



309 North Rios Avenue
Solana Beach, California
92075

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BOARD OF DIRECTORS

Eric Dill,
Chairperson,
San Dieguito Union High
School District

Doug Rafner,
Vice Chairperson,
Del Mar Union School
District

Terry Decker,
Director,
Solana Beach School
District

Mark Risco,
Executive Director and
Board Secretary

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

March 14, 2017 Del Mar Union School District Office
11232 El Camino Real San Diego, CA 92130

1:00 p.m. Phone: (858) 523-6198

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:

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

AGENDA

<u>Items</u>	<u>Page No.</u>
1. CALL TO ORDER	
2. PLEDGE OF ALLEGIANCE	
3. APPROVAL OF AGENDA	1-2
4. APPROVAL OF MINUTES	3-7
A. Regular meeting, December 8, 2016	
B. Special meeting, January 10, 2017	
5. PUBLIC COMMENT	
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.	
6. ADJOURNMENT INTO CLOSED SESSION	
A. Conference with Legal Counsel – Potential Litigation (Government Code Section 54956.9(d)(4).)	
• One Case- Potential litigation.	
7. FINANCIAL REPORTS	8-16
The following reports record the routine business of the JPA/CFD for Fiscal Year 2016-17. Members of the Board, the administration or the public may request that specific items be discussed prior to their acknowledgement.	
A. Executive Summary	
B. Building Permit Activity	
C. Financial Overview	
D. Income (through December 2016)	
E. Expenditures (through December 2016)	

North City West School Facilities Financing Authority

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F. Trust Fund Investments

8. EXECUTIVE DIRECTOR'S REPORT

- A. Delinquency Management Update
- B. FY 2016-17 Master Plan Update letter
- C. Independent financial audit for FY 2015-16.

9. ACTION ITEMS

- A. Approve Fiscal Year 2016-17 NCWSFFA Master Plan Annual Review & Update Letter. 17
- B. Accept and file North City West School Facilities Financing Authority Financial Statements for the year ended June 30, 2016. 18

10. DISCUSSION ITEMS

- A. Master Plan amendment.
- B. Cost overrun analysis.

11. ADJOURNMENT

The next scheduled Board Meeting will be held on June 8, 2017 at the Solana Beach District Office. The District Office is located at 309 North Rios Avenue, Solana Beach, CA. 92075



CARMEL VALLEY

North City West School Facilities Financing Authority

Directors:

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

ITEM 4A

MINUTES

The Directors of the **North City West School Facilities Financing Authority** and Community Facilities District Nos. 1, 2 & 3 of the North City West School Facilities Financing Authority held a **Regular Meeting** on **December 8, 2016** at Solana Beach School District Offices, 309 North Rios Avenue, Solana Beach, CA, 92075. (The letters "NCW" 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 District Nos. 1, 2 & 3).

1. CALL TO ORDER

The meeting was called to order by Chairperson Dill at 1:05 p.m.

ROLL CALL

Directors: Eric Dill, Board Chairperson, San Dieguito Union High School District
Doug Rafner, Vice Chairperson, Del Mar Union School District
Terry Decker, Solana Beach School District

Quorum Achieved

Other Personnel, Member Districts:

Lisa Davis, Solana Beach School District
John Alder, San Dieguito Union School District
Holly McClurg, Director, Del Mar Union School District
Caroline Brown, Solana Beach School District
Cathy Birks, Del Mar Union School District

Administration:

Mark Risco, Secretary & Executive Director, Willdan Financial Services
Gladys Medina, Willdan Financial Services
Bob Quaid, Willdan Financial Services

Guests:

Ty Dorward, Best Best & Krieger.
Warren Diven, Best Best & Krieger.
Wendy Wiles, Bowie Arneson on behalf of Del Mar Union School District.

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF AGENDA

Moved by Director Rafner, seconded by Director Decker to approve the December 8, 2016 agenda
Ayes: Dill, Rafner, Decker. Motion Carried: 3:0:0

4. APPROVAL OF MINUTES

Moved by Director Decker, seconded by Director Rafner to approve the minutes for the 9-8-16 Regular Meeting minutes.
Ayes: Dill, Rafner, Decker. Motion Carried: 3:0:0

North City West School Facilities Financing Authority

Directors:

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Terry Decker, Director, Solana Beach School District
Mark Risco, Executive Director and Board Secretary

5. PUBLIC COMMENT

There were no comments from the public.

6. ADJOURNMENT INTO CLOSED SESSION

Chairperson Eric Dill adjourned to closed session at 1:06 p.m.

A. Conference with Legal Counsel – Potential Litigation with Kilroy Development.

- The Board and Ty Doward from Best Best & Krieger discussed potential options for Kilroy Development direct deposit fees challenge.

Chairperson Eric Dill adjourned from closed session and reconvened open session at 1:57 p.m.

7. FINANCIAL REPORTS

- Authority is solid financially.
- No Building Permits have been pulled for FY 2016-17.

8. EXECUTIVE DIRECTOR'S REPORT

- There were very low delinquencies, CFD 1 and CFD 2 has a delinquency rate of just under .01%.
- Financial audit for FY 2015-16 was just concluded. No issues were presented. The audit report is being prepared.

9. ACTION ITEMS

- A.** Motion by Director Decker, seconded by Director Rafner to accept and file the Series 2002 Interim Arbitrage Rebate Analysis through September 2, 2016.
Ayes: Dill, Rafner, Decker. Motion Carried: 3:0:0
- B.** Motion by Director Rafner, seconded by Director Decker to accept and file the Series 2005A, 2005B, and 2006C Interim Arbitrage Rebate Analysis through September 1, 2016.
Ayes: Dill, Rafner, Decker. Motion Carried: 3:0:0

10. FACILITIES WORKSHOP

- A.** Discussion of future school facilities needs by member agencies.
- Warren Diven with Best Best and Krieger clarified the limits of what school facilities could be financed through the Facilities Financing Agreement and the original NCW Master Plan, which has not been modified based on his research.
 - CFD 1 allowable facilities were limited to specific facilities. CFD 2 allowable facilities were more broad allowing for rehabilitation. All the CFD 1 facilities were those listed in the Master Plan and have been completed expect for the Carmel Valley middle school expansion. Only the CFD 2 funds can be used for the additional broadly described school facilities.
 - Any change to CFD 1 allowable facilities would require a 2/3 approval of registered voters in CFD 1.

North City West School Facilities Financing Authority

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- The Facilities Funding Agreement has no restrictions on the use of the cost overrun monies paid from CFD 1 funds back to the member school districts.
- Board members requested options for accessing additional CFD 1 funds for needed expansion at the elementary schools and/or replacement of the aged relocatables.
- State standards of 60% of the permanent classrooms and 40% of the relocatable classrooms were authorized for CFD 1.
- The NCWSFFA Master Plan may be amended by the Board without a public election to increase the percentage of permanent classroom facilities or replace portable facilities but the amendment would need to be presented to the City of approval.
- Best Best and Krieger will draft the amendment to the Master Plan to broaden the allowable facilities or propose presenting the modifications in the annual Master Plan update to the City.
- Willdan will send a copy of the FY 2016-17 Master Plan review letter to all Board members and Warren Diven.
- A special meeting will be scheduled to approve the pending amendment to the Facilities Funding Agreement that will allow advanced funding of existing cost overruns.

11. ADJOURNMENT OF MEETING

Moved by Director Rafner, seconded by Terry Decker to adjourn meeting.

Ayes: Decker, Rafner, Dill. Motion Carried: 3:0:0.

Chairperson Dill adjourned the meeting at 2:58 P.M.

The next Regular Board Meeting will be on March 9, 2017 at the Solana Beach District Office. The District Office is located at 309 North Rios Avenue, Solana Beach, CA. 92075.



CARMEL VALLEY

North City West School Facilities Financing Authority

Directors:

Eric Dill, Chairperson, San Dieguito Union High School District
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Mark Risco, Executive Director and Board Secretary

ITEM 4B

MINUTES

The Directors of the **North City West School Facilities Financing Authority** and Community Facilities District Nos. 1, 2 and 3 of the North City West School Facilities Financing Authority held a **Special Meeting** on **January 10, 2017** at Solana Beach School District Offices, 309 North Rios Avenue, Solana Beach, CA, 92075. (The letters "NCW" 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 District Nos. 1, 2 & 3).

1. CALL TO ORDER

The meeting was called to order by Chairperson Dill at 2:31 p.m.

ROLL CALL

Directors: Eric Dill, Board Chairperson, San Dieguito Union High School District
Doug Rafner, Vice Chairperson, Del Mar Union School District
Terry Decker, Solana Beach School District

Quorum Achieved

Other Personnel, Member Districts:

John Alder, Alternate Director -San Dieguito Union School District
Lisa Davis, Alternate Director -Solana Beach School District
Holly McClurg, Alternate Director, Del Mar Union School District
Caroline Brown, Solana Beach School District
Cathy Birks, Del Mar Union School District

Administration: Gladys Medina, Willdan Financial Services
Bob Quaid, Willdan Financial Services

Guests: Warren Diven, Best Best & Krieger.

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF AGENDA

Moved by Director Rafner, seconded by Director Decker to approve the January 10, 2017 agenda
Ayes: Dill, Rafner, Decker. Motion Carried: 3:0:0

4. ACTION ITEMS

A. First Amendment to the Facilities Financing Agreement (FFA).

- Discussion between Board members on the allocation of overrun funds.
- Overrun funds are currently held till the Carmel Valley Middle School expansion is complete.

