

West Patterson Financing Authority

Patterson, California

Basic Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2023



West Patterson Financing Authority
Basic Financial Statements
For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors’ Report on Financial Statements	1
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 <i>Government Auditing Standards</i>	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities.....	20
Notes to the Basic Financial Statements	25
Required Supplementary Information (Unaudited):	
Budgetary Information	41
Budgetary Comparison Schedule:	
CFD 2005-1 Special Tax Bonds	42
CFD 2015-1 Special Tax Bonds	43
CFD 2018-1 Special Tax Bonds	44

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, as listed in the accompanying table of contents, 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.

To the Board of Directors
of the West Patterson Financing Authority
Patterson, California
Page 3

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 March 28, 2024, 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
March 28, 2024

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

Independent Auditors' Report

To the Board of Directors
of the 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, 2023, and the related notes to the basic financial statements, which collectively comprise Authority's basic financial statements and have issued our report thereon dated March 28, 2024.

Report on 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 or significant deficiencies may exist that were not identified.

To the Board of Directors
of the West Patterson Financing Authority
Patterson, California
Page 2

Report on 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*.

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
March 28, 2024

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, 2023

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 9,961,901
Accounts receivable	280
Intergovernmental receivable	57,838
Interest receivable	21,092
Total current assets	10,041,111
Noncurrent assets:	
Notes receivable - noncurrent	975,361
Restricted cash and investments	14,227,860
Total noncurrent assets	15,203,221
Total assets	25,244,332
LIABILITIES	
Current liabilities:	
Accounts payable	37,198
Accrued interest payable	1,515,061
Due to City of Patterson	52,587
Due within one year:	
Long-term debt	2,054,209
Total current liabilities	3,659,055
Noncurrent liabilities:	
Due in more than one year:	
Long-term debt	80,639,162
Total noncurrent liabilities	80,639,162
Total liabilities	84,298,217
NET POSITION (DEFICIT)	
Restricted for debt service	14,227,860
Unrestricted (deficit)	(73,281,745)
Total net position (deficit)	\$ (59,053,885)

West Patterson Financing Authority
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:		
General government	\$ 1,783,228	\$ (1,783,228)
Interest and fiscal charges	4,600,979	(4,600,979)
Total governmental activities	6,384,207	(6,384,207)
Total primary government	\$ 6,384,207	(6,384,207)
General revenues:		
Assessment fee		7,188,760
Investment earnings		608,357
Capital contributions to the City of Patterson		(1,691,369)
Total general revenues		6,105,748
Changes in net position		(278,459)
Net Position (Deficit):		
Beginning of year, as restated (Note 7)		(58,775,426)
End of year		\$ (59,053,885)

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, 2023

	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	\$ 6,596,701	\$ 2,271,547	\$ -	\$ 1,093,653	\$ 9,961,901
Restricted cash and investments	670,340	8,343,976	429,821	4,783,723	14,227,860
Accounts receivable	280	-	-	-	280
Intergovernmental receivable	54,024	2,879	-	935	57,838
Interest receivable	15,342	3,881	-	1,869	21,092
Notes receivable	975,361	-	-	-	975,361
Total assets	\$ 8,312,048	\$ 10,622,283	\$ 429,821	\$ 5,880,180	\$ 25,244,332
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 37,198	\$ -	\$ -	\$ -	\$ 37,198
Due to City of Patterson	-	-	52,587	-	52,587
Total liabilities	37,198	-	52,587	-	89,785
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	4,350	-	-	-	4,350
Total deferred inflows of resources	4,350	-	-	-	4,350
FUND BALANCES:					
Restricted for debt service	8,270,500	10,622,283	377,234	5,880,180	25,150,197
Total fund balances	8,270,500	10,622,283	377,234	5,880,180	25,150,197
Total liabilities, deferred inflows of resources, and fund balance	\$ 8,312,048	\$ 10,622,283	\$ 429,821	\$ 5,880,180	\$ 25,239,982

