Federal Awards Reports In Accordance With the Single Audit Act and the Uniform Guidance
December 31, 2015

Douglas County, Colorado

Independent Auditor's 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*

The Board of Douglas County Commissioners
Douglas County, Colorado

We have audited, in accordance with 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, each major fund, and the aggregate remaining fund information of Douglas County, Colorado as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Douglas County's basic financial statements, and have issued our report thereon dated April 26, 2016.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Douglas County'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 Douglas County's internal control. Accordingly, we do not express an opinion on the effectiveness of Douglas County'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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and question costs as item 2015-A, that we considered to be a significant deficiency.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Douglas County'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*.

Douglas County’s Response to the Finding
Douglas County’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County’s corrective action plan is also included in a separately issued letter. We have not audited Douglas County’s response or corrective action plan, on page 13, and, accordingly, we express no opinion on them.

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.

Eide Bailly LLP

Greenwood Village, Colorado
April 26, 2016

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Douglas County Commissioners
Douglas County, Colorado

Report on Compliance for Each Major Federal Program

We have audited Douglas County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Douglas County's major federal programs for the year ended December 31, 2015. Douglas County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for each of Douglas County'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 compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Douglas County'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 Douglas County's compliance.

Opinion on Each Major Federal Program
In our opinion, Douglas County's 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 programs for the year ended December 31, 2015.

Report on Internal Control over Compliance
Management of Douglas County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Douglas County'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 Douglas County's internal control over compliance.

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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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. 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, each major fund, and the aggregate remaining fund information of Douglas County as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Douglas County's basic financial statements. We issued our report thereon dated April 26, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

Eide Bailly LLP

Greenwood Village, Colorado
April 26, 2016

Douglas County, Colorado
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Numbers	Pass-Through Entity Identifying Number	Expenditures as of 12/31/15		Amounts Passed - Through to Subrecipients
U.S. Department of Agriculture					
Passed-through Colorado Department of Human Services					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	*		$ 545,340	$ -
State Administrative Matching Grants for the Watershed Rehabilitation Program	10.916	60-8B05-A14-02		48,016	-
Total U.S. Department of Agriculture				**593,356**	**-**
U.S. Department of Housing and Urban Development					
Community Development Block Grants/Entitlement Grants	14.218			**935,555**	**449,719**
U.S. Department of Justice					
State Criminal Alien Assistance Program	16.606			34,134	-
Passed-through Colorado Department of Public Safety, Division of Criminal Justice					
Support for Adam Walsh Act Implementation Grant Program	16.750	11-AWA-02		687	-
Passed-through Colorado Department of Public Safety, Division of Criminal Justice					
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-12-000078-04-4		19,096	-
Equitable Sharing Program	16.922			171,704	-
Total U.S. Department of Justice				**225,621**	**-**
U.S. Department of Transportation					
Passed-through Colorado Department of Transportation					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CMS#12-HTR-41272/SAP		233,266	-
Passed-through Colorado Department of Transportation					
National Highway Traffic Safety Administration (NHTSA)	20.614	411005177		4,500	-
Highway Planning and Construction	20.205	15 HA1 76112		1,360,000	-
Passed-through Regional Transportation District					
Highway Planning and Construction	20.205	MI2010-066		40,001	-
Highway Planning and Construction Grant Total				1,400,001	-
Total U.S. Department of Transportation				**1,637,767**	**-**
U.S. Department of Health and Human Services					
Pass-through Colorado Department of Human Services					
Temporary Assistance for Needy Families (TANF)	93.558	*		892,765	-
Child Support Enforcement	93.563	*		728,851	-
Low-Income Home Energy Assistance Program	93.568	*		324,796	-
Child Care and Development Block Grant	93.575	*	130,216		-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	606,465		-
Child Care and Development Block Grant Cluster				736,681	-
Child Welfare Services	93.645	*		88,516	-
Foster Care Title IV-E	93.658	*		1,205,223	-
Adoption Assistance	93.659	*		107,358	-
Social Services Block Grant	93.667	*		128,046	-
Medical Assistance Program	93.778	*		884,316	-
Community Services Block Grant	93.569	*		43,402	-
Pass-through Denver Regional Council of Governments					
Special Programs for the Aging - Supportive Services and Senior Centers	93.044	*		1,513	-
Pass-through State of Colorado Office of Behavioral Health					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	*		30,000	-
Total Department of Health and Human Services				**5,171,467**	**-**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Numbers	Pass-Through Entity Identifying Number	Expenditures as of 12/31/15	Amounts Passed - Through to Subrecipients
Executive Office of the President				
High Intensity Drug Trafficking Areas Program	95.001		**$ 2,019,522**	$ -
U. S. Department of Homeland Security				
Pass-through Colorado Department of Local Affairs				
Emergency Management Performance Grants	97.042	*	10,000	-
Pass-through City and County of Denver				
2015 Homeland Security Grant Program	97.067	*	31,276	-
Total Department of Homeland Security			**41,276**	**-**
Total Expenditures of Federal Awards			**$ 10,624,564**	**$ 449,719**

*** Number not readily available**

Note A – Basis of Presentation and Significant Account Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Douglas County, Colorado, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Douglas County, Colorado, received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a sub-recipient is treated as an expenditure when it is paid to the sub-recipient.

