

**NORTH CITY WEST SCHOOL
FACILITIES FINANCING AUTHORITY**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

**NORTH CITY WEST SCHOOL
FACILITIES FINANCING AUTHORITY
TABLE OF CONTENTS**

FINANCIAL SECTION	<u>Page</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Required Supplementary Information)	3
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Combined Balance Sheet – All Governmental Fund Types	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Notes to Financial Statements.....	17
OTHER INDEPENDENT AUDITOR’S REPORTS	
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.....	32

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
North City West School
Facilities Financing Authority
Solana Beach, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North City West School Facilities Financing Authority (the Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 North City West School Facilities Financing Authority'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 North City West School Facilities Financing Authority'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, each major fund, and the aggregate remaining fund information of North City West School Facilities Financing Authority as of June 30, 2022 and 2021, and the respective changes in financial position for the years 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 information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023 on our consideration of North City West School Facilities Financing Authority'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 Authority'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 North City West School Facilities Financing Authority's internal control over financial reporting and compliance.

Wilkinson Hobbly King & Co., LLP

El Cajon, California
November 10, 2023

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
(Required Supplementary Information-Unaudited)
Management’s Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021
(Unaudited)

This section of the North City West School Facilities Financing Authority’s (“Authority”) annual financial report presents management’s discussion and analysis of the Authority’s financial performance during the fiscal years ended June 30, 2022 (“FY 2022” or “FYE 2022”) and 2021 (“FY 2021” or FYE “2021”). The management’s discussion and analysis is required as an element of the reporting model established by the Government Accounting Standards Board (“GASB”) in Statement Number 34. This is the eighteenth year of implementation, and the financial data and statements reflect prior year information. The Authority’s financial statements follow this section.

Overview of the Authority

The Authority is a Joint Powers Authority (“JPA”) established in 1983 to provide school facilities, concurrent with need, to support the educational programs for Carmel Valley kindergarten through twelfth grade students. Carmel Valley was formerly named North City West (changed in 1991) and sits within the coastal northwest portion of the City of San Diego. There are three-member school districts in the Authority: Del Mar Union School District (grades K through 6); Solana Beach School District (grades K through 6); and San Dieguito Union High School District (grades 7 through 12).

The Authority provides funds for the needed school facilities using available state funding and school fees paid by residential construction. One of the methods currently employed to obtain needed funding from local sources has been to establish Community Facilities Districts (“CFDs”) and issue Mello-Roos bonds.

The individual school sites and buildings are owned and maintained by the member school districts. The Authority only has ownership of the relocatable classrooms located on school sites.

The absence of school facility assets and the obligation of long-term Mello-Roos bonds is the reason why the reader will see that the Authority’s liabilities exceed its assets.

The Authority maintains cash accounts with the Treasurer of San Diego County and construction and other bond accounts with our Trustee, US Bank National Trust (“US Bank”). While the Authority is not a school district, the San Diego County Office of Education uses its district accounting services in conjunction with Koppel & Gruber Public Finance to provide our accounting and monthly financial reporting. US Bank, our Trustee, provides the monthly bond fund accounting.

Overview of the Financial Statements

This annual audit consists of three parts: Management’s Discussion and Analysis (this section); the basic financial statements; and notes to the financial statements. In addition, our Combined Balance Sheet and Combined Statement of Revenues and Expenditures consist of three funding parts: general; construction; and debt service.

Financial Highlights

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total net position is:	\$ (18,830,700)	\$ (25,459,698)
Total assets consist of: current assets	\$ 11,702,619	\$ 10,978,027
capital and intangible assets	\$ 107,265	\$ 143,019
Total liabilities consist of: current liabilities	\$ 6,508,378	\$ 6,250,729
long-term liabilities	\$ 24,393,158	\$ 30,634,865

Table 1 provides a comparative summary of the Authority's total net position for fiscal years ending June 30, 2022 and June 30, 2021.

Table 1
Statement of Net Position
Year Ended

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets:		
Cash in County Treasury	\$ 7,972,821	\$ 7,288,530
Cash with Fiscal Agent	3,720,935	3,679,271
Interest Receivable	<u>8,863</u>	<u>10,226</u>
Total Current Assets	11,702,619	10,978,027
Non-current Assets:		
Buildings and Improvements, net	<u>107,265</u>	<u>143,019</u>
Total Assets	<u>\$ 11,809,884</u>	<u>\$ 11,121,046</u>
Deferred Outflows of Resources	<u>\$ 260,952</u>	<u>\$ 304,850</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 7,657	\$ 12,446
Accrued Interest	480,721	508,283
Bonds Payable – Current Portion	<u>6,020,000</u>	<u>5,730,000</u>
Total Current Liabilities	6,508,378	6,250,729
Non-current Liabilities:		
Bonds Payable	23,062,921	29,082,921
Unamortized Bond Premium	<u>1,330,237</u>	<u>1,551,944</u>
Total Liabilities	<u>\$ 24,393,158</u>	<u>\$ 30,634,865</u>
Net Position:		
Restricted	\$ 3,720,935	\$ 3,791,120
Unrestricted	<u>(22,551,635)</u>	<u>(29,250,818)</u>
Total Net Position	<u>\$(18,830,700)</u>	<u>\$ (25,459,698)</u>

