RFP #26-4842
ATTACHMENT D

SCHOOLS INFRASTRUCTURE FINANCING AGENCY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2025

TABLE OF CONTENTS

Corporate HQ: 39 N. Washington St., Suite A, Sonora, CA 95370
Phone: (209)588-8760 Fax: (209) 288-2142
Modesto office: 1015 14th Street, Modesto, CA 95354
Phone: (209) 529-4060 Fax: (209) 529-2948
www.HawksCPA.com

Hawks & Associates CPAs , Inc
● *think BOLDLY* ● *plan CAREFULLY* ● *execute PRECISELY* ●

INDEPENDENT AUDITOR'S REPORT

Governing Board
Schools Infrastructure Financing Agency
Modesto, California

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Schools Infrastructure Financing Agency as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 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 and each major fund, of the 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 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 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 and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 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 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.

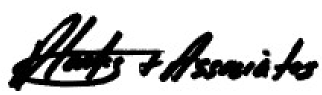
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 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 schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are 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 20, 2025 on our consideration of the Schools Infrastructure 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools Infrastructure Financing Agency's internal control over financial reporting and compliance.



Modesto, California
November 20, 2025

Schools Infrastructure Financing Agency

c/o Modesto City Schools
426 Locust Street
Modesto, CA 95351-2631
(209) 574-1610 FAX (209) 574-1564

SCHOOLS INFRASTRUCTURE 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 Schools Infrastructure Financing Agency ("SIFA") 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 are 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 position.

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 year with its funds reporting a *combined* fund balance of $13.86 million, an increase of $1.29 million or 10.23% from last year's ending fund balance.

Table 1 – Ending Fund Balances

	Ending Balance	
Governmental Fund Type	06/30/24	06/30/25
CFD 1994-1		
Capital Projects	$ 1,027,568	$ 1,075,830
Debt Service	4,784	1,497
CFD 1997-1		
Capital Projects	3,998,140	4,429,019
Debt Service	779,463	837,529
CFD 1998-1		
Capital Projects	5,969,236	6,706,337
Debt Service	790,097	804,999
Total Fund Balances	$ 12,569,288	$ 13,855,211

The increase in Total Fund Balances is the result of increased one-time special tax collections and annual special tax collections in excess of debt service payments and administrative costs.

Net Position. Net Position is shown in Table 2 and 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 had a positive Net Position value for the year ending June 30, 2025 of $3.90 million. This figure represents the amount the Agency would have as cash if all operations were ceased and receivables were collected.

Table 2 – Statement of Net Position at June 30, 2025

	CFD 1994-1	CFD 1997-1	CFD 1998-1	Total
Assets				
Cash with Fiscal Agent	$ 1,080,918	$ 5,289,566	$ 7,525,319	$ 13,895,803
Receivables	1,742	23,543	15,160	40,445
Due To (From) Other CFDs	-	-	-	-
Prepaid Bond Insurance Costs	-	44,299	26,885	71,184
Total Assets	$ 1,082,660	$ 5,357,408	$ 7,567,364	$ 14,007,432
Liabilities				
Current Liabilities				
Accounts Payable	$ 5,088	$ 29,742	$ 20,309	$ 55,139
Interest Payable	-	85,838	52,125	137,963
Bonds Payable	-	450,000	270,000	720,000
Noncurrent Liabilities				
Bonds Payable	-	5,720,000	3,475,000	9,915,000
Total Liabilities	5,088	6,285,580	3,817,434	10,108,102
Net Position				
Unrestricted	1,077,572	(928,172)	3,749,930	3,899,330
Total Liabilities and Net Position	$ 1,082,660	$ 5,357,408	$ 7,567,364	$ 14,007,432

Table 3 – Change in Net Position

	06/30/24	06/30/25	$ Change
Assets			
Cash with Fiscal Agent	$ 12,630,564	$ 13,895,803	$ 1,265,239
Receivables	41,829	40,445	(1,384)
Prepaid Bond Insurance Costs	79,093	71,184	(7,909)
Total Assets	$ 12,751,486	$ 14,007,432	$ 1,255,946
Liabilities			
Current Liabilities			
Accounts Payable	$ 75,753	$ 55,139	$ (20,614)
Interest Payable	149,046	137,963	(11,083)
Bonds Payable	665,000	720,000	55,000
Noncurrent Liabilities			
Bonds Payable	9,915,000	9,195,000	(720,000)
Total Liabilities	10,804,799	10,108,102	(696,697)
Net Position			
Unrestricted amount	1,946,687	3,899,330	1,952,643
Total Liabilities and Net Position	$ 12,751,486	$ 14,007,432	$ 1,255,946

Changes in net position. As noted previously, the Agency owns no capital assets. The possible expenses for the Agency will be facilities acquisition and construction costs for member agencies, administrative costs, and debt service interest and other charges. Revenues are generally generated from an annual tax levy, one-time special tax levies, annexation fees, and earnings on cash and investments but can also be generated by State funding for new construction.

