



To the Board of Education
Oshkosh Area School District
Oshkosh, Wisconsin

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oshkosh Area School District (District) as of and for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, the *State Single Audit Guidelines* and the *Wisconsin School District Audit Manual*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to the audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America Governmental Auditing Standards Issued by the Comptroller General of the United States, the Uniform Guidance, Wisconsin State Single Audit Guidelines and the Wisconsin School District Audit Manual

As stated in our engagement letter dated, August 23, 2023, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the schedules of employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedule of changes in total pension liability and related ratios – supplemental pension, schedule of change in net OPEB liability, fiduciary net position, and related ratios – other post-employment benefits - single employer plan, schedule of employer contributions - other post - employment benefits - single employer plan, schedules of employer's proportionate share of net OPEB liability and employer contributions – cost sharing plan, and the schedule of revenues, expenditures and change in fund balance – budget and actual – general fund, as indicated in the financial statement's table of contents, which supplement the basic financial statements, was to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the combining financial statements of the combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds, combining schedule of internal general and special education funds – balance sheet, and combining schedule of internal general and special education funds – revenues, expenditures and change in fund balance, and the schedules of expenditures of federal and state awards as indicated in the financial statement's table of contents, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information as described by professional standards, was to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information was fairly stated, in all material respects, in relation to the financial statements as a whole.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Audit Scope, Significant Risks and Other

Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures.

Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Any internal control related matters that are required to be communicated under professional standards are included later in this letter.

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 Oshkosh Area School District are described in Note 1 to the financial statements. As discussed in Note 1, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 96 – Subscription Based IT Agreements as of and for the year ended June 30, 2023. We noted no transactions entered into by the governmental unit 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 useful lives of the capital assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred outflows/inflows is based on an actuarially determined amount. We evaluated the key factors and assumptions used to develop the net pension liability and related deferred outflows/inflows in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the supplemental pension liability and related deferred outflows/inflows is based on an actuarially determined amount. We evaluated the key factors and assumptions used to develop the pension liability and related deferred outflows/inflows in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the health insurance other post-employment benefits (OPEB) liability and related deferred outflows/inflows is based on an estimated amount. We evaluated the key factors and assumptions used to develop the net OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the life insurance other post-employment benefits (OPEB) liability and related deferred outflows/inflows is based on an estimated amount. We evaluated the key factors and assumptions used to develop the net OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred but not reported (IBNR) dental and health insurance claims are based on an actuarially determined amount. We evaluated the key factors and assumptions used to develop the IBNR in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of pension benefits and the related risk associated with them are found in Note 7 to the financial statements. The footnote was prepared based in the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risks associated with the District's participation in the Wisconsin Retirement System.

The disclosure of supplemental pension benefits and the related risks associated with it in Note 7 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risk associated with the District's supplemental pension benefits.

The disclosure of life insurance other postemployment benefits and the related risk associated with them are found in Note 8 of the financial statements. The footnote was prepared based in the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risks associated with the District's post-employment benefits.

The disclosure of the health insurance other post-employment benefits and the related risks associated with them are found in Note 8 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board provision of other post-employment benefits and is intended to inform readers as to the risks associated with the District's other post-employment benefits.

The disclosure of the incurred but not reported (IBNR) dental and health insurance claims and the related risks associated with them are found in Note 9 and 10 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board provision of IBNR and is intended to inform readers as to the risks associated with the District's IBNR.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

A list of corrected misstatements is attached to this management letter. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate to each opinion unit's financial statements taken as a whole.

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could cause future period financial statements to be materially misstated, even though, in our judgement, such uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' 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 30, 2023.

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 District's financial statements or a determination of the type of auditors' 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 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.

Internal Control Over Financial Reporting

In planning and performing our audit of 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, 2023, in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statement but not 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 District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the following paragraph that we consider to be a significant deficiency.

Financial Reporting - Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net assets, and disclosures in the financial statements, in conformity with U.S. Generally Accepted Accounting Principles (GAAP). During our audit we noted the internal control system does not include a process for preparing the annual audited financial statements and the related disclosures in accordance with GAAP. Management requested that we assist in preparing a draft of the audited financial statements, including the related footnote disclosures. The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost. This matter is common in most small organizations since they do not have the resources to devote to this area of internal control.

Internal Control Over Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, we do not express an opinion on compliance. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, the Uniform Guidance, *Wisconsin State Single Audit Guidelines* and the *Wisconsin School District Audit Manual*.

Other Matters

In addition, we felt that other matters described in the following paragraphs were important to the operation of the Oshkosh Area School District. These matters may involve internal controls, general obligations, recommendations for the adoption of policies and other such items that we feel will enhance the District.

Current Year Observations

Summary Financial Information

Presented below is a summary of the District's governmental fund balances on June 30, 2023 and 2022. This information is provided for assisting management in assessing financial results for 2022-2023 and for indicating financial resources available at the start of the 2023-2024 budget year.