Table 2 provides a comparative summary of the Authority's activities for fiscal years ending June 30, 2022 and June 30, 2021.

Table 2
Statement of Activities
Year Ended

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
General Revenues:		
Tax Assessments	\$ 8,449,557	\$ 8,461,759
Mitigation Fees	-	24,000
Interest and Investment Earnings	<u>69,611</u>	<u>106,026</u>
Total General Revenues	\$ 8,519,168	\$ 8,591,785
Functions/Programs:		
Governmental Activities:		
Program Services	\$ 634,369	\$ 1,059,737
General Administration	45,797	34,434
Interest on Long-Term Debt	1,130,352	1,349,226
Other Outgo – Prepaid Insurance	43,898	43,898
Depreciation – Unallocated	<u>35,754</u>	<u>82,489</u>
Total Governmental Activities	\$ 1,890,170	\$ 2,569,784
Change in Net Position	\$ 6,628,988	\$ 6,022,001
Net Position – Beginning	<u>(25,459,698)</u>	<u>(31,481,699)</u>
Net Position – Ending	<u>\$(18,830,700)</u>	<u>\$(25,459,698)</u>

Tables 3 and 4 summarize the revenues and expenditures for the twelve-month periods ending June 30, 2022 and June 30, 2021 for all governmental fund types.

Table 3
Statement of Revenue
Year Ended

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Revenues:		
Special Taxes	\$ 8,449,557	\$ 8,461,759
Mitigation Fees	-	24,000
Investment Income	<u>69,611</u>	<u>106,026</u>
Total Revenues	<u>\$ 8,519,168</u>	<u>\$ 8,591,785</u>

Table 4
Statement of Expenditures
Year Ended

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Expenditures:		
Professional Fees	\$ 44,278	\$ 56,580
Legal Fees	3,310	4,304
Demographic Study	-	8,636
General and Administration	45,797	34,434
Capital Reimbursement:		
Facilities Cost Overrun Payments	586,781	990,217
Debt Service:		
Principal	5,730,000	5,455,000
Interest	<u>1,379,631</u>	<u>1,663,100</u>
Total Expenditures	\$ <u>7,789,797</u>	\$ <u>8,212,271</u>

Current Financial Related Activities

The Authority developed a Facilities Funding Agreement approved in September 2002 that identifies the school facilities remaining to be funded for Carmel Valley students. Included were two new schools: Solana Pacific Elementary School for the Solana Beach School District (completed and opened in September 2004) and Ocean Air Elementary School for the Del Mar Union School District (completed and opened in August 2007). Funding for a major expansion of the Carmel Valley Middle School in the San Dieguito High School District, which was approved by the Board for an appropriation of \$5,586,098 in June 2016, is also included in the document.

During the last board meeting of FY 2020 the board approved the cost overrun amount to the San Dieguito High School District for the completion of the Carmel Valley Middle School Expansion Project (the "Project") which was completed in December 2018. The Project included the removal of temporary classrooms and building additional permanent core facilities for music, drama, and food services. Total costs were approximately \$7.1 million. The Authority had previously committed \$5.6 million to the funded Project, and they received approximately \$21,000 from the PTA resulting in an overrun amount of approximately \$1.5 million. Also, during the December 2021 board meeting, the board approved a total of \$575,000 for cost overruns and distributed payments of \$287,500 each to the Del Mar Union School District and San Dieguito Union High School District on March 11, 2022. Note that in FY2021 Solana Beach School District received their final approved cost overrun payment. Additional overrun payments for the Project will be considered by the Authority in Fiscal Year 2022-23.

Total current assets increased by approximately \$725,000 in FYE 2022 primarily from cash being held in the county treasury which will be utilized to make future cost overrun payments and debt service payments. The Authority continues to levy the maximum special tax for CFD Nos. 1 and 2 to fund unreimbursed member school districts cost overruns on completed schools that totaled approximately \$3.4 million after the March 2022 reimbursement. Total liabilities continue to be reduced by approximately \$6.0 million plus per year as the Authority makes scheduled bond principal payments.

