

**NATIONAL SCHOOL DISTRICT
CITIZENS BOND OVERSIGHT COMMITTEE**

MEETING SCHEDULE 2019-2020

DATES

September 19, 2019

January 23, 2020

March 19, 2020

June 18, 2020

**All meetings will be held at the Administration Center. All meetings will begin at 2:00 p.m.*

**NATIONAL SCHOOL DISTRICT
Minutes of the Regular Meeting
CITIZENS' BOND OVERSIGHT COMMITTEE
Measure N**

March 21, 2019
2:00 PM

Administrative Center
1500 "N" Avenue
National City, CA 91950

Kimball School
302 W. 18th Street
National City, CA 91950

Central School
933 E Avenue
National City, CA 91950

CBOC Members Present:

Anne Campbell
David Garcia Ozua
Marisol Flores
Lori Anne Peoples

CBOC Members Absent:

Manuela Ramirez

Staff Present:

Chris Carson, Assistant Superintendent, Business Services
David Castillo, Director Maintenance, Operations & Facilities

1. CALL TO ORDER

Chairperson, Anne Campbell, called the meeting to order at 2:03 p.m.

2. PLEDGE OF ALLEGIANCE

Chairperson, Anne Campbell, led the Pledge of Allegiance.

3. ROLL CALL

Recording Secretary, Yvette Olea, took roll call.

4. PUBLIC COMMUNICATIONS

None

5. Approve Agenda.

Motion Passed: Approve Agenda passed with a motion by Marisol Flores and a second by Lori Anne Peoples.

Yes Anne Campbell
Yes David Garcia Ozua
Yes Lori Anne Peoples
Yes Marisol Flores
Absent Manuela Ramirez

6. Approve the minutes of the Citizens' Bond Oversight Committee Meeting held on January 24, 2019.

Motion Passed: Approve the minutes of the Citizens' Bond Oversight Committee Meeting held on January 24, 2019 passed with a motion by Lori Anne Peoples and a second by Marisol Flores.

Yes Anne Campbell
Yes David Garcia Ozua
Yes Lori Anne Peoples
Yes Marisol Flores
Absent Manuela Ramirez

7. Discussion on Community Update Mailer.

Chris Carson shared information regarding the community update mailer. Members of the Committee gave input for revisions. Revisions were made and sent to the members for further review.

9. Summary of Facility Budgets.

Chris Carson shared information regarding the facilities budgets.

10. Update on parking lot projects at Olivewood and Palmer Way Schools.

Chris Carson shared information regarding the parking lot projects.

11. Site Tour at Kimball School.

Site tour of Kimball School began at 2:46 p.m.

12. Site Tour at Central School.

Site tour of Central School began at 3:21 p.m.

12. ADJOURNMENT

The meeting was adjourned at 3:30 p.m.

**NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N
BUILDING FUND (21)
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018**

**NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N
BUILDING FUND (21)
GENERAL OBLIGATION BONDS**
Financial Statements and Supplemental Information
Year Ended June 30, 2018

TABLE OF CONTENTS

<u>INTRODUCTION</u>	<u>1</u>
Introduction and Citizens' Oversight Committee Member Listing	1
Independent Auditor's Report.....	2
Management's Discussion and Analysis.....	5
<u>FINANCIAL STATEMENTS</u>	<u>8</u>
Balance Sheet.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance	9
Notes to the Financial Statements	10
<u>SUPPLEMENTARY INFORMATION</u>	<u>20</u>
General Obligation Bonds Project List	20
<u>OTHER INDEPENDENT AUDITORS' REPORTS</u>	<u>21</u>
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 <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Performance	23
<u>AUDITOR'S RESULTS, FINDINGS & RECOMMENDATIONS</u>	<u>27</u>
Schedule of Findings and Responses	27
Summary Schedule of Prior Audit Findings	29

Introduction

**NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
GENERAL OBLIGATION BONDS**

Introduction and Citizens' Oversight Committee Member Listing

On November 4, 2014 the National School District was successful in obtaining authorization from District voters to issue up to \$26,100,000 in General Obligations Bonds pursuant to a 55% vote in a Bond election under Measure N. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The Bonds may be issued under the provisions of the California Education Code (starting at Section 15100), under the provisions of the California Government Code (starting at Section 53506), or under any other provision of law authorizing the issuance of general obligation bonds by school districts. The Bonds may be issued in series by the District from time to time, and each series of Bonds shall mature within the legal limitations set forth in the applicable law under which the Bonds are issued.

