

**RFP #26-4843**  
**ATTACHMENT D**

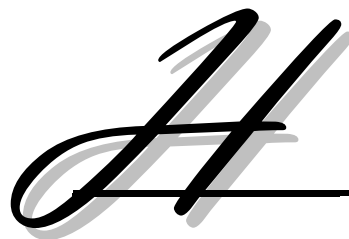
MODESTO SYLVAN SCHOOLS INFRASTRUCTURE  
FINANCING AGENCY

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2025

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### INDEPENDENT AUDITOR'S REPORT

Governing Board  
Modesto Sylvan Schools Infrastructure Financing Agency  
Modesto, California

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Modesto Sylvan 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 Modesto Sylvan Schools Infrastructure 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 Modesto Sylvan Schools Infrastructure 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 Modesto Sylvan Schools Infrastructure 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 Modesto Sylvan Schools Infrastructure 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 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modesto Sylvan Schools Infrastructure 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 Modesto Sylvan Schools Infrastructure 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 11, 2025, on our consideration of the Modesto Sylvan 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 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 Modesto Sylvan Schools Infrastructure 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 Modesto Sylvan Schools Infrastructure Financing Agency's internal control over financial reporting and compliance.



Modesto, California  
November 11, 2025

# **MODESTO SYLVAN SCHOOLS INFRASTRUCTURE FINANCING AGENCY**

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

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*George Rawe, President  
Abel Maestas, Vice President  
Duane A. Wolterstorff, Chief Administrative Officer  
Lizett Aguilar, Secretary  
Maria Rodriguez, Treasurer*

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## **Member Agencies:**

*Modesto High School District  
Sylvan Union School District*

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## **MODESTO SYLVAN 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 Modesto Sylvan Schools Infrastructure Financing Agency ("MSSIFA") 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, once capital assets have been purchased and bonds issuances have occurred, 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 fiscal year with its funds reporting a *combined* fund balance of \$1,308,895, an increase of \$530,248 or 68.10% over last year's ending fund balance.

Table 1 – Ending Fund Balances

Governmental Fund Type	Ending Balance	
	06/30/24	06/30/25
CFD 2022-1		
Capital Projects	\$ 778,647	\$ 1,307,628
Debt Service	-	-
CFD 2025-1		
Capital Projects	-	1,267
Debt Service	-	-
Total Fund Balances	\$ 778,647	\$ 1,308,895

There were no acquisition expenditures during the year ended June 30, 2025. The one-time special tax collections, annual tax levy collections, and interest earnings during the year were more than enough to cover the agency 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 positive Net Position for the year ending June 30, 2025 of \$1,308,895.

**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, one-time special tax levies, and interest on investments.

As shown in Table 3, the Agency's total positive net position increased by \$530,248, or \$68.10%, over the prior year, indicating that tax revenues were in excess of administrative costs.

The Agency has yet to issue any long-term bonds which would create long-term debt.

Table 2 – Statement of Net Position

	<u>CFD 2022-1</u>	<u>CFD 2025-1</u>	<u>Total</u>
<b>Assets</b>			
Cash with Fiscal Agent	\$ 1,345,045	\$ 23,915	\$ 13,689,960
Receivables	19,329	-	19,329
Due To (From) Other CFDs	-	-	-
Prepaid Bond Insurance Costs	-	-	-
<b>Total Assets</b>	<u>\$ 1,364,374</u>	<u>\$ 23,915</u>	<u>\$ 1,388,289</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 56,746	\$ 22,648	\$ 79,394
Interest Payable	-	-	-
Bonds Payable	-	-	-
<b>Noncurrent Liabilities</b>			
Bonds Payable	-	-	-
<b>Total Liabilities</b>	<u>56,746</u>	<u>22,648</u>	<u>79,394</u>
<b>Net Position</b>			
Unrestricted	1,307,628	1,267	1,308,895
<b>Total Liabilities and Net Position</b>	<u>\$ 1,364,374</u>	<u>\$ 23,915</u>	<u>\$ 1,388,289</u>

Table 3 – Change in Net Position

	<u>06/30/24</u>	<u>06/30/25</u>	<u>Change</u>
<b>Assets</b>			
Cash with Fiscal Agent	\$ 801,026	\$ 1,368,960	\$ 567,934
Receivables	13,138	19,329	6,191
Prepaid Bond Issuance Costs	-	-	-
<b>Total Assets</b>	<u>\$ 814,164</u>	<u>\$ 1,388,289</u>	<u>\$ 574,125</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable and Other Current Liabilities	\$ 35,517	\$ 79,394	\$ 43,877
Bonds Payable	-	-	-
<b>Noncurrent Liabilities</b>			
Bonds Payable	-	-	-
<b>Total Liabilities</b>	<u>35,517</u>	<u>79,394</u>	<u>43,877</u>
<b>Net Position</b>			
Unrestricted Amount	778,647	1,308,895	530,248
<b>Total Liabilities and Net Position</b>	<u>\$ 814,164</u>	<u>\$ 1,388,289</u>	<u>\$ 574,125</u>

