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**INDUSTRY PUBLIC FACILITIES  
AUTHORITY  
SPECIAL MEETING  
AGENDA**

CHAIR CORY C. MOSS  
VICE CHAIR MICHAEL GREUBEL  
BOARD MEMBER STEVE MARCUCCI  
BOARD MEMBER MARK D. RADECKI  
BOARD MEMBER NEWELL W. RUGGLES

**JANUARY 29, 2026 AT 9:00 AM**

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**LOCATION:** City Council Chambers, 15651 Mayor Dave Way  
City of Industry, California

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**ADDRESSING THE COMMISSION:**

**Agenda Items:** Members of the public may address the Board on any matter listed on the Agenda. Anyone wishing to speak to the Board is asked to complete a Speaker's Card which can be found at the back of the room and at each podium. The completed card should be submitted to the City Clerk prior to the Agenda item being called and prior to the individual being heard by the Board.

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**AMERICANS WITH DISABILITIES ACT:**

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

**AGENDAS AND OTHER WRITINGS:**

In compliance with SB 343, staff reports and other public records permissible for disclosure related to open session agenda items are available at City Hall, 15625 Mayor Dave Way, City of Industry, California, at the office of the City Clerk during regular business hours, Monday through Thursday 8:00 a.m. to 5:00 p.m., Fridays 8:00 a.m. to 4:00 p.m. Any person with a question concerning any agenda item may call the City Clerk's Office at (626) 333-2211.

1. Call to Order
2. Flag Salute
3. AB 2449 Vote on Emergency Circumstances (if necessary)
4. Roll Call
5. Presentations

**6. CONSENT CALENDAR**

- 6.1. Consideration of the Annual Financial Reports for the Industry Public Facilities Authority for Year Ending June 30, 2025

*RECOMMENDED ACTION: Instruct Staff to present a summary of the Annual Financial Reports for the year ending June 30, 2025 to the Chair and Board Members, and receive and file the Reports.*

**7. ACTION ITEMS-NONE**

**8. AB 1234 REPORTS**

9. Adjournment.

ITEM NO. 6.1



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# INDUSTRY PUBLIC FACILITIES AUTHORITY

## MEMORANDUM

**TO:** Honorable Chairperson and Members of the Board

**FROM:** Joshua Nelson, Executive Director

**STAFF:** Yamini Pathak, Finance Director

**DATE:** January 29, 2026

**SUBJECT:** Consideration of the Annual Financial Reports for the Industry Public Facilities Authority for Year Ending June 30, 2025

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### **Background:**

The City's independent auditors, Rogers, Anderson, Malody & Scott, LLP, have completed their annual audit of the City's financial statements which include the financial activities of its component units (Successor Agency to the Industry Urban-Development Agency, the Civic-Recreational-Industrial Authority, the Industry Public Facilities Authority, and the Industry Property and Housing Management Authority) for the year ending June 30, 2025. The financial statements received an unqualified (or clean) opinion. No material weakness in internal control was noted by the Auditors.

### **Discussion:**

### **DESCRIPTION OF REPORTS**

The financial reports and management compliance letter for the year ending June 30, 2025 are briefly described below:

#### **Annual Financial Report**

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

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

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

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

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

**Fiscal Impact:**

There is no fiscal impact as result of this action.

**Recommendation:**

Receive and file the following annual financial reports for the year ending June 30, 2025, and instruct Staff to present a summary of the year ending June 30, 2025 Annual Financial Reports to the Chair and Board Members.

