



Independent Cities Finance Authority
Audited Financial Statements
and Supplementary Information
As of and For the Year Ended June 30, 2020
With Independent Auditor's Report

Independent Cities Finance Authority
Audited Financial Statements
and Supplementary Information
As of and For the Year Ended June 30, 2020
With Independent Auditor's Report

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

Members of the Governing Board Independent Cities Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Independent Cities Finance Authority (the Authority) which comprise the statement of net position as of June 30, 2020, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2020, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 4 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 management discussion and analysis 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.

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
January 8, 2021**

**Independent Cities Finance Authority
Management's Discussion and Analysis
Year ended June 30, 2020**

Within this section of the Independent Cities Finance Authority's (ICFA or the "Authority") Financial Report for the year ended June 30, 2020, management provides a narrative discussion and analysis of the entity for the year reported on.

ICFA's net assets exceeded its liabilities by \$562,219 as of June 30, 2020. That amount reflects an increase between years of \$58,564 attributable to the increased accounts receivable and decreased accounts payable as of the end of the fiscal year 2020 and higher fees received than expenses paid during the year. There has been considerable discussion and efforts made to enter into programs for financing low-and-moderate income housing, but none of those programs affected operations for the year ended June 30, 2020. Condensed financial comparisons between years are as follows:

	June 30		Change
	2020	2019	
Assets			
Cash and cash equivalents	\$ 460,206	\$ 457,250	\$ 2,956
Accounts receivable	58,093	25,876	32,217
Accrued interest receivable	2,621	3,650	(1,029)
Long-term loan receivable	72,610	77,156	(4,546)
	<u>593,530</u>	<u>563,932</u>	<u>29,598</u>
Liabilities			
Accounts payable and accrued expenses	31,311	60,277	(28,966)
Net position	<u>\$ 562,219</u>	<u>\$ 503,655</u>	<u>\$ 58,564</u>

Details of operations are as follows:

	Years ended June 30		Change
	2020	2019	
Revenues			
Program fees	\$ 366,328	\$ 406,509	\$ (40,181)
Investment income	8,868	10,113	(1,245)
Auxiliary revenues	2,000	-	2,000
	<u>377,196</u>	<u>416,622</u>	<u>(39,426)</u>
Expenses			
Management fees	225,000	225,000	-
Legal	40,892	42,947	(2,055)
Other professional services	20,430	34,930	(14,500)
Community outreach	15,000	16,500	(1,500)
Insurance	5,676	5,300	376
Public relations	4,224	8,229	(4,005)
Directors' fees and expenses	2,100	1,464	636
Conferences and related travel	914	3,586	(2,672)
Others	4,396	11,249	(6,853)
	<u>318,632</u>	<u>349,205</u>	<u>(30,573)</u>
Net income	<u>\$ 58,564</u>	<u>\$ 67,417</u>	<u>\$ (8,853)</u>

Capital assets and Long-term Debt

The Authority does not have capital assets and long-term debt.

Requests for Information

This financial report is designed to provide the Authority's governing board, funding sources, customers, stakeholders and other interested parties with an overview of the Authority's financial operations and overall financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Authority's Executive Director.

Independent Cities Finance Authority
Statement of Net Position
June 30, 2020

ASSETS

Cash and cash equivalents	\$	460,206
Accounts receivable		58,093
Accrued interest receivable		2,621
Long-term loan receivable		<u>72,610</u>
Total assets		<u>593,530</u>

LIABILITIES

Accounts payable and accrued expenses		<u>31,311</u>
Total liabilities		<u>31,311</u>

NET POSITION

Unrestricted		<u>562,219</u>
Total net position	\$	<u><u>562,219</u></u>

See notes to financial statements.

