



# SAN DIEGO COUNTY OFFICE OF EDUCATION

6401 Linda Vista Road, San Diego, CA 92111 • 858-292-3500 • www.sdcoe.net  
San Diego County Superintendent of Schools Dr. Paul Gothold

May 7, 2018

Dr. Leighangela Brady  
Superintendent  
National School District  
1500 N. Avenue  
National City, CA 91950-4827

Dear Dr. Brady:

## **Re: 2017-18 Second Interim Report**

Our office has completed its review of your Second Interim Report (SACS Form 01I) in compliance with the provisions of Education Code Section 42130 et seq. The district has submitted a positive certification, which means that the district will meet its financial obligations for the current fiscal year and subsequent two years.

The district's Second Interim Report has been analyzed in the context of the 2017-18 State Budget Act, as well as the Governor's proposed state budget for 2018-19. All of the data submitted by the district has been analyzed and appears to adequately reflect the financial status of your district as of January 31, 2018.

In accordance with the provisions of Education Code Section 42131, the County Superintendent of Schools will inform the California Department of Education that your district submitted a positive certification and we concur with this certification at this time.

## **Deficit Spending / Ending Fund Balance**

The Second Interim Report projects the following impacts to the unrestricted General Fund:

- Projected Unrestricted Deficit Spending
  - 2017-18 = \$6.9 million
  - 2018-19 = \$1.6 million
  - 2019-20 = \$1.3 million
  
- Projected Unrestricted Ending Fund Balance
  - 2017-18 = \$6.0 million
  - 2018-19 = \$4.3 million
  - 2019-20 = \$3.0 million

Continued deficit spending will erode the district's ending fund balance and will minimize the district's ability to address unforeseen circumstances. We encourage the district to make ongoing expenditure reductions to minimize deficit spending in future years.

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### **Multi-Year Projection / Reserve for Economic Uncertainties**

We have reviewed the district's assumptions for the multi-year projection and they appear to be reasonable. Based upon these assumptions, the district will meet the required 3% reserve for economic uncertainty.

### **Charter Schools**

As required by Education Code 47604.33, our office has received a Second Interim Report(s) from Integrity Charter School.

As a charter school sponsor, the district maintains fiscal oversight responsibilities, particularly in the key areas of accounting, attendance accounting, budgeting, and payroll. As part of this oversight, sponsoring school districts are also responsible for reviewing charter financial reports, including interim reports. Should any adverse circumstances arise related to the district's charter school responsibilities that would negatively impact the financial condition of the district, please notify this office as soon as possible.

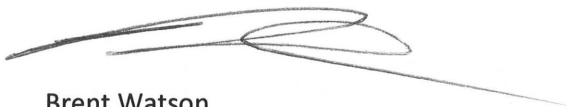
### **Conclusion**

The district has experienced a decline in student enrollment in both the prior and current fiscal year. This has a direct impact on the revenues generated for the district. We encourage the district to continue to monitor their budget and look for long-term solutions.

We appreciate the District's efforts to ensure fiscal solvency. Should any adverse circumstances arise which would negatively impact the financial condition of the district, please notify this office as soon as possible.

If you have any questions concerning this review, please feel free to call me at (858) 292-3537 or Kristin Armatis, Consultant, Business Advisory Services at (858) 292-3601.

Sincerely,



Brent Watson  
Executive Director  
District Financial Services

BW:KA:VS

cc: Maria Betancourt-Castaneda, Board President, National School District  
Chris Carson, Assistant Superintendent, Business Services, National School District