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To: Board of Directors
From: Son Lê Hughes, Chief Financial Officer
Subject: Cert. of Achievement, and General Fund & Nutrition Services Financial Updates
Date: November 09, 2020

MEMO

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) 2019

The Business Office has good news to share! On October 16, the Government Finance Officers Association (GFOA) of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to the District. The award was for the District's comprehensive annual financial report (CAFR) for Fiscal Year ending on June 30, 2019. The CAFR was judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

GENERAL FUND REVENUE

This report showed two *other revenue* adjustments that the District received over the last two months.

- On September 13, the District entered into the Inter-Fund Capital Loan between the Special Revenue Fund 294 (Land Proceed) and General Fund 100 (as authorized by ORS 294.468) in the amount of \$1,500,000.00 to pay for the capital outlay of Digital Curriculum expenditures in the fiscal year 2020-2021.
- On October 05, the District received the Education Foundation's donation of \$70,000.00. This funding will be used to maintain effective class sizes and foster excellence in our school district.

GENERAL FUND AND SPECIAL REVENUE FUND EXPENDITURES

General fund operations are tracking close to what was estimated. However, due to the national pandemic, Nutrition Services in Fund 297 (Special Revenue Fund) ran into a deficit of \$616,474.00 in the fiscal year 2019-2020 and appropriate \$300,000.00 in the fiscal year 2020-21. This deficit due to the following reasons:

- The beginning budget shortfall of \$140,168.62 at the start of fiscal year 2019-2020 indicates that revenue generated from sales does not cover expenditures annually. Without more in-depth analysis, it would be speculation to assume that the price charged for each lunch is too low in previous years.

- In March, Covid-19 closed schools. However, under Governor Brown's Executive Order 20-20, school districts mandated to pay all employees, regardless if they were essential employees or not. During this time, all labor costs remain with no revenue generated. Districts were also mandated to provide meals at no charge during the closure. While some reimbursements were received from Oregon Department of Education (ODE), the costs far exceeded this revenue. Without revenue from parents that purchase lunches, the deficit grows by over \$10,000 per month.

Since Nutrition Services (fund 297) is a sub fund of the Special Revenue Fund as all of the 2XX funds are budgeted as one fund for budgetary purposes, our auditor Sabino Arredondo from Wilcox Arredondo & Co. provided us with two (2) options:

1. Transfer money from the General Fund to Special Revenue Fund (Fund 297) to cover the shortfall, or
2. Charge expenditures to the general fund rather than charging it to the nutrition service fund 297

The District chose to go with Option 1: transfer money from the General Fund to Special Revenue Fund (Fund 297) to cover approximately \$916,474.00 (\$616,474.00 + \$300,000.00) shortfall in Nutrition Services. This option is the most transparent way to demonstrate how much of the General Fund was moved into the Special Revenue fund in support of Nutrition Services. District Administrators including the Chief Operation Officer, and the Chief Financial Officer are drafting a new meal service plan to operate within fiscal allocations.

ESTIMATED ENDING FUND BALANCE

Because of the transfer of \$916,474.00 from the General Fund 100 to Special Revenue Fund 297, the estimated ending fund balance for the fiscal year 2020-21 is \$4,554,927 or 3.52% of the total revenue. By June 30, if we don't have any un-expected major expenditures, up to \$850,000.00 of this contingency can be applied toward this transfer.

Attachment:

1. Certificate of Achievement for Excellence in Financial Reporting
2. Monthly Financial Report

Information presented for review and discussion; no action is required.