North City West School Facilities Financing Authority

Directors:

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- The First Amendment to the FFA will release funds immediately upon encumbrance of the funds to complete the Carmel Valley middle school expansion and verification by Willdan of cost overruns by the other member districts.
- San Dieguito and Solana Beach overruns currently determined. Additional demography data is need to complete the Del Mar overrun amount.
- Warren Diven stated that the allocation of NCW students to Ocean Air may be a Board policy decision considering the changing student population at the school over the years.

Moved by Director Decker, seconded by Director Rafner to approve the First Amendment to Facilities Financing Agreement.

Ayes: Dill, Rafner, Decker. Motion Carried: 3:0:0

11. ADJOURNMENT OF SPECIAL MEETING

Moved by Director Decker, seconded by Director Rafner to adjourn meeting.

Ayes: Decker, Rafner, Dill. Motion Carried: 3:0:0.

Chairperson Dill adjourned the meeting at 2:43 P.M.

The next Regular Board Meeting will be on March 9, 2017 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 7A

EXECUTIVE SUMMARY, FINANCIAL REPORTING THROUGH December 31, 2016

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

For Fiscal Year 2016/17, school fees for zero (0) homes were paid.

2. Direct Master Plan school fee permits forecast:

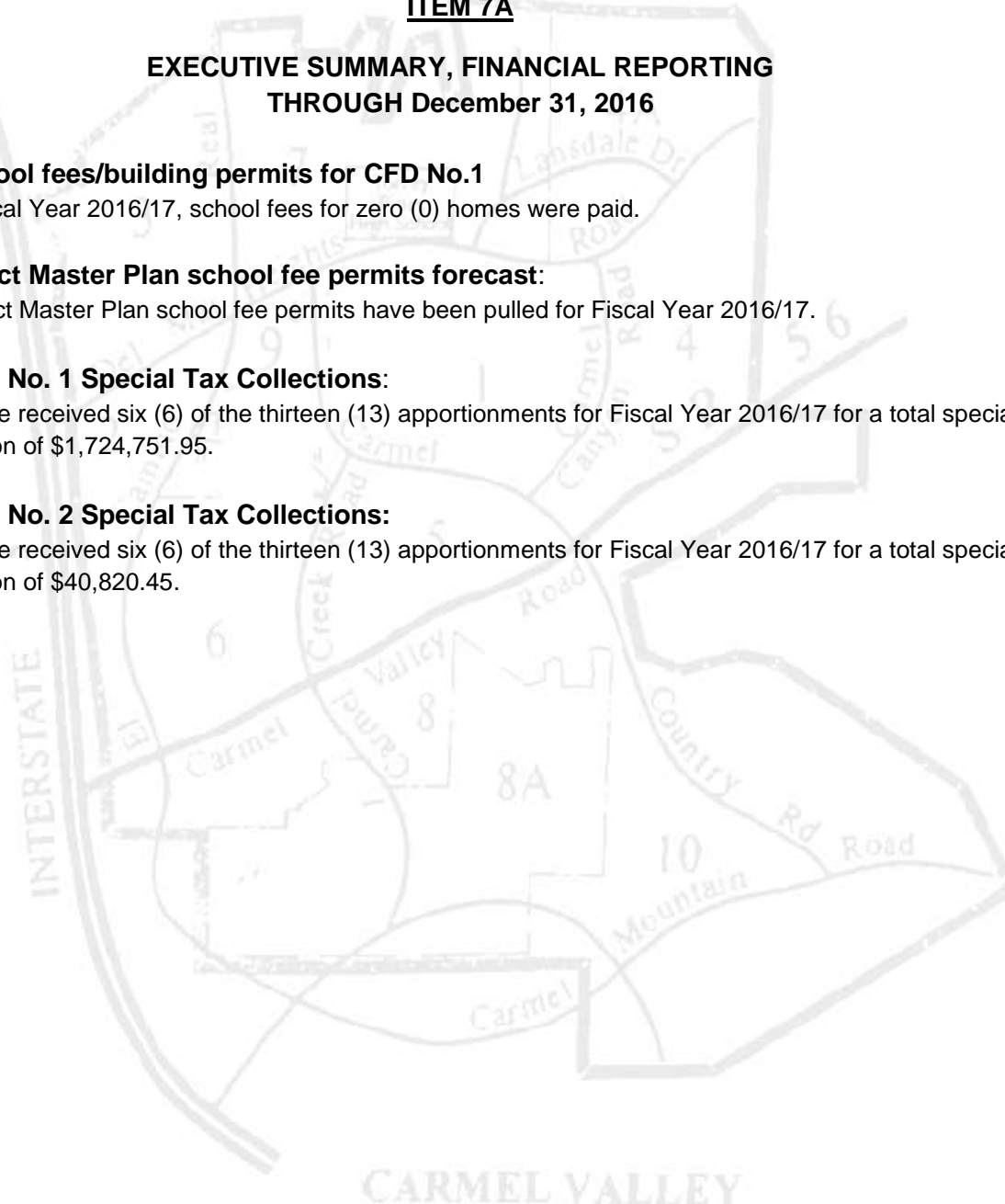
No direct Master Plan school fee permits have been pulled for Fiscal Year 2016/17.

3. CFD No. 1 Special Tax Collections:

We have received six (6) of the thirteen (13) apportionments for Fiscal Year 2016/17 for a total special tax collection of \$1,724,751.95.

4. CFD No. 2 Special Tax Collections:

We have received six (6) of the thirteen (13) apportionments for Fiscal Year 2016/17 for a total special tax collection of \$40,820.45.



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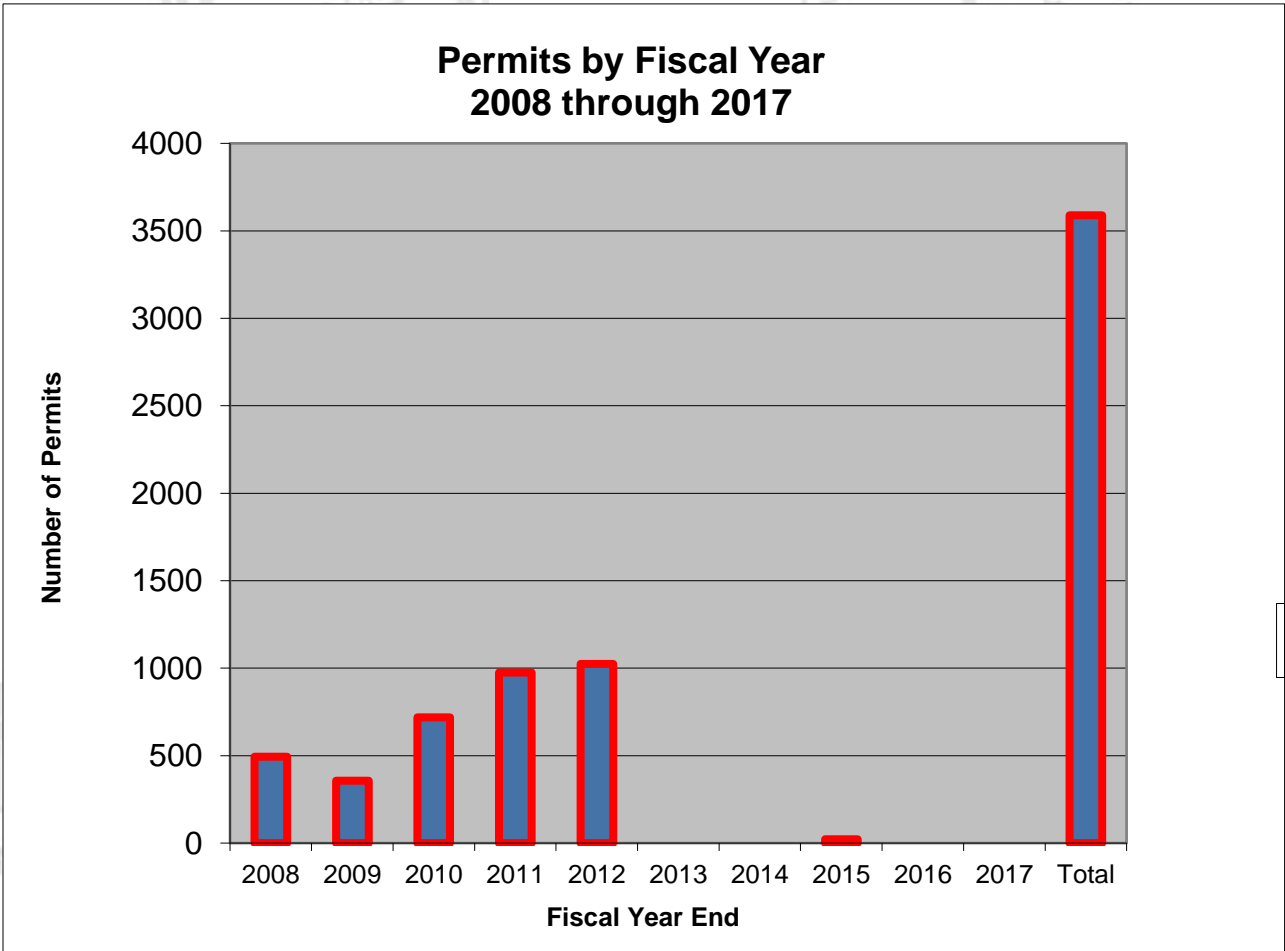
ITEM 7B-2

CARMEL VALLEY RESIDENTIAL BUILDING PERMITS

YEAR TO DATE TOTALS

Through December 31, 2016

FYE	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Actual:	493	356	718	975	1024	0	0	22	0	0	3588



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ITEM 7C

FINANCIAL OVERVIEW

The financial overview consists of three parts:

ITEM 7C-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 18** (25-18): Direct Deposit Capital Facilities/Mitigation Fees collected under Master Plan.
- B. **Fund 77** (21-09): CFD No. 1 Special Tax Funds.
- C. **Fund 78** (21-10): CFD No. 1 Special Taxes collected by County of San Diego.
- D. **Fund 79** (35-00): CFD No. 2 Special Taxes collected by the County of San Diego.
- E. **Fund 83** (21-25): Del Mar Neighborhood #8A School Site Fun
- F. **Fund 84** (21-25): Del Mar Neighborhood #8A School Construction Fund
- G. **Fund 85** (21-39): Carmel Valley Middle School Expansion Fund

Currently inactive funds: 76, 80, 81, 82

ITEM 7C-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.

