

**LEA COUNTY WATER USERS ASSOCIATION**

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**FINANCIAL STATEMENTS**  
with  
**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Year Ended June 30, 2009

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**JOHNSON, MILLER & CO.**

*Certified Public Accountants  
A Professional Corporation*

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*An Independent Member of BDO Seidman Alliance*

## CONTENTS

Association Officials	2
Report of Independent Certified Public Accountants on Basic Financial Statements and Supplemental Information	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Fund Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11
Supplemental Information:	
Schedule of Revenues and Expenses- Budget and Actual (Non-GAAP Basis)	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16
Schedule of Findings and Responses	18
Schedule of Status of Prior Findings	19
Other Disclosures	20

**ASSOCIATION OFFICIALS**

June 30, 2009

**ASSOCIATION BOARD OF TRUSTEES**

Buster Goff	Chairman	Lea County
Matt White	Member	Eunice
Alan Eades	Member	Hobbs
Tim Woomer	Member	Hobbs
Eric Honeyfield	Member	Hobbs
Alton Dunn	Member	Jal
Gregory H. Fulfer	Member	Lea County
John Norris	Member	Lovington
Neil Granath	Member	Lovington
Reid Bretz	Member	Tatum
Dan Field	Member	Lea County
Gary Schubert	Member	Lea County

**ADMINISTRATIVE OFFICIALS**

Jim Burke	Finance Director	Lea County
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# JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Mr. Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
Water Users Association Chairman, Board of Directors and  
Citizens of Lea County  
Lovington, New Mexico

We have audited the accompanying basic financial statements of the business-type activities, of Lea County Water Users Association (the Association), as of and for the year ended June 30, 2009, as listed in the table of contents. We also audited the budget comparison statement presented as supplemental information for the year ended June 30, 2009. These basic financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lea County Water Users Association as of June 30, 2009, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues and Expenses – Budget and Actual present fairly, in all material respects, the respective budgetary comparison for the Association for the year ended June 30, 2009, in conformity with the budgetary basis described in Note A4.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5-7 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

*Johnson, Miller & Co.*

Hobbs, New Mexico

December 1, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Lea County Water Users Association's (the Association) financial performance provides an overview of the Association's financial activities for the fiscal year ended June 30, 2009. This information is presented in conjunction with audited financial statements that follow this section.

### Financial Highlights

- The Association's total assets decreased by \$2 while total liabilities increased by \$1,974.
- The Association's operating expenses in fiscal year 2008-2009 decreased by \$364 from the prior year.
- As of the close of the current fiscal year, the Association reported ending net assets of \$84,972.
- Revenue decreased by \$1,578 from the prior year.

### Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Association.

The Association's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

### Financial Statements

The financial statements present the financial picture of the Association from the economic resources measurement focus using the accrual basis of accounting.

*The statement of net assets* presents information on all of the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

*The statement of revenues, expenses and changes in fund net assets* presents information showing how the Association's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event, giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected invoices and earned but unused vacation leave).

The financial statements reflect that the Association is principally supported by member assessments that are intended to recover all or a significant portion of their expenses.

### Fund financial statements

The Association's basic services are reported in one unrestricted fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using the accrual basis of accounting. The statements provide a detailed short-term view of the Association's general operations and the basic services it provides.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Notes to basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to basic financial statements can be found on pages 11-14 of this report.

### Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. The balance of unrestricted funds may be used to meet the Association's ongoing obligations.

### Net Assets

To begin our analysis, a summary of the Association's Statement of Net Assets is presented in Table A-1.

**Table A-1**  
**Condensed Statements of Net Assets**

	<u>FY 2009</u>	<u>FY 2008</u>	<u>Dollar Change</u>
Current and Other Assets	\$ 89,174	\$ 89,176	\$ (2)
Current Liabilities	4,202	2,228	(1,974)
<b>Total net assets</b>	<b>\$ 84,972</b>	<b>\$ 86,948</b>	<b>\$(1,976)</b>

As can be seen from the table above, net assets decreased to \$84,972 in fiscal year 2009 from \$86,948 in fiscal year 2008.

