ViewPoints

Report to Governance

Teller County, Colorado

For the Year Ended December 31, 2015

RubinBrown

Raise Your Expectations

ViewPoints

Table Of Contents

Teller County, Colorado

	Page
Introduction	1
Ratio Analyses	2 - 6
Areas Of Strength And Accomplishment	7
Observations And Suggestions	8 - 9
Status Of Prior-Year Observations And Suggestions	10
Auditor Communications	11 - 15
Independent Auditors' Report On Additional Information	16
Attachment:	
Management Representation Letter	

ViewPoints

Introduction

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

We are pleased to have the opportunity to present to you the results of our audit engagement of Teller County (the County) for the year ended December 31, 2015. The accompanying report presents information regarding the scope of our audit and other matters, which summarize the results of our audit engagement.

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

Ratio Analyses

In October 2013, the Office of the State Auditor released *Fiscal Health Analysis for Colorado Counties and Municipalities*. This report includes seven ratios that can assist local governments in identifying areas of focus or areas of financial improvement. Benchmarks for the seven ratios were set by the State Auditor's office as an indicator of overall fiscal health.

The seven fiscal ratios are:

1. Cash to liabilities
2. Unrestricted fund balance
3. Debt burden
4. Tax revenue per capita
5. Expenditures per capita
6. Operating margin
7. Enterprise funds net position

On the following pages, we have included the County's trend for five of these fiscal ratios for the years 2012 through 2015. The ratios not included are debt burden and enterprise funds net position.

ViewPoints

Ratio Analyses
(Continued)

Teller County, Colorado

The County was above the benchmark for the cash to liabilities ratio for 2012 through 2015. This ratio is an indicator of the County's ability to pay its current liabilities.

Ratio 1: Cash To Liabilities Ratio

	2012	2013	2014	2015
Cash to Liabilities Ratio	2.12	2.96	4.94	6.15
Benchmark	1	1	1	1

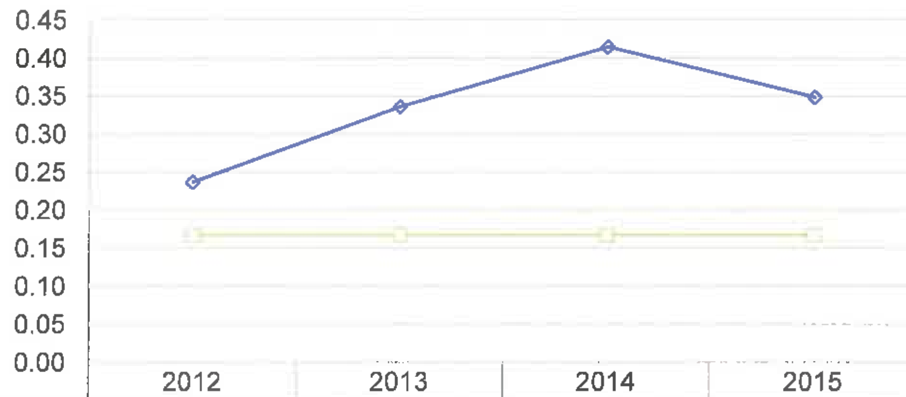
ViewPoints

Ratio Analyses
(Continued)

Teller County, Colorado

The unrestricted fund balance ratio indicates whether the County has funds that are sufficient to withstand possible financial emergencies. The County was above the benchmark in 2012 through 2015

