



309 North Rios Avenue
Solana Beach, California
92075

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BOARD OF DIRECTORS

Leslie Fausset,

Chairperson,

Solana Beach School

District

Eric Dill,

Vice Chairperson, San

Dieguito Union High

School District

Doug Rafner,

Director,

Del Mar Union School

District

Mark Risco,

Executive Director and

Board Secretary

North City West School Facilities Financing Authority Board of Directors' Meeting

September 1, 2011 309 North Rios Avenue, Solana Beach, CA 92075

2:30 p.m.

Phone: (858) 792-6937; Fax: (858) 792-8270

Welcome...

PUBLIC COMMENTS

With the exception of personnel items, individuals wishing to address the Board concerning an agenda item (or on other topics pertaining to JPA/CFD jurisdiction) are invited to do so at this time.

In the interest of time, **public presentations are limited to five (5) minutes per person, per topic.** If you wish to speak, please complete a card (located at the sign-in desk); and present it to the Board chairperson before commencement of the meeting. When the chairperson invites you to speak, please state your name, address and/or organization before making your presentation.

Please note: The law does not permit complaints and/or charges against an employee or staff member in an open Board of Directors' meeting.

In accordance with the Brown Act, there shall be no action taken for an item that has not been scheduled on a published agenda. Instead, the Board may:

- 1) Acknowledge receipt of the information,
- 2) Refer to staff for further study, or
- 3) Defer the matter to a future agenda.

We appreciate your cooperation.

PUBLIC INSPECTION OF DOCUMENTS

In compliance with *Government Code 54957.5*, agenda related documents distributed to the Board less than 72 hours prior to meetings are available for inspection at North City West School Facilities Financing Authority executive offices located at 27368 Via Industria, Suite 110, Temecula, California.

CLOSED SESSION

To consider timely, qualified matters of litigation, personnel, or on real estate negotiations, the Board may meet in a closed session.

AMERICANS WITH DISABILITIES ACT

In compliance with the *Americans with Disabilities Act*, please contact the director at (858) 792-6937 by **noon**, the day before the Board meeting, to arrange reasonable accessibility for meeting participation.

Please set cellular phones and pagers to **silent mode**, and engage in conversations outside the meeting room.

North City West School Facilities Financing Authority

Directors:

Leslie Fausset, Chairperson, Solana Beach School District
 Eric Dill, Vice Chairperson, San Dieguito Union High School District
 Doug Rafner, Director, Del Mar Union School District
 Mark Risco, Executive Director and Board Secretary

AGENDA

<u>Items</u>	<u>Page No.</u>
1. CALL TO ORDER, PLEDGE OF ALLEGIANCE	
A. Call to order September 1, at 2:30 p.m.	
2. APPROVAL OF AGENDA	1-2
3. APPROVAL OF MINUTES	
A. Regular meeting, June 9	3-4
4. PUBLIC COMMENT	
<p>In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. The Board may 1) acknowledge receipt of the information, 2) refer to staff for further study, or 3) refer the matter to the next agenda.</p>	
5. FINANCIAL REPORTS	5-12
<p>The following reports record the routine business of the JPA/CFD for fiscal Year 2010/11. Members of the Board, the administration or the public may request that specific items be discussed prior to their acknowledgement.</p>	
<ul style="list-style-type: none"> A. Executive Summary B. Building Permit Activity C. Financial Overview D. Income E. Expenditures (July 2010 through June 2011) 	

CARMEL VALLEY

North City West School Facilities Financing Authority

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Eric Dill, Vice Chairperson, San Dieguito Union High School District
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6. EXECUTIVE DIRECTOR'S REPORT

- A. Delinquency Management Update
- B. Levy has been submitted to San Diego County
- C. Upcoming Audit