The National School District Measure N Citizens' Oversight Committee as of June 30, 2018 was comprised of the following members:

<u>Member Name</u>	<u>Member Type</u>
Anne Campbell	Chair, At-Large Representative
Lori Anne Peoples	Senior Citizens' Organization Representative
*Vacant	Business Organization Representative
*Vacant	Taxpayer Organization Representative
Manuela Ramirez	Parent/Guardian Representative
David Garcia Ozua	At-Large Representative
Marisol Flores	Parent-Teacher Representative

*The District has solicited and advertised in the local media for the open positions.



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

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

Independent Auditor's Report

**Governing Board Members and
Citizens' Oversight Committee
National School District
National City, California**

Report on the Financial Statements

We have audited the accompanying financial statements of Proposition 39 Measure N Building Fund (21) of National School District, which comprise the balance sheet as of June 30, 2018, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 an opinion 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of Matter

Scope of Opinion

As discussed in Note B, the financial statements present only the Building Fund (21) which is specific to Proposition 39 Measure N and is not intended to present fairly the financial position and results of operations of National School District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition 39 Measure N Building Fund (21) of National School District as of June 30, 2018, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2019, on our consideration of National School District'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 National School District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated February 18, 2019 on our consideration of the District's compliance with the requirements of Proposition 39 with regards to the Proposition 39 Measure N Building Fund (21). That report is an integral part of our audit of the District's Proposition 39 Measure N Building Fund (21) for the fiscal year ended June 30, 2018 and should be considered in assessing the results of our financial audit.

William A. King & Co., LLP

El Cajon, California
February 18, 2019

**NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
GENERAL OBLIGATION BONDS**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

This section of National School District's Proposition 39 Measure N Building Fund (21-00) annual financial statements and supplementary information presents our discussion and analysis of the bond funds during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's Proposition 39 Measure N Building Fund (21-00) bond financial statements and supplementary information, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The fund balance for Proposition 39 Building Fund (21-00) amounted to \$1,884,717 as of June 30, 2018.
- Revenues for Proposition 39 Measure N Building Fund (21-00) were \$28,832 during the year ended June 30, 2018, while total expenditures were \$411,544.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the Proposition 39 Measure N Building Fund (21-00) bond financial statements, and the supplementary information required by state law.

The District accounts for Proposition 39 Measure N Building Fund (21-00) bond activity in the District's Building Fund. The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting that does not include capital assets nor long-term liabilities.

FINANCIAL ANALYSIS OF THE PROPOSITION 39 MEASURE N (21-00) BOND BUILDING FUND

Balance Sheet: The District's Proposition 39 Measure N Building Fund (21-00) balance as of June 30, 2018 was \$1,884,717. The \$1,876,129 of cash and cash equivalents represent cash held in an investment pool for purposes associated only with the bond authorization approved by the voters. It has been determined that Proposition 39 Measure N Building Fund (21-00) cannot be used for Routine Restricted Maintenance expenditures in the General Fund.

	June 30, 2017 Proposition 39 Measure N (21-00)	June 30, 2018 Proposition 39 Measure N (21-00)
Cash and cash equivalents	\$ 2,239,183	\$ 1,876,129
Accounts receivable	7,961	9,534
Due from other funds	53,374	-
Prepaid expenditures	-	-
Total Assets	2,300,518	1,885,663
Accounts payable	\$ 33,053	\$ -
Due to other funds	36	946
Total Liabilities	33,089	946
Total Fund Balance	2,267,429	1,884,717

**NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
GENERAL OBLIGATION BONDS**

Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Fund Balance: The interest income reported represents funds earned on the cash held by the county treasurer. The total expenditures of \$411,544 represent only Proposition 39 Measure N Building Fund (21-00) authorized expenditures.