Independent Cities Finance Authority
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2020

Revenues

Program fees	\$	366,328
Auxiliary revenues		2,000
Total revenues		368,328

Operating Expenses

Management fees		225,000
Legal		40,892
Other professional services		20,430
Community outreach		15,000
Insurance		5,676
Public relations		4,224
Directors' fees and expenses		2,100
Subscriptions and memberships		2,000
Office expense		1,305
DPA		1,000
Conferences and related travel		914
Miscellaneous		91
Total operating expenses		318,632

Net income from operations		49,696
Investment income		8,868
Net income		58,564
Net position - beginning of year		503,655
Net position - end of year	\$	562,219

See notes to financial statements.

Independent Cities Finance Authority
Statement of Cash Flows
Year ended June 30, 2020

Cash flows from operating activities	
Cash received from program fees	\$ 336,837
Cash paid to suppliers of services	<u>(348,323)</u>
Net cash used in operating activities	<u>(11,486)</u>
Cash flows from investing activities	
Collection of loan receivable	4,455
Interest received on loan receivable	1,557
Interest received on investments with LAIF	<u>8,430</u>
Cash provided by investing activities	<u>14,442</u>
Change in cash and cash equivalents	2,956
Cash and cash equivalents - beginning of year	<u>457,250</u>
Cash and cash equivalents - end of year	<u><u>\$ 460,206</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 49,696
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in accounts receivable	(32,217)
Decrease in accounts payable and accrued expenses	<u>(28,965)</u>
Net cash used in operating activities	<u><u>\$ (11,486)</u></u>

See notes to financial statements.

NOTE 1 ORGANIZATION AND PROFILE

The Independent Cities Finance Authority (ICFA or the "Authority") is a joint exercise of powers authority originally set up in 1988 to provide lease financing of capital improvements by member cities. As the objectives of the Authority changed from facilities leasing for cities to affordable housing and other financing activities, the original joint powers agreement was modified to provide for associate memberships to cities in which projects were located. By 2007, the Authority was completely out of the equipment leasing business having completed the 'Fresh Rate' program.

In fiscal year ended June 30, 2003, the Authority changed its focus to begin working with non-profit entities to provide affordable housing through mobile home parks. The principal strategy was to provide conduit financing for affordable housing mobile home projects. This strategy would provide for affordable housing while not obligating the Authority to the liabilities, servicing of substantial lease obligations nor payments of interest and principal on the bonded debt. In 2011/2012 the Authority expanded its activities to a community hospital, a charter school and bridge financing for a wastewater treatment facility. There have been discussions about housing and down payment assistance. Approvals have been received from Federal agencies, but the program is not yet in operation. The lease/purchase of affordable housing is also under consideration.

The Authority's name was changed from the Independent Cities Lease Finance Authority to the Independent Cities Finance Authority on May 31, 2008, to better reflect the nature of the Authority's operations. For the sake of clarity, the changed name was used for audited financial presentations beginning in 2006.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America 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 Authority's more significant accounting policies are described below.

Basis of Accounting and Measurement Focus

The Authority is accounted for as an enterprise fund (proprietary fund type) for financial reporting purposes. The activities of the enterprise-type fund closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The accompanying financial statements have been prepared using the total economic measurement focus and the accrual basis of accounting. Under this basis of accounting and measurement focus, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Authority's financial statements are presented in accordance with the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement No. 63 requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of invested in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amounts. The Authority did not have net investment in capital assets as of June 30, 2020.

- *Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. The Authority did not have a restricted net position as of June 30, 2020.

- *Unrestricted* – This component of net position is the net 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.

Classification of Revenues and Expenses

Operating revenues consist of fees relating to the origination and continuance of the bond issues set up for the purpose of purchasing and equipping the mobile home parks by the non-profit agencies and more recently, other activities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses consist primarily of management, professional fees and more recently, marketing.

Cash and Cash Equivalents

Cash equivalents are defined as cash and short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of 3 months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Authority is not subject to income taxes pursuant to Section 115 of the Internal Revenue Code and the corresponding section of the California Revenue and Taxation Code.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020 consist of the following:

Cash in bank	\$	93,911
Investments with Local Agencies Investment Fund (LAIF), an agency of the State of California		<u>366,295</u>
Total cash and cash equivalents	\$	<u>460,206</u>

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

The Authority is a voluntary participant in the LAIF, a special fund regulated by the California State Treasury through which each city, district or agency may invest up to \$40 million. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four (24) hours without loss of interest.