7. ACTION ITEM

13

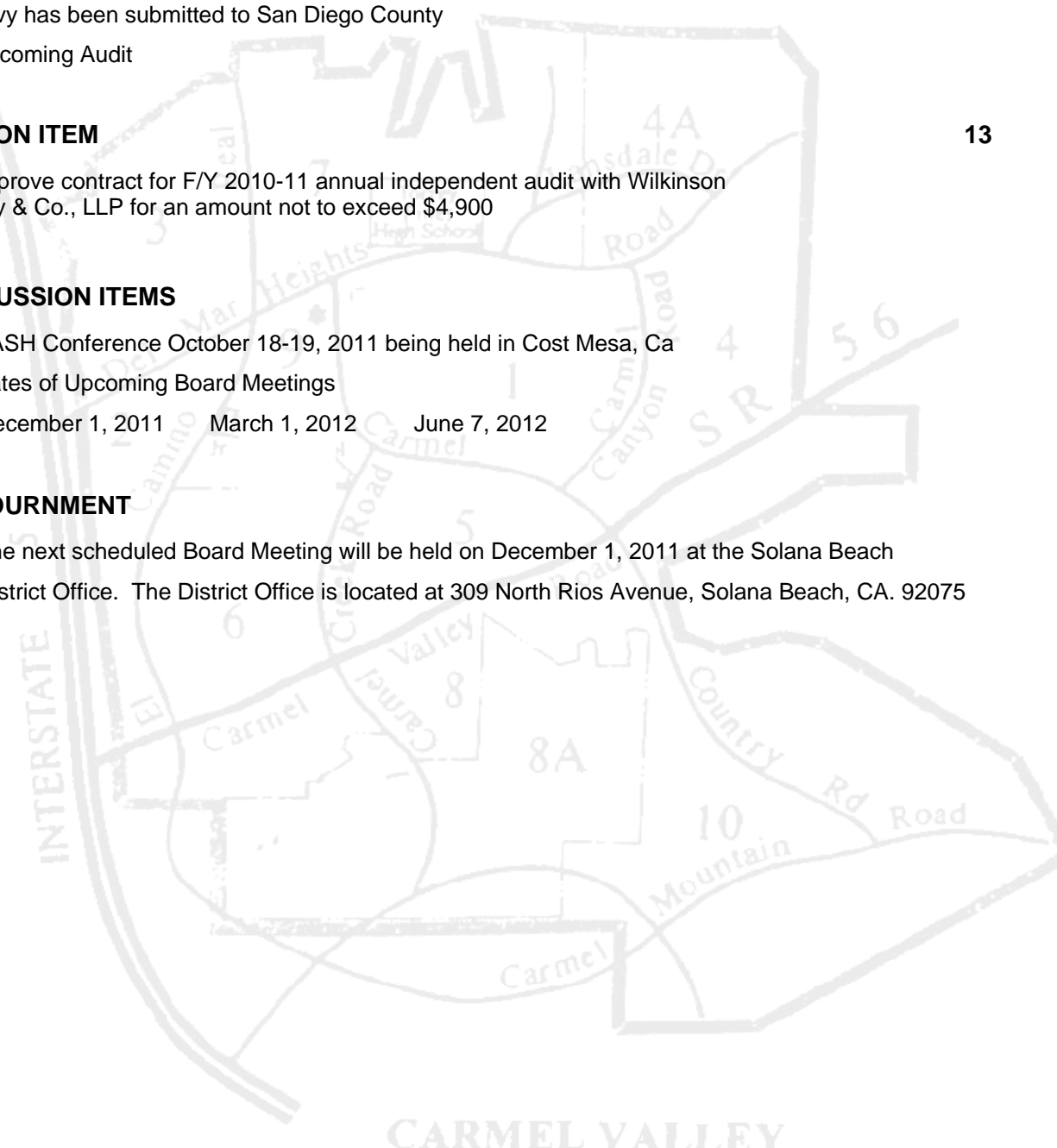
- A. Approve contract for F/Y 2010-11 annual independent audit with Wilkinson Hadley & Co., LLP for an amount not to exceed \$4,900

8. DISCUSSION ITEMS

- A. CASH Conference October 18-19, 2011 being held in Cost Mesa, Ca
- B. Dates of Upcoming Board Meetings
December 1, 2011 March 1, 2012 June 7, 2012

9. ADJOURNMENT

The next scheduled Board Meeting will be held on December 1, 2011 at the Solana Beach District Office. The District Office is located at 309 North Rios Avenue, Solana Beach, CA. 92075



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ITEM 3A

MINUTES

The Directors of the **North City West School Facilities Financing Authority** and Community Facilities District 1 & 2 of the North City West School Facilities Financing Authority held a **Regular Meeting** on **June 9, 2011** at Solana Beach School District Offices, 309 North Rios Avenue, Solana Beach, CA, 92075. (The letters "JPA" will be used in place of North City West School Facilities Financing Authority and the letters "CFD" will be used in place of Community Facilities Districts 1 & 2).

PRESENT:

Directors: Leslie Fausset, Solana Beach School District
Eric Dill, San Dieguito Union High School District
Doug Rafner, Del Mar Union School District

Other Personnel, Member Districts:
Caroline Brown, Solana Beach School District
Jim Peabody, Del Mar Union School District
Ken Noah, San Dieguito Union School District

Administration: Mark Risco, Willdan Financial Services
Gladys Medina, Willdan Financial Services

1. CALL TO ORDER, PLEDGE OF ALLEGIANCE

The meeting was called to order at 2:35 p.m.

2. APPROVAL OF AGENDA

Moved by Rafner, second by Dill to approve the agenda. Carried unanimously.

3. APPROVAL OF MINUTES

Moved by Dill, second by Rafner to approve the Minutes of the April 7, 2011. Carried unanimously.

4. PUBLIC COMMENT

There was no comment from the public.

5. FINANCIAL REPORTS

Mark Risco provided an overview of the agenda packet.

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6. EXECUTIVE DIRECTOR'S REPORT

Delinquencies remain low at 2% for the first installment.

