

**RFP #26-4841
ATTACHMENT D**

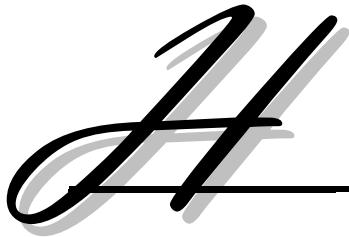
**SALIDA AREA PUBLIC FACILITIES
FINANCING AGENCY**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Salida Area Public Facilities Financing Agency
Modesto, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida Area Public Facilities Financing Agency as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Salida Area Public Facilities Financing Agency'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, each major fund, and the aggregate remaining fund information of the Salida Area Public Facilities Financing Agency, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Salida Area Public Facilities Financing Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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 Salida Area Public Facilities Financing Agency'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 Salida Area Public Facilities Financing Agency'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 management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Budgetary Comparison Information report 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 the 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 November 14, 2025, on our consideration of the Salida Area Public Facilities Financing Agency'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 Salida Area Public Facilities Financing Agency'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 Salida Area Public Facilities Financing Agency's internal control over financial reporting and compliance.



Modesto, California

November 14, 2025

Salida Area Public Facilities Financing Agency

*c/o Modesto City Schools
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Modesto, CA 95351-2631
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*Gary Horton, President
Mark Riggins, Vice President
Duane A. Wolterstorff, Secretary
Jaime Towe, Treasurer
Maria Rodriguez, Controller*

Member Agencies:

*Salida Union School District
Salida Sanitary District
Salida Fire Protection District
Modesto High School District*

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2025

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

This discussion and analysis of the financial performance of the Salida Area Public Facilities Financing Agency ("SAPFFA") provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2025. It is management's view of the Agency's financial condition. It should be read in conjunction with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements that present different views of the Agency:

- The first two statements are Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status. Because these statements include all Agency funds, it should be noted that certain inter-fund and other types of transactions that net to zero have been eliminated so that Agency-wide revenues and expenditures are not artificially inflated.
- The remaining statements are fund-level financial statements that focus on individual parts of the Agency, reporting the Agency's operations in more detail than the Agency-wide statements.

These two kinds of statements report the Agency's net position and changes in position. Net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows, which is one way to measure the Agency's financial health. Generally, over time, increases or decreases in the Agency's net position is one indicator of whether its financial health is improving or deteriorating.

However, it must be noted that this Agency is a financing agency and does not own any capital items, but instead purchases those capital assets for members of the Joint Powers Authority and hands the assets over to them. Therefore, this Agency will have a negative net asset value until all debt service payments have been made.

The financial statements also include notes that explain some of the information in the statements. These notes are considered to be an integral part of the financial statements and should be considered with them when looking at the Agency's financial picture.

The financial statements would be followed by a section of required supplementary information, but the Agency has no required supplementary information.

In the Agency-wide financial statements the Agency's activities are shown as Governmental activities. The Agency has no funds that are classified as Business-type or fiduciary activities. The fund financial statements provide more detailed information about the Agency's most significant funds—not the Agency as a whole. The Agency only has funds that would be categorized as governmental fund types.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency completed the current year with its funds reporting a *combined* fund balance of approximately \$3.4 million, an increase of \$243,185 or 7.62% over last year's ending fund balance.

Table 1 – Ending Fund Balances

| Fund | Ending Balance | |
|----------------------------|---------------------|---------------------|
| | 06/30/24 | 06/30/25 |
| Capital Projects | \$ 900,289 | \$ 1,195,439 |
| Debt Service | 2,292,703 | 2,240,738 |
| Total Fund Balances | \$ 3,192,992 | \$ 3,436,177 |

There were no acquisition expenditures during the year ended June 30, 2025. The annual tax levy collections and interest earnings during the year were more than enough to cover the debt service payments and administrative costs during the year.