**City of Industry**

1. Annual Audited Basic Financial Statements for the Year Ending June 30, 2025 with Independent Auditors' Report
2. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters for the Year Ending June 30, 2025
3. Auditors' Communications with the Chair and Board Members for the Year Ending June 30, 2025

**Exhibits:**

1. Financial Statements - PFA
2. GAGAS - Industry
3. COR-903 - Industry

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2025**

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Financial Statements**  
**For the Year Ended June 30, 2025**

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*Independent Auditor's Report*

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities and the major fund of the City of Industry Public Financing Authority (the IPFA), a component unit of the City of Industry, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise IPFA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the governmental activities and the major fund of the IPFA, as of June 30, 2025, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### **Required Supplementary Information**

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

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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2026 on our consideration of the IPFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IPFA's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
January 13, 2026

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Statement of Net Position**  
**June 30, 2025**

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	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Accrued interest receivable	\$ 1,461,837
Total current assets	<u>1,461,837</u>
Noncurrent assets:	
Investment in City bonds - restricted	40,053,611
Total noncurrent assets	<u>40,053,611</u>
Total assets	<u>41,515,448</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	2,000
Interest payable	1,461,837
Total current liabilities	<u>1,463,837</u>
Long-term liabilities:	
Due within one year	680,000
Due in more than one year	46,325,000
Total long-term liabilities	<u>47,005,000</u>
Total liabilities	<u>48,468,837</u>
<b>NET POSITION (DEFICIT)</b>	
Restricted	<u>(6,953,389)</u>
Total net position	<u>\$ (6,953,389)</u>

*The accompanying notes are an integral part of these financial statements.*

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Statement of Activities**  
**For the Year Ended June 30, 2025**

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	<u>Expenses</u>	<u>Program revenues Charges for services</u>	<u>Net revenue (expense) and changes in net position Governmental Activities</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
General administration	\$ -	\$ 7,480	\$ 7,480
Interest and fiscal charges	3,555,533	-	(3,555,533)
Total Governmental Activities	<u>\$ 3,555,533</u>	<u>\$ 7,480</u>	<u>(3,548,053)</u>
<b>GENERAL REVENUES</b>			
Investment income			<u>3,411,352</u>
Change in net position			(136,701)
<b>NET POSITION (DEFICIT)</b>			
Beginning of year			<u>(6,816,688)</u>
End of year			<u>\$ (6,953,389)</u>

*The accompanying notes are an integral part of these financial statements.*

*City of Industry Public Facilities Authority  
(A Component Unit of the City of Industry)*

**Balance Sheet  
Governmental Fund  
June 30, 2025**

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	<u>General Fund</u>
<b>ASSETS</b>	
Investment in City bonds - restricted	\$ 40,053,611
Accrued interest receivable	<u>1,461,837</u>
Total assets	<u><u>\$ 41,515,448</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 2,000</u>
<b>FUND BALANCE</b>	
Restricted for debt service	<u>41,513,448</u>
Total fund balance	<u>41,513,448</u>
Total liabilities and fund balance	<u><u>\$ 41,515,448</u></u>

*The accompanying notes are an integral part of these financial statements.*

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Reconciliation of the Governmental Fund Balance Sheet to the  
Government-Wide Statement of Net Position  
June 30, 2025**

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Fund balance of governmental funds \$ 41,513,448

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

Accrued interest payable on outstanding bonds payable does not require the use of current financial resources, and accordingly, is not reported as expenditures in the governmental funds. (1,461,837)

Long-term liabilities applicable to governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Long-term liabilities are included in the statement of net position as follows:

City loan (47,005,000)

Net position of Governmental Activities \$ (6,953,389)

*The accompanying notes are an integral part of these financial statements.*

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

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	General Fund
<b>REVENUES</b>	
Intergovernmental revenue	\$ 7,480
Use of money and property	3,411,352
	<hr/>
Total revenues	3,418,832
	<hr/>
<b>EXPENDITURES</b>	
Debt service:	
Principal retirement	645,000
Interest and fiscal charges	3,571,240
	<hr/>
Total expenditures	4,216,240
	<hr/>
Net change in fund balance	(797,408)
	<hr/>
<b>FUND BALANCE</b>	
Beginning of year	42,310,856
	<hr/>
End of year	\$ 41,513,448
	<hr/> <hr/>

*The accompanying notes are an integral part of these financial statements.*

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Government-wide Statement of Net Position  
For the Year Ended June 30, 2025**