Table 3 shows the Agency's net position value increased by $1.95 million over the year, indicating expenses for facilities acquisition and construction for member agencies, debt service expenses and administrative costs were less than revenues during the year. This is illustrated in Table 4.

Table 4 – Statement of Activities

	06/30/24	06/30/25	$ Change
Program Expenses			
Facilities Acquisition and Construction Services for Other Governmental Entities	$ 0	$ 0	$ 0
Administrative	107,411	85,628	(21,783)
Interest on Long-Term Debt	452,221	419,429	(32,792)
Total Program Expenses	559,632	505,057	(54,575)
General Revenues			
Special Taxes	2,407,315	1,879,713	(527,602)
Interest Income	585,441	577,987	(7,454)
Total General Revenues	2,992,756	2,457,700	(535,056)
Change in Net Position	$ 2,433,124	$ 1,952,643	$ (480,481)

Table 4 shows a decrease of $480,481 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 Special Taxes is primarily the result of reduced collections of one-time special taxes in CFD 1997-1. The decrease in Interest Income is evidence of a decrease in interest rates on cash and 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 CFD Surplus Fund for CFDs 1994-1, 1997-1 and 1998-1, which funds capital projects on a "pay as you go" basis from collection of the one-time special tax levies and the annual tax levy; the Expense Fund for CFDs 1994-1, 1997-1 and 1998-1, which finance administrative activity from the annual tax levy; and the Redemption Fund for CFDs 1994-1, 1997-1 and 1998-1, which is used for collections of the annual tax levy to fund debt service payments. 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 for all three CFDs in each succeeding year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By its very nature, this Agency has no capital assets. The Agency spent no expenditures on capital assets for its member agencies during the fiscal year ending June 30, 2025. During fiscal year 2025/26, member agencies, Stanislaus Union School District and Sylvan Union School District, have plans for expenditures towards their final capital asset projects in CFD 1997-1 and CFD 1998-1 respectively.

Long-Term Debt

At June 30, 2025, the Agency had $9.2 million in long-term debt outstanding which was decreased by $665,000 during the year which represents the amount of debt retired during the fiscal year 2024/25.

On July 10, 2025, the Agency issued new debt for CFD 1997-1.

FACTORS BEARING ON THE AGENCY'S FINANCIAL FUTURE

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 2007/08 and a steady lower tax delinquency rate over the last few years. The Agency's annual tax delinquency rate was 5.98% for fiscal year 2007/08, 4.11% for 2008/09, 2.47% for 2009/10, 1.52% for 2010/11, 1.05% for 2011/12, 0.51% for 2012/13, 0.61% for 2013/14, 0.51% for 2014/15, 0.52% for 2015/16, 0.38% for 2016/17, 0.50% for 2017/18, 0.46% for 2018/19, 0.57% for 2019/20, 0.60% for 2020/21, 0.38% for 2021/22, 0.69% for 2022/23, 0.89% for 2023/24 and 0.72% for 2024/25. However, a significant increase in the annual tax delinquency rate in future years could have a financial impact on the Agency.

All projects for CFD 1994-1 have been completed. After analysis of revenues and expenditures, including an assumption of a 10% tax delinquency rate, by the Agency's special tax consultant and staff, the Agency's Board approved, in June 2011, to hold the annual special tax rate per unit at the fiscal year 2009/10 rate level for fiscal year 2011/12 and all future tax levies for CFD 1994-1. The Agency's Board also approved its intent for 23 years to be the maximum number of years of taxation per parcel for CFD 1994-1.

On July 15, 2014, the Agency refinanced their 2004 Tax Revenue Bonds. The 2014 refinancing resulted in a net present value savings percentage of 18.26% for the Agency. The 2014 refinancing allowed CFD 1994-1 to lower its annual tax rates by 37% for fiscal year 2014/15 and future years.