Net Position. The Statement of Net Position is shown in Table 2 and net position represents the portion of total assets actually owned free and clear by the Agency. The Agency's primary asset is cash with fiscal agent. The Agency has a negative Net Position for the year ending June 30, 2025 of \$4.67 million. This figure represents the amount the Agency would owe if all operations were ceased and all receivables were collected.

Changes in Net Position. As noted previously, the Agency owns no capital assets. The possible expenditures are construction and acquisition costs for member agencies, administrative costs, and payment of debt service. Revenues are generated by an annual tax levy and interest on investments.

As shown in Table 3, the Agency's total negative net position decreased by \$2.18 million, or 31.88%, over the prior year, indicating that tax revenues were in excess of debt service interest payments and administrative costs.

The decrease in Noncurrent Liabilities reflects the paying down of debt associated with long-term bonds issued by the Agency.

Table 2 – Statement of Net Position

| | <u>June 30, 2025</u> |
|--|----------------------|
| Assets | |
| Cash with Fiscal Agent | \$ 3,428,732 |
| Receivables | 59,526 |
| Prepaid Bond Issuance Costs | - |
| Total Assets | <u>\$ 3,488,258</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable and Other Current Liabilities | \$ 72,084 |
| Bonds Payable | 1,951,191 |
| Noncurrent Liabilities | |
| Bonds Payable | 6,132,571 |
| Total Liabilities | 8,155,846 |
| Net Position | |
| Unrestricted Amount | (4,667,588) |
| Total Liabilities and Net Position | <u>\$ 3,488,258</u> |

Table 3 – Change in Net Position

| | <u>06/30/24</u> | <u>06/30/25</u> | <u>Change</u> |
|--|---------------------|---------------------|-------------------|
| Assets | | | |
| Cash with Fiscal Agent | \$ 3,164,567 | \$ 3,428,732 | \$ 264,165 |
| Receivables | 60,622 | 59,526 | (1,096) |
| Prepaid Bond Issuance Costs | - | - | - |
| Total Assets | <u>\$ 3,225,189</u> | <u>\$ 3,488,258</u> | <u>\$ 263,069</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable and Other Current Liabilities | \$ 81,590 | \$ 72,084 | \$ (9,506) |
| Bonds Payable | 1,911,830 | 1,951,191 | 39,361 |
| Noncurrent Liabilities | | | |
| Bonds Payable | 8,083,762 | 6,132,571 | (1,951,191) |
| Total Liabilities | 10,077,182 | 8,155,846 | (1,921,336) |
| Net Position | | | |
| Unrestricted Amount | (6,851,993) | (4,667,588) | 2,184,405 |
| Total Liabilities and Net Position | <u>\$ 3,225,189</u> | <u>\$ 3,488,258</u> | <u>\$ 263,069</u> |

Table 4 – Statement of Activities

| | <u>06/30/24</u> | <u>06/30/25</u> | <u>Change</u> |
|----------------------------|-----------------|-----------------|---------------|
| Program Expenses | | | |
| Administrative | \$ 43,776 | \$ 47,755 | \$ 3,979 |
| Interest on Long-Term Debt | 232,939 | 189,894 | (43,045) |
| Total Program Expenses | 276,715 | 237,649 | (39,066) |
| General Revenues | | | |
| Special Taxes | 2,300,491 | 2,300,654 | 163 |
| Interest Income | 129,517 | 121,400 | (8,117) |
| Total General Revenues | 2,430,008 | 2,422,054 | (7,954) |
| Change in Net Position | \$ 2,153,293 | \$ 2,184,405 | \$ 31,112 |

Table 4 shows an increase of \$31,112 in Change in Net Position between fiscal years ended June 30, 2024 and 2025. The decrease in Interest on Long-Term Debt is evidence of making the annual principal payment on the outstanding bonds – lower remaining principal balance results in lower interest payments. The decrease in Interest Income is evidence of a decrease in interest rates on investments.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

The Agency's funds are normally divided into two categories for financial statement representation purposes – major funds and non-major funds. The major funds are the Special Tax Fund for the 2020 bond issue, which are used for collections of the annual tax levy to fund debt service payments; the Community Facilities District Account Fund, which funds capital projects on a "pay as you go" basis from collections of the annual tax levy; and the Expense Fund, which finances administrative activity. No funds are non-major funds.

