

# Douglas County School District

# Single Audit Report

For the Year Ended June 30, 2020



**Douglas County  
School District Re 1**  
620 Wilcox Street  
Castle Rock, CO 80104  
[www.dcsdk12.org](http://www.dcsdk12.org)



**Douglas County School District**  
*Learn Today, Lead Tomorrow*

**DOUGLAS COUNTY SCHOOL DISTRICT RE.1**  
620 Wilcox Street  
Castle Rock, Colorado 80104

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**SINGLE AUDIT REPORT**  
For the Year Ended June 30, 2020

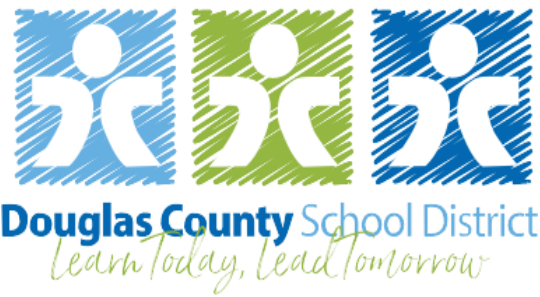


**Corey Wise**  
**INTERIM SUPERINTENDENT**

**Prepared by:**  
**Office of Business Services**

**Jana L. Schleusner and Colleen Doan**  
**Acting Co-Chief Financial Officers**

**Jana L. Schleusner**  
**Director of Finance**



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**DOUGLAS COUNTY SCHOOL DISTRICT RE.1**

Single Audit Report

June 30, 2020

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**INDEPENDENT AUDITORS' 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***

Board of Education  
Douglas County School District No. Re.1  
Douglas County, Colorado

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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas County School District No. Re.1 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2020. Our report includes a reference to other auditors who audited the financial statements of the District's Charter Schools, discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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) to determine the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, 2020-01.

**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 determination of financial statement amounts. 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*.

**District’s Response to Findings**

The District’s response to the finding identified in our audit is described in the accompanying Schedule of findings and questioned costs. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
February 15, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Douglas County School District No. Re.1  
Douglas County, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited Douglas County School District No. Re.1's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of findings and questioned costs as items 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying, Management's Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas Country School District, No. Re.1 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements. We issued our report thereon dated November 13, 2020, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
February 15, 2021

Douglas County School District RE1

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Treasury</b>			
Pass-Through			
Department of Education			
Coronavirus Relief Fund	21.019	4012	\$ 1,116,123
<b>U.S. Department of Education</b>			
Pass-Through			
Department of Education			
Title I, Part A	84.010	4010	\$ 1,293,471
Title I, Part A - Homeless Set Aside	84.010	9202	156,700
Title I, Part A - District Managed	84.010	9206	10,417
Title I, Part A - Parent Activities	84.010	9211	12,204
Title I, Part A (Prevention Integration)	84.010	5010	53,782
Total CFDA No. 84.010			<u>1,526,574</u>
Title V, Part B: Charter School Program	84.282	5282	223,245
Title III, Part A: English Language Acquisition Grants	84.365	4365	240,973
Title II, Part A: Improving Teacher Quality	84.367	4367	565,714
Title IV-A: Student Support and Academic Enrichment	84.424A	4424	60,537
IDEA Part C: Special Education for Infants and Families	84.181A	5181	39,672
Special Education Cluster:			
IDEA Part B: Special Education (IDEA, Part B)	84.027	4027	8,870,155
IDEA Part B: Special Education - Preschool	84.173	4173	106,239
Total Special Education Cluster			<u>8,976,394</u>
Colorado Multi-Tiered System of Supports MTSS	84.323a	5323	45,426
State Board for Community College and Occupational Education Career & Technical Education Grant	84.048	4048	<u>195,011</u>
<b>Total Department of Education</b>			<u>11,873,546</u>
<b>U.S. Department of Health and Human Services</b>			
Child Care Cluster:			
Direct			
Childcare Development & Block Grant	93.575	7575	61,023
Pass-Through			
State Department of Education			
Childcare Development & Block Grant (EQIT)	93.575	7575-1000	216,390
<b>Total Department of Health and Human Services</b>			<u>277,413</u>
<b>U.S. Department of Agriculture</b>			
Child Nutrition Cluster:			
Pass-Through			
Department of Education			
School Breakfast Program	10.553	4553	148,280
Special Milk Program for Children	10.556	4556	61,827
Summer Food Program for Children	10.559	4559	74,187
National School Lunch Program	10.555	4555	3,334,422
National School Lunch Program (Non-Cash), pass through State Department of Human Services	10.555	4555	813,143
Total Child Nutrition Cluster			<u>4,431,859</u>
Total Expenditures of Federal Awards			<u>\$ 17,698,941</u>

## **Douglas County School District RE. 1**

### **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020**

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Douglas County School District RE. 1 (the District) for the year ended June 30, 2020. The schedule does not include the federal grant activity of the District's Charter Schools, discretely presented component units. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included in the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 CFR Part 200. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

#### **Note 2. Significant Account Policies**

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3. Noncash Assistance**

The schedule includes federal awards in the form of noncash assistance (food commodities) received during the year in the amount of \$813,143 from the U.S. Department of Agriculture passed through the State Department of Education and the State Department of Human Services - CFDA No. 10.555. The commodities are recognized as expenditures when used by the schools and are valued at current market price.