**Table A-2**  
**Condensed Statements of Revenues,  
Expenses and Changes in Net Assets**

	<u>FY 2009</u>	<u>FY 2008</u>	<u>Dollar Change</u>
Operating revenues	\$57,541	\$59,119	\$ (1,578)
Operating expenses	59,517	59,881	(364)
<b>Change in net assets</b>	<b>(1,976)</b>	<b>(762)</b>	<b>(1,214)</b>
<b>Beginning net asset</b>	<b>86,948</b>	<b>87,710</b>	<b>(762)</b>
<b>Ending net assets</b>	<b>\$84,972</b>	<b>\$86,948</b>	<b>\$ (1,976)</b>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and source of these changes. As can be seen from the table above, revenues decreased to \$57,541 in fiscal year 2009 from \$59,119 in fiscal year 2008 due to revenue being based on expenses that occurred throughout the year. Expenses decreased to \$59,517 in fiscal year 2009 from \$59,881 in fiscal year 2008.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Budgetary Highlights

The Association adopts an annual Operating Budget following public workshops and a public hearing. The Operating Budget includes proposed expenses and the means of financing them.

A fiscal year 2009 budget comparison and analysis is presented in Table A-3

**Table A-3  
Budget vs. Actual  
Year Ended June 30, 2009**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>				
Membership assessments	\$ 64,800	\$ 64,800	\$ 64,116	\$ (684)
ISC Grant	14,830	14,830	-	(14,830)
<b>Total Revenues</b>	<b>79,630</b>	<b>79,630</b>	<b>64,116</b>	<b>(15,514)</b>
<b>Expenses</b>				
Water plan	36,050	36,050	39,029	(2,979)
Payroll	19,560	19,560	13,224	6,336
General government	23,279	23,279	5,290	17,989
<b>Total Expenses</b>	<b>78,889</b>	<b>78,889</b>	<b>57,543</b>	<b>21,346</b>
<b>Net change in fund balance</b>	<b>\$ 741</b>	<b>\$ 741</b>	<b>\$ 6,573</b>	<b>\$ 5,832</b>

### Significant Variances between Budget and Actual

The budget amount of total revenues of \$79,630 was based prior year actual cash received of \$52,233. The actual amount varies from the budget amount due to the ISC Grant not being received. Water plan expenses were \$2,979 more than budgeted due to the water plan having to be updated in the current year. General government expenses were \$17,989 less than budgeted due to not having as much legal, supplies, and other expenses as expected.

### Economic Factors and Next Year's Budget

The Board of Trustees of the Association considered many factors when setting the fiscal year 2009 budget. One of those factors is the local economy and the impact our fees have on the community.

### Association Contact Information

This financial report is designed to provide our customers and creditors with a general overview of the Association's finances and to demonstrate the Association's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Jim Burke by phone at 575-396-8653.



**BASIC FINANCIAL STATEMENTS**

# LEA COUNTY WATER USERS ASSOCIATION

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## STATEMENT OF NET ASSETS

	<u>June 30, 2009</u>
<b>ASSETS</b>	
Cash	\$ 6,574
Due from other governments	<u>82,600</u>
<b>TOTAL ASSETS</b>	<u>\$ 89,174</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 4,202</u>
<b>TOTAL LIABILITIES</b>	4,202
<b>NET ASSETS</b>	
Unrestricted	<u>84,972</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 89,174</u>

*The accompanying notes are an integral part of these statements.*

# LEA COUNTY WATER USERS ASSOCIATION

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## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

	<u>Year Ended June 30, 2009</u>
<b>REVENUES</b>	
Membership assessments (NOTE B)	<u>\$ 57,541</u>
<b>TOTAL REVENUES</b>	<b>57,541</b>
<b>EXPENSES</b>	
General government	<u>59,517</u>
<b>TOTAL EXPENSES</b>	<b>59,517</b>
<b>CHANGE IN FUND NET ASSETS</b>	<b>(1,976)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>86,948</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 84,972</b></u>

*The accompanying notes are an integral part of these statements.*

# LEA COUNTY WATER USERS ASSOCIATION

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## STATEMENT OF CASH FLOWS

	<u>Year Ended June 30, 2009</u>
<b>OPERATING ACTIVITIES</b>	
Cash received from members	\$ 64,117
Cash paid to suppliers	(44,319)
Cash paid to employees	(13,224)
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Net cash provided by operating activities	6,574
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Net increase in cash	6,574
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Cash - beginning of year	0
	<hr/>
Cash - end of year	\$ 6,574
	<hr/>
<b>Reconciliation of change in fund net assets to net cash provided by operating activities</b>	
Change in Fund Net Assets	\$ (1,976)
Change in assets and liabilities:	
Due from other governments	6,576
Accounts payable	1,974
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Net cash provided by operating activities	\$ 6,574
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# LEA COUNTY WATER USERS ASSOCIATION

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. ORGANIZATION

Lea County Water Users Association (the Association) was established on September 23, 1997 under a joint powers agreement entered into by and between the County of Lea, the Cities of Lovington, Jal, Eunice, Tatum, and Hobbs. It was the desire of the parties to form a water users association in order to collectively address the immediate and future water needs of the citizens of Lea County. The joint powers agreement established Lea County as the fiscal agent of the Association.