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Net change in fund balance - governmental fund	\$ (797,408)
Amounts reported for governmental activities in the statement of net position are different because:	
Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments	645,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:	
Change in accrued interest payable	<u>15,707</u>
Change in net position of Governmental Activities	<u>\$ (136,701)</u>

*The accompanying notes are an integral part of these financial statements.*

*City of Industry Public Facilities Authority  
(A Component Unit of the City of Industry)*

**Notes to Financial Statements  
For the Year Ended June 30, 2025**

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of the Reporting Agency***

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

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

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

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

***Financial Statement Presentation, Basis of Accounting and Measurement Focus***

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

***Government-Wide Financial Statements***

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

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

***Fund Financial Statements***

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

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

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Governmental Funds*

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

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

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

*General Fund*

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

*Investments*

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

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

*City of Industry Public Facilities Authority  
(A Component Unit of the City of Industry)*

**Notes to Financial Statements  
For the Year Ended June 30, 2025**

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Bond Issuance Costs and Premiums/Discounts*

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

*Net Position*

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

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

*Fund Balance*

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

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

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

*Committed* – committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the IPFA imposes upon itself at its highest level of decision-making authority (the board of directors) through board resolutions and that remain binding unless removed in the same manner.

*City of Industry Public Facilities Authority  
(A Component Unit of the City of Industry)*

**Notes to Financial Statements  
For the Year Ended June 30, 2025**

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Assigned* – assigned fund balances are amounts that are constrained by the IPFA’s intent to be used for specific purposes. The intent can be established at either the Highest level of decision making, or by a body or an official designated for that purpose. The board of directors is authorized for this purpose.

*Unassigned* – this category represents fund balances 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 unrestricted resources in the order of committed, assigned, then unassigned.

*Estimates*

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

**Note 2 INVESTMENTS**

Investments as of June 30, 2025, consisted of the following:

Investments in City bonds	\$ 40,053,611
Total cash and investments	<u>\$ 40,053,611</u>

Investments with fiscal agents are restricted for future bond principal and interest payments. As of June 30, 2025, the IPFA’s carrying value of these funds amounted to \$40,053,611.

*City of Industry Public Facilities Authority  
(A Component Unit of the City of Industry)*

**Notes to Financial Statements  
For the Year Ended June 30, 2025**

**Note 2 INVESTMENTS (Continued)**

*Investments Authorized by the Authority's Investment Policy*

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

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury obligations	5 Years	None	None
U.S. Government sponsored enterprise securities	5 Years	None	None
Money market funds	N/A	20%	None
Bankers acceptances	180 Days	40%	30%
Commercial paper	270 Days	25%	10%
Negotiable certificates of deposit	5 Years	None	None
Non-negotiable certificates of deposit	5 Years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Repurchase agreements	1 Year	None	None
Los Angeles County investment pool	N/A	None	None
Local agency bonds	5 Years	None	None
U.S. corporate bonds/notes	5 Years	30%	None

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

*Fair Value Measurement*

The IPFA categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are valued using a matrix pricing technique in where investments are valued based on the investments' relationship to benchmark quoted prices, and Level 3 inputs are significant unobservable inputs. The IPFA has the following recurring fair value measurements as of June 30, 2025:

Investment type	Value	Fair value measurement Level 2 input
Investments - restricted:		
City bonds*	\$ 40,053,611	\$ 40,053,611

\*Valued based on institutional bond quotes

**City of Industry Public Facilities Authority**  
**(A Component Unit of the City of Industry)**

**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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**Note 2 INVESTMENTS (Continued)**

**Risk Disclosures**

*Interest Rate Risk*

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

Investment type	Amounts	Weighted average maturity
Investments - restricted:		
City bonds	<u>\$ 40,053,611</u>	68.54 Months

*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.

Investment type	Total as of June 30, 2025	Minimum legal rating	Not rated
Investments - restricted:			
City bonds	<u>\$ 40,053,611</u>	None	<u>\$ 40,053,611</u>

*Concentration of Credit Risk*

The investment policy of IPFA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent 5% or more of total IPFA’s investments are as follows: City of Industry municipal bonds of \$40,053,611.

