

Civic-Recreational-Industrial Authority (A Component Unit of City of Industry)

City of Industry, California

Basic Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2016



Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
For Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Civic-Recreational-Industrial Authority
City of Industry, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Civic-Recreational-Industrial Authority (the "CRIA"), a component unit of the City of Industry, California (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CRIA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the CRIA, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CRIA's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund and the Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Industry-Hill Expo Center Enterprise Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund and the Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Industry-Hill Expo Center Enterprise Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund and the Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Industry-Hill Expo Center Enterprise Fund 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 February 15, 2017, on our consideration of the CRIA'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 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 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 CRIA's internal control over financial reporting and compliance.



Santa Ana, California
February 15, 2017

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Statement of Net Position
June 30, 2016

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash	\$ 23,261	\$ 469,910	\$ 493,171
Investments	146,209	-	146,209
Accounts receivable, net of allowance for doubtful accounts of \$750	-	57,117	57,117
Accrued interest	456	-	456
Inventories	-	43,703	43,703
Prepaid items	-	12,262	12,262
Deposits	-	3,000	3,000
Total current assets	<u>169,926</u>	<u>585,992</u>	<u>755,918</u>
Noncurrent assets:			
Capital assets not being depreciated	72,075	-	72,075
Capital assets being depreciated	-	8,018,432	-
Total capital assets, net	<u>72,075</u>	<u>8,018,432</u>	<u>8,090,507</u>
Total noncurrent assets	<u>72,075</u>	<u>8,018,432</u>	<u>8,090,507</u>
Total assets	<u>242,001</u>	<u>8,604,424</u>	<u>8,846,425</u>
LIABILITIES			
Current liabilities:			
Accounts payable	42,852	98,489	141,341
Rental deposits and advances	-	196,259	196,259
Total current liabilities	<u>42,852</u>	<u>294,748</u>	<u>337,600</u>
Total liabilities	<u>42,852</u>	<u>294,748</u>	<u>337,600</u>
NET POSITION			
Investment in capital assets	72,075	8,018,432	8,090,507
Unrestricted	127,074	291,244	418,318
Total net position	<u>\$ 199,149</u>	<u>\$ 8,309,676</u>	<u>\$ 8,508,825</u>

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Capital		Governmental Activities	Business-Type Activities	Total
		Charges for Services	Grants and Contributions			
Governmental activities:						
General administration	\$ 277,952	\$ -		\$ (277,952)	\$ -	\$ (277,952)
Public works	-	-	918,268	918,268	-	918,268
Total governmental activities	<u>277,952</u>	<u>-</u>	<u>918,268</u>	<u>640,316</u>	<u>-</u>	<u>640,316</u>
Business-type activities						
Expo center	2,853,847	1,507,883	-	-	(1,345,964)	(1,345,964)
Total business-type activities	<u>2,853,847</u>	<u>1,507,883</u>	<u>-</u>	<u>-</u>	<u>(1,345,964)</u>	<u>(1,345,964)</u>
Total	<u>\$ 3,131,799</u>	<u>\$ 1,507,883</u>	<u>\$ 918,268</u>	<u>640,316</u>	<u>(1,345,964)</u>	<u>(705,648)</u>
General revenues and transfers:						
Investment income				623	-	623
Miscellaneous revenue				-	7,384	7,384
Transfers - internal activities				(582,000)	582,000	-
Total general revenues and transfers				<u>(581,377)</u>	<u>589,384</u>	<u>8,007</u>
Change in net position				58,939	(756,580)	(697,641)
Net position:						
Beginning of year				140,210	9,066,256	9,206,466
End of year				<u>\$ 199,149</u>	<u>\$ 8,309,676</u>	<u>\$ 8,508,825</u>

FUND FINANCIAL STATEMENTS

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Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Balance Sheet
Governmental Fund
June 30, 2016

	Capital Projects
ASSETS	
Cash	\$ 23,261
Investments	146,209
Accrued interest	456
Total assets	\$ 169,926
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 42,852
Total liabilities	42,852
Fund balance:	
Committed	127,074
Total fund balance	127,074
Total liabilities and fund balance	\$ 169,926

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total fund balance of governmental funds	\$ 127,074
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets, not being depreciated	<u>72,075</u>
Net position of governmental activities	<u><u>\$ 199,149</u></u>

