



PORTLAND PUBLIC SCHOOLS

OFFICE OF CHIEF FINANCIAL OFFICER

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Date: December 14, 2021

To: Board of Education

From: Nolberto Delgadillo, Chief Financial Officer
Claire Hertz, Deputy Superintendent, Business and Operations
Tracy Pinder, Senior Director, Financial Services

Subject: 2020-21 Annual Comprehensive Financial Report (“Annual Report”) and Report on Requirements for Federal Awards

BACKGROUND

The District’s financial auditor, Talbot, Korvola & Warwick, LLP, has issued an unmodified opinion on our financial reports for the year ended June 30, 2021. An unmodified opinion is the technical term used to indicate a “clean audit” and is the highest level of opinion. It is the outcome that we expected. Of additional note, this is the fourth consecutive year that the District has had no audit findings or questioned costs.

RELATED POLICIES/BEST PRACTICES

Sound fiscal management provides a solid financial foundation for effective, efficient operations and informed spending decisions that ultimately benefit our historically underserved student population.

ANALYSIS OF SITUATION

The 2020-21 audit report expresses an unmodified opinion, which is indicative of a high level of fiscal accountability by PPS Finance staff. For our 2019-20 Annual Report, the Association of School Business Officials awarded PPS their Certificate of Excellence in Financial Reporting (41st consecutive year) and the Government Finance Officers Association awarded PPS their Certificate of Achievement for Excellence in Financial Reporting (41st consecutive year). PPS Finance staff will submit the 2020-21 Annual Report to ASBO and GFOA and expect that we will again receive these coveted awards.

There are six areas of particular interest. They are:

- The Independent Auditor’s Report (pages 13-16 of the Annual Report).
- The Management’s Discussion and Analysis, which provides an executive summary of the District’s financial status (pages 17-28 of the Annual Report).
- The Independent Auditor’s Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Oregon State Regulations (pages 130-131 of the Annual Report).

- The Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (pages 1-2 of the Report on Requirements for Federal Awards).
- The Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (pages 3-5 of the Report on Requirements for Federal Awards).
- Schedule of Findings and Questioned Costs (pages 11-12 of the Report on Requirements for Federal Awards).

The Annual Report presents financial statements at the major fund level, consistent with the budget appropriation at major fund levels of 100 (General Fund), 200 (all Special Revenue Funds), 300 (all Debt Service Funds), 400 (all Capital Projects Funds) and 600 (Risk Management Fund).

General Fund Ending Fund Balance increased \$24.2 million to \$88.7 million, which is 13.0 percent of General Fund operating revenues. This level exceeds the percentage set with Board Policy 8.10.025-P, which establishes the goal of maintaining an Ending Fund Balance ranging from 5 to 10 percent of annual General Fund Revenues. The increase in Ending Fund Balance is attributable to several factors: 1) increases in property tax revenues; 2) spending reductions associated with Comprehensive Distance Learning and hybrid instruction models continuing longer than originally anticipated; and 3) opportunities which arose at the end of the year to take advantage of Federal COVID Relief funding that had not been originally anticipated.

Special Revenue Ending Fund Balance decreased \$7.6 million to \$28.2 million, due to additional spending on COVID-19 relief measures funded by FEMA, ESSER, and GEER grants. Revenues increased by \$19.7 million, while expenditures increased by \$25.6 million [CA1] from the previous year, primarily due to these federal grants and SIA grants funded by ODE.

Capital Projects Fund Ending Fund Balance increased \$108.6 million to \$771.6 million. Key revenue sources were \$395.0 million from issuance of bonds, \$2.1 million in investment earnings, and \$3.4 million in Construction Excise Tax. Expenditures were \$294.2 million, primarily related to bond projects. This is as expected as construction projects progress.

FISCAL IMPACT

There is no direct fiscal / budget impact because of this audit. A less positive outcome could potentially have indirect negative impacts on PPS’ fiscal outlook, including the District’s ability to secure grant funding and its ability to borrow funds at the most advantageous interest rates. Additionally, in the case of adverse audit findings/issues, the State Office of the Department of Education has the authority to withhold State School Fund payments until audit findings and/or issues are resolved by the District.

COMMUNITY ENGAGEMENT (IF APPLICABLE)

The Annual Report and Report on Requirements for Federal Awards will be published on the District’s website and have been shared with the Audit Committee. Various interested parties,

primarily state agencies, financial institutions and granting agencies, are issued copies as required or requested.

TIMELINE FOR IMPLEMENTATION / EVALUATION

Once the Annual Report and Report on Requirements for Federal Awards are received by the Board, they will be published and sent to the Oregon Secretary of State's office, Oregon Department of Education, and other key stakeholders, as well as being published on the District's website. Some of these agencies require reporting no later than December 31.

BOARD OPTIONS WITH ANALYSIS

N/A

STAFF RECOMMENDATION

Staff recommends the Board of Education receive the Annual Report, Reports to Management, and Report on Requirements for Federal Awards of School District No. 1J, Multnomah County, Oregon for the fiscal year ended June 30, 2021 at the December 14, 2021 board meeting.

Finance staff will be happy to answer board members' questions; and we value any comments and suggestions for improvement.

As a member of the PPS Executive Leadership Team, I have reviewed this staff report.

CH (Initials)

ATTACHMENTS

- A. Annual Comprehensive Financial Report for the year ended June 30, 2021
- B. Report on Requirements for Federal Awards for the year ended June 30, 2021