

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.**

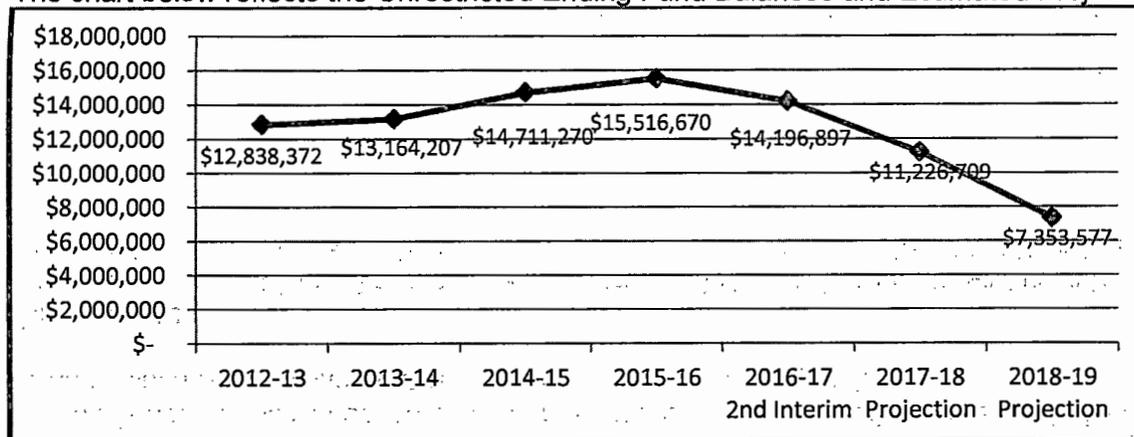
This letter discusses various issues noted by the County Office staff during their review of the District's 2016-17 Second Interim Report and corresponding supplemental information provided by the District. These issues include reserves and multiyear projections, change in fund balance, cash flow, pension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



1. The first part of the document discusses the importance of maintaining accurate records of all transactions.

2. It also emphasizes the need for regular audits to ensure the integrity of the financial data.

3. Furthermore, it highlights the role of internal controls in preventing fraud and errors.

4. The document concludes by stating that a strong financial reporting system is essential for the success of any organization.

5. In addition, it provides a detailed overview of the various components of a financial reporting system.

6. This includes a discussion of the different types of financial statements and the methods used to prepare them.

7. The document also covers the importance of transparency and accountability in financial reporting.

8. Finally, it offers practical advice on how to implement a robust financial reporting system.

9. Overall, the document provides a comprehensive guide to financial reporting for organizations of all sizes.

10. It is a valuable resource for anyone responsible for managing the financial affairs of an organization.

11. The document is organized into several sections, each focusing on a different aspect of financial reporting.

12. This structure allows readers to quickly find the information they need and understand the overall context of the document.

13. The first section provides an overview of the financial reporting process and its importance.

14. It explains how financial reporting helps organizations make informed decisions and maintain their financial health.

15. The second section discusses the various types of financial statements and their components.

16. It covers the balance sheet, income statement, cash flow statement, and statement of equity.

17. The third section focuses on the methods used to prepare these financial statements.

18. It discusses the different accounting methods and the importance of consistency in reporting.

19. The fourth section addresses the importance of internal controls and how they can be used to prevent fraud.

20. It provides examples of common internal control weaknesses and offers suggestions for how to address them.

21. The fifth section discusses the role of transparency and accountability in financial reporting.

22. It explains how transparency helps build trust with stakeholders and how accountability ensures that financial reporting is done correctly.

23. The sixth section provides practical advice on how to implement a robust financial reporting system.

24. It covers topics such as choosing the right accounting software, training staff, and establishing clear policies and procedures.

25. The seventh section offers a detailed overview of the various components of a financial reporting system.

26. This includes a discussion of the different types of financial statements and the methods used to prepare them.

27. The eighth section discusses the importance of transparency and accountability in financial reporting.

28. It explains how transparency helps build trust with stakeholders and how accountability ensures that financial reporting is done correctly.

29. The ninth section provides practical advice on how to implement a robust financial reporting system.

30. It covers topics such as choosing the right accounting software, training staff, and establishing clear policies and procedures.

31. Overall, the document provides a comprehensive guide to financial reporting for organizations of all sizes.

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Reserves and Multiyear Projections

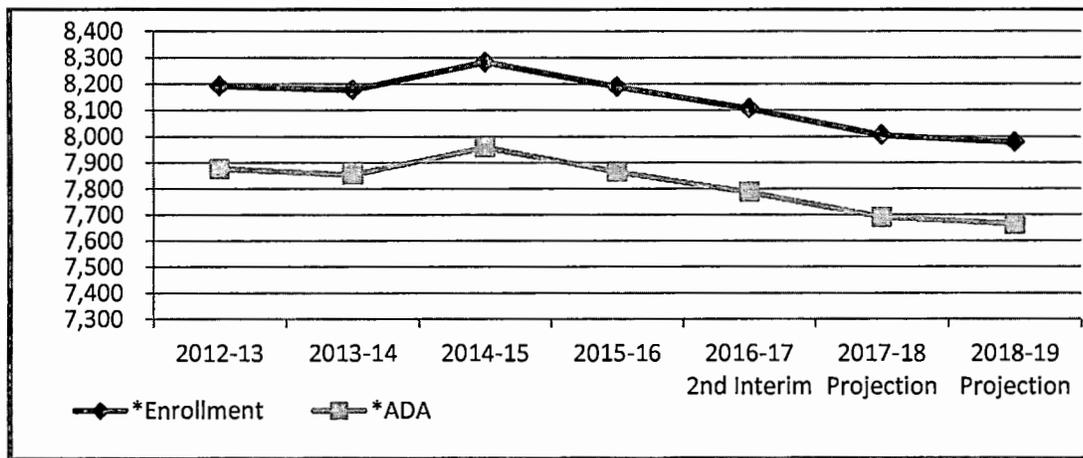
The minimum reserve level for the district is 3.00% under the State Criteria and Standards. Our review of the District's multiyear projections indicates reserve levels, inclusive of Fund 17, after Assignments of 14.51% for 2016-17, 12.09% for 2017-18, and 7.30% for 2018-19.

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