

**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



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

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YEAR ENDED JUNE 30, 2022**

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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.

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

CliftonLarsonAllen LLP

Irvine, California
January 26, 2023

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

	<u>Private-Purpose Trust Fund</u>
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	<u>373,548,534</u>
Total Assets	<u>564,750,568</u>
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	<u>9,705,000</u>
Total Current Liabilities	<u>12,847,327</u>
Noncurrent Liabilities:	
Bonds Payable, Due in More than One Year	<u>11,440,000</u>
Total Liabilities	<u>24,287,327</u>
NET POSITION	
Restricted for Successor Agency	<u>\$ 540,702,644</u>

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

	<u>Private-Purpose Trust Fund</u>
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	<u>99,762,090</u>
DEDUCTIONS	
General Administration	282,846
Project Expenses	3,029,559
Bond Interest Expense	<u>9,334,537</u>
Total Deductions	<u>12,646,942</u>
CHANGES IN NET POSITION	87,115,148
Net Position - Beginning of Year	<u>453,587,496</u>
NET POSITION - END OF YEAR	<u>\$ 540,702,644</u>

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
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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
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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.

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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:

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 (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	<u>\$ 137,212,564</u>	

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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		32,533,080	-
Total Investments	\$ 137,212,564			\$ 91,951,593	\$ 45,260,971

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
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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	<hr/>	<hr/>	\$ 17,057,235	<hr/>	\$ 120,155,329	<hr/>	\$ 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
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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	<u>57,385,000</u>	<u>-</u>	<u>(36,240,000)</u>	<u>21,145,000</u>	<u>9,705,000</u>	<u>11,440,000</u>
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	<u>18,650,000</u>	<u>-</u>	<u>(18,650,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>25,120,000</u>	<u>-</u>	<u>(25,120,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Tax Allocation Bonds	101,155,000	-	(80,010,000)	21,145,000	9,705,000	11,440,000
Deferred Amounts:						
Unamortized Premium/Discount	160,178	-	(160,178)	-	-	-
Total Bonds Payable	<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	\$ 21,145,000	\$ 1,873,004	\$ 23,018,004

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.

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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.

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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><u>\$ 32,526,694</u></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
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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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