

West Patterson Financing Authority

Patterson, California

Basic Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2021



West Patterson Financing Authority
Basic Financial Statements
For the Year Ended June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the West Patterson Financing Authority
Patterson, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the West Patterson Financing Authority (the "Authority") as of and for the year ended June 30, 2021 and the related notes to the basic financial statements, which collectively comprise the Authority'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 Authority'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 Authority'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, and each major fund of the Authority, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules 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 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 the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the 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 11, 2022, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
January 11, 2022



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 West Patterson Financing Authority
Patterson, 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 and each major fund of the West Patterson Financing Authority (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise Authority's basic financial statements and have issued our report thereon dated January 11, 2022.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

To the Board of Directors
of the West Patterson Financing Authority
Patterson, California
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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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Walnut Creek, California
January 11, 2022

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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West Patterson Financing Authority
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 8,982,018
Accounts receivable	186,533
Interest receivable	6,322
Notes receivable	1,010,595
Total current assets	10,185,468
Noncurrent assets:	
Restricted cash and investments	4,470,907
Total noncurrent assets	4,470,907
Total assets	14,656,375
LIABILITIES	
Current liabilities:	
Accounts payable	11,796
Accrued interest payable	1,448,346
Due to City of Patterson	67,161
Due within one year:	
Long-term debt	1,711,843
Total current liabilities	3,239,146
Noncurrent liabilities:	
Due in more than one year:	
Long-term debt	72,600,160
Total noncurrent liabilities	72,600,160
Total liabilities	75,839,306
NET POSITION	
Restricted for debt service	1,602,674
Unrestricted (deficit) (Note 7)	(62,785,605)
Total net position	\$ (61,182,931)

West Patterson Financing Authority
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:		
General government	\$ 57,541	\$ (57,541)
Interest and fiscal charges	4,420,831	(4,420,831)
Total governmental activities	4,478,372	(4,478,372)
Total primary government	\$ 4,478,372	(4,478,372)
 General revenues and transfers:		
General revenues:		
Assessment fee		6,807,810
Investment earnings		85,154
Capital contributions to the City of Patterson		(155,744)
Total general revenues and transfers		6,737,220
 Changes in net position		2,258,848
 Net Position:		
Beginning of year		(63,441,779)
End of year		\$ (61,182,931)

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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West Patterson Financing Authority
Balance Sheet
Governmental Funds
June 30, 2021

	CFD 2001-1 Special Tax Bonds	CFD 2005-1 Special Tax Bonds	CFD 2015-1 Special Tax Bonds	CFD 2018-1 Special Tax Bonds	Total Governmental Funds
ASSETS					
Cash	\$ 5,423,657	\$ 3,242,960	\$ -	\$ 315,401	\$ 8,982,018
Restricted cash and investments	3,052,611	988,475	429,821	-	4,470,907
Accounts receivable	90,098	3,628	-	92,807	186,533
Interest receivable	5,448	762	-	112	6,322
Notes receivable	1,010,595	-	-	-	1,010,595
Total assets	\$ 9,582,409	\$ 4,235,825	\$ 429,821	\$ 408,320	\$ 14,656,375
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 10,050	\$ -	\$ -	\$ 1,746	\$ 11,796
Due to City of Patterson	-	-	67,161	-	67,161
Total liabilities	10,050	-	67,161	1,746	78,957
FUND BALANCES					
Restricted for debt service	9,572,359	4,235,825	362,660	406,574	14,577,418
Total Fund Balances	9,572,359	4,235,825	362,660	406,574	14,577,418
Total Liabilities and Fund Balances	\$ 9,582,409	\$ 4,235,825	\$ 429,821	\$ 408,320	\$ 14,656,375

West Patterson Financing Authority
Reconciliation of the Governmental Funds
Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2021

Total fund balances of governmental funds	\$ 14,577,418
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(1,448,346)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	
Long-term debt	<u>(74,312,003)</u>
Net position of governmental activities	<u><u>\$ (61,182,931)</u></u>

