



SAN DIEGO COUNTY OFFICE OF EDUCATION

6401 LINDA VISTA ROAD, SAN DIEGO, CALIFORNIA 92111-7399 (858) 292-3500

Superintendent of Schools
Randolph E. Ward, Ed.D.

April 1, 2008

Janet Bernard
Interim District Superintendent
Del Mar Union School District
225 Ninth Street
Del Mar, CA 92014-2716

Dear Mrs. Bernard:

Re: 2007-08 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 certifies that [it 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 Governor's Proposed Budget for 2008-09, which includes a 2.4% reduction to Revenue Limit funding and reductions of 6.5% to 6.9% to state categorical programs. 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, 2008. 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 in a timely fashion and we concur with this certification at this time.

During our review, we noted the following items:

Reserve for Economic Uncertainties and Cash Balance

The state requires the district to maintain a Reserve for Economic Uncertainties equal to 3% of expenditures. The district projects that it will meet this requirement in 2007-08. In addition, the district is projecting that it will have a positive ending cash balance on June 30, 2008.

Board of Education

Nick Aguilar Susan Hartley Sharon C. Jones Robert J. Watkins John Witt

SERVICE AND LEADERSHIP

Deficit Spending

The district is projecting deficit spending in the Unrestricted General Fund of \$917,284 in 2007-08. The district's multi-year projection indicates deficit spending in the unrestricted general fund of \$1,656,871 in 2008-09 and \$1,339,930 in 2009-10. Deficit spending is not projected to have an impact on the district's ability to meet its required reserve level in fiscal years 2008-09 and 2009-10. Deficit spending needs to be carefully monitored to prevent any financial difficulties in future years.

Property Tax for Basic Aid Districts

We recommend that the district continue to monitor its property tax income to ensure that the budgeted amount of \$29.2 million materializes by year-end.

Future Salary and Expenditure Increases

The district has completed salary negotiations for 2007-08. Before granting any future salary increases or making any other new ongoing expenditure, the district should take into account the Governor's proposed budget reductions for 2008-09, which create uncertainty about future cost of living increases for school districts. We also recommend that the district protect its future financial integrity by assuring a minimum of reserves (including adequate reserves for contingencies) for at least the following two years of operation.

Conclusion

Should any adverse circumstances arise which would negatively impact the financial condition of the district, please notify this office as soon as possible.

Please review this document carefully for any changes in data submitted. Should you have any questions concerning this review, please feel free to call me at (858) 292-3537 or Dr. Carole Parks, consultant, Business Advisory Services at (858) 292-3810.

Sincerely,



Linda Visnick
Executive Director
District Financial Services

LV: CDP: SR

cc: Board President
Chief Financial Officer