

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

3082 Evergreen Parkway, Suite 2
Evergreen, CO 80439
(303) 694-2727

May 19, 2015

To the Board of Directors
Southeast Metro Stormwater Authority

We have audited the financial statements of the business-type activities of the Southeast Metro Stormwater Authority (the Authority) for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by Southeast Metro Stormwater Authority 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 2014. We noted no transactions entered into by Southeast Metro Stormwater Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the 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 Southeast Metro Stormwater Authority's financial statements were:

Management's estimate of fixed asset useful lives. We evaluated the key factors and assumptions used to estimate useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of "Litigation" in Note 12 to the financial statements: management believes there is no contingent liability to disclose regarding the lawsuit with Cherry Creek School District No. 5. However, management believes such disclosure is informative to the Authority's Board of Directors and other users of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no 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 clearly trivial, and communicate them to the appropriate level of management. We detected no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 19, 2015.

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 Southeast Metro Stormwater Authority's financial statements or a determination of the type of auditor's 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 Southeast Metro Stormwater Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary comparison schedule - proprietary fund, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Board Requested Information

The Board of Directors requested that we also communicate matters that are not significant deficiencies or material weaknesses, and matters that are a potential benefit to the entity, such as recommendations for operational or administrative efficiency, or for improving controls. Such matters we identified are:

- 1) The bank reconciliations include a list of checks that have been outstanding for over a year, with some checks outstanding for over two years. The total amount of these outstanding checks is not material to the financial statements, however, management should consider a standard practice of cancel and reissue and/or remit to State unclaimed property.
- 2) In our consideration of internal control, we have placed some reliance on the Board of directors as part of internal control. Given such reliance, we suggest that SEMSWA's Internal Control Checklist be supplemented with the current organization chart and procedural narratives that include specific board actions. Given the size, maturity, expertise, level of board involvement, and risk appetite of the organization, best practices do not require formal policies and procedures documents; rather, the organization's Internal control checklist and suggested supplemental items noted above are adequate. Additionally, given our reliance on the Board of Directors, we also recommend new board members receive Dave Agee's internal control briefing.

In planning and performing our audit of the financial statements of Southeast Metro Stormwater Authority (the Authority) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Restriction on Use

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

Conclusion

We would like to thank Dave Agee and the Authority's staff for their assistance and cooperation during the audit process.

Very truly yours,

Hamblin and Associates, LLC