, California, was called to order by Mayor/Chair/President Cory C. Moss at 9:00 a.m., telephonically using Conference Call Number 657-204-3264, Conference ID: 482 936 973#.

FLAG SALUTE

The flag salute was led by Mayor/Chair/President Moss.

ROLL CALL

PRESENT: Cory Moss, Mayor/Chair/President
Catherine Marcucci, Mayor Pro Tem/Vice Chair/Board Member -
Telephonically
Michael Greubel, Council Member/Board Member
Mark Radecki, Council Member/Board Member
Newell W. Ruggles, Council Member/Board Member

STAFF PRESENT: Josh Nelson, Executive Director; Bing Hyun, Assistant City Manager; Bianca Sparks, Assistant Legal Counsel; and Julie Gutierrez-Robles, City Clerk/Secretary.

PUBLIC COMMENTS

Mike Greenspan and Armando Herman each spoke for three minutes about their first amendment freedom of speech rights, to include the tolerance of all unpleasant forms of speech. They spoke about their opposition to government policies/leadership and provided documents for the record.

CONSENT CALENDAR

Mike Greenspan and Armando Herman each spoke for three minutes in opposition of the Consent Calendar.

JOINT SPECIAL MEETING MINUTES OF THE CITY OF INDUSTRY CITY COUNCIL,
SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY,
INDUSTRY PUBLIC UTILITIES COMMISSION
AND INDUSTRY PUBLIC FACILITIES AUTHORITY

JUNE 9, 2022
PAGE 2

**5.1 PRESENTATION AND DISCUSSION REGARDING THE FY 2022-2023
PROPOSED BUDGETS FOR: THE CITY OF INDUSTRY; THE SUCCESSOR AGENCY
TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY, THE INDUSTRY PUBLIC
UTILITIES; AND THE INDUSTRY PUBLIC FACILITIES AUTHORITY**

RECOMMENDED ACTION:

Provide direction to Staff.

Director of Finance, Yamini Pathak provided a presentation and was available to answer any questions. Upon approval, the proposed budget would come back to the June 23rd City Council meeting for adoption, then to each entity for approval.

It was agreed that no changes were needed.

ADJOURNMENT

There being no further business, the Joint Special Meeting adjourned at 9:49 a.m.

CORY MOSS
MAYOR/CHAIR/PRESIDENT

JULIE GUTIERREZ-ROBLES
CITY CLERK/SECRETARY

INDUSTRY PUBLIC FACILITIES AUTHORITY
SPECIAL MEETING MINUTES
CITY OF INDUSTRY, CALIFORNIA
JUNE 23, 2022
PAGE 1

The Special Meeting of the Industry Public Facilities Authority of the City of Industry, California, was called to order by Chair Cory C. Moss at 9:00 a.m., telephonically using Conference Call Number 657-204-3264, Conference ID: 717 023 540#.

FLAG SALUTE

The flag salute was led by Chair Moss.

ROLL CALL

PRESENT: Cory C. Moss, Chair
Cathy Marcucci, Vice Chair
Michael Greubel, Board Member
Mark D. Radecki, Board Member
Newell Ruggles, Board Member

STAFF PRESENT: Josh Nelson, City Manager, Bing Hyun, Assistant City Manager; James M. Casso, General Counsel; Bianca Sparks, Assistant General Counsel; and Julie Gutierrez-Robles, Secretary.

PUBLIC COMMENTS

Mike Greenspan and Armando Herman each spoke about their first amendment freedom of speech rights, to include the tolerance of all unpleasant forms of speech. They spoke about their opposition to government policies/leadership and provided documents for the record.

CONSENT CALENDAR

Mike Greenspan and Armando Herman each spoke for three minutes in opposition of the Consent Calendar.

5.1 CONSIDERATION OF RESOLUTION NO. IPFA 2022-02 – A RESOLUTION OF THE CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY (“IPFA”) ADOPTING THE FY 2022-2023 IPFA BUDGET

RECOMMENDED ACTION:
02.

Adopt Resolution No. IPFA 2022-

INDUSTRY PUBLIC FACILITIES AUTHORITY
SPECIAL MEETING MINUTES
CITY OF INDUSTRY, CALIFORNIA
JUNE 23, 2022
PAGE 2

5.2 CONSIDERATION OF RESOLUTION NO. IPFA 2022-03 – A RESOLUTION OF THE CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY CONTINUING THE AUTHORIZATION OF REMOTE TELECONFERENCE MEETINGS PURSUANT TO AB 361

RECOMMENDED ACTION:

Adopt Resolution No. IPFA 2022-03.

5.3 CONSIDERATION OF THE MEETING MINUTES FOR THE APRIL 14, 2022, JOINT SPECIAL MEETING

RECOMMENDED ACTION:

Approve as submitted.

5.4 CONSIDERATION OF AMENDMENT NO. 3 TO THE PROFESSIONAL SERVICES AGREEMENT WITH CLIFTONLARSONALLEN, LLP, FOR AUDITING SERVICES, EXTENDING THE TERM THROUGH JUNE 30, 2023, AND INCREASING COMPENSATION BY \$7,040.00

RECOMMENDED ACTION:

Approve the Amendment.

5.5 CONSIDERATION OF THE STATEMENT OF INVESTMENT POLICY

RECOMMENDED ACTION:

Approve as submitted

MOTION BY BOARD MEMBER RADECKI, AND SECOND BY VICE CHAIR MARCUCCI TO APPROVE THE CONSENT CALENDAR. MOTION CARRIED 5-0, BY THE FOLLOWING VOTE:

| | | |
|---------|----------------|---|
| AYES: | BOARD MEMBERS: | GREUBEL, RADECKI, RUGGLES, VC/MARCUCCI, C/MOSS |
| NOES: | BOARD MEMBERS: | NONE |
| ABSENT | BOARD MEMBERS: | NONE |
| ABSTAIN | BOARD MEMBERS: | NONE |

Chair Moss recessed the meeting at 9:45 a.m.

Council Member Greubel left the Council Chamber at 12:20 p.m. and participated remotely for the remainder of the meeting.

INDUSTRY PUBLIC FACILITIES AUTHORITY
SPECIAL MEETING MINUTES
CITY OF INDUSTRY, CALIFORNIA
JUNE 23, 2022
PAGE 3

Chair Moss reconvened the meeting back into open session at 12:24 p.m.

ADJOURNMENT

There being no further business, the Industry Public Facilities Authority adjourned at 12:33 a.m.

Cory C. Moss, Chair

Julie Gutierrez-Robles, Secretary

Industry Public Facilities Authority

FEBRUARY 6, 2023

ITEM NO. 5.2



INDUSTRY PUBLIC FACILITIES AUTHORITY

MEMORANDUM

TO: Chair and Board Members

FROM: Audit Committee

DATE: February 6, 2023

SUBJECT: Industry Public Facilities Authority Year Ending June 30, 2022 Annual Financial Reports

RECOMMENDATION

Receive and file the following annual financial reports for the year ending June 30, 2022 and to instruct staff to present a summary of the year ending June 30, 2022 Annual Financial Reports to the Chair and Board Members. The Audit Committee has approved these financial reports.

City of Industry

1. Annual Audited Basic Financial Statements for the Year Ending June 30, 2022 with Independent Auditors' Report
2. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for the Year Ending June 30, 2022
3. Auditors' Communications with the Chair and Board Members for the Year Ending June 30, 2022

EXECUTIVE SUMMARY

The City's independent auditors, CliftonLarsonAllen, LLP, have completed their annual audit of the City's financial statements which include the financial activities of its component units (Successor Agency to the Industry Urban-Development Agency, the Civic-Recreational- Industrial Authority and the Industry Public Facilities Authority) for the year ending June 30, 2022. The financial statements received an unqualified (or clean) opinion. No material weakness in internal control was noted by the Auditors.

DESCRIPTION OF REPORTS

The financial reports and management compliance letter for the year ending June 30, 2022 are briefly described below:

Annual Financial Report

The annual financial statement is a comprehensive document reflecting the financial position of the City and its component units. The Auditors issued an unqualified (or clean) opinion on these financial statements.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

No material weakness in internal control was noted by the Auditors.

The Auditors' Communications with the Audit Committee and the Chair and Board Members

Statement of Auditing Standards (SAS) No. 114 requires more and documented communications between the auditors and the Audit Committee and the Chair and Board Members. This letter provides an opportunity for the auditors to report on any difficulties or major concerns discovered during the audit and to further define their role. They provide commentary on management's responsibilities for accounting policies and estimates that no significant difficulties were encountered in performing the audit, and no disagreements occurred with management. They point out that management has corrected all known material misstatements.