7. ACTION ITEMS

Motion to Approve NCW JPA Administrative Budget for fiscal year 2011/12. Moved by Dill, second by Rafner to approve the Budget for Fiscal Year 2011/12. Carried unanimously.

Election of NCW JPA Board officers for Fiscal Year 2011/12

Leslie Fausset was nominated for Chairperson
Moved by Dill, second by Rafner. Carried unanimously

Eric Dill was nominated for Vice Chairperson
Moved by Fausset, second by Dill. Carried unanimously

Mark Risco was nominated for Secretary
Moved by Dill, second by Rafner. Carried unanimously.

Motion to approve the Calendar of future JPA meetings. Moved by Rafner, second by Dill. Carried unanimously.

Moved to approve the Annual Special Tax levy for CFD No. 1 Special Taxes for fiscal year 2011/12. Moved by Dill, second by Rafner. Carried unanimously.

Moved to approve the Annual Special Tax levy for CFD No. 2 Special Taxes for fiscal year 2011/12. Moved by Rafner, second by Dill. Carried unanimously

Resolution 11-01 to appoint Eric Dill and Carlos Estrella as alternates to the San Diego County Schools Risk Management JPA. Moved by Fausset, second by Rafner. Carried unanimously.

8. ADJOURNMENT OF MEETING

Moved by Dill, second by Rafner to adjourn the meeting at 2:46 p.m. Carried unanimously.

The next scheduled Board Meeting will be held on September 1, 2011 at the Solana Beach District Office. The District Office is located at 309 North Rios Avenue, Solana Beach, CA 92075.



CARMEL VALLEY

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ITEM 5A

SUBJECT: EXECUTIVE SUMMARY, FINANCIAL REPORTING THROUGH June 30, 2011

1. School fees/building permits for CFD No.1

For fiscal year 2010/11, school fees for 162 homes were paid. These fees are comprised of 60 single family homes in the Carriage Run and Bridle Ridge developments, and 102 multi-family homes in the Carmel Highland development.

2. Direct Master Plan school fee permits forecast:

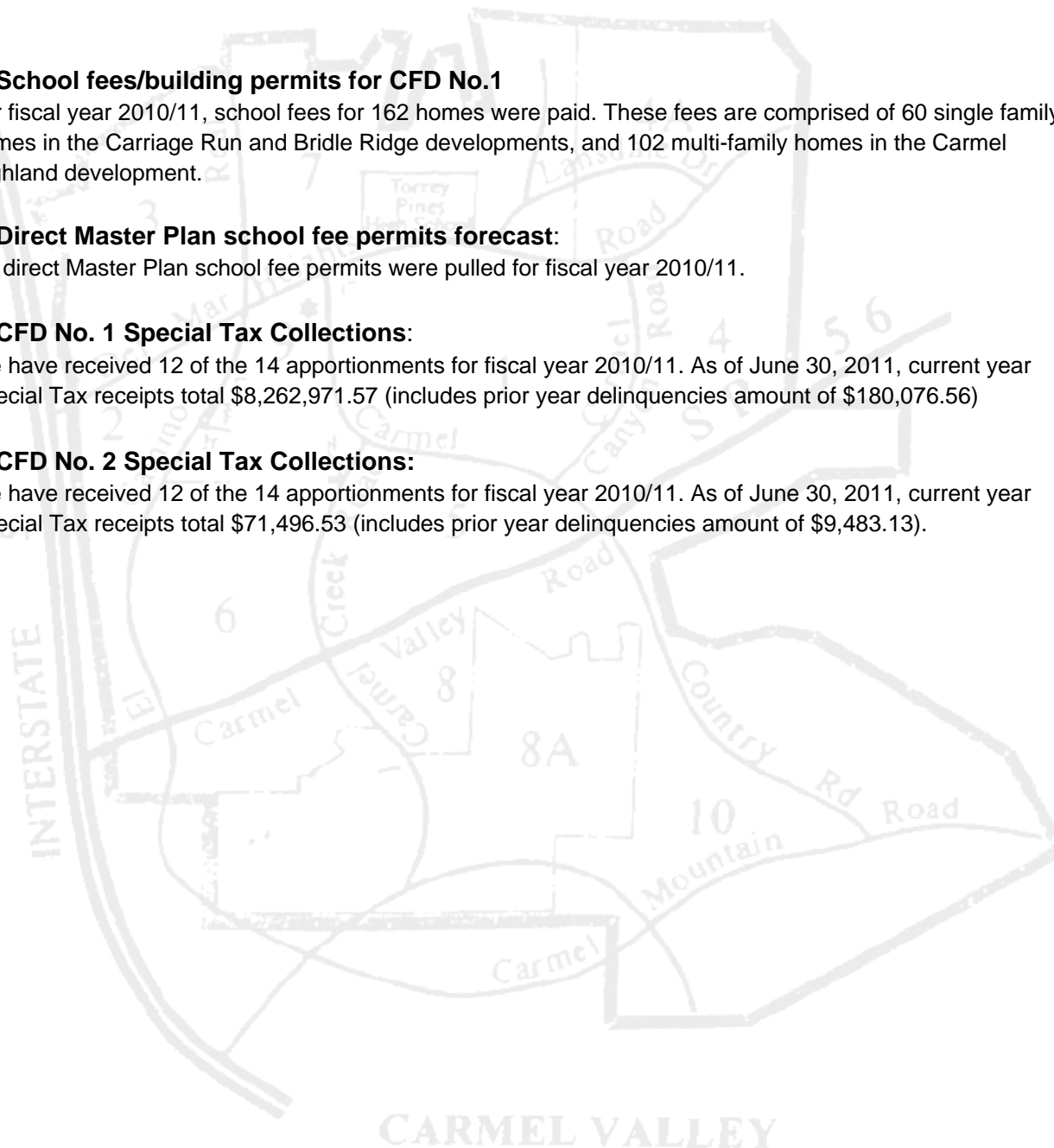
No direct Master Plan school fee permits were pulled for fiscal year 2010/11.