All funds have a positive ending fund balance and an annual analysis is made to determine the tax rate in each succeeding year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By its very nature, this Agency has no capital assets. The Agency had no expenditures on capital assets for its member agencies during the fiscal year ending June 30, 2025 because all facilities for its member agencies are complete.

Long-Term Debt

At year-end the Agency had \$8.08 million in long-term debt outstanding, a decrease of \$1.91 million from the previous year, which represents the amount of debt retired during the current year.

The Agency does not plan on issuing any new debt during the coming fiscal year.

FACTORS BEARING ON THE AGENCY'S FINANCIAL FUTURE

All the projects approved at the formation of the Agency have been completed. Because the projects were complete, the Board decided, in June 2011, to stop increasing the annual tax levy by 2% each year as permitted by its formation documents. As a result of issuing refunding bonds, in November 2011, at lower interest rates, the Agency was able to decrease the annual tax rate per parcel by an average of \$143 per parcel for the fiscal year 2012/13, an additional \$18 per parcel for the fiscal year 2013/14 and an additional \$86 per parcel for the fiscal year 2019/20. This is a total average of \$247 per parcel decrease since the refunding of the bonds in November 2011. The Series 2020 Refunding Bonds will have a final maturity date of September 1, 2028 (which is two years ahead of the final maturity date of the Series 2011 Bonds). The Agency will continue to re-evaluate the annual tax levy amount on a regular basis and adjust the annual tax levy as needed.

The housing market and the economy in the Greater Modesto area and in California had experienced a significant downturn in the past but are seeing improvements. The Agency has seen a decline in the tax delinquency rate since fiscal year 2006/07 and a steady low delinquency rate over the last few years. The Agency's annual tax delinquency rate was 7.77% for fiscal year 2006/07, 7.58% for 2007/08, 5.75% for 2008/09, 2.71% for 2009/10, 1.55% for 2010/11, 1.26% for 2011/12, 1.07% for 2012/13, 0.75% for 2013/14, 0.78% for 2014/15, 0.75% for 2015/16, 0.90% for 2016/17, 0.85% for 2017/18, 0.62% for 2018/19, 1.16% for 2019/20, 0.61% for 2020/21, 0.67% for 2021/22, 0.74% for 2022/23 and 0.50% for 2023/24 and 0.90% for 2024/25. However, an annual tax delinquency rate in excess of 10% in future years could have a financial impact on the Agency and might require an upward adjustment of the annual tax levy amount.

At the time these financial statements were prepared and audited, the Agency was not aware of any other circumstances that could significantly affect its financial health in the future.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Office of Controller, Salida Area Public Facilities Financing Agency, c/o Modesto City Schools, 1311 Woodland Avenue, Suite C, Modesto, CA 95351-1221 or (209) 574-8497.

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2025

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash with Fiscal Agent | \$ 3,428,732 |
| Receivables: | |
| Special Tax Revenues | <u>59,526</u> |
| Total Current Assets | <u>3,488,258</u> |
| Total Assets | <u>\$ 3,488,258</u> |
| LIABILITIES AND NET POSITION | |
| Current Liabilities: | |
| Accounts Payable | \$ 11,187 |
| Interest Payable | 60,897 |
| Bonds Payable | <u>1,951,191</u> |
| Total Current Liabilities | <u>2,023,275</u> |
| Noncurrent Liabilities: | |
| Bonds Payable | <u>6,132,571</u> |
| Total Noncurrent Liabilities | <u>6,132,571</u> |
| Total Liabilities | 8,155,846 |
| NET POSITION | |
| Unrestricted | <u>(4,667,588)</u> |
| Total Liabilities and Net Position | <u>\$ 3,488,258</u> |

