

SCHOOLS INFRASTRUCTURE FINANCING AGENCY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015

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Robert A. Hawks, Jr., CPA

• think **BOLDLY** • plan **CAREFULLY** • execute **PRECISELY** •

INDEPENDENT AUDITOR'S REPORT

Governing Board
Schools Infrastructure Financing Agency
Modesto, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Schools Infrastructure Financing Agency as of and for the year ended June 30, 2015, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Certified Public Accountant

November 23, 2015

Schools Infrastructure Financing Agency

*c/o Modesto City Schools
426 Locust Street
Modesto, CA 95351-2631
(209) 576-4032 FAX (209) 576-4879*

*George Rawe, President
Amy Elliott Neumann, Vice President
Becky M. Meredith, Secretary
Yvonne Perez, Clerk
Sandra K. Watson, Treasurer
Duane A. Wolterstorff, Controller*

Member Agencies:

*Sylvan Union School District
Modesto High School District
Stanislaus Union School District*

SCHOOLS INFRASTRUCTURE FINANCING AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2015

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, 2015. 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 \$4.06 million, a decrease of \$11.20 million or 73.4% from last year's ending fund balance.

Table 1 – Ending Fund Balances

Governmental Fund Type	Ending Balance	
	06/30/14	06/30/15
CFD 1994-1		
Capital Projects	\$ 11,322,347	\$ 687,688
Debt Service	1,842,077	914,114
CFD 1997-1		
Capital Projects	188,792	313,115
Debt Service	709,142	473,282
CFD 1998-1		
Capital Projects	513,871	1,128,829
Debt Service	677,186	539,731
Total Fund Balances	\$ 15,253,415	\$ 4,056,759

In July 2014, the 2004 bonds for all three CFDs were refinanced to provide savings to the taxpayers. The decrease in the CFD 1994-1 Capital Projects fund balance is the result of depositing \$10.2 million of accumulated revenues into the escrow fund for the refunding of the CFD 1994-1 2004 bonds. The Debt Service fund balances decreased slightly, evidence that money was transferred during the year ended June 30, 2015 from the Debt Service Funds to the Capital Projects Funds equal to the collection of taxes in an amount greater than the debt service payments.

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 assets are cash with fiscal agent. The Agency had a negative Net Asset value for the year ending June 30, 2015 of \$20.0 million. This figure represents the amount the Agency would owe if all operations were ceased and receivables were collected.

Table 2 – Statement of Net Position at June 30, 2015

	<u>CFD 1994-1</u>	<u>CFD 1997-1</u>	<u>CFD 1998-1</u>	<u>Total</u>
Assets				
Cash with Fiscal Agent	\$ 1,610,866	\$ 788,273	\$ 1,668,466	\$ 4,067,605
Receivables	45,526	18,254	10,582	74,362
Due To (From) Other CFDs	50	(25)	(25)	0
Prepaid Bond Insurance Costs	97,000	93,519	56,758	247,277
Total Assets	<u>\$ 1,753,442</u>	<u>\$ 900,021</u>	<u>\$ 1,735,781</u>	<u>\$ 4,389,244</u>
Liabilities				
Current Liabilities				
Accounts Payable	\$ 18,977	\$ 8,776	\$ 5,593	\$ 33,346
Interest Payable	143,191	130,387	79,226	352,804
Bonds Payable	590,000	135,000	85,000	810,000
Noncurrent Liabilities				
Bonds Payable	8,975,000	8,870,000	5,385,000	23,230,000
Total Liabilities	<u>9,727,168</u>	<u>9,144,163</u>	<u>5,554,819</u>	<u>24,426,150</u>
Net Position				
Unrestricted	<u>(7,973,726)</u>	<u>(8,244,142)</u>	<u>(3,819,038)</u>	<u>(20,036,906)</u>
Total Liabilities and Net Position	<u>\$ 1,753,442</u>	<u>\$ 900,021</u>	<u>\$ 1,735,781</u>	<u>\$ 4,389,244</u>