West Patterson Financing Authority
Reconciliation of the Governmental Funds
Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2023

Total fund balances of governmental funds	\$ 25,150,197
 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.	(1,515,061)
Unavailable revenues reported on the Governmental Fund Financial Statements resulting from activities in which revenues were earned but were not available are reclassified as revenues in the Government-Wide Financial Statements.	4,350
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>(82,693,371)</u>
Net position (deficit) of governmental activities	<u><u>\$ (59,053,885)</u></u>

West Patterson Financing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	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	\$ 5,440,668	\$ 952,011	\$ 304,319	\$ 487,412	\$ 7,184,410
Interest	188,994	265,721	1,173	152,469	608,357
Total revenues	5,629,662	1,217,732	305,492	639,881	7,792,767
EXPENDITURES:					
General administration	568	11,055	6,785	21,716	40,124
Project payments	1,743,104	-	-	-	1,743,104
Debt service:					
Principal	1,905,629	140,000	40,000	50,000	2,135,629
Interest and fiscal charges	3,532,980	662,010	242,588	175,850	4,613,428
Total expenditures	7,182,281	813,065	289,373	247,566	8,532,285
REVENUES OVER (UNDER) EXPENDITURES	(1,552,619)	404,667	16,119	392,315	(739,518)
OTHER FINANCING SOURCES (USES):					
Capital contributions to the City of Patterson	-	(1,399,030)	-	(292,339)	(1,691,369)
Total other financing sources (uses)	-	(1,399,030)	-	(292,339)	(1,691,369)
Net change in fund balances	(1,552,619)	(994,363)	16,119	99,976	(2,430,887)
FUND BALANCES:					
Beginning of year, as restated (Note 7)	9,823,119	11,616,646	361,115	5,780,204	27,581,084
End of year	<u>\$ 8,270,500</u>	<u>\$ 10,622,283</u>	<u>\$ 377,234</u>	<u>\$ 5,880,180</u>	<u>\$ 25,150,197</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, 2023

Net change in fund balances - total governmental funds:	\$ (2,430,887)
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the Government-Wide Statement of Activities that do not provide current financial resources and are not reported as revenue in the governmental funds.	4,350
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	2,135,629
Amortization of bond premium and discount	7,191
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>5,258</u>
Change in net position of governmental activities	<u><u>\$ (278,459)</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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West Patterson Financing Authority
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies	25
A. Financial Reporting Entity	25
B. Basis of Accounting and Measurement Focus	25
C. Cash and Investments	26
D. Restricted Cash and Investments	27
E. Receivables	27
F. Long-Term Debt	27
G. Special Tax	27
H. Net Position	28
I. Fund Balances	28
J. Use of Estimates	28
Note 2 – Cash and Investments	28
A. Cash Deposits	29
B. Investments	30
C. Risk Disclosures	31
Note 3 – Notes Receivable	32
Note 4 – Due to City of Patterson	32
Note 5 – Long-Term Debt	32
Note 6 – Other Required Disclosures	37
A. Unrestricted Net Position (Deficit)	37
Note 7 – Prior Period Adjustment	37
A. Government-Wide Financial Statements	37
B. Governmental Fund Financial Statements	37
Note 8 – Subsequent Events	38

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West Patterson Financing Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

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, California (the “City”) and the former Redevelopment Agency of the City. 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.

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.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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 debt service 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 debt service 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 debt service 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 debt service 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.

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.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash and Investments (Continued)

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.

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.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Special Tax (Continued)

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, 2023.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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 Authority 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 Authority 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.