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

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

| | <u>Governmental Activities</u> |
|--------------------------------|------------------------------------|
| Program Expenses: | |
| Administrative | \$ 47,755 |
| Interest on Long-Term Debt | <u>189,894</u> |
| Total Program Expenses | <u>237,649</u> |
| General Revenues: | |
| Special Taxes | 2,300,654 |
| Interest Income | <u>121,400</u> |
| Total General Revenues | <u>2,422,054</u> |
| Change in Net Position | 2,184,405 |
| Net Position July 1, 2024 | <u>(6,851,993)</u> |
| Net Position June 30, 2025 | <u>\$ (4,667,588)</u> |

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

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
BALANCE SHEET
MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

| Capital Projects | Debt Service | Capital Projects | |
|--|---------------------------------|---------------------|-------|
| Community Facilities District Fund | 2020 Bond Redemption Fund | Expense Fund | Total |

ASSETS

Current Assets:

| | | | | |
|------------------------|--------------|--------------|-----------|--------------|
| Cash with Fiscal Agent | \$ 1,166,654 | \$ 2,222,106 | \$ 39,972 | \$ 3,428,732 |
| Receivables: | | | | |
| Special Tax Revenues | - | 59,526 | - | 59,526 |

Total Current Assets \$ 1,166,654 \$ 2,281,632 \$ 39,972 \$ 3,488,258

LIABILITIES AND FUND BALANCE

Current Liabilities:

| | | | | |
|---------------------------|------|--------|-----------|-----------|
| Accounts Payable | \$ - | \$ - | \$ 11,187 | \$ 11,187 |
| Deferred Revenue | - | 40,894 | - | 40,894 |
| Total Current Liabilities | - | 40,894 | 11,187 | 52,081 |

Fund Balances:

| | | | | |
|---------------------|-----------|-----------|--------|-----------|
| Restricted | - | 2,240,738 | - | 2,240,738 |
| Assigned | 1,166,654 | - | 28,785 | 1,195,439 |
| Total Fund Balances | 1,166,654 | 2,240,738 | 28,785 | 3,436,177 |

Total Liabilities and Fund Balance \$ 1,166,654 \$ 2,281,632 \$ 39,972 \$ 3,488,258

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

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2025

| | |
|---|-----------------------|
| TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 3,436,177 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| Issued debt increases long-term liabilities in the government-wide statement of net position. | (8,083,762) |
| Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as expenditures in governmental funds. | (60,897) |
| Revenues are not recorded in the fund financial statement unless they are received within 60 days of year-end. | <u>40,894</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (4,667,588)</u> |

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

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL MAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2025

| | Capital Projects | Debt Service | Capital Projects | <u>Total</u> |
|---|--|---------------------------------|-------------------------|----------------------------|
| | Community Facilities District Fund | 2020 Bond Redemption Fund | Expense Fund | |
| | | | | |
| REVENUES | | | | |
| Special Tax Revenues | \$ - | \$ 2,285,668 | \$ - | \$ 2,285,668 |
| Interest Revenue | <u>51,971</u> | <u>67,140</u> | <u>2,288</u> | <u>121,399</u> |
| Total Revenues | <u>51,971</u> | <u>2,352,808</u> | <u>2,288</u> | <u>2,407,067</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | - | - | 47,755 | 47,755 |
| Cost of Issuance | - | - | - | - |
| Debt Service: | | | | |
| Principal Retirement | - | 1,911,830 | - | 1,911,830 |
| Interest and Fiscal Agent Fees | <u>-</u> | <u>204,297</u> | <u>-</u> | <u>204,297</u> |
| Total Expenditures | <u>-</u> | <u>2,116,127</u> | <u>47,755</u> | <u>2,163,882</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 295,224 | 7,242 | 60,665 | 363,131 |
| Transfers Out | <u>(67,243)</u> | <u>(295,888)</u> | <u>-</u> | <u>(363,131)</u> |
| Net Other Financing Sources (Uses) | <u>227,981</u> | <u>(288,646)</u> | <u>60,665</u> | <u>-</u> |
| Excess of Revenues Over (Under) Expenditures | 279,952 | (51,965) | 15,198 | 243,185 |
| Fund Balance, July 1, 2024 | <u>886,702</u> | <u>2,292,703</u> | <u>13,587</u> | <u>3,192,992</u> |
| Fund Balance, June 30, 2025 | <u>\$ 1,166,654</u> | <u>\$ 2,240,738</u> | <u>\$ 28,785</u> | <u>\$ 3,436,177</u> |