North City West School Facilities Financing Authority

Directors:

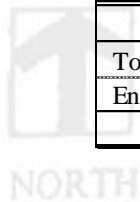
Eric Dill, Chairperson, San Dieguito Union High School District
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ITEM 7C-1

SUMMARY OF CURRENT FUNDS AVAILABLE FOR FUTURE PROJECTS

*Current Fiscal Year 2016-17
 As of December 31, 2016*

	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016
FUNDS ON DEPOSIT			
Fund 18, Mitigation Fees	\$ -	\$ 287,810	\$ 289,751
Fund 76, subordinate tax fund	6,270	6,298	6,340
Fund 77, CFD #1 devel fees & check acct	1,522,714	1,305,660	1,314,467
Fund 78, CFD #1 Special Tax Fund	7,146,294	8,184,720	9,161,122
Fund 79, Master Plan fees & CFD #2	49,589	74,212	74,536
Fund 80, SBSB #6 site	-	-	-
Fund 81, La Costa Canyon	-	-	-
Fund 82, SBSB #6 construction	-	-	-
Fund 83, DMUSD #7 land	85,200	85,570	75,962
Fund 84, DMUSD #7 construction	4	4	4
2002 Bonds Special fund	41,054	41,054	41,054
2005A & B Bonds Project Fund	4,713,402	4,719,383	4,734,180
Total Unrestricted Funds on Deposit	\$ 13,564,528	\$ 14,704,712	\$ 15,697,418
ENCUMBRANCES			
Carmel Valley Middle School Expansion	\$ 5,525,448	\$ 5,586,098	\$ 5,586,098
Del Mar School (Neighb. #8A) site	72,852	72,852	72,852
Administration	170,471	69,381	79,041
Next Debt Service on Bonds	1,471,765	1,370,015	1,262,475
NCW JPA Reserve			
Total Encumbrances	\$ 7,240,536	\$ 7,098,346	\$ 7,000,466
SUMMARY			
Total Unrestricted Funds on Deposit	\$ 13,564,528	\$ 14,704,712	\$ 15,697,418
Encumbrances (current fiscal year)	\$ (7,240,536)	\$ (7,098,346)	\$ (7,000,466)
Unencumbered Funds Available	\$ 6,323,993	\$ 7,606,366	\$ 8,696,952



CARMEL VALLEY

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ITEM 7C-2

FINANCIAL STATUS OF APPROVED PROJECTS

Current Fiscal Year 2016-17
 As of December 31, 2016

		C.V. MIDDLE SCHOOL	DEL MAR ELEM. N #8A School	TOTAL PROJECTS
F/Y 2016/17	L		\$ 75,962	\$ 75,962
ENCUMBERED	C	\$ 5,586,098	\$ -	\$ 5,586,098
EXPEND.	L		\$ -	\$ -
FUND 83	C			
EXPEND.	L			
FUND 85	C			
EXPEND.	L			
FACIL. FUND.	C			
TOTAL	L	\$ -	\$ -	\$ -
EXPEND.	C	\$ -	\$ -	\$ -
PERCENT	L		0.0%	
OF BUDGET	C	0.0%	0.0%	
BALANCE	L		\$ 75,962	\$ 75,962
REMAINING	C	\$ 5,586,098	\$ -	\$ 5,586,098
L = Land purchase				
C = Construction/Operations				

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ITEM 7D

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

*Current Fiscal Year 2016-17
 As of December 31, 2016*

			FUND 18 (25-18)		FUND 77 (21-09)		FUND 78 (21-10)			FUND 79 (35-00)		FUND 76 (21-62)		FUNDS (21-00,25)
DATE	ITEM NO.	SOURCE	MITIGATION INCOME	INTEREST INCOME	PERMIT INCOME	INTEREST INCOME	TAX APPN. INCOME	INTEREST INCOME	MISC. INCOME	TAX APPN. INCOME	INTEREST INCOME	INTEREST INCOME	80, 81, 82, 83 & 84 INCOME	
07/07/16	CT	MKS 50% Reimbursement for CFD 3							16,877.22					
07/19/16	CT	Apportionment #13					\$ 37,116.53							
07/20/16	CT	County Int, 100% 6/30/16		413.80		1,877.22		17,815.18			74.80	9.05	109.45	
8/9/16	CT	Apportionment #1					\$ -			\$ -				
9/6/16	CT	Apportionment #2					\$ 5,168.74							
10/4/16	CT	Apportionment #3					\$ 6,269.65							
10/19/16	CT	County Int, 100% 9/30/16		630.39		2,859.81		23,005.27			129.30	13.79	165.28	
11/1/16	CT	Apportionment #4					\$ 195,915.26			\$ 1,860.80				
12/6/16	CT	Apportionment #5					\$ 1,480,281.77			\$ 13,248.60				
YEAR TO DATE TOTAL INCOME			\$ -	\$ 1,044.19	\$ -	\$ 4,737.03	\$ 1,724,751.95	\$ 40,820.45	\$ -	\$ 15,109.40	\$ 204.10	\$ 22.84	\$ 274.73	
FORECAST TOTAL INCOME			\$ -		\$ -		\$ 8,415,513.61			\$ 69,962.48				
PERCENT COLLECTED YEAR TO DATE							20.5%			21.6%				



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ITEM 7E

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

Current Fiscal Year 2016-17
 As of December 31, 2016

DATE	VENDOR	PURPOSE	WARRANT / SOURCE	(21-10) FUND 78 54904 ADMIN	(35-00) FUND 79 54907 ADMIN	TOTAL ADMIN	(21-10) Semi-Anl Paym. 54904 Int. & Principal
07/29/16	US Bank	(Annual Trustee Fees FY 2016/17)(Series 2012A)	6283911	2,400.00		\$ 2,400.00	
07/29/16	US Bank	(Annual Trustee Fees FY 2016/17)(Series 2006C)	6283911	3,062.50		\$ 3,062.50	
08/10/16	AT&T	Jul 11-Aug 10	6285489	46.48		\$ 46.48	
08/18/16	US BANK CORPORATE TRUST	SEPTEMBER 1, 2016 DEBT SERVICE PAYMENT (SERIES 2012A)	6288824			\$ -	1,256,478.14
08/18/16	US BANK CORPORATE TRUST	SEPTEMBER 1, 2016 DEBT SERVICE PAYMENT (SERIES 2005B)	6288825			\$ -	1,737,630.20
08/18/16	US BANK CORPORATE TRUST	SEPTEMBER 1, 2016 DEBT SERVICE PAYMENT (SERIES 2006C)	6288826			\$ -	2,890,864.25
08/24/16	San Deiguito USHD	FY 2015-16 Demographic Study Reimbursement	6288821	4,674.24		\$ 4,674.24	
08/29/16	AT&T	Aug 11-Sept 10	6291791	56.48		\$ 56.48	
08/29/16	Best Best & Krieger	General Counsel June 30, 2016	6291803	345.00		\$ 345.00	
08/29/16	Best Best & Krieger	CFD Formation Services June 30, 2016	6291802	130.50		\$ 130.50	
08/29/16	Solana Beach SD	FY 2015-16 Demographic Study Reimbursement	6292068	3,495.25		\$ 3,495.25	
08/29/16	SD County School Risk JPA	FY 2016-17 JPA P&L Insurance Contribution	6290933	4,145.00		\$ 4,145.00	
11/09/16	AT&T	Monthly Service - Sept 11 thru Nov 10	6312366	108.37		\$ 108.37	
11/09/16	Best Best & Krieger	Services Rendered through August 31, 2016 (General Counsel)	6312387	1,482.34		\$ 1,482.34	
11/09/16	US Bank (Annual Trustee Fees FY	Annual Trustee Fees 2016/2017	6312837	2,700.00		\$ 2,700.00	
12/12/16	AT&T	Monthly Service - Nov 11 thru Dec 10	6329000	48.47		\$ 48.47	
12/12/16	Willdan Financial Services	Professional Services Rendered July 1, 2016 thru September 30, 2016	6329227	21,894.48		\$ 21,894.48	
12/14/16	BLX Group LLC	Arbitrage Series 2005A / B & 2006C for Period Ending 09/02/2016	6329836	1,500.00		\$ 1,500.00	
12/14/16	BLX Group LLC	Arbitrage Series 2002 for Period Ending 09/02/2016	6329837	1,500.00		\$ 1,500.00	
Total Expenditures To Date:				\$ 47,589.11	\$ -	\$ 47,589.11	\$ 5,884,972.59

