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Board of Directors and Management
Salida Del Sol Academy
Greeley, Colorado

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, and each major fund of Salida Del Sol Academy (the School), a component unit of Weld County School District #6, 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 entity'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

Material weaknesses

We consider the following deficiencies in the entity's internal control to be material weaknesses.

Segregation of Duties

The School has an inherent issue, which is common with other entities of its size, in that it has a limited number of personnel performing accounting and administrative functions. Therefore, complete segregation of duties is not practical. Ideal segregation of duties would separate the duties of cash receipts and disbursements, wire transfers, accounts receivable, accounts payable, reconciliation of bank accounts, recording of journal entries, as well as other accounting functions in order to reduce the possibility of errors and irregularities. Ideal internal controls over these areas would also include written documentation of review by an individual other than the preparer and would limit access to the financial system by accounting and finance personnel responsible for recording entries to mitigate the risk of circumventing internal controls. If the segregation of duties is inadequate, there is a risk that intentional fraud or unintentional errors could occur and not be detected.

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The most significant items noted related to segregation of duties were:

- Documentation of approval of journal entries is not retained. Without this documentation, the School has an increased risk of misstatement due to fraud or error relating to manual adjustment of account balances within the financial reporting system.

- Individuals within Finance have greater access within the financial reporting system than ideal segregation of duties. This increases the potential risk of circumventing or overriding internal control processes as there are fewer restrictions on access, however, the School should balance efficient operation of the financial reporting system with ideal segregation of duties.

We recommend the School segregate these duties and retain written documentation of review by an individual other than the preparer when possible. In addition, we recommend that the School assess areas where internal controls can be applied consistently or improved during transition of individuals within Finance.

This situation emphasizes the need for on-going close review of the School's financial information and operations by the Board of Directors as a compensating control.

Unavailable Revenues
As described in Note 1 of the School's financial statements, the School's governmental funds recognize revenue when the revenues are both measurable and available. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the year. For the year-ended June 30, 2023, the General Fund had outstanding receivables from the SDSA Foundation that were not collected within 60 days, however the School's processes did not identify that these amounts should have been recorded as unavailable revenues within deferred inflows of resources. During the audit, an adjustment was recorded to reduce revenues by $75,750 and increase deferred inflows of resources for unavailable revenues by $75,750. We recommend that the School implement a process to review for potential unavailable revenues at the end of each fiscal year.

In addition, we noted that the School did not properly recognize the revenue for cash received from the fiscal year 2022 unavailable revenues. During the audit, an adjustment was recorded to increase revenues by $435,844 and remove the prior year unavailable revenues. We recommend that the School reconcile unavailable revenues at the end of each fiscal year and recognize revenues for previously reported unavailable revenues when the cash is received.

Deferred Maintenance
During the audit, it was noted that the School budgeted to set aside $300,000 as deferred maintenance for future capital projects and repairs. We noted that the School recorded this amount as a liability and expenditure though there was no costs incurred or obligation to pay. An adjustment was recorded during the audit to remove the $300,000 liability and expenditure that was recorded in error. For fiscal year 2023, an assigned fund balance of $300,000 is presented relating to the deferred maintenance amount set aside.

Significant Deficiencies

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. We consider the following deficiencies in the entity's internal control to be significant deficiencies:

Budgetary Controls over the Salida del Sol Building Corporation

As described in the Notes to the Required Supplementary Information, the Salida del Sol Building Corporation may be out of compliance with Colorado budget law as actual expenditures incurred during the year ended June 30, 2023 exceeded the final budgeted expenditures. As was recommended in the previous audit, we recommend that the Building Corporation budget be presented separately from the General Fund budget and recommend that the Building Corporation budget be reviewed on an on-going basis to ensure compliance with Colorado budget law in future years.

Accrued Interest

During the audit, it was noted that the School recorded accrued interest as a liability within the Salida del Sol Building Corporation. As the Salida del Sol Building Corporation is presented on the modified accrual basis of accounting, the accrued interest amount should not be recorded within the fund. We recommend that the School perform the accrued interest calculation for the government-wide financial statements but not record the accrued interest amount within the Salida del Sol Building Corporation fund.

Prepaid Items

During the audit, it was noted that the School recorded an expenditure relating to a deposit for construction that did not begin prior to the end of the fiscal year. As this cost was not incurred as of the end of the fiscal year, an adjustment was recorded to reclassify the expenditure as a prepaid item. We recommend that the School review for prepaid items as of the end of the year.

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity 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.

This communication is intended solely for the information and use of management, board of directors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Broomfield, Colorado
October 20, 2023