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2016

	<u>Capital Projects</u>
REVENUES:	
Intergovernmental revenue	\$ 918,268
Interest and other income	623
Total revenues	<u>918,891</u>
EXPENDITURES:	
General administration:	
Administrative costs	80,992
Professional services	32,537
Operation of property	164,423
Capital outlay	72,075
Total expenditures	<u>350,027</u>
Revenues under expenditures	<u>568,864</u>
OTHER FINANCING SOURCES (USES):	
Transfers out	<u>(582,000)</u>
Total other financing sources, net	<u>(582,000)</u>
Net change in fund balance	(13,136)
FUND BALANCES:	
Beginning of Year	<u>140,210</u>
End of Year	<u>\$ 127,074</u>

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances of total governmental funds \$ (13,136)

Amounts reported for governmental activities in the statement of activities are difference because:

Capital outlays, project improvement costs, and purchases of real estate are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	<u>72,075</u>
Total changes in net position of governmental activities	<u><u>\$ 58,939</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Industry-Hills Expo Center Enterprise Fund</u>
ASSETS	
Current assets:	
Cash	\$ 469,910
Accounts receivable	57,117
Inventories	43,703
Prepaid items	12,262
Deposits	3,000
Total current assets	<u>585,992</u>
Non-current assets:	
Capital assets:	
Buildings and improvements	23,454,416
Equipment, furniture and fixtures	958,866
Vehicles	100,459
Less: accumulated depreciation	<u>(16,495,309)</u>
Total capital assets	<u>8,018,432</u>
Total non-current assets	<u>8,018,432</u>
Total assets	<u>8,604,424</u>
LIABILITIES	
Current liabilities:	
Accounts payable	98,489
Rental deposits and advances	<u>196,259</u>
Total current liabilities	<u>294,748</u>
Total liabilities	<u>294,748</u>
NET POSITION	
Investment in capital assets	8,018,432
Unrestricted	<u>291,244</u>
Total net position	<u>\$ 8,309,676</u>

Civic-Recreational- Industrial Authority
(A Component Unit of City of Industry)
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Industry-Hills Expo Center Enterprise Fund
OPERATING REVENUES:	
Grand Arena	\$ 670,262
Facilities	537,687
Speedway	299,934
Total operating revenues	1,507,883
OPERATING EXPENSES:	
General administration	1,038,152
Expo Center operations	1,064,418
Depreciation	751,277
Total operating expenses	2,853,847
Operating loss	(1,345,964)
NONOPERATING REVENUES:	
Other income	7,384
Total nonoperating revenues	7,384
Loss before transfers	(1,338,580)
TRANSFERS:	
Transfers in from other funds	582,000
Total transfers	582,000
Change in net position	(756,580)
NET POSITION:	
Beginning of year	9,066,256
End of year	\$ 8,309,676

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Industry-Hills Expo Center Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 1,588,050
Payments to suppliers and contractors	(2,117,935)
Other receipts	7,384
Net cash used in operating activities	<u>(522,501)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	<u>582,000</u>
Net cash provided by non-capital financing activities	<u>582,000</u>
Net increase in cash and cash equivalents	59,499
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>410,411</u>
End of year	<u><u>\$ 469,910</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,345,964)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	751,277
Other income	7,384
(Increase) decrease in accounts receivable	46,885
(Increase) decrease in inventories	2,847
(Increase) decrease in prepaid items	(12,262)
Increase (decrease) in accounts payable	(5,950)
Increase (decrease) in rental deposits and advances	33,282
Net cash used in operating activities	<u><u>\$ (522,501)</u></u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

A. Description of the Reporting Agency

The Civic-Recreational-Industrial Authority (“CRIA”) was created on March 1, 1972 by a joint exercise of power agreement between the City of Industry, California (the “City”) and the Industry Urban-Development Agency (the “IUDA”). The agreement was made pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, Sections 6500, et seq. The IUDA was dissolved as a legal entity as of February 1, 2012 under ABX1 26, and therefore can no longer participate as a member of CRIA. On May 24, 2012, the City adopted resolution No. CC 2012-10. The resolution amended and restated the existing joint exercise of powers agreement and admitted the City of La Puente as a member of CRIA.

CRIA exists and acts as a separate entity. The governing board of CRIA consists of a commission of five members: four members appointed by the Council of the City of Industry and one member by the Council of the City of La Puente.

CRIA has the power to acquire sites and to acquire, construct, finance and lease the public buildings and appurtenances and to issue revenue bonds for the financing of these projects. Under the Joint Powers Agreement, the City of Industry may advance funds to CRIA in certain circumstances.

CRIA is a component unit and an integral part of the City of Industry and accordingly has also been included in the City of Industry general purpose financial statements issued as of June 30 of each year. Financial statements for the City of Industry may be obtained from the Finance Department at the City of Industry offices located at 15625 East Stafford Street, City of Industry.

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

The component unit financial statements of the CRIA 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.