Risk

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure – an Amendment of GASB Statement No.3*, certain required disclosures regarding investment policies and practices with respect to the risk associated with their credit risk, concentration of credit risk, custodial credit risk and interest rate risk are discussed in the following paragraphs:

Interest Rate Risk

Interest rate risk, as defined under GASB Statement No. 40, 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. As of June 30, 2020, the Authority was not exposed to interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. As of June 30, 2020, the Authority was not exposed to credit risk.

Concentration of Credit Risk

Under GASB Statement No. 40, concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. As of June 30, 2020, the Authority was not exposed to concentration of credit risk.

Custodial Credit Risk

GASB Statement No. 40 defines custodial credit risk as the risk that the Authority will not be able to (a) recover deposits if the depository financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party.

The California Government Code requires California banks and savings and loan associations to secure a local government agency's (agency) deposit by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposit by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits.

The agency may waive collateral requirements for deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits are exposed to custodial credit risk if they are uninsured and are either:

- a. Uncollateralized.
- b. Collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the depositor-government's name.

As of June 30, 2020, the Authority was not exposed to custodial credit risk.

NOTE 4 FAIR VALUE MEASUREMENTS

During the fiscal year ended June 30, 2017, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; while Level 3 inputs are significant unobservable inputs.

- Level 1 inputs are quoted prices for identical assets or liabilities in active markets that the government can access at the measurement date.
- Level 2 inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The Authority's investments in LAIF as of June 30, 2020, is not reported at the Authority's pro-rata share of the amortized cost provided by LAIF for the entire portfolio. This amount approximates fair value.

NOTE 5 LONG-TERM LOAN RECEIVABLE

On November 1, 2013, Augusta Communities, LLC borrowed \$90,000 from the Authority subject to a Residual Receipts Promissory Note in favor of the Authority. The promissory note bears interest of two percent (2%) per annum subject to partial assignment of gross receipts of a mobile home park in Yucaipa, California. Payments of principal and interest thereon are due and payable based on a twenty (20) year amortization schedule commencing August 15, 2016. The outstanding balance of the loan amounted to \$72,610 as of June 30, 2020.

NOTE 6 CONDUIT DEBT ISSUED AND RELATED MOBILE HOME PARKS

As discussed in Note 1, beginning in 2003, a program was initiated for the issuance of conduit debt for the payment of purchase cost and development of locations to be used as low- and moderate-income mobile home parks. The Authority became the issuer, as previously mentioned, and had no financial or managerial responsibilities.

In 2012, conduit debt was allocated to purchase and equip construction of a charter school.

Millennium Housing Corporation

Beginning in 2003, the Authority entered into agreements with Millennium Housing Corporation and its affiliates, Millennium Housing of California and Coach of San Diego, Inc. to finance its acquisition of mobile home parks throughout California through issuance of debts described as follows:

Westlake and Millbrook Mobile Home Park – refinanced in 2017

Location: Fresno, California

Issuance of the Mobile Home Park Revenue Refunding Bonds, Series 2017A, for \$17,330,000. The proceeds of these bonds were used to fund a loan to Millennium Housing California, to, along with other funds available to Millennium to (1) finance the acquisition of the Millbrook Mobile Home Village, (2) refund the Authority's Mobile Home Park Revenue Bonds (Millbrook Mobile Home Village) Series 2013A (the "Prior Millbrook Series A Bonds") and Mobile Home Park Subordinate Revenue Bonds (Millbrook Mobile Home Village) Series 2013 B (the "Prior Millbrook Series B Bonds"), and (3) refund the Authority's Mobile Home Park Revenue Refunding Bonds (Westlake Mobile Home Park) Series 2007A (the "Prior Westlake Bonds"). The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 2.00% to 4.00% payable semi-annually on June 15 and December 15 of each year, and will mature in 2051.