*City of Industry Public Facilities Authority  
(A Component Unit of the City of Industry)*

**Notes to Financial Statements  
For the Year Ended June 30, 2025**

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**Note 2 INVESTMENTS (Continued)**

***Risk Disclosures (continued)***

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

**Note 3 INVESTMENT IN CITY BONDS**

The following schedule represents the future payments to be paid to the City:

*2015 Sales Tax Revenue Subordinate Bonds, Series B*

Year ending June 30,	Principal	Interest	Total
2026	\$ 680,000	\$ 3,527,898	\$ 4,207,898
2027	715,000	3,490,158	4,205,158
2028	755,000	3,448,330	4,203,330
2029	805,000	3,401,898	4,206,898
2030	860,000	3,349,976	4,209,976
2031 to 2035	5,275,000	15,756,466	21,031,466
2036 to 2040	7,505,000	13,526,702	21,031,702
2041 to 2045	10,810,000	10,227,688	21,037,688
2046 to 2050	15,695,000	5,344,012	21,039,012
2051	3,905,000	302,638	4,207,638
Totals	47,005,000	<u>\$ 62,375,766</u>	<u>\$ 109,380,766</u>
Fair value adjustment	(6,951,389)		
Total	<u>\$ 40,053,611</u>		

***City of Industry Public Facilities Authority***  
***(A Component Unit of the City of Industry)***

**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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**Note 4 LONG-TERM LIABILITIES**

The changes in long-term liabilities for the year ended was as follows:

	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025	Due within one year
Governmental activities:					
Direct borrowing:					
City of Industry loan	\$ 47,650,000	\$ -	\$ (645,000)	\$ 47,005,000	\$ 680,000
Total long-term liabilities	<u>\$ 47,650,000</u>	<u>\$ -</u>	<u>\$ (645,000)</u>	<u>\$ 47,005,000</u>	<u>\$ 680,000</u>

***Loans from the City of Industry – direct borrowing***

On December 1, 2015, the IPFA entered into a loan agreement with the City to borrow \$51,460,000 for the purchase of City of Industry Subordinate Sales Tax Revenue Bonds, Series 2015B (Taxable). The loan bears interest ranging from 3.750% to 7.750% with payments due February 1 and August 1 each year. The principal payments are due on February 1 each year and range from \$485,000 to \$3,905,000. As of June 30, 2025, debt service requirement to maturity is as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 680,000	\$ 3,527,898	\$ 4,207,898
2027	715,000	3,490,158	4,205,158
2028	755,000	3,448,330	4,203,330
2029	805,000	3,401,898	4,206,898
2030	860,000	3,349,976	4,209,976
2031 to 2035	5,275,000	15,756,466	21,031,466
2036 to 2040	7,505,000	13,526,702	21,031,702
2041 to 2045	10,810,000	10,227,688	21,037,688
2046 to 2050	15,695,000	5,344,012	21,039,012
2051	3,905,000	302,638	4,207,638
Total	<u>\$ 47,005,000</u>	<u>\$ 62,375,766</u>	<u>\$ 109,380,766</u>

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Notes to Financial Statements**  
**For the Year Ended June 30, 2025**

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**Note 5 SELF-INSURANCE PLAN**

The City has established a Self-Insurance Plan (the Plan) to pay for liability claims against the City and the IPFA. The Plan is administered by an insurance committee which is responsible for approving all claims of \$25,000 or less and for making a provision for having sufficient funds available to pay approved claims and legal and investigative expenses. The insurance committee has given this authority to the City Manager. Potential liabilities of claims in excess of \$250,000, up to \$10,000,000, are covered by excess liability insurance policies. As of June 30, 2025, there are no pending liability claims outstanding against the IPFA.

