

Presentation to the Board of School Directors Milwaukee Public Schools March 15, 2022



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Agenda

- Overview of 2021 audit
- Required communications
- Internal control and other recommendations
- Financial highlights

Note: *The following information is intended solely for the information and use of the Accountability/Finance and Personnel Committee and the Board of School Directors of Milwaukee Public Schools and its management.*

Overview of 2021 audit

Reports for 2021 audit

- Unmodified Opinion on basic financial statements of the District
- Unmodified Opinion on Early Retirement Supplemental and Benefit Improvement Plan
- Unmodified Opinion on Supplement Early Retirement Plan for Teachers
- Reporting and insights from 2021 audit
 - Material weakness
 - Significant deficiency
 - Other current year issues
 - Status of prior year issues



Overview of 2021 audit

(continued)

Single audit –

- Unmodified opinion on internal control over financial reporting and one material weakness and one significant deficiency noted
- Unmodified opinion related to internal control over compliance and seven significant deficiencies related to internal control over compliance; one compliance finding related to a Federal Program and six related to State Programs.



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Required communication

Auditor's Responsibilities Under Generally Accepted Auditing Standards

- To express an opinion on the financial statements
- To conduct an audit in accordance with auditing standards generally accepted in the United States of America
- To plan and perform the audit in order to obtain reasonable (rather than absolute) assurance that the financial statements are free of material misstatement
- To express an opinion on compliance with regulations for federal and state award programs

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Required communication

Changes in Significant Accounting Policies

- Implementation of GASB No.84–
Fiduciary Activities

Management Judgments and Accounting Estimates

- No significant changes in estimates
- Accrued claims for self-insurance, accrued compensated absences, net OPEB liability, net pension liability of the Pension Plans- Early Retirement Supplement and Benefit Improvement Plan and Supplemental Early Retirement Plan for Teachers
- WRS/ERS pension assets and liabilities

Significant Audit Adjustments Identified and Recorded During Audit

- None

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Required communication

Uncorrected Misstatements

- None

Other Information in Documents Containing Audited Financial Statements

- We are not aware of any other documents

Disagreements with Management

- None

Management's Consultation with Other Accountants

- We are not aware of any such consultations

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Required communication

Issues Discussed Prior to Retention

- We discussed a variety of matters including accounting principles which occurred in the normal course of our professional relationship and were not a condition to our selection or retention as auditors

Difficulties Encountered in Performing the Audit

- We received full cooperation from the District staff

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Internal Control and Other Recommendations

Current year comments:

- Material Weakness – Material Journal Entries
- Significant Deficiency – MPSU Operations
- Construction in Progress
- Contract Invoicing Support
- IT Best Practices
- Pension related items



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Financial Highlights

- A. The District's governmental funds ended the 2021 fiscal year with an increase in total fund balances of \$26.7 million. This increase reflects a combined increase in General Fund of \$22.8 million, an increase in the Construction Fund of \$19.5 million and a decrease in School Nutrition Services Fund of \$15.6 million.
- B. Total fund balance for the governmental funds was \$128.2 million at June 30, 2021. Of this amount, \$6.9 million was nonspendable for noncurrent receivables, inventories, prepaid expenditures and covering the nutrition deficit, \$32.7 million was restricted for self-insurance, debt service, capital projects, common school funds, trusts and the long term capital improvement fund, \$37.2 million was committed for construction, \$5.6 million is assigned for 2022 budget and \$45.8 million was unassigned.
- C. The District's total long-term obligations at year end were \$1.2 billion and decreased by \$175 million (net) during the 2021 fiscal year. The net decrease relates primarily to the decrease in the net OPEB liability of \$130.6 million (net). The long-term obligations include \$348 million of bonds and notes, \$162 million of net pension obligation and \$632 million of accrued OPEB obligation.
- D. During the year ended June 30, 2021, the District's final budget showed an anticipated reduction to the General Fund equity by \$104.3 million, however actual results reported an increase in the General Fund equity by approximately \$22.8 million.

A person is seen from behind, holding a large white sheet of paper in a modern office setting. The background features a large window with a view of a cityscape, including several tall buildings. The scene is brightly lit, suggesting a sunny day. A small green horizontal bar is visible above the white sheet of paper.

Questions?

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