	2017 Proposition 39 Measure N (21-00)	2018 Proposition 39 Measure N (21-00)
REVENUES		
Interest	\$ 43,394	\$ 28,832
Site lease fee	-	-
Cooling Premium Efficiency Program - incentive due	23,475	-
TOTAL REVENUES	<u>66,869</u>	<u>28,832</u>
EXPENDITURES		
Other operating expenses:		
Cost of issuance	140,000	-
Underwriter's discount	51,435	-
DSA fees	14,297	-
Construction testing fees	494	-
Miscellaneous fees	441	12,979
Capital outlay:		
DSA fees	12,343	-
Miscellaneous fees	2,350	-
Main construction	9,535,442	398,565
Consulting services including preliminary tests	29,852	-
Inspections	47,025	-
Other construction costs	7,597	-
Land improvements	76,836	-
TOTAL EXPENDITURES	<u>9,918,112</u>	<u>411,544</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of bonds	8,100,000	-
Other sources	818,382	-
Other uses	(630,544)	-
TOTAL OTHER FINANCING SOURCES/USES	<u>8,287,838</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(1,563,405)	(382,712)
FUND BALANCE, BEGINNING OF YEAR	<u>3,830,834</u>	<u>2,267,429</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,267,429</u>	<u>\$ 1,884,717</u>

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2018
(Unaudited)

PROPOSITION 39 MEASURE N (21-00) BOND BUILDING FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the budget of the Proposition 39 Measure N Building Fund (21-00) is monitored and reviewed by our staff. When changes occur, the District makes revisions to the annual operating budget. Each year, on a single year basis, our staff prepares an annual budget. This amount is used to track expenditures in any single year. The budget reported is then utilized to compare against actual expenditures and our staff makes appropriate revisions to the annual operating budget. Then, it is forwarded to the Board for approval.

FACTORS BEARING ON THE PROPOSITION 39 MEASURE N (21-00) BOND BUILDING FUND'S FUTURE

The District's Proposition 39 Measure N Building Fund (21-00) will continue construction with respect to unfinished capital projects. Some of these projects include modernization of parking lots at Olivewood Elementary School and Palmer Way Elementary School. The projects related to these bond funds are expected to be completed by September 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's Proposition 39 Measure N Building Fund (21-00) bond finances and to determine the District's accountability for the money it receives. Additional financial information can be obtained by contacting the Office of the Assistant Superintendent for Business Services and Support, National School District, 1500 N Avenue, National City, California, 91950.

Financial Statements

**NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
GENERAL OBLIGATION BONDS**

Balance Sheet
June 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,876,129
Accounts receivable	9,534
Total Current Assets	<u>1,885,663</u>

TOTAL ASSETS \$ 1,885,663

LIABILITIES AND FUND BALANCE

Current Liabilities

Due to other funds	\$ 946
Total Current Liabilities	<u>946</u>

Fund Balance

Restricted for capital projects	<u>1,884,717</u>
Total Fund Balance	<u>1,884,717</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 1,885,663

The accompanying notes are an integral part of this statement.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
GENERAL OBLIGATION BONDS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2018

REVENUES	
Interest income	\$ 28,832
TOTAL REVENUE	<u>28,832</u>
EXPENDITURES	
Services and other operating expenditures	12,979
Capital Outlay:	
Land improvements	19,050
Buildings and improvements	<u>379,515</u>
TOTAL EXPENDITURES	<u>411,544</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(382,712)</u>
NET CHANGE IN FUND BALANCE	(382,712)
FUND BALANCE, BEGINNING OF YEAR	<u>2,267,429</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,884,717</u>

The accompanying notes are an integral part of this statement.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)

Notes to the Financial Statements
Year Ended June 30, 2018

A. Definition of the Fund

The Building Fund (21) was formed to account for property acquisition and construction of new schools, as well as renovation of current schools for the National School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2014.

B. Summary of Significant Policies

Basis of Presentation

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) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

Fund Structure

The accompanying financial statements are used to account for the transactions of the Building Fund specific to Proposition 39 Measure N Building Fund (21) as defined in Note A and are not intended to present fairly the financial position and results of operations of National School District in conformity with accounting principles generally accepted in the United States of America.

Reporting Entity

The National School District, a political subdivision of the State of California, was established in 1871. The District is located in National City, California, and currently operates ten schools, and one preschool program.

November 2014 the voters of the National School District approved, by more than 55%, Measure N, authorizing the issuance and sale of general obligation bonds in an aggregate amount not to exceed \$26,100,000 to finance the construction and improvement of District Facilities.

