



April 14, 2020

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 the provisions of Education Code (E.C.) Section 42131, Stanislaus County Superintendent of Schools (County Superintendent) reviewed the Sylvan Union Elementary School District's (District) Second Interim Report for fiscal year 2019-20. Based on the financial statements, multiyear projections and assumptions provided by the District, with data current as of January 31, 2020, it appears that the District should be able to meet its financial obligations for the current and two subsequent fiscal years. **At this time, we concur with the district finding of positive certification, with the following caveat.**

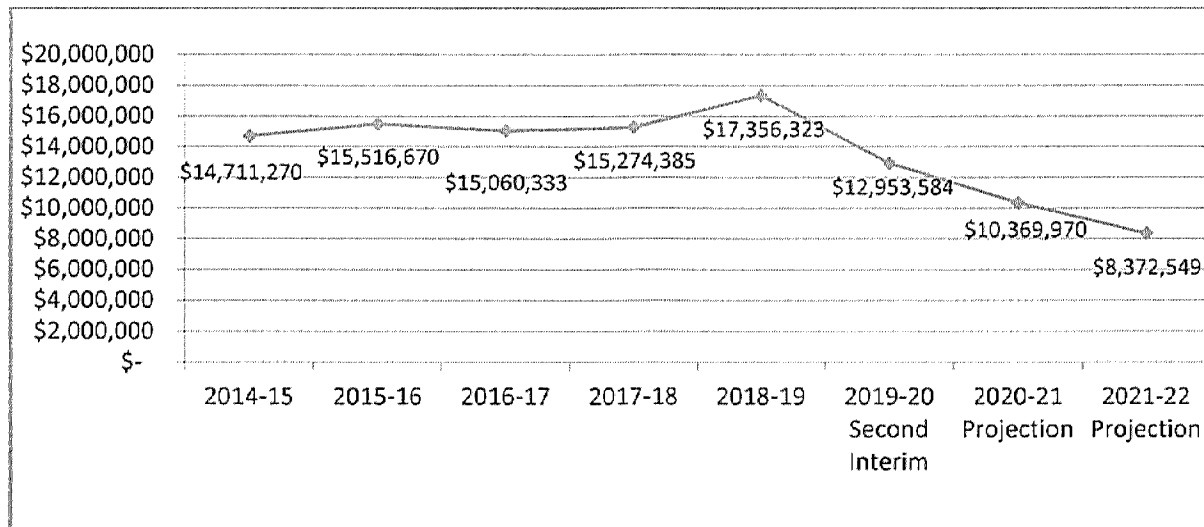
We recognize that the district's second interim budget and multi-year projections were developed using the January 2020 Governor's budget proposal, which was the best available information at that time. Given the uncertain economic times we are facing surrounding the COVID 19 pandemic, those budget projections are optimistic at best, and we anticipate an unknown level of reduced revenue projections for the 2020-21 budget. The Governor's May revise budget projection will provide districts with more realistic budget projections, and we anticipate those will be reflected in the district June budget adoption.

County Office staff review several components of the District's 2019-20 Second Interim report and corresponding supplemental information provided by the District. Reserves, enrollment, multiyear projections, change in fund balance and status of labor negotiations highlight a few of the items reviewed.

#### **Change in Fund Balance**

We note the Unrestricted General Fund is projecting a decrease of <\$4,402,739>. This decreases the projected ending fund balance \$12,953,584 or 12.86% of the total General Fund's budgeted expenditures and transfers out.