Ratio 2: Unrestricted Fund Balance Ratio



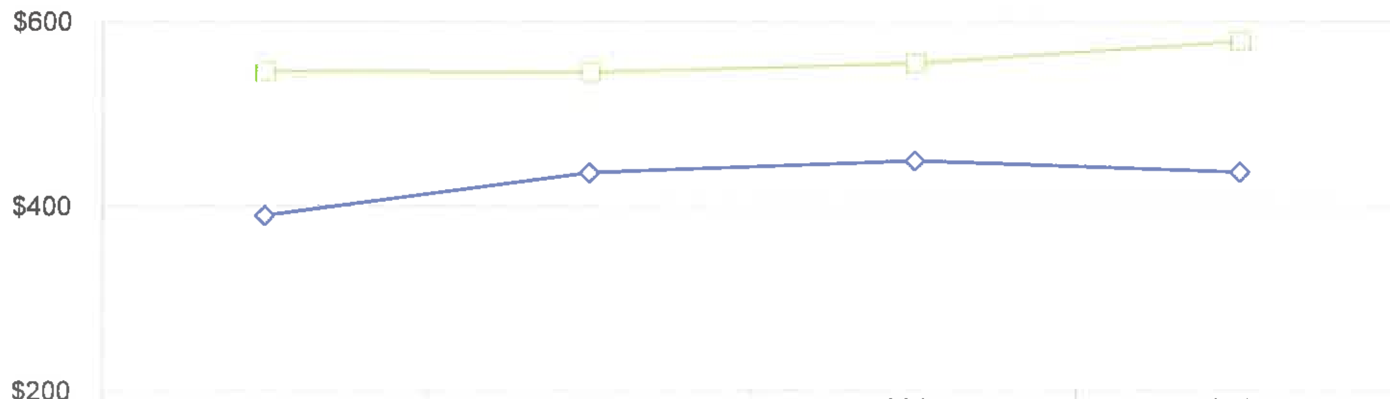
	2012	2013	2014	2015
Unrestricted Fund Balance Ratio	0.24	0.34	0.41	0.35
Benchmark	0.17	0.17	0.17	0.17

The operating margin ratio is used to assess the sustainability of the operations of the government by analyzing whether its revenues are sufficient to cover expenses. The County was below the benchmark of 0.00 for this ratio in 2015 and for the first year since 2012. This is due to a combination of decreases in property and sales tax revenues and increases in Facilities, Central Support and Public Safety expenditures in 2015.

Ratio 3: Operating Margin Ratio

The gap between expenditures per capita to tax revenues per capita steadily decreased between 2012 and 2014, but increased in 2015 due to the same reasons noted in the operating margin ratio. The fiscal health benchmark is for an upward trend in tax revenue per capita and a steady or falling trend for expenditures per capita.

Ratios 4 And 5: Tax Revenue And Expenditures Per Capita



	2012	2013	2014	2015
Taxes per Capita	$390	$435	$448	$436
Expenses per Capita	$546	$544	$554	$578
Population*	23,337	23,278	23,394	23,650

*Based on Department of Local Affairs website.

Areas Of Strength And Accomplishment

- Although the County's fiscal health, based on the five fiscal ratios presented, ranked unfavorably in three of the five areas against the benchmarks established by the State Auditor, the County's liquidity and low debt level continue to support a strong fiscal financial position.

- The County continues to maintain its single audit status as a "low risk auditee" due to its compliance with requirements of federal grants and timely filings of related reports. This status is significant because it can potentially reduce the number of federal programs that must be audited, which saves the County audit costs.

- We did not identify any significant revisions necessary to cause the financial statements be compliant with generally accepted accounting principles. For the past four years, our audit has not resulted in any adjusting journal entries that were not previously identified by the Finance Department.

- Board action taken to address fund balance classification as required by Governmental Accounting Standards Board Statement No. 54

ViewPoints

Observations And Suggestions

In planning and performing our audit of the financial statements of the County, as of and for the year ended December 31, 2015, 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*, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 was for the limited purpose described in the above paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 were not identified.

The following page identifies an item we noted for management's consideration.

ViewPoints

Observations And Suggestions *(Continued)*

- **RubinBrown noted an increase in payroll expenses due to public safety overtime hours.**

  We recommend the County consider the possibility of more efficient employee shifts to reduce payroll costs without sacrificing public safety.

ViewPoints

Status Of Prior-Year Observations And Suggestions

- We recommended the Sheriff's Office, with help from the Finance Department, ensure new employees responsible for financial activities are trained and procedures are followed.