North City West School Facilities Financing Authority

Directors:

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

ITEM 7F

Trust Fund Investments

Current Fiscal Year 2016-17

As of December 31, 2016

USB	Account		Investment	Rating		Date	Term	Investment				
	Description	Issuer		Type	S & P/ Moody's			Purchased	Maturity	Years	Par	% Rate
131352-004	2002	FNMA	Note	AA+/AAA	12/18/2012	12/20/2017	5.01	\$ 240,000	0.875	\$ 240,881	0.800	\$ 239,868
	Reserve	FNMA	Note	AA+/AAA	9/18/2013	9/18/2018	5.00	240,000	1.875	240,342	1.845	242,782
	Fund	FHLB	Note	AA+/AAA	2/10/2016	2/10/2020	5.00	250,000	1.370	250,000	1.370	246,838
		FFCB	Note	AA+/AAA	2/11/2016	2/11/2019	5.00	250,000	1.200	250,000	1.200	249,198
		FNMA	Note	AA+/AAA	11/25/2016	8/25/2020	3.75	240,000	1.625	240,000	1.640	238,445
								\$ 1,220,000		\$ 1,221,224	1.370%	\$ 1,217,129
											Weighted	
790415-003	2005B/2006C	FNMA	Note	AA+/AAA	12/18/2012	12/20/2017	5.01	\$ 351,000	0.875	\$ 352,289	0.800	\$ 350,807
	Reserve	FNMA	Note	AA+/AAA	9/18/2013	9/18/2018	5.00	360,000	1.875	360,513	1.880	364,172
	Fund	FHLB	Note	AA+/AAA	2/10/2016	2/10/2020	5.00	370,000	1.370	370,000	1.370	368,812
		FFCB	Note	AA+/AAA	2/11/2016	2/11/2019	5.00	370,000	1.200	370,000	1.200	365,320
								\$ 1,451,000		\$ 1,452,802	1.315%	\$ 1,449,111
											Weighted	
790415-004	2005B	FHLB	Note	AA+/AAA	2/8/2016	1/25/2017	0.98	\$ 500,000	0.650	\$ 500,096	0.650	\$ 500,040
	Project	FHLMC	Note	AA+/AAA	2/8/2016	2/22/2017	1.06	500,000	0.875	501,130	0.873	500,225
	Fund	US Treas	Note	NA/AAA	2/8/2016	2/15/2017	1.04	500,000	0.625	499,922	0.625	500,120
		GS Bank	CD		2/10/2016	2/10/2017	1.02	250,000	0.700	250,000	0.700	250,040
		Santander Bank	CD		2/10/2016	2/10/2017	1.02	250,000	0.800	250,000	0.800	250,080
		TCF National	CD		2/10/2016	2/10/2017	1.02	250,000	0.750	250,000	0.750	250,080
		BMO Harris Bk	CD		2/11/2016	2/10/2017	1.01	250,000	0.800	250,000	0.800	250,080
		First Niagara Bk	CD		2/12/2016	2/10/2017	1.01	250,000	0.800	250,000	0.800	250,080
		Stearns Bk	CD		2/12/2016	2/10/2017	1.01	250,000	0.650	250,000	0.650	250,080
		Transportation BK	CD		2/12/2016	2/13/2017	1.02	250,000	0.700	250,000	0.700	250,085
		Safra National BK	CD		2/16/2016	2/15/2017	1.01	250,000	0.800	250,000	0.800	250,093
		Oregon Comm. Bk	CD		2/16/2016	2/16/2017	1.02	250,000	0.650	250,000	0.650	250,093
		Calif Repub. Bk	CD		2/17/2016	2/17/2017	1.02	250,000	0.750	250,000	0.750	250,095
		Bank Lexington	CD		2/19/2016	2/17/2017	1.01	250,000	0.650	250,000	0.650	250,030
		1st Trust Bk	CD		2/26/2016	2/24/2017	1.01	250,000	0.700	250,000	0.700	250,050
							\$ 4,500,000		\$ 4,501,148	0.725%	\$ 4,501,270	
											Weighted	
							\$ 7,171,000		\$ 7,175,174	0.954%	\$ 7,167,511	

North City West School Facilities Financing Authority

Directors:

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

ITEM 9A

**FY 2016-17 MASTER PLAN
ANNUAL REVIEW & UPDATE LETTER**

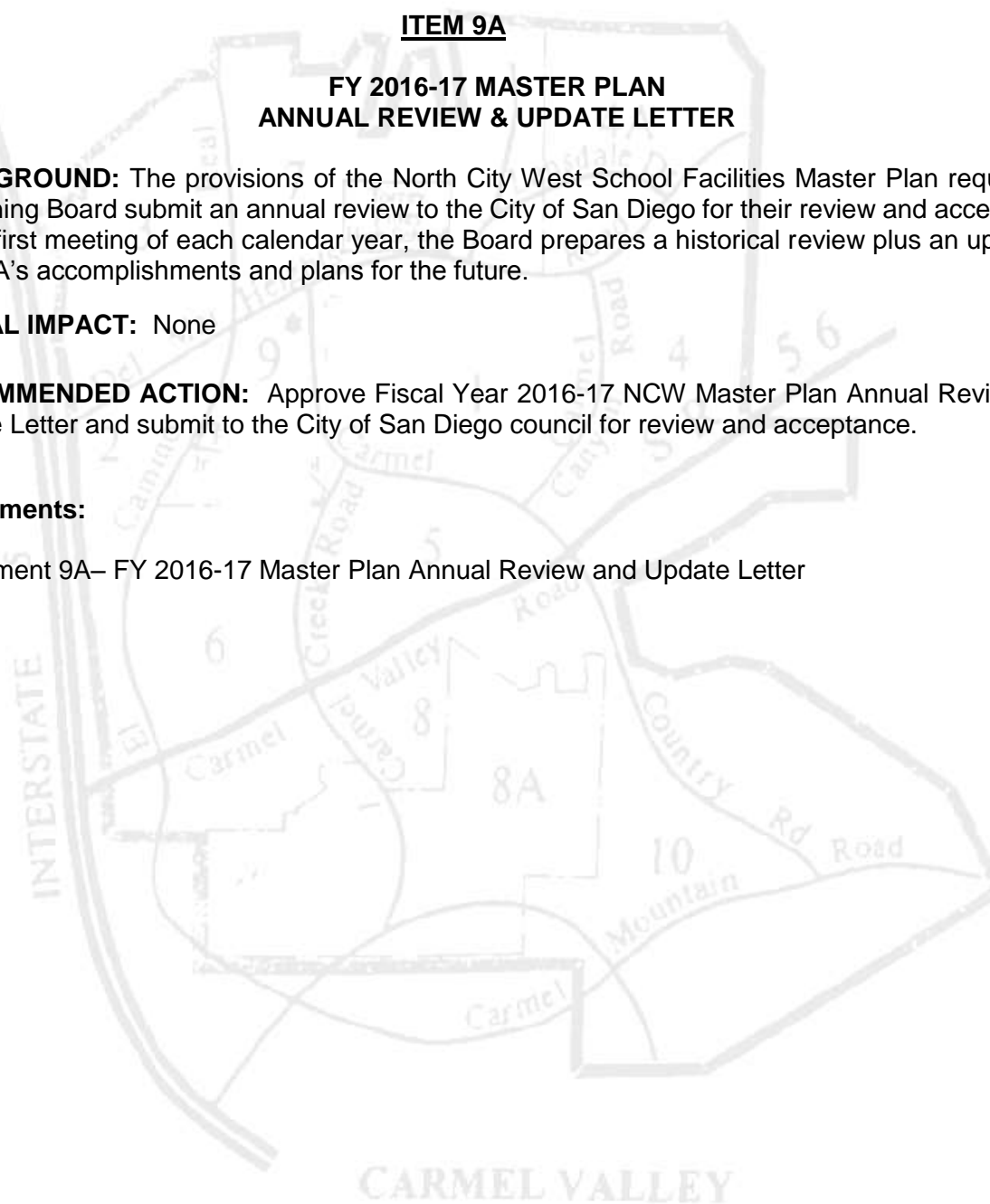
BACKGROUND: The provisions of the North City West School Facilities Master Plan require the Governing Board submit an annual review to the City of San Diego for their review and acceptance. At the first meeting of each calendar year, the Board prepares a historical review plus an update of the JPA's accomplishments and plans for the future.

FISCAL IMPACT: None

RECOMMENDED ACTION: Approve Fiscal Year 2016-17 NCW Master Plan Annual Review and Update Letter and submit to the City of San Diego council for review and acceptance.

Attachments:

Attachment 9A– FY 2016-17 Master Plan Annual Review and Update Letter



North City West School Facilities Financing Authority

Directors:

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

ITEM 9B

AUDITED FINANCIAL STATEMENTS FOR FOR YEAR ENDED JUNE 30, 2016

BACKGROUND: The annual independent audit of the North City West School Financing Facilities Authority (NCWSFFA) financial statements and review of internal controls for the year ended June 30, 2016 was conducted during November 2016 by the firm Wilkinson Hadley King & Co., LLP, Certified Public Accountants.