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2023:

	Governmental Activities
Cash and investments	\$ 9,961,901
Restricted cash and investments with fiscal agents	14,227,860
Total cash and investments	\$ 24,189,761

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

Cash, cash equivalents, and investments, consisted of the following at June 30, 2023:

Cash and cash equivalents:	
Pooled cash with the City of Patterson	\$ 9,961,901
Total cash and cash equivalents	9,961,901
Investments:	
Money market mutual funds	14,227,860
Total investments	14,227,860
Total cash and investments	\$ 24,189,761

At June 30, 2023, 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, 2023:

	Fair Value	Measurement Input	Valuation Technique
Investments:			
Money market mutual funds	\$ 14,227,860	Uncategorized	N/A
Total investments	\$ 14,227,860		

A. Cash Deposits

The carrying amounts of the Authority’s pooled cash and investment with the City was \$9,961,901 at June 30, 2023. The Authority pools its cash and investments of all funds with the City 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 Annual Comprehensive 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.

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.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

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, 2023

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, 2023:

	Fair Value	Maturity 12 Months or Less
Investments:		
Money market mutual funds	\$ 14,227,860	\$ 14,227,860
Total investments	\$ 14,227,860	\$ 14,227,860

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	\$ 14,227,860	N/A	AAAm	Aaa-mf
Total investments	\$ 14,227,860			

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, 2023.

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, 2023

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, 2023, the outstanding balance of the note receivable was \$975,361.

Note 4 – Due to City of Patterson

At June 30, 2023, the Authority owes the City in the amount of \$52,587 to cover the cash overdrawn in CFD 2015-1.

Note 5 – Long-Term Debt

The Authority issued each of the respective bonds and notes on behalf of CFD 2001-1, CFD 2005-1, CFD 2015-1, and 2018-1. Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2023 is as follows:

	Original Issuance	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	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	\$ 30,434,898	\$ -	\$ (894,136)	\$ 29,540,762	\$ 827,061	\$ 28,713,701
Series 2013 A-2 Special Tax Bonds	29,486,669	24,776,210	-	(890,977)	23,885,233	895,434	22,989,799
Series 2013 B Special Tax Bonds	4,353,803	3,596,672	-	(120,516)	3,476,156	116,714	3,359,442
CFD 2005-1 West Patterson Business Park Series:							
Series 2015 Special Tax Bonds	9,630,000	9,165,000	-	(115,000)	9,050,000	130,000	8,920,000
Less: bond discount	(302,797)	(227,089)	-	12,618	(214,471)	-	(214,471)
Series 2021 Special Tax Bonds	6,800,000	6,800,000	-	(25,000)	6,775,000	5,000	6,770,000
Add: bond premium	680,313	680,313	-	(11,339)	668,974	-	668,974
CFD 2015-1 Arambel-KND Special Tax Bonds	4,775,000	4,650,000	-	(40,000)	4,610,000	50,000	4,560,000
Add: bond premium	10,861	8,689	-	(362)	8,327	-	8,327
CFD 2018-1 Villages of Patterson Special Tax Bonds	4,465,000	4,465,000	-	(50,000)	4,415,000	30,000	4,385,000
Add: bond premium	486,498	486,498	-	(8,108)	478,390	-	478,390
Total long-term debt	\$ 96,099,396	\$ 84,836,191	\$ -	\$ (2,142,820)	\$ 82,693,371	\$ 2,054,209	\$ 80,639,162

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, 2023 was \$29,540,762.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Long-Term Debt (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
2024	\$ 827,061	\$ 1,636,950	\$ 2,464,011
2025	905,275	1,588,272	2,493,547
2026	991,727	1,534,966	2,526,693
2027	1,062,705	1,477,236	2,539,941
2028	1,094,629	1,416,615	2,511,244
2029-2033	6,006,045	6,112,183	12,118,228
2034-2038	10,807,117	3,921,897	14,729,014
2039-2040	7,846,203	489,958	8,336,161
Total	<u>\$ 29,540,762</u>	<u>\$ 18,178,078</u>	<u>\$ 47,718,840</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, 2023 was \$23,885,233.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 895,434	\$ 1,549,219	\$ 2,444,653
2025	994,555	1,486,756	2,481,311
2026	1,096,572	1,417,644	2,514,216
2027	1,192,165	1,342,001	2,534,166
2028	1,304,649	1,259,481	2,564,130
2029-2033	8,471,501	4,776,151	13,247,652
2034-2038	7,836,290	1,961,792	9,798,082
2039-2040	2,094,067	95,784	2,189,851
Total	<u>\$ 23,885,233</u>	<u>\$ 13,888,828</u>	<u>\$ 37,774,061</u>