West Patterson Financing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	CFD 2001-1 Special Tax Bonds	CFD 2005-1 Special Tax Bonds	CFD 2015-1 Special Tax Bonds	CFD 2018-1 Special Tax Bonds	Total Governmental Funds
REVENUES:					
Assessment fee	\$ 5,466,376	\$ 643,606	\$ 280,337	\$ 417,491	\$ 6,807,810
Interest	72,530	11,448	550	626	85,154
Total revenues	5,538,906	655,054	280,887	418,117	6,892,964
EXPENDITURES:					
General administration	572	8,081	8,976	16,912	34,541
Project payments	23,000	-	-	-	23,000
Debt service:					
Principal	1,571,445	90,000	25,000	-	1,686,445
Interest and fiscal charges	3,749,571	405,369	245,963	-	4,400,903
Total expenditures	5,344,588	503,450	279,939	16,912	6,144,889
REVENUES OVER (UNDER) EXPENDITURES	194,318	151,604	948	401,205	748,075
OTHER FINANCING SOURCES (USES):					
Capital contributions to the City of Patterson	-	(155,744)	-	-	(155,744)
Total other financing sources (uses)	-	(155,744)	-	-	(155,744)
Net change in fund balances	194,318	(4,140)	948	401,205	592,331
FUND BALANCES:					
Beginning of year	9,378,041	4,239,965	361,712	5,369	13,985,087
End of year	<u>\$ 9,572,359</u>	<u>\$ 4,235,825</u>	<u>\$ 362,660</u>	<u>\$ 406,574</u>	<u>\$ 14,577,418</u>

West Patterson Financing Authority
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds:	\$	592,331
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position		
Principal payment of long-term debt		1,686,445
Amortization of bond premium and discount		(12,256)
 Interest expenses on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. This amount represented the changes in accrued interest from prior year		
		<u>(7,672)</u>
Change in net position of governmental activities	\$	<u><u>2,258,848</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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West Patterson Financing Authority
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For the Year Ended June 30, 2021

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West Patterson Financing Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the West Patterson Financing Authority (the “Authority” or “WPFA”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

A. Financial Reporting Entity

The Authority was formed in 2001 pursuant to a joint exercise of powers agreement between the City of Patterson (the “City”) and the former Redevelopment Agency of the City of Patterson. The primary activity of the Authority is issuing special tax bonds on behalf of the West Patterson Financing Authority Community Facilities District No. 2001-1 (Public Improvements). The proceeds of the special tax bonds are used to finance the costs of certain engineering, design, construction and other expenses related to public infrastructure improvements.

On October 18, 2005, pursuant to Resolution No. 2005-04 of the Board of Directors of the Authority founded its Community Facilities District No. 2005-1 (West Patterson Business Park) and authorized special tax levies therein.

On June 2, 2015 pursuant to Resolution No.2015-03 of the Board of Directors of the Authority founded its Community Facilities District No. 2015-1 (Arambel-KND) and authorized special tax levies therein.

On October 16, 2018 pursuant to Resolution No. 2018-04 of the Board of Directors of the Authority founded its Community Facilities District No. 2018-1 (Villages of Patterson) and authorized special tax levies therein.

The financial activities of the Authority are included in the City’s custodial funds.

B. Basis of Accounting and Measurement Focus

Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its 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 purpose for which they are to be spent and the means by which spending activities are controlled.

Government–Wide Financial Statements

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

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Authority’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in 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.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government–Wide Financial Statements (Continued)

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The Authority has presented all of its funds as major funds.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The primary revenue sources, which have been treated as susceptible to accrual by the Authority is assessments and interest income. Certain indirect costs are included in program expenses reported for individual functions and activities. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences.

Governmental funds of the Authority are outlined below:

CFD 2001-1 Special Tax Bonds – This fund is used to account for the debt service payments, investment income, and projects related to the 2013 Special Tax Bonds.

CFD 2005-1 Special Tax Bonds - This fund is used to account for the debt service payments, investment income, and projects related to the Community Facilities District 2005-1 (West Patterson Business Park) Special Tax Bonds.

CFD 2015-1 Special Tax Bonds - This fund is used to account for the debt service payments, investment income, and projects related to the Community Facilities District 2015-1 (Arambel-KND) Special Tax Bonds.