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Required Supplementary Information**  
**Budgetary Comparison Schedule – General Fund (Unaudited)**  
**For the Year Ended June 30, 2025**

	Budget		Actual amounts	Variance with final budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 9,200	\$ 9,200	\$ 7,480	\$ (1,720)
Use of money and property	3,562,000	3,562,000	3,411,352	(150,648)
Total revenues	3,571,200	3,571,200	3,418,832	(152,368)
<b>EXPENDITURES</b>				
Debt service:				
Principal	-	-	645,000	(645,000)
Interest and fiscal charges	3,571,200	3,571,200	3,571,240	(40)
Total expenditures	3,571,200	3,571,200	4,216,240	(645,040)
Net change in fund balance	-	-	(797,408)	(797,408)
<b>FUND BALANCE</b>				
Beginning of year	42,310,856	42,310,856	42,310,856	-
End of year	\$ 42,310,856	\$ 42,310,856	\$ 41,513,448	\$ (797,408)

*City of Industry Public Facilities Authority*  
*(A Component Unit of the City of Industry)*

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2025**

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The City Council adopts an annual budget, submitted by the City Manager prior to June 30. The appropriated budget is prepared by fund, function and department. All annual appropriations lapse at the end of the fiscal year. The City Council 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 City Manager 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 City Council.

The IPFA maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. 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.

During the current fiscal year, the IPFA's expenditures exceeded budgeted amounts by \$645,040.

**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 Auditor's Report*

To the Honorable City Council  
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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Industry (the entity), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements, and have issued our report thereon dated January 13, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the entity'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 financial statements. 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.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
January 13, 2026

January 13, 2026

To the Honorable City Council  
City of Industry, California

We have audited the financial statements of the City of Industry (the entity) as of and for the year ended June 30, 2025, and have issued our report thereon dated January 13, 2026. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 9, 2025, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the entity solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

We have evaluated whether certain nonattest services performed by our firm during the audit have created a significant threat to our independence in relation to the entity. We have identified a threat to our independence (preparation of the entity's financial statements, creating a self-review threat) that if not reduced to an acceptable level, would impair our independence. In order to reduce the threat to an acceptable level, we have applied the following safeguard:

Prior to the issuance of the entity's financial statements, another partner or manager, independent of the engagement, will review the financial statements.

## Significant Risks Identified

We have identified the possibility of the following significant risks:

*Management's override of internal controls over financial reporting* – Management override of internal controls is the intervention by management in handling financial information and making decisions contrary to internal control policy.

*Revenue recognition* – Revenue recognition is a generally accepted accounting principle that refers to the conditions under which an entity can recognize a transaction as revenue. Auditing standards indicate that recognizing revenue is a presumed fraud risk and usually classified as a significant risk in most audits.

These significant risks are presumptive in most audits and merit attention by the auditors due to the direct impact over financial reporting and internal control processes. Although identified as significant risks, we noted no matters of management override of controls or deviations from generally accepted accounting principles which caused us to modify our audit procedures or any related matters which are required to be communicated to those charged with governance due to these identified risks.

## Qualitative Aspects of the Entity's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the entity is included in Note 1 to the financial statements. The City adopted GASB Statement No. 101, *Compensated Absence*, and GASB Statement No. 102, *Certain Risk Disclosures* during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates and Related Disclosures*

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the entity's financial statements are:

Management's estimate of the net pension liability and related deferred inflows and outflows of resources are based on actuarial reports by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the liability for other post-employment benefits (OPEB) and related deferred inflows and outflows of resources are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the entity's financial statements relate to:

The disclosure of net pension liability and related deferred inflows and outflows of resources in the basic financial statements is based on actuarial assumptions. Actual future liabilities and actuarial deferred inflows and outflows may vary from disclosed estimates.

The disclosures of the other post-employment benefits (OPEB) liability and related deferred inflows and outflows of resources in the basic financial statements is based on actuarial assumptions. Actual future liabilities and actuarial deferred inflows and outflows may vary from disclosed estimates.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Attachment A reflects all material misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management".