The financial statements for the year ended June 30, 2016 include a full set of comparative statements for the prior year ended June 30, 2015. This is the third year comparative statements have been included in the annual audited report for the purpose of making the statements more in compliance with Governmental Accounting Standards.

The independent auditor's report states that the NCWFFA financial statements present fairly, in all material respects, the financial position of the NCWFFA as of June 30, 2016 and 2015 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. The independent auditor's report on internal control states that no material weakness in internal control or any instances of noncompliance to Government Auditing Standards were identified during the audit.

FISCAL IMPACT: None

RECOMMENDED ACTION: Accept and file North City West School Facilities Financing Authority Financial Statements for the year ended June 30, 2016.

Attachments:

Attachment 9B – Audited Financial Statement at June 30, 2016



CARMEL VALLEY

North City West School Facilities Financing Authority And the Community Facilities Districts Nos. 1, 2 & 3

March 14, 2017

Honorable Mayor and City Council
City of San Diego
City Administration Building, 202 "C" Street
San Diego, CA 92101

Re: Annual review and update of the North City West School Facilities Master Plan for
Fiscal Year 2016-17 (currently known as the **Carmel Valley Community Plan area**).

In accordance with the provisions of the North City West School Facilities Master Plan adopted by City Council Resolution No. R-255381 on November 17, 1981, an annual review by the Joint Powers Agency (JPA) in consultation with the City Council is required. The annual review is to "evaluate the performance of the program, to reassess the ongoing commitments to the completion of the needed school facilities and to reevaluate the costs and deposits for the financing program" (See Exhibit E, page 3 of the Plan).

Historical Overview:

The Joint Powers Agency titled "North City West School Facilities Financing Authority" (JPA or NCWSFFA) came into existence on April 15, 1983, and was approved by the City Council on July 5, 1983 (City Council Resolution No. R-258883). The governing body of this unique Authority, which includes representatives of the Del Mar Union School District (DMUSD), Solana Beach School District (SBSD) (both kindergarten through 6th grades) and San Dieguito Union High School District (SDUHSD) (7th through 12th grades), held its organizational meeting on May 31, 1983.

The Master Plan created the procedures and the financial framework needed for the three JPA member school districts to provide the necessary kindergarten through twelfth grade public school facilities. The NCWSFFA was exempted from developer fee limitations (statutory school fees) imposed by the State legislature in 1986 by section GC65974 of the Government Code. Our official mission statement is: "The Mission of the North City West School Facilities Financing Authority is to provide school facilities, concurrent with need, to support the member School Districts' educational programs for Carmel Valley kindergarten through twelfth grade students".

In 1988, the JPA formed Community Facilities District No. 1 (CFD 1) to supplement the funding of school facilities and authorized the sale of \$80,000,000 in municipal bonds. The new CFD 1 covered approximately 96% of the vacant residential acreage remaining in Carmel Valley and, other than State funding, would become the primary source of school funding. In 1989, \$46,265,000 of the authorized Mello-Roos Bonds were issued.

In 1995, the JPA/CFD 1 refinanced the remaining \$45,600,000 of the original Bond issue to achieve: (1) an appreciably lower interest rate and (2) provide the needed construction funds sooner than they would have been available under the 1989 agreement. The balance of the \$33,735,000 Bond authorization was issued in 1997. There are 8,283 dwelling units in CFD No.1 as of July 1, 2015 that pay the Special Mello-Roos tax.

In 1997, the JPA formed Community Facilities District No. 2 (CFD 2) to allow developers to annex vacant land into a CFD if a project using several parcels of land, one or more which was not in CFD 1, to permit the entire project to be marketed at similar prices. As of July 1, 2015, 52 single-family homes are in CFD 2 that pay the Special Mello-Roos tax.

On September 1, 2002, the JPA approved a Facilities Funding Agreement that identified and prioritized the remaining schools and school expansion projects needed through Carmel Valley build out. This unique document identified project cost estimates, and along with a Board Resolution approved in September 2001, identifies sources of JPA funds to be spent on the projects. These documents also formed the authorization of an additional \$21,857,921 in Subordinate Special Tax Revenue Bonds issued in September of 2002.

In August 2005, the JPA issued an additional \$17,665,000 of additional Mello-Roos Bonds (Series 2005A) and refunded the Series 1995B and 1997C Bonds, replacing them with Series 2005B and 2006C Bonds, issued at a substantially lower interest rate.

In June 2012, the JPA refunded a portion the Series 2002 and all of the Series 2005A Bonds, replacing them with Series 2012A Bonds, issued at a substantially lower interest rate.

On March 10, 2016, the JPA formed Community Facilities District No. 3 (CFD 3) to allow a developer constructing an apartment complex outside the boundaries of CFD 1 and CFD 2 to pay its NCWSFFA developer fees through a one-time special tax of \$2 million. Construction is expected to be complete in 2017.

On January 10, 2017, the JPA approved the First Amendment to the Facilities Funding Agreement dated September 7, 2001 that broadened the definition facilities that qualify as the "San Dieguito Middle School Expansion". Such facilities include the removal of temporary classrooms located at the Carmel Valley Middle School that were installed to address overcrowding at such middle school, and the construction of additional core facilities for music, drama and food service to provide for projected enrollment at such middle school and to accommodate additional students generated by in-fill projects within North City West.

There is currently a total **\$55,097,921** (par value) of Mello-Roos bonds issued and outstanding.

Approximately 3.4% of taxable undeveloped acreage is not included in CFD 1, CFD 2 or CFD 3 and remains under the NCWSFFA direct deposit fee schedule as outlined in the original Master Plan. On April 6, 2010, the San Diego City Council approved the current direct deposit fee schedule in effect through fiscal year 2017/18.

Direct deposit school fees per residence are as follows:

	Approved <i>F/Y 2016-17</i>	Approved <i>F/Y 2017-18</i>
Single family	\$29,249	\$30,419
Multi family	\$20,476	\$21,295

In FY 2013-14, development outside of CFD Nos. 1 & 2 resulted in the payment of school direct deposit fees for the first time in over a decade. As of March 2017, there remains approximately 103 acres of vacant

residentially zoned land potentially subject to the direct fees including approximately 12.9 acres designated for 608 apartments as part of the One Paseo project.

School facilities provided or planned for Carmel Valley students:

To date, the districts have completed or planned for the following projects:

<u>NAME</u>	<u>DISTRICT</u>	<u>YEAR COMPLETED</u>
Solana Highlands Elementary School	Solana Beach	1987
Torrey Pines High School, 22 classroom expansion	San Dieguito	1988
Carmel Del Mar Elementary School	Del Mar	1992
Carmel Del Mar Elementary School, 6 classroom addition	Del Mar	1993
Carmel Creek Elementary School	Solana Beach	1994
La Costa Canyon High School (1,800 student portion)	San Dieguito	1996
Ashley Falls Elementary School	Del Mar	1998
Carmel Creek Elementary School, 12 classroom addition	Solana Beach	1998
Solana Highlands Elementary School, 14 classroom addition	Solana Beach	1999
Ashley Falls Elementary School, 10 classroom addition	Del Mar	1999
Carmel Valley Middle School	San Dieguito	1999
Sage Canyon Elementary School	Del Mar	2000
Sage Canyon Elementary School, 8 classroom addition	Del Mar	2001
Torrey Pines High School, 5 rooms of a 25 room expansion to accommodate class size reduction	San Dieguito	2001
Solana Pacific Elementary School (Neighborhood #9)	Solana Beach	2004
56 relocatable classrooms	Various	1985-2001
Ocean Air Elementary School	Del Mar	2007
San Dieguito Middle School Expansion	San Dieguito	Planned 2017

State Funding of Schools:

The 1981 Resolution adopted State funding as the primary mechanism for funding North City West schools. The Districts agree to keep active applications on file with the State of California Office of Public School Construction to obtain State funding in order to assist the funding of the necessary kindergarten through twelfth grade school facilities.

Current strategies for size and number of schools:

Since the adoption of the School Facilities Master Plan in 1981, there have been changes in State law that have affected the facility requirements of the kindergarten through twelfth grade school facilities. The implementation of the State Class Size Reduction program in 1995 increased the minimum school size acreage required for a 600 student elementary school to twelve acres and increased the number of classrooms in the facility.

Class size reduction was subsequently implemented at the high school level, which in turn has required additional classrooms to be added at the high school.

The student population in the Carmel Valley area is tracking slightly below forecast in the Master Plan. The 2016 school district demographic studies forecast a peak enrollment of 3,579 kindergarten through sixth

grade students, 1,141 seventh and eighth grade students, and 2,334 ninth through twelfth grade students at Carmel Valley residential build out for a total of 7,054 students. The 1981 NCW Master Plan projected 7,000 K through twelfth grade students at build out.

These changing demographics, student generation factors, type and size of dwelling units, environmental regulations, special education mandates, technology, and State legislation concerning class size reduction have caused the member school districts to reevaluate the size, number and location of needed facilities.

As a result of the above noted changes, both the Del Mar Union School District and the Solana Beach School District each established the need for additional elementary school facilities; and the San Dieguito Union High School District has established the need for additional facilities to accommodate student growth in grades 7 through 12.

