

December 13, 2022

Douglas County School District Board of Education,

Per Article II of the Bylaws of the Fiscal Oversight Committee (FOC), the scope of the FOC's responsibilities includes information gathering, fact-finding, and making recommendations in a number of areas to the Board of Education (BOE) of the Douglas County School District (DCSD).

In particular, Article III Paragraph 4 outlines the FOC's duties for Accounting, Audit Oversight, and Financial reporting, with emphasis in 4c), on the matter of the Annual Comprehensive Financial Report.

The FOC created an Audit Subcommittee (the Subcommittee) again this year to increase our focus and oversight of this important duty. The Subcommittee was comprised of Maya Rosochacova as chair and Mike Barrows, Aaron Cowan, James Coope, and James Maras as members. The Subcommittee met monthly with DCSD finance and accounting staff since September 2022 and once with CliftonLarsonAllen, the Auditors, in September 2022, to review and to comment on the scope, work, and results of the audit. Our opinions are based solely on information provided by the Office of the CFO and the auditors.

As with past years, we have confidence that the audit provides reasonable assurance that the financial positions and activities of DCSD are materially accurate and fairly represented. No material errors in financial results or position nor significant deficiencies or material weaknesses in internal controls were noted by the auditor. The auditors identified one deficiency in internal control, which 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. The comment is intended to improve the internal control or result in other operating efficiencies, and was communicated to the DCSD management through the management letter. The comment relates to the implementation of the new GASB Statement No. 87, *Leases*, where the Energy Efficiency Lease should have been disclosed as a Finance Lease and not considered for the GASB implementation during the current year. The disclosure will be adjusted in the 2023 audit to properly disclose it as a Finance Lease.

In addition, a \$6 million Technology Emergency Connectivity Grant was requested during 2022 and has proven difficult to collect. District staff was not certain of its collectability and did not record the revenue in the 2022 audit. With the uncertainty, the auditors are disclosing a passed adjustment which will impact a balance sheet side only entries.

DCSD received a 3-months extension on the audit related to Federal grant compliance (Single Audit). The Single Audit is extended until January 2023 as it has been the past 2 years and a separate report will be issued.

The FOC recommends that the BOE accept the audit as presented to the FOC. Our recommendation is predicated on the assumptions that the final presentation sent to the BOE does not have any substantial modifications and knowing that the “major programs” part of the audit will be completed in January 2023.

We wish to thank the Office of the CFO, its staff, and CliftonLarsonAllen, for their assistance in this matter.

Sincerely,

Fiscal Oversight Committee