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

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUND TYPES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

| | |
|--|---------------------|
| NET CHANGE IN TOTAL FUND BALANCES PER FUND FINANCIAL STATEMENTS | \$ 243,185 |
| Prior year revenues received in the current year are recorded in the fund financial statement but are a reduction to receivables in the government-wide statement of net position. | 14,987 |
| Current year net repayment of bond principal is an expenditure in governmental funds but the repayment reduces long-term liabilities in the government-wide statement of net position. | 1,911,830 |
| Current year payment of bond interest is recorded as an expenditure in the governmental funds, while accrued interest expense is recorded in the government-wide statement of activities and change in net position. | <u>14,403</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 2,184,405</u> |

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

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Agency was created pursuant to a Joint Powers Agreement between the Salida Sanitary District, Salida Union School District, the Modesto High School District, and the Salida Fire Protection District for the purpose of forming a community facilities district (CFD) under the provisions of the Mello-Roos Community Facility Act of 1982. The Agency established Community Facilities District Number 1988-1 for the purpose of collectively financing public facilities for each of the Agency's members. The Agency has no employees or property and equipment, and its powers are limited to implementation of the Mello-Roos financing plan contemplated in the Joint Powers Agreement.

The Agency and its Community Facilities District Number 1988-1 are controlled by a governing board consisting of five members: two members from the Salida Sanitary District, and one each from the other member entities. All such members of the Agency's governing board are independently elected or appointed by their respective member entities.

The officers of the Agency include a president and vice-president of the governing board and a treasurer, controller, and secretary. The board elects its president and vice-president from among its members for a one-year term. The treasurer, controller, and secretary are appointed by the board and serve at its pleasure. These officers need not be members of the board.

Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, sign contracts, levy taxes, and otherwise influence operations, and account for fiscal matters, is exercised by the Agency's governing board.

Accordingly, the Agency is considered to be a separate reporting entity for financial reporting purposes and the accompanying financial statements reflect only the assets, liabilities, fund balances, revenues and expenditures of the Agency.

In evaluating the Agency as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Agency may be financially accountable and, as such, should be included within the Agency's financial statements. The Agency (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Agency. Organizations for which the Agency is not financially accountable are also included when doing so is necessary in order to prevent the Agency's financial statements from being misleading.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Because of the closeness of their relationship with the primary government (the Agency), some component units are blended as though they are part of the primary government, most component units are discreetly presented.

The Agency has no component units.

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Agency 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Types Activities for the Agency accompanied by a total column. Fiduciary activities of the Agency are not included in these statements. The Agency has no business-type activities.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital 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, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Agency are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. The Agency has no program revenues.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statements of Net Position, have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The Agency applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as following the Financial Accounting Standards Board (FASB) Accounting Standards Codification except when it conflicts with or contradicts GASB pronouncements.

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 and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Agency has presented all major funds that met those qualifications. In addition, the Agency has presented certain funds, specifically the Community Facilities District Capital Projects Funds,

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

2020 Redemption Debt Service Fund, and Expense Capital Projects Funds as major funds because the Agency believes the financial position and activities of these funds are significant to the Agency as a whole.