Governmental fund types account for the County's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The County's summary of significant accounting policies is presented in Note 1 in the County's basic financial statements.

Douglas County did not elect to use the 10% De Minimis indirect cost rate.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Temporary Assistance for Needy Families	93.558
High Intensity Drug Trafficking Areas Program	95.001
Highway Planning and Construction	20.205

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

2015-A **Accounts Receivable Balances**
Significant Deficiency

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 65 establishes accounting and financial reporting standards which identify that when an asset is recorded in a governmental fund and the revenue does not meet the availability criterion (within 60 days after year-end), a deferred inflow of resources should be reported until the revenue becomes available.

Additionally, generally accepted accounting principles (GAAP) provide methods for allowing for and writing off accounts receivable balances if these are determined to be uncollectible.

Condition: In our testing of accounts receivable balances, we noted several instances in which deferred inflows of resources should have been reported in the current year as opposed to recognizing the revenue as it is not yet available. We passed on adjustments in the General Fund, Law Enforcement Authority Fund, and Open Space Fund relating to various accounts receivable balances that should have been reported as deferred inflows versus recognized as revenue in 2015. Similarly, we passed on adjustments in the General Fund, Road & Bridge Fund, Human Services Fund, Law Enforcement Authority Fund, and Developmental Disabilities Fund relating to delinquent tax receivables totaling $467,000 across all funds as amounts were not collected within 60 days of year-end.

Additionally, in the Human Services Fund, we noted a balance of approximately $114,000 that is not deemed to be collectible based on the type of receivables coupled with the fact that nearly the entire balance has been outstanding for years.

Lastly, an accounts receivable balance of $130,000 in the General Fund was inappropriately classified as such; we passed on an adjustment to reclassify this to a prepaid expense balance.

Cause: The County did not closely monitor accounts receivable balances, specifically near year-end, to identify balances that 1) were not collected within the period of availability, 2) should have been allowed for as they are deemed uncollectible, and 3) were inappropriately classified as an accounts receivable balance.

Effect: Relating to the deferred inflow of resources, revenue is not recognized in the appropriate period as it’s not considered available as of December 31, 2015. For accounts receivable balances which are not deemed collectible, assets are effectively overstated as the balance should be reduced via an allowance account.

Section II – Financial Statement Findings (continued)

Recommendation: We recommend the County review accounts receivable balances, specifically around year-end, to ensure revenues are recognized in the appropriate period and should not be deferred. The County should also determine if allowance accounts need to be established by performing an analysis over accounts receivable balances and determining the collectability.

Views of Responsible Officials: The Finance Department is in agreement that the Accounts Receivable balances should be monitored more closely. We will implement a corrective action plan to analyze individual accounts at year end in order to identify improperly classified or uncollectable amounts.

Section III – Federal Award Findings and Questioned Costs

None noted in the current year audit

2014-A **Adjusting Journal Entry / Cost Allocation Plan**
Material Weakness

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: The County did not allocate costs in the approved cost allocation plan (CAP) to the human services fund. However, the human services fund was allowed to retain the approved 33% federal reimbursement (federal revenue) for these charges. An adjustment was posted to charge the human services fund expenditures in accordance with the approved CAP.

Status: Management now prepares quarterly journal entries to charge the human services fund the allocable costs under the approved CAP in order for the federal revenues reported by the human services fund to match the approved cost allocation expenditures. The appropriate corrective action was taken.

Financial Statement Finding

Finding 2015-A **Accounts Receivable Balances**
Significant Deficiency

The County did not closely monitor accounts receivable balances, specifically new year-end, to identify balances that 1) were not collected within the period of availability, 2) should have been allowed for as they are deemed uncollectible, and 3) were inappropriately classified as an accounts receivable balance.

Responsible Individuals:	Andrew Copland, Finance Director
Corrective Action Plan:	The accounting department will monitor all items in Accounts Receivable more closely. At year-end a thorough analysis will be done and items not received within 60 days of year end will be reported as a deferred inflow of resources until the revenue becomes available. Amounts that are deemed to be uncollectable will be written off, or allowed for.
Anticipated Completion Date:	Ongoing