CFD 2018-1 Special Tax Bonds - This fund is used to account for the debt service payments, investment income, and projects related to the Community Facilities District 2018-1 (Villages of Patterson) Special Tax Bonds.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

The Authority's cash and investments considered to be cash equivalents, consist of cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and reported as Cash and Investments. The Authority's cash and investments are held by the City in its pooled cash and investments, except for funds required to be held by fiscal agents under the provisions of bond indentures.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Receivables

Receivables include such items as assessments, interest, notes, and miscellaneous accounts receivable. No allowance for doubtful accounts has been established, as the Authority believes all amounts are considered collectible in the normal course of business.

F. Long-Term Debt

In the government-wide financial statements long-term liabilities and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Initial issue bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs except for insurance, are expenses in the period incurred. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Special Tax

The Community Facilities Districts established by the Authority are authorized to levy special taxes annually on real property located within the Community Facilities Districts. The County of Stanislaus levies, bills, and collects the special property taxes for the Authority. The County of Stanislaus remits Community Facilities District special taxes collected on the County tax roll to the Authority in three installments during the months of December, April, and July.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Special Tax (Continued)

Tax collections of special taxes on the County tax roll are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, are levied and payable in two installments; the first is due November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Significant penalties are imposed under State law for late payment.

Tax levy dates are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on real property, as it exists at that time. Liens against real estate are not relieved by subsequent renewal or change in ownership.

In order to collect delinquent special tax levies, the Authority may conduct foreclosure actions against the property on which the special taxes are levied. In some cases, the Authority will "strip" the delinquent special tax amount from the County ad valorem tax roll, and proceed to enforce the payment of the special taxes itself through collection efforts including possible judicial foreclosure.

H. Net Position

For government-wide financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets. There is no net investment in capital assets as of June 30, 2021.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. There is no restricted net position as of June 30, 2021.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply restricted net position first.

I. Fund Balances

The City reports the fund balances for governmental funds in specific classifications (nonspendable, restricted, committed, assigned, and unassigned), which creates a hierarchy primarily based on the extent to which the City is bound to the constraints on the specific purpose for which funds can be spent. The Authority only receive restricted revenues; therefore, any remaining fund balances are restricted by nature of the revenue received.

J. Use of Estimates

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

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2021:

	Governmental Activities
Cash and investments	\$ 8,982,018
Restricted cash and investments with fiscal agents	4,470,907
Total cash and investments	\$ 13,452,925

Cash, cash equivalents, and investments, consisted of the following at June 30, 2021:

Cash and cash equivalents:	
Pooled cash with City of Patterson	\$ 8,982,018
Total cash and cash equivalents	8,982,018
Investments:	
Money market mutual funds	4,470,907
Total investments	4,470,907
Total cash and investments	\$ 13,452,925

At June 30, 2021, investments, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

	Fair Value	Measurement Input	Valuation Technique
Investments:			
Money market mutual funds	\$ 4,470,907	Uncategorized	N/A
Total investments	\$ 4,470,907		

A. Cash Deposits

The carrying amounts of the Authority’s pooled cash and investment with the City was \$8,982,018 at June 30, 2021. The Authority pools its cash and investments of all funds with the City of Patterson, California to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The pool is managed by the City Treasurer for investing, except for certain restricted funds and investments held in trust, which are held and invested by outside custodians through contractual agreements. These restricted funds include cash with fiscal agents. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name is discussed below.

Investments held in the City of Patterson's cash and investments pool are available on demand. Information regarding the City's cash and investment pools is described in the City's Comprehensive Annual Financial Report.

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

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

A. Cash Deposits (Continued)

The market value of pledged securities must equal at least 110% of the City'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 City's total cash deposits. The City may waive collateral requirements for cash deposits; however, the City has not waived the collateralization requirements.

B. Investments

Investments Authorized by the California Code and the Authority's Investments Policy

The table below identifies the investment types that are authorized by the Authority's investment policy. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Obligation	5 years	None	None
U.S. Agency Securities	5 years	None	None
Certificates of Deposit	2 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Funds	N/A	None	None
Annuities	N/A	None	None
Mutual Funds	N/A	5%	None
Corporate Notes (Minimum rating of "AAA")	5 years	5%	None
Local Agency Bonds (Local obligation bonds)	5 years	None	None