As the result of the aging of portable classrooms installed in the school facilities constructed pursuant to the NCW Master Plan to house students generated from the development of NCW, the Districts are requesting that the NCW Master Plan be updated (a) to modify the school facilities criteria to change the school classroom ratio of 60% permanent to 40% portable classrooms be amended to 80% permanent to 20% portable classrooms and (b) to authorize the replacement of existing aging portable classrooms to insure that the Districts can continue to house the existing students generated from the development of NCS [and (c) provide additional classrooms to house the additional students generated from NCW in excess of the students projected in the NCW Master Plan projected to be generated from NCW.

Fiscal Year 2017-18 plans:

The JPA has funds encumbered of approximately \$5.6 million for the expansion of the Carmel Valley Middle School within SDUHSD. On December 10, 2015, the JPA Board approved the SDUHSD Board's plan to expand the Carmel Valley Middle School permanent facilities. The approved facilities included permanent core facilities for music, drama and food services to provide for projected enrollment. Construction is expected to commence on certain facilities in FY 2017-18. With the approval and funding in place for the Carmel Valley Middle School expansion facilities, the JPA will begin reimbursing member agencies for approved cost overruns on completed facilities as allowed under the provisions of the First Amendment to the Facilities Funding Agreement.

The NCW Master Plan discussion of the school facilities needed by the Districts to serve the students generated by the development of NCW provides for updating this discussion as needed:

“The Master Plan should be updated as needed. Because the amount and type of school facilities are highly dependent upon a number of social, socio-economic and economic factors, an ongoing review and analysis is important for realistic implementation of this Master Plan. City staff and the school districts will be responsible for updating and bringing to the Council's attention any needed changes.” Page 7.

The Districts request that in Fiscal Year 2017-18 that the school facilities requirements to serve the students generated by the development of NCW be reviewed and updated as described in the foregoing section.

General comments:

Residential development of Carmel Valley is near fully matured and has seen only 22 housing starts over the past four years. However, the strong growth of nearly 3,600 homes added over the past decade is attributable in large part to the desirability of the schools and the educational programs provided by the member school districts. Although the additional students and the State class size reduction programs continue to challenge the member school districts, we continue to provide school facilities concurrent with their need. The continued cooperation among the JPA member school districts, the home developers and the City of San Diego have contributed materially to this assessment.

We look forward to continued close cooperation with the City of San Diego.

Sincerely,

Eric Dill
Chairperson, North City West School Facilities Financing Authority

DRAFT

**NORTH CITY WEST SCHOOL
FACILITIES FINANCING AUTHORITY**

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

**NORTH CITY WEST SCHOOL
FACILITIES FINANCING AUTHORITY
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**WILKINSON HADLEY
KING & CO. LLP**
CPAs AND ADVISORS

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

Aubrey W. King, CPA
Kevin A. Sproul, CPA

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, 2016 and 2015, 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, 2016 and 2015, 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.

Emphasis of Matter

Change in Accounting Principles

As described in Note B to the financial statements, in 2016, North City West School Facilities Financing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note B to the financial statements, in 2016 North City West School Facilities Financing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

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 January 15, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North City West School Facilities Financing Authority's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
January 15, 2017

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
 (Required Supplementary Information-Unaudited)
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2016 and 2015
(Unaudited)

This section of the North City West School Facilities Financing Authority's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2016 (FY 2016) and 2015 (FY 2015). 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 twelfth 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. While the Authority is not a school district, the San Diego County Office of Education uses its district accounting services 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.

As described in Note B to the financial statements, in FY 2015 the Authority adopted new accounting guidelines under Government Accounting Standards Board Statement No. 63, which requires a change in certain terminology within the financial statements. The Authority also adopted

new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Financial Highlights

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Total net position is:	\$(38,985,834)	\$(44,430,497)
Total assets consist of: current assets	\$ 22,872,565	\$ 21,681,630
capital and intangible assets	\$ 651,732	\$ 889,585
Total liabilities consist of: current liabilities	\$ 5,428,350	\$ 5,265,191
long-term liabilities	\$ 57,758,400	\$ 62,495,107

North City West School Facilities Financing Authority as a Financial Authority

Table 1 provides a comparative summary of the Authority's total net position for fiscal years ending June 30, 2016 and June 30, 2015.

Table 1
Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets:		
Cash in County Treasury	\$ 15,050,020	\$ 13,894,467
Cash with Fiscal Agent	7,802,246	7,774,592
Interest Receivable	<u>20,299</u>	<u>12,571</u>
Total Current Assets	22,872,565	21,681,630
Non-current Assets:		
Buildings and Improvements, net	651,732	889,585
Intangible Assets, net	<u>-</u>	<u>-</u>
Total Assets	<u>\$23,524,297</u>	<u>\$22,571,215</u>
Deferred Outflows of Resources	<u>\$ 676,619</u>	<u>\$ 758,586</u>
Liabilities		
Current Liabilities:		
Accounts Payable	\$ -	\$ 24,008
Accrued Interest	913,350	981,183
Bonds Payable – Current Portion	<u>4,515,000</u>	<u>4,260,000</u>
Total Current Liabilities	5,428,350	5,265,191
Non-current Liabilities:		
Bonds Payable	55,097,921	59,612,921
Unamortized Bond Premium	<u>2,660,479</u>	<u>2,882,186</u>
Total Liabilities	<u>57,758,400</u>	<u>67,760,298</u>
Net Position:		
Restricted	7,878,046	8,147,245
Unrestricted	<u>(46,863,880)</u>	<u>(52,577,742)</u>
Total Net Position	<u>\$(38,985,834)</u>	<u>\$(44,430,497)</u>

Tables 2, 3 and 4 summarize the revenues and expenses for the twelve-month periods ending June 30, 2016 and June 30, 2015.

Table 2
Operating Revenue, Twelve Months Ended

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Revenue:		
Mello-Roos Special Tax Apportionments	\$ 8,386,683	\$ 8,410,090
Mitigation Fees	<u> -</u>	<u> 27,043</u>
Total Operating Revenue	<u>\$ 8,386,683</u>	<u>\$ 8,437,133</u>

Table 3
Operating Expenses, Twelve Months Ended

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Expenses:		
Professional Fees	\$ 86,872	\$ 86,894
Legal Fees	9,976	32,457
Demographic Study	20,458	60,385
General and Administration	35,230	34,362
Survey Fees	10,150	-
Depreciation	110,585	151,229
Amortization	<u>81,967</u>	<u>81,967</u>
Total Operating Expenses	<u>\$ 355,238</u>	<u>\$ 447,294</u>

Table 4
Non-Operating Revenues & Expenses, Twelve Months Ended

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Non-Operating Revenue & Expenses:		
Interest & Investment Income	\$ 92,746	\$ 70,450
Gain(Loss) Disposal of Assets	(127,268)	-
Interest & Financing Charges	<u>(2,552,260)</u>	<u>(2,753,184)</u>
Total Non-Operating Revenues and Expenses	<u>\$ (2,586,782)</u>	<u>\$ (2,682,734)</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.

The Fiscal Year Ending June 30, 2016 (FY 2016) is highlighted by continuing new development in the areas of the Authority outside of the existing CFD No. 1 and No. 2 boundaries (non-CFD areas).

As a result of a new residential 181 unit apartment complex being approved by the City of San Diego, the Authority Board accepted a petition by the developer of the apartments to form CFD No. 3 through which the developer would pay a one-time special tax in the amount of \$2 million upon issuance of the certificate of occupancy to mitigate its school fees to the Authority. Following a public hearing held on March 10, 2016, the Board approved Resolution No. 2016-04 forming CFD No. 3. The one-time CFD No. 3 special tax is expected to be received in 2018. Additional development in the non-CFD areas of the Authority boundaries is anticipated during FY 2017, which would likely result in additional developer fees paid to the Authority.

Total Assets increased by approximately \$1 million in FY 2016 as the Authority continues to levy the maximum special tax for CFD Nos. 1 and 2 in anticipation of funding for the Carmel Valley Middle School expansion and to reimburse member school districts for cost overruns on completed schools. Assets were also significantly impacted by the disposition of thirteen relocatable classrooms that were retired due to age and that were no longer usable. Three relocatable classrooms were retired in the Solana Beach School District and ten were retired in the San Dieguito Union High School District. The undepreciated cost of the disposed of relocatable classrooms was \$127,268, which is shown as a Non-Operating Loss from Disposal of Assets in the Statement of Activities for FY 2016. Total Liabilities continue to be reduced as the Authority makes scheduled bond principal payments.

Total Operating Revenue for FY 2016 and FY 2015 is primarily from Special Taxes on developed residential property within the CFDs. Mitigation fees, or direct deposit fees, were received for one single family home developed in the non-CFD areas of the Authority in FY 2015 while no such fees were received in FY 2016. However, as discussed above, CFD No. 3 was formed in FY 2016 to finance the mitigation fees for a new apartment complex within the Authority boundary.

Total Operating Expense for FY 2016 decreased by \$92,056 (20.6%) compared to FY 2015 primarily due to lower depreciation resulting from the disposition of thirteen relocatable classrooms, as previously discussed, and from the non-recurrence of legal fees relating to mitigation fee negotiations held in FY 2015. Furthermore, FY 2015 demographic study expense reflects a one-time \$27,000 catch-up payment to Solana Beach School District for FY 2007-2013 demographic studies not previously reimbursed. FY 2016 includes a one-time reimbursement of \$10,150 to Del Mar Union School District for the Authority's share of a 2004 survey fee relating to the Ocean Air Elementary School construction not previously reimbursed.