Fiscal Impact

There is no fiscal impact as result of this action.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

| | |
|--|----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 4 |
| STATEMENT OF ACTIVITIES | 5 |
| FUND FINANCIAL STATEMENTS | |
| GOVERNMENTAL FUND | |
| BALANCE SHEET | 6 |
| RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION | 7 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES | 8 |
| RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION | 9 |
| NOTES TO FINANCIAL STATEMENTS | 10 |
| REQUIRED SUPPLEMENTARY INFORMATOIN | |
| GENERAL FUND | 24 |
| SUPPLEMENTARY INFORMATOIN | |
| TAX ALLOCATION REVENUE BONDS, SERIES 2015A (TAXABLE) CIVIC-RECREATIONAL-INDUSTRIAL REDEVELOPMENT PROJECT NO. 1 | 25 |

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
STATEMENT OF NET POSITION
JUNE 30, 2022**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Accrued Interest Receivable | \$ 2,059,243 |
| Investments with Fiscal Agent, Restricted | 42,736,818 |
| Total Current Assets | <u>44,796,061</u> |
| Noncurrent Assets: | |
| Prepaid Items | 2,475,033 |
| Investments with SA to IUDA Bonds | 21,145,000 |
| Investment in City Bonds | 43,902,665 |
| Total Noncurrent Assets | <u>67,522,698</u> |
| Total Assets | <u>112,318,759</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 1,500 |
| Interest Payable | 2,059,242 |
| Total Current Liabilities | <u>2,060,742</u> |
| Long-Term Liabilities: | |
| Due within One Year | 10,290,000 |
| Due in More than One Year | 59,705,000 |
| Total Long-Term Liabilities | <u>69,995,000</u> |
| Total Liabilities | <u>72,055,742</u> |
| NET POSITION | |
| Restricted for Debt Service | 37,789,484 |
| Unrestricted | 2,473,533 |
| Total Net Position | <u>\$ 40,263,017</u> |

See accompanying Notes to Financial Statements.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| | Expenses | Operating Grants and Contributions Charges for Services | Net Revenue (Expense) and Changes in Net Position Governmental Activities |
|---------------------------------------|---------------|---|--|
| GOVERNMENTAL ACTIVITIES | | | |
| General Administration | \$ 49,159,789 | \$ 42,572,289 | \$ (6,587,500) |
| Interest and Fiscal Charges | 7,964,571 | - | (7,964,571) |
| Total Governmental Activities | \$ 57,124,360 | \$ 42,572,289 | (14,552,071) |
| GENERAL REVENUES | | | |
| Investment Income (Losses) | | | (602,381) |
| CHANGE IN NET POSITION | | | (15,154,452) |
| Net Position - Beginning of Year | | | 55,417,469 |
| NET POSITION - END OF YEAR | | | \$ 40,263,017 |

See accompanying Notes to Financial Statements.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022**

| | <u>General Fund</u> |
|--|---------------------|
| ASSETS | |
| Investments with Fiscal Agent - Restricted | \$ 42,736,818 |
| Investments in City and SA to IUDA Bonds | 65,047,665 |
| Accrued Interest Receivable | 2,059,243 |
| Prepaid Items | 2,475,033 |
| Total Assets | \$ 112,318,759 |
| LIABILITIES AND FUND BALANCE | |
| Liabilities: | |
| Accounts Payable | \$ 1,500 |
| Fund Balance: | |
| Nonspendable | 2,473,533 |
| Restricted for Debt Service | 109,843,726 |
| Total Fund Balance | 112,317,259 |
| Total Liabilities and Fund Balance | \$ 112,318,759 |

See accompanying Notes to Financial Statements.

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

| | |
|--|----------------------|
| Fund Balances of Governmental Funds | \$ 112,317,259 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| <p>Accrued interest payable on outstanding bonds payable does not require the use of current financial resources, and accordingly, is not reported as expenditures in the governmental funds.</p> | (2,059,242) |
| <p>Long-term liabilities applicable to governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Long-term liabilities are included in the statement of net position as follows:</p> | |
| City Loan | (48,850,000) |
| Tax Allocation Revenue Bonds | <u>(21,145,000)</u> |
| Subtotal | <u>(69,995,000)</u> |
| Net Position of Governmental Activities | <u>\$ 40,263,017</u> |

See accompanying Notes to Financial Statements.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2022**

| | <u>General Fund</u> |
|---|-----------------------|
| REVENUES | |
| Intergovernmental Revenue | \$ 42,572,289 |
| Investment Income (Losses) | (602,381) |
| Total Revenues | 41,969,908 |
| EXPENDITURES | |
| General Administration | |
| Contribution to Successor Agency to to the Industry Urban Development Agency | 49,159,789 |
| Debt Service: | |
| Principal Retirement | 80,570,000 |
| Interest and Fiscal Charges | 9,755,454 |
| Total Expenditures | 139,485,243 |
| NET CHANGE IN FUND BALANCE | (97,515,335) |
| Fund Balance - Beginning of Year | 209,832,594 |
| FUND BALANCE - END OF YEAR | \$ 112,317,259 |

See accompanying Notes to Financial Statements.

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

| | |
|--|-----------------|
| Net Change in Fund Balance - Governmental Fund | \$ (97,515,335) |
|--|-----------------|

Amounts reported for governmental activities in the statement of net position are different because:

Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.

| | |
|--------------------|------------|
| Principal Payments | 80,570,000 |
|--------------------|------------|

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:

| | |
|-------------------------------------|----------------|
| Change in Accrued Interest Payable | 1,630,706 |
| Net Change in Bond Premium/Discount | <u>160,177</u> |

| | |
|---|-------------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ (15,154,452)</u></u> |
|---|-------------------------------|

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Industry Public Facilities Authority (the IPFA) was created in 1990 by a joint exercise of power agreement and amended in 2005 between the City of Industry (the City) and the Industry Urban-Development Agency of the City of Industry (the IUDA). The agreement was made pursuant to the provisions of Article 1 through 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, Sections 6500, et seq. On December 29, 2011, the California Supreme Court upheld Assembly Bill XI 26 that provides for the dissolution of all redevelopment agencies in the state of California. As a result, the City has elected to be the successor agency to the Industry Urban-Development Agency (the SA to IUDA).

The IPFA exists and acts as a separate entity. The governing board of the IPFA consists of five members, all members of the City Council.

The IPFA was established for the purpose of establishing a vehicle to reduce local borrowing costs, and accelerate construction, repair, and maintenance of needed public capital improvements. The IPFA was also established to borrow money for the purpose of financing the acquisition and construction of public capital improvements. The IPFA has the power to issue bonds, notes, or other evidences of indebtedness, and to expend their proceeds.

The IPFA is a component unit and an integral part of the City and accordingly has also been included in the basic financial statements of the City issued as of June 30 of each year. Only the funds of the IPFA are included herein; therefore, these financial statements do not purport to represent the financial position or results of operations of the City. Financial statements for the IPFA and the City may be obtained from the Finance Department located at 15625 Mayor Dave Way, City of Industry, California.

B. Financial Statement Presentation, Basis of Accounting, and Measurement Focus

The component unit financial statements of the IPFA have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the IPFA.

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Financial Statement Presentation, Basis of Accounting, and Measurement Focus
(Continued)**

Government-Wide Financial Statements (Continued)

These statements are presented on an *economic resources* measurement focus and the *accrual basis* of accounting. Under the *economic resources* measurement focus, all economic resources including capital assets, and long-term liabilities are included in the accompanying statement of net position.

Under the *accrual basis* of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues for IPFA are reported in three categories:

1. Charges for services,
2. Operating grants and contributions, and
3. Capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the IPFA are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures, as appropriate.

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Financial Statement Presentation, Basis of Accounting, and Measurement Focus
(Continued)**

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are presented after the government-wide financial statements.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual* basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Revenues are considered available if they are collected within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which are recognized when due.

In the fund financial statements, governmental funds are presented using the *current financial resources* measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The statement of revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The proceeds of long-term debt are recorded as other financing sources rather than a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

General Fund

The IPFA's major fund type is the General Fund, which is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

C. Investments

Investments in the SA to IUDA bonds are stated at amortized cost. Short-term investments are reported at amortized cost, which approximates fair value. Investments that exceed more than one year in maturity are valued at fair value.

Investments with fiscal agent are restricted for the use of debt service.

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Bond Issuance Costs and Premiums/Discounts

Bond premiums and discounts in the government-wide financial statements are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expense in the period incurred. In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, at the time the bonds are issued. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

E. Net Position

Net Position, the difference between assets and liabilities is classified as restricted and unrestricted. Restricted net position represents constraints on resources that are restricted by external creditors, grantors, contributors, laws, or regulations of other governments. Unrestricted net position is amounts which do not meet the definition of restricted net position.

When both restricted and unrestricted resources are available for use, it is the IPFA's policy to use restricted resources first and then unrestricted resources, as they are needed.

F. Fund Balance

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable – items that cannot be spent because they are not in spendable form or items that are legally or contractually required to be maintained intact.

Restricted – restricted fund balances are amounts with constraints placed on their use that are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law by constitutional provisions or enabling legislation.

Committed – committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the IPFA imposes upon itself at its highest level of decision-making authority (the board of directors) through board resolutions and that remain binding unless removed in the same manner. The IPFA has no committed fund balances at June 30, 2022.

Assigned – assigned fund balances are amounts that are constrained by the IPFA's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The board of directors is authorized for this purpose. The IPFA has no assigned fund balances at June 30, 2022.

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (Continued)

Unassigned – this category represents fund balances that have not been restricted, committed, or assigned to specific purposes. The IPFA has no unassigned fund balances at June 30, 2022.

When both restricted and unrestricted resources are available in a fund, expenditures are to be paid first from restricted resources, and then unrestricted resources in the order of committed, assigned, then unassigned.

G. Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 2 INVESTMENTS

Investments as of June 30, 2022, consisted of the following:

| | |
|---------------------------------|-----------------------|
| Investments with Fiscal Agent | \$ 42,736,818 |
| Investments in SA to IUDA Bonds | 21,145,000 |
| Investments in City Bonds | <u>43,902,665</u> |
| Total Cash and Investments | <u>\$ 107,784,483</u> |

Investments with fiscal agents are restricted for future bond principal and interest payments. As of June 30, 2022, the IPFA's carrying value of these funds amounted to \$42,736,818.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 INVESTMENTS (CONTINUED)

A. Investments Authorized by the Authority's Investment Policy

Under provision of the IPFA's Investment policy, and in accordance with Section 53601 of the California Government Code, The IPFA may invest in the following types of investments:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Allowed | Maximum Investment in One Issuer |
|---|------------------|----------------------------|----------------------------------|
| U.S. Treasury Obligations | 5 Years | None | None |
| U.S. Government Sponsored Enterprise Securities | 5 Years | None | None |
| Money Market Funds | N/A | 20% | None |
| Banker's Acceptances | 180 Days | 40% | 30% |
| Commercial Paper | 270 Days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 Years | None | None |
| Non-Negotiable Certificates of Deposit | 5 Years | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Repurchase Agreements | 1 Year | None | None |
| Los Angeles County Investment Pool | N/A | None | None |
| Local Agency Bonds | 5 Years | None | None |
| U.S. Corporate Bonds/Notes | 5 Years | 30% | None |

The IPFA's Investment policy does not contain any specific provisions intended to limit the IPFA's exposure to interest rate risk, credit risk, and concentration risk other than those specified in the California Government Code.

B. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the IPFA's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 INVESTMENTS (CONTINUED)

B. Investments Authorized by Debt Agreements (Continued)

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|--|-----------------------------|---|---|
| U.S. Treasury Obligations | None | None | None |
| U.S. Government Sponsored Enterprise Securities | None | None | None |
| Money Market Funds | None | None | None |
| Certificates of Deposit | None | None | None |
| Commercial Paper | None | None | None |
| Banker's Acceptances | 18 Months | None | None |
| U.S. Corporate Bonds/Notes | None | None | None |
| Municipal Bonds | None | None | None |
| Noninvestment Grade Bonds | None | 10% | None |
| Exchange Traded Funds | None | None | None |
| Mortgage-Backed Securities | None | None | None |
| Investment Contracts | None | None | None |
| LAIF | None | None | None |
| Foreign Government Bonds | None | None | None |
| Foreign Corporate Bonds/Notes | None | None | None |

C. Fair Value Measurement

The IPFA categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are valued using a matrix pricing technique in where investments are valued based on the investments' relationship to benchmark quoted prices, and Level 3 inputs are significant unobservable inputs. The IPFA has the following recurring fair value measurements as of June 30, 2022:

| <u>Investment Type</u> | <u>Value</u> | <u>Fair Value Measurement Level 2 Input</u> |
|--|----------------------|---|
| Investments - Unrestricted: City Bonds* | <u>\$ 43,902,665</u> | <u>\$ 43,902,665</u> |

*Valued Based on Institutional Bond Quotes

D. Investment in Successor Agency to Industry Urban-Development Agency

The IPFA holds the investments in SA to IUDA bonds through maturity. These investments are reported at amortized cost instead of fair value.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 INVESTMENTS (CONTINUED)

E. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. The IPFA manages its exposure to interest rate risk by purchasing short-term investments and/or by timing cash flows from maturities so that a portion of the portfolio is maturing, or coming close to maturity, evenly over time as necessary to provide the cash flow and liquidity needed for operations. IPFA's long-term investments in the Successor Agency to Industry Urban-Development Agency (SA to IUDA) and the City bonds have set interest rates between 3.000% and 7.750% over the life of the bonds.

| <u>Investment Type</u> | <u>Amounts</u> | <u>Weighted Average Maturity</u> |
|----------------------------------|-----------------------|--|
| Investments - Unrestricted: | | |
| SA to IUDA Bonds | \$ 21,145,000 | 13.52 Months |
| City Bonds | 43,902,665 | 93.87 Months |
| Investment Held by Fiscal Agent: | | |
| Money Market Funds | <u>42,736,818</u> | N/A |
| Total | <u>\$ 107,784,483</u> | |

Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical organization.

| <u>Investment Type</u> | <u>Total as of June 30, 2021</u> | <u>Minimum Legal Rating</u> | <u>A1</u> | <u>Aaa/P+1</u> | <u>Not Rated</u> |
|----------------------------------|--------------------------------------|---------------------------------|----------------------|----------------------|----------------------|
| Investments - Unrestricted: | | | | | |
| SA to IUDA Bonds | \$ 21,145,000 | None | \$ - | \$ - | \$ 21,145,000 |
| City Bonds | 43,902,665 | None | 43,902,665 | - | - |
| Investment Held by Fiscal Agent: | | | | | |
| Money Market Funds | <u>42,736,818</u> | Aaa/P+1 | - | <u>42,736,818</u> | - |
| Total | <u>\$ 107,784,483</u> | | <u>\$ 43,902,665</u> | <u>\$ 42,736,818</u> | <u>\$ 21,145,000</u> |

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 INVESTMENTS (CONTINUED)

E. Risk Disclosures (Continued)

Concentration of Credit Risk

The investment policy of IPFA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total IPFA's investments are as follows:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Amount</u> |
|--|------------------------|---------------|
| Successor Agency to Industry Urban Development Agency | Municipal Bonds | \$ 21,145,000 |
| City of Industry | Municipal Bonds | 43,902,665 |

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and IPFA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. IPFA's investments in SA to IUDA and City bonds are held by the trustee and are discussed in further detail under Note 3.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 INVESTMENT IN THE SA TO THE IUDA AND THE CITY BONDS

The following schedule represents the future payments to be paid by the SA to the IUDA and City:

SA to IUDA Bonds and by the City on the 2015 Sales Tax Revenue Subordinate Bonds, Series B

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|----------------------|-----------------------|
| 2023 | \$ 10,290,000 | \$ 4,738,537 | \$ 15,028,537 |
| 2024 | 10,720,000 | 4,318,279 | 15,038,279 |
| 2025 | 1,980,000 | 3,590,756 | 5,570,756 |
| 2026 | 680,000 | 3,527,898 | 4,207,898 |
| 2027 | 715,000 | 3,490,158 | 4,205,158 |
| 2027 to 2031 | 4,315,000 | 16,720,003 | 21,035,003 |
| 2032 to 2036 | 6,065,000 | 14,966,325 | 21,031,325 |
| 2037 to 2041 | 8,670,000 | 12,362,187 | 21,032,187 |
| 2042 to 2046 | 12,545,000 | 8,492,450 | 21,037,450 |
| 2047 to 2051 | 14,015,000 | 2,816,738 | 16,831,738 |
| | <u>69,995,000</u> | <u>\$ 75,023,331</u> | <u>\$ 145,018,331</u> |
| Fair Value Adjustment | (4,947,335) | | |
| Total | <u>\$ 65,047,665</u> | | |

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

| | <u>Balance at July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2022</u> | <u>Due within One Year</u> | <u>Due In More than One Year</u> |
|-----------------------|------------------------------------|------------------|------------------------|-------------------------------------|--------------------------------|--------------------------------------|
| Governmental | | | | | | |
| Activities: | | | | | | |
| Bonds Payable: | | | | | | |
| Tax Allocation | | | | | | |
| Bonds | \$ 101,155,000 | \$ - | \$(80,010,000) | \$ 21,145,000 | \$ 9,705,000 | \$ 11,440,000 |
| Lease Revenue | | | | | | |
| Bonds | - | - | - | - | - | - |
| Subtotal | <u>101,155,000</u> | <u>-</u> | <u>(80,010,000)</u> | <u>21,145,000</u> | <u>9,705,000</u> | <u>11,440,000</u> |
| Deferred Amounts: | | | | | | |
| Unamortized | | | | | | |
| Premium/Discount | 160,177 | - | (160,177) | - | - | - |
| Total Bonds | <u>101,315,177</u> | <u>-</u> | <u>(80,170,177)</u> | <u>21,145,000</u> | <u>9,705,000</u> | <u>11,440,000</u> |
| Direct Borrowing: | | | | | | |
| City of Industry Loan | 49,410,000 | - | (560,000) | 48,850,000 | 585,000 | 48,265,000 |
| Total | <u>49,410,000</u> | <u>-</u> | <u>(560,000)</u> | <u>48,850,000</u> | <u>585,000</u> | <u>48,265,000</u> |
| Long-Term | | | | | | |
| Liabilities | <u>\$ 150,725,177</u> | <u>\$ -</u> | <u>\$ (80,730,177)</u> | <u>\$ 69,995,000</u> | <u>\$ 10,290,000</u> | <u>\$ 59,705,000</u> |

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

A. Tax Allocation Revenue Bonds

| | Balance at July 1, 2021 | Additions | Deletions | Balance at June 30, 2022 | Due within One Year |
|---|----------------------------|-------------|-----------------------|-----------------------------|------------------------|
| Tax Allocation Revenue Bonds: | | | | | |
| 2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 1) | \$ 57,385,000 | \$ - | \$(36,240,000) | \$ 21,145,000 | \$ 9,705,000 |
| 2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 2) | 3,635,000 | - | (3,635,000) | - | - |
| 2015 Tax Allocation Revenue Refunding Bonds, Series B (Project No. 2) | 15,015,000 | - | (15,015,000) | - | - |
| 2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 3) | 3,680,000 | - | (3,680,000) | - | - |
| 2015 Tax Allocation Revenue Refunding Bonds, Series B (Project No. 3) | 21,440,000 | - | (21,440,000) | - | - |
| Total Long-Term Liabilities | <u>#####</u> | <u>\$ -</u> | <u>\$(80,010,000)</u> | <u>\$ 21,145,000</u> | <u>\$ 9,705,000</u> |

2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 1)

On July 1, 2015, the IPFA issued the \$239,525,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Civic-Recreational-Industrial Redevelopment Project No. 1) (Taxable) for the purpose of acquiring the SA to IUDA's Project No. 1 2015A Bonds, which was issued to defease all IUDA Project No. 1's 2002 Tax Allocation Refunding Bonds Series B, 2003 Tax Allocation Bonds, Series A, 2003 Tax Allocation Bonds, Series B, 2003 Subordinate Lien Tax Allocation Refunding Bonds, 2005 Subordinate Lien Tax Allocation Refunding Bonds, 2007 Subordinate Lien Tax Allocation Refunding Bonds, and 2008 Subordinate Lien Tax Allocation Refunding Bonds.

