

**Patterson Public
Financing Authority**
(A Component Unit of the City of Patterson)

Patterson, California

**Basic Financial Statements
and Independent Auditors' Report**

For the Year Ended June 30, 2023



Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Basic Financial Statements
For the Year Ended June 30, 2023

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Independent Auditors' Report

To the Board of Directors
of the Patterson Public 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 Patterson Public Financing Authority (the "Authority"), a component unit of the City of Patterson, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the 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 City, 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 Patterson Public Financing Authority
Patterson, California
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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.

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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 Patterson Public 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 Patterson Public Financing Authority (the "Authority"), a component unit of the City of Patterson, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, as listed in the table of contents, 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 Patterson Public Financing Authority
Patterson, California
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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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Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Current assets:	
Interest receivable	\$ 864
Total current assets	864
Noncurrent assets:	
Restricted cash and investments	587,522
Investments held in trust	58,223,997
Total noncurrent assets	58,811,519
Total assets	58,812,383
LIABILITIES	
Current liabilities:	
Accrued interest payable	1,108,894
Due to City of Patterson	441,007
Due within one year:	
Long-term debt	2,500,959
Total current liabilities	4,050,860
Noncurrent liabilities:	
Due in more than one year:	
Long-term debt	56,815,939
Total noncurrent liabilities	56,815,939
Total liabilities	60,866,799
NET POSITION (DEFICIT)	
Unrestricted (deficit)	(2,054,416)
Total net position (deficit)	\$ (2,054,416)

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
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:		
Interest and fiscal charges	\$ 3,813,958	\$ (3,813,958)
Total governmental activities	3,813,958	(3,813,958)
Total primary government	\$ 3,813,958	(3,813,958)
 General revenues and contributions:		
Intergovernmental revenue		517,184
Investment earnings		3,667,112
Total general revenues and contributions		4,184,296
Changes in net position		370,338
 Net Position (Deficit):		
Beginning of year		(2,424,754)
End of year		\$ (2,054,416)

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Balance Sheet
Governmental Funds
June 30, 2023

	<u>PPFA 2013 Heartland Ranch Revenue Bonds</u>	<u>PPFA 2013 Authority Bonds</u>	<u>Total Governmental Funds</u>
ASSETS			
Restricted cash and investments	\$ -	\$ 587,522	\$ 587,522
Investments held in trust	1,321,847	56,902,150	58,223,997
Interest receivable	864	-	864
Due from other funds	756,132	-	756,132
Total assets	<u>\$ 2,078,843</u>	<u>\$ 57,489,672</u>	<u>\$ 59,568,515</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Due to other funds	\$ -	\$ 756,132	\$ 756,132
Due to City of Patterson	441,007	-	441,007
Total liabilities	<u>441,007</u>	<u>756,132</u>	<u>1,197,139</u>
FUND BALANCES			
Restricted for debt service	1,637,836	56,733,540	58,371,376
Total Fund Balances	<u>1,637,836</u>	<u>56,733,540</u>	<u>58,371,376</u>
Total Liabilities and Fund Balances	<u>\$ 2,078,843</u>	<u>\$ 57,489,672</u>	<u>\$ 59,568,515</u>

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Reconciliation of the Governmental Funds
Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2023

Total fund balances of governmental funds	<u>\$ 58,371,376</u>
 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.	(1,108,894)
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>(59,316,898)</u>
Net position (deficit) of governmental activities	<u><u>\$ (2,054,416)</u></u>

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	PPFA 2013 Heartland Ranch Revenue Bonds	PPFA 2013 Authority Bonds	Total Governmental Funds
REVENUES:			
Intergovernmental revenue	\$ 517,184	\$ -	\$ 517,184
Interest	98,266	3,568,846	3,667,112
Total revenues	615,450	3,568,846	4,184,296
EXPENDITURES:			
Debt service:			
Principal	462,628	2,105,000	2,567,628
Interest and fiscal charges	577,500	3,330,113	3,907,613
Total expenditures	1,040,128	5,435,113	6,475,241
REVENUES OVER (UNDER) EXPENDITURES	(424,678)	(1,866,267)	(2,290,945)
Net change in fund balances	(424,678)	(1,866,267)	(2,290,945)
FUND BALANCES:			
Beginning of year	2,062,514	58,599,807	60,662,321
End of year	\$ 1,637,836	\$ 56,733,540	\$ 58,371,376

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds: \$ (2,290,945)

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	2,567,628
Amortization of bond discount	(28,446)

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

122,101

Change in net position of governmental activities	<u><u>\$ 370,338</u></u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
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Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
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 Patterson Public Financing Authority (the “Authority” or “PPFA”), a component unit of the City of Patterson, California (the “City”), 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 and the former Redevelopment Agency of the City. The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes, and other obligations of, or for the purpose of making loans to, public entities, including the Authority and to provide financing for public capital improvements for lease to public entities, including the Authority. The members of the City Council also sit as the Board of Directors of the Authority.