3. CFD No. 1 Special Tax Collections:

We have received 12 of the 14 apportionments for fiscal year 2010/11. As of June 30, 2011, current year Special Tax receipts total \$8,262,971.57 (includes prior year delinquencies amount of \$180,076.56)

4. CFD No. 2 Special Tax Collections:

We have received 12 of the 14 apportionments for fiscal year 2010/11. As of June 30, 2011, current year Special Tax receipts total \$71,496.53 (includes prior year delinquencies amount of \$9,483.13).



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ITEM 5B-1

CARMEL VALLEY RESIDENTIAL BUILDING PERMITS

Current Fiscal Year 2010-11
As of June 30, 2011

DATE	DEVELOPER	NGH	DEL MAR			SOLANA BEACH			C.V. TOTAL			ANNUAL	Project Name
			SF	MF	TOTAL	SF	MF	TOTAL	SF	MF	TOTAL	SPECIAL TAX	
7/8/10	Pardee Homes	10	6	-	6				6	0	6	\$ 6,447	Carriage Run 9-21
7/20/10	Pardee Homes		9		9				9	0	9	\$ 10,970	Bridle Ridge MBO
7/28/10	Pardee Homes		-	15	15				0	15	15	\$ 12,321	Carmel Highlands
9/1/10	Pardee Homes		4		4				4	0	4	\$ 4,185	Carriage Run 9-23-1
10/12/10	Pardee Homes		6		6				6		6	\$ 6,334	Carriage Run 9-22
10/21/10	Pardee Homes			15	15					15	15	\$ 12,321	Carmel Highlands
12/8/10	Pardee Homes		6		6				6		6	\$ 6,447	Carriage Run 9-23-
1/7/11	Pardee Homes			17	17					17	17	\$ 13,563	Carmel Highlands
2/8/11	Pardee Homes		9		9				9		9	\$ 9,501	Carriage Run 9-24 &
4/6/11	Pardee Homes			55	55					55	55	\$ 44,081	Carmel Highlands
5/23/11	Pardee Homes		12		12				12		12	\$ 12,668	Carriage Run 9-25 &
6/28/11	Pardee Homes		8		8				8		8	\$ 8,596	Carriage Run MBO
TOTAL			60	102	162	0	0	0	60	102	162	\$ 147,434	



