



November 16, 2009

Board of Directors  
Arizona Municipal Water Users Association  
Phoenix, Arizona

This letter is to provide you with information about significant matters related to our audit of the financial statements of Arizona Municipal Water Users Association (Association) as of and for the year ended June 30, 2009. It is intended solely for the Board of Directors and should not be used by anyone other than this specified party.

The following are our observations arising from the audit that are relevant to your responsibilities in overseeing the financial reporting process.

**Auditor's Responsibilities Under Generally Accepted Auditing Standards.** Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, that have been prepared by management with your oversight, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve you or management of your responsibilities.

**Significant Issues Discussed With Management Prior to Retention.** We discuss various matters with management each year prior to retention as the Association's auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

**Consultations With Other Accountants.** We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards.

**Qualitative Aspects of Accounting Practices.**

*Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements.

There were no new or changes to significant accounting policies or their application during the year.

We noted no transactions in controversial or emerging areas for which there was a lack of authoritative guidance or consensus.

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There were no significant transactions that were recognized in the financial statements in a different period than when the transaction occurred.

*Accounting Estimates*

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. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management.

*Financial Statement Disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive financial statement disclosures.

**Difficulties Encountered in Performing the Audit.** We encountered no difficulties in dealing with management related to the performance of our audit.

**Corrected Misstatements.** There were no material misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Uncorrected Misstatements.** There were no uncorrected misstatements, other than those that were trivial, aggregated by us during our current audit and pertaining to the most recent period presented.

**Representations from Management.** We have requested the representations from management that are shown in the attached Exhibit.

**Disagreements With Management.** There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the Association's financial statements or our report on those financial statements.

Please contact Ronald L. Stearns if you have any questions regarding the matters included in this letter.

*Clifton Gunderson LLP*

Attachment

November 16, 2009

Clifton Gunderson LLP  
3003 North Central Avenue, Suite 500  
Phoenix, Arizona 85012

We are providing this letter in connection with your audits of the balance sheets of Arizona Municipal Water Users Association (AMWUA) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended for the purpose of expressing an opinion as to whether the basic financial statements present fairly the financial position, changes in net assets and cash flows of AMWUA in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows of AMWUA in conformity with accounting principles generally accepted in the United States of America. Although Clifton Gunderson may have made suggestions as to the form and content of the financial statements or even prepared them in whole or in part, we acknowledge our responsibility for the review and approval of the financial statement amounts and disclosures, and understand the financial statements remain the representations of our management.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of November 16, 2009, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America applicable to a governmental entity.
2. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.

- c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
    - (1) Statutory, regulatory or contractual provisions or requirements.
    - (2) Financial reporting practices that could have a material effect on the financial statements.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
4. With respect to the financial statements we acknowledge the following:
  - a. The financial statements properly classify all funds and activities.
  - b. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - c. The management's discussion and analysis which is required supplementary information (RSI), is measured and presented within prescribed guidelines.
5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
6. We believe that there are no uncorrected financial statement misstatements.
7. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
8. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net assets.

11. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions and related amounts receivable or payable, including revenues, expenditures, loans, transfers, leasing arrangements, and guarantees.
  - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.
  - c. Guarantees, whether written or oral, under which the entity is contingently liable.
  - d. Agreements to repurchase assets previously sold.
  - e. Estimates that might be subject to material change within one year from the date of the financial statements. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
12. There are no:
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
13. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, and there is no new litigation/claims from September 22, 2009 through the date of this letter.
14. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged.
15. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
16. We are responsible for establishing and maintaining effective internal control over financial reporting.

17. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the basic financial statements:
  - a. The extent, nature, and terms of financial instruments with off-balance sheet risk.
  - b. The amount of credit risk of financial instruments with off-balance sheet risk and information about the collateral supporting such financial instruments.
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
18. We believe that all material expenditures that have been deferred to future periods will be recoverable.
19. The Organization has \$44,786 of deferred revenue received from the member cities related to an endangered species (Northwestern Willow Flycatcher) in the Roosevelt Dam area that has not been resolved as of June 30, 2009, as additional costs may be incurred if another endangered species is found in the area.
20. No events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.