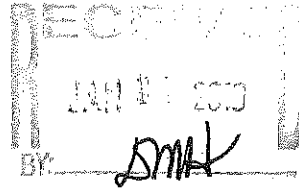


January 14, 2019

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, a review of the Sylvan Union Elementary School District's (District) First Interim Report for fiscal year 2018-19 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, 2018, 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.**

County Office staff review several components of the District's 2018-19 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.

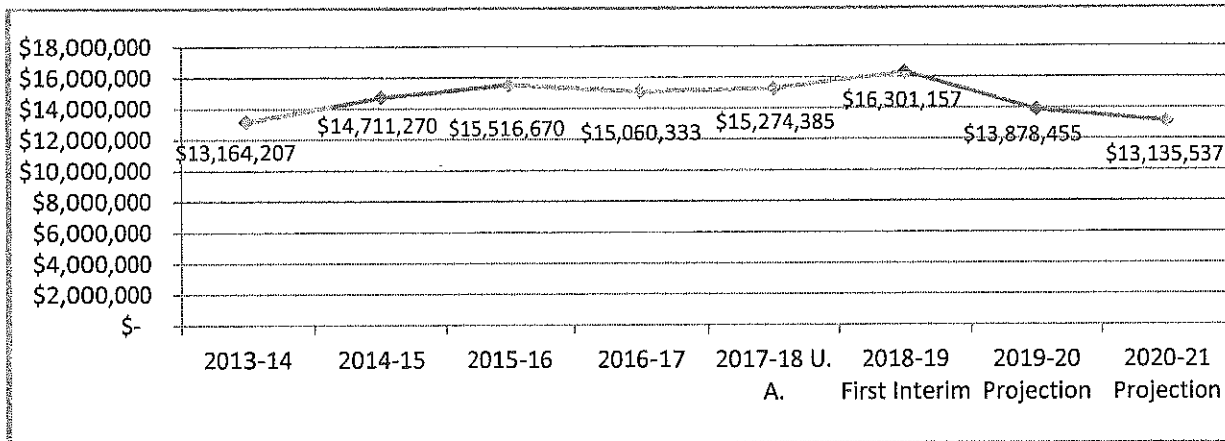
#### **Change in Fund Balance**

We note, the Unrestricted General Fund is projecting an increase of \$1,026,772. This increases the projected ending fund balance to \$16,301,157 or 18.74% 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 in future years. 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.

**We recommend the District complete the Fiscal Health Risk Analysis for K-12 School Districts provided by FCMAT <http://fcmat.org/fiscal-health-risk-analysis-for-k-12-school-districts/> to ensure fiscal solvency while aligning with the Governing Board's intentions.**

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



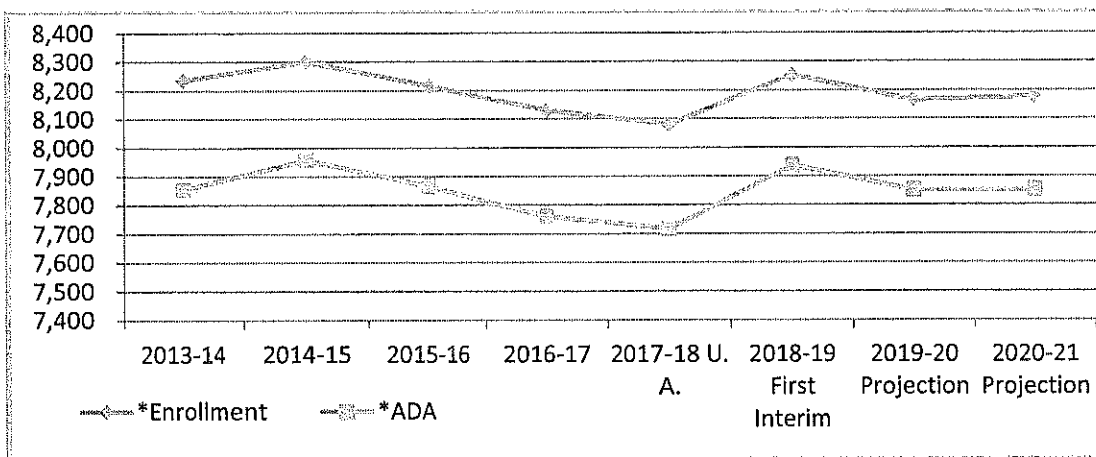
### Reserves and Multiyear Projections

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 15.66% for 2018-19, 15.52% for 2019-20, and 14.78% 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 UA	8,082	7,717.65	95.49%
2018-19 1 <sup>st</sup> Interim	8,255	7,939.01	96.17%
2019-20 projection	8,165	7,852.72	96.18%
2020-21 projection	8,178	7,852.72	96.02%



**Status of Labor Negotiations and Pension Expenditures**

Information reflected in the District's interim report shows that certificated and classified labor negotiation for 2018-19 are not settled.

Prior to reaching a tentative agreement for 2018-19, 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 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 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 2018-19 and develop your projections for 2019-20 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 First Interim report for fiscal year 2018-19. If our office can be of further assistance, 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 Ed