Table 3 – Change in Net Position

	<u>06/30/14</u>	<u>06/30/15</u>	<u>\$ Change</u>
Assets			
Cash with Fiscal Agent	\$ 15,894,705	\$ 4,067,605	\$ (11,827,100)
Receivables	115,287	74,362	(40,925)
Prepaid Bond Insurance Costs	653,485	247,277	(406,208)
Total Assets	<u>\$ 16,663,477</u>	<u>\$ 4,389,244</u>	<u>\$ (12,274,233)</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 695,559	\$ 33,346	\$ (662,213)
Interest Payable	642,770	352,804	(289,966)
Bonds Payable	445,000	810,000	365,000
Noncurrent Liabilities			
Bonds Payable	36,625,000	23,230,000	(13,395,000)
Total Liabilities	<u>38,408,329</u>	<u>24,426,150</u>	<u>(13,982,179)</u>
Net Position			
Unrestricted amount	<u>(21,744,852)</u>	<u>(20,036,906)</u>	<u>1,707,946</u>
Total Liabilities and Net Position	<u>\$ 16,663,477</u>	<u>\$ 4,389,244</u>	<u>\$ (12,274,233)</u>

Changes in net position. As noted previously, the Agency owns no capital assets. The only 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 \$1.7 million over the year, indicating expenses for facilities acquisition and construction for member agencies and debt service expenses were less than revenues during the year. This is illustrated in Table 4.

Table 4 – Statement of Activities

	<u>06/30/14</u>	<u>06/30/15</u>	<u>\$ Change</u>
Program Expenses			
Facilities Acquisition and Construction			
Services for Other Governmental Entities	\$ 2,064,392	\$ 700,090	\$ (1,364,302)
Administrative	99,965	92,399	(7,566)
Interest on Long-Term Debt	1,930,743	1,338,638	(592,105)
Total Program Expenses	<u>4,095,100</u>	<u>2,131,127</u>	<u>(1,963,973)</u>
General Revenues			
Special Taxes	3,180,287	2,813,226	(367,061)
Interest Income	26,665	20,633	(6,032)
Gain on Extinguishment of Debt	-	1,005,214	1,005,214
Total General Revenues	<u>3,206,952</u>	<u>3,839,073</u>	<u>632,121</u>
Change in Net Position	<u>\$ (888,148)</u>	<u>\$ 1,707,946</u>	<u>\$ 2,596,094</u>

Table 4 shows a decrease in Total Program Expenses resulting primarily from a decrease of \$1.4 million in facilities acquisition and construction for member agencies between fiscal years ended June 30, 2014 and 2015 and a decrease in interest expense on long-term debt. The decrease in interest expense is the direct result of the refinancing of the 2004 bonds. The increase in Total General Revenues is the result on the gain on extinguishment of debt related to the refinancing of the 2004 bonds. The decrease in expenses and the increase in revenues resulted in a Change in Net Position positive balance of \$1,707,946 for fiscal year ended June 30, 2015.

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 \$0.7 million on capital assets for its member agencies during the fiscal year ending June 30, 2015, and plans to spend \$30,000 in 2015/16.

Long-Term Debt

At June 30, 2015, the Agency had \$24.0 million in long-term debt outstanding which was decreased by \$13 million during the year which represents the amount of debt retired in the refunding of the 2004 bonds during the fiscal year 2014/15.

At this time, the Agency is not planning to issue any new debt during the coming fiscal year.

FACTORS BEARING ON THE AGENCY'S FINANCIAL FUTURE

The housing market and the economy in the Greater Modesto area and in California have experienced a significant downturn in the past but are starting to see some upturn. In spite of the past downturn, the Agency has seen a decline in the 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, and 0.51% for 2014/15. 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. The Agency will re-evaluate the annual tax levy amount on a regular basis and adjust the annual tax levy as needed.

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

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, 426 Locust Street, Modesto, CA 95351-2631 or (209) 550-3300 x5524.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash with Fiscal Agent	\$ 4,067,605
Special Tax Revenue Receivables	<u>74,362</u>
Total Current Assets	4,141,967
Prepaid Bond Insurance Costs	<u>247,277</u>
Total Assets	<u><u>\$ 4,389,244</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts Payable	\$ 33,346
Interest Payable	352,804
Bonds Payable	<u>810,000</u>
Total Current Liabilities	1,196,150
Noncurrent Liabilities:	
Bonds Payable	<u>23,230,000</u>
Total Liabilities	24,426,150
Net Position	
Unrestricted	<u>(20,036,906)</u>
Total Liabilities and Net Position	<u><u>\$ 4,389,244</u></u>

