

School District of South Milwaukee

Report on Federal and State Awards

June 30, 2025

School District of South Milwaukee

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**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Education of
School District of South Milwaukee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of South Milwaukee (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
December 9, 2025

**Report on Compliance
for Each Major Federal and Major State Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal and State Awards
Required by the Uniform Guidance and the *State Single Audit Guidelines***

Independent Auditors' Report

To the Board of Education of
School District of South Milwaukee

Report on Compliance for Each Major Federal and Major State Program

Opinion on Each Major Federal and Major State Program

We have audited the School District of South Milwaukee's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of the District's major federal and major state programs for the year ended June 30, 2025. The District's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal and Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Guidelines*. Our responsibilities under those standards, the Uniform Guidance, and the *Guidelines* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and major state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance and the *Guidelines*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's financial statements. We issued our report thereon dated December 9, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and the *Guidelines* and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 9, 2025

School District of South Milwaukee

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Agency/ Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Agency ID	Revenues				
				(Accrued) Deferred Beginning Balance	Cash Received	Accrued (Deferred) Ending Balance	Total Revenues	Total Expenditures
United States Department of Agriculture								
Child Nutrition Cluster:								
School Breakfast Program	10.553	WI DPI	2025-405439-DPI-SB_SEVERE-546	\$ -	\$ 250,401	\$ 11,842	\$ 262,243	\$ 262,243
National School Lunch Program - Commodities	10.555	WI DPI	N/A	-	140,330	-	140,330	140,330
National School Lunch Program	10.555	WI DPI	2025-405439-DPI-NSL-547	-	707,846	32,049	739,895	739,895
Total 10.555				-	848,176	32,049	880,225	880,225
Summer Food Service Program for Children	10.559	WI DPI	2025-405439-DPI-SFSP-586	-	20,308	-	20,308	20,308
Total Child Nutrition Cluster				-	1,118,885	43,891	1,162,776	1,162,776
Total U.S. Department of Agriculture				-	1,118,885	43,891	1,162,776	1,162,776
United States Department of Education								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2025-405439-DPI-TI-A-141	(435,616)	1,197,795	271,405	1,033,584	1,033,584
Career and Technical Education - Basic Grants To States	84.048	WI DPI	2025-405439-DPI-CTE-400	(121,555)	121,555	118,281	118,281	118,281
Special Education Cluster (IDEA):								
COVID-19 - Special Education Grants to States (CEIS ARPA)	84.027	WI DPI	2025-405439-DPI-FLOW-341	(37,980)	37,980	-	-	-
Special Education Grants to States	84.027	WI DPI	2025-405439-DPI-FLOW-341	(308,015)	639,926	284,779	616,690	616,690
Total 84.027				(345,995)	677,906	284,779	616,690	616,690
Special Education - Preschool Grants	84.173	WI DPI	2025-405439-DPI-PRESCH-347	(56,896)	80,859	10,050	34,013	34,013
Total Special Education Cluster (IDEA)				(402,891)	758,765	294,829	650,703	650,703
Education for Homeless Children and Youth	84.196	WI DPI	2025-405439-DPI-EHCY-C-335	(1,718)	1,718	26,559	26,559	26,559
English Language Acquisition State Grants	84.365	WI DPI	2025-405439-DPI-TIII-A-391	(30,301)	59,330	26,968	55,997	55,997
Improving Teacher Quality State Grant	84.367	WI DPI	2025-405439-DPI-TII-A-365	(110,204)	170,597	52,076	112,469	112,469
Student Support and Academic Enrichment Program	84.424	WI DPI	2025-405439-DPI-TIV-A-381	(43,550)	69,533	77,202	103,185	103,185
COVID-19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund III	84.425U	WI DPI	2022-405439-DPI-ESSERFIII-165	(1,617,801)	1,839,303	-	221,502	221,502
Total U.S. Department of Education				(2,763,636)	4,218,596	867,320	2,322,280	2,322,280
United States Department of Health and Human Services								
Medicaid Cluster:								
Grants to States for Medicaid	93.778	WI DHS	44217800	-	326,399	64,306	390,705	390,705
Total Medicaid Cluster				-	326,399	64,306	390,705	390,705
Total U.S. Department of Health and Human Services				-	326,399	64,306	390,705	390,705
Total federal awards				\$ (2,763,636)	\$ 5,663,880	\$ 975,517	\$ 3,875,761	\$ 3,875,761