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



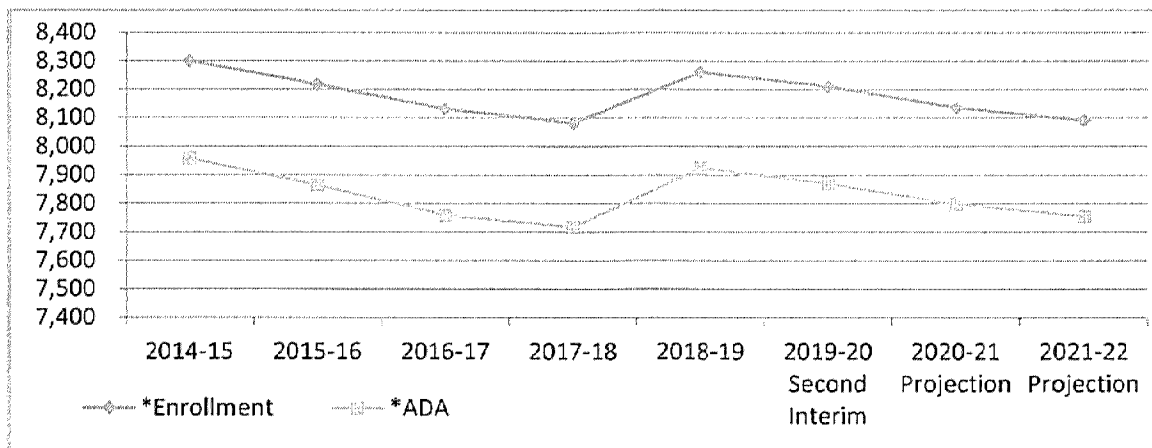
### Reserves and Multiyear Projections

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 12.00% for 2019-20, 10.68% for 2020-21, and 8.53% for 2021-22.

### Enrollment and ADA

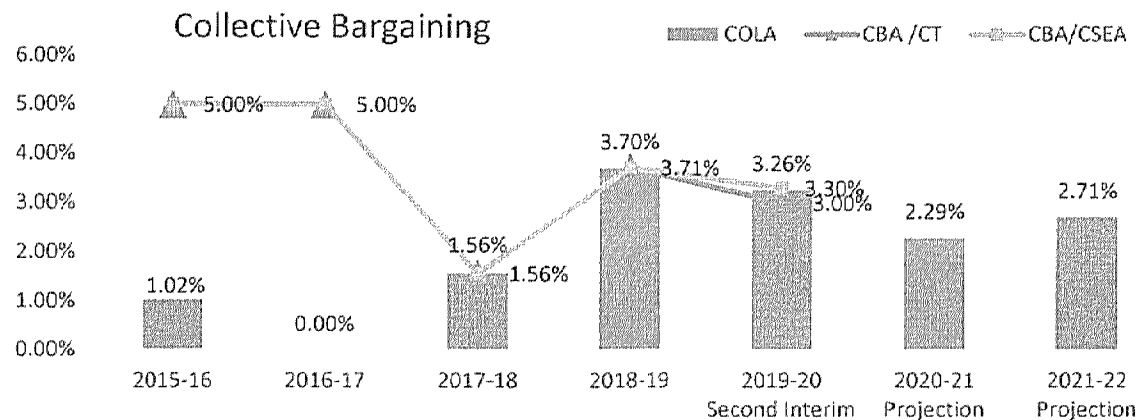
The following charts depict the District CBEDS enrollment, ADA historical trends and estimated projections.

ENROLLMENT AND ADA			
Year	Enrollment	ADA	%
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	8,082	7,717.65	95.49%
2018-19 U.A	8,261	7,925.89	95.94%
2019-20 Interim	8,211	7,870.95	95.86%
2020-21 projection	8,136	7,799.06	95.86%
2021-22 projection	8,091	7,755.92	95.86%



## Status of Labor Negotiations and Pension Expenditures

Information reflected in the District's interim report indicates the certificated and the classified collective bargaining agreements settled through 2019-20.



## 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. E.C. Section 42133(a) specifically addresses these requirements.

## 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 are aware that the information provided reflects the District's financial position and assumptions to date. It is our strong recommendation that all districts be mindful of its own particular set of financial risk factors based on current reserve levels, enrollment trends, bargaining agreements, degree of revenue volatility and various other local and statewide factors. We will continue to work with our partners across the state to bring the most up-to-date information to Superintendents and Chief Business Officials as the situation evolves.

We wish to express our appreciation to Ms. Aguilar and her staff for their cooperation during the preparation and review of the District's Second Interim report for fiscal year 2019-20. If our office can be of further assistance, please contact me at (209) 238-1937.

Sincerely,

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

Cc: Ms. Debra Hendricks, Superintendent  
Ms. Lizett Aguilar, Assistant Superintendent of Business  
Ms. Kathleen Young, Director I, Business Services, Stanislaus County Office of Ed