Total Non-Operating Expenses continue to decline as the Authority bonds are paid down and related interest and finance charges are reduced.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, and investors and credit rating agencies with a general overview of the Authority's finances and determine the Authority's accountability for the funds received and spent. 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 Willdan Financial Services, 27368 Via Industria, Suite 200, Temecula, CA, 92590.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2016 AND 2015

	June 30,	
	2016	2015
ASSETS		
Current Assets:		
Cash in County Treasury	\$ 15,050,020	\$ 13,894,467
Cash with Fiscal Agent	7,802,246	7,774,592
Interest Receivable	20,299	12,571
Total Current Assets	<u>22,872,565</u>	<u>21,681,630</u>
Non-current Assets:		
Buildings and Improvements, net	651,732	889,585
TOTAL ASSETS	<u>23,524,297</u>	<u>22,571,215</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>676,619</u>	<u>758,586</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	24,008
Accrued Interest	913,350	981,183
Bonds Payable - Current Portion	4,515,000	4,260,000
Total Current Liabilities	<u>5,428,350</u>	<u>5,265,191</u>
Non-current Liabilities:		
Bonds Payable	55,097,921	59,612,921
Unamortized Bond Premium	2,660,479	2,882,186
Total Non-current Liabilities	<u>57,758,400</u>	<u>62,495,107</u>
TOTAL LIABILITIES	<u>63,186,750</u>	<u>67,760,298</u>
NET POSITION		
Restricted	7,878,046	8,147,245
Unrestricted	<u>(46,863,880)</u>	<u>(52,577,742)</u>
TOTAL NET POSITION	<u>\$ (38,985,834)</u>	<u>\$ (44,430,497)</u>

See the accompanying notes to the financial statements

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
JUNE 30, 2016 AND 2015

	June 30,	
	2016	2015
OPERATING REVENUES		
Special Taxes	\$ 8,386,683	\$ 8,410,090
Mitigation Fees	-	27,043
TOTAL OPERATING REVENUES	8,386,683	8,437,133
OPERATING EXPENSES		
Professional Fees	86,872	86,894
Legal Fees	9,976	32,457
Demographic Study	20,458	60,385
General and Administration	35,230	34,362
Survey Fees	10,150	-
Depreciation	110,585	151,229
Amortization	81,967	81,967
TOTAL OPERATING EXPENSES	355,238	447,294
OPERATING INCOME (LOSS)	8,031,445	7,989,839
NON-OPERATING REVENUES (EXPENSES)		
Interest and Investment Income	92,746	70,450
Gain (Loss) Disposal of Assets	(127,268)	-
Interest and Fiscal Charges	(2,552,260)	(2,753,184)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,586,782)	(2,682,734)
INCREASE IN NET POSITION	5,444,663	5,307,105
NET POSITION, BEGINNING OF YEAR	(44,430,497)	(49,737,602)
NET POSITION, END OF YEAR	\$ (38,985,834)	\$ (44,430,497)

See the accompanying notes to the financial statements

**NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2016**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Construction</u>	<u>Debt Service</u>	
ASSETS				
Cash in County Treasury	\$ 14,974,329	\$ 75,691	\$ -	\$ 15,050,020
Cash with Fiscal Agent	-	4,723,552	3,078,694	7,802,246
Accrued Interest Receivable	20,190	109	-	20,299
	<u>\$ 14,994,519</u>	<u>\$ 4,799,352</u>	<u>\$ 3,078,694</u>	<u>\$ 22,872,565</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted				
Debt Services	-	-	3,078,694	3,078,694
Capital Facilities	786,746	4,799,352	-	5,586,098
Unassigned				
Other Unassigned	14,207,773	-	-	14,207,773
Total Fund Balances	<u>14,994,519</u>	<u>4,799,352</u>	<u>3,078,694</u>	<u>22,872,565</u>
	<u>\$ 14,994,519</u>	<u>\$ 4,799,352</u>	<u>\$ 3,078,694</u>	<u>\$ 22,872,565</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, 2015**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Construction</u>	<u>Debt Service</u>	
ASSETS				
Cash in County Treasury	\$ 13,809,079	\$ 85,388	\$ -	\$ 13,894,467
Cash with Fiscal Agent	-	4,718,910	3,055,682	7,774,592
Accrued Interest Receivable	12,488	83	-	12,571
	<u>\$ 13,821,567</u>	<u>\$ 4,804,381</u>	<u>\$ 3,055,682</u>	<u>\$ 21,681,630</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 24,008	\$ -	\$ -	\$ 24,008
Total Liabilities	<u>24,008</u>	<u>-</u>	<u>-</u>	<u>24,008</u>
Fund Balances:				
Restricted				
Debt Services	-	-	3,055,682	3,055,682
Capital Facilities	287,182	4,804,381	-	5,091,563
Unassigned				
Other Unassigned	13,510,377	-	-	13,510,377
Total Fund Balances	<u>13,797,559</u>	<u>4,804,381</u>	<u>3,055,682</u>	<u>21,657,622</u>
	<u>\$ 13,821,567</u>	<u>\$ 4,804,381</u>	<u>\$ 3,055,682</u>	<u>\$ 21,681,630</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, 2016 AND 2015**

	June 30,	
	2016	2015
TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 22,872,565	\$ 21,657,622
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:	651,732	889,585
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 consisted of:	(62,273,400)	(66,755,107)
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:	676,619	758,586
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:	(913,350)	(981,183)
NET GOVERNMENTAL POSITION - STATEMENT OF NET POSITION	\$ (38,985,834)	\$ (44,430,497)

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, 2016**

	General Fund	Construction Fund	Debt Service Fund	Totals
REVENUES				
Special Taxes	\$ 8,386,683	\$ -	\$ -	\$ 8,386,683
Investment Income	64,573	5,121	23,052	92,746
TOTAL REVENUES	<u>8,451,256</u>	<u>5,121</u>	<u>23,052</u>	<u>8,479,429</u>
EXPENDITURES				
Administration:				
Professional Fees	86,872	-	-	86,872
Legal Fees	9,976	-	-	9,976
Demographic Study	20,458	-	-	20,458
General and Administrative	35,230	-	-	35,230
Total Administration	<u>152,536</u>	<u>-</u>	<u>-</u>	<u>152,536</u>
School Sites:				
Survey Fees	-	10,150	-	10,150
TOTAL EXPENDITURES	<u>152,536</u>	<u>10,150</u>	<u>-</u>	<u>162,686</u>
Excess of Revenues Over (Under) Expenditures	<u>8,298,720</u>	<u>(5,029)</u>	<u>23,052</u>	<u>8,316,743</u>
OTHER SOURCES (USES):				
Principal Reduction	-	-	(4,260,000)	(4,260,000)
Interest Expense	-	-	(2,841,800)	(2,841,800)
Transfers In (Out)	(7,101,760)	-	7,101,760	-
TOTAL OTHER SOURCES (USES)	<u>(7,101,760)</u>	<u>-</u>	<u>(40)</u>	<u>(7,101,800)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,196,960	(5,029)	23,012	1,214,943
FUND BALANCE, July 1, 2015	<u>13,797,559</u>	<u>4,804,381</u>	<u>3,055,682</u>	<u>21,657,622</u>
FUND BALANCE, June 30, 2016	<u>\$ 14,994,519</u>	<u>\$ 4,799,352</u>	<u>\$ 3,078,694</u>	<u>\$ 22,872,565</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, 2015**

	General Fund	Construction Fund	Debt Service Fund	Totals
REVENUES				
Special Taxes	\$ 8,410,090	\$ -	\$ -	\$ 8,410,090
Mitigation Fees	27,043	-	-	27,043
Investment Income	40,564	6,050	23,836	70,450
TOTAL REVENUES	<u>8,477,697</u>	<u>6,050</u>	<u>23,836</u>	<u>8,507,583</u>
EXPENDITURES				
Administration:				
Professional Fees	86,894	-	-	86,894
Legal Fees	32,457	-	-	32,457
Demographic Study	60,385	-	-	60,385
General and Administrative	34,362	-	-	34,362
TOTAL EXPENDITURES	<u>214,098</u>	<u>-</u>	<u>-</u>	<u>214,098</u>
Excess of Revenues Over (Under) Expenditures	<u>8,263,599</u>	<u>6,050</u>	<u>23,836</u>	<u>8,293,485</u>
OTHER SOURCES (USES):				
Principal Reduction	-	-	(4,075,000)	(4,075,000)
Interest Expense	-	-	(3,037,575)	(3,037,575)
Transfers In (Out)	(7,112,504)	-	7,112,504	-
TOTAL OTHER SOURCES (USES)	<u>(7,112,504)</u>	<u>-</u>	<u>(71)</u>	<u>(7,112,575)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,151,095	6,050	23,765	1,180,910
FUND BALANCE, July 1, 2014	<u>12,646,464</u>	<u>4,798,331</u>	<u>3,031,917</u>	<u>20,476,712</u>
FUND BALANCE, June 30, 2015	<u>\$ 13,797,559</u>	<u>\$ 4,804,381</u>	<u>\$ 3,055,682</u>	<u>\$ 21,657,622</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
JUNE 30, 2016 AND 2015**

	June 30,	
	2016	2015
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,214,943	\$ 1,180,910
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
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:	(110,585)	(151,229)
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:	4,260,000	4,075,000
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:	(81,967)	(81,967)
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
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(127,268)	-
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:	67,833	62,684
CHANGE IN NET GOVERNMENTAL POSITION - STATEMENT OF ACTIVITIES	\$ 5,444,663	\$ 5,307,105

See the accompanying notes to the financial statements

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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:

Reporting Authority

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting Authority was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14. The basic, but not the only criterion for including a potential component unit within the reporting Authority is the Board of Director's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public services. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities.

