### Presentation to the Board of School Directors Milwaukee Public Schools April 2021





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, LIP 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 2020 audit
- Required communications
- Internal control and other recommendations
- Financial highlights

### Overview of 2020 audit

### Reports for 2020 audit

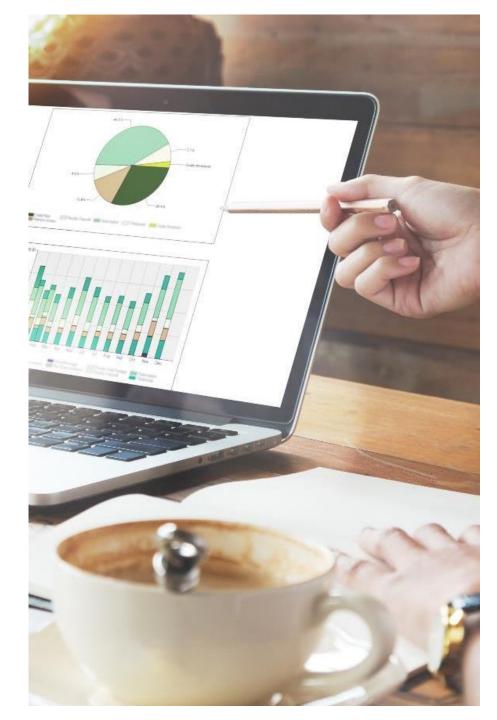
- Unmodified Opinion on basic financial statements of the District
- Unmodified Opinion on Early Retirement Supplemental and Benefit Improvement Plan
- Unmodified Opinion on Supplement Early Retirement Plan for Teachers
- Communication to Those Charged with Governance and Management
  - Material weakness
  - Other current year issues
  - Status of prior year issues



## Overview of 2020 audit (continued)

#### Single audit -

 Unmodified opinion on internal control over financial reporting and one material weakness noted;
Unmodified opinion related to internal control over compliance and ten significant deficiencies related to internal control over compliance; one compliance finding related to a Federal Program and nine 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

None noted

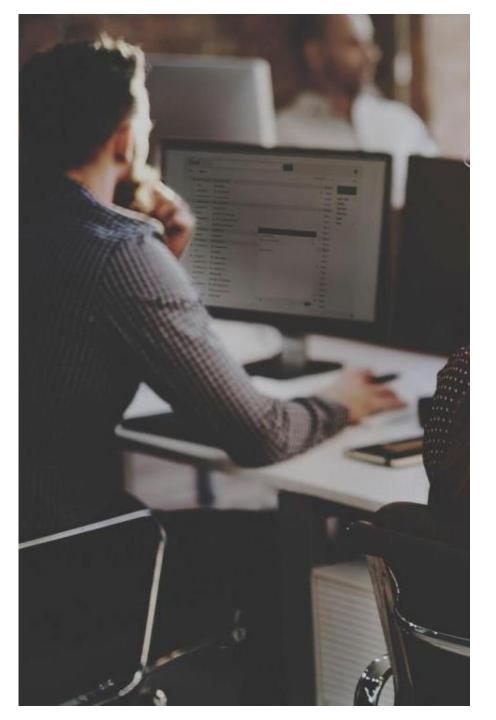
### Management Judgments and Accounting Estimates

- 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:



#### **Uncorrected Misstatements**

None

### Other Information in Documents Containing Audited Financial Statements

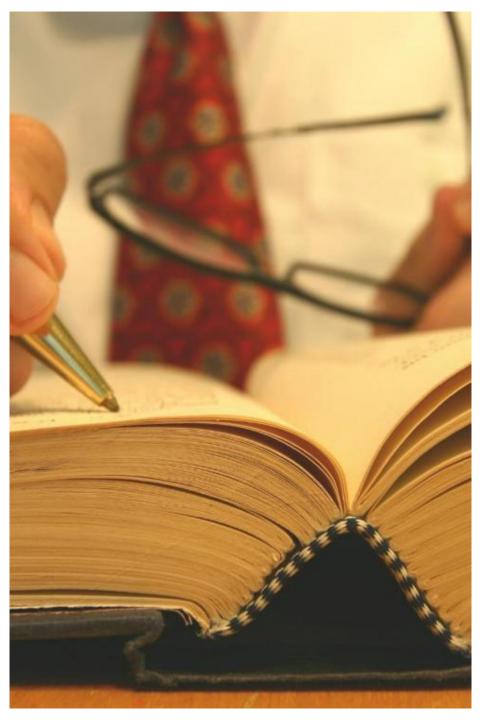
We are not aware of any other documents

#### 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

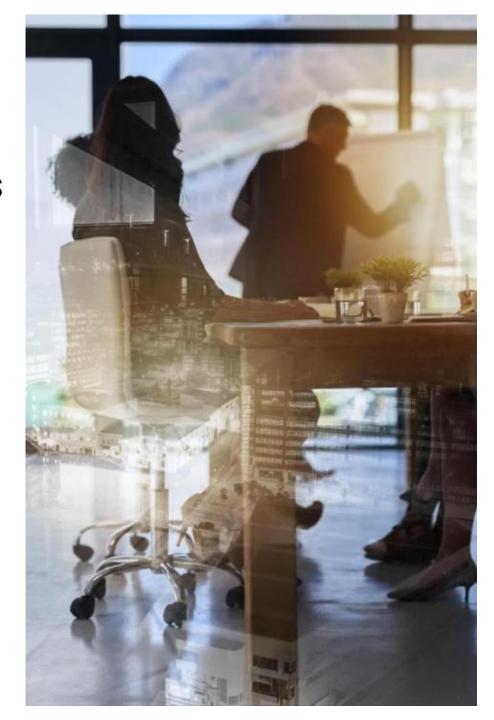
### Difficulties Encountered in Performing the Audit

 We received full cooperation from the District staff

## Internal Control and Other Recommendations

### Current year comments:

- Material Weakness Internal Control over Financial Reporting
- Transportation Reporting Detailed Records
- Infinite Campus Address Corrections
- Trust Accounts
- Food Service Three-Way Match
- Budget Reported in IFAS
- Contract Invoicing Support and Sponsorship Agreements





### Financial Highlights

- A. The District's governmental funds ended the 2020 fiscal year with a decrease in total fund balances of \$24.3 million. This decrease reflects a combined decrease in General Fund of \$1.0 million, a decrease in the Construction Fund of \$16.3 million and a decrease in School Nutrition Services Fund of \$7.0 million.
- B. Total fund balance for the governmental funds was \$94.3 million at June 30, 2020. Of this amount, \$2.4 million was nonspendable for noncurrent receivables, inventories and prepaid expenditures, \$48.9 million was restricted for self-insurance, debt service, capital projects, school nutrition and the long term capital improvement fund, \$2.9 million was committed for construction, \$15.1 million is assigned for 2021 budget and \$25.0 million was unassigned.
- C. The District's total long-term obligations at year end were \$1.3 billion and decreased by \$124.9 million (net) during the 2020 fiscal year. The net decrease relates primarily to the decrease in the net pension liability of \$134.7 million (net). The long-term obligations include \$366 million of bonds and notes, \$187 million of net pension obligation and \$762 million of accrued OPEB obligation.
- D. During the year ended June 30, 2020, the District's final budget showed an anticipated reduction to the General Fund equity by \$75.5 million, however actual results reported a decrease in the General Fund equity by approximately \$1.0 million.





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