An advisory committee to the District's Governing Board and Superintendent, called the Measure N Citizens' Bond Oversight Committee was established. The Committee's oversight goals include the following: advising on bond construction priorities, reviewing school bond construction plans, reviewing project plans and budgets, and ensuring compliance with the conditions of Measure N.

The statements presented are for the individual Measure N Bond Building Fund and are not intended to be a complete presentation of the District's financial position on operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)

Notes to the Financial Statements (continued)
Year Ended June 30, 2018

The Building Funds are maintained on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

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 reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the San Diego County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

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 §53648 et.seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)

Notes to the Financial Statements (Continued)
Year Ended June 30, 2018

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’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.

Assigned Fund Balance – represents amounts which the District 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 District 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.

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

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2018

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflow of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2018 the District's Proposition 39 Measure N Building Fund (21) did not have any Deferred Inflows or Deferred Outflows of Resources.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to Measure N 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 District did not have any recurring or nonrecurring fair value measurements

C. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2018, the portion of cash in the San Diego County Treasury attributed to Building Fund (21) was \$1,876,129. The fair value of Building Fund (21)'s portion of this pool as of that date, as provided by the pool sponsor, was \$1,876,129. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District'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.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2018

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District 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 Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end the District was not exposed to credit risk.

b. 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 Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end the District was not exposed to credit risk.

c. 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 District's name. The California Government Code and the District'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 District's name. At year end, the District was not exposed to custodial credit risk.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2018

d. 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 District 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 District was not exposed to concentration of credit risk.

e. 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 District manages its exposure to interest rate risk by investing in the county pool.

f. Foreign Currency Risk

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

g. Investment Accounting Policy

The district is required by GASB statement No. 31 to disclose its policy for determining which investments, if any are reported at amortized cost. The District's general policy is to report money market investments and short-term participating 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.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher 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 deposits are examples of nonparticipating interest-earning investment contracts.

The District's Investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2018

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's Investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's Investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This Table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's Investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2018

D. Accounts Receivable

As of June 30, 2018, accounts receivable consisted of:

	Accounts Receivable
Local Sources:	
Interest	\$ 9,534
Total Accounts Receivable	\$ 9,534

All receivables are expected to be collected within one year and as such no allowance for doubtful accounts has been established.

E. Interfund Balances and Activities

Balances due to and due from other funds as of June 30, 2018 consisted of:

	Amount	Purpose
Due to General Fund	\$ 946	Reimbursement of expenses

All amounts due are scheduled to be repaid within one year.

F. General Obligation Bonds

In May 2015, the District issued \$18,000,000 of 2014 Election, Series A, General Obligation Bonds in order to improve facilities and educational technology in the District's facilities. The issue consists of Serial Bonds with an interest rate of 3.25-5.00% with annual maturities from August 1, 2016 through August 1, 2045. Principal payments on the bonds are due August of each year beginning August 1, 2016 while interest is payable semi-annually on February 1 and August 1 of each year through maturity. The bonds were sold at a premium.

In July 2016, the District issued \$8,100,000 of 2014 Election, Series B, General Obligation Bonds in order to improve District facilities, fund capitalized interest, pay the cost of issuance of the Series B Bonds. The issue consists of \$1,715,000 of Serial Bonds with an interest rate of 2.00-4.00% with annual maturities from August 1, 2019 through August 1, 2036 and \$6,385,000 of Term Bonds with an interest rate of 3.00-4.00% with annual maturities from August 2038 through August 2046. Principal payments on the bonds are due August of each year beginning August 1, 2019 while interest is payable semi-annual on February 1 and August 1 of each year through maturity. The bonds were sold at a premium.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2018

G. General Obligation Bonds

The outstanding bonded debt of Proposition 39 Measure N Building Fund (21) is as follows:

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
3.25-5.00%	08/01/2045	\$ 17,950,000	\$ -	\$ 295,000	\$ 17,655,000	\$ 345,000
	08/01/2045	464,249	-	7,630	456,619	8,923
		<u>\$ 18,414,249</u>	<u>\$ -</u>	<u>\$ 302,630</u>	<u>\$ 18,111,619</u>	<u>\$ 353,923</u>
2.00-4.00%	08/01/2046	\$ 8,100,000	\$ -	\$ -	\$ 8,100,000	\$ -
	08/01/2046	794,513	-	-	794,513	-
		<u>\$ 8,894,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,894,513</u>	<u>\$ -</u>
		<u>\$ 27,308,762</u>	<u>\$ -</u>	<u>\$ 302,630</u>	<u>\$ 27,006,132</u>	<u>\$ 353,923</u>