* The table is based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U.S. Treasury Obligation	5 years	None	None
U.S. Agency Securities	5 years	None	None
Certificates of Deposit	2 years	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Money Market Funds	None	None	None
Annuities	None	None	None
Mutual Funds	None	5%	None
Corporate Notes (Minimum rating of "AAA")	5 years	5%	None
Local Agency Bonds (Local obligation bonds)	5 years	None	None

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates 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 market interest rates. One of the ways that the Authority's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments to market rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity as of June 30, 2021:

	Fair Value	Maturity 12 Months or Less
Investments:		
Money market mutual funds	\$ 4,470,907	\$ 4,470,907
Total investments	\$ 4,470,907	\$ 4,470,907

Disclosures Relating to Credit Risk

Generally, credit risk is 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 rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Fair Value	Minimum Legal Rating	Credit Rating	S&P	Moody's
Investments:					
Money market mutual funds	\$ 4,470,907	N/A	AAAm	Aaa-mf	
Total investments	\$ 4,470,907				

Disclosures Relating to Concentration of Credit Risk

The Authority complies with the limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. The Authority held no investments in a single issuer (other than external investment pools and mutual funds) that represented 5% or more of total Authority investment as of June 30, 2021.

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) 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. None of the Authority's investments was subject to custodial credit risk.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 3 – Notes Receivable

On November 7, 2017, the Patterson City Council adopted Ordinance No. 806 to establish a Cannabis Business Pilot Program, which allows for the regulation of cannabis businesses with the City. On December 5, 2017, the Authority entered into a development agreement with a developer to improve, develop, and use real property to operate a cannabis dispensary in the City. As part of the development agreement, the developer issued a promissory note to the Authority for \$1,045,000 with an annual interest rate of 5% commencing with the developer’s start of business. The developer agreed to pay the Authority a monthly payment of \$5,610 (including principal and interest) through July 2024 with a balloon payment of \$898,124 due on August 1, 2024. At June 30, 2021, the outstanding balance of the note receivable was \$1,010,595.

Note 4 – Due to City of Patterson

At June 30, 2021, the Authority owes the City in the amount of \$67,161 to cover the cash overdrawn in CFD 2015-1.

Note 5 – Capital Contributions to City of Patterson

For the year ended June 30, 2021, the Authority transferred bond proceeds in the amount of \$155,744 to the City for funding the water and sewer capital projects within the West Patterson Business Park area.

Note 6 – Long-Term Obligations

A. Governmental Activities

The Authority issued each of the respective bonds and notes on behalf of CFD 2001-1, CFD 2005-1, and 2015-1. Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2021 is as follows:

	Original Issuance	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year	Due In More Than One Year
Public Offering:							
CFD 2001-1 Series:							
Series 2013 A-1 Special Tax Bonds	\$ 35,714,049	\$ 32,012,607	\$ -	\$ (739,436)	\$ 31,273,171	\$ 730,678	\$ 30,542,493
Series 2013 A-2 Special Tax Bonds	29,486,669	26,332,777	-	(726,061)	25,606,716	742,795	24,863,921
Series 2013 B Special Tax Bonds	4,353,803	3,818,720	-	(105,948)	3,712,772	103,370	3,609,402
CFD 2005-1 Business Park Special Tax Bo	9,630,000	9,355,000	-	(90,000)	9,265,000	100,000	9,165,000
Less: bond discount	(302,797)	(252,325)	-	12,618	(239,707)	-	(239,707)
CFD 2015-1 ArambeI-KND Special Tax Bo	4,775,000	4,710,000	-	(25,000)	4,685,000	35,000	4,650,000
Add: bond premium	10,861	9,413	-	(362)	9,051	-	9,051
Total long-term debt	\$ 83,667,585	\$ 75,986,192	\$ -	\$ (1,674,189)	\$ 74,312,003	\$ 1,711,843	\$ 72,600,160