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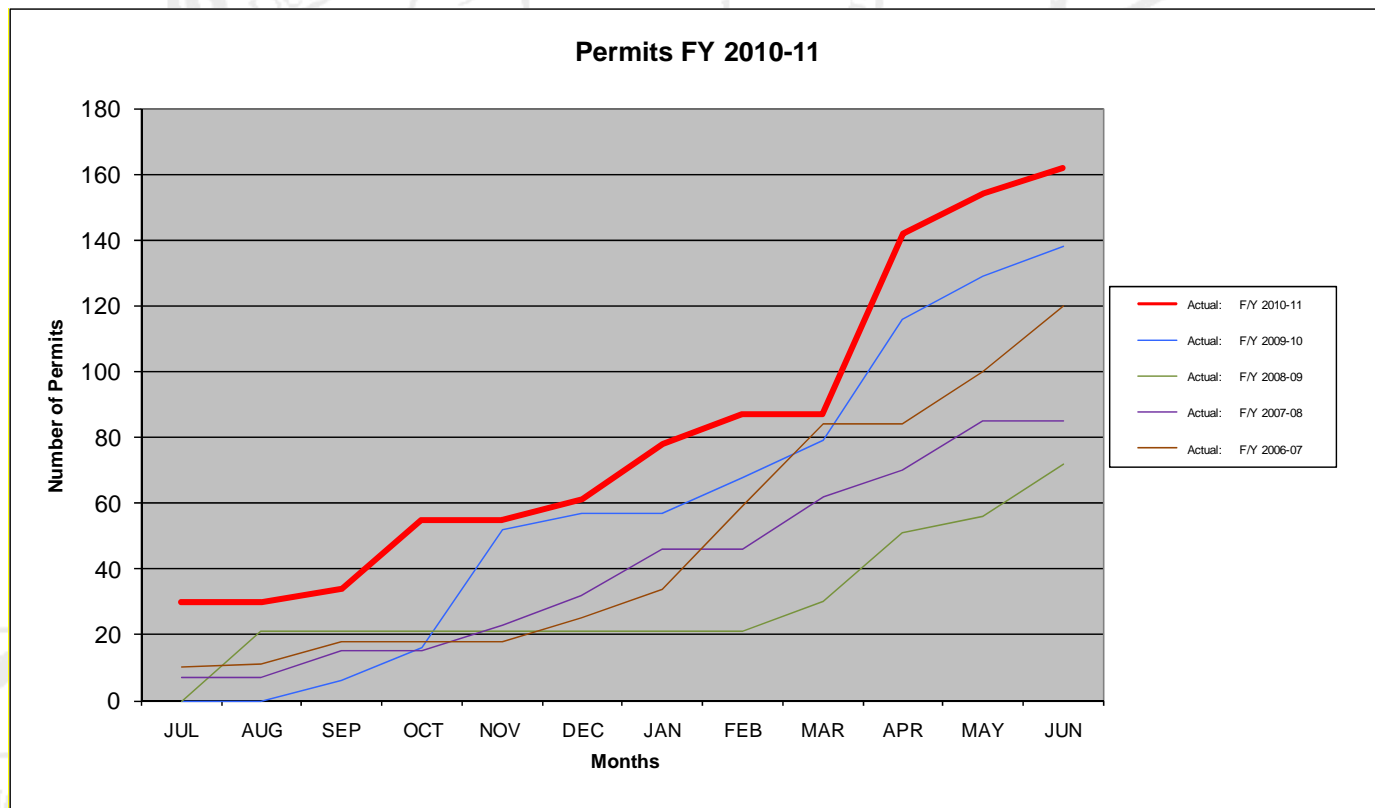
ITEM 5B-2

CARMEL VALLEY RESIDENTIAL BUILDING PERMITS

YEAR TO DATE TOTALS

Current Fiscal Year 2010-11

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Actual: F/Y 2010-11	30	30	34	55	55	61	78	87	87	142	154	162
Actual: F/Y 2009-10	0	0	6	16	52	57	57	68	79	116	129	138
Actual: F/Y 2008-09	0	21	21	21	21	21	21	21	30	51	56	72
Actual: F/Y 2007-08	7	7	15	15	23	32	46	46	62	70	85	85
Actual: F/Y 2006-07	10	11	18	18	18	25	34	59	84	84	100	120



CARMEL VALLEY

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ITEM 5C-1

FINANCIAL OVERVIEW

The financial overview consists of three parts:

ITEM 5C-1 - Summary of Current Funds Available for Future Projects

Shows funds on deposit as of the beginning of each fiscal quarter, less current fiscal year encumbrances, resulting in the balance of unencumbered funds available for future projects

Funds held in the San Diego County Treasury (through the S.D. County Office of Education).

- A. **Fund 77** (21-09): CFD No. 1 Special Tax Funds (\$2,400 and \$1,680 permit fees).
- B. **Fund 78** (21-10): CFD No. 1 Special Taxes collected by County of San Diego.
- C. **Fund 79** (35-00): Direct mitigation fees collected under the Master Plan.
and CFD No. 2 Special Taxes collected by the County of San Diego.
- D. **Fund 83** (21-25): Del Mar Neighborhood #8A School Site Fund
- E. **Fund 84** (21-25): Del Mar Neighborhood #8A School Construction Fund

Currently inactive funds: 76, 80, 81, 82

ITEM 5C-2 - Financial Status of Approved Projects

Shows the annual approved project budgets, the year to date project expenditures (by county fund or bonds), the percent of budget spent year to date, and the resulting unspent balance remaining for the fiscal year.



