

education

Milwaukee Public Schools

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

April 10, 2018



Agenda

Overview of 2017 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.*



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Overview of 2017 Audit

Reports for 2017 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; two significant deficiencies noted related to internal control over compliance; one compliance finding related to a Federal Program and two 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 74 for Postemployment Benefit Plans other than Pensions
- GASB 86 for Certain Debt Extinguishment Issues

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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, 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

- \$4.5 million of adjustments noted to the capital projects – construction fund accounts payable



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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.

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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.

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Communication to Those Charged with Governance & Management

Current Year Comments:

- ✓ Material Weakness – Material Audit Adjustment
- ✓ Significant Deficiency – Food Service Invoicing and Three-Way Match
- ✓ Other Comment – Pension Plan Benefit Payments
- ✓ Other Comment - Cash Reconciliations

Progress made on Prior Years Comments:

- ✓ 1 of the 2 Cash Reconciliation Comments has been addressed.



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Financial Highlights

- A. The District's governmental funds ended the 2017 fiscal year with an increase in total fund balances of \$9.7 million. This increase reflects a combined decrease in General Fund of \$38 million, an increase in the Construction Fund of \$41.1 million and an increase in School Nutrition Services Fund of \$6.6 million.
- B. Total fund balance for the governmental funds was \$139.1 million at June 30, 2017. Of this amount, \$6.8 million was nonspendable for noncurrent receivables, inventories and prepaid expenditures, \$97.4 million was restricted for self-insurance, debt service, capital projects, school nutrition and flex spending, \$3.7 million was committed for construction, \$2.8 million is assigned for 2018 budget and \$28.4 million was unassigned.

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Financial Highlights, *Continued*

- C. The District's total long-term obligations at year end were \$1.1 billion and increased by \$16.4 million (net) during the 2017 fiscal year. The net increase relates primarily to the increase in the Accrued OPEB obligation of \$28.9 million (net). The long-term obligations include \$383 million of bonds and notes, \$161 million of net pension obligation and \$545 million of accrued OPEB obligation.
- D. During the year ended June 30, 2017, the District's final budget showed an anticipated reduction to the General Fund equity by \$51.7 million, however actual results reported a decrease in the General Fund equity by approximately \$38 million.

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