Table 4 – Statement of Activities

	<u>06/30/24</u>	<u>06/30/25</u>	<u>Change</u>
Program Expenses			
Facilities Acquisition and Construction			
Services for other Governmental Entities	\$ -	\$ 67,550	\$ 67,550
Administrative	47,006	162,445	115,439
Interest on Long-Term Debt	-	-	-
Total Program Expenses	<u>47,006</u>	<u>229,995</u>	<u>182,989</u>
General Revenues			
Special Taxes	488,474	661,463	172,989
Annexation	-	50,000	50,000
Interest Income	<u>33,749</u>	<u>48,780</u>	<u>15,031</u>
Total General Revenues	<u>522,223</u>	<u>760,243</u>	<u>238,020</u>
Change in Net Position	<u>\$ 475,217</u>	<u>\$ 530,248</u>	<u>\$ 55,031</u>

Table 4 shows an increase of \$55,031 in Change in Net Position between fiscal years ended June 30, 2024 and 2025. The increase in administrative expenses reflects the initial formation expenses for CFD 2025-1. The positive change in Special Taxes is evidence of increased receipt of tax revenue. The positive Interest Income is evidence of increased investment balance.

### 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 Community Facilities District Account Fund, which funds capital projects on a “pay as you go” basis from collections of the one-time special tax levies and the annual tax levy; and the Expense Fund, which finances administrative activity.

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 \$67,550 of expenditures on capital assets for its member agencies during the fiscal year ending June 30, 2025.

#### Long-Term Debt



At year-end, the Agency has yet to incur any long-term debt. The Agency does not plan on issuing any new debt during the coming fiscal year.

### FACTORS BEARING ON THE AGENCY'S FINANCIAL FUTURE

During the year, a deposit was made on the purchase of land for school site for Sylvan Union School District. The capital improvement projects approved at the formation of the Agency have not started construction and are not completed.

Fiscal year 2023/24 was the first year of the annual tax levy. The Agency's annual tax delinquency rate was 0.00% for fiscal years 2023/24 and 2024/25. However, an annual tax delinquency rate in excess of 10% in future years could have a financial impact on the Agency.

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

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

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash with Fiscal Agent	\$ 1,368,960
Special Tax Revenue Receivables	<u>19,329</u>
Total Current Assets	<u>1,388,289</u>
 Total Assets	 <u><u>\$ 1,388,289</u></u>
 <b>LIABILITIES AND NET POSITION</b>	
Current Liabilities:	
Accounts Payable	\$ 3,580
Accounts Payable - Related Party	<u>75,814</u>
Total Current Liabilities	<u>79,394</u>
 Total Liabilities	 79,394
Net Position	
Unrestricted	<u>1,308,895</u>
Total Net Position	<u>1,308,895</u>
 Total Liabilities and Net Position	 <u><u>\$ 1,388,289</u></u>

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

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

	<u>Governmental Activities</u>
Program Expenses:	
Administrative	\$ 162,445
Facilities Acquisition and Construction Services for other Governmental Entities	<u>67,550</u>
Total Program Expenses	<u>229,995</u>
General Revenues:	
Special Tax	\$ 661,463
Annexation Fees	50,000
Interest Income	<u>48,780</u>
Total General Revenues	<u>760,243</u>
Change in Net Position	530,248
Net Position July 1, 2024	<u>778,647</u>
Net Position June 30, 2025	<u><u>\$ 1,308,895</u></u>

