

January 9, 2026

Manuel Bojorquez
Acting Superintendent
San Ysidro School District
4350 Otay Mesa Road
San Ysidro, CA 92173-1685

Re: 2025-26 First Interim Report

Dear Acting Superintendent Bojorquez:

Our office has completed its review of the San Ysidro School District's First Interim Report (SACS Form 01I) in compliance with the provisions of Education Code Section 42130 et seq. The district has submitted a negative certification, which means that the district will be unable to meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal year.

The district's First Interim Report has been analyzed in the context of guidance provided by the San Diego County Superintendent of Schools and the 2025-26 State Budget Act and appears to adequately reflect the financial status of the district as of October 31, 2025.

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 negative certification and we concur with this certification at this time.

Multi-Year Projections / Deficit Spending / Reserve for Economic Uncertainties

The district continues to deficit spend in the unrestricted general fund as follows:

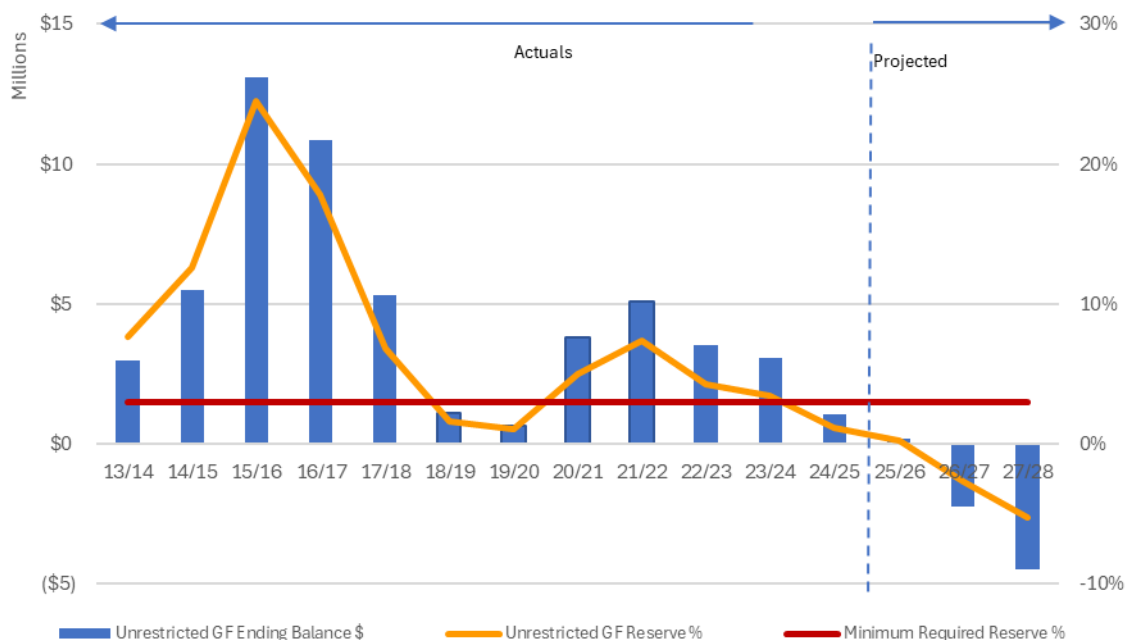
- Projected unrestricted deficit spending
 - 2025-26 = Deficit <\$ 862,000>
 - 2026-27 = Deficit <\$2,430,000>
 - 2027-28 = Deficit <\$2,249,000>
 - Projected unrestricted ending fund balance
 - 2025-26 = \$ 192,000
 - 2026-27 = <\$2,238,000>*
 - 2027-28 = <\$4,487,000>*
- *denotes negative ending fund balance

- Reductions needed to meet reserve requirement
 - 2025-26 = \$2,385,000
 - 2026-27 = \$4,758,000
 - 2027-28 = \$7,042,000

Based on the timing of this letter, it is unlikely the district will be able to restore the 3% reserve requirement during the current fiscal year; therefore, the district must identify and implement approximately \$4.8 million in budget reductions beginning in fiscal year 2026–27. The governing board adopted Resolution 25/26-0031 with the First Interim Report, affirming its commitment to implement budget reductions, and provided a partial list of planned actions totaling approximately \$3.8 million.

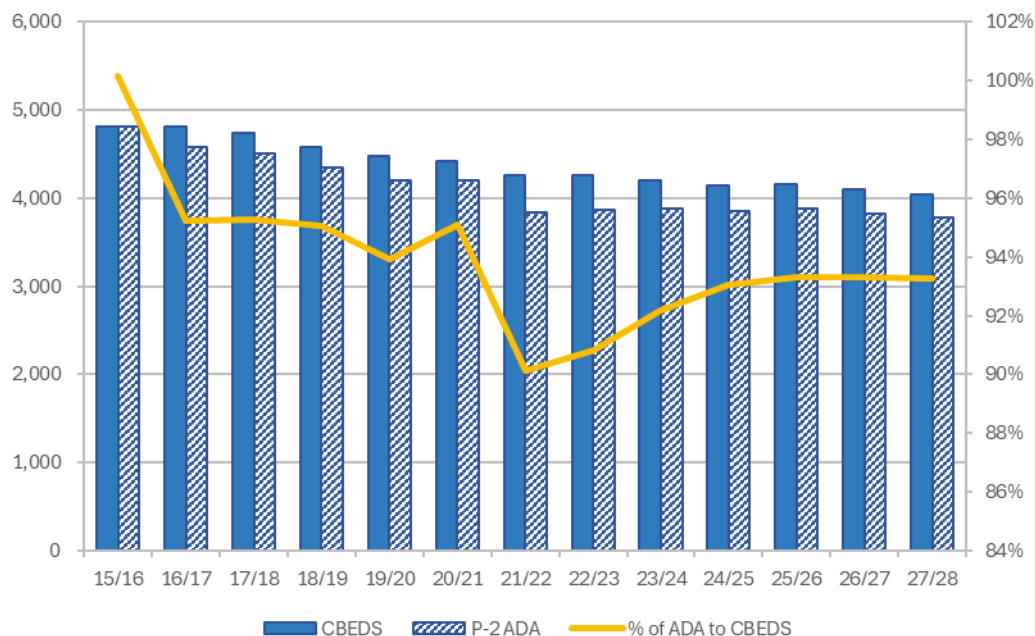
Unrestricted General Fund Ending Balance and Reserve Trend