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. The following interfund activities have been eliminated:

- Due from and to other funds

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
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 major funds that met the applicable criteria.

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 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:

PPFA 2013 Heartland Ranch Revenue Bonds – This debt service fund is used to account for the debt service payments, investment income, and projects related to the 2013 Heartland Ranch Revenue Bonds (“HR”).

PPFA 2013 Authority Bonds – This debt service fund is used to account for the debt service payments, investment income, and projects related to the 2013 Authority 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.

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.

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
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)

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

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. 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.

F. 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 and amortization, 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. There is no restricted net position as of June 30, 2023.

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Net Position (Continued)

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.

G. 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 receives restricted revenues, therefore any remaining fund balances are restricted by nature of the revenue received.

H. 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
Restricted cash and investments	\$ 587,522
Investments held in trust	58,223,997
Total cash and investments	\$ 58,811,519

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

Investments:	
Local obligation bonds	\$ 58,223,997
Money market mutual funds	587,522
Total investments	58,811,519
Total cash and investments	\$ 58,811,519

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

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:

	<u>Fair Value</u>	<u>Measurement Input</u>	<u>Valuation Technique</u>
Investments:			
Local obligation bonds	\$ 58,223,997	Level 2	Present Value of Expected Future Cash Flows
Money market mutual funds	<u>587,522</u>	Uncategorized	Not applicable
Total investments	<u>\$ 58,811,519</u>		

A. Cash Deposits

The carrying amounts of the Authority’s pooled cash and investment with the City was \$0 at June 30, 2023. 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.

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.

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
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

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
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	1-5 Years	6-10 Years	Thereafter
Investments:					
Local obligation bonds	\$ 58,223,997	\$ 442,508	\$ 879,339	\$ -	\$ 56,902,150
Money market mutual funds	587,522	587,522	-	-	-
Total investments	\$ 58,811,519	\$ 1,030,030	\$ 879,339	\$ -	\$ 56,902,150

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:				
Local obligation bonds	\$ 58,223,997	N/A	Not rated	Not rated
Money market mutual funds	587,522	N/A	AAAm	Aaa-mf
Total investments	\$ 58,811,519			

Disclosures Relating to Concentration of Credit Risk

The Authority held the following investments in a single issuer (other than U.S. Treasury securities, external investment pools and mutual funds) that represented 5% or more of total Authority investment as of June 30, 2023:

Issuer	Investment Type	Amount
West Patterson Financing Authority	Local obligation bonds	\$ 58,223,997

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

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.

Note 3 – Interfund Transactions

A. Due From and To Other Funds

Due from and to other funds as of June 30, 2023, was as follows:

Receivable Fund	Payable Fund	Amount	Purpose
PPFA 2013 Heartland Ranch Revenue Bonds	PPFA 2013 Authority Bonds	\$ 756,132	Overdrawn Cash

Note 4 – Due to City of Patterson

At June 30, 2023, the Authority owes the City in the amount of \$441,007 to cover the cash overdrawn.

Note 5 – Long-Term Obligations

A. Governmental Activities

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
Private Placement:							
PPFA 2013 Heartland Ranch Revenue Bonds	\$ 4,963,568	\$ 1,848,375	\$ -	\$ (462,628)	\$ 1,385,747	\$ 470,959	\$ 914,788
PPFA 2013 Series A Revenue Bonds	67,190,000	55,195,000	-	(1,930,000)	53,265,000	1,855,000	51,410,000
Less: Bond Discount	(853,389)	(597,295)	-	28,446	(568,849)	-	(568,849)
PPFA 2013 Series B Revenue Bonds	6,465,000	5,410,000	-	(175,000)	5,235,000	175,000	5,060,000
Total long-term debt	\$ 77,765,179	\$ 61,856,080	\$ -	\$ (2,539,182)	\$ 59,316,898	\$ 2,500,959	\$ 56,815,939

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

2013 Heartland Ranch Revenue Bonds

On July 30, 2013, the Authority issued \$4,963,568 of revenue refunding bonds (Series 2013 Heartland Ranch Revenue Bonds) to repay, in part, the principal of the Authority's 2002 Heartland Ranch Revenue Bonds. Interest on the bonds is payable semi-annually on March 2 and September 2 of each year through September 2, 2027, beginning on March 2, 2014. The interest rate on the bonds is 3.73 percent. Principal payments are due annually beginning on September 2, 2014. At June 30, 2023, the outstanding balance of the 2013 Heartland Ranch Revenue bonds was \$1,385,747.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 470,959	\$ 42,905	\$ 513,864
2025	273,775	29,016	302,791
2026	284,557	18,603	303,160
2027	174,771	10,036	184,807
2028	181,685	3,388	185,073
Total	<u>\$ 1,385,747</u>	<u>\$ 103,948</u>	<u>\$ 1,489,695</u>