On September 1, 2020, the Agency paid off $4,855,000 of the $5,340,000 outstanding SIFA CFD1994-1 2014 bonds. As a result of this action, SIFA CFD 1994-1 taxpayers who entered the tax rolls in FY 2009/2010 and earlier were removed from the annual tax levy, starting in FY 2020/21.

On August 11, 2021, the Agency approved the annual tax levy, for Property Tax Year 2021/22, for CFD 1997-1 and CFD 1998-1. There is no longer a need for an annual tax levy in CFD 1994-1.

On September 1, 2022, the Agency paid off $485,000 of the $485,000 outstanding SIFA CFD1994-1 2014 bonds. As a result of this action, SIFA CFD 1994-1 bonds have been paid in full.

On August 14, 2024, the Agency Board approved Resolution 24/25-04 Determining the Cessation of the Special Tax Levy for CFD 1994-1 and First Reading of Ordinance 24/25-01, Making Certain Determinations and Dissolving Community Facilities District No. 1994-1.

On September 11, 2024, the Agency Board approved the Second and Final Reading of Ordinance 24/25-01, Making Certain Determinations and Dissolving Community Facilities District No. 1994-1.

On November 13, 2024, the Stanislaus County Recorder's Office received the notarized listing of residential lots in CFD 1994-1 to begin the process of releasing the levy connected to SIFA for each residential lot.

There are still outstanding projects for CFDs 1997-1 and 1998-1. The annual special tax rate per unit is being increased 2% annually, as permitted by the Agency's Rate & Method of Apportionment, to provide funding for the outstanding projects.

On July 10, 2025, the Agency issued new debt for CFD 1997-1 to help fund the construction of the outstanding project in CFD 1997-1.

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, and 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, Schools Infrastructure Financing Agency, c/o Modesto City Schools, 1311 Woodland Avenue, Suite C, Modesto, CA 95351-1221 or (209) 574-8497.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Current Assets:	
Cash with Fiscal Agent	$ 13,895,803
Special Tax Revenue Receivables	40,445
Total Current Assets	13,936,248
Prepaid Bond Insurance Costs	71,184
Total Assets	$ 14,007,432
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts Payable	$ 2,000
Accounts Payable - Related Parties	53,139
Interest Payable	137,963
Bonds Payable	720,000
Total Current Liabilities	913,102
Noncurrent Liabilities:	
Bonds Payable	9,195,000
Total Liabilities	10,108,102
Net Position	
Unrestricted	3,899,330
Total Liabilities and Net Position	$ 14,007,432

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

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Governmental Activities
Program Expenses:	
Facilities Acquisition and Construction Services for Other Governmental Entities	$ -
Administrative	85,628
Interest on Long-Term Debt	419,429
Total Program Expenses	505,057
General Revenues:	
Special Tax	1,879,713
Interest Income	577,987
Total General Revenues	2,457,700
Change in Net Position	1,952,643
Net Position July 1, 2024	1,946,687
Net Position June 30, 2025	$ 3,899,330

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

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
BALANCE SHEET
MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Capital Projects Funds						Debt Service Funds			
	CFD 1994-1 Community Facilities District Surplus Fund	CFD 1997-1 Community Facilities District Surplus Fund	CFD 1998-1 Community Facilities District Surplus Fund	CFD 1994-1 Expense Fund	CFD 1997-1 Expense Fund	CFD 1998-1 Expense Fund	CFD 1994-1 Redemption Fund	CFD 1997-1 Redemption Fund	CFD 1998-1 Redemption Fund	Total
ASSETS										
Current Assets:										
Cash with Fiscal Agent	$ 1,011,189	$ 4,434,358	$ 6,697,905	$ 69,729	$ 24,403	$ 28,741	$ -	$ 830,805	$ 798,673	$ 13,895,803
Special Tax Revenue Receivables	-	-	-	-	-	-	1,742	23,543	15,160	40,445
Due From Other Funds	-	(47,000)	-	-	47,000	-	-	-	-	-
Total Assets	$ 1,011,189	$ 4,387,358	$ 6,697,905	$ 69,729	$ 71,403	$ 28,741	$ 1,742	$ 854,348	$ 813,833	$ 13,936,248
LIABILITIES AND FUND BALANCE										
Current Liabilities:										
Accounts Payable	$ -	$ -	$ -	$ -	$ 1,025	$ 975	$ -	$ -	$ -	$ 2,000
Accounts Payable - Related Parties	-	-	-	5,088	28,717	19,334	-	-	-	53,139
Deferred Revenue	-	-	-	-	-	-	245	16,819	8,834	25,898
Due to Other Funds	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	5,088	29,742	20,309	245	16,819	8,834	81,037
Fund Balance:										
Restricted	-	-	-	-	-	-	1,497	837,529	804,999	1,644,025
Assigned	1,011,189	4,387,358	6,697,905	64,641	41,661	8,432	-	-	-	12,211,186
Total Fund Balance	1,011,189	4,387,358	6,697,905	64,641	41,661	8,432	1,497	837,529	804,999	13,855,211
Total Liabilities and Fund Balance	$ 1,011,189	$ 4,387,358	$ 6,697,905	$ 69,729	$ 71,403	$ 28,741	$ 1,742	$ 854,348	$ 813,833	$ 13,936,248