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, 2023 was \$3,476,156.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Long-Term Debt (Continued)

Special Tax Refunding Bonds, Series 2013-B (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 116,714	\$ 225,917	\$ 342,631
2025	124,429	217,947	342,376
2026	132,653	209,450	342,103
2027	141,423	200,392	341,815
2028	150,770	190,735	341,505
2029-2033	917,187	784,942	1,702,129
2034-2038	1,263,125	427,568	1,690,693
2039-2040	629,855	42,299	672,154
Total	<u>\$ 3,476,156</u>	<u>\$ 2,299,250</u>	<u>\$ 5,775,406</u>

Community Facilities District No. 2005-1 (West Patterson Business Park) Special Tax Bonds, Series 2015

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. The bonds were issued with an original issue discount of \$302,797. 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, 2023 was \$9,050,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 130,000	\$ 394,419	\$ 524,419
2025	145,000	389,263	534,263
2026	160,000	383,544	543,544
2027	180,000	377,056	557,056
2028	195,000	369,669	564,669
2029-2033	1,295,000	1,704,069	2,999,069
2034-2038	1,945,000	1,355,228	3,300,228
2039-2043	2,805,000	826,988	3,631,988
2044-2046	2,195,000	152,438	2,347,438
Total	<u>\$ 9,050,000</u>	<u>\$ 5,952,673</u>	<u>\$ 15,002,673</u>

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Long-Term Debt (Continued)

Community Facilities District 2005-1 (West Patterson Business Park) Special Tax Bonds, Series 2021

In December 2021, the West Patterson Financing Authority issued \$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 were 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. The bonds were issued with an original issue premium of \$680,313. 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. The outstanding balance of the CFD 2005-1 Series 2021 bonds at June 30, 2022 was \$6,775,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	5,000	262,806	\$ 267,806
2025	10,000	262,638	272,638
2026	15,000	262,356	277,356
2027	20,000	261,963	281,963
2028	30,000	261,400	291,400
2028-2032	240,000	1,293,500	1,533,500
2033-2037	440,000	1,248,419	1,688,419
2038-2043	720,000	1,136,000	1,856,000
2043-2047	2,810,000	888,400	3,698,400
2048-2050	2,485,000	100,900	2,585,900
Total	\$ 6,775,000	\$ 5,978,382	\$ 12,753,382

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. The bonds were issued with an original issue premium of \$10,861. 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, 2023 was \$4,610,000.

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Long-Term Debt (Continued)

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

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 50,000	\$ 240,338	\$ 290,338
2025	60,000	237,588	297,588
2026	65,000	234,463	299,463
2027	75,000	230,869	305,869
2028	85,000	226,669	311,669
2029-2033	610,000	1,049,213	1,659,213
2034-2038	985,000	841,444	1,826,444
2039-2043	1,480,000	521,850	2,001,850
2044-2046	1,200,000	97,650	1,297,650
Total	<u>\$ 4,610,000</u>	<u>\$ 3,680,084</u>	<u>\$ 8,290,084</u>