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2018 is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 345,000	\$ 989,207	\$ 1,334,207
2020	80,000	979,782	1,059,782
2021	115,000	977,832	1,092,832
2022	150,000	973,082	1,123,082
2023	190,000	964,982	1,154,982
2024-2028	1,675,000	4,627,085	6,302,085
2029-2033	3,180,000	4,123,410	7,303,410
2034-2038	5,030,000	3,411,871	8,441,871
2039-2043	7,450,000	2,284,605	9,734,605
2044-2048	7,540,000	586,600	8,126,600
Total	<u>\$ 25,755,000</u>	<u>\$ 20,923,662</u>	<u>\$ 46,973,662</u>

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2018

H. Bond Premium

Bond premium arises when the market rate of interest is lower 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.

The 2014 Election Series A bonds issued May 5, 2015 was issued as a premium. The premium is being amortized over the life of the bonds using the straight-line method.

The 2014 Election Series B bonds issued July 27, 2016 was issued as a premium. The premium is being amortized over the life of the bonds using the straight-line method.

The bond premium at June 30, 2018 to be amortized in future years was \$1,251,132. Premiums issued on the bonds resulted in an effective interest rate as follows:

	2014-A Bonds	2014-B Bonds
Total Interest Payments on Bonds	\$ 14,651,113	\$ 7,637,831
Less Bond premium	(500,388)	(818,382)
Net Interest Payments	14,150,725	6,819,449
Par amount of Bonds	\$ 18,000,000	\$ 8,100,000
Periods	30	30
Effective Interest Rate	2.620%	2.806%

I. Construction Commitments

As of June 30, 2018, the Building Fund (21) had the following commitments with respect to unfinished capital projects:

Construction in Progress	Commitment	Expected Date of Completion*
Summer 2016 HVAC/Electrical Upgrade	\$ 3,307	November 2018
Olivewood Parking Lot	985,027	September 2019
Palmer Way Parking Lot	859,979	September 2019

* Expected date of completion subject to change.

Supplementary Information

**NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)**

General Obligation Bonds Project List
Year Ended June 30, 2018

Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

Central School	Lincoln Acres School
El Toyon School	Palmer Way School
Ira Harbison School	Olivewood School
John Otis School	Rancho de La Nación School
Kimball School	National School District Office
Las Palmas School	

Project Name	Location of Project
HVAC repairs	Various
Electrical, fire alarm, and EMS upgrades	Various
Upgrade internet infrastructure	Various
Accessability upgrades	Various
Safety and security upgrades	Various
Modernization of facilities	Various

Other Independent Auditors' Reports

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

**Governing Board Members and
Citizens' Oversight Committee
National School District
National City, 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 Proposition 39 Measure N Building Fund (21) of National School District, which comprise the balance sheet as of June 30, 2018, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National School District's internal control. Accordingly, we do not express an opinion on the effectiveness of National School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether National School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

William A. Kelley King & Co., LLP

El Cajon, California
February 18, 2019

Independent Auditor's Report on Performance

Governing Board Members and Citizens' Oversight Committee National School District National City, California

We were engaged to conduct a performance audit of the National School District Proposition 39 Measure N Building Fund (21) for the year ended June 30, 2018.

Management's Responsibility for Performance Compliance

Our audit was limited to the objectives listed with the report which includes the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

Auditor's Responsibility

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the Measure N Building Fund (21) National School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 Measure N General Obligation Bond for the fiscal year ended June 30, 2018. The objective of the audit of compliance applicable to National School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition 39 Measure N Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot Measure No modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation

Procedure Performed

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Measure N resources.
- Prevent material misstatement in the Proposition 39 Measure N Building Fund (21) financial statements.
- Ensure all expenditures are properly allocated.
- Ensure adequate separation of duties exists in the accounting of Measure N funds. All purchase requisitions are reviewed and approved by the appropriate District personnel for accuracy and completeness. Our construction projects were done using a Request For Proposal (RFP) process. The RFP committee (Assistant Superintendent of Business Services, Director of Maintenance, Operations, and Facilities, a representative from our Architectural Firm, a representative from the San Diego County Office of Education, and the Director of Maintenance of Operations and Transportation from the Coronado Unified School District) selected the best applicant for the project. The Governing Board then awarded a contract to the vendor selected.