Hacienda Valley Mobile Estates – refinanced in 2014

Location: Morgan Hill, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2014, for \$10,415,000. The proceeds of the bonds were used primarily to fund a loan to Millennium Housing, LLC, a California limited liability company (the "Borrower"), to, along with other funds available to the Borrower, (1) refund in full, certain Prior Bonds issued to finance the acquisition and improvement of the Hacienda Valley Estates located in the City of Morgan Hill, California (the "Project"), (2) fund the Debt Service Reserve Fund, (3) fund the Repair and Replacement Fund and the Rental Assistance Fund and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 3.00% to 5.00% payable semi-annually on May 15 and November 15 of each year, and will mature in 2049.

NOTE 6 CONDUIT DEBTS ISSUED AND RELATED MOBILE HOME PARKS (CONTINUED)

San Juan Mobile Estates – refinanced in 2015

Location: San Juan Capistrano, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2015, for \$37,235,000. The proceeds of the Bonds are to be used primarily to fund a loan to Millennium Housing, LLC, a California limited liability company (the "Borrower"), to, along with other funds available to the Borrower, (1) refund in full certain Prior Bonds issued to finance the acquisition and improvement of the San Juan Mobile Estates located in the City of San Juan Capistrano, California (the "Project"), (2) fund the Debt Service Reserve Fund, (3) fund the Repair and Replacement Fund and the Rental Assistance Fund, and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 2.00% to 5.00% payable semi-annually on February 15 and August 15 of each year and will mature in 2050.

Santa Rosa Leisure Mobile Home Park – refinanced in 2016

Location: Santa Rosa, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2016, for \$14,160,000. The proceeds of the bonds were used primarily to fund a loan to Millennium, (the "Borrower"), to, along with other funds available to the Borrower, (1) refinance the 2007 Loan in part and refund the 2007 Bonds in part, which were issued to finance the acquisition and improvement of the Santa Rosa Leisure Mobile Home Park located in the City of Santa Rosa, California (the "Project"), (2) prepay the Housing Authority Loan, (3) fund the Debt Service Reserve Fund, (4) fund the Repair and Replacement Fund and the Rental Assistance Fund, and (5) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 2.00% to 5.00% payable semi-annually on February 15 and August 15 of each year, and will mature in 2051.

Lamplighter Salinas Mobile Home Park – Refinanced through Fannie Mae in March 2020

Location: Salinas, California

Issuance of Mobile Home Park Revenue Bonds, Series 2010A for \$18,930,000 and Series 2010B for \$5,495,000. The proceeds of the Bonds were used to fund a loan to Millennium, (the "Borrower"), to (1) finance the acquisition by the Borrower of certain real property constituting the Lamplighter Salinas Mobilehome Park located in the City of Salinas, California (the "Project"), (2) fund the Series A Bonds Debt Service Reserve Fund, and (3) make deposits to the Repair and Replacement Fund and the Cost of Issuance Fund established under the Indenture. The bonds were refinanced in March 2020 through a loan from Wells Fargo Bank. The 2010 Bonds were considered defeased as of June 30, 2020.

NOTE 6 CONDUIT DEBTS ISSUED AND RELATED MOBILE HOME PARKS (CONTINUED)

Castle Mobile Estates

Location: Capitola, California

Issuance of Mobile Home Park Revenue Bonds, Series 2011A for \$6,235,000, and Series 2011B for \$470,000. The proceeds of the Series A Bonds and the Subordinate Series B Bonds were used to fund a loan to Millennium, (the "Borrower"), to (1) finance the acquisition by the Borrower of certain real property constituting the Castle Mobile Estates mobile home park located in the City of Capitola, California (the "Project"), (2) fund the Series A Bonds Debt Service Reserve Fund and the Subordinate Series B Bonds Debt Service Reserve Fund, (3) fund the Restricted Account of the Replacement and Reserve Fund and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 4.63% to 7.75% payable semi-annually on February 15 and August 15 of each year, and will mature in 2046.