Community Facilities District 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 bonds were issued with an original issue premium of \$486,498. 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. The outstanding balance of the CFD 2018-1 Series 2021 bonds at June 30, 2022 was \$4,415,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 30,000	\$ 174,650	\$ 204,650
2025	35,000	173,675	208,675
2026	40,000	172,550	212,550
2027	45,000	171,275	216,275
2028	50,000	169,600	219,600
2029-2033	355,000	810,500	1,165,500
2034-2038	575,000	718,500	1,293,500
2039-2043	845,000	577,500	1,422,500
2044-2048	1,180,000	376,400	1,556,400
2049-2052	1,260,000	104,800	1,364,800
Total	<u>\$ 4,415,000</u>	<u>\$ 3,449,450</u>	<u>\$ 7,864,450</u>

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Other Required Disclosures

A. Unrestricted Net Position (Deficit)

At June 30, 2023, the Governmental Activities of the Authority had an unrestricted net deficit of \$(73,456,826). The deficit will be eliminated through future secured revenues which will be used to pay outstanding debt.

Note 7 – Prior Period Adjustments

The Authority’s beginning fund balance and net position have been restated to reflect the cumulative effect of prior year adjustments to correct the accounting treatment of reimbursable expenditures and their related accounts receivable. Previously, the Authority posted costs deemed to be reimbursable directly to either an accounts receivable account or a deposit account depending on the nature of the cost. These reimbursable costs were only recognized as expenditures if it was unlikely that the Authority would receive reimbursement for them. In order to increase financial transparency, the Authority now recognizes these expenditures at the time the actual costs are incurred, and an offsetting receivable is recorded. A summary of the restatements as of June 30, 2023 are as follows:

A. Government-Wide Financial Statements

The beginning net position at July 1, 2022 of the Government-Wide Financial Statements was restated as follows:

	Governmental Activities
Net position, as previously reported, at July 1, 2022	\$ (58,706,243)
To correct error in accounting for accounts receivable	(69,183)
Net position at July 1, 2022, as restated	\$ (58,775,426)

B. Governmental Fund Financial Statements

The beginning fund balance at July 1, 2022 of the Governmental Fund Financial Statements was restated as follows:

	CFD 2018-1 Special Tax Bonds
Net position, as previously reported, at July 1, 2022	\$ 5,849,387
To correct error in accounting for accounts receivable	(69,183)
Net position at July 1, 2022, as restated	\$ 5,780,204

West Patterson Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Subsequent Events

A. Patterson Public Financing Authority Special Tax Revenue Refunding Bonds Series 2023

The Patterson Public Financing Authority (the “Authority”), 2023 Refunding Special Tax Revenue Bonds (the “2023 Bonds”) are being issued to refund two series of bonds issued in 2013, the Patterson Public Financing Authority, Revenue Bonds, Senior Series 2013A (the “2013 Senior Bonds”) issued in the amount of \$67,190,000 and outstanding in the amount of \$53,265,000, the Patterson Public Financing Authority, Revenue Bonds, Subordinate Series 2013B (the “2013 Subordinate Bonds”) issued in the amount of \$6,465,000 and currently outstanding in the amount of \$5,235,000 (collectively, with the 2013 Senior Bonds, the “2013 Bonds”) and to provide project funds in the amount of \$5,000,000 to facilitate a portion of the financing for the City’s Emergency Operations Center.

Since 2001, the Local Agency issued two series of notes and seven series of bonds on behalf of CFD 2001-1 to finance infrastructure improvements for CFD 2001-1. Concurrent with the issuance of the 2013 Bonds, the Local Agency issued Special Tax Refunding Bonds, Series 2001-A-1 currently outstanding in the amount of \$29,540,762, Special Tax Refunding Bonds, Series 2001-A-2 currently outstanding in the amount of \$23,885,232 and Special Tax Bonds, Series 2013-B currently outstanding in the amount of \$3,476,156 (collectively the “Local Obligations”). The Local Obligations refunded all the outstanding bonds issued by the Local Agency on behalf of CFD 2001-1. The Authority issued the 2013 Bonds to purchase the Local Obligations.