#### **Note 4. Subrecipients**

For the year ended June 30, 2020, the District did not pass through any federal grants to subrecipients.

#### **Note 5. Indirect Cost Rate**

The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance

**DOUGLAS COUNTY SCHOOL DISTRICT NO. RE.1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes      \_\_\_\_\_ no

**Identification of Major Federal Programs**

**CFDA Number(s)**

84.027  
84.173  
21.019

**Name of Federal Program or Cluster**

Special Education Grants to States – Part B  
Special Education – Preschool Grants  
Coronavirus Relief Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no

**DOUGLAS COUNTY SCHOOL DISTRICT NO. RE.1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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***Section II – Financial Statement Findings***

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**2020-001**

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

**Condition:** During fiscal year 2020, it was noted the District improperly recognized revenue in fiscal year 2020 for family deposits in the Child Care Fund 29. Revenue was being recorded for childcare days enrolled in by families, but not yet used by the families.

**Criteria or specific requirement:** Under U.S. GAAP, the District should recognize revenue when earned. In this case when the service was provided to the families.

**Context:** The District's policy for before and after school care billing states that families will not be reimbursed for days enrolled and paid for if a child does not attend the day that was paid for. In order to offer flexibility for families during the COVID-19 global pandemic, this policy was changed. The District offered families the choice to be refunded for days paid for but not used, or to carry a credit on their account to be used in the 2021 school year. This change in billing methodology for the before and after school care program generated credits for individual accounts that were improperly recognized as revenue in fiscal year 2020.

**Effect:** In fiscal year 2020 revenue was overstated, unearned revenue was understated, and net position/fund balance was overstated by \$301,690.

**Cause:** The error was a result of the District changing billing procedures for the before and after school care program, and that change in billing was not incorporated into the financial close and reporting process for the end of the fiscal year.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend the District continue to evaluate how revenue is being reported for all sources and apply U.S. GAAP.

**Views of responsible officials and planned corrective actions:** The District agrees with the finding.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. RE.1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2020-002**

Federal agency: U.S. Department of Treasury

Federal program title: Corona Virus Relief Fund

CFDA Number: 21.019

Pass-Through Agency: Colorado Department of Education

Award Period: March 1, 2020 through December 30, 2020

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:** The Code of Federal Regulations 2 CFR 200.403, Factors Affecting Allowability of Costs, requires that, except as otherwise authorized, costs must conform to any limitations or exclusions set forth in the Federal Awards, and the purchase cost must be incurred during the approved budget period. As outlined in the compliance supplement and notice of federal award, this period extends from dates March 1, 2020 through December 30, 2020.

**Condition:** During our testing, we noted a total of \$9,190 of charter school purchases that occurred outside of the period of performance for the federal award, March 1, 2020 through December 30, 2020.

**Questioned Costs:** \$9,190

**Context:** In our sample of twenty-four disbursements, CLA noted multiple instances of expenses, totaling \$9,190, where the charter school purchase occurred prior to the beginning of the award's period of performance beginning on March 1, 2020.

**Cause:** This finding occurred because the review of the charter school supporting documents for expenses charge to the award took place subsequent to the fiscal year end close. The District was unable to obtain all supporting invoices from all charter schools prior to closing the fiscal year 2020 expenses for the federal award.

**Effect:** The District is not in compliance with the period of performance requirements for the federal award.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** CLA recommends the District implement a process to review all costs coded to the federal award to ensure that the transactions occurred within the prescribed period of performance.

**Views of responsible officials and planned corrective actions:** The District agrees with the finding.

**DOUGLAS COUNTY SCHOOL DISTRICT NO. RE.1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**2020-003**

Federal agency: U.S. Department of Treasury

Federal program title: Corona Virus Relief Fund

CFDA Number: 21.019

Pass-Through Agency: Colorado Department of Education

Award Period: March 1, 2020 through December 31, 2020

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:** The Code of Federal Regulations 2 CFR 200.403, Factors Affecting Allowability of Costs, requires that, except as otherwise authorized, in order to be allowable under federal awards, costs must conform to any limitations or exclusions set forth in the Federal Awards, and be accorded consistent treatment. The federal award limits expenditures to necessary expenditures incurred due to the public health emergency that are not accounted for in the government's most recently approved budget.

**Condition:** During our testing, we noted a total of \$306 of payroll costs charged to the federal award that were not necessary expenditures due to the public health emergency that were not accounted for in the government's most recently approved budget.

**Questioned Costs:** \$306

**Context:** In our sample of twenty-three disbursements, CLA noted one instance of a personnel costs that did not conform to the limitations set forth in the federal award, as the cost was already included in the most recently approved budget.

**Cause:** This finding was caused by a calculation error in allocating the proper portion of an employee's time incurred for allowable activities under the federal award.

**Effect:** The District is not in compliance with the allowable cost requirements for the federal award.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** CLA recommends that the District implement a process to ensure all payroll costs allocated to the federal award match the actual time incurred performing allowable activities under the federal award.

**Views of responsible officials and planned corrective actions:** The District agrees with the finding.

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***Section IV – Prior Year Findings***

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None