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 Sheets. 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 net current assets. 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. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Debt Service Fund – The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The debt service fund includes the redemption account used to account for special tax collections and the payment of bond interest and principal, the reserve account used to account for monies set aside to pay bond principal and interest should monies in the redemption account be insufficient, the capitalized interest account for monies set aside from bond proceeds to pay bond interest the future debt service account used to account for special tax proceeds to be applied to debt service, and the arbitrage rebate account for excess earnings to be rebated to the federal government. There was no activity in the capitalized interest account, the future debt service account, and the arbitrage rebate account during the period. The Agency has purchased a municipal bond debt service reserve insurance policy in lieu of setting aside monies in the reserve account.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used by member entities to acquire or construct major capital facilities. The capital projects fund includes the Agency's construction account used to account for bond proceeds distributed to member entities for facilities acquisition and construction, the expense account used to pay related administrative expenses, the special tax rate account used to account for the commercial one-time special taxes from Tax Area B (Landmark Business Park) collected through the Salida Union School District to be used to help pay the costs for the facilities, and the Community Facilities District account used to account for funds to be used to help pay the costs for the facilities. There was no activity in the construction account or the special tax rate account during the period.

Proprietary Funds Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds.

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows or resources, liabilities, (whether current or noncurrent), and deferred inflows or resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenue) and decreases (expenses) in total 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, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Agency has no proprietary funds.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Agency’s fiduciary funds only include Custodial Funds, which are used to report fiduciary activities where the Agency controls assets that are collected with property taxes on behalf of other cities and special districts in the County. These assets are not held in a trust and are distributed in accordance with an intergovernmental agreement to consolidate property tax collections. The Custodial Funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting in accordance with GASBS No. 84, *Fiduciary Activities*.

The Agency has no fiduciary funds.

The Agency has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements, governmental funds report the following classifications of fund balances:

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

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Restricted – amounts that can be spent only for specific purposes because of the City, Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors. The Agency's Redemption Funds are restricted by the Trustee Agreement.

Committed – Amounts that can be used only for specific purposes determined by a formal action by Agency Council ordinance or resolution. This includes the budget reserve account. The Agency's board is the highest level of decision-making authority for the Agency. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Agency.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Agency's board is the highest level of decision-making authority for the agency. Under the board adopted policy the controller may assign funds for specific purposes. The Agency's Capital Project Funds have assigned balances.

Unassigned – All amounts not included in other spendable classifications.

It is the Agency's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available; and to first apply committed, then assigned, then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

C. Intergovernmental Expenditures

Facilities acquired or constructed with capital project funds are the property of (and are under the ownership control of) the member entities party to the Joint Powers Agreement. Accordingly, such expenditures are not capitalized as general fixed assets by the Agency, nor recorded as capital outlay expenditures. Instead, the Agency follows the practice of recording such uses of funds as intergovernmental expenditures. Each member entity administers the actual acquisition and construction of its own facilities, and is responsible for the payment of project vendors, contractors and costs.

D. Budgetary Policies

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Agency is not legally required to adopt a budget for the general fund. Therefore, budget comparison information is not included in the Agency's financial statements.

Formal budgetary policies are not employed by the Agency because effective budgetary control is alternatively achieved through the special tax bond resolution provisions and the Resolution of Formation. Accordingly, encumbrance accounting, a method wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve appropriations, is not used.

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Risk Management

The Agency does not own any non-financial assets nor have any employees. Accordingly, the Agency believes it is not exposed to most types of routine risks of loss such as those due to torts; asset theft or damage; employee injuries; and natural disasters. Risk exposures that may exist in connection with activities of the Agency on behalf of the member districts, and in connection with activities of the member districts that are financed by the Agency, are addressed by the respective member district's risk management policy.

The Agency believes its exposure to risks of loss due to business interruption and errors or omissions is insignificant; accordingly, no provisions for such losses are made. The Agency has purchased Municipal Bond Insurance and Municipal Bond Debt Service Reserve Insurance policies in connection with bond issues outstanding.

NOTE 2 CASH AND INVESTMENTS

Investments of the Agency are made at the direction of the governing board and include investments authorized to be made in accordance with the California Government Code.