#### 2. REPORTING ENTITY

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Based upon the application of these criteria, there are no potential component units included in the Association's reporting entity and the Association is not a component unit of any other entity.

#### 3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION

##### Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Association has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with Governmental Accounting Standards Board (GASB) pronouncements. The Association has elected not to apply FASB pronouncements issued after the applicable date.

# LEA COUNTY WATER USERS ASSOCIATION

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

##### Measurement Focus:

The unrestricted funds (enterprise funds) are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period they are earned. Expenditures generally are recorded when a fund liability is incurred.

##### Fund Accounting:

The accounts of the Association are organized on the basis of fund type, of which there is only one fund which is considered an enterprise fund.

##### Enterprise Funds: (Unrestricted Funds)

Unrestricted funds are used to account for operations of the Association that are financed and operated in a manner similar to private business enterprises where the intent is that the costs, including depreciation, of providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges.

#### 4. BUDGET

The annual budget is adopted on the cash basis of accounting.

Annual budgets of the Association are prepared prior to June 1 and must be approved by the resolution of the Board, and submitted for approval by the State of New Mexico. Once the budget has been formally approved, any amendments must also be approved by the Board and the State.

Budgeted amounts are as originally adopted, or as amended by the Board and approved by the State. Budgets for all fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The schedule of budgeted revenues and expenditures presents comparisons of legally adopted budgets with actual data on a budgetary basis.

#### 5. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

# LEA COUNTY WATER USERS ASSOCIATION

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## NOTES TO THE FINANCIAL STATEMENTS

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held by the Association's fiscal agent, Lea County. These funds are included in those insured and collateralized by Lea County according to the schedules included in the separately issued financial statements of the County.

#### 7. REVENUE

*Operating revenue* includes activities that have the characteristics of an exchange transaction, such as a) assessments to related parties and b) reimbursements for the water plan.

*Non-operating revenue* includes activities that have the characteristics of non-exchange transactions. The Association does not typically have non-operating revenues.

#### 8. NET ASSETS

Restricted assets are assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### NOTE B – RELATED PARTY TRANSACTIONS

Revenues include assessments to the members of \$57,541 with the amounts for year ended June 30, 2009 as follows:

Lea County	\$	33,521
City of Hobbs		11,080
City of Lovington		7,357
City of Eunice		1,861
City of Jal		1,861
City of Tatum		1,861
<b>Total</b>	<b>\$</b>	<b>57,541</b>

### NOTE C – LEGAL COMPLIANCE BUDGET

Annual budgets are adopted by the Association with final approval by the New Mexico Department of Finance and Administration. The budgets are established under the following procedures:

# **LEA COUNTY WATER USERS ASSOCIATION**

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## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE C – LEGAL COMPLIANCE BUDGET (CONTINUED)**

Prior to June 30, the Association's Board of Directors approves an operating budget proposed by Lea County for the fiscal year commencing the following July 1. The budget includes proposed expenses and the means for financing the expenses.

If these expenses exceed the revenues anticipated, sufficient cash balances are appropriated to cover the excess. Such occurrences are shown in the financial statements as "prior year cash balances" and/or fund balances designated for subsequent year's expenses. All appropriations lapse at the end of each fiscal year.

The budget is legally enacted by the Association's Board. The adopted budget is then submitted, as a part of the Lea County budget to the Department of Finance and Administration whose personnel review, adjust, and approve the final budget.

The level at which expenses may not legally exceed the amount appropriated is at the function level. Lea County, a fiscal agent, is authorized to transfer budgeted amounts between departments within the fund; however, any revisions that alter the total expenses of any fund must be approved by the Department of Finance and Administration.

The budgets are prepared on the cash basis in compliance with the rules and regulations of the Department of Finance and Administration. The budget comparisons presented in the combined financial statements are reported on the cash basis to provide a meaningful comparison of actual results with budgeted amounts. The budgeted amounts reflected in the comparisons are reported as originally adopted or legally amended by the Association.

### **NOTE D – RISK MANAGEMENT**

The Association is exposed to various risks of loss related to torts, errors and omissions; among other risks. The activities of the board members, as representatives of the Association, are covered by the liability insurance of the separate member entities. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. As of June 30, 2009, the Association had no probable risks of loss.



