

June 1, 2022

Stacy Carlson, Board President  
Andy Johnsen, Ed.D., Superintendent  
San Marcos Unified School District  
255 Pico Avenue, Suite 250  
San Marcos, CA 92069

**Re: 2021-22 End of Year Projection**

Dear Ms. Carlson and Dr. Johnsen:

Our office has completed its review of the End of Year Projection Report for the San Marcos Unified School District in accordance with Education Code Section 42131(e). This report was required because the district submitted a qualified certification for the Second Interim Report. A qualified certification indicates that the district may not meet its financial obligations for the current fiscal year or two subsequent years.

The district's End of Year Projection has been analyzed in the context of the Governor's 2022-23 Proposed Budget and appears to adequately reflect the financial status of your district as of April 30, 2022.

This letter satisfies Education Code Section 1240(e), which requires the County Superintendent to present an annual report to a school district's governing board and the Superintendent of Public Instruction regarding the fiscal solvency of any school district with a qualified certification.

**Summary of Financial Status at End of Year Projections  
Changes from Second Interim Submission**

In our review of the district's End of Year Projection, we noted a decrease in the unrestricted general fund ending balance of \$5.6 million. This decrease is primarily attributed to a salary increase of approximately \$4.8 million that was approved by the board on April 19, 2022.

These changes to the budget result in a projected deficit of \$109,000 and a projected ending balance of \$28.5 million in the unrestricted general fund at the end of fiscal year 2021-22.

### **Multi-Year Projection**

The district's multi-year projection incorporates the ongoing 3.5% salary increase as noted above. The projection also bases Local Control Funding Formula revenue calculations on the three-year average daily attendance adjustment that was included in the Governor's January budget proposal. This measure is intended to allow districts time to adjust budgets for the significant enrollment declines that have been exacerbated by the COVID-19 pandemic. This relief was also included in the Governor's May Revision budget, and will be decided at the state level during the next month. Finally, the district's multi-year projection includes \$10 million of ongoing board approved expenditure reductions.

The end of year projection shows the district will meet required reserve levels through fiscal year 2023-24, with a projected ending balance in the unrestricted general fund of \$25.3 million. However, the district is continuing to deficit spend in the unrestricted general fund which could cause future financial difficulties. The district should continue efforts to align expenditures with ongoing revenue sources to eliminate the structural deficit in future years.

### **Non-Voter Approved Debt**

Because the district filed a qualified Second Interim Report, the district must obtain approval from the San Diego County Office of Education prior to the issuance of all non-voter-approved debt, including Tax and Revenue Anticipation Notes (TRANS) and Certificates of Participation (COPs) during the current and subsequent year. [Education Code Section 42133(a)]

### **Conclusion**

The end of year projection shows the district will meet the required reserve level in the current and subsequent two years. We appreciate the district's efforts to ensure continued fiscal stability and we encourage the district to remain conservative with future budget projections.

A copy of this letter will be transmitted to the Superintendent of Public Instruction pursuant to Education Code Section 1240(e). This letter can be found at: <https://www.sdcoe.net/administrative-services/business-services/district-financial-services/business-advisory-services>.

Sincerely,



Michael L. Simonson  
Deputy Superintendent, Chief Business Officer

cc: Elizabeth Dearstyne, Director of School Fiscal Services Division, California Department of Education  
Erin Garcia, Assistant Superintendent, Business Services, San Marcos Unified School District