



# 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 21, 2009

Dr. Sharon McClain  
District Superintendent  
Del Mar Union School District  
225 Ninth Street  
Del Mar, CA 92014-2716

Dear Dr. McClain:

Re: 2008-09 Second Interim Report

Our office has completed its review of your Second Interim Report (SACS Form 011) 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 prepared based on the Revised 2008-09 Budget (SB X3 4) and the 2009-10 Adopted Budget (SB X3 1) and is being reviewed in that context. These statutes include budget reductions to the Revenue Limit and categorical programs, as well as additional cash deferrals. 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, 2009. 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:

## **Financial Picture for 2008-09**

### **Reserve for Economic Uncertainties and Cash Balance**

The state requires the district to maintain a Reserve for Economic Uncertainties (REU) equal to 3% of expenditures. Because of the volatility of basic aid district revenues, the 3% minimum amount required for the REU may not be sufficient. Based upon the assumption of a 2% increase in property tax revenue for the next two years, the district projects that it will meet this requirement from 2008-09 through 2010-11. In addition, the district is projecting that it will have a positive ending cash balance on June 30, 2009.

### **Deficit Spending**

The district is projecting deficit spending in the Unrestricted General Fund of \$1,016,466 in 2008-09. Deficit spending needs to be carefully monitored to prevent any financial difficulties in future years.

## **Board of Education**

Mark C. Anderson    Susan Hartley    Sharon C. Jones    Jerry R. Rindone    John Witt

**SERVICE AND LEADERSHIP**

### **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 \$32,172,757 materializes by year-end.

### **Multi-Year Projection**

The district's multi-year projection indicates deficit spending in the unrestricted general fund of \$621,683 in 2009-10 and \$228,284 in 2010-11. Deficit spending is not projected to have an impact on the district's ability to meet its required reserve level in fiscal years 2009-10 and 2010-11. However, deficit spending erodes balances and needs to be carefully monitored to prevent any financial difficulties in future years.

### **Future Salary and Expenditure Increases**

The district has completed salary negotiations for 2008-09. Before granting any future salary increases or making any other new ongoing expenditures, the district should also take into account the categorical program reductions that have been adopted by the State for 2008-09 and 2009-10. 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.

The magnitude of the state budget crisis makes budget reductions very difficult this year. The district will be able to overcome these obstacles through collaborative effort between the governing board, superintendent, staff, and collective bargaining units. We thank the Superintendent and staff of Del Mar Union School District for providing us with detailed information about the district's budget and for cooperating closely with the San Diego County Office of Education.

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