See notes to the schedules of expenditures of federal and state awards

School District of South Milwaukee

Schedule of Expenditures of State Awards

Year Ended June 30, 2025

State Agency / Program Title	State ID Number	ID Number	(Accrued) Beginning Balance	Cash Received	Accrued Ending Balance	Total Revenues	Total Expenditures
Wisconsin Department of Public Instruction							
Special Education and School Age Parents							
Internal District Program	255.101	405439-100	\$ -	\$ 2,115,472	\$ -	\$ 2,115,472	\$ 2,115,472
School Lunch Aid Program	255.102	405439-107	-	12,577	-	12,577	12,577
Common School Fund Library Aid	255.103	405439-104	-	208,732	-	208,732	208,732
General Equalization	255.201	405439-116	-	25,995,834	-	25,995,834	25,995,834
High Cost Special Education Aid	255.210	405439-119	-	10,878	-	10,878	10,878
Aid for School Mental Health	255.227	405439-176	-	66,953	-	66,953	66,953
Special Education Transition Readiness Grants	255.257	405439-174	-	26,962	14,073	41,035	41,035
School Based Mental Health SV Grants	255.297	405439-177	275	83,711	-	83,986	83,986
School Breakfast Program	255.344	405439-108	-	10,108	-	10,108	10,108
Early College Credit Program	255.445	405439-178	-	746	-	746	746
Student Achievement Guarantee in Education	255.504	405439-160	-	292,769	-	292,769	292,769
Educator Effective Evaluation System Grants Public	255.940	405439-154	-	19,959	-	19,959	19,959
Per Pupil Aid	255.945	405439-113	-	1,993,754	-	1,993,754	1,993,754
Career & Tech Ed Incentive Grant	255.950	405439-152	-	28,103	29,789	57,892	57,892
Assessments of Reading Readiness	255.956	405439-166	-	202	-	202	202
Robotics Lead Participation	255.959	405439-167	-	-	5,484	5,484	5,484
Total Wisconsin Department of Public Instruction			275	30,866,760	49,346	30,916,381	30,916,381
Wisconsin Department of Workforce Development							
Cooperative Educational Service Agency #1							
Youth Apprenticeship Grant	445.107	Unknown	(72,917)	72,917	63,311	63,311	63,311
Total Wisconsin Department of Workforce Development			(72,917)	72,917	63,311	63,311	63,311
Total state awards			<u>\$ (72,642)</u>	<u>\$ 30,939,677</u>	<u>\$ 112,657</u>	<u>\$ 30,979,692</u>	<u>\$ 30,979,692</u>

See notes to the schedules of expenditures of federal and state awards

School District of South Milwaukee

Notes to Schedules of Expenditures of Federal and State Awards
Year Ended June 30, 2025

1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the Schedules) include the federal and state award activity of the School District of South Milwaukee (the District) under programs of the federal and state government for the year ended June 30, 2025. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the Schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position or changes in net position of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

3. Special Education and School Age Parents Program

Eligible costs for special education under project 011 were \$7,164,829 for the year ended June 30, 2025.

4. Indirect Cost Rate

The District has not elected to use the applicable de minimis indirect cost rate.

5. Oversight Agency

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

6. Pass-Through Agencies

The District received federal awards from the following pass-through agencies:

WI DPI	Wisconsin Department of Public Instruction
WI DHS	Wisconsin Department of Health Services

School District of South Milwaukee

Schedule of Findings and Responses
Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Internal control over financial reporting:

Material weakness(es) identified?

X yes no

Significant deficiency(ies) identified?

yes X none reported

Noncompliance material to financial statements noted?

yes X no

Federal and State Awards

	<u>Federal Programs</u>	<u>State Programs</u>
Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes <u> X </u> no	<u> </u> yes <u> X </u> no
Significant deficiencies identified?	<u> </u> yes <u> X </u> none reported	<u> </u> yes <u> X </u> none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance or the <i>State Single Audit Guidelines</i> ?	<u> </u> yes <u> X </u> no	<u> </u> yes <u> X </u> no
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no	<u> </u> yes <u> X </u> no
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	\$1,000,000

Identification of major federal and major state programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010 84.027/84.173 93.778	Title I Grants to Local Educational Agencies Special Education Cluster (IDEA) Medicaid Cluster
<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.201	General Aids Cluster

School District of South Milwaukee

Schedule of Findings and Responses

Year Ended June 30, 2024

Section II - Financial Statement Findings Required to be Reported in Accordance With Government Auditing Standards

Finding 2025-001: Material Weakness - Internal Control Over Financial Reporting

Repeat of Prior Year Finding 2024-001

Criteria: A system of internal control should be in place that provides reasonable assurance that year-end financial statements, including the schedules of expenditures of federal and state awards, are complete and accurate.

Condition: There is a lack of controls over the year-end financial reporting process. The District has not prepared financial statements that are in conformity with generally accepted accounting principles or the schedules of expenditures of federal and state awards that are in conformance with applicable federal or state requirements.

Cause: The District has chosen to have the auditors prepare its annual financial statements, including the schedules of expenditures of federal and state awards.

Effect: Because of the lack of controls over year-end financial reporting, your financial statements may be materially misstated before the annual audit is completed. In addition, the annual financial statements and the schedules of expenditures of federal and state awards are not available to the District until they are completed by the auditors.

Recommendation: Many districts operate with only enough staff to process monthly transactions and reports and rely on outside consultants to handle year-end financial reporting. Management should determine if the benefits achieved by resolving this internal control deficiency warrant the additional costs that would be required to remedy the current conditions. The School Board should continue to make a reasonable effort to be knowledgeable about the District's financial condition and financial reporting requirements.

Views of Responsible Officials: Management agrees with finding 2024-001 and will make efforts to implement recommended procedures. The District will continue to rely on the expertise of an accounting firm to prepare the financial statements. The District's Director of Business Services will review and approve the financial statements.

Section III - Federal Awards Findings and Questioned Costs

None noted.

School District of South Milwaukee

Schedule of Findings and Responses
Year Ended June 30, 2024

Section IV - Other Issues

Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

_____ yes X no

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction

_____ yes X no

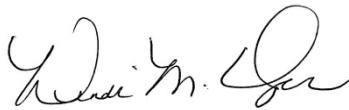
Department of Workforce Development

_____ yes X no

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

 X yes _____ No

Name and signature of principal



Wendi M. Unger, CPA, Principal

Date of report

December 9, 2025