



**Report to Governance**  
**Teller County, Colorado**

*For the Year Ended December 31, 2012*





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Teller County, Colorado

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# Auditor Communications

## Teller County, Colorado

Board of County Commissioners  
Teller County, Colorado  
Cripple Creek, Colorado

We have audited the basic financial statements of Teller County, Colorado (the County) for the year ended December 31, 2012. Our audit was performed in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and presented in accordance with accounting principles generally accepted in the United States of America. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We also assessed the accounting principles used by the County and the significant estimates made by the County's management as well as evaluated the overall financial statement presentation.

Auditing standards require the auditor to ensure that those charged with governance receive additional information regarding the scope and results of the audit that may assist the governing body in overseeing the financial reporting and disclosure process for which management is responsible. The following section describes matters which are required to be reported to you.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated November 15, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with our assistance 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 responsibility for the accuracy of the financial statements.

### **Other Information In Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the County's financial statements and report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and modified approach for infrastructure be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing procedures generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information In Documents Containing Audited Financial Statements (Continued)**

The combining and individual fund statements and schedules and budgetary comparison information are presented for purposes of additional analysis and are 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 combining and individual fund statements and schedules listed in the table of contents, the schedules of budgeted and actual revenues and expenses, the Highway Users Tax Fund Schedule and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us 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, based on our audit, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Planned Scope And Timing Of The Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated November 15, 2012.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2012. We noted no transactions entered into by the County during the year for which there was a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

## Teller County, Colorado

Accounting estimates are an integral part of the basic 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 financial statements were:

- ◆ Management's estimate of the depreciable lives of property and equipment used to calculate depreciation is based on the estimated useful lives of assets.
- ◆ Management's estimate of claims payable through the County's self-insurance arrangement.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures to the financial statements are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant 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 trivial, communicate them to the appropriate level of management and request their correction. There were no audit adjustments recorded to the financial statements except for post-closing entries requested by management. We noted an uncorrected misstatement (including the current year effect of prior periods' uncorrected misstatements, if any) that management has determined is not material, both individually and in the aggregate, to the financial statements taken as a whole. Refer to Appendix A for the uncorrected misstatement.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, 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 May 31, 2013. Refer to Appendix B for a copy of the letter.

### *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 an entity’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 County’s auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.



# Auditor Communications (Continued)

Teller County, Colorado

This information is intended solely for the use of the Teller County Board of County Commissioners and is not intended to be, and should not be, used by anyone other than these specified parties.

*RubinBrown LLP*

May 31, 2013



# Strengths And Accomplishments

## Teller County, Colorado

### Prior-Year Comments Improved Upon In The Current Year

- ↔ Both the Treasurer's Office and the Clerk's Office conducted a review of their policies regarding vault access and security. More timely combination changes were implemented in both offices.
- ↔ Cash reconciliations performed in the Treasurer's Office contain evidence of review.

↔ **Increased Threshold**

- ↔ The amount of expenditures for determining whether a Single Audit is required would increase from \$500,000 to \$750,000.

↔ **Major Program Determination Threshold**

- ↔ Proposed guidance will increase the Type A threshold from \$300,000 to \$500,000.
- ↔ Type B programs selected as major will change to one-quarter of the low-risk Type A programs from the current guidance of one-half of the low-risk Type A programs, OR one high-risk Type B for each low-risk Type B.

↔ **Percentage Of Federal Dollars Tested**

- ↔ Proposed guidance will decrease the dollar amount tested to 40% for high-risk entities, previously 50%, and 20% for low-risk entities, previously 25%.

### ◀▶ Changes To The Single Audit Process

- ◀ Testing of all other compliance requirements would either be optional or reduced. As part of this process, agencies may move some existing compliance requirements to Special Tests and Provisions for specific programs. A subset of compliance requirements would be targeted for increased testing, larger samples and/or lower levels of materiality. This subset would likely include:
  - ▶ Activities allowed or unallowed and allowable costs/cost principles (may include some testing of period of availability and matching):
    - ◀ Cash management.
    - ◀ Eligibility.
    - ◀ Reporting.
    - ◀ Subrecipient monitoring.
    - ◀ Special tests and provisions.
- ◀ Testing of the following compliance requirements would either be optional or be tested using smaller samples and higher levels of materiality:
  - ◀ Davis-Bacon Act.
  - ◀ Equipment and real property management.
  - ◀ Program income.
  - ◀ Matching, level of effort and earmarking.
  - ◀ Real property acquisition and relocation assistance.

### ↔ **Audit Follow-Up By Federal Agencies**

- ◊ Federal agencies would have to designate a “senior accountable agency official” to oversee the audit resolution process. In addition, agencies would have to implement audit-risk metrics that include timeliness of report submission, the number of audits that did not have an unqualified opinion on major programs and the number of repeat audit findings. The federal government is also considering digitizing Single Audit reports into a searchable database to facilitate analysis by federal agencies and pass-through entities.