Principal ranges from \$1,335,000 to \$30,740,000 maturing annually through January 1, 2025. The bonds bear interest at rates ranging from 4.044% to 4.344%, due semiannually on January 1 and July 1. Debt service requirement to maturity is as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 9,705,000 | \$ 1,118,239 | \$ 10,823,239 |
| 2024 | 10,105,000 | 725,769 | 10,830,769 |
| 2025 | 1,335,000 | 28,996 | 1,363,996 |
| | <u>\$ 21,145,000</u> | <u>\$ 1,873,004</u> | <u>\$ 23,018,004</u> |

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

A. Tax Allocation Revenue Bonds (Continued)

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 2)

On July 1, 2015, the IPFA issued the \$7,140,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Tax-Exempt) for the purpose of acquiring the SA to IUDA's Project No. 2 2015A Bonds, issued to defease all IUDA Project No. 2's outstanding 2002 Tax Allocation Refunding Bonds. The IPFA also issued the \$249,770,000 Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Taxable) for the purpose of acquiring the SA to IUDA's Project No. 2 2015B Bonds, issued to defease a portion of 2003 Subordinate Lien Tax Allocation Refunding Bonds (with outstanding accreted value of \$178,967,753) and all IUDA Project No. 2's outstanding 2003 Tax Allocation Bonds, 2005 Subordinate Lien Tax Allocation Refunding Bonds, 2008 Subordinate Lien Tax Allocation Refunding Bonds, 2010 Subordinate Tax Allocation Refunding Bonds. The remaining outstanding balance of the Series A bonds were redeemed early during the fiscal year. The Series B were paid off during the fiscal year.

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 3)

On July 1, 2015, the IPFA issued the \$7,230,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 3) Tax-Exempt) for the purpose of acquiring the SA to IUDA's Project No. 3 2015A Bonds, which was issued to defease IUDA's Project. No. 3 outstanding 2002 Tax Allocation Refunding Bonds. The IPFA also issued the \$37,425,000 Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Taxable) for the purpose of acquiring the SA to IUDA's Project No. 3 2015B Bonds, which was issued to defease IUDA's Project No. 3 2003 Tax Allocation Bonds, 2003 Subordinate Lien Tax Allocation Refunding Bonds, and 2008 Subordinate Lien Tax Allocation Refunding Bonds. The remaining outstanding balance of the Series A bonds were redeemed early during the fiscal year. The Series B were paid off during the fiscal year.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

A. Tax Allocation Revenue Bonds (Continued)

Revenue Pledged

All of the 2015 Tax Allocation Refunding Bonds are secured and payable in the following order of priority: (1) pledged tax revenue through ownership to local obligation bonds, (2) investment income with respect to the funds and accounts established under the indenture, and (3) certain override revenues until the bonds are fully paid off which is scheduled to be during the year ending 2027. Principal and interest payments outstanding at June 30, 2022, amounted to \$28,018,004.

At June 30, 2022, the IPFA and the successor agency had funds held by the bond trustee that was and will be used to fund the bond payments on the 2015 A and B Public Facilities Authority Tax Allocation Revenue Refunding Bonds as follows:

PFA Tax Override Funds:

| | |
|---|----------------------|
| Tax Override Funds Transferred During the Year Ended June 30, 2022 | \$ 42,558,026 |
| Carryover from Prior Year and Interest Income | <u>137,293</u> |
| Total Tax Override Funds Held by PFA Bond Trustee at June 30, 2022 | 42,695,319 |
| Successor Agency RPTTF Funds | <u>32,533,080</u> |
| Total Tax Override And SA RPTTF Funds Held by Bond Trustee at June 30, 2022 | <u>\$ 75,228,399</u> |

2015A and B IPFA Tax Allocation Revenue Refunding Bond Payments during the year ended June 30, 2022 will be as follows:

| <u>Payment Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|---------------------|---------------------|----------------------|
| July 1, 2021 | \$ - | \$ 559,119 | \$ 559,119 |
| January 1, 2022 | <u>9,705,000</u> | <u>559,119</u> | <u>10,264,119</u> |
| | <u>\$ 9,705,000</u> | <u>\$ 1,118,238</u> | <u>\$ 10,823,238</u> |

The IPFA will have approximately \$32,000,000 in funds available to fund an early redemption of the 2015 A and B Public Facilities Authority Tax Allocation Revenue Refunding Bonds.

Prior Years' Defeased Obligations

In prior years, the IPFA defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At June 30, 2022, the IPFA had redeemed all prior year bonds that are considered defeased.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

B. Loans from the City of Industry

On December 1, 2015, the IPFA entered into a loan agreement with the City to borrow \$51,460,000 for the purchase of City of Industry Subordinate Sales Tax Revenue Bonds, Series 2015B (Taxable). The loan bears interest ranging from 3.750% to 7.750% annually, due February 1 and August 1 each year. The principal payments are due on February 1 each year and range from \$585,000 to \$3,905,000. As of June 30, 2022, debt service requirement to maturity is as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|----------------------|-----------------------|
| 2023 | \$ 585,000 | \$ 3,620,298 | \$ 4,205,298 |
| 2024 | 615,000 | 3,592,510 | 4,207,510 |
| 2025 | 645,000 | 3,561,760 | 4,206,760 |
| 2026 | 680,000 | 3,527,898 | 4,207,898 |
| 2027 | 715,000 | 3,490,158 | 4,205,158 |
| 2028 to 2031 | 4,315,000 | 16,720,003 | 21,035,003 |
| 2032 to 2036 | 6,065,000 | 14,966,325 | 21,031,325 |
| 2037 to 2041 | 8,670,000 | 12,362,187 | 21,032,187 |
| 2042 to 2046 | 12,545,000 | 8,492,450 | 21,037,450 |
| 2047 to 2051 | 14,015,000 | 2,816,738 | 16,831,738 |
| Total | <u>\$ 48,850,000</u> | <u>\$ 73,150,327</u> | <u>\$ 122,000,327</u> |

NOTE 5 SELF-INSURANCE PLAN

The City has established a Self-Insurance Plan (the Plan) to pay for liability claims against the City and the IPFA. The Plan is administered by an insurance committee which is responsible for approving all claims of \$25,000 or less and for making a provision for having sufficient funds available to pay approved claims and legal and investigative expenses. The insurance committee has given this authority to the City Manager. Potential liabilities of claims in excess of \$250,000, up to \$10,000,000, are covered by excess liability insurance policies. At June 30, 2022, there are no pending liability claims outstanding against the IPFA.

NOTE 6 SUBSEQUENT EVENT

In July 2022, the IPFA paid off the outstanding balance of the 2015 tax allocation revenue refunding bonds, series a, project no.1 before the original maturity.

**CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (UNAUDITED)
JUNE 30, 2022**

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|----------------------|-----------------------|-----------------------|---|
| REVENUES | | | | |
| Intergovernmental | 39,474,000 | 39,474,000 | 42,572,289 | 3,098,289 |
| Use of Money and Property | - | 11,139,200 | (602,381) | (11,741,581) |
| Total Revenues | <u>39,474,000</u> | <u>50,613,200</u> | <u>41,969,908</u> | <u>(8,643,292)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Development | - | - | 49,159,789 | (49,159,789) |
| Debt Service: | | | | |
| Principal | 110,558,000 | 79,450,000 | 80,570,000 | (1,120,000) |
| Interest and Fiscal Charges | 13,349,115 | 8,745,600 | 9,755,454 | (1,009,854) |
| Total Expenditures | <u>123,907,115</u> | <u>88,195,600</u> | <u>139,485,243</u> | <u>(51,289,643)</u> |
| NET CHANGE IN FUND BALANCE | (84,433,115) | (37,582,400) | (97,515,335) | (59,932,935) |
| Fund Balance - Beginning of Year | <u>158,912,029</u> | <u>158,912,029</u> | <u>209,832,594</u> | - |
| FUND BALANCE - END OF YEAR | <u>\$ 74,478,914</u> | <u>\$ 121,329,629</u> | <u>\$ 112,317,259</u> | <u>\$ (59,932,935)</u> |

CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
\$239,525,000 TAX ALLOCATION REVENUE BONDS, SERIES 2015A (TAXABLE)
CIVIC-RECREATIONAL-INDUSTRIAL REDEVELOPMENT PROJECT NO. 1
JUNE 30, 2022

| <u>Period Ending</u> | <u>Principal</u> | <u>Interest Rate</u> | <u>Interest</u> | <u>Debt Service</u> | <u>Annual Debt Service</u> |
|----------------------|----------------------|----------------------|---------------------|----------------------|--------------------------------|
| 7/1/2022 | \$ - | 4.044 % | \$ 559,119 | \$ 559,119 | \$ - |
| 1/1/2023 | 9,705,000 | 4.044 | 559,120 | 10,264,120 | 10,823,239 |
| 7/1/2023 | - | 4.244 | 362,884 | 362,884 | - |
| 1/1/2024 | 10,105,000 | 4.244 | 362,885 | 10,467,885 | 10,830,769 |
| 7/1/2024 | 1,335,000 | 4.344 | 28,996 | 1,363,996 | 1,363,996 |
| Totals | <u>\$ 21,145,000</u> | | <u>\$ 1,873,004</u> | <u>\$ 23,018,004</u> | <u>\$ 23,018,004</u> |



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Industry Public Facilities Authority

FEBRUARY 6, 2023

ITEM NO. 5.3

ITEM NO. 5.4



INDEPENDENT AUDITORS' REPORT

Honorable City Council
City of Industry Public Financing Authority
Industry, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Industry Public Financing Authority (the IPFA), a component unit of the City of Industry (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the IPFA's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the IPFA as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IPFA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the IPFA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IPFA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the IPFA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Honorable City Council
City of Industry Public Facilities Authority

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise IPFA's basic financial statements. The schedules of long-term debt are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of long-term debt are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the IPFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IPFA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IPFA's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
January 26, 2023

Successor Agency to the Industry Urban-Development Agency

FEBRUARY 6, 2023

ITEM NO. 5.5



SUCCESSOR AGENCY TO THE
**INDUSTRY URBAN-DEVELOPMENT
AGENCY**

MEMORANDUM

TO: Chair and Board Members

FROM: Audit Committee

DATE: February 6, 2023

**SUBJECT: Successor Agency to the Industry Urban-Development Agency Year
Ending June 30, 2022 Annual Financial Reports**

RECOMMENDATION

Receive and file the following annual financial reports for the year ending June 30, 2022 and to instruct staff to present a summary of the year ending June 30, 2022 Annual Financial Reports to the Chair and Board Members. The Audit Committee has approved these financial reports.