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

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL MAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2025

	Capital Projects Funds						Debt Service Funds			
	CFD 1994-1 Community Facilities District Surplus Fund	CFD 1997-1 Community Facilities District Surplus Fund	CFD 1998-1 Community Facilities District Surplus Fund	CFD 1994-1 Expense Fund	CFD 1997-1 Expense Fund	CFD 1998-1 Expense Fund	CFD 1994-1 Redemption Fund	CFD 1997-1 Redemption Fund	CFD 1998-1 Redemption Fund	Total
REVENUES										
Special Tax Revenues	$ -	$ 39,545	$ -	$ -	$ -	$ -	$ 1,497	$ 960,964	$ 879,160	$ 1,881,166
Interest Revenue	47,664	203,812	308,487	2,856	1,516	1,596	428	6,731	4,897	577,987
Total Revenues	47,664	243,357	308,487	2,856	1,516	1,596	1,925	967,695	884,057	2,459,153
EXPENDITURES										
Current:										
General Government	-	-	-	7,470	40,735	29,512	-	-	-	77,717
Intergovernmental:										
Facility Construction Costs	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal Retirement	-	-	-	-	-	-	-	415,000	250,000	665,000
Interest and Fiscal Agent Fees	-	-	-	-	-	-	-	267,888	162,625	430,513
Total Expenditures	-	-	-	7,470	40,735	29,512	-	682,888	412,625	1,173,230
Other Financing Sources (Uses)										
Transfers In	5,212	226,339	456,136	-	47,402	394	-	-	-	735,483
Transfers Out	-	(47,000)	-	-	-	-	(5,212)	(226,741)	(456,530)	(735,483)
Net Other Sources (Uses)	5,212	179,339	456,136	-	47,402	394	(5,212)	(226,741)	(456,530)	-
Excess of Revenues Over (Under) Expenditures	52,876	422,696	764,623	(4,614)	8,183	(27,522)	(3,287)	58,066	14,902	1,285,923
Fund Balance July 1, 2024	958,313	3,964,662	5,933,282	69,255	33,478	35,954	4,784	779,463	790,097	12,569,288
Fund Balance June 30, 2025	$ 1,011,189	$ 4,387,358	$ 6,697,905	$ 64,641	$ 41,661	$ 8,432	$ 1,497	$ 837,529	$ 804,999	$ 13,855,211

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

SCHOOLS INFRASTRUCTURE 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	$ 13,855,211
Amounts reported for governmental activities in the statement of net assets are different because:	
Bond debt increases long-term liabilities in the government-wide statement of net position.	(9,915,000)
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.	(137,963)
Revenues are not recorded in the fund financial statement unless they are received within 60 days of year-end.	25,898
Bond insurance costs are recorded as a prepaid expenditure and amortized over the life of the bonds in the government-wide statement of net position.	71,184
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 3,899,330

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

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
RECONCILIATION OF THE 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	$ 1,285,923
Prior year revenues received in the current year are recorded in the fund financial statement but are a reduction to receivables in the governement-wide statement of net assets.	(1,454)
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 assets.	665,000
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 assets.	11,083
Current year amortization of bond issuance costs is recognized in the government-wide statement of net assets.	(7,909)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,952,643

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Agency was created on October 11, 1994 pursuant to a Joint Powers Agreement (JPA) between the Modesto High School District and Sylvan Union School District for the purpose of forming a community facilities agency (CFD) under the provisions of the Mello-Roos Community Facility Act of 1982. On September 23, 1996, Stanislaus Union School District became a party and participant in the JPA. The Agency has established the Community Facilities Agency (CFD) Numbers 1994-1 (January 11, 1995), 1997-1 (September 10, 1997), and 1998-1 (May 13, 1998) 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.

