

education

**Milwaukee Public Schools**

**Presentation to the Accountability/Finance and Personnel Committee and Board of School Directors**



# Agenda

---

**Overview of 2019 Audit**

**Required Communications**

**Communication to Those Charged with Governance & Management**

**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.*



Candor. Insight. Results.





# Overview of 2019 Audit

---

## Reports for 2019 Audit

- Unmodified opinion for state report (PI-1506AC)
- 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
- Communication to Those charged with Governance and Management – A) Material Weakness, B) Significant Deficiency, C) other current year issues and D) status of prior year issues
- Single Audit – Unmodified opinion on internal control over compliance; fourteen significant deficiencies noted related to internal control over compliance; three compliance finding related to a Federal Program and eleven related to State Programs. Of the eleven for State Programs six of them related to licensing compliance.

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.*



Candor. Insight. Results.





# Required Communications

---

## 1. 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

## 2. Changes in Significant Accounting Policies

- None noted

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 Communications, *Continued*

### 3. Management Judgments and Accounting Estimates

- No significant changes in estimates
- Accrued claims for self-insurance, accrued compensated absences, unfunded status of OPEB obligation as of July 1, 2017 (date of most recent study), unfunded status of the Pension Plans - Early Retirement Supplement and Benefit Improvement Plan and Supplemental Early Retirement Plan for Teachers
- WRS/ERS pension assets and liabilities

### 4. Significant Audit Adjustments Identified and Recorded During Audit

- \$2.3 of adjustments noted to the capital projects – construction fund accounts payable



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 Communications, *Continued*

---

### 5. **Uncorrected Misstatements**

The district chose not to remove \$266K of accounts payable in the construction fund related to fiscal year 2020.

### 6. **Other Information in Documents Containing Audited Financial Statements**

We are not aware of any other documents.

### 7. **Disagreements with Management**

None.

### 8. **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 Communications, *Continued*

---

### 9. 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.

### 10. Difficulties Encountered in Performing the Audit

We received full cooperation from the District staff.

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.*



# Communication to Those Charged with Governance & Management

---

## Current Year Comments:

- ✓ Material Weakness – Material Audit Adjustment
- ✓ Material Weakness – Restatement of Prior Year Financial Statements
- ✓ Significant Deficiency – Food Service Invoicing and Three-Way Match
- ✓ Payroll Review
- ✓ Carry forward of Prior Year Comments



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





## Financial Highlights

---

- A. The District's governmental funds ended the 2019 fiscal year with a decrease in total fund balances of \$22.9 million. This decrease reflects a combined increase in General Fund of \$1.6 million, a decrease in the Construction Fund of \$26.2 million and an increase in School Nutrition Services Fund of \$1.8 million.
- B. Total fund balance for the governmental funds was \$118.7 million at June 30, 2019. Of this amount, \$3.7 million was nonspendable for noncurrent receivables, inventories and prepaid expenditures, \$77.8 million was restricted for self-insurance, debt service, capital projects, school nutrition and the long term capital improvement fund, \$2.2 million was committed for construction, \$9.2 million is assigned for 2020 budget and \$25.8 million was unassigned.

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.*



## Financial Highlights, *Continued*

---

- C. The District's total long-term obligations at year end were \$1.456 billion and had increased by \$155 million (net) during the 2019 fiscal year. The net increase relates primarily to the increase in the net pension liability of \$200.8 million (net). The long-term obligations include \$385 million of bonds and notes, \$322 million of net pension obligation and \$736 million of accrued OPEB obligation.
- D. During the year ended June 30, 2019, the District's final budget showed an anticipated reduction to the General Fund equity by \$37.3 million, however actual results reported an increase in the General Fund equity by approximately \$1.6 million.

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.*