  Status of Recommendation

  On July 9, 2015, Mike Ensminger advised, "Aggressive efforts have been taken to educate our financial assistant through training involving County finance personnel. All areas of deficiency will be addressed through appropriate training or retraining when the specifics of those areas have been appropriately identified."

Auditor Communications

We have audited the basic financial statements of the County for the year ended December 31, 2015. Our audit was performed 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. 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 July 23, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your assistance are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and whether the County complied in all material respects with the applicable compliance requirements of its major federal programs. Our audit of the financial statements and compliance does not relieve you or management of responsibility for the accuracy of the financial statements and/or for compliance with applicable requirements.

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 are not aware that the County's financial statements are contained in any other report other than Official Statements for debt offerings which we read for consistency with the related audited financial statements.

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 July 23, 2015.

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. We noted no transactions entered into by the County during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Management Judgments and Accounting Estimates

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:

- Depreciable lives of property and equipment used to calculate depreciation
- Infrastructure condition assessments under the Modified Approach for Capital Assets (see Required Supplementary Information to the financial statements)
- 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 difficulties in performing and completing our audit.

Auditor Communications
(Continued)

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. During the course of our audit, we did not identify any known or likely misstatements or propose any adjustments.

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, 2016. Please refer to the attached 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 the 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.

Independent Auditors' Report On Additional Information

Our report on our audit of the basic financial statements of the County as of December 31, 2015 appears in the financial statements of the County. That audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information in this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on it.

RubinBrown LLP

May 31, 2016

ViewPoints

Teller County, Colorado

Attachment

For the Board of County Commissioners and Management Use Only

Teller County

(719) 686-7920 www.co.teller.co.us Fax (719) 686-7900

May 31, 2016

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 as of December 31, 2015 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 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 all component units, if any, 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. Your audit found no uncorrected misstatements. We are in agreement with the reclassifying journal entry that you have proposed and it has been posted.
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 Board of County Commissioners 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 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 County'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 as well as joint ventures with an equity interest, and properly disclose all other joint ventures and 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. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
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, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
35. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
36. Deposits and investment securities and derivative instruments 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 County meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
39. 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 assets are available and have determined that net assets were properly recognized under the policy.
40. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
41. With respect to the combining and individual fund statements and schedules, the highway users tax fund schedule, and the schedule of expenditures of federal awards:
    a. We acknowledge our responsibility for presenting the combining and individual fund statements and schedules, the highway users tax fund schedule, and the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund statements and schedules, the highway users tax fund schedule, and the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual fund statements and schedules, the highway users tax fund schedule, 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.
    b. If the combining and individual fund statements and schedules, the highway users tax fund schedule, and the schedule of expenditures of federal awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
42. With respect to federal award programs:
    a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance, 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 the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. 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. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.
d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance 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.
e. 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.
f. 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.
g. 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.
h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the Uniform Guidance Compliance Supplement, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
j. 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.
k. We have disclosed to you the findings received 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.
l. 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/or OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments .
m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
n. 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.
o. 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.
p. 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.
q. 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.

r. 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.
s. 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.
t. We have charged costs to federal awards in accordance with applicable cost principles.
u. We are responsible for preparing the auditee section of the Data Collection Form as required by the Uniform Guidance.
v. We are responsible for preparing and implementing a corrective action plan for each audit finding.

43. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. 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.

Laurie Litwin, Director of Finance and Budget

Sheryl Decker, County Administrator

Client: *35397.0000 - Teller County, Colorado*
Engagement: *2015 AUD - Teller County, Colorado*
Period Ending: *12/31/2015*
Trial Balance: *TB Database*
Workpaper: *3002 - Reclassifying Journal Entries Report*

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 1		**3005**		
to reclass negative cash balance and reconcile interfund activity				
1-0001-0285-000	DUE FROM OTHER FUNDS		760,305.00	
70-0070-0521-000	DUE TO OTHER FUNDS			760,305.00
Total			**760,305.00**	**760,305.00**