Total revenues for FYE 2022 and FYE 2021 are primarily from special taxes on developed residential property within the CFDs and investment income. Interest revenue and Mitigation Fees decreased approximately \$37,000 and \$24,000 respectively in FYE 2022 compared to FYE 2021 due to lower interest rates as no Mitigation Fees being paid in FY2022.

Total expenditures for FYE 2022 were in line with FYE 2021 and in total were approximately \$422,000 (5.1%) lower primarily due to lower facilities costs overrun payments.

Contacting the Authority's Financial Management

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, North City West School Facilities Financing Authority, c/o Koppel & Gruber Public Finance, 334 Via Vera Cruz, Suite 256, San Marcos, CA, 92078.

FINANCIAL SECTION

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

	For the Year Ended June 30,	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash in County Treasury	\$ 7,972,821	\$ 7,288,530
Cash with Fiscal Agent	3,720,935	3,679,271
Interest Receivable	8,863	10,226
TOTAL CURRENT ASSETS	11,702,619	10,978,027
NON-CURRENT ASSETS		
Building and Improvements, net	107,265	143,019
TOTAL NON-CURRENT ASSETS	107,265	143,019
TOTAL ASSETS	\$ 11,809,884	\$ 11,121,046
DEFERRED OUTFLOWS OF RESOURCES	260,952	304,850
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,070,836	\$ 11,425,896
LIABILITIES AND DEFERRED INFLOWS OR RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 7,657	\$ 12,446
Accrued interest	480,721	508,283
Bonds Payable - Current Portion	6,020,000	5,730,000
TOTAL CURRENT LIABILITIES	6,508,378	6,250,729
NON-CURRENT LIABILITIES		
Bonds Payable	23,062,921	29,082,921
Unamortized Bond Premium	1,330,237	1,551,944
TOTAL LIABILITIES	24,393,158	30,634,865
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Restricted	3,720,935	3,791,120
Unrestricted	(22,551,635)	(29,250,818)
TOTAL NET POSITION	\$ (18,830,700)	\$ (25,459,698)

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
JUNE 30, 2022

	Program Revenues				Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functional Programs</u>					
Governmental Activities:					
Program Services	\$ 634,369	\$ -	\$ -	\$ -	\$ (634,369)
General Administration	45,797	-	-	-	(45,797)
Interest on Long-Term Debt	1,130,352	-	-	-	(1,130,352)
Other Outgo - Prepaid Insurance	43,898	-	-	-	(43,898)
Depreciation - Unallocated	35,754	-	-	-	(35,754)
Total Governmental Activities	<u>\$ 1,890,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,890,170)</u>

General Revenues:	
Tax Assessments	\$ 8,449,557
Interest and Investment Earnings	69,611
Total General Revenues	<u>8,519,168</u>
Change in Net Position	6,628,998
Net Position - Beginning	(25,459,698)
Net Postion - Ending	<u>\$ (18,830,700)</u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
JUNE 30, 2021

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Functional Programs</u>				
Governmental Activities:				
Program Services	\$ 1,059,737	\$ -	\$ -	\$ (1,059,737)
General Administration	34,434	-	-	(34,434)
Interest on Long-Term Debt	1,349,226	-	-	(1,349,226)
Other Outgo - Prepaid Insurance	43,898	-	-	(43,898)
Depreciation - Unallocated	82,489	-	-	(82,489)
	<u>\$ 2,569,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,569,784)</u>
General Revenues:				
				\$ 8,461,759
				24,000
				106,026
				<u>8,591,785</u>
				6,022,001
				<u>(31,481,699)</u>
				<u>\$ (25,459,698)</u>

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2022**

	Governmental Fund Types			Totals
	General	Construction	Debt Service	
ASSETS				
Cash in County Treasury	\$ 7,860,406	\$ 112,415	\$ -	\$ 7,972,821
Cash with Fiscal Agent	-	-	3,720,935	3,720,935
Accrued Interest Receivable	8,160	703	-	8,863
	<u>\$ 7,868,566</u>	<u>\$ 113,118</u>	<u>\$ 3,720,935</u>	<u>\$ 11,702,619</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 7,657	\$ -	\$ -	\$ 7,657
Total Liabilities	7,657	-	-	7,657
Fund Balances:				
Restricted				
Debt Services	-	-	3,720,935	3,720,935
Capital Facilities	-	113,118	-	113,118
Unassigned				
Other Unassigned	7,860,909	-	-	7,860,909
Total Fund Balances	7,860,909	113,118	3,720,935	11,694,962
	<u>\$ 7,868,566</u>	<u>\$ 113,118</u>	<u>\$ 3,720,935</u>	<u>\$ 11,702,619</u>