City of Industry

1. Annual Audited Basic Financial Statements for the Year Ending June 30, 2022 with Independent Auditors' Report
2. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for the Year Ending June 30, 2022
3. Auditors' Communications with the Chair and Board Members for the Year Ending June 30, 2022

EXECUTIVE SUMMARY

The City's independent auditors, CliftonLarsonAllen, LLP, have completed their annual audit of the City's financial statements which include the financial activities of its component units (Successor Agency to the Industry Urban-Development Agency, the Civic-Recreational- Industrial Authority and the Industry Public Facilities Authority) for the year ending June 30, 2022. The financial statements received an unqualified (or clean) opinion. No material weakness in internal control was noted by the Auditors.

DESCRIPTION OF REPORTS

The financial reports and management compliance letter for the year ending June 30, 2022 are briefly described below:

Annual Financial Report

The annual financial statement is a comprehensive document reflecting the financial position of the City and its component units. The Auditors issued an unqualified (or clean) opinion on these financial statements.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

No material weakness in internal control was noted by the Auditors.

The Auditors' Communications with the Audit Committee and the Chair and Board Members

Statement of Auditing Standards (SAS) No. 114 requires more and documented communications between the auditors and the Audit Committee and the Chair and Board Members. This letter provides an opportunity for the auditors to report on any difficulties or major concerns discovered during the audit and to further define their role. They provide commentary on management's responsibilities for accounting policies and estimates that no significant difficulties were encountered in performing the audit, and no disagreements occurred with management. They point out that management has corrected all known material misstatements.

Fiscal Impact

There is no fiscal impact as result of this action.

**SUCCESSOR AGENCY TO
THE INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF INDUSTRY)
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

| | |
|---|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| STATEMENT OF FIDUCIARY NET POSITION | 4 |
| STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS | 5 |
| NOTES TO FINANCIAL STATEMENTS | 6 |
| SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF LONG-TERM DEBT | |
| \$239,525,000 TAX ALLOCATION REVENUE REFUNDING BONDS, SERIES 2015A CIVIC RECREATIONAL-INDUSTRIAL REDEVELOPMENT PROJECT NO. 1 | 20 |

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022**

| | Private-Purpose Trust Fund |
|---|-------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash | \$ 2,393,527 |
| Investments | 58,050,908 |
| Accounts | 527,899 |
| Notes Receivable | 1,003,623 |
| Noncurrent Assets: | |
| Property Held for Sale or Disposition | 50,064,421 |
| Restricted Assets: | |
| Investments | 46,628,576 |
| Investments with Fiscal Agent | 32,533,080 |
| Capital Assets, Net of Depreciation | 373,548,534 |
| Total Assets | 564,750,568 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Loss on Refunding | 239,403 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 2,583,208 |
| Interest Payable | 559,119 |
| Bonds Payable, Due within One Year | 9,705,000 |
| Total Current Liabilities | 12,847,327 |
| Noncurrent Liabilities: | |
| Bonds Payable, Due in More than One Year | 11,440,000 |
| Total Liabilities | 24,287,327 |
| NET POSITION | |
| Restricted for Successor Agency | \$ 540,702,644 |

See accompanying Notes to Financial Statements.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022**

| | Private-Purpose Trust Fund |
|--|-------------------------------|
| ADDITIONS | |
| Redevelopment Agency Property Tax Trust Fund | \$ 32,526,694 |
| Revenues from Use of Money and Property: | |
| Investment Income (Losses) | (445,921) |
| Rental and Other Income | 12,069,130 |
| Contribution from City of Industry | 49,159,789 |
| Gain on Sale of Capital Assets | 6,438,531 |
| Other Revenues | 13,867 |
| Total Additions | 99,762,090 |
| DEDUCTIONS | |
| General Administration | 282,846 |
| Project Expenses | 3,029,559 |
| Bond Interest Expense | 9,334,537 |
| Total Deductions | 12,646,942 |
| CHANGES IN NET POSITION | 87,115,148 |
| Net Position - Beginning of Year | 453,587,496 |
| NET POSITION - END OF YEAR | \$ 540,702,644 |

See accompanying Notes to Financial Statements.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Industry Urban Development Agency (the IUDA) was a component unit and an integral part of the City of Industry (the City.) On December 29, 2011, the California Supreme Court upheld Assembly Bill XI 26 (referred to as the Bill) that provides for the dissolution of all redevelopment agencies in the state of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the successor agency to hold the assets until they are distributed to the other units of state and local government. The City has elected to become the successor agency to the Industry Urban Development Agency (the SA to IUDA). The City and the successor agency have separate boards of directors. However, individuals serving on the City Council also serve on the successor agency board. The successor agency is a component unit of the City that is fiduciary in nature and is reported in the statements of fiduciary net position and changes in fiduciary net position within the City's fiduciary funds.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the state of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are allocated revenue only in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

B. Basis of Accounting

The financial statements of the SA to IUDA have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. These statements are presented on the accrual basis of accounting.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Investments

Cash includes cash on hand and demand deposits and is carried at cost. Investments are reported at fair value other than money market funds which are reported at amortized cost, which approximates fair value. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year.

D. Redevelopment Property Tax Revenues

Pursuant to the redevelopment dissolution law, funds that would have been distributed to the former agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the SA to IUDA's Redevelopment Property Tax Trust Fund (Trust Fund) administered by Los Angeles County's Auditor-Controller for the benefit of holders of the former IUDA's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales, are distributed by the County to the local agencies in the project area unless needed to pay enforceable obligations.

Distributions are to be made twice each year on the following cycles:

| Distribution Dates | Covers Recognized Obligation Payment Schedules to be Paid |
|--------------------|--|
| January 2 | January 1 through June 30 |
| June 1 | July 1 through December 31 |

The amounts distributed for Recognized Obligation Payment Schedules (ROPS) are forward looking to the next six-month period.

E. Tax Override Monies

On September 26, 2013, pursuant to Resolution No. CC 2013-25, the City has established a segregated fund in the treasury designated the Agency Override Fund and shall deposit all Agency Override Portion received by the City into the Agency Override Fund. Upon notification by the SA to IUDA of the debt service shortfall, the City shall apply the necessary amount (but only to the extent available) from the Agency Override Fund to pay the bond trustee or, to the extent that there is no trustee for any bond issue, the bondholders directly, to cover the debt service shortfall. So long as the IUDA bonds remain outstanding, the City shall make withdrawals from the Agency Override Fund solely for the purpose of covering debt service shortfalls. See Note 5 for further discussion.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

The SA to IUDA has capital assets that it is holding until the assets are transitioned to entities that will be responsible for the maintenance of the assets. The SA to IUDA no longer records depreciation expense on these assets as these assets are not used in operations.

G. Property Held for Sale or Disposition

Property held for resale represents land, structures and their related improvements that were acquired for resale in accordance with the objectives of the Redevelopment Projects and grants. These costs will be charged to current year project expenditures when the related land and structures are sold. Property held for resale is valued at the lower of cost or expected net realizable value.

H. Bond Issuance Costs and Premiums/Discounts

Bond premiums and discounts in the statement of fiduciary net position are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expenses in the period incurred in the statement of changes in fiduciary net position.

I. Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2022, consisted of the following:

| | |
|----------------------------|-----------------------|
| Cash | \$ 2,393,527 |
| Investments | 58,050,908 |
| Investments - Restricted | 79,161,656 |
| Total Cash and Investments | <u>\$ 139,606,091</u> |

| | |
|----------------------------|-----------------------|
| Cash: | |
| Petty Cash | \$ 500 |
| Demand Deposits | 2,393,027 |
| Investments | 137,212,564 |
| Total Cash and Investments | <u>\$ 139,606,091</u> |

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The amounts held as Investments – Restricted of \$79,161,656, represent amounts specifically restricted to pay for project costs or bond payments to the City of Industry Public Facilities Authority.

A. Demand Deposits

The carrying amount of the SA to IUDA's cash deposits were \$2,393,027 at June 30, 2022. Bank balances before reconciling items were \$2,418,738 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the SA to IUDA's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the SA to IUDA's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the SA to IUDA's name.

The market value of pledged securities must equal at least 110% of the SA to IUDA's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the SA to IUDA's total cash deposits. The SA to IUDA may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The SA to IUDA, however, has not waived the collateralization requirements. As of June 30, 2022, SA to IUDA's deposits are federally insured or collateralized.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by SA to IUDA's Investment Policy

Under provision of SA to IUDA's Investment Policy, and in accordance with Section 53601 of the California Government Code, and Section 33603 of the Health and Safety Code, SA to IUDA may invest in the following types of investments:

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|---|-------------------------|-----------------------------------|---|
| U.S. Treasury Obligations | 5 Years | None | None |
| U.S. Government Sponsored Enterprise Securities | 5 Years | None | None |
| Money Market Funds (Composed Entirely of Security of U.S. Government and Agencies) | N/A | 20% | None |
| Banker's Acceptances | 180 Days | 40% | 30% |
| Commercial Paper | 270 Days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 Years | None | None |
| Nonnegotiable Certificates of Deposit | 5 Years | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Repurchase Agreements | 1 Year | None | None |
| Los Angeles County Investment Pool | N/A | None | None |
| U.S. Corporate Bonds/Notes | 5 Years | 30% | None |

The SA to IUDA's investment policy does not contain any specific provisions intended to limit SA to IUDA's exposure to interest rate risk, credit risk, and concentration risk other than those specified in the California Government Code.

C. Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements. The debt agreement held by SA to IUDA and its bond trustees have investment policies that are the same as SA to IUDA's general investment policy, as listed above.

SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

C. Investments Authorized by Debt Agreements (Continued)

SA to IUDA has monies held by trustees or fiscal agents pledged for the payment or security of tax allocation bonds. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally less restrictive than SA to IUDA's general investment policy. In no instance have additional types of investments, not permitted by SA to IUDA's general investment policy, been authorized.

D. Risk Disclosure

Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that SA to IUDA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. SA to IUDA monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

| Investment Type | Amounts | Weighted Average Maturity |
|---------------------------|----------------|---------------------------------|
| Investments: | | |
| LAIF | \$ 38,483,073 | N/A |
| U. S. Treasury Obligation | 6,777,884 | 15.23 Months |
| Commercial Paper | 10,279,351 | 20.08 Months |
| Money Market Funds | 2,510,600 | N/A |
| Investments - Restricted: | | |
| LAIF | 14 | N/A |
| Money Market Funds | 46,628,562 | N/A |
| Held by Fiscal Agent: | | |
| Money Market Funds | 32,533,080 | N/A |
| Total Investments | \$ 137,212,564 | |

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

D. Risk Disclosure (Continued)

Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical organization. Presented below is the minimum rating required by Section 53601 and Section 53635 of the California Government Code, Section 33603 of the Health and Safety Code, SA to IUDA's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

| | Amount | Minimum Legal Rating | Rating as of June 30, 2022 | | |
|-----------------------------|-----------------------|-------------------------|----------------------------|----------------------|----------------------|
| | | | Actual Rating | Rated | Not Rated |
| Investments: | | | | | |
| LAIF | \$ 38,483,073 | N/A | | \$ - | \$ 38,483,073 |
| U. S. Treasury Obligation | 6,777,884 | N/A | AA+/A-1 | - | 6,777,884 |
| Commercial Paper | 10,279,351 | | Aaa | 10,279,351 | - |
| Money Market Funds | 2,510,600 | | Aaa | 2,510,600 | - |
| Investment - Restricted: | | | | | |
| LAIF | 14 | N/A | | - | 14 |
| Money Market Funds | 46,628,562 | N/A | Aaa | 46,628,562 | - |
| Invested with Fiscal Agent: | | | | | |
| Money Market Funds | 32,533,080 | N/A | Aaa | 32,533,080 | - |
| Total Investments | <u>\$ 137,212,564</u> | | | <u>\$ 91,951,593</u> | <u>\$ 45,260,971</u> |

Concentration of Credit Risk

The investment policy of the SA to IUDA contain no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2022, there are no investments that represent 5% or more of the total investments.

State of California Local Agency Investment Fund

The SA to IUDA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the SA to IUDA's investment in this pool is reported in the accompanying financial statements at amounts based upon the SA to IUDA's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

E. Fair Value Measurement

The SA to IUDA categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are valued using a matrix pricing technique in where investments are valued based on the investments' relationship to benchmark quoted prices, and Level 3 inputs are significant unobservable inputs. The SA to IUDA has the following recurring fair value measurements as of June 30, 2022:

| Investment Type | Measurement Input | | | Total |
|-----------------------------|-------------------|---------------|----------------|----------------|
| | Level 1 | Level 2 | Uncategorized | |
| Investments | | | | |
| LAIF | \$ - | \$ - | \$ 38,483,073 | \$ 38,483,073 |
| U. S. Treasury Obligation | - | 6,777,884 | - | 6,777,884 |
| Commercial Paper | - | 10,279,351 | - | 10,279,351 |
| Money Market Funds | - | - | 2,510,600 | 2,510,600 |
| Investment - Restricted: | | | | |
| LAIF | - | - | 14 | 14 |
| Money Market Funds | - | - | 46,628,562 | 46,628,562 |
| Invested with Fiscal Agent: | | | | |
| Money Market Funds | - | - | 32,533,080 | 32,533,080 |
| Total | \$ - | \$ 17,057,235 | \$ 120,155,329 | \$ 137,212,564 |

NOTE 3 RECEIVABLES

As of June 30, 2022, receivables on the statement of net position consisted of the following:

Notes Receivable:

Developer Notes Receivable - Construction Loans \$ 1,003,623

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 RECEIVABLES (CONTINUED)

In June 2000, the IUDA entered into an agreement with a Developer to redevelop certain real property located within the City of Industry, Redevelopment Plan for Project Area No. 1. As part of the agreement, the Developer purchased the land from IUDA for \$12,900,000. In order to finance construction costs, the IUDA had provided the Developer with construction loans totaling \$14,703,280. The promissory notes for the construction loans and land purchase is secured by a deed of trust and is payable in equal installments over 20 years including principal and interest at a rate of 4% per annum and consisted of the following:

| | <u>Amount at June 30, 2022</u> | <u>Principal Amounts Due in One Year</u> | <u>Noncurrent Principal</u> |
|--|------------------------------------|--|---------------------------------|
| Due June 2022, payable in monthly payments of \$78,171 including interest at 4.00% per annum beginning July 2002 | \$ 469,029 | \$ 469,029 | \$ - |
| Due June 2022, payable in monthly payments of \$66,658 including interest at 4.00% per annum beginning July 2002 | 134,647 | 134,647 | - |
| Due June 2022, payable in monthly payments of \$22,441 including interest at 4.00% per annum beginning July 2002 | 399,947 | 399,947 | - |
| Totals | <u>\$ 1,003,623</u> | <u>\$ 1,003,623</u> | <u>\$ -</u> |

The total interest received on these loans during the year ended June 30, 2022, was approximately \$31,000.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 PROPERTY HELD FOR SALE OR DISPOSITION

The SA to IUDA has the following assets held for sale or disposition:

| | Balance at July 1, 2021 | Transfers | Additions | Deletions | Balance at June 30, 2022 |
|--|----------------------------|-----------|-----------|-----------|-----------------------------|
| Property Held for Sale or Disposition: | | | | | |
| Land | \$ 50,064,421 | \$ - | \$ - | \$ - | \$ 50,064,421 |

In addition, the SA to IUDA has the following capital assets at June 30, 2022.

| | Balance at July 1, 2021 | Transfers | Additions | Deletions | Balance at June 30, 2022 |
|------------------------------------|----------------------------|---------------------|-------------|-------------|-----------------------------|
| Capital Assets, being Depreciated: | | | | | |
| Land | \$ 7,151,286 | \$ - | \$ - | \$ - | \$ 7,151,286 |
| Construction in Progress | 173,954,363 | 6,006,924 | - | - | 179,961,287 |
| Building and Improvements | 2,969,734 | - | - | - | 2,969,734 |
| Vehicles | - | - | - | - | - |
| Infrastructure | 204,294,396 | - | - | - | 204,294,396 |
| Less: Accumulated Depreciation | (20,828,169) | - | - | - | (20,828,169) |
| Capital Assets, Net | <u>\$ 367,541,610</u> | <u>\$ 6,006,924</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 373,548,534</u> |

NOTE 5 BONDS PAYABLE

A summary of changes in the SA to IUDA's bonds payable for the year ended June 30, 2022, is as follows:

| | Balance at July 1, 2021 | Additions | Deletions | Balance at June 30, 2022 | Due within One Year | Due In More than One Year |
|---|----------------------------|-------------|------------------------|-----------------------------|------------------------|------------------------------|
| Direct Placements: | | | | | | |
| Project Area 1: | | | | | | |
| 2015 Tax Allocation Revenue Refunding Bonds, Series A | \$ 57,385,000 | \$ - | \$ (36,240,000) | \$ 21,145,000 | \$ 9,705,000 | \$ 11,440,000 |
| Total Project Area 1 | 57,385,000 | - | (36,240,000) | 21,145,000 | 9,705,000 | 11,440,000 |
| Project Area 2: | | | | | | |
| 2015 Tax Allocation Revenue Refunding Bonds, Series A | 3,635,000 | - | (3,635,000) | - | - | - |
| 2015 Tax Allocation Revenue Refunding Bonds, Series B | 15,015,000 | - | (15,015,000) | - | - | - |
| Total Project Area 2 | 18,650,000 | - | (18,650,000) | - | - | - |
| Project Area 3: | | | | | | |
| 2015 Tax Allocation Revenue Refunding Bonds, Series A | 3,680,000 | - | (3,680,000) | - | - | - |
| 2015 Tax Allocation Revenue Refunding Bonds, Series B | 21,440,000 | - | (21,440,000) | - | - | - |
| Total Project Area 3 | 25,120,000 | - | (25,120,000) | - | - | - |
| Total Tax Allocation Bonds | 101,155,000 | - | (80,010,000) | 21,145,000 | 9,705,000 | 11,440,000 |
| Deferred Amounts: | | | | | | |
| Unamortized Premium/Discount Total Bonds Payable | 160,178 | - | (160,178) | - | - | - |
| | <u>\$ 101,315,178</u> | <u>\$ -</u> | <u>\$ (80,170,178)</u> | <u>\$ 21,145,000</u> | <u>\$ 9,705,000</u> | <u>\$ 11,440,000</u> |

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 BONDS PAYABLE (CONTINUED)

2015 Tax Allocation Revenue Refunding Bonds, Series A (Project No. 1)

On July 1, 2015, the SA to IUDA issued the \$239,525,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Civic-Recreational-Industrial Redevelopment Project No. 1) (Taxable) for the purpose to redeem all IUDA Project No. 1 outstanding 2002 Tax Allocation Refunding Bonds Series B, 2003 Tax Allocation Bonds, Series A, 2003 Tax Allocation Bonds, Series B, 2003 Subordinate Lien Tax Allocation Refunding Bonds, 2005 Subordinate Lien Tax Allocation Refunding Bonds, 2007 Subordinate Lien Tax Allocation Refunding Bonds, and 2008 Subordinate Lien Tax Allocation Refunding Bonds. Principal ranges from \$6,835,000 to \$30,740,000 maturing annually through July 1, 2024. The bonds bear interest rates ranging from 3.821% to 4.344%, due semiannually on January 1 and July 1.