Rancho Del Sol and Grandview East Mobile Home Park

Location: Yucaipa, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2012A, for \$6,795,000. The proceeds of the Bonds were used to fund a loan to Coach of San Diego, LLC, an affiliate of Millennium, (the "Borrower"), to (1) refund in full certain Prior Bonds used to finance the acquisition and renovation by the Borrower of certain real properties constituting the Rancho Del Sol Mobile Home Park and the Grandview East Mobile Home Estates, each located in the City of Yucaipa, California (the "Projects"), (2) fund the Restricted Account of the Repair and Replacement Fund and (3) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 3.50% to 5.50% payable semi-annually on May 15 and November 15 of each year, and will mature in 2047.

Sahara Mobile Home Park

Location: Palm Springs, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2012A, 2012B, and 2012C for \$10,845,000, \$1,000,000 and \$210,000, respectively. The proceeds of the Bonds were used to fund a loan to Millennium, (the "Borrower"), to (1) refund in full certain Prior Bonds issued to finance the acquisition and renovation of certain real property constituting the Sahara Mobile Home Park located in the City of Palm Springs, California (the "Project"), (2) fund the Series A Bonds Debt Service Reserve Fund and the Subordinate Bonds Debt Service Reserve Fund, (3) fund the Restricted Account of the Repair and Replacement Fund and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 1.25% to 6.00% payable semi-annually on June 15 and December 15 of each year, and will mature in 2047.

NOTE 6 CONDUIT DEBTS ISSUED AND RELATED MOBILE HOME PARKS (CONTINUED)

Rancho Feliz and Las Casitas De Sonoma Mobile Home Park

Location: Rohnert Park, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2012 for \$23,520,000. The proceeds of the Bonds were used to fund a loan to Millennium, (the "Borrower"), to (1) refund in full certain Prior Bonds issued to finance the acquisition and renovation of certain real property constituting the Rancho Feliz Mobile Home Park located in the City of Rohnert Park, California (the "Rancho Feliz Project"), (2) refund in full certain Prior Bonds issued to finance the acquisition and renovation of certain real property constituting the Las Casitas de Sonoma Mobile Home Park located in the City of Rohnert Park, California (the "Las Casitas Project" and, together with the Rancho Feliz Project, the "Projects"), (3) fund the Debt Service Reserve Fund, (4) fund the Restricted Account of the Repair and Replacement Fund and (5) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 2.00% to 5.00% payable semi-annually on April 15 and October 15 of each year, and will mature in 2047.

Rancho Vallecitos Mobile Home Park

Location: San Marcos, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2013 for \$21,475,000. The proceeds of the Bonds were used to fund a loan to Millennium, (the "Borrower"), to (1) refund in full certain prior bonds issued to finance the acquisition and renovation of certain real property constituting the Rancho Vallecitos Mobile Estates located in the City of San Marcos, California (the "Project"), (2) fund the Debt Service Reserve Fund, (3) fund the Restricted Account of the Repair and Replacement Fund and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 1.20% to 5.00% payable semi-annually on April 15 and October 15 of each year, and will mature in 2048.

Vista de Santa Barbara Mobile Home Park

Location: Carpinteria, California

Issuance of Mobile Home Park Revenue Bonds, Series 2013A, for \$8,430,000 and \$6,250,000 Series 2013 B. The proceeds of the Bonds were used primarily to fund a loan to Millennium, (the "Borrower"), to (1) finance the acquisition and improvement by the Borrower of the Vista de Santa Barbara Mobilehome Park located in the City of Carpinteria, California (the "Project"), (2) fund the Series A Bonds Debt Service Reserve Fund and the Subordinate Bonds Debt Service Reserve Fund, (3) fund the Restricted Account of the Repair and Replacement Fund and a Rental Assistance Fund and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 4.50% to 5.88% payable semi-annually on March 15 and September 15 of each year, and will mature in 2048.

