



# Staff Analysis and Report to the Board

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**Board Meeting/Work Session Date:** December 18, 2018

**Senior Lead:** Claire Hertz, Deputy Superintendent, Business and Operations

Cynthia Le, Chief Financial Officer

**Department Lead:** Tracy Pinder, Director, Financial Services

**SUBJECT:**

***2017-18 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND REPORT ON REQUIREMENTS FOR FEDERAL AWARDS***

**I. 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, 2018. 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.

**II. 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.

**III. ANALYSIS OF SITUATION**

This audit report expresses an unmodified opinion, which is indicative of a high level of fiscal accountability by PPS Finance staff. An unmodified audit opinion is evidence of excellent performance. Last year the Association of School Business Officials and the Government Finance Officers Association awarded PPS their certificates of excellence and achievement in financial reporting.

A thorough explanation and analysis of these financial statements is in Management's Discussion and Analysis beginning on page 16. General Fund Ending Fund Balance increased \$20.1 million to \$38.3 million, which is 6.5 percent of total expenditures. This increase is in keeping with the Board's policy on increasing Ending Fund Balance to 10 percent by June 30, 2025. GO Bonds Fund Ending Fund Balance increased \$324 million, which is primarily a result of issuance of new bonds totaling \$422 million, offset by expenditures of \$97 million.

**IV. FISCAL IMPACT**

There is no direct fiscal / budget impact as a result 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.

**V. COMMUNITY ENGAGEMENT (IF APPLICABLE)**

The CAFR and Report on Requirements for Federal Awards will be published on the District's website and are shared with the Community Budget Review Committee. Various interested parties,

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

**VI. TIMELINE FOR IMPLEMENTATION/EVALUATION**

Once these reports are accepted 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.

**VII. BOARD OPTIONS WITH ANALYSIS**

**None.**

**VIII. STAFF RECOMMENDATION**

We recommend that the Board of Education receive the Comprehensive Annual Financial 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, 2018 at the December 18, 2018 board meeting.

Finance staff will be happy to answer board members' questions; and any comments and suggestions for improvement are valuable to us.

**IX. I have reviewed this staff report and concur with the recommendation to the Board.**

  
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**Guadalupe Guerrero**  
**Superintendent**  
**Portland Public Schools**

December 11, 2018  
\_\_\_\_\_  
**Date**

**ATTACHMENTS**

*(List all supporting documentation, including resolution, etc.)*

- A. Comprehensive Annual Financial Report for the year ended June 30, 2018
- B. Report on Requirements for Federal Awards for the year ended June 30, 2018

**PPS District Priorities FY 2018-19**

1. *Set a clear Vision and Strategic Plan*
  2. *Create equitable opportunities and outcomes for all students*
  3. *Build management and accountability systems and structures*
  4. *Allocate budget, funding and resources focused on improving outcomes for students*
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