

education

Milwaukee Public Schools

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

March 21, 2017





Agenda

Overview of 2016 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.*



Overview of 2016 Audit

Reports for 2016 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) other current year issues and B) status of prior year issues
- Single Audit – Unmodified opinion on internal control over compliance; two significant deficiencies noted related to internal control over compliance; total of five compliance findings - one compliance finding related to a Federal Program and four related to State 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 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

- GASB 72 for fair value measurement for investments



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, 2015 (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

- The audit did NOT result in any significant adjustments to the District's financial statements.



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**

None.



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:

- ✓ Cash Reconciliations

Progress made on Prior Years Comments:

- ✓ Accounts receivable writeoffs (FY15) was addressed
- ✓ Addressed handling on old comments carried over for many years
- ✓ Some Contract Compliance findings were addressed



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 2016 fiscal year with a decrease in total fund balances of \$480,000. This decrease reflects a combined increase in General Fund of \$662,000, a decrease in the Construction Fund of \$5.48 million and an increase in School Nutrition Services Fund of \$4.34 million.
- B. Total fund balance for the governmental funds was \$129.4 million at June 30, 2016. Of this amount, \$12 million was nonspendable for noncurrent receivables, inventories and prepaid expenditures, \$54.8 million was restricted for self-insurance, debt service, capital projects, school nutrition and flex spending, \$21 million was committed for construction, \$975,000 is assigned for 2017 budget and \$40.6 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 \$1.09 billion and increased by \$88 million (net) during the 2016 fiscal year. The net increase relates primarily to the increase in the Net Pension Liability of \$89.5 million. The long-term obligations include \$359 million of bonds and notes and \$516 million of accrued OPEB obligation.
- D. During the year ended June 30, 2016, the District's final budget showed an anticipated reduction to the General Fund equity by \$41.2 million, however actual results reported an increase in the General Fund equity by approximately \$662,000.



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.*