NOTE 6 CONDUIT DEBTS ISSUED AND RELATED MOBILE HOME PARKS (CONTINUED)

Palomar East Estates and Palomar West Estates Mobile Home Parks

Location: San Marcos, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2015, for \$14,590,000 for Palomar East Estates and \$21,235,000 for Palomar West Estates. The proceeds of the Bonds were used primarily to fund a loan to Millennium, (the "Borrower"), to, along with other funds available to the Borrower, (1) refund certain Prior Bonds issued to finance the acquisition and improvement by the Borrower of a leasehold interest in the Palomar Estates East located in the City of San Marcos, California (the "Project"), (2) fund the Debt Service Reserve Fund, (3) fund the Repair and Replacement Fund and the Rental Assistance Fund and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 2.00% to 5.00% payable semi-annually on March 15 and September 15 of each year, and will mature in 2036.

The Woods Mobile Home Park

Location: Clovis, California

Issuance of Mobile Home Park Revenue Bonds, Series 2016A, and Mobile Home Park Subordinate Revenue Bonds, Series 2016B for \$27,015,000 and \$3,335,000, respectively. The proceeds of the Bonds were used primarily to fund a loan to Millennium, (the "Borrower"), to, along with other funds available to the Borrower, (1) finance the acquisition and improvement by the Borrower of The Woods Mobile Home Park located in the City of Clovis, California (the "Project"), (2) fund the Series A Bonds Debt Service Reserve Fund and the Subordinate Series B Bonds Debt Service Reserve Fund, (3) fund the Restricted Account of the Repair and Replacement Fund and the Rental Assistance Fund and (4) make deposits to the Series A Bonds Debt Service Fund and the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 3.00% to 4.13% payable semi-annually on April 15 and October 15 of each year, and will mature in 2051.

Pillar Ridge Mobile Home Park

Location: County of San Mateo, California

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2014A, and Mobile Home Subordinate Revenue Refunding Bonds, Series 2014B, for \$29,865,000 and \$515,000, respectively. The proceeds of the Bonds were used primarily to fund a loan to Coach of San Diego, LLC, an affiliate of Millennium, (the "Borrower"), to (1) refinance in full certain Prior Bonds issued to finance the acquisition and improvement of the Pillar Ridge Manufactured Home Community located in the County of San Mateo, California (the "Project"), (2) fund the Series A Bonds Debt Service Reserve Fund and the Subordinate Series B Bonds Debt Service Reserve Fund, (3) fund the Restricted Account of the Repair and Replacement Fund and a Rental Assistance Fund and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 2.50% to 5.75% payable semi-annually on May 15 and November 15 of each year, and will mature in 2049.

NOTE 6 CONDUIT DEBTS ISSUED AND RELATED MOBILE HOME PARKS (CONTINUED)

Tropics Mobile Home Park

Location: Union City, California

In April 2019, the Authority approved the City of Union City as an associate member of ICFA. This led to the issuance of conduit bonds to finance the acquisition and improvement of Tropics Mobile Home Park located in the City of Union City on behalf of Millennium.

Issuance of Mobile Home Park Revenue Refunding Bonds, Series 2019, for \$34,715,000. The proceeds of the Bonds are to be used primarily to fund a loan to Millennium Housing of California, a California nonprofit public benefit corporation (the "Borrower"), to, along with other funds available to the Borrower, (1) refund in full certain Prior Bonds issued to finance the acquisition and improvement of the Tropics Mobile Home Park located in the City of Union City, California (the "Project"), (2) fund the Debt Service Reserve Fund, (3) fund the Repair and Replacement Fund and the Rental Assistance Fund and (4) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 3.00% to 5.00% payable semi-annually on May 15 and November 15 of each year, and will mature in 2048.

Augusta Communities LLC

In 2012, the Authority entered into an agreement with Augusta Communities, LLC to finance the following mobile home parks in San Bernardino County: three in Montclair, one in Yucaipa, California.

- Valley View Mobile Home Park - Yucaipa
- Villa Montclair Mobile Home Park - Montclair
- Monterey Manor Mobile Home Park - Montclair
- Hacienda Mobile Home Park - Montclair

The Authority issued Mobile Home Park Revenue Refunding Bonds, Series 2012A, and Mobile Home Park Subordinate Revenue Refunding Bonds, Series 2012B, for \$20,125,000 and \$785,000, respectively.