C. 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 and Business-Type Activities for CRIA accompanied by a total column.

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, infrastructure 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 expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditure.

Eliminations for inter-fund activities, payables, and receivables have been made at June 30, 2016.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fund Financial Statements

The accounts of CRIA are organized on the basis of funds, 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 or expenses, as appropriate. 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 for the primary government's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. The 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. Interest income is susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by CRIA and are recognized at that time.

In the fund financial statements, governmental funds are presented using the "current financial resources" measurement focus. This means that only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources and committed, assigned, or unassigned amounts are considered to have been spent when expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CRIA reports the following governmental fund:

- Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Fund Financial Statements

Proprietary Fund is used to account for CRIA's ongoing organizations and activities, which are similar to those often found in the private sector. In the fund financial statements, proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fund Financial Statements (Continued)

Proprietary Fund Financial Statements

In the fund financial statements, proprietary fund is presented using the “*economic resources*” measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) associated with their activity are included on their Statements of Net Position. Amounts expended to acquire capital assets are recorded as assets in the proprietary fund Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total Net Position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of CRIA generally come from the leasing of its facilities to various parties.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Enterprise Fund is a type of proprietary fund that is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on the continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CRIA reports the following proprietary fund:

- Industry-Hill Expo Center Enterprise Fund – This fund accounts for space rentals for events and equestrian activities to the general public at the Industry-Hill Expo Center.

E. Cash, Cash Equivalent and Investments

CRIA’s cash includes cash on hand and demand deposits with financial institutions. For the purpose of the statement of cash flows, CRIA considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Short-term investments are reported at cost, which approximates fair value. Investments that exceed more than one year in maturity and that are traded on a national exchange are valued at their quoted market price.

F. Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Applications*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Fair Value Measurement (Continued)

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate.

G. Accounts Receivable

Accounts receivable is stated at the amount CRIA expects to collect from outstanding balances. The accounts receivable balance is charged off in the period in which the receivables are deemed uncollectible. CRIA evaluates uncollectible amounts based on its assessment of the current status of individual accounts.

H. Inventories

Inventories of the Industry-Hills Expo Center Enterprise Fund consist of food and beverages. The inventories are reported at the lower of cost or market on the first-in, first-out basis of accounting.

I. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year end.

J. Capital Assets and Depreciation

Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of three years or more.

If a cost related to capital assets does not extend its useful life, increase its productivity, improve its operating efficiency or add additional production capacity, the cost is regarded as repairs and maintenance and recognized as an expense as incurred; if it does, the cost is regarded as major renewals and betterments and capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government – wide and proprietary fund financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective Statement of Net Position.

The range of lives used for depreciation purposes for each capital asset class is as follows:

Building and improvement	45 years
Equipment	3 - 10 years
Infrastructure	20 - 50 years
Vehicles	7 years

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Net Position

Net position in the government-wide and proprietary fund financial statements is classified as following:

- Investment in capital assets includes buildings and improvements, equipment, furniture and fixtures, and vehicles, net of accumulated depreciation.
- Restricted – restricted net position represents constraints on resources that are restricted by external creditors, grantors, contributors, laws or regulations of other governments.
- Unrestricted – unrestricted net position is amounts which do not meet the definition of investment in capital assets or restricted net position.

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

L. Fund Balances

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; (b) imposed by law by constitutional provisions or enabling legislation. CRIA has no restricted fund balances at June 30, 2016.
- Committed – committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that CRIA’s 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. CRIA has no committed fund balances at June 30, 2016.
- Assigned – assigned fund balances are amounts that are constrained by CRIA’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. CRIA has no assigned fund balances at June 30, 2016.
- Unassigned – this category represents fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes.

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

M. 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.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

N. New Accounting Standard

GASB Statement No. 72, Fair Value Measurement and Application - This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement became effective for periods beginning after June 15, 2015 and did not have any measurement impact on CRIA’s investment portfolio, except for the additional disclosure regarding to the measurement input as discussed in Note 2 of CRIA’s financial statements for the year ended June 30, 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No.68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on CRIA’s financial statements for the year ended June 30, 2016.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - This Statement establishes standards relating to the hierarchy of generally accepted accounting principles. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement became effective for periods beginning after June 15, 2015, is applied retroactively, and did not have a significant impact on CRIA’s financial statements for the year ended June 30, 2016.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants - This Statement establishes standards relating to accounting and financial reporting for certain external investment pools and pool participants. This Statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This statement did not have a significant impact on CRIA’s financial statements for the year ended June 30, 2016.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments

Cash and investments at June 30, 2016, are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Total
Cash	\$ 23,261	\$ 469,910	\$ 493,171
Investments	146,209	-	146,209
Total cash and investments	\$ 169,470	\$ 469,910	\$ 639,380

CRIA’s cash and investments at June 30, 2016 in more detail:

Cash:	
Cash on hand	\$ 21,820
Demand deposits	471,351
Total cash	493,171
Investments:	
Local Agency Investment Fund ("LAIF")	146,209
Total cash and investments	\$ 639,380

A. Demand Deposits

The carrying amount of CRIA’s cash deposits were \$471,351 at June 30, 2016. Bank balances before reconciling items were \$479,040 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in CRIA’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure CRIA’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 CRIA’s name.

