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

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

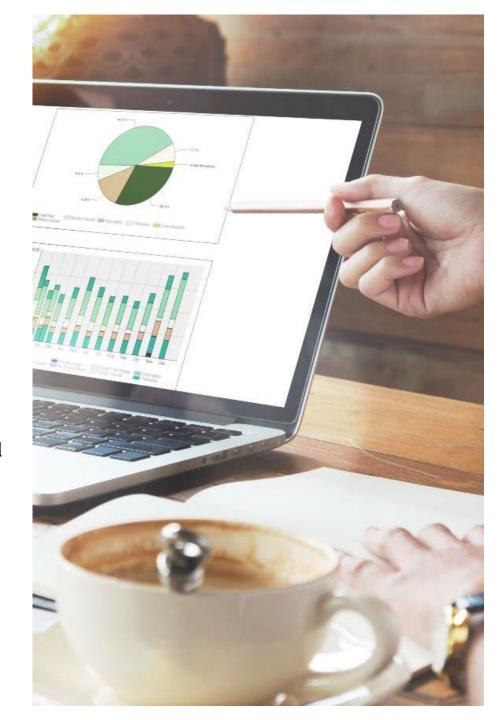


Overview of 2021 audit

(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.





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



Changes in Significant Accounting Policies

 Implementation of GASB No.84– Fiduciary Activities

Management Judgments and Accounting Estimates

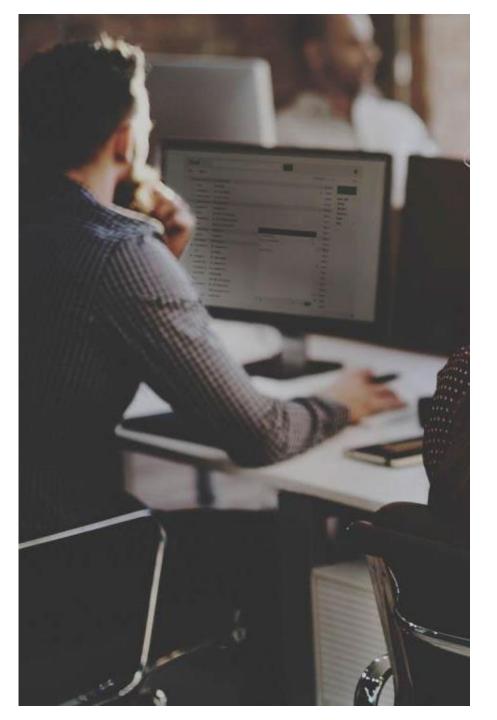
- No significant changes in estimates
- Accrued claims for self-insurance, accrued compensated absences, net OPEB liability, net pension liability of the Pension Plans-Early Retirement Supplement and Benefit Improvement Plan and Supplemental Early Retirement Plan for Teachers
- WRS/ERS pension assets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

Significant Audit Adjustments Identified and Recorded During Audit

None

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.



Uncorrected Misstatements

- None

Other Information in Documents Containing Audited Financial Statements

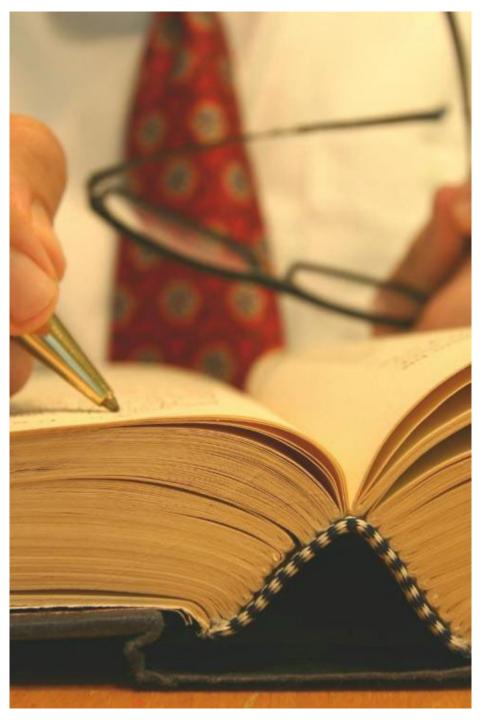
We are not aware of any other documents

Disagreements with Management

None

Management's Consultation with Other Accountants

We are not aware of any such consultations



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

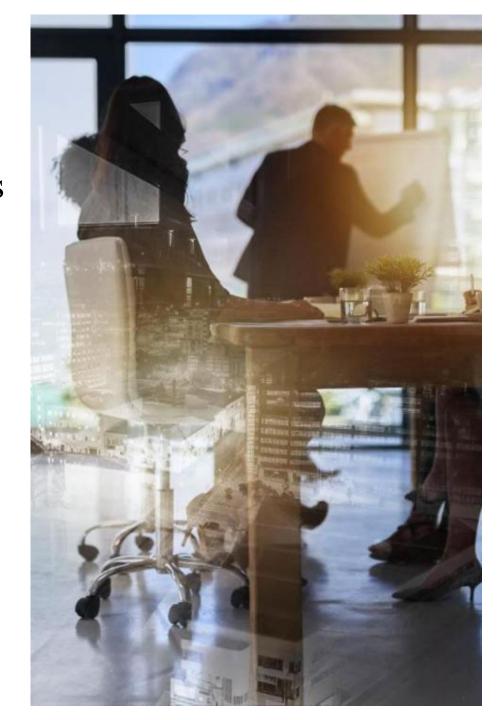
Difficulties Encountered in Performing the Audit

 We received full cooperation from the District staff

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





Financial Highlights

Note:

- 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.





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