CFD 1994-1 is comprised of approximately 1,110 acres of non-contiguous parcels, in the northeastern portion of the city, in an area bordered by Claus Road on the east, East Briggsmore Avenue on the south, Oakdale Road on the west and Sylvan Avenue on the north, and approximately 190 acres in an area bordered by Oakdale Road on the east, Mable Avenue on the south, McHenry Avenue on the west and Claratina Avenue on the north. CFD 1994-1 is located within the areas served by Modesto HSD and Sylvan USD. CFD 1997-1 is comprised of approximately 456 acres of non-contiguous parcels, in the northern portion of the city, in an area bordered by Tully Road on the east, Snyder Avenue on the south, Dale Road on the west and Bangs Avenue on the north. CFD 1997-1 is located within the areas served by Modesto HSD and Stanislaus USD. CFD 1998-1 is comprised of approximately 411 acres of non-contiguous parcels in the eastern portion of the city of Riverbank, in an area bordered by the MID Main Canal on the north and east, Claribel Road on the south, and Oakdale Road on the west. CFD 1998-1 is located within the areas served by Modesto HSD and Sylvan USD.

The Resolution of Intent for each CFD has established the following list of initial authorized facilities. If additional housing units are added or annexations to a CFD from outside the initial CFD area create the need for additional facilities and generate sufficient one-time and annual tax revenue to pay for them, additional facilities are also authorized.

CFD No. 1994-1	
Sylvan Union School District	
Freedom Elementary School	Entire
Mary Ann Sanders Elementary School	Entire
Elementary School #10	Cancelled
Daniel J. Savage Middle School	Portion
Modesto High School District	
James C. Enochs High School	Portion
Pedestrian Overcrossing near James C. Enochs High School	Portion

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CFD No. 1997-1	
Stanislaus Union School District	
Mary Lou Dieterich Elementary School	Entire
Elementary School #7	Portion
Prescott Senior Elementary School – 300-Student Expansion	Entire
Modesto High School District	
James C. Enochs High School	Portion
CFD No. 1998-1	
Sylvan Union School District	
Crossroads Elementary School	Portion
Middle School #4	Portion
Modesto High School District	
James C. Enochs High School	Portion

The Agency and its Community Facilities Districts Number 1994-1, 1997-1 and 1998-1 are controlled by a governing board consisting of seven members: two members from the Modesto High School District, two members from the Sylvan Union School District, two members from the Stanislaus Union School District, and one "at large" member from the community. All such members, with the exception of the "at large" member, are independently elected to the governing board of their respective member entities. The "at large" member from the community is appointed by the other members of the board.

The officers of the Agency include a president and vice-president of the governing board and a treasurer, controller, clerk and secretary. The board elects its president and vice-president from among its members for a one-year term. The treasurer, controller, clerk 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.

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

The accounts of the Agency are organized on the basis of funds that are considered a separate set of self-balancing accounts that are comprised of its assets, liabilities, fund balances, revenues and expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The funds are further segregated into separate sets of self-balancing accounts for each CFD, that are comprised of the CFD's distinct assets, liabilities, fund balances, revenues and expenditures. Financial resources are allocated to account for individual funds based upon the purposes for which they are to be spent and the provisions of the bond resolution.

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, and the escrow interest account for monies set aside from bond proceeds to pay bond interest. 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 accounts used to account for bond proceeds distributed to member entities for facilities acquisition and construction, the expense account used to pay related administrative expenses and the Community Facilities District account used to account for funds to help pay the costs of the facilities.

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:

Restricted fund balance – amounts that can be spent only for specific purposes because of restrictions from external sources (creditors, laws of other governments etc.) or constitutional provisions or enabling legislation. The Agency Debt Service Funds are restricted by the Trustee Agreement.

Assigned fund balance – 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 Capital Project Funds have assigned balances.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present a summary of governmental-type activities for the Agency. Fiduciary funds and fiduciary component units, if any, are excluded from the Government-Wide Financial Statements.

These statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and 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. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment Inter-fund and other internal activity, if any, is eliminated by offsetting entries in the Government-Wide Financial Statements.

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 Funds/Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in governmental fund balances as presented in these statements to the net position presented in the Government-Wide Financial Statements. The Agency has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that only current assets and current liabilities are generally included in their balance sheets. Their reported fund balance is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. To be considered available, revenues must be received within 60 days of year-end.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the current fiscal period; taxes and interest on investments are revenues susceptible to accrual. Expenditures are recognized when the related fund liability is incurred. An exception to this rule is principal and interest on general long-term debt which is recognized when due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund transfers within each CFD are made for the purpose of transferring funds from the receiving fund to the expending fund. The Interfund balances outstanding at June 30, 2025, if any, reflect balances that have not yet been transferred.

C. Intergovernmental Expenditures

Facilities acquired or constructed with capital projects 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 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.

E. Risk Management

Since the Agency does not own any non-financial assets and does not have any employees, 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 Agencies, and in connection with activities of the member Agencies that are financed by the Agency, are addressed by the respective member Agency's risk management policy. The Agency believes its exposure to risks of loss due to business interruption and errors or omissions is insignificant and, 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.

F. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 2 CASH AND INVESTMENTS

Deposits and investments of the Agency are made at the direction of the governing board and include deposits and 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 deposits and investments became worthless, the total recognized loss for fiscal year ended June 30, 2025 would be $12,630,563.

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.

Description of Deposit	Carrying Amount	Market Value
Capital Projects Funds:		
California Asset Management Program - CAMP Pool	$ 12,266,325	$ 12,266,325
Debt Service Funds:		
U.S. Bank Money Market	1,629,478	1,629,478
Total June 30, 2025	$ 13,895,803	$ 13,895,803

All deposits are presented at fair value as of the balance sheet date. The Agency's deposits are categorized as to whether securities are: (1) insured or registered in the name of the group or held by the group or its agent in the group's name; (2) uninsured and unregistered and held by the broker's or dealer's trust department or agent in the group's name; or (3) uninsured and unregistered and held by the broker or dealer, its trust department, or its agent but not held in the group's name.

The Agency's deposits 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 AAAm by Standard & Poor's. The Pool is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less.

Deposit	Uncategorized
California Asset Management Program - CAMP Pool	$ 12,266,325
U.S. Bank Money Market	1,629,478
Total 06/30/2025	$ 13,895,803

NOTE 2 CASH AND INVESTMENTS (Continued)

The Agency may invest in various government-guaranteed mortgage-backed securities in part to maximize yields and in part to hedge against a rise in interest rates. These securities are based on cash flow from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines.

Likewise, if homeowners pay on mortgages longer than anticipated, the cash flow is greater and the return on the initial investment would be higher than anticipated. These securities are also potentially sensitive to valuation of the underlying mortgaged assets. Government guarantees mitigate certain risks on these investments. As of June 30, 2025, the Agency had no investments of this type.

NOTE 3 GENERAL LONG-TERM DEBT

The Agency is authorized within certain conditions to issue special tax bonds in the total amount of $105 million to pay the costs of acquisition and construction of the identified public school facilities. As of June 30, 2025, the Agency has issued a maximum of $38,660,000 in bonds. The bonds are the obligation of the Agency by and through its three Community Facilities Districts: CFD 1994-1, CFD 1997-1, and CFD 1998-1 through the purchase of local obligations of each CFD. The bonds are payable from proceeds of an annual special tax to be levied and collected from the assessable property within each CFD.

The outstanding special tax bond debt issued by the Schools Infrastructure Financing Agency as of June 30, 2025 is:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
Series 2014	07-15-14	3.0% – 5.0%	09-01-34	$24,040,000

Activity for the fiscal year ended June 30, 2025:

	Outstanding Balance at 06/30/24	Issued During Current Year	Principal Repayments	Outstanding Balance at 06/30/25
Series 2014	$ 10,580,000	$ -	$ (665,000)	$ 9,915,000
Total of all bonds	$ 10,580,000	$ -	$ (665,000)	$ 9,915,000
Less: Current Portion				(720,000)
Long-Term Debt				$ 9,195,000

NOTE 4 SPECIAL TAX BONDS, SERIES 2014

The second issue of bonds, Special Tax Revenue Refunding Bonds, Series 2014, was sold on July 15, 2014. Standard & Poor's assigned the Series 2014 bonds the rating of "A" before insurance. The Bonds maturing on September 1, 2020 through 2034 are insured by Assured Guaranty Municipal Corp. and Standard & Poor's has assigned a rating of "AA" for the insured bonds. The Series 2014 bonds in the aggregate principal amount of $24,040,000 were issued to provide funds to pay costs of refunding the prior bond issue:

Refunding of Series 2004 Bonds on September 1, 2014, at 100% plus accrued interest.