CARMEL VALLEY

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ITEM 5C-2

SUMMARY OF CURRENT FUNDS AVAILABLE FOR FUTURE PROJECTS

Current Fiscal Year 2010-11
As of June 30, 2011

	Aug 31,2010	Nov 30, 2010	Feb 28, 2011	April 30, 2011	June 30,2011
FUNDS ON DEPOSIT					
Fund 76, subordinate tax fund	\$ 6,151	\$ 6,163	\$ 6,173	\$ 6,183	\$ 6,183
Fund 77, CFD #1 devel fees & check acct	\$ 985,213	\$ 1,036,386	\$ 1,102,649	\$ 1,196,787	\$ 1,244,787
Fund 78, less semi-annual bond payments	\$ 2,054,046	\$ 2,704,599	\$ 4,902,538	\$ 5,844,131	\$ 8,362,214
Fund 79, Master Plan fees & CFD #2	\$ 77,371	\$ 73,902	\$ 73,282	\$ 76,669	\$ 55,293
Fund 80, SBSB #6 site	\$ -	\$ -	\$ -	\$ -	\$ -
Fund 81, La Costa Canyon	\$ -	\$ -	\$ -	\$ -	\$ -
Fund 82, SBSB #6 construction	\$ -	\$ -	\$ -	\$ -	\$ -
Fund 83, DMUSD #7 land	\$ 246,706	\$ 247,206	\$ 247,614	\$ 248,008	\$ 248,008
Fund 84, DMUSD #7 construction	\$ 2,501	\$ 2,506	\$ 2,510	\$ 2,514	\$ 2,514
1997C Bond Construction Fund	\$ -	\$ -	\$ -	\$ -	\$ -
2002 Subordinate Bonds (Spec. Account)	\$ 41,054	\$ 41,054	\$ 41,055	\$ 41,054	\$ 41,054
2005A & B Subordinate Bonds	\$ 5,807,450	\$ 7,897,611	\$ 7,904,433	\$ 7,905,711	\$ 7,906,480
Total Funds on Deposit	\$ 9,220,492	\$ 12,009,426	\$ 14,280,253	\$ 15,321,058	\$ 17,866,534
ENCUMBRANCES					
Carmel Valley Middle School Expansion	\$ 4,245,993	\$ 4,245,993	\$ 4,245,993	\$ 4,245,993	\$ 4,245,993
La Costa Canyon High School					
Torrey Pines H.S. C.S.R. addition					
Ashley Falls School					
Ashley Falls addition					
Sage Canyon School (Neighb. #10)					
Sage Canyon 8 Relocatables					
Del Mar School (Neighb. #8A) site	\$ 237,821	\$ 237,821	\$ 237,821	\$ 237,821	\$ 237,821
Del Mar School (Neighb. #8A) construct.					
Other Del Mar JPA Relocatables					
Solana Pacific School construction					
Administration	\$ 116,852	\$ 102,664	\$ 77,012	\$ 62,224	\$ 31,908
NCW JPA Reserve					
Total Encumbrances	\$ 4,600,666	\$ 4,586,477	\$ 4,560,826	\$ 4,546,038	\$ 4,515,722
SUMMARY					
Total Funds on Deposit	\$ 9,220,492	\$ 12,009,426	\$ 14,280,253	\$ 15,321,058	\$ 17,866,534
Encumbrances (current fiscal year)	\$ (4,600,666)	\$ (4,586,477)	\$ (4,560,826)	\$ (4,546,038)	\$ (4,515,722)
Unencumbered Funds Available	\$ 4,619,826	\$ 7,422,949	\$ 9,719,428	\$ 10,775,020	\$ 13,350,811

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ITEM 5C-3

FINANCIAL STATUS OF APPROVED PROJECTS

Current Fiscal Year 2010-11

As of June 30, 2011

		C.V. MIDDLE SCHOOL	DEL MAR ELEM. N #8A School	ADMIN.	TOTAL PROJECTS
F/Y 2010/11	L		\$ 237,821		\$ 237,821
BUDGET	C	\$ 4,245,993	\$ -	\$ 122,850	\$ 4,368,843

EXPEND.	L				
FUND 78	C				\$ -
EXPEND.	L				
FUND 79	C			\$ 90,942	\$ 90,942
EXPEND.	L				\$ -
FACIL. FUND.	C				\$ -
TOTAL	L				\$ -
EXPEND.	C	\$ -	\$ -	\$ 90,942	\$ 90,942