Results of Procedures Performed

The results of our audit determined the internal control procedures as implemented are sufficient to meet the financial and compliance objectives required by generally accepted accounting principles and applicable laws and regulations.

Tests of Expenditures

Procedures Performed

We tested expenditures to determine whether Measure N funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project Lists and language of the Measure N ballot measures. Our testing included a sample of vendors totaling approximately \$308,855 or approximately 76% of total expenditures for the year.

Results of Procedures Performed

We found no instances where expenditures tested were not in compliance with the terms of the Measure N ballot measure and applicable state laws and regulations.

Tests of Contracts and Bid Procedures

Procedures Performed

We reviewed the District's board minutes for approval of construction contracts and change orders, if any, to determine compliance with the District's policy and Public Contract Code provisions related to biddings and contracting.

Results of Procedures Performed

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Measure N designated projects and determined the Measure N funds expended for the year ended June 30, 2018 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Auditors performed walk through of significant bond projects.

Results of Procedures Performed:

Based on our review of the minutes and agenda of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Measure N designated projects, and walkthrough of project site, it appears the construction work performed was consistent with the Bond Project List.

Citizens' Oversight Committee

Procedures Performed:

We reviewed minutes and agendas of the bond oversight committee to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

Matters to finding should be considered related to the procedural requirement described as Finding 2018-001 in the accompanying schedule of findings and recommendations.

We have determined, that with exception to the finding noted above, the National School District Citizens' Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

Opinion on Performance

The results of our tests indicated that except for the matters described as 2018-001 in the schedule of findings and responses in this report, the District expended Measure N General Obligation Bond funds only for specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(c) of the California Constitution, and with Measure N approved by the voters in the National School District on November 4, 2014.

Purpose of the Report

This report is intended solely for the information and use of the District's Governing Board, the Proposition 39 Measure N Citizens' Oversight Committee, management, others within the entity, and the taxpayers of National School District and is not intended to be and should not be used by anyone other than these specified parties.

William A. King & Co., LLP

El Cajon, California

February 18, 2019

AUDITOR'S RESULTS, FINDINGS & RECOMMENDATIONS

**NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)**

Schedule of Findings and Responses
Year Ended June 30, 2018

As stated in our *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*, our tests resulted in no findings and recommendations related to the financial audit of the Measure N Bond Building Fund for the Year Ended June 30, 2018.

As stated in our *Independent Auditor's Report on Performance*, our tests resulted in finding 2018-001 related to the performance audit of the Measure N Bond Building Fund for the Year Ended June 30, 2018.

Finding 2018-001

We are bringing to management's attention the following exceptions and procedural requirements relating to the composition of the Citizens' Bond Oversight Committee:

Criteria or Specific Requirement: Proposition 39 Bond Law requires the Citizens Bond Oversight Committee to be comprised of at least seven members who meet the following criteria:

- One member must be active in a business organization within the District's boundaries that represents the business community as a whole
- One member must be active in a senior citizens organization
- One member must be a parent/guardian of a child enrolled in the District
- One member must be a parent/guardian of a child enrolled in the District and is an active participant in the Parent Teachers Organization
- One member must be active in a bona fide taxpayer's organization

Proposition 39 Bond Law also requires the Citizens Bond Oversight Committee to have at least one annual meeting with quorum and to approve an annual report summarizing activity.

Condition: During our review of the Citizens' Bond Oversight Committee member listing, we noted there were only five members of the Citizens' Bond Oversight Committee. The committee is short a member that is active in a business organization within the District's boundaries and a member that is a parent/guardian of a child enrolled in the District.

Questioned Costs: The finding relates to an aspect of non-compliance and there is no associated questioned cost.

Cause: The District has been unable to locate required members willing to participate in the Citizens' Oversight Committee.

Effect: The District is out of compliance with Proposition 39 Bond Law and regulations.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE K BOND BUILDING FUND (21)
Schedule of Findings and Responses (Continued)
Year Ended June 30, 2018

Recommendation: We recommend the District attempt to obtain the required number of members with required positions. The committee is required to hold, at the minimum, an annual meeting and prepare an annual report, posted to the District's website.