	<u>6/30/2023</u>	<u>6/30/2022</u>
Governmental Funds		
General Fund		
Nonspendable inventory and prepaid items	\$ 185,137	\$ 296,862
Restricted	57,790	66,955
Assigned	1,500,000	-
Unassigned	20,798,655	23,648,796
Total General Fund	<u>22,541,582</u>	<u>24,012,613</u>
Capital Projects Funds		
Restricted	<u>50,494,229</u>	<u>93,928,683</u>
Special Revenue Funds		
Nonspendable	146,777	176,901
Restricted	5,432,245	5,755,216
Total Special Revenue Funds	<u>5,579,022</u>	<u>5,932,117</u>
Debt Service Funds		
Restricted	<u>1,695,678</u>	<u>5,198,363</u>
Total Governmental Fund Balances	<u>\$ 80,310,511</u>	<u>\$ 129,071,776</u>

As indicated above, the District's unassigned general fund balance totaled \$20,798,655 on June 30, 2023. This amount essentially represents cash available for use during the 2023 - 2024 school year. In our opinion, a reasonable amount of available cash at June 30, 2023 would be between 15 – 20% of a school district's general fund operating expenditures. A need for working cash reserve of 15 – 20% is based on the following items that have a negative effect on cash flow.

1. The present payment schedule for state aids for school purposes results in approximately 83% of the total school aids due being received after December 1, more than five months after the school year has started. In addition, approximately 35% of aids are not received until June or July.
2. Property taxes levied to finance the school year budget are levied on January 1, six months after the school year has started. In addition, the collection method for property taxes results in a large portion of taxes not being received until August, approximately two months after the school year has ended.

Accordingly, based upon the District's 2022 - 2023 actual expenditures, a reasonable unassigned general fund balance would be calculated as follows:

Actual 2022 - 2023 General Fund operating expenditures	\$148,951,530
Reasonable fund balance %	x 15 - 20%
Reasonable fund balance amount	<u>\$ 22,342,730 - \$29,790,306</u>

The District's current unassigned general fund balance is below the suggested amount, which is largely due to the District assigning \$1,500,000 for Self-Insurance in the current year.

Student Activity Cash Disbursements (6/30/2023)

It was noted that when cash is paid for various student activity funds a signatures or email correspondences are not documented approving the purchases, and as a result, documentation is not being supported to be paid. This is not a sufficient procedure to ensure that all funds are being approved and paid for the various student activities. We recommend that the District implement a similar approval process through Skyward for student activities similar to the regular disbursements seen by the District.

Timely Submission of DPI Budgets and Claims (6/30/2023)

It was noted that during the year the District was not making timely submissions of federal DPI budgets and claims resulting in challenges with cash flows throughout the year. If this continues the District could continue to face similar issues in the coming years. We recommend the District evaluate federal claims each quarter and submit their budget and claims to DPI.

Prior Year Observations

Student Activity Cash Receipting (6/30/2022)

It was noted that when cash comes in for various student activity funds a receipt is not being generated when received, and as a result, documentation is not being retained to support the bank deposits. This is not a sufficient procedure to ensure that all funds are being collected and deposited. We recommend that the District implement a manual receipting process or to utilize the Skyward receipting function for all cash transactions within the District. To further reduce the risk noted, we recommend that the District become cashless for their transactions.

Status 6/30/2023

The District has worked with the various schools to retain receipts for deposits and ensure two signatures were on each deposit. The District is still researching various cashless options to help further mitigate any issues. As of June 30, 2023 this issue is resolved.

Closing

We will review the status of these comments during our next audit engagement. We already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We thank you for allowing us to be of service to the Oshkosh Area School District. We received complete cooperation and appreciate your consideration of our comments and your implementation of suggestions.

This information is intended solely for the use by the Board of Education, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

KerberRose SC

KerberRose SC
Certified Public Accountants
Oshkosh, Wisconsin
November 30, 2023

OSHKOSH AREA SCHOOL DISTRICT

Year End: June 30, 2023

Adjusting journal entries

Date: 7/1/2022 To 6/30/2023

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
AJE01	6/30/2023	REF 2020 - MENOMINEE EL	49 E 508 310 255000 611 CPF-49			59,199.00	
AJE01	6/30/2023	REF 2020 - MENOMINEE EL	49 E 508 310 255000 611 CPF-49			9,279.00	
AJE01	6/30/2023	REF 2020 - NEW MIDDLE (VEL)	49 E 508 310 255000 612 CPF-49			18,776.00	
AJE01	6/30/2023	REF 2020-CONSTRUCTION (SAFETY)	49 E 508 327 255000 610 CPF-49			959,149.00	
AJE01	6/30/2023	REF 2020 - MENOMINEE EL	49 E 508 327 255000 611 CPF-49			225,369.00	
AJE01	6/30/2023	REF 2020 - NEW MIDDLE (VEL)	49 E 508 327 255000 612 CPF-49			3,097,109.00	
AJE01	6/30/2023	REF 2020 - CONSTR (DW INFRA)	49 E 508 327 255000 613 CPF-49			252,168.00	
AJE01	6/30/2023	REF 2020 - CONSTR (DW INFRA)	49 E 508 327 255000 613 CPF-49			492,741.00	
AJE01	6/30/2023	REF 2020 - CONSTR (DW INFRA)	49 E 508 327 255000 613 CPF-49			4,071.00	
AJE01	6/30/2023	ACCOUNTS PAYABLE	49 L 000 000 811200 000 CPF-49				-3,598,567.00
AJE01	6/30/2023	Retainage Payable	49 L 000 000 811400 000 CPF-49				-1,519,294.00

To record additional AP and
retainage

Year End: June 30, 2023
Unrecorded journal entries
Date: 7/1/2022 To 6/30/2023