

November 11, 2020

To the Board of Education  
Madison Metropolitan School District  
Madison, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison Metropolitan School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*, the Uniform Guidance, and the *State Single Audit Guidelines*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 23, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Madison Metropolitan School District are described in Note 1 to the financial statements. The District implemented GASB Statement No. 84, *Fiduciary Funds* during the year ended June 30, 2020. The application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the Madison Metropolitan School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the net pension asset is based on the entry age normal-level percent of salary actuarial cost method as determined by the Wisconsin Retirement System (WRS). We evaluated the key factors and assumptions used to develop the net pension asset in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net supplemental pension liability is based on the entry-age normal-level percent of salary actuarial cost method. We evaluated the key factors and assumptions used to develop the net supplemental pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other post-employment benefits (OPEB) is based on the entry-age normal-level percent of salary actuarial cost method. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable lives of property and equipment is based on the actual cost or estimated historical costs, based on inventories conducted by an independent third party. We evaluated the key factors and assumptions used to develop the estimate of the depreciable lives of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 11, 2020. Attached is a copy of management's written representations.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Madison Metropolitan School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Madison Metropolitan School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

#### *Supplementary Information*

We applied certain limited procedures to Management's Discussion and Analysis (MD&A), Budgetary Comparison Schedule for the General Fund - Budget and Actual, Schedule of Proportionate Share of WRS Net Pension (Asset) Liability, Schedule of Contributions, Schedule of Net Supplemental Pension Liability, Schedule of Changes in Net Supplemental Pension Liability, Schedule of Net OPEB Liability - Retiree Life, Schedule of Changes in Net OPEB Liability and Related Ratios - Retiree Life, Schedule of Total OPEB Liability - Retiree Life, Schedule of Changes in Total OPEB Liability - Retiree Health, and Schedule of Changes in Total OPEB Liability and Related Ratios - Retiree Health, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Balance Sheet - General Fund, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund, Combining Balance Sheet - Nonmajor Governmental Funds, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds, Schedule of Expenditures of Federal and State Awards, and

the Supporting Schedule of Charter School Authorizing Costs, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the requirements of the Uniform Guidance and the *State Single Audit Guidelines* and accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### *Upcoming Accounting Standards*

The District should plan for the upcoming task of implementing the new Governmental Accounting Standards Board (GASB) pronouncement that will have an impact on their financial reporting related to leases. Appendix I examines this standard in more detail.

#### Restriction on Use

This information is intended solely for the information and use of the board of education and management of the Madison Metropolitan School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Wegner CPAs, LLP

A handwritten signature in black ink, appearing to read "Scott R. Haumersen". The signature is written in a cursive style with a long horizontal flourish at the end.

Scott R. Haumersen, CPA  
Partner

## APPENDIX I

### ACCOUNTING AND REPORTING FOR LEASES

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset and aims to enhance comparability of financial statements among governments. This statement also requires additional notes to the financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

#### *Effective Date*

The requirements of this statement are effective for your fiscal year ending June 30, 2022.

#### *Lessee Accounting*

Lease accounting is required when a government contracts to use another entity's equipment, building, or other nonfinancial assets for a specific period of time. Under the new guidance, a lease asset and a lease liability are recorded in the government-wide financial statements for this contract. The lease liability is calculated by including the following: fixed payments, variable payments, interest rate, purchase options, residual value guarantees, and termination or extension options. The lease liability is discounted and is amortized over the lease term. The lease asset is calculated by starting with the lease liability amount and adjusting for incentives and other costs and is amortized over the shorter of the lease term or the useful life of the underlying asset. The lease asset is reported in the financial statements as an intangible right to use asset, rather than a capital asset under current guidance.

#### *Lessor Accounting*

When the government is leasing one of its assets to another entity, a lease receivable and deferred inflow of resources related to the lease receivable is recorded. The lease receivable is calculated similar to the lease asset described above. The lease receivable is discounted and is amortized over the lease term. The deferred inflow of resources is calculated by starting with the lease receivable and adjusting for incentives and other payments. The deferred inflow would be recognized as an inflow of resources in a systematic and rational manner over the lease term.

#### *Recommendation*

We recommend the District review the new standard, gather all lease contracts, and identify the terms and conditions of each contract, noting the lease term, all payments, and options in order to properly classify each lease.

November 11, 2020

To Wegner CPAs, LLP

This representation letter is provided in connection with your audit of the financial statements of the Madison Metropolitan School District, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 11, 2020, the following representations made to you during your audit.

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 24, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the school district is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

10. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the school district from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the board of education or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the school board and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the school district's financial statements communicated by employees, former employees, regulators, or others.
15. Except as made known to you, we have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
17. We have disclosed to you the identity of the school district's related parties and all the related party relationships and transactions of which we are aware.











