

August 15, 2018

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

Dear Board of Trustees:

In accordance with Education Code Sections 52070 and 42127, the Stanislaus County Office of Education (SCOE) has reviewed the Local Control Accountability Plan (LCAP) and the adopted budget of the Sylvan Union Elementary School District for fiscal year 2018-19.

Education Code requires the County Superintendent to approve the LCAP or annual update for each school district after determining all of the following:

- ✓ The LCAP adheres to the template adopted by the State Board of Education pursuant to Education Code Section 52064.
- ✓ The budget includes expenditures sufficient to implement the specific actions and strategies included in the district's board-adopted LCAP, based on the projections of the costs included in the plan.
- ✓ The LCAP adheres to the expenditure requirements adopted pursuant to Education Code Section 42238.07, and Title 5, California Code of Regulations, Sections 15494-15497.5 for funds apportioned on the basis of the number and concentration of unduplicated students pursuant to Sections Education Code Sections 42238.02 and 42238.03.

Education Code requires the County Superintendent to approve, conditionally approve, or disapprove the adopted final budget for each school district after doing the following:

- ✓ Examine the adopted budget to determine whether it complies with the standards and criteria established pursuant to Education Code Section 33127 and identify any technical corrections needed to bring the budget into compliance with those standards and criteria.
- ✓ Determine whether the adopted budget will allow the district to meet its financial obligations during the current fiscal year and is consistent with a financial plan that will enable the district to satisfy its multiyear financial commitments.
- ✓ Determine whether the adopted budget includes the expenditures necessary to implement the LCAP or annual update to the LCAP.

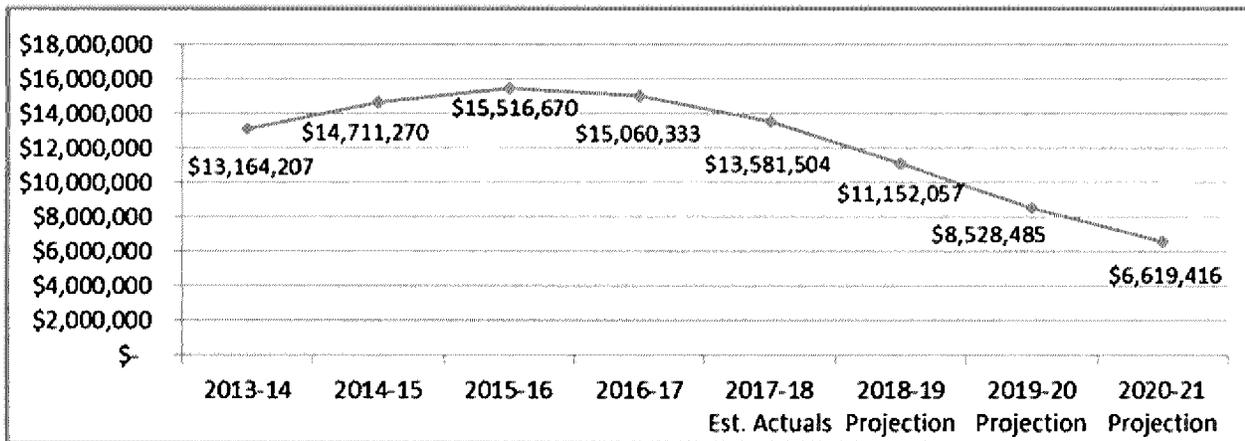
Based upon SCOE's review of the LCAP, adopted budget, and related documents provided by the district, the 2018-19 LCAP and adopted budget of the Sylvan Union Elementary School District (District) have been approved with the following comments:

Change in Fund Balance

We note, the Unrestricted General Fund is projecting a decrease of <\$2,429,447>. This decreases the projected ending fund balance to \$11,152,057 or 12.81% of the total General Fund's budgeted expenditures and transfers out.

Based upon the data provided by the District, the Unrestricted General Fund multiyear projections reflect year-over-year deficit spending. We remind you that continued deficit spending will ultimately diminish fund balance and cash reserves. We urge the District to monitor spending closely to ensure adequate balances are maintained.