See the accompanying notes to the financial statements.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2021**

	Governmental Fund Types			Totals
	General	Construction	Debt Service	
ASSETS				
Cash in County Treasury	\$ 7,176,860	\$ 111,670	\$ -	\$ 7,288,530
Cash with Fiscal Agent	-	-	3,679,271	3,679,271
Accrued Interest Receivable	<u>10,047</u>	<u>179</u>	<u>-</u>	<u>10,226</u>
	<u>\$ 7,186,907</u>	<u>\$ 111,849</u>	<u>\$ 3,679,271</u>	<u>\$ 10,978,027</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	<u>\$ 12,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,446</u>
Total Liabilities	<u>12,446</u>	<u>-</u>	<u>-</u>	<u>12,446</u>
Fund Balances:				
Restricted				
Debt Services	-	-	3,679,271	3,679,271
Capital Facilities	-	111,849	-	111,849
Unassigned				
Other Unassigned	<u>7,174,461</u>	<u>-</u>	<u>-</u>	<u>7,174,461</u>
Total Fund Balances	<u>7,174,461</u>	<u>111,849</u>	<u>3,679,271</u>	<u>10,965,581</u>
	<u>\$ 7,186,907</u>	<u>\$ 111,849</u>	<u>\$ 3,679,271</u>	<u>\$ 10,978,027</u>

See the accompanying notes to the financial statements.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021**

	June 30,	
	2022	2021
TOTAL FUND BALANCES-GOVERNMENTAL FUNDS BALANCE SHEET	\$ 11,694,962	\$ 10,965,581
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets in governmental activities are not reported in the funds, net of accumulated depreciation:	107,265	143,019
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:	(30,413,158)	(36,364,865)
Unamortized prepaid insurance costs: In governmental funds, prepaid insurance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid insurance are amortized over the life of the debt. Unamortized prepaid insurance costs as deferred outflows of resources on the statement of net position are:	260,952	304,850
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:	(480,721)	(508,283)
NET GOVERNMENT POSITION-STATEMENT OF NET POSITION	\$ (18,830,700)	\$ (25,459,698)

See the accompanying notes to the financial statements.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
REVENUES				
Special Taxes	\$ 8,449,557	\$ -	\$ -	\$ 8,449,557
Investment Income	<u>27,192</u>	<u>703</u>	<u>41,716</u>	<u>69,611</u>
TOTAL REVENUES	<u>8,476,749</u>	<u>703</u>	<u>41,716</u>	<u>8,519,168</u>
EXPENDITURES				
Current:				
Professional Fees	44,278	-	-	44,278
Legal Fees	3,310	-	-	3,310
Facilities Cost Overrun Payments	586,781	-	-	586,781
General and Administrative	45,797	-	-	45,797
Debt Service:				
Principal	-	-	5,730,000	5,730,000
Interest	<u>-</u>	<u>-</u>	<u>1,379,631</u>	<u>1,379,631</u>
TOTAL EXPENDITURES	<u>680,166</u>	<u>-</u>	<u>7,109,631</u>	<u>7,789,797</u>
Excess of Revenues Over (Under) Expenditures	<u>7,796,583</u>	<u>703</u>	<u>(7,067,915)</u>	<u>729,371</u>
OTHER SOURCES (USES):				
Transfers In (Out)	<u>(7,110,135)</u>	<u>566</u>	<u>7,109,579</u>	<u>10</u>
TOTAL OTHER SOURCES (USES)	<u>(7,110,135)</u>	<u>566</u>	<u>7,109,579</u>	<u>10</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	686,448	1,269	41,664	729,381
FUND BALANCE, July 1, 2021	<u>7,174,461</u>	<u>111,849</u>	<u>3,679,271</u>	<u>10,965,581</u>
FUND BALANCE, June 30, 2022	<u>\$ 7,860,909</u>	<u>\$ 113,118</u>	<u>\$ 3,720,935</u>	<u>\$11,694,962</u>

See the accompanying notes to the financial statements.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2021**