**SUPPLEMENTAL INFORMATION**

**LEA COUNTY WATER USERS ASSOCIATION**

**SCHEDULE OF REVENUES AND EXPENSES -  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
YEAR ENDED JUNE 30, 2009**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>				
Membership assessments	\$ 64,800	\$ 64,800	\$ 64,116	\$ (684)
ISC Grant	14,830	14,830	-	(14,830)
<b>Total Revenues</b>	<b>79,630</b>	<b>79,630</b>	<b>64,116</b>	<b>(15,514)</b>
<b>Expenses</b>				
Water plan	36,050	36,050	39,029	(2,979)
Payroll	19,560	19,560	13,224	6,336
General government	23,279	23,279	5,290	17,989
<b>Total Expenses</b>	<b>78,889</b>	<b>78,889</b>	<b>57,543</b>	<b>21,346</b>
<b>Net change in fund balance</b>	<b>\$ 741</b>	<b>\$ 741</b>	<b>\$ 6,573</b>	<b>\$ 5,832</b>
<b>Reconciliation to GAAP basis:</b>				
(Decrease) in due from other governments			(6,575)	
(Increase) in accounts payable			(1,974)	
<b>Net change in fund balance</b>			<b>\$ (1,976)</b>	

*The accompanying notes are an integral part of these statements.*



# JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
County Manager, Board of Commissioners and  
Citizens of Lea County  
Lovington, New Mexico

We have audited the basic financial statements of the business-type activities of Lea County Water Users Association (the Association), as of and for the year ended June 30, 2009. We have also audited the budgetary comparison statement presented as supplementary information as of and for the year ended June 30, 2009, as listed in the table of contents, and have issued our report thereon dated December 1, 2009. We conducted our audit 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting 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 Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as finding 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget and  
County Manager, Board of Commissioners and  
Citizens of Lea County  
Lovington, New Mexico

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws (including New Mexico State Auditor Ruling 2.2.2 NMAC), regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Association's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities, Lea County, City of Hobbs, City of Lovington, City of Eunice, City of Jal , City of Tatum, and is not intended to be and should not be used by anyone other than these specified parties.

*Johnson, Miller & Co.*

Hobbs, New Mexico  
December 1, 2009

LEA COUNTY WATER USERS ASSOCIATION  
STATE OF NEW MEXICO

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2009

Current Year Findings

FINDING 08-1

Condition Found: The financial statements and related disclosures are not being prepared by the Association.

Criteria: The Association's system of internal control should include controls over financial statement preparation, including footnote disclosures

Effect: Insufficient controls over the preparation of financial statements and related disclosures limits the Association's ability to prevent or detect a misstatement in its financial statements.

Cause: The Association does not have the personnel or time to prepare the financial statements and related disclosures.

Recommendation: We recommend the Association's management and personnel receive training on financial reporting.

Agency Response: Lea County will continue to send staff to financial reporting training to achieve better understanding of preparation of financial statements and disclosures. In addition Lea County is seeking to add an additional person to the Finance Department. It is planned that the additional person will have knowledge of financial statements and disclosures. If this person does not have this knowledge he/she will be trained on this subject.

LEA COUNTY WATER USERS ASSOCIATION  
STATE OF NEW MEXICO

SCHEDULE OF STATUS OF PRIOR FINDINGS

Prior Year Findings

**FINDING 08-1**

Financial Statements and related disclosures are not being prepared by the Association.

Comment repeated

**FINDING 08-2**

The Association was unable to provide a copy of the minutes of the board meeting held November 30, 2007

A quorum was not present at the meeting and no minutes were taken.

Comment not repeated.

**LEA COUNTY WATER USERS ASSOCIATION**

**OTHER DISCLOSURES**

For the fiscal year ended June 30, 2009

**FINANCIAL STATEMENT PRESENTATION**

The financial statements of the Lea County Water Users Association were prepared from the original books and records provided by the management of this entity by Johnson Miller & Co., CPA's.

**EXIT CONFERENCE**

An exit conference was conducted on November 30, 2009 in which the contents of this report were discussed with the following:

Association Officials

Buster Goff, Chairman

Jim Burke, Lea County Finance Director

Sherri Bunch, Assistant Finance Director

Auditors

Mary Hinds, CPA

Mr. Domingo Martinez, CGFM  
New Mexico State Auditor  
The Office of Management and Budget and  
Association Chairman, Board of Directors and  
Citizens of Lea County  
Lovington, New Mexico

#### PASSED ADJUSTMENTS

The State Auditor's Rule 2.2.2.10 AA (2) states that the auditor must present a list of passed adjustments to the agency management and governing board representatives, and a copy of the list must be attached to the audit report submitted to the State Auditor for review.

No passed adjustments were identified during the audit for Lea County Water Users Association for the year ended June 30, 2009.