Debt service requirement to maturity is as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 9,705,000 | \$ 1,118,239 | \$ 10,823,239 |
| 2024 | 10,105,000 | 725,769 | 10,830,769 |
| 2025 | 1,335,000 | 28,996 | 1,363,996 |
| Total | <u>\$ 21,145,000</u> | <u>\$ 1,873,004</u> | <u>\$ 23,018,004</u> |

2015 Tax Allocation Revenue Refunding Bonds Series A and B (Project No. 2)

On July 1, 2015, the SA to IUDA issued the \$7,140,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Tax-Exempt) for the purpose to defease all IUDA Project No. 2 outstanding 2002 Tax Allocation Refunding Bonds. The SA to IUDA also issued the \$249,770,000 Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 2) (Taxable) for the purpose to defease a portion of 2003 Subordinate Lien Tax Allocation Refunding Bonds (with outstanding accreted value of \$178,967,753) and all IUDA Project No. 2 outstanding 2003 Tax Allocation Bonds, 2005 Subordinate Lien Tax Allocation Refunding Bonds, 2008 Subordinate Lien Tax Allocation Refunding Bonds, 2010 Subordinate Tax Allocation Refunding Bonds. . The remaining outstanding balance of the Series A bonds were redeemed early during the fiscal year. The Series B were paid off during the fiscal year.

2015 Tax Allocation Revenue Refunding Bonds, Series A and B (Project No. 3)

On July 1, 2015, the SA to IUDA issued the \$7,230,000 Tax Allocation Revenue Refunding Bonds, Series 2015A (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Tax-Exempt) for the purpose to defease IUDA's Project No. 3 outstanding 2002 Tax Allocation Refunding Bonds. The SA to IUDA also issued the \$37,425,000 Tax Allocation Revenue Refunding Bonds, Series 2015B (Transportation-Distribution-Industrial Redevelopment Project No. 3) (Taxable) for the purpose to defease all IUDA's Project No. 3 outstanding 2003 Tax Allocation Bonds, 2003 Subordinate Lien Tax Allocation Refunding Bonds, and 2008 Subordinate Lien Tax Allocation Refunding Bonds. The remaining outstanding balance of the Series A and B bonds were redeemed early during the fiscal year.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 BONDS PAYABLE (CONTINUED)

Prior Years' Defeased Obligations

In prior years, the SA to IUDA defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At June 30, 2022, the SA to IUDA had redeemed all prior year bonds that are considered defeased.

Revenue Pledged

All of the bonds described in this note are secured by a pledge of all future payments from the Redevelopment Property Tax Trust Fund (RPTTF) funds until the bonds are fully paid off which is scheduled to be during the year ending 2027. Principal and interest payments outstanding at June 30, 2022, amounted to \$23,018,004. Annual principal and interest payments on the bonds are expected to require 100% of the RPTTF funds. For the year ended June 30, 2022, total tax increment revenues calculated by the Los Angeles Auditor-Controller amounted to \$83,317,226, which the SA received \$32,526,694 after deductions.

Prior to the dissolution of the Industry Urban-Development Agency, the IUDA undertook a program to redevelop each Project Area pursuant to the Community Redevelopment Law. The IUDA issued bonds discussed in the note and secured the bonds by a pledge of tax increment revenues allocated and paid to the IUDA pursuant to HSC Section 33670(b). In 1978, the City's voters authorized the City to levy an ad valorem tax (the Property Tax Override) and the City continues to levy the Property Tax Override on taxable properties in the City, including properties within three Project Areas.

Since the Property Tax Override was authorized in 1978, the tax increment revenues allocated and paid to the IUDA before its dissolution in 2012 included a portion of the Property Tax Override. Pursuant to the IUDA bond indentures, the tax increment revenues pledged to the IUDA bonds included the Property Tax Override. Pursuant to the mandate set forth in HSC Section 34175, the pledge of property tax revenues for the IUDA bonds must not be affected and pledged revenues must continue to include the Agency Override Portion. However, the Los Angeles Auditor-Controller in administering the allocation of property taxes pursuant to AB XI 26, is disbursing the Agency Override Portion to the City of Industry, instead of depositing the Agency Override Portion into the Successor Agency's RPTTF fund.

In recognition of the above the SA to IUDA has adopted resolution no. SA 2013-10 on September 25, 2013 authorizing the Executive Director to do as follows, if during each six month ROPS period the moneys received by the SA to IUDA from the Los Angeles Auditor-Controller's RPTTF disbursement is insufficient to pay the principal and interest payments with respect to the IUDA bonds coming due during the ROPS period, the Executive Director shall notify the City of the shortfall.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 BONDS PAYABLE (CONTINUED)

Revenue Pledged (Continued)

On September 26, 2013, pursuant to resolution no. CC 2013-25, the City has established a segregated fund in the treasury designated the Agency Override Fund and shall deposit all Agency Override Portion received by the City into the Agency Override Fund. Upon notification by the SA to IUDA of the Debt Service Shortfall, the City shall apply the necessary amount (but only to the extent available) from the Agency Override Fund to pay the bond trustee or, to the extent that there is no trustee for any bond issue, the bondholders directly, to cover the Debt Service Shortfall. The City subsequently assigns, and covenants and agrees to transfer to the PFA and only to the PFA as and when received by the City, all such override revenues for deposit in the revenue fund, to the extent permitted by law, as consideration to PFA for refunding all SA to IUDA debts by the PFA.

The SA to IUDA received RPTTF Funds for the year ended June 30, 2022, as follows:

| | |
|-------------------------|----------------------|
| RPTTF Funds | \$ 83,317,226 |
| Less: | |
| Administrative Expenses | (1,424,492) |
| Pass-Through Payments | <u>(49,366,040)</u> |
| Net RPTTF Funds | <u>\$ 32,526,694</u> |

NOTE 6 RENTAL PROPERTY

On April 28, 2005, IUDA entered into an agreement with a private company (the Company) to lease land owned by IUDA to the Company for the purpose of having the land developed and operated by the Company. SA to IUDA is required to perform substantial public improvements surrounding the project area. The term of the agreement continues for 65 years from the commencement date. The agreement allows for SA to IUDA and the Company to split revenues generated by rents of the buildings after deductions for any loan payments or costs associated with the ownership, operation, financing, maintenance, and leasing of the various buildings.

In the event that rental income on the buildings is insufficient to repay any loans outstanding related to any financing of such building projects, and operation and maintenance of the various buildings, the SA to IUDA is required to contribute fifty percent for any shortfall as a capital contribution if the Company issues a demand for additional capital. Such payments if made by SA to IUDA on the projects would be subject to return by the Company with interest at the prime rate plus three percent provided that future rents generate revenue for SA to IUDA. During the year ended June 30, 2022, SA to IUDA earned and received \$12,067,570 in rental income from the Company.

**SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 SELF-INSURANCE PLAN

The City has established a Self-Insurance Plan (the Plan) to pay for liability claims against the City and SA to IUDA. The Plan is administered by an insurance committee which is responsible for approving all claims of \$25,000 or less and for making provision to have sufficient funds available to pay approved claims and legal and investigative expenses. The insurance committee has vested this authority with the City Manager. Potential liability for claims in excess of \$250,000 up to \$10,000,000 is covered by excess liability insurance policies.

As of June 30, 2022, there are no pending claims outstanding against the SA to IUDA.

NOTE 8 COMMITMENT AND CONTINGENCIES

A. Risk Management

The SA to IUDA is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, and general liabilities. As further discussed in Note 7, the City has a self-insurance plan to cover such risks. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

B. Project Commitments

As of June 30, 2022, the total net position held in trust was \$542,542,177. All of the fiduciary net position are committed to fund project obligations and the debt service on the bonds payable.

NOTE 9 TRANSACTIONS WITH RELATED PARTIES

A total of \$21,145,000 SA to IUDA bonds are owned by the City of Industry Public Facilities Authority, a component unit of the City of Industry.

As of June 30, 2022, SA to IUDA had a net amount due to the City in the amount of \$1,808,230. This arose from administrative expenses incurred by the SA to IUDA and paid by the City.

NOTE 10 SUBSEQUENT EVENT

In July 2022, the SA to IUDA paid off the outstanding balance of the 2015 tax allocation revenue refunding bonds, series a, project no.1 before the original maturity

SUCCESSOR AGENCY TO INDUSTRY URBAN-DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CITY OF INDUSTRY)
SCHEDULE OF LONG-TERM DEBT
\$239,525,000 TAX ALLOCATION REVENUE REFUNDING BONDS, SERIES 2015A
CIVIC RECREATIONAL-INDUSTRIAL REDEVELOPMENT PROJECT NO. 1
JUNE 30, 2022

| <u>Period Ending</u> | <u>Principal</u> | <u>Interest Rate</u> | <u>Interest</u> | <u>Debt Service</u> | <u>Annual Debt Service</u> |
|----------------------|----------------------|----------------------|---------------------|----------------------|--------------------------------|
| July 1, 2022 | \$ - | 4.044 % | \$ 559,119 | \$ 559,119 | \$ - |
| January 1, 2023 | 9,705,000 | 4.044 | 559,120 | 10,264,120 | 10,823,239 |
| July 1, 2023 | - | 4.244 | 362,884 | 362,884 | - |
| January 1, 2024 | 10,105,000 | 4.244 | 362,885 | 10,467,885 | 10,830,769 |
| July 1, 2024 | 1,335,000 | 4.344 | 28,996 | 1,363,996 | 1,363,996 |
| Totals | <u>\$ 21,145,000</u> | | <u>\$ 1,873,004</u> | <u>\$ 23,018,004</u> | <u>\$ 23,018,004</u> |



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Successor Agency to the Industry Urban-Development Agency

FEBRUARY 6, 2023

ITEM NO. 5.6



INDEPENDENT AUDITORS' REPORT

Honorable City Council
Successor Agency to Industry Urban-Development Agency
Industry, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Successor Agency to Industry Urban-Development Agency (the SA to IUDA) (a component unit of City of Industry) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SA to IUDA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SA to IUDA as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SA to IUDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SA to IUDA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the SA to IUDA's basic financial statements is not affected by this missing information.