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the entity's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated January 13, 2026.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that they utilize the services of the City's internal auditor, Frazier, for consultations regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the entity, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the entity's auditors.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the City Council and management of the entity and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Rogers, Anderson, Malody & Scott, LLP.*

# Attachment A

## Adjusting Journal Entries JE # 101

To properly record acquisition of lease liability for SBITA.

100-985-9799.01	Prop A Fund	360,080.00	
R100-2543.01	Principal payment	146,886.00	
R100-2543.02	Interest expense	6,317.00	
100-985-9799.01	Prop A Fund		146,886.00
100-985-9799.01	Prop A Fund		6,317.00
R100-2543	SBITA acquisition		360,080.00
<b>Total</b>		<b><u>513,283.00</u></b>	<b><u>513,283.00</u></b>



# CITY OF INDUSTRY

January 13, 2026

Rogers, Anderson, Malody & Scott, LLP

This representation letter is provided in connection with your audit of the financial statements of the City of Industry (the entity) which comprise the statement of financial position as of June 30, 2025, and the respective change in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements of the various opinion units are presented fairly, in all material respects, in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 13, 2026:

## Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 9, 2025, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- The financial statements refer to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information, and noted to the basic financial statements.
- We acknowledge our responsibility for the design, implementation, and maintenance of the system 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, if any, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.

- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus as amended*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- Nonexchange and exchange financial guarantees, either written or oral, under which it is more likely than not that a liability exists have been properly recorded, or if we are obligated in any manner, are disclosed
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
- We have evaluated all of our lease and subscription agreements and have given you our assessment as to whether each agreement is subject to GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription Based Information Technology Arrangements*.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With regard to pensions and OPEB:
  - We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
  - Increases in benefits, elimination of benefits and all similar amendments have been disclosed in accordance with U.S. GAAP and are included in the most recent actuarial valuation, or disclosed as a subsequent event.
- We have conducted a comprehensive risk assessment and disclosed all material concentrations and constraints in accordance with GASB Statement No. 102, *Certain Risk Disclosures*. These

disclosures provide sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact associated with the concentration or constraint, if applicable.

- We have evaluated the concentrations and constraints, including those that occur subsequent to the statement of net position date but before the financial statements are issued and have been properly disclosed in the financial statements as subsequent events.
- With respect to preparation of the financial statements, we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, a process to monitor the system of internal controls.
- There have been no changes or updates to legal information disclosed to you by our attorney(s) since the date of such legal response and now.

### Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report;
  - A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
- The financial statements and any other information included in the annual report are consistent with one another, and the other information does not contain any material misstatements.
- All information provided in electronic form are true representations of the original documents.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, concentrations and constraints, and we believe that our use of the going concern basis of accounting is appropriate.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), analysts, regulators, or others.

- We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- We have a process to track the status of audit findings and recommendations.
- We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).

- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

### **Use of a Specialist**

- We agree with the findings of specialists in evaluating the entity's net pension and net other post-employment benefit liabilities and related deferred amounts and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

### **Cybersecurity**

- There have been no cybersecurity breaches or other cyber events whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements.

### **Supplementary Information in Relation to the Financial Statements as a Whole**

With respect to supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
- We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
- The methods of measurement or presentation have not changed from those used in the prior period.
- We believe any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

### **Required Supplementary Information**

With respect to the required supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period.
- We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

**Accounting Estimates and Related Disclosures**

- The significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.
- We have consistently and appropriately selected and applied methods, assumptions, and data when making accounting estimates.
- The assumptions we used in making and disclosing accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity, when relevant to the accounting estimates and disclosures.
- The disclosures related to accounting estimates, including those disclosures describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework.
- We have obtained and applied appropriate specialized skills and expertise in making accounting estimates, if needed.
- We are not aware of any events subsequent to the date of the financial statements that require adjustment to our accounting estimates and related disclosures included in the financial statements.

Signature: Joshua Nelson

Title: CITY MANAGER

Signature: [Signature]

Title: FINANCE DIRECTOR