Special Tax Refunding Bonds, Series 2013-A-1

On August 14, 2013, the Authority issued \$35,714,049 of special tax refunding bonds (Series 2013-A-1) to repay, in part, the principal of the Authority's Special Tax Bond Series 2002-A, 2003-A, 2003-B, 2004-A, 2004-B, 2009-A, and 2009-B. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039, beginning on March 1, 2014. The interest rate on the bonds is 5.62%. Principal payments are due annually beginning on September 1, 2014. The bonds are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the Series 2013-A-1 bonds at June 30, 2021 was \$31,273,171.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Special Tax Refunding Bonds, Series 2013-A-1 (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 730,678	\$ 1,737,020	\$ 2,467,698
2023	806,290	1,693,831	2,500,121
2024	832,533	1,647,780	2,480,313
2025	911,265	1,598,780	2,510,045
2026	998,288	1,545,121	2,543,409
2027-2031	5,650,048	6,808,539	12,458,587
2032-2036	8,087,262	5,005,442	13,092,704
2037-2040	13,256,807	1,692,681	14,949,488
Total	<u>\$ 31,273,171</u>	<u>\$ 21,729,194</u>	<u>\$ 53,002,365</u>

Special Tax Refunding Bonds, Series 2013-A-2

On August 14, 2013, the Authority issued \$29,486,669 of special tax refunding bonds (Series 2013-A-2) to repay, in part, the principal of the Authority's Special Tax Bond Series 2002-A, 2003-A, 2003-B, 2004-A, 2004-B, 2009-A, and 2009-B. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039, beginning on March 1, 2014. The interest rate on the bonds is 6.61%. Principal payments are due annually beginning on September 1, 2014. The bonds are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the Series 2013-A-2 bonds at June 30, 2021 was \$25,606,716.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 742,795	\$ 1,668,055	\$ 2,410,850
2023	820,183	1,616,398	2,436,581
2024	901,376	1,559,501	2,460,877
2025	1,001,155	1,496,622	2,497,777
2026	1,103,849	1,427,052	2,530,901
2027-2031	7,192,888	5,845,528	13,038,416
2032-2036	8,583,910	3,069,176	11,653,086
2037-2040	5,260,560	583,118	5,843,678
Total	<u>\$ 25,606,716</u>	<u>\$ 17,265,450</u>	<u>\$ 42,872,166</u>

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Special Tax Refunding Bonds, Series 2013-B

On August 14, 2013, the Authority issued \$4,353,803 of special tax refunding bonds (Series 2013-B) to repay, in part, the principal of the Authority's Special Tax Bond Series 2002-A, 2003-A, 2003-B, 2004-A, 2004-B, 2009-A, and 2009- B. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039, beginning on March 1, 2014. The interest rate on the bonds is 6.61%. Principal payments are due annually beginning on September 1, 2014. The bonds are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the Series 2013-A-1 bonds at June 30, 2021 was \$3,712,772.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 103,370	\$ 241,998	\$ 345,368
2023	110,202	234,939	345,141
2024	117,488	227,414	344,902
2025	125,253	219,392	344,645
2026	133,533	210,839	344,372
2027-2031	812,326	904,752	1,717,078
2032-2036	1,118,718	588,235	1,706,953
2037-2040	1,191,882	163,863	1,355,745
Total	<u>\$ 3,712,772</u>	<u>\$ 2,791,432</u>	<u>\$ 6,504,204</u>

Community Facilities District No. 2005-1 (West Patterson Business Park) Special Tax Bonds

On September 29, 2015, the Authority issued \$9,630,000 of special tax refunding bonds (Series 2015) to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the District. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2045, beginning on March 1, 2016. The bonds bear interest ranging from 2.00% to 4.50%. Principal payments are due annually beginning on September 1, 2016. The bonds are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the CFD 2005-1 Special Tax bonds at June 30, 2021 was \$9,265,000.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Community Facilities District No. 2005-1 (West Patterson Business Park) Special Tax Bonds (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 100,000	\$ 402,506	\$ 502,506
2023	115,000	398,869	513,869
2024	130,000	394,419	524,419
2025	145,000	389,263	534,263
2026	160,000	383,544	543,544
2027-2031	1,085,000	1,802,466	2,887,466
2032-2036	1,660,000	1,513,731	3,173,731
2037-2042	2,435,000	1,062,563	3,497,563
2042-2046	3,435,000	406,688	3,841,688
Total	<u>\$ 9,265,000</u>	<u>\$ 6,754,049</u>	<u>\$ 16,019,049</u>