Under Section 53601 of the code, governmental agencies may invest in securities of the U.S. government or its agencies, Small Business Administration loans, negotiable certificates of deposit, bankers' acceptances, commercial paper, local agency investment funds, repurchase agreements, reverse repurchase agreements and certain mutual funds. In the unlikely event that all investments became worthless, the total recognized loss would be \$3,164,567 for the year ended June 30, 2025.

Deposits and investments of the Agency are summarized below. All deposits and investments are held by the Agency's fiscal agent for safekeeping in separate accounts in the name of the Agency. The fiscal agent has invested funds with California Asset Management Program Cash Reserves Portfolio.

| <u>Description of Deposit or Investment</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|---|------------------------|---------------------|
| Capital Projects Funds: | | |
| California Asset Management Program - CAMP Pool | \$ 1,206,626 | \$ 1,206,626 |
| Debt Service Funds: | | |
| California Asset Management Program - CAMP Pool | 2,222,106 | 2,222,106 |
| Total 6/30/2025 | \$ 3,428,732 | \$ 3,428,732 |

The Agency's deposits and investments are categorized below to give an indication of the level of risk assumed by the Agency. Uncategorized includes investments in pools managed by other governments or in mutual funds or money market funds.

California Asset Management Program is rated AAA by Standard & Poor's. The Pool

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 CASH AND INVESTMENTS (Continued)

is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less.

| <u>Deposit or Investment</u> | <u>Uncategorized</u> |
|---|----------------------|
| California Asset Management Program - CAMP Pool | \$ 3,428,732 |
| Total 06/30/2025 | <u>\$ 3,428,732</u> |

NOTE 3 GENERAL LONG-TERM DEBT

The Agency is authorized within certain conditions to issue special tax bonds in the total amount of \$41 million to pay the costs of acquisition and construction of the identified public facilities. As of June 30, 2025, the Agency has issued \$38,360,000 of bonds in total. The bonds are the obligation of the Agency by and through its Community Facilities District No. 1988-1. The bonds are payable from the proceeds of an annual special tax to be levied and collected from the taxable land within the district.

The special tax bond debt issued by the Salida Area Public Facilities Financing Agency as of June 30, 2025, is:

| | <u>Date of Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount of Original Issue</u> |
|-------------|----------------------|----------------------|----------------------|---------------------------------|
| Series 2020 | 01-09-20 | 2.260% | 9/1/2028 | \$ 17,664,152 |

Activity for the fiscal year ended June 30, 2025:

| | <u>Outstanding Balance at 6/30/2024</u> | <u>Issused During Current Year</u> | <u>Principal Repayments</u> | <u>Outstanding Balance at 6/30/2025</u> |
|-----------------------|---|------------------------------------|-----------------------------|---|
| Series 2020 | \$ 9,995,592 | \$ - | \$ (1,911,830) | \$ 8,083,762 |
| Total of all bonds | <u>\$ 9,995,592</u> | <u>\$ -</u> | <u>\$ (1,911,830)</u> | <u>\$ 8,083,762</u> |
| Less: Current Portion | | | | (1,951,191) |
| Long-Term Debt | | | | <u>\$ 6,132,571</u> |

NOTE 4 SPECIAL TAX BONDS, SERIES 2020

The Seventh issue of bonds, Special Tax Bonds, Series 2020 was sold on January 9, 2020. The Series 2020 bonds in the aggregate principal amount of \$17,664,152, were issued to provide funds to pay costs of refunding a prior bond:

Refunding of Series F (2011) Bonds on January 09, 2020, at 100% plus accrued interest.

The refunding will save approximately \$3 million in future debt service costs.