See accompanying notes and accountant's report.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Governmental Activities</u>
Program Expenses:	
Facilities Acquisition and Construction Services for Other Governmental Entities	\$ 700,090
Administrative	92,399
Interest on Long-Term Debt	<u>1,338,638</u>
Total Program Expenses	<u>2,131,127</u>
General Revenues:	
Special Tax	2,813,226
Interest Income	<u>20,633</u>
Total General Revenues	<u>2,833,859</u>
Gain on Extinguishment of Debt	<u>1,005,214</u>
Change in Net Position	1,707,946
Net Position July 1, 2014	<u>(21,744,852)</u>
Net Position June 30, 2015	<u>\$ (20,036,906)</u>

See accompanying notes and accountant's report.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	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	\$ 587,724	\$ 283,604	\$ 1,105,958	\$ 118,941	\$ 38,286	\$ 28,465	\$ 904,201	\$ 466,383	\$ 534,043	\$ 4,067,605
Special Tax Revenue Receivables	20,410	-	-	-	-	-	25,116	18,254	10,582	74,362
Due From Other Funds	-	-	-	-	-	-	50	-	-	50
Total Assets	<u>\$ 608,134</u>	<u>\$ 283,604</u>	<u>\$ 1,105,958</u>	<u>\$ 118,941</u>	<u>\$ 38,286</u>	<u>\$ 28,465</u>	<u>\$ 929,367</u>	<u>\$ 484,637</u>	<u>\$ 544,625</u>	<u>\$ 4,142,017</u>
LIABILITIES AND FUND BALANCE										
Current Liabilities:										
Accounts Payable	\$ -	\$ -	\$ -	\$ 423	\$ 48	\$ 47	\$ -	\$ -	\$ -	\$ 518
Accounts Payable - Related Parties	-	-	-	18,554	8,728	5,546	-	-	-	32,828
Deferred Revenue	20,410	-	-	-	-	-	15,253	11,330	4,869	51,862
Due to Other Funds	-	-	-	-	-	-	-	25	25	50
Total Current Liabilities	<u>20,410</u>	<u>-</u>	<u>-</u>	<u>18,977</u>	<u>8,776</u>	<u>5,593</u>	<u>15,253</u>	<u>11,355</u>	<u>4,894</u>	<u>85,258</u>
Fund Balance:										
Restricted	-	-	-	-	-	-	914,114	473,282	539,731	1,927,127
Assigned	<u>587,724</u>	<u>283,604</u>	<u>1,105,958</u>	<u>99,964</u>	<u>29,510</u>	<u>22,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,129,632</u>
Total Fund Balance	<u>587,724</u>	<u>283,604</u>	<u>1,105,958</u>	<u>99,964</u>	<u>29,510</u>	<u>22,872</u>	<u>914,114</u>	<u>473,282</u>	<u>539,731</u>	<u>4,056,759</u>
Total Liabilities and Fund Balance	<u>\$ 608,134</u>	<u>\$ 283,604</u>	<u>\$ 1,105,958</u>	<u>\$ 929,367</u>	<u>\$ 484,637</u>	<u>\$ 544,625</u>	<u>\$ 118,941</u>	<u>\$ 38,286</u>	<u>\$ 28,465</u>	<u>\$ 4,142,017</u>

See accompanying notes and accountant's report.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,056,759
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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.	(24,040,000)
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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.	(352,804)
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Revenues are not recorded in the fund financial statement unless they are received within 60 days of year-end.	51,862
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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.	<u>247,277</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (20,036,906)</u>
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See accompanying notes and accountant's report.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2015