The following chart depicts the District's historical and projected unrestricted ending fund balances.



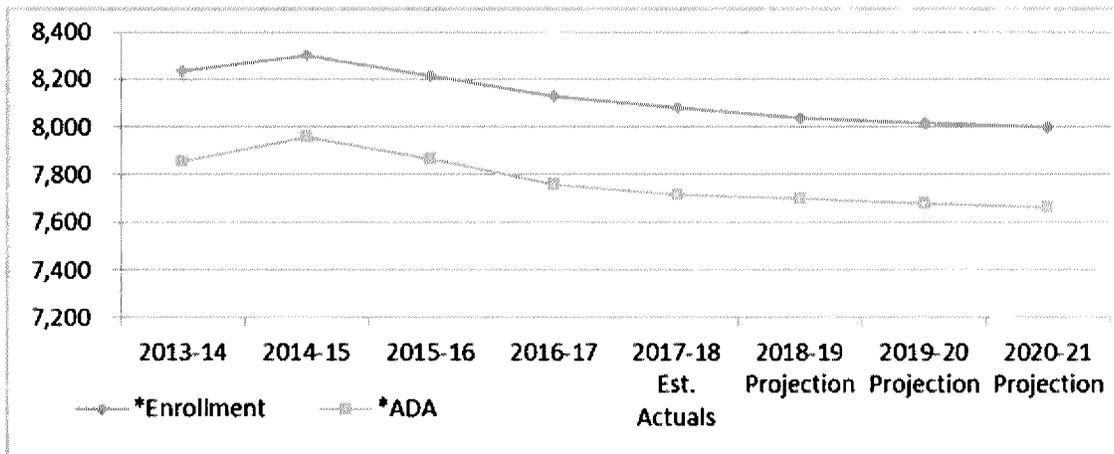
Reserves and Multiyear Projections

The minimum reserve level under the State Criteria and Standards is 3%. Review of the District's multiyear projections, inclusive of Fund 17 and after assignments, indicates reserve levels of 11.54% for 2018-19, 9.60% for 2019-20, and 7.34% for 2020-21.

Enrollment and ADA

The following charts depict the District CBEDS enrollment, ADA historical trends and estimated projections.

ENROLLMENT AND ADA			
Year	Enrollment	ADA	%
2013-14	8,237	7,854.67	95.36%
2014-15	8,301	7,958.33	95.87%
2015-16	8,217	7,865.44	95.72%
2016-17	8,132	7,760.61	95.43%
2017-18 Est Actuals	8,082	7,717.65	95.49%
2018-19 Projection	8,038	7,698.50	95.78%
2019-20 Projection	8,018	7,679.34	95.78%
2020-21 Projection	7,998	7,660.19	95.78%



Status of Labor Negotiations and Pension Expenditures

Information reflected in the District's adopted budget report shows that certificated and classified labor negotiations for 2018-19 have not been settled. Prior to reaching a tentative agreement, we advise the District to carefully review the impact of the potential costs against its ability to maintain the minimum level of required reserves in the current and future years.

When a tentative agreement has been reached, please remember the public disclosure requirements that the District must follow surrounding the Governing Board approving the proposed bargaining agreements. In addition, upon ratification the District is required to submit the necessary budget adjustments to fulfill the terms of the agreement.

We would like to also note with the rising costs in mandatory pension payments, it is advised that a multi-year STRS and PERS analysis continue to be provided 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 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 performed of the district that contain evidence that the district is showing fiscal distress.

Conclusion

We wish to express our appreciation to Ms. Perez and her staff for their cooperation during the preparation and review of the District's LCAP and budget for fiscal year 2018-19.

If you have any questions or would like assistance regarding the LCAP, please contact Jill Polhemus, Director of Assessment & Accountability at (209) 238-1326. If you have any other questions, please contact me at (209) 238-1937.

Sincerely,



Julie A. Betschart
Director III, Business Services
Stanislaus County Office of Education

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