Corrective Action Plan: The District is aware of and agrees with the finding. The District is actively searching for candidates through various local publications and conducting interviews for qualified individuals. The District will continue to pursue potential members fitting the criteria as established by Proposition 39 Bond Law.

NATIONAL SCHOOL DISTRICT
PROPOSITION 39 MEASURE N BUILDING FUND (21)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

There were no audit findings noted for the fiscal year ended June 30, 2017.

NATIONAL SCHOOL DISTRICT
SUMMARY OF FACILITIES BUDGETS
Projected Budgets - FY2018-19

	Fund 1 - Resource 8150 Routine Restricted Maintenance Account (RRMA)	Fund 14 Deferred Maintenance	Fund 21 Bond Fund	Fund 25 Developer Fees / Redevelopment	Fund 35 Modernization	Fund 40 Special Reserve for Capital Facilities
Revenues	2,034,068.00	3,398.00	25,874.00	239,515.00	188.00	809,942.00
Expenses	3,390,115.00	63,763.00	1,847,707.00	-	-	405,463.00
Gain / (Loss)	(1,356,047.00)	(60,365.00)	(1,821,833.00)	239,515.00	188.00	404,479.00
Beginning Balance	1,356,047.10	256,490.25	1,884,717.25	1,698,761.69	14,037.25	645,222.95
Ending Balance	0.10	196,125.25	62,884.25	1,938,276.69	14,225.25	1,049,701.95

**National School District
Facilities Control System
Period Ended May 31, 2019**

Measure N Funds	Status	Original Budget	Adjustments	Revised Budget	Fiscal Year Ending	Fiscal Year Ending	Fiscal Year Ending	Fiscal Year Ending	YTD	Total Expenditures	Forecast	Forecast	Forecast
					6/30/2015 Expenditures	6/30/2016 Expenditures	FY2016-17 Expenditures	FY2017-18 Expenditures	FY2018-19 Expenditures		Cost to Complete	Cost at Complete	(Over) / Under Budget
Summer 2015 HVAC / Electrical Upgrade	Closed	10,857,471	(232,823)	10,624,648	2,961,695	7,267,654	395,298			10,624,647	10,624,647	10,624,647	-
Series A Issuance and Finance Costs	Closed	500,389	-	500,389	500,388	-	-			500,388	500,388	500,388	-
Summer 2016 HVAC / Electrical Upgrade	Closed	7,142,529	4,906,937	12,516,755	-	2,851,965	9,268,989	392,494	3,307	12,516,754	12,516,754	12,516,754	-
Network Backbone Cabling Costs	Closed	1,149,044		1,149,044	-	1,149,044				1,149,044	1,149,044	1,149,044	-
Lincoln Acres Preschool Center Walkway	Closed	58,019	4,372	62,391	-	-	62,391			62,391	62,391	62,391	-
Series B Issuance and Finance Costs	Closed	818,382		818,382	-	-	821,979			821,979	821,979	821,979	-
Olivewood Parking Lot	Summer 2019	995,477		995,477	-	-		10,450	47,355	57,805	995,477	995,477	-
Palmer Way Parking Lot	Summer 2019	868,579		868,579	-	-		8,600	39,185	47,785	868,579	868,579	-
Total Measure N Funds		22,389,890	4,678,486	27,535,665	3,462,083	11,268,663	10,548,657	411,544	89,846	25,780,793	27,539,260	27,539,260	-

FY18-19 Fund 21-39 Expenditures
Summer 2016 HVAC Electrical

Warrant Date	Vendor	Warrant Amount
11/5/2018	Division of State Architecture	3,306.70
SUBTOTAL		3,306.70

FY18-19 Fund 21-39 Expenditures
Olivewood Parking Lot

Warrant Date	Vendor	Warrant Amount
12/18/2018	City of National City	5,000.00
2/6/2019	Studio WC Architecture Services	39,185.00
5/30/2019	Division of State Architecture (DSA)	3,169.60
SUBTOTAL		47,354.60

FY18-19 Fund 21-39 Expenditures
Palmer Way Parking Lot

Warrant Date	Vendor	Warrant Amount
2/6/2019	Studio WC Architecture Services	39,185.00
SUBTOTAL		39,185.00