	General Fund	Construction Fund	Debt Service Fund	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Special Taxes	\$ 8,461,759	\$ -	\$ -	\$ 8,461,759
Mitigation Fees	24,000	-	-	24,000
Investment Income	<u>51,855</u>	<u>1,294</u>	<u>52,877</u>	<u>106,026</u>
TOTAL REVENUES	<u>8,537,614</u>	<u>1,294</u>	<u>52,877</u>	<u>8,591,785</u>
EXPENDITURES				
Current:				
Professional Fees	56,580	-	-	56,580
Legal Fees	4,304	-	-	4,304
Demographic Study	8,636	-	-	8,636
Facilities Cost Overrun Payments	990,217	-	-	990,217
General and Administrative	34,434	-	-	34,434
Debt Service:				
Principal	-	-	5,455,000	5,455,000
Interest	<u>-</u>	<u>-</u>	<u>1,663,100</u>	<u>1,663,100</u>
TOTAL EXPENDITURES	<u>1,094,171</u>	<u>-</u>	<u>7,118,100</u>	<u>8,212,271</u>
Excess of Revenues Over (Under) Expenditures	<u>7,443,443</u>	<u>1,294</u>	<u>(7,065,223)</u>	<u>379,514</u>
OTHER SOURCES (USES):				
Transfers In (Out)	<u>(7,116,536)</u>	<u>-</u>	<u>7,116,536</u>	<u>-</u>
TOTAL OTHER SOURCES (USES)	<u>(7,116,536)</u>	<u>-</u>	<u>7,116,536</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	326,907	1,294	51,313	379,514
FUND BALANCE, July 1, 2020	<u>6,847,554</u>	<u>110,555</u>	<u>3,627,958</u>	<u>10,586,067</u>
FUND BALANCE, June 30, 2021	<u>\$ 7,174,461</u>	<u>\$ 111,849</u>	<u>\$ 3,679,271</u>	<u>\$10,965,581</u>

See the accompanying notes to the financial statements.

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022 AND 2021**

	JUNE 30,	
	2022	2021
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 729,381	\$ 379,514
 Amounts reported for governmental activities in the statement of activities are different because;		
Capital outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:	\$ (35,754)	(82,489)
Debt service: In governmental funds, repayment of long-term debt is reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for the repayment of the principal portion of long-term debt were:	5,730,000	5,455,000
Prepaid debt insurance costs: In governmental funds, prepaid debt insurance costs are recognized as expenditures in the period they are incurred. In the government-wide statements prepaid debt insurance costs are amortized over the life of the debt. The difference between prepaid debt insurance costs recognized in the current period and prepaid debt insurance costs amortized for the period is:	(43,898)	(43,898)
Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:	221,707	221,707
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	27,562	92,167
CHANGE IN NET GOVERNMENTAL POSITION - STATEMENT OF ACTIVITIES	\$ 6,628,998	\$ 6,022,001

See the accompanying notes to the financial statements.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

A. Organization:

The North City West School Facilities Financing Authority (the Authority) was formed by a joint powers agreement among the following San Diego County School Districts: San Dieguito Union High School District, Del Mar Union School District, and Solana Beach School District. The purpose of the Authority is to collect developer fees and rebate the monies to the districts to build the necessary facilities. The North City West School Facilities Financing Authority is an Authority separate and distinct from each of its participant districts.

B. Summary of Significant Accounting Policies:

Component Units

Component units are legally separate organizations for which the Authority is financially accountable. Component units may also include organizations that are fiscally independent of the Authority in that the Authority approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the Authority is not financially accountable but the nature and significance of the organization's relationship with the Authority is such that the exclusion would cause the Authority's financial statements to be misleading or incomplete.

The Authority has no component units. Additionally, the Authority is not a component unit of any other reporting entity as defined by GASB Statements 14, 39, and 61.

Basic of Presentation and Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The Authority has no business-type activities.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the Authority and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting Authority. The emphasis of fund financial statements is on major and non-major governmental funds each displayed in a separate column.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The Authority has no proprietary fund types.

The Authority reports the following major governmental funds:

General Fund. This is the Authority's primary operating fund. It is used to account for all financial resources of the Authority except those required to be accounted for in another fund.

In addition, the Authority reports the following fund types:

Debt Service Fund. This fund is used to account for the payment of principal and interest on general long-term debt. The Authority maintains the debt service fund to account for the accumulation of resources for, and the repayment of bonds, interest and related costs.

Construction Fund. This fund is used to account for capital outlay expenditures to build the necessary facilities for each of the participating school districts.

Budget and Budgetary Accounting

By state law, the Authority's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The Authority's governing board satisfied these requirements.

Use of Estimates

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

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the Authority maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other entities in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the Authority. Tax revenues are recognized by the Authority when received.

Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Authority's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Assigned Fund Balance – represents amounts which the Authority intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Authority itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Fund Balance Reserves and Designations

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. A capitalization threshold of \$5,000 is used.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset’s life is recorded in operating expense in the year which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the following estimated useful lives of the assets:

Relocatable Buildings and Improvements	25 years
--	----------

Income Taxes

The Authority is a governmental organization exempt from federal and state income taxes.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Funding Sources

Significantly all of the Authority's primary funding sources come from tax apportionment fees, mitigation fees, and developer fees collected.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the Authority prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Government Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Description	Date Issued	Fiscal Year Effective
GASB Statement 91, Conduit Debt Obligations	05/2019	2022-23
GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	03/2020	2022-23
GASB Statement 96, Subscription-Based Information Technology Arrangements	05/2020	2022-23
GASB Statement No. 99, Omnibus 2022	04/2022	2022-23 Thru 2023-24
GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62	06/2022	2024-25
GASB Statement No. 101, Compensated Absences	06/2022	2024-25
GASB Implementation Guide No. 2021-1, Implementation Guidance Update – 2021	05/2021	2021-22 Thru 2023-24

The effects of the upcoming guidance and pronouncements on the financial statements has not yet been determined.

Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Fair Value Measurement

The Authority's investments at June 30, 2022, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Government Issues	\$ 3,550,167	\$ -	\$ 3,550,167	\$ -
Money Market Funds	170,768	170,768	-	-
Total investments by fair value level	<u>\$ 3,720,935</u>	<u>\$ 170,768</u>	<u>\$ 3,550,167</u>	<u>\$ -</u>
External investment pools measured at fair value				
San Diego County Treasury	\$ 7,972,821	\$ -	\$ 7,972,821	\$ -
Total investments by fair value level	<u>\$ 7,972,821</u>	<u>\$ -</u>	<u>\$ 7,972,821</u>	<u>\$ -</u>

The Authority's investments at June 30, 2021, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. Government Issues	\$ 3,490,066	\$ -	\$ 3,490,066	\$ -
Money Market Funds	189,205	189,205	-	-
Total investments by fair value level	<u>\$ 3,679,271</u>	<u>\$ 189,205</u>	<u>\$ 3,490,066</u>	<u>\$ -</u>
External investment pools measured at fair value:				
San Diego County Treasury	\$ 7,288,530	\$ -	\$ 7,288,530	\$ -
Total investments by fair value level	<u>\$ 7,288,530</u>	<u>\$ -</u>	<u>\$ 7,288,530</u>	<u>\$ -</u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

The Authority is considered to be an involuntary participant in an external investment pool as the Authority is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the Authority’s investments in the pool is reported in the accounting financial statements as amounts based upon the Authority’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

C. Cash and Investments:

Cash in County Treasury

In accordance with Education Code Section 41001, the Authority maintains a substantial amount of its cash in the San Diego County Treasury as part of the common investment pool (\$7,972,821 as of June 30, 2022) and (\$7,288,530 as of June 30, 2021). The fair value of the Authority’s portion of this pool as of that date, as provided by the pool sponsor, was \$7,972,821 as of June 30, 2022 and \$7,288,530 as of June 30, 2021.

Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

Cash in Banks

Cash balances on hand and in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation.

Cash with Fiscal Agent

The Authority’s cash with fiscal agent at June 30, 2022 is shown below:

<u>Investment or Investment Type</u>	<u>Days to Maturity</u>	<u>Cost Reported</u>	<u>Fair Value</u>
Money Market Funds	<30 Days	\$ 170,768	\$ 170,768
U.S. Government Issues	>90 Days	<u>3,550,167</u>	<u>3,350,672</u>
Total Investments		<u><u>\$ 3,720,935</u></u>	<u><u>\$ 3,521,440</u></u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

C. Cash and Investments: (Continued)

The Authority’s cash with fiscal agent at June 30, 2021 is shown below:

<u>Investment or Investment Type</u>	<u>Days to Maturity</u>	<u>Cost Reported</u>	<u>Fair Value</u>
Money Market Funds	<30 Days	\$ 189,205	\$ 189,205
U.S. Government Issues	>90 Days	<u>3,490,066</u>	<u>3,488,556</u>
Total Investments		<u>\$ 3,679,271</u>	<u>\$ 3,677,761</u>

Analyst of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Authority was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurers re-purchase or reverse repurchase agreements.

The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At June 30, 2022 credit risk for the Authority’s investments was as follows: The San Diego County Investment Pool is rated AAf/S1 by Standard and Poors., U.S. Government Issues are rated AA+ by Standard and Poors with a Moody’s rating of Aaa. Money market funds are unrated.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the Authority’s name. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

C. Cash and Investments: (Continued)

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Authority's name.

The Authority's money market funds and U.S. Government issues as of June 30, 2022 and June 30, 2021 were not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the Authority was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by investing in the county pool and laddering maturities for government issues from 1-3 years.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Authority was not exposed to foreign currency risk.