NOTE 6 CONDUIT DEBTS ISSUED AND RELATED MOBILE HOME PARKS (CONTINUED)

Augusta Communities LLC (Continued)

The proceeds of the Bonds were used to fund a loan to Augusta Communities LLC, (the "Borrower"), to (1) refund certain revenue bonds previously issued by the City of Montclair Redevelopment Agency (the "Montclair RDA") to finance the acquisition and renovation of certain real property constituting the Hacienda Mobile Home Park located in the City of Montclair, California (the "Hacienda Project"), (2) refund certain revenue bonds previously issued by the Montclair RDA to finance the acquisition and renovation of certain real property constituting the Monterey Manor Mobile Home Estates located in the City of Montclair, California (the "Monterey Manor Project"), (3) refund certain revenue bonds previously issued by the Montclair RDA to finance the acquisition and renovation of certain real property constituting the Villa Montclair Mobile Home Park located in the City of Montclair, California (the "Villa Montclair Project"), (4) refund certain revenue bonds previously issued by the Yucaipa Redevelopment Agency to finance the acquisition and renovation of certain real property constituting the Valley View Mobile Home Park located in the City of Yucaipa, California (the "Valley View Project" and, collectively with the Hacienda Project, the Monterey Manor Project and the Villa Montclair Project, the "Projects"), (5) fund the Series A Bonds Debt Service Reserve Fund and the Subordinate Series B Bonds Debt Service Reserve Fund, (6) fund the Restricted Account of the Repair and Replacement Fund and (7) make deposits to the Cost of Issuance Fund established under the Indenture. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 1.00% to 5.75% payable semi-annually on May 15 and November 15 of each year, and will mature in 2047.

Villa Del Arroyo Moorpark LLC

In 2016, the Authority entered into an Agreement with Villa Del Arroyo Moorpark LLC to finance the acquisition of Mooney Grove Mobile Manor.

Mooney Grove Mobile Manor

Location: Visalia, California

Issuance of Mobile Home Park Revenue Bonds Series 2016A and 2016B for \$11,330,000 and \$345,000 respectively. The proceeds of the Bonds were used to fund a loan to Villa del Arroyo Moorpark LLC, (the "Borrower"), to (1) finance the acquisition and improvement of the Mooney Grove Mobile Manor located in the City of Visalia, California (the "Project"), (2) fund the Debt Service Reserve Fund, (3) fund the Restricted Account of the Repair and Replacement Fund and (4) to pay the costs of issuing the Bonds. The bonds are secured by the revenues generated from the rent of mobile home parks, bear interest of 2.00% to 6.00% payable semi-annually on January 15 and July 15 of each year and will mature in 2051.

NOTE 6 CONDUIT DEBTS ISSUED AND RELATED MOBILE HOME PARKS (CONTINUED)

Alliance Broadway School Project

Alliance College-Ready Public School.

Issuance of Charter School Revenue Bonds, Series 2011A and Series 2011B (collectively the "Series 2011 Bonds") for \$9,844,675 and \$5,168,000, respectively. The Series 2011 Bonds were issued by the Authority and loaned to 1918 Broadway Charter Financing LLC (the "Borrower"), a limited liability company organized for non-profit purposes under the laws of the State, pursuant to a Loan Agreement dated as of November 1, 2011 between the Authority and Borrower (the "Loan Agreement") for the purpose of: (1) facilitating the financing of the costs of acquiring, constructing, improving and furnishing charter school facilities and the related site located at 211 S. Avenue 20, Los Angeles, California (the "Facilities") for lease to the Lessees, (2) paying capitalized interest during construction, and (3) paying certain issuance expenses (collectively, the "Series 2011 Project").

