

January 31, 2017

Sylvan Union Board of Trustees
c/o Sylvan Union School District
605 Sylvan Avenue
Modesto, CA 95350

Dear Board of Trustees:

In accordance with the provisions of Education Code (E.C.) Section 42131, a review of the Sylvan Union School District's (District) First Interim Report for fiscal year 2016-17 has been completed by the Stanislaus County Superintendent of Schools (County Superintendent). Based on the financial statements, multiyear projections and assumptions provided by the District, with data current as of October 31, 2016, it appears that the District should be able to meet its financial obligations for the current and two subsequent fiscal years. **We therefore concur with the District's positive certification with the following comments.**

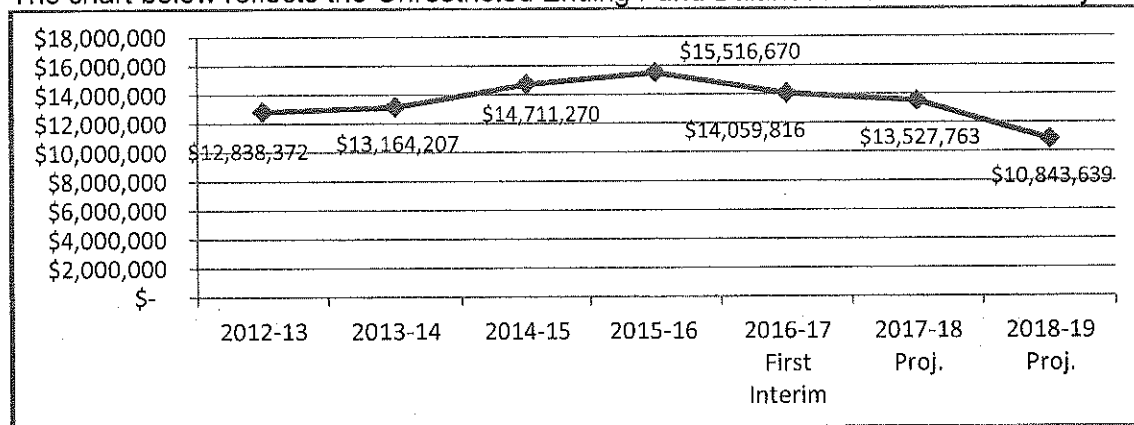
This letter discusses various issues noted by the County Office staff during their review of the District's 2016-17 First Interim Report and corresponding supplemental information provided by the District. These issues include reserves and multiyear projections, change in fund balance and status of labor negotiations.

Fund Balance

We note, the Unrestricted General Fund projected deficit spending in 2016-17 is estimated at <\$1,456,853>. This reduces the projected ending fund balance to \$14,059,816, or 16.66% of the budgeted total expenditures and transfers out.

Based upon the data provided by the District, the Unrestricted General Fund multiyear projections reflect year-over-year decreases to the ending fund balance. We urge the District to monitor spending closely to ensure adequate balances are maintained.

The chart below reflects the Unrestricted Ending Fund Balances and Estimated Projections.



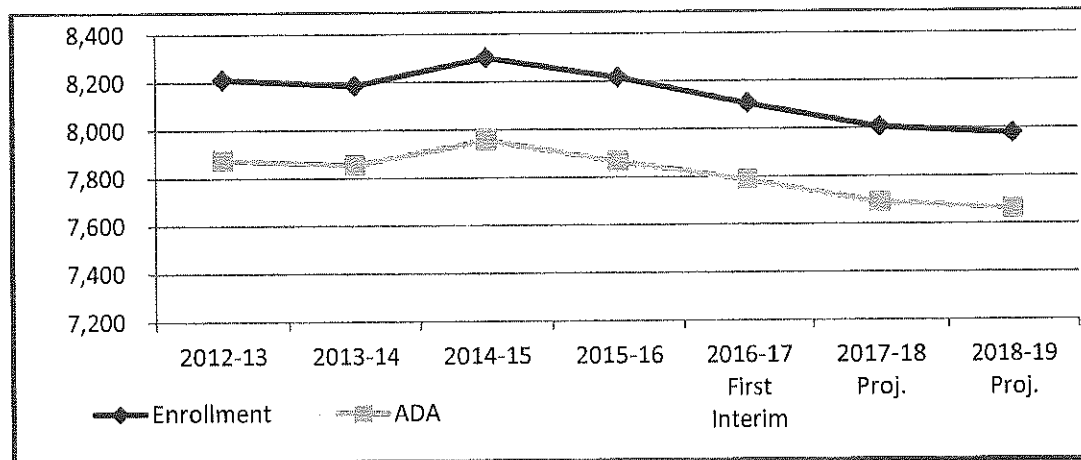
Reserves and Multiyear Projections

The minimum reserve level for the district is 3.00% under the State Criteria and Standards. Our review of the District's multiyear projections indicates reserve levels, inclusive of Fund 17, after Assignments of 15.65% for 2016-17, 16.26% for 2017-18, and 12.46% for 2018-19.

ADA and Enrollment

The chart below depicts CBEDS enrollment, ADA and estimated projections.

YEAR	ENROLLMENT	ADA
2012-13	8,212	7,877.21
2013-14	8,187	7,854.67
2014-15	8,301	7,958.33
2015-16 U.A.	8,217	7,865.44
2016-17 1ST INT	8,107	7,787.14
2017-18 Proj.	8,006	7,690.51
2018-19 Proj.	7,979	7,664.57



Status of Labor Negotiations

Information reflected in the District's First Interim report shows that certificated labor negotiations for 2016-17 are not settled. Furthermore, the costs of these potential agreements are not included in the budget. In today's uncertain economic climate, prior to reaching a collective settlement, we advise the District to carefully determine the impact of any related potential costs on its ability to maintain the minimum level of required reserves.

Debt Issuance

This letter also serves as a reminder of the statutory requirements placed on debt issuance by school districts with qualified or negative interim report certifications. These requirements are specifically addressed by E.C. Section 42133(a).

Submission of Studies, Reports, Evaluations and/or Audits

We remind the District that E.C. Sections 42127 and 42127.6 require the County Office be sent copies of any studies, reports, evaluations, or audits done of the district that contain evidence that the district is showing fiscal distress. We are then required to incorporate that information into our analysis of budgets, interim reports and the district's overall financial condition.

Conclusion

We are aware that the information provided reflects the District's financial position and assumptions to date, and that further adjustments will be made during the year as additional data becomes available. We hope that these comments will be helpful to the District administration and board as you plan for the remainder of 2016-17 and develop your projections for 2017-18 and beyond.

We wish to express our appreciation Ms. Perez and her staff for their cooperation during the preparation and review of the District's First Interim report for fiscal year 2016-17. If our office can be of further assistance, please contact me at (209) 238-1937.

Sincerely,



Julie A. Betschart
Director III, District Business Support

- c: Ms. Debra Hendricks, Superintendent
Ms. Yvonne Perez, Assistant Superintendent of Business
Ms. Sandi Madera, Director I, District Business Support, Stanislaus County Office of Education