The 2023 Bonds are expected to be issued in the amount of \$58,895,000 with interest rates at 5.00% with yields ranging from 3.26 to 3.85%. The “all-in” true interest cost of the Bonds is currently estimated to be 3.845% reflecting all the costs associated with issuing the 2023 Bonds. Currently it is estimated that the costs of issuance will be \$400,000 and the underwriter will charge an underwriter’s discount in the amount of \$294,475 or 0.50% of the estimated par amount of \$58,895,000. The underwriter’s discount is based on the percentage of the amount issued and may vary higher or lower depending on the final size of the issuance. The 2013 Bonds have a final maturity of September 1, 2039 and the 2023 Bonds will have the same final maturity of September 1, 2039, so there is no extension of the term.

The property owners pay their property tax bills each year a portion of which are the CFD 2001-1 special taxes. The special taxes are collected by the County and used to pay debt service on the Local Obligations. The debt service from the Local Obligations is then used to provide cash flow to pay the debt service first to the 2013 Senior Bonds at approximately 1.10 times debt service coverage each year and secondly to the 2013 Subordinate Bonds at approximately 1.00 times debt service coverage each year. There are approximately \$5,837,452 of total anticipated property owner savings over the life of the 2023 Bonds. The annual savings of approximately \$364,341 per year can be credited back to property owners on subsequent years property tax bills resulting in average annual savings of approximately \$156 per parcel per year, beginning in tax year 2024/25.

REQUIRED SUPPLEMENTARY INFORMATION

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Western Patterson Financing Authority
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2023

Budgetary Information

The Authority maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The Authority maintains an encumbrance accounting system to provide management with information regarding obligations against appropriations. Budgetary compliance is based on expenditures during the period (U.S.GAAP), rather than expenditures and encumbrances (non-GAAP). Because appropriations lapse at June 30, encumbrances outstanding at June 30, 2023 are disclosed in the notes to the financial statements. Appropriations for fiscal year 2023 will provide authority to complete those transactions.

The Authority is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the "annual appropriated budget".

The following procedures are performed by the Authority in establishing the budgetary data reflected in the financial statements:

1. The Finance Director submits a preliminary budget by June 30 of each year to Board of Directors. This allows the Authority to continue normal operations until the final budget is adopted in July. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers' comments.
3. The appropriated budget is prepared by fund, department, and division. The government department heads may make transfers of appropriation within a department. Transfers of appropriations between departments requires approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.
4. The budget is legally adopted through the passage of a council resolution.
5. The Board of Directors may amend the budget by resolution during the fiscal year. The City Manager may transfer appropriations from one program, activity, or object to another within the same fund. All appropriations lapse at the end of the fiscal year to the extent they have not been expended. Capital project funds are based on a project time frame, rather than a fiscal year "operating" time frame reappropriating unused appropriations from year to year until project completion.
6. A budget review is presented to the City Council by the City Manager mid-year and approved additions or changes are legally adopted through Council resolution.
7. Formal budgetary integration is employed as a management control device during the year for the funds.
8. Budgets for the funds are adopted on a basis consistent with United States generally accepted accounting principles.

West Patterson Financing Authority
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2023

Budgetary Comparison Schedule – CFD 2001-1 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	\$ 6,806,284	\$ 6,806,284	\$ 5,440,668	\$ (1,365,616)
Interest	72,530	72,530	188,994	116,464
Total revenues	<u>6,878,814</u>	<u>6,878,814</u>	<u>5,629,662</u>	<u>(1,249,152)</u>
EXPENDITURES:				
General administration	587	587	568	19
Project payments	2,000,000	2,000,000	1,743,104	256,896
Debt service:				
Principal	1,730,557	1,730,557	1,905,629	(175,072)
Interest and fiscal charges	3,540,831	3,540,831	3,532,980	7,851
Total expenditures	<u>7,271,975</u>	<u>7,271,975</u>	<u>7,182,281</u>	<u>89,694</u>
Net change in fund balance	<u>\$ (393,161)</u>	<u>\$ (393,161)</u>	<u>(1,552,619)</u>	<u>\$ (1,159,458)</u>
FUND BALANCE:				
Beginning of year			<u>9,823,119</u>	
End of year			<u>\$ 8,270,500</u>	