Community Facilities District No. 2015-1 (Arambel-KND) Special Tax Bonds

On September 29, 2015, the Authority issued \$4,775,000 of special tax refunding bonds (Series 2015) to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the District. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2045, beginning on March 1, 2016. The bonds bear interest ranging from 5.00% to 5.25%. Principal payments are due annually beginning on September 1, 2016. The bonds are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the CFD 2015-1 Special Tax bonds at June 30, 2021 was \$4,685,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 35,000	\$ 244,463	\$ 279,463
2023	40,000	242,588	282,588
2024	50,000	240,338	290,338
2025	60,000	237,588	297,588
2026	65,000	237,588	302,588
2027-2031	485,000	1,119,300	1,604,300
2032-2036	825,000	958,125	1,783,125
2037-2042	1,260,000	698,513	1,958,513
2042-2046	1,865,000	308,175	2,173,175
Total	<u>\$ 4,685,000</u>	<u>\$ 4,286,678</u>	<u>\$ 8,971,678</u>

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Other Required Disclosures

A. Unrestricted Net Position (Deficit)

At June 30, 2021, the Governmental Activities of the Authority had an unrestricted net deficit of \$(62,785,605). The deficit will be eliminated through future secured revenues which will be used to pay outstanding debt.

B. Expenditures in Excess of Appropriations

For the year ended June 30, 2021, the CFD 2001-1 Special Tax Bonds Fund incurred expenditures in excess of budgets by \$474,090. For the year ended June 30, 2021, the CFD 2018-1 Special Tax Bonds Fund incurred expenditures in excess of budgets by \$4,612. Sufficient resources were available in the fund balance of the funds to cover the excess of expenditures.

Note 8 - Subsequent Events

A. CFD 2018-1 (Villages of Patterson) Special Tax Bonds, Series 2021

On October 27, 2021 the West Patterson Financing Authority issued \$4,465,000 Community Facilities District No. 2018-1 (Villages of Patterson) Special Tax Bonds, Series 2021 (“CFD 2018-1 Series 2021”).

The CFD 2018-1 Series 2021 bonds are not an obligation nor a debt of the City. The CFD 2018-1 Series 2021 bonds are secured and payable solely from a pledge of Special Tax Revenues to be levied by the Authority on real property within the boundaries of the district, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the special taxes, and from amounts held in certain funds under the Fiscal Agent Agreement dated October 1, 2021. The bonds were sold as non-rated securities, have a final maturity date of 2051 with coupons ranging from 3.00% to 4.00% and yields ranging from 1.51% to 2.74%. The CFD 2018-1 Series 2021 bonds were issued to (i) construct and acquire certain public facilities of benefit to the district, (ii) provide for the establishment of a reserve fund, and (iii) pay the costs of issuance of the CFD 2018-1 Series 2021 bonds. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2022. Principal on the CFD 2018-1 Series 2021 bonds is payable annually beginning September 1, 2022 and each year thereafter until September 1, 2051.

B. CFD 2005-1 (West Patterson Business Park) Special Tax Bonds, Series 2021

In December 2021, the West Patterson Financing Authority is expected to issue \$6,800,000 Community Facilities District No. 2005-1 (West Patterson Business Park) Special Tax Bonds, Series 2021 (“CFD 2005-1 Series 2021”).

The CFD 2005-1 Series 2021 bonds are not an obligation nor a debt of the City. The CFD 2005-1 Series 2021 bonds are secured and payable solely from a pledge of Special Tax Revenues, on parity with bonds issued in 2015, to be levied by the Authority on real property within the boundaries of the District, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the special taxes, and from amounts held in certain funds under the Fiscal Agent Agreement dated September 1, 2015 and the Supplement Agreement No. 1 to Fiscal Agent Agreement dated as of December 1, 2021. The CFD 2005-1 Series 2021 bonds are expected to be sold as non-rated securities and have a final maturity date of 2049. The CFD 2005-1 Series 2021 bonds are being issued to (i) construct and acquire certain public facilities of benefit to the District, (ii) provide for the establishment of a reserve fund, and (iii) pay the costs of issuance of the 2021 Bonds. Interest on the CFD 2005-1 Series 2021 bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2022. Principal on the 2021 Bonds is payable annually beginning September 1, 2022 and each year thereafter until September 1, 2049.

