

■

# Presentation to the Board of School Directors Milwaukee Public Schools May 18, 2023



The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments. Baker Tilly US, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2021 Baker Tilly US, LLP



## Agenda

- Overview of 2022 audit
  - Reports Issued
  - Opinions received
- Federal & State compliance findings
- Required communications
- Internal control and other recommendations
- Financial highlights
- Questions
- Contact information

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 2022 audit

## Reports for 2022 audit

### Reports Issued:

- Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan
- Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers
- Annual Comprehensive Financial Report (audited financial statements)
- Reporting and insights from 2022 audit
- Report on Federal and State Awards



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 2022 audit

## Reports for 2022 audit

### Opinions received:

- Unmodified Opinion on financial statements of the District
- Unmodified Opinion on Early Retirement Supplemental and Benefit Improvement Plan
- Unmodified Opinion on Supplemental Early Retirement Plan for Teachers
- Unmodified opinion on internal control over financial reporting and three material weakness noted
- Unmodified opinion related to internal control over compliance and three significant deficiencies related to internal control over compliance.



# Federal and State Program Compliance Findings

## Federal:

- Medicaid – IEP ratio

## State:

- Special Education – repeat finding  
– No Valid License list
- Transportation
  - Repeat finding – Ridership support





## 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

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.*



## Required communication

### Changes in Significant Accounting Policies

- None noted – but consideration given to Implementation of GASB No.87 – Leases

### 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

- Various related to debt, cash, accruals, transfers, pension and reporting items

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.*



## Required communication

### Uncorrected Misstatements

- Three uncorrected- entries
  - Additional receivable \$947,107
  - Valuation of recorded receivable \$995,181
  - Recognition of revenue \$2,857,910

### 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

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.*





## 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

- Significant Delays
- Unexpected effort to obtain appropriate evidence

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.*

# Internal Control Comments and Other Recommendations

## Current year comments:

- Material Weakness – Financial Statement Close Process
- Material Weakness– Employee Receivables including MPSU and Liquidated Damages
- Material Weakness – Contract Invoicing

## Prior year comments (still open):

- Construction in Progress
- IT Best Practices
- Pension related items



## Financial Highlights

- A. The District's governmental funds ended the 2022 fiscal year with a decrease in total fund balances of \$11.3 million. This decrease reflects a combined decrease in General Fund of \$45.4 million, an increase in the Construction Fund of \$31.8 million and an increase in School Nutrition Services Fund of \$2.3 million.
- B. Total fund balance for the governmental funds was \$116.9 million at June 30, 2022. Of this amount, \$4.3 million was nonspendable for noncurrent receivables, inventories, prepaid expenditures and covering the nutrition deficit, \$64.1 million was restricted for self-insurance, debt service, capital projects, common school funds, trusts and the long term capital improvement fund, \$39.1 million was committed for construction, \$5.6 million is assigned for 2023 budget and \$3.8 million was unassigned.
- C. The District's total long-term obligations at year end were \$1.0 billion and decreased by \$124 million (net) during the 2022 fiscal year. The net decrease relates primarily to the decrease in the net OPEB liability of \$51.8 million (net) and net pension liability of \$52.6 million. The long-term obligations include \$328 million of bonds and notes, \$109 million of net pension obligation and \$580 million of accrued OPEB obligation.

A person is holding a large white sheet of paper in front of a window. The window looks out onto a city with tall buildings. The person's hands are visible at the bottom of the paper. The word "Questions?" is written in the center of the white sheet.

Questions?



Partner - Wendi Unger

414777.5423

[wendi.unger@bakertilly.com](mailto:wendi.unger@bakertilly.com)

Senior Manager – Michelle Walter

414.777.5576

[michelle.walter@bakertilly.com](mailto:michelle.walter@bakertilly.com)

Partner (pension audits only)– Paul Frantz

414.777.5506

[paul.frantz@bakertilly.com](mailto:paul.frantz@bakertilly.com)

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments. Baker Tilly US, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2021 Baker Tilly US, LLP