

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, 2018



**Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
For Year Ended June 30, 2018**

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INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2018, 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.

Auditors' 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, 2018, 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.

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

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, Expenses, and Changes in Net Position – Budget and Actual – Industry-Hill Expo Center Enterprise Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Industry-Hill Expo Center Enterprise Fund is the responsibility of management and was 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, Expenses, and Changes in Net Position – Budget and Actual – Industry-Hill Expo Center Enterprise Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors
of the Civic-Recreational-Industrial-Authority
City of Industry, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2019, 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 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 CRIA’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 CRIA’s internal control over financial reporting and compliance.

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Santa Ana, California
February 1, 2019

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

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

We have audited, in accordance with the 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, the 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, 2018, and the related notes to the financial statements, which collectively comprise the CRIA's basic financial statements, and have issued our report thereon dated February 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CRIA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CRIA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRIA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
of the Civic-Recreational-Industrial-Authority
City of Industry, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRIA’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Santa Ana, California
February 1, 2019

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 65,701	\$ 255,918	\$ 321,619
Investments	138,873	-	138,873
Accounts receivable	145,000	106,252	251,252
Accrued interest	659	-	659
Inventories	-	62,278	62,278
Prepaid items	-	9,722	9,722
Deposits	-	3,000	3,000
Total current assets	<u>350,233</u>	<u>437,170</u>	<u>787,403</u>
Noncurrent assets:			
Capital assets being depreciated	-	6,577,310	6,577,310
Total capital assets, net	<u>-</u>	<u>6,577,310</u>	<u>6,577,310</u>
Total noncurrent assets	<u>-</u>	<u>6,577,310</u>	<u>6,577,310</u>
Total assets	<u>350,233</u>	<u>7,014,480</u>	<u>7,364,713</u>
LIABILITIES			
Current liabilities:			
Accounts payable	187,074	139,060	326,134
Accrued expenses	-	30,210	30,210
Rental deposits and advances	-	253,016	253,016
Total current liabilities	<u>187,074</u>	<u>422,286</u>	<u>609,360</u>
Total liabilities	<u>187,074</u>	<u>422,286</u>	<u>609,360</u>
NET POSITION			
Investment in capital assets	-	6,577,310	6,577,310
Unrestricted	163,159	14,884	178,043
Total net position	<u>\$ 163,159</u>	<u>\$ 6,592,194</u>	<u>\$ 6,755,353</u>

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General administration	\$ 79,463	\$ -	\$ -	\$ (79,463)	\$ -	\$ (79,463)
Public works	692,087	-	1,117,990	425,903	-	425,903
Total governmental activities	<u>771,550</u>	<u>-</u>	<u>1,117,990</u>	<u>346,440</u>	<u>-</u>	<u>346,440</u>
Business-type activities:						
Expo center	3,362,997	2,173,034	-	-	(1,189,963)	(1,189,963)
Total business-type activities	<u>3,362,997</u>	<u>2,173,034</u>	<u>-</u>	<u>-</u>	<u>(1,189,963)</u>	<u>(1,189,963)</u>
Total	<u>\$ 4,134,547</u>	<u>\$ 2,173,034</u>	<u>\$ 1,117,990</u>	<u>346,440</u>	<u>(1,189,963)</u>	<u>(843,523)</u>
General revenues and transfers:						
Investment income				1,796	-	1,796
Miscellaneous revenue				-	11,301	11,301
Transfers				(363,513)	363,513	-
Total general revenues and transfers				<u>(361,717)</u>	<u>374,814</u>	<u>13,097</u>
Change in net position				(15,277)	(815,149)	(830,426)
Net position:						
Beginning of year				178,436	7,407,343	7,585,779
End of year				<u>\$ 163,159</u>	<u>\$ 6,592,194</u>	<u>\$ 6,755,353</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, 2018