West Patterson Financing Authority
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2023

Budgetary Comparison Schedule – CFD 2005-1 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	\$ 764,466	\$ 764,466	\$ 952,011	\$ 187,545
Interest	11,448	11,448	265,721	254,273
Total revenues	<u>775,914</u>	<u>775,914</u>	<u>1,217,732</u>	<u>441,818</u>
EXPENDITURES:				
General administration	22,578	22,578	11,055	11,523
Debt service:				
Principal	140,000	140,000	140,000	-
Interest and fiscal charges	662,013	662,013	662,010	3
Total expenditures	<u>824,591</u>	<u>824,591</u>	<u>813,065</u>	<u>11,526</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(48,677)</u>	<u>(48,677)</u>	<u>404,667</u>	<u>453,344</u>
OTHER FINANCING SOURCES (USES):				
Capital contributions to the City of Patterson	-	(1,399,030)	(1,399,030)	-
Total other financing sources (uses)	<u>-</u>	<u>(1,399,030)</u>	<u>(1,399,030)</u>	<u>-</u>
Net change in fund balance	<u>\$ (48,677)</u>	<u>\$ (1,447,707)</u>	<u>(994,363)</u>	<u>\$ 453,344</u>
FUND BALANCE:				
Beginning of year			<u>11,616,646</u>	
End of year			<u>\$ 10,622,283</u>	

West Patterson Financing Authority
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2023

Budgetary Comparison Schedule – CFD 2015-1 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	\$ 336,350	\$ 336,350	\$ 304,319	\$ (32,031)
Interest	550	550	1,173	623
Total revenues	<u>336,900</u>	<u>336,900</u>	<u>305,492</u>	<u>(31,408)</u>
EXPENDITURES:				
General administration	13,050	13,050	6,785	6,265
Debt service:				
Principal	40,000	40,000	40,000	-
Interest and fiscal charges	243,588	243,588	242,588	1,000
Total expenditures	<u>296,638</u>	<u>296,638</u>	<u>289,373</u>	<u>7,265</u>
Net change in fund balance	<u>\$ 40,262</u>	<u>\$ 40,262</u>	16,119	<u>\$ (24,143)</u>
FUND BALANCE:				
Beginning of year			<u>361,115</u>	
End of year			<u>\$ 377,234</u>	

West Patterson Financing Authority
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2023

Budgetary Comparison Schedule – CFD 2018-1 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	\$ 109,686	\$ 109,686	\$ 487,412	\$ 377,726
Interest	626	626	152,469	151,843
Total revenues	<u>110,312</u>	<u>110,312</u>	<u>639,881</u>	<u>529,569</u>
EXPENDITURES:				
General administration	41,793	41,793	21,716	20,077
Debt service:				
Principal	50,000	50,000	50,000	-
Interest and fiscal charges	175,850	175,850	175,850	-
Total expenditures	<u>267,643</u>	<u>267,643</u>	<u>247,566</u>	<u>20,077</u>
REVENUES OVER (UNDER)	<u>(157,331)</u>	<u>(157,331)</u>	<u>392,315</u>	<u>549,646</u>
EXPENDITURES				
OTHER FINANCING SOURCES (USES):				
Capital contributions to the City of Patterson	-	(292,339)	(292,339)	-
Total other financing sources (uses)	<u>-</u>	<u>(292,339)</u>	<u>(292,339)</u>	<u>-</u>
Net change in fund balance	<u>\$ (157,331)</u>	<u>\$ (449,670)</u>	99,976	<u>\$ 549,646</u>
FUND BALANCE:				
Beginning of year			<u>5,780,204</u>	
End of year			<u>\$ 5,880,180</u>	

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