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

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

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Capital Projects</u>	
	CFD 2022-1			CFD 2025-1	
	Community			Annexation	
	Facilities	Redemption	CFD 2022-1	Escrow	Total
	<u>District Fund</u>	<u>Fund</u>	<u>Expense Fund</u>		
<b>ASSETS</b>					
Current Assets:					
Cash with Fiscal Agent	1,267,227	\$ -	\$ 77,818	\$ 23,915	\$ 1,368,960
Special Tax Revenue Receivables	<u>19,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,329</u>
Total Current Assets	<u>1,286,556</u>	<u>-</u>	<u>77,818</u>	<u>23,915</u>	<u>1,388,289</u>
 Total Assets	 <u>\$ 1,286,556</u>	 <u>\$ -</u>	 <u>\$ 77,818</u>	 <u>\$ 23,915</u>	 <u>\$ 1,388,289</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Current Liabilities:					
Accounts Payable	\$ -	\$ -	\$ 79	\$ 3,501	\$ 3,580
Accounts Payable - Related Party	<u>-</u>	<u>-</u>	<u>56,667</u>	<u>19,147</u>	<u>75,814</u>
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>56,746</u>	<u>22,648</u>	<u>79,394</u>
 Total Liabilities	 -	 -	 56,746	 22,648	 79,394
Fund Balance:					
Restricted	-	-	-	-	-
Assigned	<u>1,286,556</u>	<u>-</u>	<u>21,072</u>	<u>1,267</u>	<u>1,308,895</u>
Total Fund Balance	<u>1,286,556</u>	<u>-</u>	<u>21,072</u>	<u>1,267</u>	<u>1,308,895</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,286,556</u>	 <u>\$ -</u>	 <u>\$ 77,818</u>	 <u>\$ 23,915</u>	 <u>\$ 1,388,289</u>

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

MODESTO SYLVAN 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	\$ 1,308,895
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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.	-
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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.	-
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Revenues are not recorded in the fund financial statement unless they are received within 60 days of year-end.	-
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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.	-
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,308,895</u>
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The accompanying notes are an integral part of these financial statements.

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

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
	CFD 2022-1			CFD 2025-1	
	Community			Annexation	
	Facilities	Redemption	CFD 2022-1	Escrow	Total
	<u>District Fund</u>	<u>Fund</u>	<u>Expense Fund</u>		
REVENUES					
Special Tax Revenues	\$ 661,463	\$ -	\$ -	\$ -	\$ 661,463
Annexation Fees	-	-	-	50,000	50,000
Interest Revenue	46,105	-	1,580	1,095	48,780
Total Revenues	<u>707,568</u>	<u>-</u>	<u>1,580</u>	<u>51,095</u>	<u>760,243</u>
EXPENDITURES					
Current:					
Administrative	-	-	112,617	49,828	162,445
Facilities Acquisition and Construction					
Services for other Governmental					
Entities	67,550	-	-	-	67,550
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>67,550</u>	<u>-</u>	<u>112,617</u>	<u>49,828</u>	<u>229,995</u>
Other Financing Sources (Uses)					
Transfers In	-	-	88,116	-	88,116
Transfers Out	(88,116)	-	-	-	(88,116)
Net Other Sources (Uses)	<u>(88,116)</u>	<u>-</u>	<u>88,116</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under)					
Expenditures	551,902	-	(22,921)	1,267	530,248
Fund Balance July 1, 2024	<u>734,654</u>	<u>-</u>	<u>43,993</u>	<u>-</u>	<u>778,647</u>
Fund Balance June 30, 2025	<u>\$ 1,286,556</u>	<u>\$ -</u>	<u>\$ 21,072</u>	<u>\$ 1,267</u>	<u>\$ 1,308,895</u>

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

MODESTO SYLVAN 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	\$ 530,248
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 assets.	-
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.	-
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.	-
Current year amortization of bond issuance costs is recognized in the government-wide statement of net assets.	-
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 530,248</u>

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

MODESTO SYLVAN SCHOOLS INFRASTRUCTURE FINANCING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Agency was created on January 1<sup>st</sup>, 2022, 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. The Agency has established the Community Facilities Agency (CFD) Number 2022-1 (June 15, 2022) and 2025-1 (April 16, 2025) 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 2022-1 is approximately 380 acres centrally located in Stanislaus County. Oakdale Road bounds the area to the east; Claribel Road bounds the area to the south and the Riverbank Regional Sports Park and MID Main Canal bound the plan area to the north.

The Resolution to Establish for CFD 2022-1 has provided the following list of initial authorized facilities. If additional housing units or annexations to the 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 2022-1

Sylvan Union School District

- |   |         |
|---|---------|
| 1. Construct and furnish an 800-student elementary school | Portion |
| 2. Construct and furnish a 1,200-student middle school    | Portion |

Modesto High School District

- |  |         |
|--|---------|
| 1. Construct and furnish a 2,400-student comprehensive high school | Portion |
|--|---------|

CFD 2025-1 is approximately 454 acres centrally located in Stanislaus County. Sylvan Avenue bounds the area to the south, Oakdale Road bounds the are to the west, proposed Claratina Avenue bounds the area to the north, and Roselle Avenue bounds the plan area to the east.

