



SAN DIEGO COUNTY OFFICE OF EDUCATION

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

June 7, 2013

Mr. Jason Wells, Board President
Ms Gloria Madera, Superintendent Designee
San Ysidro School District
4350 Otay Mesa Road
San Ysidro, CA 92173-1685

Dear Mr. Wells and Ms Madera:

Re: 2012-13 End of Year Projections

Our office has completed its review of your district's End of Year Projections (SACS Form 011) in compliance with Education Code Section 42131(e). This report was required because the district submitted a negative certification for the Second Interim Report. A negative certification indicates that the district will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year.

The district's End of Year Projections have been analyzed in the context of the Governor's 2013-14 Proposed Budget and adopted trailer bills. Our analysis of this report concludes that the district will be able to meet its financial obligations in 2012-13. However, the Third Interim Report data as submitted shows that the district will be unable to meet its financial obligations in the subsequent fiscal year, 2013-14 and beyond.

This letter also 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 Second Interim

In our letter dated March 20, 2013 on the district's Second Interim Report, we noted that the district projected the following deficits:

- \$2.4 million in fiscal year 2012-13
- \$4.2 million in fiscal year 2013-14
- \$5.3 million in fiscal year 2014-15

The district also projected it will require \$1.5 million in borrowing to pay its financial obligations in 2013.

Summary of Financial Status at End of Year Projections

Fiscal year 2012-13 - The projected deficit for the current fiscal year has decreased from \$2.4 million to \$2.06 million due to the recent settlement with the certificated bargaining unit.

Fiscal year 2013-14 - The unrestricted deficit for fiscal year 2013-14 has increased from \$4.2 million to \$4.5 million since the Second Interim report due to budgeting expenses for a new Superintendent as well as revising projections for a decrease in average daily attendance.

Board of Education

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Fiscal year 2014-15 – This amount remains the same as projected at second interim, \$5.3 million. However, at the same meeting that this report was approved, the Governing Board also voted to delay the opening of the new Beyer school. This deficit will decrease by \$315,594 in this fiscal year due to the delay.

Unless significant expenditure reductions are made soon, the district is projecting to run out of cash in April 2014.

Conclusion

Our main concerns with the financial condition of the San Ysidro School District continue to be:

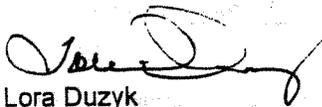
- The districts need to take significant steps to reduce expenditures in sufficient magnitude to have a balanced budget and adequate reserves for 2013-14 and beyond
- Insuring that sufficient funds exist to cover cash needs

The district is required to continue to keep us apprised in a timely manner of any actions that impact the financial position of the district. If any additional adverse circumstances arise which would negatively impact the financial condition of the district, please notify this office immediately.

Because the district filed a negative Second Interim Report, the district must obtain approval from the San Diego County Office of Education prior to the issuance of all nonvoter approved debt, including Tax and Revenue Anticipation Notes (TRANS) and Certificates of Participation (COPs).

Should you have any questions concerning this review, please feel free to call me at (858) 292-3618 or Brent Watson, Executive Director, District Financial Services at (858) 292-3537.

Sincerely,



Lora Duzyk
Assistant Superintendent
Business Services Division

LLD: BW: SR

cc: Ms Dena Whittington, Assistant Superintendent of Business Services, SYESD
Mr. Brent Watson, Executive Director, SDCOE