### ↔ **Cross-Agency Coordination**

- ◊ The proposed rules reinforce the existing requirement for federal agencies to coordinate audits of recipient entities. For entities that receive a majority of funds directly from the federal government and other awards from a pass-through entity, federal agencies would follow-up on both the direct and indirect awards for internal control findings that are not specific to the program delivery of the subawards (such as a finding relating to payroll that affects multiple programs). This would eliminate the initial follow-up responsibility of the pass-through entity.

## ◀▶ Proposed Cost Principles Changes

- ◀ Consolidating the cost principles currently contained in OMB Circulars A-21, A-87 and A-122 into a single document and reducing the variations in the rules for different types of entities.
- ◀ Revised application of indirect cost rates through either:
  - ▶ A mandated flat rate that is discounted from the recipient's already negotiated rate, or
  - ▶ Allowing the recipient to:
    - ◀ Either accept a rate that is discounted from the negotiated rate,
    - ◀ Keep a discounted rate for up to four years with minimal documentation,
    - ◀ Or increase the rate through negotiation with full documentation.
  - ▶ Exploring alternatives to time-and-effort reporting requirements for salaries and wages.
  - ▶ Considering other changes for specific cost elements.

Likely effective date will not be until at least June 30, 2014 year-ends, since the 2013 OMB *Compliance Supplement* is already in draft form. The Federal Register can be accessed at:

[www.whitehouse.gov/sites/default/files/omb/fedreg/2012/2012-4521](http://www.whitehouse.gov/sites/default/files/omb/fedreg/2012/2012-4521).

Client: 35397.0000 - Teller County, Colorado  
 Engagement: 2012 Audit - Teller County, Colorado  
 Period Ending: 12/31/2012  
 Trial Balance: TB Database  
 Workpaper: 3003 - Passed Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Passed Journal Entries JE # 5</b>		<b>4202 Comment F</b>		
To record erroneous clerk and recorder distributions to the general fund over the past 15-20 years.				
1-0001-0881-000	FUND BALANCE		182,925.65	
1-0001-1110-000	CLERK & RECORDER'S FEES			182,925.65
<b>Total</b>			<b>182,925.65</b>	<b>182,925.65</b>



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May 31, 2013

RubinBrown LLP  
1900 16th Street  
Suite 300  
Denver, CO 80202

We are providing this letter in connection with your audit of the financial statements of Teller County, Colorado as of December 31, 2012 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Teller County, Colorado and the respective changes in financial position and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles.

We understand we are responsible for management decisions and functions, for designating a qualified employee to oversee any nonattest services you provide, for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

We confirm, to the best of our knowledge and belief the following representations made to you during your audit.

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and the component unit required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of

- noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
8. The effects of the uncorrected misstatement is immaterial, to the financial statements for the relevant opinion unit. A document noting the uncorrected misstatement is attached to the representation letter. We have considered this uncorrected misstatement and determined it is not material to the financial statements.
  9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
  10. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.
  11. We have provided you with:
    - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
    - b. Additional information that you have requested from us for the purpose of the audit.
    - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
    - d. Minutes of the meetings of the Board of County Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
  12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
  13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    - a. Management,
    - b. Employees who have significant roles in internal control, or
    - c. Others where the fraud could have a material effect on the financial statements.
  15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
  16. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
  17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
  18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
  19. We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
  21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
  22. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
  23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

24. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
25. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
26. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
27. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
28. The financial statements include all component units and properly disclose all other related organizations.
29. The financial statements properly classify all funds and activities.
30. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
31. Components of net assets (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
32. Provisions for uncollectible receivables have been properly identified and recorded.
33. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
34. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
35. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
36. Deposits and investment securities are properly classified as to risk and are properly disclosed.
37. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
38. The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
39. We acknowledge our responsibility for presenting the individual fund statements and schedules, the Local Highway Finance Report and the schedule of expenditures of federal awards in accordance with U.S. generally accepted accounting principles, and we believe the combining and individual fund statements and schedules, the Local Highway Finance Report and the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with U.S. generally accepted accounting principles. The methods of measurement and presentation of the the individual fund statements and schedules, the Local Highway Finance Report and the schedule of expenditures of federal awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
40. We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.
41. With respect to federal award programs:
  - a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, including requirements relating to preparation of the schedule of expenditures of federal awards.

- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- d) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- e) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- f) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- g) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- h) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the OMB Circular A-133 Compliance Supplement, relating to federal awards.
- i) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- j) We have disclosed to you the findings received, if any, and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments, and OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

- p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- q) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s) We have charged costs to federal awards in accordance with applicable cost principles.
- t) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u) We are responsible for and have accurately prepared, or will prepare, the auditee section of the Data Collection Form as required by OMB Circular A-133.



Laurie Litwin, Director of Finance and Budget



Sheryl Decker, County Administrator