The market value of pledged securities must equal at least 110% of CRIA’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 CRIA’s total cash deposits. CRIA may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The City, however, has not waived the collateralization requirements. At June 30, 2016, CRIA’s deposits exceeded federally insured limits by \$205,778.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

B. Investments

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

- Securities of the U.S. Government, or its agencies
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements
- Inactive Public Deposits
- Non-Negotiable and/or Non-Transferable Certificates of Deposits
- Los Angeles County Investment Pool

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

At no time during the fiscal year did CRIA borrow funds through the use of reverse-repurchase agreements since such transactions are not allowed by CRIA's investment policy.

C. State of California Local Agency Investment Fund

CRIA is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. CRIA's investments in LAIF at June 30, 2016 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2016, CRIA had \$146,209 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. CRIA valued its investments in LAIF by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2016.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

D. Fair Value Measurement

At June 30, 2016, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2016:

Investment Type	Measurement Input				Total
	Level 1	Level 2	Level 3	N/A	
LAIF	\$ -	\$ 146,209	\$ -	\$ -	\$ 146,209

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. One of the ways that CRIA manages its exposure to interest rate risk is by purchasing short 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. At June 30, 2016, CRIA had the following investment maturities:

Investment Type	Fair Value	Investment Maturity
		Less Than 1 Year
LAIF	\$ 146,209	\$ 146,209

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. LAIF does not have a rating provided by a nationally recognized statistical organization.

Concentration of Credit Risk

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

Custodial Credit Risk

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. 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 such as LAIF.

As of June 30, 2016, none of CRIA's investments were exposed to custodial credit risk.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Interfund Transactions

Transfers In/Out

For the year ended June 30, 2016, CRIA had the following transfers in and out:

	Transfers In
	Industry-Hills Expo Center Enterprise Fund
Transfers Out	
Capital Projects Fund	\$ 582,000

The purpose of the transfers was to provide needed operating funding to operate the Industry Hills Expo Center.

Note 4 – Intergovernmental Revenue

During the year ending June 30, 2016, a total of \$918,268 was transferred in from the City of Industry to CRIA’s Capital Projects Fund to provide funding for CRIA’s capital projects and to provide support for the Industry-Hills Expo Center’s operations.

Note 5 – Capital Assets

A. Governmental Activities

The summary of changes in the governmental activities capital assets for the year ended June 30, 2016 is as follows:

	Governmental Activities			
	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 72,075	\$ -	\$ 72,075
Total capital assets, not being depreciated	-	72,075	-	72,075
Total Governmental activities capital assets	\$ -	\$ 72,075	\$ -	\$ 72,075

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 5 – Capital Assets (Continued)

B. Business-type Activities

The summary of changes in the business-type activities capital assets for the year ended June 30, 2016 is as follows:

	Business-type Activities			Balance at June 30, 2016
	Balance at July 1, 2015	Additions	Deletions	
Capital assets, being depreciated:				
Buildings and improvements	\$ 23,454,416	\$ -	\$ -	\$ 23,454,416
Furniture and fixtures	958,866	-	-	958,866
Vehicles	100,459	-	-	100,459
Total capital asset, being depreciated	<u>24,513,741</u>	<u>-</u>	<u>-</u>	<u>24,513,741</u>
Less: accumulated depreciation:				
Buildings and improvements	(14,878,703)	(709,626)	-	(15,588,329)
Furniture and fixtures	(777,276)	(39,170)	-	(816,446)
Vehicles	(88,053)	(2,481)	-	(90,534)
Total accumulated depreciation	<u>(15,744,032)</u>	<u>(751,277)</u>	<u>-</u>	<u>(16,495,309)</u>
Total capital assets, being depreciated, net	<u>8,769,709</u>	<u>(751,277)</u>	<u>-</u>	<u>8,018,432</u>
Total business-type activities capital assets, net	<u>\$ 8,769,709</u>	<u>\$ (751,277)</u>	<u>\$ -</u>	<u>\$ 8,018,432</u>

Depreciation expense for the year ended June 30, 2016 amounted to \$751,277.