2013 PPFA Series A Bonds

On August 14, 2013, the PPFA issued \$67,190,000 of special tax refunding bonds (Senior Series 2013A) to purchase, in part, the 2013-A1, 2013-A2, and 2013-B special tax bonds issued by the WPPFA. The bonds were issued with an original issue discount of \$853,389. 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 rates on the bonds is 3.00 percent. Principal payments are due annually beginning on September 1, 2014. The bonds are secured by a first pledge of the investment revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. At June 30, 2023, the outstanding balance of the 2013 PPFA Series A bonds was \$53,265,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,855,000	\$ 2,927,800	\$ 4,782,800
2025	2,020,000	2,825,819	4,845,819
2026	2,190,000	2,715,044	4,905,044
2027	2,340,000	2,595,869	4,935,869
2028	2,465,000	2,463,300	4,928,300
2028-2032	14,495,000	10,144,681	24,639,681
2033-2037	18,280,000	5,564,275	23,844,275
2038-2040	9,620,000	565,225	10,185,225
Total	<u>\$ 53,265,000</u>	<u>\$ 29,802,013</u>	<u>\$ 83,067,013</u>

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

2013 PPFA Series B Bonds

On August 14, 2013, the PPFA issued \$6,465,000 of special tax refunding bonds (Subordinate Series 2013B) to purchase, in part, the 2013-A1, 2013-A2, and 2013-B special tax bonds issued by the West Patterson Financing Authority. 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 5.875%. Principal payments are due annually beginning on September 1, 2014. The bonds are secured by a first pledge of the investment revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. At June 30, 2023, the outstanding balance of the 2013 PPFA Series B bonds was \$5,235,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 175,000	\$ 303,003	\$ 478,003
2025	190,000	292,281	482,281
2026	210,000	280,531	490,531
2027	225,000	267,753	492,753
2028	240,000	253,800	493,800
2029-2033	1,420,000	1,036,056	2,456,056
2034-2038	1,825,000	566,203	2,391,203
2039-2040	950,000	57,134	1,007,134
Total	<u>\$ 5,235,000</u>	<u>\$ 3,056,761</u>	<u>\$ 8,291,761</u>

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 \$(1,997,524). The deficit will be eliminated through future secured revenues which will be used to pay outstanding debt.

Note 7 – 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.

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Subsequent Events (Continued)

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

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.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
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.

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2023

Budgetary Comparison Schedule – PPFA 2013 HR Revenue Bonds

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ 522,944	\$ 517,184	\$ 517,184	\$ -
Interest	1,907	1,907	98,266	96,359
Total revenues	<u>524,851</u>	<u>519,091</u>	<u>615,450</u>	<u>96,359</u>
EXPENDITURES:				
Debt service:				
Principal	487,152	487,152	462,628	24,524
Interest and fiscal charges	552,978	574,978	577,500	(2,522)
Total expenditures	<u>1,040,130</u>	<u>1,062,130</u>	<u>1,040,128</u>	<u>22,002</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(515,279)</u>	<u>(543,039)</u>	<u>(424,678)</u>	<u>118,361</u>
Net change in fund balance	<u>\$ (515,279)</u>	<u>\$ (543,039)</u>	<u>(424,678)</u>	<u>\$ 118,361</u>
FUND BALANCE:				
Beginning of year			<u>2,062,514</u>	
End of year			<u>\$ 1,637,836</u>	

Patterson Public Financing Authority
(A Component Unit of the City of Patterson)
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2023

Budgetary Comparison Schedule – PPFA 2013 Authority Bonds

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest	\$ 3,532,777	\$ 3,532,777	\$ 3,568,846	\$ 36,069
Total revenues	<u>3,532,777</u>	<u>3,532,777</u>	<u>3,568,846</u>	<u>36,069</u>
EXPENDITURES:				
Debt service:				
Principal	1,930,000	1,930,000	2,105,000	(175,000)
Interest and fiscal charges	4,333,741	4,512,741	3,330,113	1,182,628
Total expenditures	<u>6,263,741</u>	<u>6,442,741</u>	<u>5,435,113</u>	<u>1,007,628</u>
Net change in fund balance	<u>\$ (2,730,964)</u>	<u>\$ (2,909,964)</u>	(1,866,267)	<u>\$ 1,043,697</u>
FUND BALANCE:				
Beginning of year			<u>58,599,807</u>	
End of year			<u>\$ 56,733,540</u>	

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