	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	\$ -	\$ -	\$ 293,869	\$ -	\$ -	\$ -	\$ 1,150,380	\$ 697,032	\$ 681,100	\$ 2,822,381
Interest Revenue	695	271	628	41	14	11	11,686	3,410	3,877	20,633
Total Revenues	695	271	294,497	41	14	11	1,162,066	700,442	684,977	2,843,014
EXPENDITURES										
Current:										
General Government	-	-	-	46,607	18,289	14,488	-	-	-	79,384
Intergovernmental:										
James C. Enochs High School	365,517	198,616	135,957	-	-	-	-	-	-	700,090
Debt Service										
Principal Retirement	-	-	-	-	-	-	21,920,000	9,430,000	5,720,000	37,070,000
Interest and Fiscal Agent Fees	-	-	-	-	-	-	839,675	490,818	298,111	1,628,604
Total Expenditures	365,517	198,616	135,957	46,607	18,289	14,488	22,759,675	9,920,818	6,018,111	39,478,078
Other Financing Sources (Uses)										
Refunding Bond Proceeds	-	-	-	-	-	-	9,565,000	9,005,000	5,470,000	24,040,000
Bond Premiums	-	-	-	-	-	-	1,127,944	549,510	334,581	2,012,035
Bond Issuance Costs	-	-	-	-	-	-	(246,569)	(229,052)	(138,006)	(613,627)
Transfers In	144	339,185	469,124	115,398	35,757	26,772	10,225,813	-	-	11,212,193
Transfers Out	(10,338,813)	(34,000)	(25,000)	-	-	-	(2,542)	(340,942)	(470,896)	(11,212,193)
Net Other Sources (Uses)	(10,338,669)	305,185	444,124	115,398	35,757	26,772	20,669,646	8,984,516	5,195,679	25,438,408
Excess of Revenues Over (Under)										
Expenditures	(10,703,491)	106,840	602,664	68,832	17,482	12,295	(927,963)	(235,860)	(137,455)	(11,196,656)
Fund Balance July 1, 2014	11,291,215	176,764	503,294	31,132	12,028	10,577	1,842,077	709,142	677,186	15,253,415
Fund Balance June 30, 2015	\$ 587,724	\$ 283,604	\$ 1,105,958	\$ 99,964	\$ 29,510	\$ 22,872	\$ 914,114	\$ 473,282	\$ 539,731	\$ 4,056,759

See accompanying notes and accountant's report.

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, 2015

NET CHANGE IN TOTAL FUND BALANCES PER FUND FINANCIAL STATEMENTS	\$ (11,196,656)
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.	(9,155)
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.	37,070,000
Current year bond proceeds is an other financing source in governmental funds but the amount increases long-term liabilities in the government-wide statement of net assets.	(24,040,000)
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.	289,966
Current year payment of bond issuance costs is recorded as an expenditure in the governmental funds, while capitalized in the government-wide statement of net assets.	613,627
Current year gain on extinguishment of debt is recognized in the government-wide statement of net assets, while receipt of bond premiums is recognized in the fund statements.	(1,006,821)
Current year amortization of bond issuance costs is recognized in the government-wide statement of net assets.	<u>(13,015)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,707,946</u>

See accompanying notes and accountant's report.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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,

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, 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

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.

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 would be \$4,067,605.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 CASH AND INVESTMENTS (Continued)

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 and U.S. Bank.

<u>Description of Deposit</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Capital Projects Funds:		
U.S. Bank - Money Market Account	\$ 9,386	\$ 9,386
California Asset Management Program - Camp Pool	2,153,592	2,153,592
Debt Service Funds:		
California Asset Management Program - Camp Pool	<u>1,904,627</u>	<u>1,904,627</u>
Total	<u>\$ 4,067,605</u>	<u>\$ 4,067,605</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 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.

<u>Deposit</u>	<u>Uncategorized</u>
U.S. Bank - Money Market Account	\$ 9,386
California Asset Management Program - Camp Pool	<u>4,058,219</u>
Total	<u>\$ 4,067,605</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.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 CASH AND INVESTMENTS (Continued)

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, 2015, 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, 2015, 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, 2015 is:

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

Activity for the fiscal year ended June 30, 2015:

	<u>Outstanding Balance at 06/30/14</u>	<u>Issued During Current Year</u>	<u>Principal Repayments</u>	<u>Outstanding Balance at 06/30/15</u>
Series 2004	\$37,070,000	\$ -	\$(37,070,000)	\$ -
Series 2014	<u>-</u>	<u>24,040,000</u>	<u>-</u>	<u>24,040,000</u>
Total of all bonds	<u>\$37,070,000</u>			24,040,000
Less: Current Portion				<u>(810,000)</u>
Long-Term Debt				<u>\$ 23,230,000</u>

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 has been recognized in the Statement of Activities for the year ended June 30, 2015.