REQUIRED SUPPLEMENTARY INFORMATION

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West Patterson Financing Authority
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2021

Budgetary Comparison Schedule – CFD 2001-1 Special Tax Bonds

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Assessment fee	\$ 5,442,916	\$ 5,442,916	\$ 5,466,376	\$ 23,460
Interest	115,000	115,000	72,530	(42,470)
Total revenues	<u>5,557,916</u>	<u>5,557,916</u>	<u>5,538,906</u>	<u>(19,010)</u>
EXPENDITURES:				
General administration	500	500	572	(72)
Project payments	1,324,475	124,475	23,000	101,475
Debt service:				
Principal	1,540,000	1,540,000	1,571,445	(31,445)
Interest and fiscal charges	3,205,523	3,205,523	3,749,571	(544,048)
Total expenditures	<u>6,070,498</u>	<u>4,870,498</u>	<u>5,344,588</u>	<u>(474,090)</u>
Net change in fund balance	<u>\$ (512,582)</u>	<u>\$ 687,418</u>	194,318	<u>\$ (493,100)</u>
FUND BALANCE:				
Beginning of year			<u>9,378,041</u>	
End of year			<u>\$ 9,572,359</u>	

West Patterson Financing Authority
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2021

Budgetary Comparison Schedule – CFD 2005-1 (West Patterson Business Park) Special Tax Bonds

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Assessment fee	\$ 569,130	\$ 569,130	\$ 643,606	\$ 74,476
Interest	34,532	34,532	11,448	(23,084)
Total revenues	<u>603,662</u>	<u>603,662</u>	<u>655,054</u>	<u>51,392</u>
EXPENDITURES:				
General administration	15,028	15,028	8,081	6,947
Debt service:				
Principal	90,000	90,000	90,000	-
Interest and fiscal charges	405,369	405,369	405,369	-
Total expenditures	<u>510,397</u>	<u>510,397</u>	<u>503,450</u>	<u>6,947</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>93,265</u>	<u>93,265</u>	<u>151,604</u>	<u>58,339</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(155,744)	(155,744)	(155,744)	-
Total other financing sources (uses)	<u>(155,744)</u>	<u>(155,744)</u>	<u>(155,744)</u>	<u>-</u>
Net change in fund balance	<u>\$ (62,479)</u>	<u>\$ (62,479)</u>	<u>(4,140)</u>	<u>\$ 58,339</u>
FUND BALANCE:				
Beginning of year			<u>4,239,965</u>	
End of year			<u>\$ 4,235,825</u>	

West Patterson Financing Authority
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2021

Budgetary Comparison Schedule – CFD 2015-1 (Arambel-KND) Special Tax Bonds

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Assessment fee	\$ 308,467	\$ 308,467	\$ 280,337	\$ (28,130)
Interest	617	617	550	(67)
Total revenues	<u>309,084</u>	<u>309,084</u>	<u>280,887</u>	<u>(28,197)</u>
EXPENDITURES:				
General administration	8,025	8,025	8,976	(951)
Debt service:				
Principal	35,000	35,000	25,000	10,000
Interest and fiscal charges	245,338	245,338	245,963	(625)
Total expenditures	<u>288,363</u>	<u>288,363</u>	<u>279,939</u>	<u>8,424</u>
Net change in fund balance	<u>\$ 20,721</u>	<u>\$ 20,721</u>	948	<u>\$ (19,773)</u>
FUND BALANCE:				
Beginning of year			<u>361,712</u>	
End of year			<u>\$ 362,660</u>	

West Patterson Financing Authority
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2021

Budgetary Comparison Schedule – CFD 2018-1 (Villages of Patterson) Special Tax Bonds

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Assessment fee	\$ 4,000	\$ 345,370	\$ 417,491	\$ 72,121
Interest	-	-	626	626
Total revenues	<u>4,000</u>	<u>345,370</u>	<u>418,117</u>	<u>72,747</u>
EXPENDITURES:				
General administration	-	12,300	16,912	(4,612)
Total expenditures	<u>-</u>	<u>12,300</u>	<u>16,912</u>	<u>(4,612)</u>
Net change in fund balance	<u>\$ 4,000</u>	<u>\$ 333,070</u>	401,205	<u>\$ 68,135</u>
FUND BALANCE:				
Beginning of year			<u>5,369</u>	
End of year			<u>\$ 406,574</u>	