	General Fund
ASSETS	
Cash	\$ 65,701
Investments	138,873
Accounts receivable	145,000
Accrued interest	659
Total assets	\$ 350,233
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 187,074
Total liabilities	187,074
Fund balance:	
Committed	163,159
Total fund balance	163,159
Total liabilities and fund balance	\$ 350,233

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, 2018

Total fund balance of governmental funds	\$ 163,159
Net position of governmental activities	<u>\$ 163,159</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, 2018

	General Fund
REVENUES:	
Intergovernmental revenue	\$ 1,117,990
Interest and other income	1,796
Total revenues	1,119,786
EXPENDITURES:	
General administration:	
Administrative costs	79,463
Professional services	338,982
Operation of property	202,437
Total expenditures	620,882
EXCESS OF REVENUES OVER EXPENDITURES	498,904
OTHER FINANCING USES:	
Transfers out	(363,513)
NET CHANGE IN FUND BALANCE	135,391
FUND BALANCE:	
Beginning of Year	27,768
End of Year	\$ 163,159

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, 2018

Net change in fund balances of total governmental funds	\$ 135,391
Amounts reported for governmental activities in the statement of activities are different 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.	
Net effect on disposal of capital assets	<u>(150,668)</u>
Total changes in net position of governmental activities	<u><u>\$ (15,277)</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, 2018

	Industry-Hills Expo Center Enterprise Fund
ASSETS	
Current assets:	
Cash	\$ 255,918
Accounts receivable	106,252
Inventories	62,278
Prepaid items	9,722
Deposits	3,000
Total current assets	437,170
Non-current assets:	
Capital assets:	
Buildings and improvements	23,454,416
Equipment, furniture and fixtures	1,007,745
Vehicles	100,459
Less: accumulated depreciation	(17,985,310)
Total capital assets	6,577,310
Total non-current assets	6,577,310
Total assets	7,014,480
LIABILITIES	
Current liabilities:	
Accounts payable	139,060
Accrued expenses	30,210
Rental deposits and unearned revenues	253,016
Total current liabilities	422,286
Total liabilities	422,286
NET POSITION	
Investment in capital assets	6,577,310
Unrestricted	14,884
Total net position	\$ 6,592,194

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, 2018

	Industry-Hills Expo Center Enterprise Fund
OPERATING REVENUES:	
Grand Arena	\$ 1,189,425
Facilities	716,965
Speedway	266,644
Other revenue	11,301
Total operating revenues	2,184,335
OPERATING EXPENSES:	
General administration	1,242,049
Expo Center operations	1,378,863
Depreciation	742,085
Total operating expenses	3,362,997
Operating loss	(1,178,662)
TRANSFERS:	
Transfers in	363,513
Change in net position	(815,149)
NET POSITION:	
Beginning of year	7,407,343
End of year	\$ 6,592,194

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Industry-Hills Expo Center Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 2,340,171
Payments to suppliers and contractors	(2,523,577)
Net cash used in operating activities	(183,406)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	363,513
Net cash provided by noncapital financing activities	363,513
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(48,879)
Net cash used in capital and related financing activities	(48,879)
Net increase in cash and cash equivalents	131,228
CASH AND CASH EQUIVALENTS:	
Beginning of year	124,690
End of year	\$ 255,918
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,178,662)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	742,085
(Increase) decrease in accounts receivable	95,558
(Increase) decrease in inventories	(14,373)
(Increase) decrease in prepaid items	37,718
Increase (decrease) in accounts payable	43,780
Increase (decrease) in accrued expenses	30,210
Increase (decrease) in rental deposits and advances	60,278
Net cash used in operating activities	\$ (183,406)

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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, 2018

Note 1 – Summary of Significant Accounting Policies

A. Description of the Reporting Agency

The Civic-Recreational-Industrial Authority (the “CRIA”) was created on March 1, 1972 by a joint exercise of powers 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.

The 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.

The 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.