The Borrower loaned the proceeds of the Series 2011 Bonds (the "Leveraged Loan") received from the Authority to Alliance Broadway Investment Fund, LLC (the "Investment Fund"); and the Investment Fund used the proceeds received from the Borrower, in addition to other funds, to make one or more equity investments in GLA Sub-CDE XI, LLC, New Markets Investment 65, LLC and LIIF Sub-CDE XV, LLC (collectively, the "CDEs") to qualify the Investment Fund for New Markets Tax Credits under Section 45D of the Code. The CDEs used the proceeds of the equity investment to make one or more loans (the "Project Loans") to 1918 Broadway Charter Facilities, LLC (the "Lessor") to finance capital costs of the Facilities that are costs that would otherwise have been financed directly with the proceeds of the Series 2011 Bonds. The Borrower and the Lessor are affiliates of Alliance for College-Ready Public Schools (the "Parent"). The Credit Agreement by and among the Lessor, the CDEs and GSB NMTC Investor LLC, a Delaware limited liability company, provides for the use of the proceeds of the Bonds in a manner facilitating the NMTC financing and provides, among other things, that the Lessor will use the proceeds of the CDE Loans traceable to proceeds of the Bonds only for purposes permitted under the terms of the Bonds.

The Facilities were and continue to be leased by the Lessor to Alliance College-Ready Middle Academy No. 5, a California non-profit public benefit corporation, and Alliance College-Ready Academy High School No. 14, a California non-profit public benefit corporation (collectively, the "Lessees"). The Series 2011 Bonds originally bear interest from 6.00% to 8.00% (the "Initial Interest Rates") payable annually on September 15 and will mature in 2030.

NOTE 6 CONDUIT DEBTS ISSUED AND RELATED MOBILE HOME PARKS (CONTINUED)

Alliance Broadway School Project (Continued)

In November 2018, pursuant to the Supplemental Indenture, the Bonds were remarketed on November 28, 2018 (the "Conversion Date"), the date on which Initial Interest Rates on the Bonds were adjusted to Term Interest Rate at 6.60% per annum on and after Conversion Date. Certain other amendments were made to the terms of the Bonds, including but not limited to: (1) the release of certain revenues of the Borrower deposited in the Debt Service Reserve Fund to redeem a portion of the outstanding Bonds and to pay costs associated with the remarketing of the Bonds, (2) the elimination in the increase in the Debt Service Reserve Fund Requirement (Annual), which serves as a sinking fund for the payment of the Bonds, originally scheduled to commence with the remarketing of the Bonds, such that the required deposit of the revenues of the Borrower remains at \$471,033 annually through maturity of the Bonds, (3) the change in the optional redemption of the Bonds to the maturity date of the Bonds, and (4) the elimination of the subordination of series 2011B Bonds to the Series 2011A Bonds commencing on the Remarketing Date (collectively, the "Indenture Amendments").

The Bonds are secured, among other things, by: (1) the Leverage Loan, including all rights or revenues of the Borrower attributable to or derived from the Leveraged Loan, (2) the Leasehold Mortgage from each of the Lessees for the benefit of the Authority, and (3) the Lessee Guaranty. The Indenture contemplates that the collateral for the Bond Loan will be replaced or substituted by the Project Loans as collateral for the Bond Loan. The Project Loans are secured, among other things, by: (1) a Deed of Trust, Security Agreement and Assignment of Leases, by the Lessor in favor of the CDEs, and (2) the Parent Guaranty.

The outstanding balance of the debt are as follows as of June 30, 2020:

Mobile home parks

Millenium Group of Companies	\$	274,405,000
Augusta Communities, LLC		18,105,000
Villa Del Arroyo Moorpark LLC		11,180,000

Other

Alliance Charter Schools	\$	11,705,965
--------------------------	----	------------

NOTE 7 CONTINGENT LIABILITIES

The Authority is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of the Authority.

NOTE 8 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including governmental entities.

The Authority has evaluated subsequent events through January 8, 2021, the date the financial statements were available to be issued and concluded no other events have occurred that require disclosure or adjustments to the financial statements.



www.vasquezcpa.com

Vasquez & Company LLP has over 50 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit rsmus.com/about-us for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.