Honorable City Council
Successor Agency to Industry Urban-Development Agency

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SA to IUDA's basic financial statements. The schedules of long-term debt are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of long-term debt are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the SA to IUDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SA to IUDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SA to IUDA's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
January 26, 2023

Successor Agency to the Industry Urban-Development Agency

FEBRUARY 6, 2023

ITEM NO. 5.7



Honorable Mayor and City Council
City of Industry
Industry, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Industry as of and for the year ended June 30, 2022, and have issued our report thereon dated January 26, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Industry are described in Note

As described in Note 15, the City changed accounting policies related to leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective July 1, 2021. Accordingly, the accounting change has been applied to the beginning of the period of adoption.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- The OPEB actuarially determined contribution, OPEB expense, total OPEB liability, and corresponding deferred outflows of resources and deferred inflows of resources for the City's OPEB plan are based on certain actuarial assumptions and methods prepared by an outside consultant.

We evaluated the key factors and assumptions used to develop the estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 12 regarding the pension plan obligations, and Note 14 regarding the City's postemployment health care benefits.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Circumstances that affect the form and content of the auditors' report

As previously communicated to you, the report was modified to include an emphasis of a matter to direct readers to Note IE to the financial statements regarding adoption of new account guidance, Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, *Leases*.

Management representations

We have requested certain representations from management that are included in the management representation letter dated January 26, 2023.

Honorable Mayor and City Council
City of Industry

Page 3

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the combining and individual fund financial statements, and schedules of long-term debt (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated January 26, 2023.

* * *

This communication is intended solely for the information and use of the [Identify the body or individual(s) charged with governance] and management of City of Industry and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
January 26, 2023

Honorable Mayor and City Council
City of Industry

Page 4

City of Industry
Uncorrected Misstatements
June 30, 2022

| DESCRIPTION | DEBIT (CREDIT) | | BEGINNING NET POSITION/FUND BALANCE | REVENUE | EXPENSE |
|---|------------------|----------------|--|----------|-------------------|
| | ASSET | LIABILITY | | | |
| Government-Wide Waived Adjusting Journal Entries: | | | | | |
| Governmental Activities | | | | | |
| <i>To record effects of prior period waived adjustments</i> | | | | | |
| Payroll expense | | | | | (136,823) |
| Net position | | | 136,823 | | - |
| <i>To adjust LAIF to fair market value</i> | | | | | |
| Fair market value adjustment | | | | | 369,713 |
| Investment in LAIF | (369,713) | | | | |
| <i>To record sales tax to proper period</i> | | | | | |
| Sale taxes | | | | | (697,279) |
| Fund balance | | | 697,279 | | |
| | <u>(369,713)</u> | <u>-</u> | <u>634,102</u> | <u>-</u> | <u>(464,389)</u> |
| Business-Type Activities | | | | | |
| <i>To adjust LAIF to fair market value</i> | | | | | |
| Fair market value adjustment | | | | | 225,005 |
| Investment in LAIF | (225,005) | | | | |
| | <u>(225,005)</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> | <u>\$ 225,005</u> |
| Fund FS Waived Adjusting Journal Entries: | | | | | |
| General Fund | | | | | |
| <i>To record effects of prior period waived adjustments</i> | | | | | |
| Fund balance | | | 136,823 | | |
| Payroll expense | | | | | (136,823) |
| <i>To adjust LAIF to fair market value</i> | | | | | |
| Fair market value adjustment | | | | | 369,713 |
| Investment in LAIF | (369,713) | | | | |
| <i>To remove claims payable</i> | | | | | |
| Claims expense | | | | | (36,608) |
| Fund balance | | | (728,314) | | |
| Claims payable | | 764,922 | | | |
| <i>To record sales tax to proper period</i> | | | | | |
| Sale taxes | | | | | (697,279) |
| Fund balance | | | 697,279 | | |
| | <u>(369,713)</u> | <u>764,922</u> | <u>105,788</u> | <u>-</u> | <u>(500,997)</u> |
| IPUC Water Fund | | | | | |
| <i>To adjust LAIF to fair market value</i> | | | | | |
| Fair market value adjustment | | | | | 81,780 |
| Investment in LAIF | (81,780) | | | | |
| | <u>(81,780)</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> | <u>\$ 81,780</u> |
| IPUC - Electric Fund | | | | | |
| <i>To adjust LAIF to fair market value</i> | | | | | |
| Fair market value adjustment | | | | | 143,225 |
| Investment in LAIF | (143,225) | | | | |
| | <u>-</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> | <u>\$ 143,225</u> |
| Other Aggregate Funds | | | | | |
| <i>To adjust LAIF to fair market value</i> | | | | | |
| Fair market value adjustment | | | | | 495,454 |
| Investment in LAIF | (495,454) | | | | |
| | <u>(495,454)</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> | <u>\$ 495,454</u> |

Industry Public Facilities Authority
FEBRUARY 6, 2023
ITEM NO. 5.8

RESOLUTION NO. IPFA 2023-01

A RESOLUTION OF THE CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY AUTHORIZING REMOTE TELECONFERENCE MEETINGS PURSUANT TO AB 361

RECITALS

WHEREAS, the City of Industry Public Facilities Authority (“IPFA”) is committed to preserving and encouraging public access and participation in its meetings; and

WHEREAS, all meetings of the IPFA are open and public, as required by the Ralph M. Brown Act (Gov. Code §§54950 – 54963) (“Brown Act”), so that any member of the public may attend, participate, and observe the legislative bodies conduct their business; and

WHEREAS, in March 2020 as a response to the ongoing COVID-19 pandemic, Governor Newsom issued Executive Orders N-25-20 and N-29-20. These orders suspended certain elements of the Brown Act and specifically allowed for legislative bodies as defined by the Brown Act to hold their meetings entirely electronically with no physical meeting place. On June 11, 2021, Governor Newsom issued Executive Order N-08-21, which provided that the provisions in Executive Order N-29-20 suspending certain elements of the Brown Act would continue to apply through September 30, 2021; and

WHEREAS, on September 16, 2021 Governor Newsom signed AB 361, which added subsection (e) to Government Code §54953 of the Brown Act, and makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code §54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, one of the conditions required is that a state of emergency has been declared by the Governor pursuant to Government Code §8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code §8558; and

WHEREAS, it is further required that state or local officials have imposed or recommended measures to promote social distancing, or, the legislative body meeting in person would present imminent risks to the health and safety of attendees; and

WHEREAS, in March 2020, in response to the spread of COVID-19 in the State of California, the Governor proclaimed a State of Emergency pursuant to Government Code §8625, and issued a number of executive orders aimed at containing the COVID-19 virus, and the County of Los Angeles through various Orders of the Los Angeles County Health Officer, continues to impose or recommend measures to promote social distancing; and

WHEREAS, Los Angeles County officials have recommended measures to promote social distancing and strongly recommend masks for all regardless of

vaccination status in an effort to slow the transmission of COVID-19 throughout the State and Los Angeles County; and

WHEREAS, the IPFA is concerned about the health and safety of all individuals of the public who attend public meetings; and

WHEREAS, as a consequence of the continued state of emergency, the IPFA adopted Resolution No. IPFA 2022-01 on April 14, 2022, and Resolution No. IPFA 2022-03 on June 23, 2022, finding and determining that the IPFA would continue to conduct its meetings without compliance with Government Code §54953(b)(3), as authorized by Government Code §54953(e), and that the IPFA would continue to comply with the requirements to provide the public with access to all public meetings as prescribed in §54953(e)(2); and

WHEREAS, pursuant to the provisions of AB 361, the IPFA hereby finds and determines that the findings set forth in Resolution No. IPFA 2022-03 remain, and that it is thereby necessary to continue to conduct its meetings without compliance with Government Code §54953(b)(3), as authorized by Government Code §54953(e).

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE CITY OF INDUSTRY PUBLIC FACILITIES AUTHORITY DOES HEREBY FIND, DETERMINE AND RESOLVE AS FOLLOWS:

SECTION 1: All of the facts set forth in the Recitals are true and correct, and are incorporated herein by reference.

SECTION 2: The IPFA hereby considers the existing conditions of the state of emergency, local officials in Los Angeles County have recommended or imposed measures to promote social distancing in connection with COVID-19. Based on these facts, findings, and determinations, the IPFA authorizes staff to conduct remote teleconference meetings of the IPFA, under the provisions of Government Code §54953(e).

SECTION 3: The Executive Director is hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution and AB 361, including continuing to conduct open and public meetings in accordance with the Brown Act.

SECTION 4: This Resolution shall take effect February 6, 2023, and shall be effective until the earlier of _____, or such time as the IPFA adopts a subsequent resolution in accordance with Government Code §54953(e)(3) to extend the time during which the IPFA may continue to meet by teleconference, or as otherwise required by law.

PASSED, APPROVED AND ADOPTED by the City of Industry Public Facilities Authority at a special meeting held on February 6, 2023, by the following vote:

AYES: BOARD MEMBERS:
NOES: BOARD MEMBERS:
ABSTAIN: BOARD MEMBERS:
ABSENT: BOARD MEMBERS:

Cory C. Moss, Chair

ATTEST:

Julie Gutierrez-Robles, Secretary