

education

**Milwaukee Public Schools**

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

**March 19, 2019**





# Agenda

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**Overview of 2018 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 2018 Audit

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## Reports for 2018 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; seven significant deficiencies noted related to internal control over compliance; four compliance finding related to a Federal Program and three related to State Programs.



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# 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 75 for Postemployment Benefit Plans other than Pensions



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## 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

- \$3.2M of adjustments noted to the capital projects – construction fund accounts payable



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## Required Communications, *Continued*

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### 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.



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## Required Communications, *Continued*

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### 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.



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# Communication to Those Charged with Governance & Management

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## Current Year Comments:

- ✓ Material Weakness – Material Audit Adjustment
- ✓ Significant Deficiency – Food Service Invoicing and Three-Way Match

## Progress made on Prior Years Comments:

- ✓ Pension Plan Benefit Payments Comment has been addressed.



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# Financial Highlights



- A. The District's governmental funds ended the 2018 fiscal year with an increase in total fund balances of \$2.4 million. This increase reflects a combined decrease in General Fund of \$4.8 million, an increase in the Construction Fund of \$2.7 million and an increase in School Nutrition Services Fund of \$4.5 million.
- B. Total fund balance for the governmental funds was \$141.5 million at June 30, 2018. Of this amount, \$3.7 million was nonspendable for noncurrent receivables, inventories and prepaid expenditures, \$99.7 million was restricted for self-insurance, debt service, capital projects, school nutrition and a long term capital investment fund, \$6.8 million was committed for construction, \$7.7 million is assigned for 2019 budget and \$23.6 million was unassigned.

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## Financial Highlights, *Continued*



C. The District's total long-term obligations at year end were \$1.3 billion and decreased by \$104 million (net) during the 2018 fiscal year. The net decrease relates primarily to the decrease in the Accrued OPEB obligation of \$82 million (net) and a decrease in net pension liability of \$40 million (net). The long-term obligations include \$403 million of bonds and notes, \$121 million of net pension obligation and \$765 million of accrued OPEB obligation.



D. During the year ended June 30, 2018, the District's final budget showed an anticipated reduction to the General Fund equity by \$42.3 million, however actual results reported an decrease in the General Fund equity by approximately \$4.8 million.



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