Investment Accounting Policy

The Authority is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Authority's general policy is to report money market investments and short-term participating interest-bearing investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

D. Capital Assets:

A summary of changes in capital asset activity for the years ended June 30, 2021 and 2022 is as follows:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Buildings and Improvements	\$ 3,187,077	\$ -	\$ -	\$ 3,187,077
Less Accumulated Depreciation	<u>(2,961,569)</u>	<u>(82,489)</u>	<u>-</u>	<u>(3,044,058)</u>
Net Capital Assets	<u>\$ 225,508</u>	<u>\$ (82,489)</u>	<u>\$ -</u>	<u>\$ 143,019</u>

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
Buildings and Improvements	\$ 3,187,077	\$ -	\$ -	\$ 3,187,077
Less Accumulated Depreciation	<u>(3,044,058)</u>	<u>(35,754)</u>	<u>-</u>	<u>(3,079,812)</u>
Net Capital Assets	<u>\$ 143,019</u>	<u>\$ (35,754)</u>	<u>\$ -</u>	<u>\$ 107,265</u>

E. Deferred Outflows of Resources:

Debt issue costs for 2005B Bonds and 2012A Bonds each included prepaid debt insurance. In accordance with GASB Statement No. 65, prepaid debt insurance is recorded as a deferred outflow of resources and amortized over the life of the debt.

A summary of the deferred outflows of resources as of June 30, 2022 is as follows:

<u>Description</u>	<u>Amortization Term</u>	<u>Beginning Balance</u>	<u>Current Year Additions</u>	<u>Current Year Amortization</u>	<u>Ending Balance</u>
2005B Prepaid Debt Insurance	22 Years	\$ 201,754	\$ -	\$ 29,169	\$ 172,585
2012A Prepaid Debt Insurance	16 Years	<u>103,096</u>	<u>-</u>	<u>14,729</u>	<u>88,367</u>
Total Deferred Outflows of Resources		<u>\$ 304,850</u>	<u>\$ -</u>	<u>\$ 43,898</u>	<u>\$ 260,952</u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

F. Accounts Payable:

Accounts payable at June 30, 2021 and 2022 consisted of:

	2021	2022
Facilities cost overrun payments	\$ -	\$ 4,807
Professional fees	-	2,850
Demographic study	4,748	-
Legal fees	2,184	-
General and administrative	5,514	-
Totals	\$ 12,446	\$ 7,657

G. Bonds Payable:

Series 2002

In September 2002 the Authority issued \$21,857,921 of subordinate special tax revenue bonds with an interest rate of 4.50% to 5.00%. These bonds were issued to finance the acquisition and construction of certain elementary and secondary school buildings and facilities. The bonds are special limited obligations of the Authority payable, as noted below, from proceeds of an annual special tax levied on the developed property located with the Authority district and the levy of the special tax on underdeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution. In September 2012, \$17,450,000 in principal was refunded from the proceeds of the Subordinated Special Tax Revenue Bonds, Series 2012A.

The principal amount outstanding at June 30, 2022 was \$4,362,921. The bonds mature through September 1, 2027 as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ -	\$ -	\$ -
2024	-	-	-
2025	-	-	-
2026	2,289,970	5,160,030	7,450,000
2027	2,072,951	5,452,049	7,525,000
Totals	\$ 4,362,921	\$ 10,612,079	\$ 14,975,000

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

G. Bonds Payable: (Continued)

Series 2005B

In August 2005 the Authority issued \$31,110,000 of subordinate special tax refunding bonds with an interest rate of 3.00% to 5.25%. These bonds were issued to provide funds to refund the 1997C senior bonds and pay certain costs related to the bonds. The bonds are special limited obligations of the Authority payable, as noted below, from proceeds of an annual special tax levied on the developed property located within the Authority district and the levy of the special tax on undeveloped property to the extent the levy on the developed property, is insufficient to pay the bond requirements, the amounts held in the bond escrow fund and certain other funds and investment earnings pledged under the Trust Indenture and the Master Bond Resolution.

The principal amount outstanding at June 30, 2022 was \$12,940,000. Principal payments are made on September 1 of each year while interest is payable semi-annually on March 1 and September 1.