The following chart displays the district's ending fund balance and reserve status from fiscal year 2013-14 through the projection period. In fiscal year 2021-22, the district's reserves were 7.4%. As a result of deficit spending, reserves are projected to be fully exhausted next year if budget reductions are not implemented.



Enrollment and Average Daily Attendance (ADA)

Historical enrollment and attendance figures, as well as the assumptions included in the district's multi-year projection, are presented in the chart below. The district has a history of declining enrollment and forecasts this trend to continue at a rate of 1.3% in future years. However, the district experienced a slight enrollment increase this school year. Since a significant portion of the district's funding is based on ADA, we recommend the district continue to monitor enrollment and attendance and update projections accordingly.



Cash Flow

The cash flow submitted with the First Interim Report projects sufficient cash balances through this fiscal year; however, the state has indicated deferrals to school district funding are expected in June 2026. It is imperative that the district continue to closely monitor cash balances in all funds and prepare cash flow projections for the next 18-24 months for the General Fund, as well as the Child Development and Cafeteria Funds.

Audit Report

The deadline for the district's 2024-25 audit report has been extended to January 29, 2026 due to a delay in the federal compliance supplement. Any necessary audit adjustments must be incorporated in the Second Interim Report.

Local Control Accountability Plan (LCAP)

The district should compare the amount of supplemental and concentration grant funds projected for the current year with budgeted and actual expenditures for planned actions to increase or improve services to unduplicated pupils. Education Code 42238.07(d) requires any unspent supplemental and concentration funds to be carried forward and spent on actions that contribute toward meeting the increased or improved services requirement. The carryover calculation must be completed as part of the annual update process of the LCAP.

The mid-year update to the 2025-26 LCAP and Budget Overview for Parents is required to be presented on or before February 28, 2026 at a regularly scheduled meeting of the governing board. There is not a requirement for school districts to use a particular template. It is up to each school district to determine how to present and report the required information to their local governing board.

Implications of a Negative Certification

By submitting a negative First Interim Report for the period ending October 31, 2025, the district becomes subject to the following requirements in the Education Code:

- Copies of the interim report and this letter will be forwarded to the Superintendent of Public Instruction and the State Controller. [Education Code Section 42131(a)(2)]
- During fiscal years 2025-26 and 2026-27, the district must obtain approval from SDCOE prior to the issuance of all non-voter-approved debt, including Tax and Revenue Anticipation Notes (TRANs) and Certificates of Participation (COPs). [Education Code Section 42133(a)]
- The district is required to submit all disclosures of collective bargaining agreements to our office for review at least 10 working days prior to board action. [Government Code Section 3540.2]

Pursuant to EC Section 42127.6(a)(1) the county superintendent is hereby notifying the governing board of its determination that the district is in fiscal distress and the basis for this determination. Pursuant to EC Section 42127.6(e), in a district under fiscal distress, the county superintendent shall take at least one or all actions (1)-(5) listed below.

1. Develop and impose, in consultation with the Superintendent of Public Instruction and the school district governing board, a budget revision that will enable the district to meet its financial obligations in the current fiscal year.
2. Stay or rescind any action that is determined to be inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year.
3. Assist in developing, in consultation with the district board, a financial plan that will enable the district to meet its future obligations.

4. Assist in developing, in consultation with the district board, a budget for the subsequent fiscal year.
5. Appoint a fiscal advisor to perform any or all of the duties prescribed of the county superintendent under this section.

The County Superintendent hereby issues notice of the appointment of Dr. Timothy Glover as the district's fiscal advisor, with authority to perform any or all duties outlined above.

Conclusion

The district's First Interim Report shows it cannot meet its multi-year financial obligations without significant corrective action. A structural deficit and declining reserves require the district to develop and adopt a comprehensive budget reduction plan as part of the 2025-26 Second Interim Report.

If you have any questions concerning this review, please feel free to call me at (858) 295-6662. This letter can be found on our website at: <https://www.sdcoe.net/administrative-services/business-services/district-financial-services/business-advisory-services>.

Sincerely,



Michael L. Simonson
Deputy Superintendent, Chief Business Officer
San Diego County Office of Education

MS: NS: VS

cc: Zenaida Rosario, Board President, San Ysidro School District
Marilyn Adrianzen, Chief Business Official, San Ysidro School District