The refunding will save approximately $6.77 million in future debt service costs at net present value on the date of the bond issue, an economic gain. The difference in cash flow required to service the old debt and that required to service the new debt and complete the refunding is a reduction of $29.5 million. A gain on extinguishment in the amount of $1,005,214 was recognized in the Statement of Activities for the year of refunding.

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

	CFD 1994-1	CFD 1997-1	CFD 1998-1	Total
Cost of Issuance Account	$ 151,286	$ 175,796	$ 106,709	$ 433,791
Escrow Account	10,445,286	9,319,038	5,661,599	25,425,923
Underwriter's Discount	76,520	72,040	43,760	192,320
Proceeds from Bond Issue	10,673,092	9,566,874	5,812,068	26,052,034
Original Issue Premium	(1,108,092)	(561,874)	(342,068)	(2,012,034)
Par Amount of Bonds	$ 9,565,000	$ 9,005,000	$ 5,470,000	$24,040,000

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.

NOTE 4 SPECIAL TAX BONDS, SERIES 2014 (Continued)

Future debt service requirements for each CFD for years ended June 30:

As of June 30, 2025

CFD 1997-1

Fiscal Year End	Principal	Interest	Total
2026	$ 450,000	$ 250,763	$ 700,763
2027	475,000	235,106	710,106
2028	505,000	213,575	718,575
2029	545,000	187,325	732,325
2030	590,000	158,950	748,950
2031-2035	3,605,000	378,100	3,983,100
Total 1997-1	$ 6,170,000	$ 1,423,819	$ 7,593,819

CFD 1998-1

Fiscal Year End	Principal	Interest	Total
2026	$ 270,000	$ 152,325	$ 422,325
2027	290,000	142,838	432,838
2028	310,000	129,650	439,650
2029	330,000	113,650	443,650
2030	360,000	96,400	456,400
2031-2035	2,185,000	229,100	2,414,100
Total 1998-1	$ 3,745,000	$ 863,963	$ 4,608,963

Future debt service requirements as of June 30, 2025 are as follows:

SIFA - all CFDs as of June 30, 2025

Fiscal Year End	Principal	Interest	Total
2026	$ 720,000	$ 403,088	$ 1,123,088
2027	765,000	377,944	1,142,944
2028	815,000	343,225	1,158,225
2029	875,000	300,975	1,175,975
2030	950,000	255,350	1,205,350
2031-2035	5,790,000	607,200	6,397,200
Total all CFDs	$ 9,915,000	$ 2,287,781	$ 12,202,781

NOTE 4 SPECIAL TAX BONDS, SERIES 2014 (Continued)

The serial bonds bear interest at rates between 3.0 percent and 5.0 percent and mature at various dates from September 1, 2016 through September 1, 2029. The term bonds bear interest at 4.0 percent and mature on September 1, 2030 for $1,020,000, September 1, 2031 for $1,085,000, September 1, 2032 for $1,155,000, September 1, 2033 for $1,230,000 and September 1, 2034 for $1,300,000.

Optional Redemption

On July 13, 2022 The Agency Approved Resolution No. 22/23-01 & No. 22/23-02 to use funds on hand, in CDF 1994-1, to redeem the remaining outstanding 2014 bonds for CFD 1994-1 and a Portion of Outstanding 2014 Bonds. Management has determined to pay the remaining principal payment of $485,000 on CFD 1994-1 on September 1, 2022, to do this SIFA CFD 1994-1 will incur an additional cost of a prepayment penalty of $14,550. This early redemption of the remaining outstanding 2014 bonds will result in a net savings to the taxpayers in CFD 1994-1 of $14,550 in the fiscal year the prepayment is made.