Based on these criteria, the Authority has no component units. Additionally, the Authority is not a component unit of any other reporting Authority as defined by the GASB Statement.

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, 2016 AND 2015
(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, 2016 AND 2015
(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 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, 2016 AND 2015
(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
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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, 2016 AND 2015
(Continued)

B. Summary of Significant Accounting Policies: (Continued)

Funding Sources

Significantly all of the Authority's primary funding sources come from tax apportionment 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 assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or 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.

For the current fiscal year the Authority did not have any recurring or nonrecurring fair value measurements.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)

Change in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The Authority has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

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 (\$15,050,020 as of June 30, 2016 and \$13,894,467 as of June 30, 2015). The fair value of the Authority's portion of this pool as of that date, as provided by the pool sponsor, was \$15,068,042 as of June 30, 2016 and \$13,912,238 as of June 30, 2015. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)

C. Cash and Investments: (Continued)Cash in Banks

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

Investments

The Authority's investments at June 30, 2016 are shown below:

<u>Investment or Investment Type</u>	<u>Days to Maturity</u>	<u>Amount Reported</u>	<u>Fair Value</u>
Money Market Funds	<30 Days	\$ 232,471	\$ 232,471
First American Treasury Obligations	30 - 60 Days	46,220	46,220
Corporate Issues - CD	225 - 239 Days	3,000,000	3,004,780
U.S. Government Issues	>138 Days	4,523,555	4,523,494
Total Investments		<u>\$ 7,802,246</u>	<u>\$ 7,806,965</u>

The Authority's investments at June 30, 2015 are shown below:

<u>Investment or Investment Type</u>	<u>Days to Maturity</u>	<u>Amount Reported</u>	<u>Fair Value</u>
Money Market Funds	<30 Days	\$ 5,103,413	\$ 5,103,413
First American Treasury Obligations	30 - 60 Days	300,882	300,882
U.S. Government Issues	>148 Days	2,370,297	2,365,851
Total Investments		<u>\$ 7,774,592</u>	<u>\$ 7,770,146</u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)

C. Cash and Investments: (Continued)

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 repurchase or reverse repurchase agreements.

The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. 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.

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.

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.

As of June 30, 2015 the Authority's money market funds of \$4,853,413 were exposed to custodial credit risk because the funds were insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Authority. As of June 30, 2016 the Authority's money market funds of \$232,471 was not exposed to custodial credit risk.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)

C. Cash and Investments: (Continued)

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, 2016 AND 2015
(Continued)

D. Capital Assets:

A summary of changes in capital asset activity for the years ended June 30, 2015 and 2016 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Buildings and Improvements	\$ 4,321,049	\$ -	\$ -	\$ 4,321,049
Less Accumulated Depreciation	<u>(3,280,235)</u>	<u>(151,229)</u>	<u>-</u>	<u>(3,431,464)</u>
Net Capital Assets	<u>\$ 1,040,814</u>	<u>\$ (151,229)</u>	<u>\$ -</u>	<u>\$ 889,585</u>

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Buildings and Improvements	\$ 4,321,049	\$ -	\$ 769,280	\$ 3,551,769
Less Accumulated Depreciation	<u>(3,431,464)</u>	<u>(110,585)</u>	<u>(642,012)</u>	<u>(2,900,037)</u>
Net Capital Assets	<u>\$ 889,585</u>	<u>\$ (110,585)</u>	<u>\$ 127,268</u>	<u>\$ 651,732</u>

E. Deferred Outflows of Resources:

Debt issue costs for 2005B Bonds, 2006C 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, 2016 is as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2005B Prepaid Debt Insurance	22 Years	\$ 376,768	\$ -	\$ 29,169	\$ 347,599
2006C Prepaid Debt Insurance	14 Years	190,348	-	38,069	152,279
2012A Prepaid Debt Insurance	16 Years	<u>191,470</u>	<u>-</u>	<u>14,729</u>	<u>176,741</u>
Total Deferred Outflows of Resources		<u>\$ 758,586</u>	<u>\$ -</u>	<u>\$ 81,967</u>	<u>\$ 676,619</u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)

F. 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, 2016 was \$4,362,921. The bonds mature through September 1, 2027 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	2,289,970	5,160,030	7,450,000
2027-2031	<u>2,072,951</u>	<u>5,452,049</u>	<u>7,525,000</u>
Totals	<u>\$ 4,362,921</u>	<u>\$ 10,612,079</u>	<u>\$ 14,975,000</u>

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, 2016 was \$19,720,000. Principal payments are made on September 1 of each year while interest is payable semi-annually on March 1 and September 1.

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)

F. Bonds Payable: (Continued)

The bonds mature through September 1, 2027 as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,220,000	\$ 1,003,275	\$ 2,223,275
2018	1,285,000	937,519	2,222,519
2019	1,350,000	868,350	2,218,350
2020	1,425,000	795,506	2,220,506
2021	1,500,000	718,725	2,218,725
2022-2026	8,755,000	2,294,644	11,049,644
2027-2031	4,185,000	222,469	4,407,469
Totals	<u>\$ 19,720,000</u>	<u>\$ 6,840,488</u>	<u>\$ 26,560,488</u>

Series 2006C

In June 2006 the Authority issued \$31,030,000 of subordinate special tax revenue refunding bonds with an interest rate of 5.00%. These bonds were issued to provide funds to refund the 1995B senior bonds and pay certain costs related to the bonds. The bonds are special limited obligations of the Authority payable, as noted below, from the 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, 2016 was \$11,235,000. 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, 2019 as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,610,000	\$ 496,500	\$ 3,106,500
2018	2,735,000	362,875	3,097,875
2019	2,875,000	222,625	3,097,625
2020	3,015,000	75,375	3,090,375
Totals	<u>\$ 11,235,000</u>	<u>\$ 1,157,375</u>	<u>\$ 12,392,375</u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)

F. Bonds Payable: (Continued)*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.

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, 2016 was \$24,295,000. 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>
2017	\$ 685,000	\$ 1,132,725	\$ 1,817,725
2018	660,000	1,112,550	1,772,550
2019	730,000	1,088,050	1,818,050
2020	755,000	1,058,350	1,813,350
2021	3,955,000	944,375	4,899,375
2022-2026	15,220,000	1,958,500	17,178,500
2027-2031	<u>2,290,000</u>	<u>116,500</u>	<u>2,406,500</u>
Totals	<u>\$ 24,295,000</u>	<u>\$ 7,411,050</u>	<u>\$ 31,706,050</u>

NORTH CITY WEST SCHOOL FACILITIES FINANCING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Continued)

G. Changes in Long-Term Debt:

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
2002 Bonds	\$ 4,362,921	\$ -	\$ -	\$ 4,362,921
2005B Bonds	20,880,000	-	1,160,000	19,720,000
2006C Bonds	13,715,000	-	2,480,000	11,235,000
2012A Bonds	24,915,000	-	620,000	24,295,000
2012A Bond Premium	<u>2,882,186</u>	<u>-</u>	<u>221,707</u>	<u>2,660,479</u>
Total	<u>\$66,755,107</u>	<u>\$ -</u>	<u>\$ 4,481,707</u>	<u>\$62,273,400</u>

H. 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
	<u>Bonds</u>
Total Interest Payments on Bond	\$ 11,791,153
Less Bond Premium	<u>(3,547,306)</u>
Net Interest Payments	<u>\$ 8,243,847</u>
Par Amount of Bond	\$ 27,485,000
Periods	16
Effective Interest Rate	1.87%

I. Community Facilities District #3:

In March 2016, the Authority formed and established North City West School Facilities Financing Authority Community Facilities District #3 (CFD #3) and to authorize the levy of a special tax therein to finance school facilities. The purpose of financing certain school facilities, authorized to be financed pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (Act), is necessary to serve new development within CFD #3. The special tax, secured by the recordation of a continuing lien against all non-exempt real property within the proposed CFD #3, will be sufficient to finance the school facilities and related incidental expenses authorized by the Act and will be levied within the boundaries of CFD #3 and will be due and payable pursuant to the rate and method of apportionment of the special tax. The one time special tax will be equal to \$2,000,000 and shall be paid to the Authority once and in full prior to the issuance of the first Certificate of Occupancy for one or more residential units within CFD #3 at the earlier of the time of the issuance of a Certificate of Occupancy or June 12, 2018.

OTHER INDEPENDENT AUDITOR'S REPORTS



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

Aubrey W. King, CPA
 Kevin A. Sproul, CPA

**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, 2016 and 2015, 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 January 15, 2017.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Hadley King & Co., LLP

El Cajon, California

January 15, 2017