PERCENT	L		0.0%		
OF BUDGET	C	0.0%	0.0%	74.0%	

BALANCE	L		\$ 237,821	\$ -	\$ 237,821
REMAINING	C	\$ 4,245,993	\$ -	\$ 31,908	\$ 4,277,901

L = Land purchase

C = Construction/Operations

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ITEM 5D

INCOME TO DATE, Funds 76, 77, 78, 79, 80, 81, 82, 83, & 84

Current Fiscal Year 2010-11

DATE	ITEM NO.	SOURCE	FUND 77 (21-09)		FUND 78 (21-10)			FUND 79 (35-00)				FUND 76 (21-62)	FUNDS (21-25)
			PERMIT INCOME	INTEREST INCOME	TAX APPN. INCOME	INTEREST INCOME	MISC. INCOME	TAX APPN. INCOME	INTEREST INCOME	PERMIT INCOME	MISC. INCOME	INTEREST INCOME	80, 81, 82, 83 & 84 INCOME
7/12/10	CK	Deposit Permit	14,400.00										
7/16/10	CT	County Int, 100% 6/30/10		1,789.89		13,463.15			200.39			12.55	508.31
7/20/10	CK	Deposit Permit	21,600.00										
7/21/10	CT	Apportionment #14			32,659.88								
7/29/10	CK	Deposit Permit	25,200.00										
8/10/10	CT	Apportionment #1			10,609.41								
9/1/10	CK	Deposit Permit	9,600.00										
9/2/10	CT	Apportionment #2			37,800.29								
9/2/10	CT	Apportionment Adjustment											
10/4/10	CT	Apportionment #3			40,486.60			9,262.45					
10/4/10	CT	Apportionment Adjustment						5.20					
10/12/10	CK	Deposit Permit	14,400.00										
10/19/10	CT	Interest		1,972.90		7,364.11			159.86			12.45	504.51
10/22/10	CK	Deposit Permit	25,200.00										
11/2/10	CT	Apportionment #4			564,901.35			3,296.60					
11/2/10	CT	Apportionment Adjustment						(186.60)					
12/3/10	CT	Apportionment #5			1,107,282.90			6,842.00					
12/8/10	CK	Deposit Permit	14,400.00										
1/7/11	CT	Apportionment #6			2,823,745.27			23,025.49					
1/7/11	CK	Deposit Permit	28,560.00										
1/19/11	CT	Interest		1,703.46		4,630.10			125.29			10.17	411.90
2/7/11	CT	Apportionment # 7			194,151.62			3,120.94					
2/8/11	CK	Deposit Permit	21,600.00										
3/7/11	CT	Apportionment #8			327,963.62			5,598.00					
4/5/11	CT	Apportionments #9			605,287.81			3,110.00					
4/6/11	CK	Deposit Permit	92,400.00										
4/22/11	CT	Interest		1,738.13		8,341.67			124.24			9.83	398.25
5/2/11	CT	Apportionment # 10			2,374,231.02			15,556.45					
5/23/11	CK	Deposit Permit	28,800.00										
6/7/11	CT	Apportionment # 11			98,861.76			1,866.00					
6/28/11	CK	Deposit Permit	19,200.00										
6/28/11	CT	Apportionment # 12			44,990.04								
YEAR TO DATE TOTAL INCOME			\$315,360.00	\$7,204.38	\$8,262,971.57	\$33,799.03	\$0.00	\$71,496.53	\$609.78	\$0.00	\$0.00	\$45.00	\$1,822.97
FORECAST TOTAL INCOME			\$293,520.00		\$8,154,052.00			\$64,688.00		\$0.00			
FORECAST YEAR TO DATE INCOME			\$270,941.54		\$7,526,817.23			\$59,712.00		\$0.00			
PERCENT COLLECTED YEAR TO DATE			107.4%		101.3%			110.5%		NA			

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ITEM 5E

**Expenditures
Current Fiscal Year 2010-11**

DATE	VENDOR	PURPOSE	WARRANT / SOURCE	EXPENDITURES					
				FUND 78	F. FUND AGR Funds 83 & 84	FUND 79	FUND 79 ADMIN	CFD BONDS	TOTAL EXPEND.
07/15/10	US Bank	Administrative Services	12-800990				1,600.00		\$1,600.00
07/20/10	Best Best Krieger	Legal Services	12-802028				621.00		\$621.00
07/27/10	US Bank	DS For 9/1/10	12-804348	5,613,174.88					\$5,613,174.88
07/27/10	AT&T	Phone service	12-804349				101.00		\$101.00
08/16/10	Best Best Krieger	Legal Services	12-809909				575.34		\$575.34
08/16/10	Koppel & Gruber	Professional Services	12-809910				3,000.00		\$3,000.00
08/27/10	AT&T	Phone service	12-814081				101.05		\$101.05
09/16/10	US Bank	Administrative Services	12-820410				4,000.00		\$4,000.00
10/07/10	AT&T	Phone service	12-828030				101.00		\$101.00
10/07/10	Bond Logistix LLC	Interim Arbitrage	12-828031				1,500.00		\$1,500.00
10/07/10	Bond Logistix LLC	Interim Arbitrage	12-828031				1,500.00		\$1,500.00
10/12/10	US Bank	Administrative Services	12-830222				2,500.00		\$2,500.00
10/12/10	Wilkinson Hadley King	Audit	12-830223				2,500.00		\$2,500.00
10/26/10	Wilkinson Hadley King	Audit	12-836225				1,975.00		\$1,975.00
10/31/10	Internal Transfer	Gen Liab Insurance	Debit				250.00		\$250.00
10/31/10	Internal Transfer	Prop & Liab for SELF	Debit				1,750.00		\$1,750.00
11/05/10	AT&T	Phone service	12-840367				111.84		\$111.84
12/07/10	AT&T	Phone service	12-851368				100.87		\$100.87
01/12/11	AT&T	Phone service	12-863322				111.50		\$111.50
01/31/11	AT&T	Phone service	12-871250				130.50		\$130.50
01/31/11	US Bank	DS For 1/31/2011	12-804348	1,931,870.73					\$1,931,870.73
01/31/11	Willdan Financial	Administrative Services	12-871251				16,087.80		\$16,087.80
01/31/11	Office Of Education	Off of Education Services	Debit				8,081.00		\$8,081.00
03/08/11	Del Mar School District	Demography study	12-884690				13,037.05		\$13,037.05
03/08/11	AT&T	Phone service	12-884689				87.48		\$87.48
03/08/11	Solana Beach School District	CASH Conference	12-884691				744.88		\$744.88
04/07/11	AT&T	Phone service	12-897004				167.72		\$167.72
04/21/11	John Addleman	CASH Conference reimbursement	12-902771				627.16		\$627.16
04/21/11	San Dieguito HS	CASH Conference	12-902772				790.00		\$790.00
04/21/11	Solana Beach School District	Reimbursement for Fedex	12-902773				72.26		\$72.26
05/18/11	Best Best Krieger	Legal Services	12-914004				851.00		\$851.00
05/23/11	AT&T	Phone service	12-916125				195.33		\$195.33
06/07/11	Willdan Financial	Administrative Services	12-921129				21,799.85		\$21,799.85
06/07/11	San Dieguito HS	Demography study	12-921130				5,008.88		\$5,008.88
06/16/11	Solana Beach School District	CASH Conference	12-926302				790.00		\$790.00
06/28/11	AT&T	Phone service	12-932072				72.28		\$72.28
Total Expenditures To Date:				7,545,045.61	-	-	90,941.79	-	\$7,635,987.40

