

**SOUTHEAST METRO
STORMWATER AUTHORITY**

REPORT TO GOVERNANCE

**Resulting from the 2007
Financial Statement Audit**



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Board of Directors
Southeast Metro Stormwater Authority
Centennial, Colorado

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Dear Members of the Board:

As part of the 2007 Southeast Metro Stormwater Authority (SEMSWA) financial statement audit, we reviewed your internal control structure and various policies and procedures in place. This review was limited, and not necessarily designed or intended to disclose errors, irregularities, or fraud that might occur. However, we were able to compile the following report based on our observations.

The following report is divided into two sections: *Changes from the Prior Year and Advisory Comments and Suggestions*.



Affiliate Offices Worldwide

CHANGES FROM THE PRIOR YEAR

In 2006, SEMSWA operated for only two months. Many changes were made during 2007. The following are positive changes noted during the first full year of operation.

- **FIXED ASSETS**

We commend you on maintaining an accurate fixed asset schedule. The Authority maintained an accurate detail of fixed assets while adding a number of capital assets during 2007.

We recognize the efficiency and commitment to accurate record keeping this entails and commend you for your efforts.

- **PAYROLL**

We commend your diligence on maintaining accurate payroll files. The Authority changed from having no employees to employing a number of persons throughout 2007 and switched from outsourced payroll to in-house payroll responsibilities.

We commend you on your diligence and patience during this period of change, and the ability to maintain accurate files on your employees.

ADVISORY COMMENT AND SUGGESTIONS

We identified other items during the course of our financial statement audit which we believe should be addressed by you. We hope these items will be received in the constructive manner we intend.

- CAPITALIZATION THRESHOLD

SEMSWA does not have a formal capitalization threshold established although an undocumented threshold of \$5,000 exists.

We recommend documentation of a formal capitalization threshold to encourage uniformity and strengthen the accounting policies and procedures of fixed assets.

- COMPENSATED ABSENCES

SEMSWA did not record vacation and sick time throughout the year. Recording this liability is essential to reporting accurate interim statements and financial position of the authority. Recording the vacation and sick time throughout the year ensures the respective liabilities are not understated on interim financial statements.

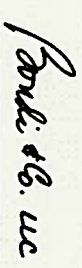
We recommend you begin to record vacation and sick time monthly on an accrual basis.

CONCLUDING REMARKS

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

If you have any questions about this report, or if you need assistance with any other matters, please contact Bert Bondi, Amber Lindberg, or Joanna Lee. We can be reached by phone at (303) 799-6826, or by email at bbondi@bondico.com.

April 12, 2008


BONDI & Co. LLC