The bonds maturing by their terms on or after September 1, 2025 are subject to optional redemption by the Agency prior to their respective maturity date, as a whole or in part, on any date on or after September 1, 2025 solely from funds derived from an optional redemption of the Local Obligations that are deemed escrow bonds, at a redemption price equal to 100 percent of the principal amount thereof plus any accrued interest to the date of redemption.

Extraordinary Redemption on Escrow Redemption Date

The bonds are subject to extraordinary redemption by the Agency prior to their maturity date, as a whole or in part, solely from funds derived from an extraordinary redemption of the Local Obligations that are deemed escrow bonds, at a redemption price equal to 103 percent of the principal amount plus any accrued interest to the date of redemption.

Purchase in Lieu of Redemption

The bonds are subject to purchase by the Agency prior to their maturity date, as a whole or in part, upon Written Order from funds available in the Principal Fund or Redemption Fund, at a redemption price not lower than the highest or current redemption price plus any accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The term bonds maturing on September 1, 2030 through 2034 are subject to mandatory redemption prior to their maturity dates, in part by lot from minimum sinking fund payments made by the Agency in the amounts and on the dates set forth in the following tables, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date without premium.

NOTE 4 SPECIAL TAX BONDS, SERIES 2014 (Continued)

Term bonds maturing on September 1, 2030 through 2034:

Redemption Date	Principal Amount To be Redeemed
2030	$ 1,020,000
2031	1,085,000
2032	1,155,000
2033	1,230,000
2034 (Maturity)	1,300,000
	$ 5,790,000

NOTE 5 RELATED PARTIES

Administrative services are provided to the Agency by Sylvan Union School District and Modesto High School District. The Districts are reimbursed for these services provided to the Agency; for the year ended June 30, 2025 $53,139 has been incurred for these services.

Amounts payable at June 30, 2025 were as follows:

Sylvan Union School District	$ 2,630
Stanislaus Union School District	928
Modesto High School District	49,581
Total	$ 53,139

NOTE 6 SPECIAL TAX

A one-time tax is attached as an enforceable lien on property at the time a building permit is obtained. The one-time tax is due at the earlier of the close of escrow at the first sale of the finished home or one year from the issuance of the building permit for the house. Secured annual special taxes attach as an enforceable lien on property as of June 1. Taxes are due in two installments on December 10 and April 10. The County of Stanislaus bills and collects the annual taxes for the Agency. Tax revenue is recognized by the Agency when assessed. Delinquent taxes collected or to be collected by the County of Stanislaus may not be remitted to the Agency within one year. Taxes not collected within sixty days of June 30, 2025 are recorded as deferred revenue in the Agency's government funds financial statements. As of June 30, 2025 $25,898 was charged to deferred revenue for assessments uncollected.

Special taxes, secured by the property itself, are levied on property owners in the Agency's annexed area. In the unlikely event that all uncollected special taxes due the Agency failed to be collected, for the fiscal years ended June 30, 2025 the maximum recognized loss would be $14,547 in the government funds financial statements, which is the difference between special tax revenue receivable and deferred revenue.

NOTE 7 INTERFUND BALANCES AND TRANSFERS

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

NOTE 8 SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through November 20, 2025, the date which the financial statements were available to be issued.

On April 16, 2025, the Agency's board approved a change in the financing structure for the special tax bonds CFD 1997-1 that included current interest bond and capital appreciation bonds. Following on May 21, 2025, the Agency's board approved the issuance, sale, and delivery of the special tax bond for CFD 1997-1 and other related actions and approved the redemption of the CFD 1997-1 portion of the outstanding special tax refunding bonds, series 2014.

The sale of the CFD 1997-1 special tax, series 2025 occurred on June 17, 2025, and funded on July 10, 2025. The par amount of the bonds was $16,982,094. This provided $14.9 million for the construction fund.

Corporate HQ: 39 N. Washington St., Suite A, Sonora, CA 95370
Phone: (209)588-8760 Fax: (209) 288-2142
Modesto office: 1015 14th Street, Modesto, CA 95354
Phone: (209) 529-4060 Fax: (209) 529-2948
www.HawksCPA.com

Hawks and Associates CPAs, Inc.

● *think BOLDLY* ● *plan CAREFULLY* ● *execute PRECISELY* ●

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
Schools Infrastructure 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 and each major fund of Schools Infrastructure Financing Agency, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Agency's basic financial statements, and have issued our report thereon dated November 20, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 20, 2025