North City West School Facilities Financing Authority

Directors:

Leslie Fausset, Chairperson, Solana Beach School District
Eric Dill, Vice Chairperson, San Dieguito Union High School District
Doug Rafner, Director, Del Mar Union School District
Mark Risco, Executive Director and Board Secretary

ITEM 7A

SUBJECT: Approve contract for the FY 2010-11 NCW JPA annual independent audit with Wilkinson Hadley & Co., LLP.

BACKGROUND: Mr. P. Robert Wilkinson, CPA, of Wilkinson Hadley has been the JPA/CFD independent auditor for many years. Mr. Michael Mears has been the lead auditor for over ten years, leading staff auditors in the research, analysis and preparation of the financial reports.

The NCW JPA/CFD administration is pleased with the service, thoroughness and consistency of the audit project and recommends placing the next fiscal year's audit contact with Wilkinson Hadley.

Their proposal will be available at the meeting.

FISCAL IMPACT: Not to exceed \$4,900.

RECOMMENDATION: Approve the contract with Wilkinson Hadley & Co., LLC, as the independent audit firm for FY 2010-11.



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

218 W. Douglas Avenue • El Cajon, CA 92020
Tel. (619) 447-6700 • Fax (619) 447-6707

Aubrey W. King, CPA
Richard K. Savage, CPA

August 17, 2011

Mark Risco
Executive Director
North City West School Facilities Financing Authority
27368 Via Industria, Suite 110
Temecula, Ca. 92590

We are pleased to confirm our understanding of the services we are to provide North City West School Facilities Financing Authority (Authority) for the year ended June 30, 2011. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Authority as of and for the year ended June 30, 2011.

Accounting standards generally accepted in the United States provide for certain required supplementary information, such as management's discussion and analysis (MD&A) to supplement the Authority's 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. As part of our engagement, we will apply certain limited procedures to the Authority's required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following required supplementary information is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and will include tests of the accounting records of the Authority and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will discuss the reasons with you in advance. If for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the Authority is subject to an audit requirement that is not encompassed in the terms of the engagement, we will communicate to management and those charged with governance that an audit in accordance with United States generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority and the respective changes in financial position in conformity with United States generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government unit involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government unit received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Authority complies with applicable laws, regulations, contracts, agreements, and grants, for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent reporting or misappropriation of assets that come to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures – Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements.

Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants; however, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Engagement Administration, Fees and Other

We understand that your employees will locate any documents selected by us for testing. The audit documentation for this engagement is the property of Wilkinson Hadley King & Co., LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the San Diego County Office of Education or its designee, or the United States Accountability Office for purposes of a quality review of the audit, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Wilkinson Hadley King & Co., LLP personnel.

Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others including other government agencies. The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the San Diego County Office of Education.

Our fee for these services will be at our standard hourly rates, plus out-of-pocket costs, except that we agree that our gross fee, including expenses, will not exceed \$4,900. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full.

If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. This above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We understand that if any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the San Diego Office of the American Arbitration Association under its Commercial Mediation Rules, before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties. If we are unable to resolve the dispute through mediation, the parties agree to submit to a resolution by arbitration in accordance with the rules of the American Arbitration Association; such arbitration shall be binding and final. Upon receipt of arbitration award, the prevailing party reserves the right to file a conformation of arbitration award in the appropriate court of competent jurisdiction. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury, and instead we are accepting the use of arbitration for resolution.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2009 peer review report accompanies this letter.

North City West School Facilities Financing Authority
August 17, 2011
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We appreciate the opportunity to be of service to the North City West School Facilities Financing Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Wilkinson Hadley King & Co., LLP

Wilkinson Hadley King & Co. LLP

Response:

This letter correctly sets forth the understanding of the North City West Facilities Financing Authority.

By: _____

Title: _____