The bonds mature through September 1, 2027 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,660,000	\$ 553,088	\$ 2,213,088
2024	1,750,000	463,575	2,213,575
2025	1,835,000	369,469	2,204,469
2026	1,935,000	270,506	2,205,506
2027	2,040,000	166,166	2,206,166
2028	<u>2,145,000</u>	<u>56,309</u>	<u>2,201,309</u>
Totals	<u>\$ 11,365,000</u>	<u>\$ 1,879,113</u>	<u>\$ 13,244,113</u>

Series 2012A

On June 6, 2012, the Authority issued \$27,485,000 of Subordinate Special Tax Revenue Bonds, Series 2012A. The bonds bear fixed interest rates ranging from 2.00% to 5.00% with annual maturities from September 2012 through September 2027. The net proceeds of \$30,493,868 (after premium of \$3,547,307 less underwriters discount of \$178,653 and cost of assured guaranty insurance and surety premium in the amount of \$359,786) were used to refund \$15,310,000 of the District's outstanding Subordinate Special Tax Revenue Bonds, Series 2005A and partially refund \$17,495,000 of the District's outstanding Subordinate Special Tax Revenue Bonds, Series 2002. In addition, \$3,209,208 in prior bond funds from Series 2005A and \$28,111 in prior bond funds from Series 2002 were made available and used for an additional funding source for the refunding and to offset insurance expense, discounts, and other issuance costs.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

G. Bonds Payable: (Continued)

Net proceeds of \$17,885,375 were deposited into an individual escrow fund for the refunding of the Series 2002 Bonds and net proceeds of \$12,284,239 were deposited into an individual escrow fund for the refunding of the Series 2005A Bonds with remaining funds of \$324,254 deposited to a cost issuance fund. The outstanding and remaining debt service of \$15,310,000 for the Series 2005A bonds was paid in full on June 12, 2012. The partial refunding of the Series 2002 bonds in the amount of \$17,495,000 was paid on September 4, 2012.

The 2012 Bonds are payable from installment payments to be made by the Community Facilities District pursuant to an agreement dated June 1, 2012. The installment payments are payable from certain special taxes levied on developed property within the boundaries of the Community Facilities District. The principal outstanding at June 30, 2021 was \$17,510,000. Principal payments are made on September 1 of each year while interest is payable semi-annually on March 1 and September 1.

The bonds mature through September 1, 2027 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,360,000	\$ 543,750	\$ 4,903,750
2024	4,545,000	336,125	4,881,125
2025	1,080,000	195,500	1,275,500
2026	1,080,000	141,500	1,221,500
2027	1,105,000	86,875	1,191,875
2028	<u>1,185,000</u>	<u>29,625</u>	<u>1,214,625</u>
Totals	<u>\$ 13,355,000</u>	<u>\$ 1,333,735</u>	<u>\$ 14,688,375</u>

H. Changes in Long-Term Debt:

A schedule of changes in long-term debt is as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>
2002 Bonds	\$ 4,362,921	\$ -	\$ -	\$ 4,362,921
2005B Bonds	12,940,000	-	1,575,000	11,365,000
2012A Bonds	17,510,000	-	4,155,000	13,355,000
2012A Bond Premium	<u>1,551,949</u>	<u>-</u>	<u>221,707</u>	<u>1,330,242</u>
Total	<u>\$ 36,364,870</u>	<u>\$ -</u>	<u>\$ 5,951,707</u>	<u>\$ 30,413,163</u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(Continued)

I. Bond Premium:

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond as interest. Premium issued on the bonds resulted in an effective interest rate as follows:

	2012 Series A Bonds
Total Interest Payments on Bond	\$ 11,791,153
Less Bond Premium	(3,547,306)
Net Interest Payments	\$ 8,243,847
Par Amount of Bond	\$ 27,485,000
Periods	16
Effective Interest Rate	1.87%

J. Facilities Cost Overrun Payments:

The Facilities Funding Agreement (FFA) for the Authority was approved in September 2002 and allows for the reimbursement of cost overruns by the member agencies for financed facilities listed pursuant to Section 2.02 in the FFA. Member school districts submitted their facilities costs, funding sources, and overrun amounts to the Authority; consequently, the Authority has applied the provision of the FFA and determined the amount of the current and projected reimbursable overruns to be \$586,781 in unencumbered funds. The calculations were subsequently approved and \$560,781 in unencumbered funds were distributed to the member school districts accordingly, which consisted of \$287,500 allocated to Del Mar Union School District, and \$299,281 allocated to San Dieguito Union High School District.

K. Upcoming Accounting Guidance:

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The effects of the upcoming guidance and pronouncements on the District's financial statements has not yet been determined.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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***

**Board of Trustees
North City West School
Facilities Financing Authority
Solana Beach, 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 North City West School Facilities Financing Authority, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise North City West School Facilities Financing Authority’s basic financial statements, and have issued our report thereon dated November 10, 2023.

Internal Control Over Financing Reporting

In planning and performing our audit of the financial statements, we considered North City West School Facilities Financing Authority’s internal control over financial reporting 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 North City West School Facilities Financing Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of North City West School Facilities Financing Authority’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 Authority’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 North City West School Facilities Financing Authority's financial statements are free of 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hobbly King & Co., LLP

El Cajon, California
November 10, 2023