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March 24, 2015

Mr. John H. Self
Wells Fargo Public Finance
1740 Broadway
Denver, CO 80274

Mr. Keith McLaughlin, Finance Director
Colorado Water Resources and Power Development Authority
1580 Logan Street, Suite 620
Denver, CO 80203

Ms. Peg Mason, Contract Manager
Colorado Water Conservation Board
1313 Sherman Street, Suite 721
Denver, CO 80203

Re: Denver Southeast Suburban Water and Sanitation District -
Covenant Relating to the Issuance of Additional Parity Debt in Relation to
Proposed 2015 Colorado Water Resources and Power Development
Authority Loan - \$15,000,000

Dear Mr. Self, Mr. McLaughlin, and Ms. Mason:

This report summarizes the results of procedures performed related to certain additional covenants and requirements for additional senior, parity, and subordinate lien bonds of the District's 2002 and 2005 Colorado Water Resources and Power Development Authority Loans (CWRPD Loans), the 2010 Wells Fargo Enterprise Revenue Refunding Note (Wells Fargo Note), and the Colorado Water Conservation Board 2014 Loan Contracts C150411A-D (CWCBC Loans).

The CWRPD Loans require that no obligations on a parity with the CWRPD Loans may be issued unless the net revenues for any 12 consecutive months out of the 18 months preceding the month in which such obligations are to be issued are at least equal to the sum of 110% of the maximum annual debt service of the CWRPD Loans and 100% of the maximum annual debt service of all other indebtedness. Additionally, the 2005 CWRPD loan requires that the amount available for debt service be reduced by one half of the average annual total tap fees, net of cost recovery payments, for the three prior years.

The Wells Fargo Note requires that the District must meet a minimum pro forma debt service coverage ratio of 110% in each of the previous two fiscal years, calculated by using the new pro forma debt service (existing debt plus new debt) as the denominator and pledged revenues (net revenues – available for debt service) as the numerator.

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The CWCB Loan requires that the District's net revenues for any 12 consecutive months out of the 18 months immediately preceding the date of issuance of any parity debt are sufficient to pay its annual operating and maintenance expenses, annual debt service on all outstanding indebtedness having a lien on pledged revenue, and all required deposits to any reserve funds required by any lenders of any indebtedness having a lien on pledged revenues. Additionally, no more than 10% of total revenues may originate from tap and/or connection fees.

The calculations for the additional debt covenant are displayed on Exhibit A. Financial information used in these calculations was obtained from the District's 2013 audited financial statements, the District's 2014 draft audited financial statements, and the District's 2015 adopted budget. The most restrictive covenant of each loan program has been used for these calculations. Therefore, annual debt service has been calculated at 110% and tap/connection fee revenue has been reduced by 50% of the average annual total tap fees, net of cost recovery payments, for the three prior years. An additional reduction of tap fee revenue was made for 2015 to insure that tap fees are no more than 10% of total revenues.

Based upon these calculations, the District was able to pay all its annual operating expenses and meet its debt service obligations 2013, with net excess revenues of \$791,689. The District had additional debt capacity of \$180,409. For the 2014 estimate and 2015 budget, it is projected that the District will have net excess revenues of \$3,088,493 and \$2,523,857, respectively. For the 2014 estimate and 2015 budget, it is projected that the District will have additional debt capacity of \$2,075,094 and \$1,156,511, respectively.

We were not engaged to, and did not conduct, an examination in accordance with generally accepted auditing standards in the United States of America, the objective of which would be the expression of an opinion on the financial statements of the District. Accordingly, we do not express such an opinion. We performed our engagement as a consulting service under the American Institute of Certified Public Accountants' ("AICPA") Statement of Standards for Consulting Services. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are not independent with respect to Denver Southeast Suburban Water and Sanitation District.



Certified Public Accountants & Consultants
Enclosure

cc: Heather Beasley, District Manager

**DENVER SOUTHEAST SUBURBAN WATER AND SANITATION DISTRICT
 COLORADO WATER CONSERVATION BOARD
 COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY
 WELLS FARGO BANK, N.A.**

EXHIBIT A - ADDITIONAL PARITY DEBT TEST

	Twelve Months Ended December 31, 2013	Estimated Twelve Months Ending December 31, 2014	Proposed Twelve Months Ending December 31, 2015
Net income - GAAP	\$ 957,576	\$ 2,841,287	\$ 2,056,075
Expenses added back to net income:			
Depreciation and amortization	2,460,197	2,566,460	2,860,761
Loss (Gain) on disposition of assets	(22,165)	(19,360)	(12,000)
Loan interest - 2002 CWRPDA loan	117,051	111,331	133,025
Loan interest - 2005 CWRPDA loan	134,548	128,026	124,168
Loan interest - 2010 water refunding note	375,992	360,927	346,600
Loan interest - 2014 CWCB loan	-	11,883	55,838
Loan interest - 2015 CWRPDA loan (1)	-	-	-
Available for Debt Service (Net Revenues)	\$ 4,023,199	\$ 6,000,554	\$ 5,564,467
Annual Debt Service: - Principal and interest			
2002 CWRPDA loan	442,051	441,331	468,025
2005 CWRPDA loan	339,548	338,026	344,168
2010 water refunding note	1,052,411	752,362	753,648
2014 CWCB loan	-	11,883	94,624
2015 CWRPDA loan (1)	1,103,726	1,103,726	1,103,726
	2,937,736	2,647,328	2,764,191
Required debt coverage	110%	110%	110%
Required for Debt Service	\$ 3,231,510	\$ 2,912,061	\$ 3,040,610
Excess (shortage)	\$ 791,689	\$ 3,088,493	\$ 2,523,857

(1) Debt service calculated based upon a presumed interest rate of 4.00% and a 20-year amortization - \$15,000,000 loan

COVENANT RELATING TO ISSUANCE OF ADDITIONAL DEBT

10% of total GAAP revenues	\$ 763,432	\$ 994,652	\$ 1,029,006
Net tap fees	\$ 683,798	\$ 1,326,751	\$ 1,870,915
Tap fee revenue allowed per CWCB loan	\$ 683,798	\$ 994,652	\$ 1,029,006
Tap fee reduction per 2005 CWRPDA loan	\$ 341,035	\$ 423,704	\$ 646,911
Available for Debt Service (see above)	\$ 4,023,199	\$ 6,000,554	\$ 5,564,467
Less:			
2005 CWRPDA tap fee reduction	(341,035)	(423,704)	(646,911)
2014 CWCB tap fee reduction in excess of CWRPDA amount	-	-	(259,290)
Net available for Debt Service	\$ 3,682,164	\$ 5,576,850	\$ 4,658,266
Maximum Annual Debt Service Requirements:			
2002 CWRPDA loan	\$ 470,437	\$ 470,437	\$ 470,437
2005 CWRPDA loan	344,328	344,328	344,328
2010 water refunding note	758,492	758,492	758,492
2014 CWCB loan	506,431	506,431	506,431
2015 CWRPDA loan	1,103,726	1,103,726	1,103,726
	3,183,414	3,183,414	3,183,414
Required debt coverage	110%	110%	110%
Available for Maximum Debt Service	\$ 3,501,755	\$ 3,501,755	\$ 3,501,755
Excess (shortage)	\$ 180,409	\$ 2,075,094	\$ 1,156,511