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 SPECIAL TAX BONDS, SERIES 2020 (Continued)

The proceeds were distributed as follows to accounts established with the fiscal agent for purposes of administering the proceeds:

| | |
|--------------------------|----------------------|
| Cost of Issuance Account | \$ 165,001 |
| Escrow Account | 17,499,151 |
| Underwriter's Discount | - |
| Proceeds from Bond Issue | 17,664,152 |
| Original Issue Discount | - |
| Par Amount of Bonds | <u>\$ 17,664,152</u> |

The principal on the bonds is due September 1 of each year. Interest on the bonds is due March 1 and September 1, of each year. Future debt service requirements at fiscal year-end June 30, 2025, are as follows:

| <u>Fiscal Year</u> | <u>Serial Bonds</u> | <u>Term Bonds</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------------|--------------------|--------------------------|----------------------------|
| 2026 | \$ 1,951,191 | \$ - | \$ 160,645 | \$ 2,111,836 |
| 2027 | 2,000,525 | - | 115,990 | 2,116,515 |
| 2028 | 2,042,398 | - | 70,305 | 2,112,703 |
| 2029 | 2,089,648 | - | 23,613 | 2,113,261 |
| 2030 | - | - | - | - |
| Thereafter | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 8,083,762</u> | <u>\$ -</u> | <u>\$ 370,553</u> | <u>\$ 8,454,315</u> |

NOTE 5 ASSOCIATED ENTITIES

Administrative services are provided by Salida Union School District and Modesto High School District for the Salida Area Public Facilities Financing Agency. The districts are reimbursed for these services provided to the Agency. Expenses for these services for the fiscal years ended June 30, 2025, are estimated to be \$0 and \$0 for each District. These expenses are reimbursable subject to the availability of funds and approval by the board. The board has not approved the expenses for the year ended June 30, 2025, fiscal year and, therefore, they are not accrued in the financial statements. Amounts paid and expensed in these financial statements for the years ended June 30, 2025, are \$1,670 and \$22,665, to each district.

NOTE 6 INTERFUND BALANCES AND TRANSFERS

Transfers between funds were made for the purpose of funding operation expenses.

SALIDA AREA PUBLIC FACILITIES FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

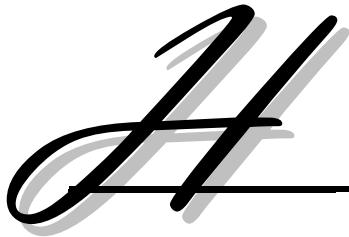
NOTE 7 SPECIAL TAX

Special taxes include commercial one-time taxes due at the time when a building permit is obtained within Tax Area B (Landmark Business Park) and annual special taxes on residential and commercial properties. Secured annual special taxes attach as an enforceable lien on property as of March 1. Taxes are due in two installments on December 10 and April 10. The County of Stanislaus bills and collects the taxes for the Agency. Tax revenues are recognized by the Agency when levied. Delinquent taxes collected or to be collected by the County of Stanislaus may not be remitted to the Agency within one year. Special taxes not collected within sixty days of June 30, 2025, are recorded as deferred revenue in the Agency's Government Fund Financial Statements. As of June 30, 2025 \$40,894 was charged to deferred revenue for assessments uncollected.

Special taxes, secured by the property itself, are levied on property owners in the Salida area. In the unlikely event that all uncollected special taxes due the Agency failed to be collected, the maximum recognized loss would be \$18,632, for the year ended June 30, 2025, in the government funds financial statements, which is the difference between special tax revenue receivable and deferred revenue.

NOTE 8 SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through November 14, 2025, the date on which the financial statements were available to be issued. The Agency has no subsequent events to report through November 14, 2025.



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INDEPENDENT AUDITOR'S 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

Governing Board
Salida Area Public Facilities Financing Agency
Modesto, 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, each major fund, and the aggregate remaining fund information of Salida Area Public Facilities Financing Agency, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Salida Area Public Facilities Financing Agency's basic financial statements, and have issued our report thereon dated November 14, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Salida Area Public Facilities Financing Agency'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 statements, but not for the purpose of expressing an opinion on the effectiveness of Salida Area Public Facilities Financing Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Salida Area Public Facilities Financing Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salida Area Public Facilities Financing Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Modesto, California
November 14, 2025