The Resolution to Establish CFD 2025-1 has provided the following list of initial authorized facilities. If additional housing units or annexations to the 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 2025-1

Sylvan Union School District

- |   |         |
|---|---------|
| 1. Construct and furnish an 800-student elementary school | Portion |
| 2. Construct and furnish a 1,200-student middle school    | Portion |

Modesto High School District

- |  |         |
|--|---------|
| 1. Construct and furnish a 2,400-student comprehensive high school | Portion |
|--|---------|



MODESTO SYLVAN SCHOOLS INFRASTRUCTURE FINANCING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

The Agency and its Community Facilities Districts are controlled by a governing board consisting of five members: two members from the Modesto High School District, two members from the Sylvan Union School District, and one "at large" member of the community appointed for a two-year term by the other four members of the board.

The officers of the Agency include a president and vice-president of the governing board and a Chief Administrative Officer, Secretary, and Treasurer. The board elects its president and vice-president from among its members for a one-year term. The Chief Administrative Officer, Secretary, and Treasurer 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.

**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.

MODESTO SYLVAN SCHOOLS INFRASTRUCTURE 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)**

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 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,

MODESTO SYLVAN SCHOOLS INFRASTRUCTURE 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)**

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 redemption account, the future debt service account, and the arbitrage rebate account during the period. No debt has yet been issued by the Agency.

When the Agency issues debt, the Agency will purchase 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 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 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 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.

MODESTO SYLVAN SCHOOLS INFRASTRUCTURE 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)**

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 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.

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.

MODESTO SYLVAN SCHOOLS INFRASTRUCTURE 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)**

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 treasurer may assign funds for specific purposes. The 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 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 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.

**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

MODESTO SYLVAN SCHOOLS INFRASTRUCTURE FINANCING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Risk Management (continued)**

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.

**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 the fiscal year ended June 30, 2025, would be \$1,368,960.

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.

<u>Description of Deposit or Investment</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Capital Projects Funds:		
California Asset Management Program - CAMP Pool	\$ 1,368,960	\$ 1,368,960
Debt Service Funds:		
California Asset Management Program - CAMP Pool	-	-
Total 6/30/2025	<u>\$ 1,368,960</u>	<u>\$ 1,368,960</u>

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

MODESTO SYLVAN SCHOOLS INFRASTRUCTURE FINANCING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 2 - CASH AND INVESTMENTS (continued)**

governments or in mutual funds or money market funds. California Asset Management Program is rated AAA by Standard & Poor's. The Pool 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	\$ 1,368,960
Total 06/30/2025	<u>\$ 1,368,960</u>

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 \$50,000,000 to pay the costs of acquisition and construction of the identified public school facilities. The bonds are the obligation of the Agency by and through its Community Facilities Districts 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. As of June 30, 2025, the Agency has not issued any amount in bonds.

**NOTE 4 - RELATED PARTIES**

Administrative services are provided by Sylvan Union School District and Modesto High School District for the Modesto Sylvan Schools Infrastructure 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 \$7,254 and \$49,412 for each District. These expenses are reimbursable subject to the availability of funds and approval by the board. The board has approved the expenses for the year ended June 30, 2025, fiscal year and, therefore, they are accrued in the financial statements. Amounts paid and expensed in these financial statements for the years ended June 30, 2025, are \$1,441 and \$34,076, to each district.

MODESTO SYLVAN SCHOOLS INFRASTRUCTURE FINANCING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025

**NOTE 4 - RELATED PARTIES (continued)**

Amounts payable at June 30, 2025 were as follows:

Modesto High School District - Admin Costs	\$ 62,268
Sylvan Union School District	<u>13,546</u>
Total	<u>\$ 75,814</u>

**NOTE 5 - 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 there was no deferred revenue for assessments uncollected.

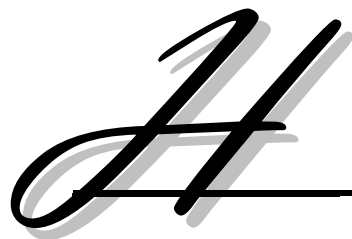
**NOTE 6 - INTERFUND BALANCES AND TRANSFERS**

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

**NOTE 7 - SUBSEQUENT EVENTS**

The Agency has evaluated subsequent events through November 11, 2025, the date which the financial statements were available to be issued. The Agency has no subsequent events to report through November 11, 2025.





## Hawks & 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  
Modesto Sylvan 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, each major fund, and the aggregate remaining fund information of Modesto Sylvan 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 Modesto Sylvan Schools Infrastructure Financing Agency's basic financial statements, and have issued our report thereon dated November 11, 2025.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Modesto Sylvan Schools Infrastructure 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 Modesto Sylvan Schools Infrastructure Financing Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Modesto Sylvan Schools Infrastructure 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 Modesto Sylvan Schools Infrastructure 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 11, 2025