The 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 financial statements of the CRIA have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applicable to government units. The Governmental Accounting Standards Board (“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 the 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, 2018.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fund Financial Statements

The accounts of the 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:

- General Fund – The General Fund is CRIA's operating fund is also used to account for financial resources to be used for the acquisition and construction of major capital facilities, other than those financed by Enterprise 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, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Fund Financial Statements (Continued)

Proprietary Fund Financial Statements (Continued)

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.

The 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

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

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

F. Accounts Receivable

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

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

G. 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 net realizable value on the first-in, first-out basis of accounting.

H. Prepaid Items

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

I. 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

J. 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 the CRIA’s policy to use restricted resources first and then unrestricted resources, as they are needed.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

K. 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. The CRIA has no restricted fund balances at June 30, 2018.
- Committed – committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the 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.
- Assigned – assigned fund balances are amounts that are constrained by the 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. The CRIA has no assigned fund balances at June 30, 2018.
- 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.

L. 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, 2018

Note 2 – Cash and Investments

Cash and investments at June 30, 2018, are classified in the accompanying financial statements as follows:

	Governmental Activities	Business-type Activities	Total
Cash	\$ 65,701	\$ 255,918	\$ 321,619
Investments	138,873	-	138,873
Total cash and investments	\$ 204,574	\$ 255,918	\$ 460,492

Cash and investments at June 30, 2018 in more detail:

Cash:	
Cash on hand	\$ 32,781
Demand deposits	288,838
Total cash	321,619
Investments:	
Local Agency Investment Fund ("LAIF")	138,873
Total cash and investments	\$ 460,492

A. Demand Deposits

The carrying amount of the CRIA's cash deposits were \$288,838 at June 30, 2018. Bank balances before reconciling items were \$340,893 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the CRIA's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the 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 the 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 the CRIA's total cash deposits. The CRIA may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The CRIA, however, has not waived the collateralization requirements. At June 30, 2018, the CRIA's deposits exceeded federally insured limits by \$25,192. However, such amounts are secured by the financial institutions that hold such deposits for the CRIA.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury obligations	5 years	None	None
U.S. government sponsored enterprise securities	5 years	None	None
Money market funds	N/A	20%	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	None
Local Agency Investment Fund ("LAIF")	N/A	None	None
Repurchase agreements	1 year	None	None
Los Angeles County Investment Pool			
U.S. corporate bonds/notes	5 years	30%	None
Municipal bonds	5 years	None	None

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.

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, 2018 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, 2018, CRIA had \$138,873 invested in LAIF, which had invested 2.67% 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 at amortized cost. The credit quality rating of LAIF is unrated as of June 30, 2018.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

D. 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, 2018, the CRIA's investment in LAIF have maturity less than one year.

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.

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Interfund Transactions

Transfers In/Out

For the year ended June 30, 2018, the CRIA had the following transfers in and out:

	Transfers In	
	Industry-Hills Expo Center Enterprise Fund	Total
Transfers Out		
General Fund	\$ 363,513	\$ 363,513

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

Note 4 – Intergovernmental Revenue

During the year ended June 30, 2018, the CRIA received \$1,117,990 from the City of Industry to provide funding for the General Fund’s operation.

Note 5 – Capital Assets

A. Governmental Activities

The summary of changes in the governmental activities capital assets for the year ended June 30, 2018 is as follows:

	Governmental Activities			Balance at June 30, 2018
	Balance at June 30, 2017	Additions	Deletions	
Capital assets, not being depreciated:				
Construction in progress	\$ 150,668	\$ -	\$ (150,668)	\$ -
Total capital assets, not being depreciated	150,668	-	(150,668)	-
Total Governmental activities capital assets	\$ 150,668	\$ -	\$ (150,668)	\$ -

Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 is as follows:

	Business-type Activities			Balance at June 30, 2018
	Balance at June 30, 2017	Additions	Deletions	
Capital assets, being depreciated:				
Buildings and improvements	\$ 23,454,416	\$ -	\$ -	\$ 23,454,416
Furniture and fixtures	958,866	48,879	-	1,007,745
Vehicles	100,459	-	-	100,459
Total capital asset, being depreciated	<u>24,513,741</u>	<u>48,879</u>	<u>-</u>	<u>24,562,620</u>
Less: accumulated depreciation:				
Buildings and improvements	(16,287,257)	(698,928)	-	(16,986,185)
Furniture and fixtures	(862,953)	(40,676)	-	(903,629)
Vehicles	(93,015)	(2,481)	-	(95,496)
Total accumulated depreciation	<u>(17,243,225)</u>	<u>(742,085)</u>	<u>-</u>	<u>(17,985,310)</u>
Total capital assets, being depreciated, net	<u>7,270,516</u>	<u>(693,206)</u>	<u>-</u>	<u>6,577,310</u>
Total business-type activities capital assets, net	<u>\$ 7,270,516</u>	<u>\$ (693,206)</u>	<u>\$ -</u>	<u>\$ 6,577,310</u>

Depreciation expense for the year ended June 30, 2018 amounted to \$742,085.

Note 6 – Self-Insurance Plans

The City established a Self-Insurance Plan (the "Plan") to pay for liability claims against the City and the 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, 2018, there are no pending liability claims outstanding against the CRIA.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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Civic-Recreational-Industrial Authority
(A Component Unit of City of Industry)
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental revenues	\$ 1,018,820	\$ 1,018,820	\$ 1,117,990	\$ 99,170
Interest and other income	610	610	1,796	1,186
Total revenues	<u>1,019,430</u>	<u>1,019,430</u>	<u>1,119,786</u>	<u>100,356</u>
EXPENDITURES:				
General administration:				
Administrative costs	100,675	100,675	79,463	21,212
Professional services	109,000	109,000	338,982	(229,982)
Operation of property	121,000	201,000	202,437	(1,437)
Total expenditures	<u>330,675</u>	<u>410,675</u>	<u>620,882</u>	<u>(210,207)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>688,755</u>	<u>608,755</u>	<u>498,904</u>	<u>(109,851)</u>
OTHER FINANCING USES:				
Transfers out to other funds	(688,145)	(688,145)	(363,513)	324,632
NET CHANGE IN FUND BALANCE	<u>\$ 610</u>	<u>\$ (79,390)</u>	135,391	<u>\$ 214,781</u>
FUND BALANCES:				
Beginning of year			<u>27,768</u>	
End of year			<u>\$ 163,159</u>	

Civic-Recreational-Industrial Authority
(A Component Unit of the City of Industry)
Required Supplementary Information
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2018

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.

The 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.

SUPPLEMENTARY INFORMATION

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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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATING REVENUES				
Grand Arena	\$ 676,270	\$ 676,270	\$ 1,189,425	\$ 513,155
Facilities	670,630	670,630	716,965	46,335
Speedway	317,805	317,805	266,644	(51,161)
Other revenue	9,240	9,240	11,301	2,061
Total operating revenues	<u>1,673,945</u>	<u>1,673,945</u>	<u>2,184,335</u>	<u>510,390</u>
OPERATING EXPENSES				
General administration	1,118,985	1,118,985	1,242,049	(123,064)
Expo Center operations	1,233,865	1,233,865	1,378,863	(144,998)
Depreciation	-	-	742,085	(742,085)
Total operating expenses	<u>2,352,850</u>	<u>2,352,850</u>	<u>3,362,997</u>	<u>(1,010,147)</u>
Operating loss	<u>(678,905)</u>	<u>(678,905)</u>	<u>(1,178,662)</u>	<u>(499,757)</u>
TRANSFERS				
Transfers in from other funds	688,145	688,145	363,513	(324,632)
Total transfers	<u>688,145</u>	<u>688,145</u>	<u>363,513</u>	<u>(324,632)</u>
Change in net position	<u>\$ 9,240</u>	<u>\$ 9,240</u>	<u>(815,149)</u>	<u>\$ (824,389)</u>
NET POSITION:				
Beginning of year			<u>7,407,343</u>	
End of year			<u>\$ 6,592,194</u>	

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