Note 6 – Self-Insurance Plans

The City established a Self-Insurance Plan (the "Plan") to pay for liability claims against the City and CRIA. The Plan is administered by an insurance committee which is responsible for approving all claims of \$25,000 or less and for making 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 liability of claims in excess of \$250,000, up to \$10,000,000, is covered by excess liability insurance policies. As of June 30, 2016, there are no pending liability claims outstanding against CRIA.

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SUPPLEMENTARY INFORMATION

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Civic-Recreational-Industrial-Authority
(A Component Unit of the City of Industry)
Budgetary Information
For the Year Ended June 30, 2016

The Board of Directors adopts an annual budget, submitted by the Executive Director prior to June 30th. The appropriated budget is prepared by fund, function and department. All annual appropriations lapse at the end of the fiscal year. The Board of Directors has the legal authority to amend the budget at any time during the fiscal year. There were no amendments to the budget during the year. The Executive Director has the authority to make adjustments to the operating budget within a fund. Transfers of operating budgets between funds or from appropriated reserve accounts, use of unappropriated fund balances, cancellation of appropriation and all changes in capital improvement project budgets require the approval of the Board of Directors.

The annual budget is prepared on a basis consistent with generally accepted accounting principles and is adopted for all governmental type funds.

CRIA maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board of Directors. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at the fund level.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental revenues	\$ (1,082,500)	\$ (1,012,300)	\$ 918,268	\$ 1,930,568
Interest and other income	420	420	623	203
Total revenues	<u>(1,082,080)</u>	<u>(1,011,880)</u>	<u>918,891</u>	<u>1,930,771</u>
EXPENDITURES:				
General administration:				
Administrative costs	92,800	92,800	80,992	11,808
Professional services	184,300	108,100	32,537	75,563
Operation of property	223,400	223,400	164,423	58,977
Capital outlay	-	-	72,075	(72,075)
Total expenditures	<u>500,500</u>	<u>424,300</u>	<u>350,027</u>	<u>74,273</u>
Revenues under expenditures	<u>(1,582,580)</u>	<u>(1,436,180)</u>	<u>568,864</u>	<u>2,151,444</u>
OTHER FINANCING SOURCES (USES):				
Transfers out to other funds	<u>582,000</u>	<u>582,000</u>	<u>(582,000)</u>	<u>(1,164,000)</u>
Total other financing sources	<u>582,000</u>	<u>582,000</u>	<u>(582,000)</u>	<u>(1,164,000)</u>
Net change in fund balance	<u>\$ (1,000,580)</u>	<u>\$ (854,180)</u>	<u>(13,136)</u>	<u>\$ 987,444</u>
FUND BALANCES:				
Beginning of year			<u>140,210</u>	
End of year			<u>\$ 127,074</u>	

Civic-Recreational-Industrial Authority
(A Component Unit of the City of Industry)
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Industry-Hills Expo Center Enterprise Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Grand Arena	\$ 612,600	\$ 612,600	\$ 670,262	\$ 57,662
Facilities	559,600	559,600	537,687	(21,913)
Speedway	309,200	309,200	299,934	(9,266)
Total operating revenues	<u>1,481,400</u>	<u>1,481,400</u>	<u>1,507,883</u>	<u>26,483</u>
OPERATING EXPENSES				
General administration	1,046,200	1,046,200	1,038,152	8,048
Cost of operations	1,000,500	1,000,500	1,064,418	(63,918)
Depreciation	-	-	751,277	(751,277)
Total operating expenses	<u>2,046,700</u>	<u>2,046,700</u>	<u>2,853,847</u>	<u>(807,147)</u>
Operating loss	<u>(565,300)</u>	<u>(565,300)</u>	<u>(1,345,964)</u>	<u>(780,664)</u>
NONOPERATING REVENUES:				
Other income	7,600	7,600	7,384	(216)
Total non-operating revenues	<u>7,600</u>	<u>7,600</u>	<u>7,384</u>	<u>(216)</u>
Loss before transfers and other financing sources	<u>(557,700)</u>	<u>(557,700)</u>	<u>(1,338,580)</u>	<u>(780,880)</u>
TRANSFERS				
Transfers in from other funds	-	-	582,000	582,000
Total transfers	<u>-</u>	<u>-</u>	<u>582,000</u>	<u>582,000</u>
Change in net position	<u>\$ (557,700)</u>	<u>\$ (557,700)</u>	<u>\$ (756,580)</u>	<u>\$ (198,880)</u>