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 1988-1	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	<u>76,520</u>	<u>72,040</u>	<u>43,760</u>	<u>192,320</u>
Proceeds from Bond Issue	10,673,092	9,566,873	5,812,068	26,052,034
Original Issue Premium	<u>(1,108,092)</u>	<u>(561,874)</u>	<u>(342,068)</u>	<u>(2,012,034)</u>
Par Amount of Bonds	<u>\$ 9,565,000</u>	<u>\$ 9,005,000</u>	<u>\$ 5,470,000</u>	<u>\$24,040,000</u>

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.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 SPECIAL TAX BONDS, SERIES 2014 (Continued)

Future debt service requirements for each CFD are as follows:

CFD 1994-1			
Fiscal Year End	Principal	Interest	Total
2016	590,000	417,775	1,007,775
2017	670,000	392,575	1,062,575
2018	695,000	365,275	1,060,275
2019	725,000	336,875	1,061,875
2020	755,000	303,500	1,058,500
2021-2025	3,930,000	921,625	4,851,625
2026-2030	1,835,000	230,888	2,065,888
2031-2035	365,000	21,700	386,700
Total 1994-1	<u>9,565,000</u>	<u>2,990,213</u>	<u>12,555,213</u>

CFD 1997-1			
Fiscal Year End	Principal	Interest	Total
2016	135,000	388,463	523,463
2017	205,000	381,663	586,663
2018	225,000	373,063	598,063
2019	245,000	363,663	608,663
2020	265,000	352,138	617,138
2021-2025	1,760,000	1,522,563	3,282,563
2026-2030	2,565,000	1,045,719	3,610,719
2031-2035	3,605,000	378,100	3,983,100
Total 1997-1	<u>9,005,000</u>	<u>4,805,369</u>	<u>13,810,369</u>

CFD 1998-1			
Fiscal Year End	Principal	Interest	Total
2016	85,000	235,975	320,975
2017	125,000	231,775	356,775
2018	135,000	226,575	361,575
2019	150,000	220,875	370,875
2020	160,000	213,875	373,875
2021-2025	1,070,000	924,375	1,994,375
2026-2030	1,560,000	634,863	2,194,863
2031-2035	2,185,000	229,100	2,414,100
Total 1998-1	<u>5,470,000</u>	<u>2,917,413</u>	<u>8,387,413</u>

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 SPECIAL TAX BONDS, SERIES 2014 (Continued)

Future debt service requirements for the Agency are as follows:

SIFA - all CFDs			
<u>Fiscal Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	810,000	1,042,213	1,852,213
2017	1,000,000	1,006,013	2,006,013
2018	1,055,000	964,913	2,019,913
2019	1,120,000	921,413	2,041,413
2020	1,180,000	869,513	2,049,513
2021-2025	6,760,000	3,368,563	10,128,563
2026-2030	5,960,000	1,911,469	7,871,469
2031-2035	6,155,000	628,900	6,783,900
Total all CFDs	<u>24,040,000</u>	<u>10,712,994</u>	<u>34,752,994</u>

The serial bonds bear interest at rates between 3.0 percent and 5.0 percent and mature at various dates from September 1, 2015 through September 1, 2029. The term bonds bear interest at 4.0 percent and mature on September 1, 2030 for \$1,175,000, September 1, 2031 for \$1,195,000, September 1, 2032 for \$1,215,000, September 1, 2033 for \$1,260,000 and September 1, 2034 for \$1,310,000.

Optional Redemption

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, 2024 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.

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 SPECIAL TAX BONDS, SERIES 2014 (Continued)

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.

Term bonds maturing on September 1, 2030 through 2034:

<u>Redemption Date</u>	<u>Principal Amount To be Redeemed</u>
2030	\$ 1,175,000
2031	1,195,000
2032	1,215,000
2033	1,260,000
2034 (Maturity)	1,310,000

NOTE 5 RELATED PARTIES

Administrative services are provided to the Agency by Sylvan Union School District, Modesto High School District and Stanislaus Union School District. The Districts are reimbursed for these services provided to the Agency; \$32,828 has been incurred during the year for these services.

Amounts payable at June 30, 2015 were as follows:

Stanislaus Union School District	\$ 1,190
Sylvan Union School District	2,652
Modesto High School District	<u>28,986</u>
Total	<u>\$ 32,828</u>

SCHOOLS INFRASTRUCTURE FINANCING AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015 are recorded as deferred revenue in the Agency's government funds financial statements. As of June 30, 2015, \$51,862 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, the maximum recognized loss would be \$22,500 , 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.

SUPPLEMENTARY INFORMATION



Robert A. Hawks, Jr., CPA

• 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, each major fund, and the aggregate remaining fund information of Schools Infrastructure Financing Agency, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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.

A handwritten signature in black ink, appearing to read "Robert A. Alvarado", with a stylized flourish at the end.

Certified Public Accountant

November 23, 2015