Stanislaus County
Office of
Education

Tom Changnon, Superintendent

BUSINESS SERVICES DIVISION
1100 H Street • Modesto, CA 95354 • (209) 238-1900 • FAX (209) 238-4205

March 30, 2017

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

Dear Board of Trustees:

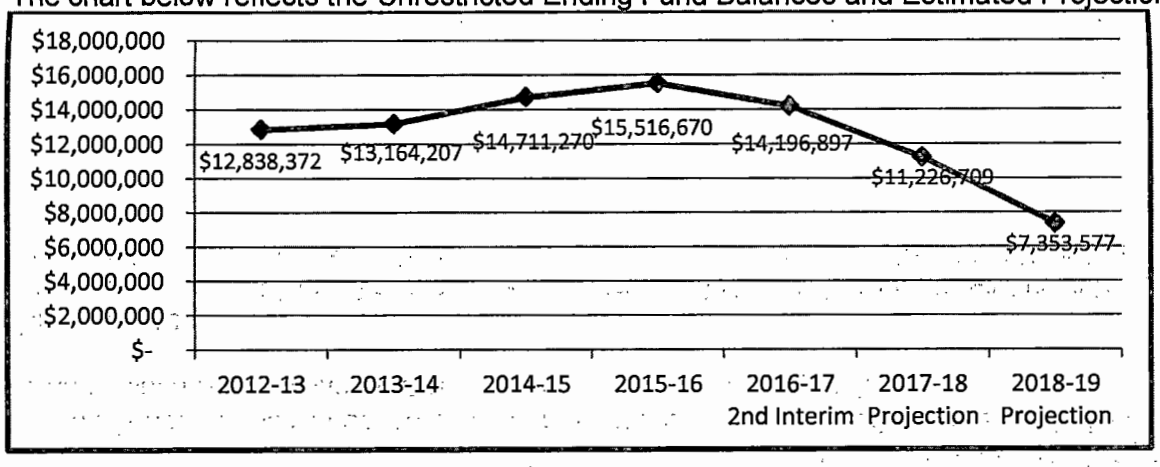
In accordance with the provisions of Education Code (E.C.) Section 42131, a review of the Sylvan Union School District's (District) Second Interim Report for fiscal year 2016-17 has been completed by the Stanislaus County Superintendent of Schools (County Superintendent). Based on the financial statements, multiyear projections and assumptions provided by the District, with data current as of January 31, 2017, 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 Second Interim Report and corresponding supplemental information provided by the District. These issues include reserves and multiyear projections, change in fund balance, cash flow, pension expenses and status of labor negotiations.

Fund Balance
We note, the Unrestricted General Fund projected deficit spending in 2016-17 is estimated at <$1,319,773>. This reduces the projected ending fund balance to $14,196,897 or 16.64% 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.

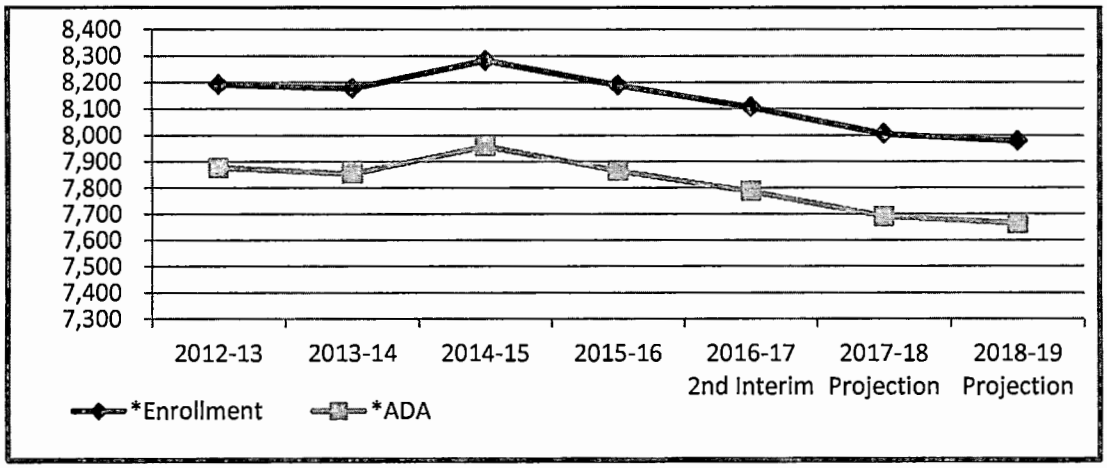


Reserves and Multiyear Projections
The minimum reserve level for the district is 3.00% under the State Criteria and Standards. Our review of the District's multiyear projections indicates reserve levels, inclusive of Fund 17, after Assignments of 14.51% for 2016-17, 12.09% for 2017-18, and 7.30% for 2018-19.

Enrollment and Average Daily Attendance (ADA)
The chart below depicts CBEDS enrollment, ADA and estimated projections.

YEAR	ENROLLMENT*	ADA*
2012-13	8,192	7,877.21
2013-14	8,178	7,854.67
2014-15	8,283	7,958.33
2015-16	8,190	7,865.44
2016-17 2nd Interim	8,107	7,787.14
2017-18 Projections	8,006	7,690.51
2018-19 Projections	7,979	7,664.57

* District Only – No Charter School information included



Cash Flow
The Governor's January budget proposal for 2017-18 included a one-time principal apportionment deferral from June 2017 to July 2017. This translates to approximately 27% of the June P-2 principal apportionment payment.

We note that the Cash Flow summary reflects this proposed deferral. We advise that a two year summary, and not just a single year, be completed at the next reporting period to ensure cash flow needs are monitored more closely.

Status of Labor Negotiations and Pension Expenses
Information reflected in the District's Second Interim report shows that certificated and classified labor negotiation for 2016-17 are not settled. Furthermore, the cost of these potential agreements is 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.

With the rising costs in mandatory pension payments, it is advised that you continue to provide a multi-year STRS and PERS analysis comparing the increased year-over-year costs to potential LCFF increases.

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 to Ms. Perez and her staff for their cooperation during the preparation and review of the District's Second 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