

STATE OF NEW MEXICO

**Valley**  
*Water & Sanitation District*

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**VALLEY WATER AND SANITATION DISTRICT**  
**YEAR ENDED JUNE 30, 2014**

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**STATE OF NEW MEXICO**  
**VALLEY WATER AND SANITATION DISTRICT**  
**YEAR ENDED JUNE 30, 2014**

OFFICIAL ROSTER

<u>Name</u>	<u>District Board</u>	<u>Title</u>
Jacqueline Foutz		Chairman
Joel Foutz		Vice-Chairman
William L. Flack		Secretary/Treasurer
Brian Mack		Member
Mark Duncan		Member
	<u>Administration</u>	
Jody Rico		Bookkeeper

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**FINANCIAL SECTION**



# Manning Accounting and Consulting Services, LLC

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Hector Balderas  
New Mexico State Auditor  
and  
Members of the Board  
Valley Water and Sanitation District  
Kirtland, New Mexico

We have performed the procedures enumerated below, which were agreed to by the State of New Mexico Valley Water and Sanitation District (District), solely to assist you with respect to the District's compliance for a Tier 4 engagement of the Audit Act (Section 12-6-1 NMSA 1978 et seq.) with respect to the District's cash and capital assets as of June 30, 2014 and the District's revenues, expenditures, and budget for the year ended June 30, 2014. The District's management is responsible for the company's accounting records and financial information. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were engaged to perform the following agreed-upon procedures for the period July 01, 2013 to June 30, 2014 and our procedures and results are as follow:

### 1. Cash

#### **Procedures:**

- a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.
- c. Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

#### **Results:**

- a. We obtained copies of all bank reconciliations from July 2013 through June 2014. All reconciliations were completed within 15 days of month's end and were on-hand. Additionally, the reconciliations do indicate that they have been reviewed by a member of the Board.



- b. We traced reconciled items for all reconciliations for the year to determine that they were properly cleared. We inspected all cancelled check images and deposit slips returned with the bank statements to compare actual names and amounts with the general ledger. We traced ending balances to the general ledger and the year-end financial report submitted to DFA-Local Government Division. No exceptions were noted in these procedures.
- c. We reviewed balances at each month end to determine if sufficient pledged collateral had been provided on all uninsured funds. No balances exceeded the FDIC coverage limit of \$250,000 during the year, so no exceptions were noted in these procedures.

## 2. **Capital Assets**

### **Procedures:**

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

### **Results:**

The District did not complete a yearly inventory of its capital assets that was certified by the Board as it overlooked the requirement. All capital assets of the District are the sewer lines and pumping stations, one metal building, and some land for right-of-way. This exception has been included as Finding 2014-002 – Annual Physical Inventory.

## 3. **Revenue**

### **Procedures:**

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues based on auditor judgment and test using the following attributes:

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

### **Results:**

- a. We identified the nature and sources of revenue and performed an analytical review of those revenue sources, comparing them to the budgeted amounts for each classification of revenue. Total revenues fell \$28,719 short of budgeted revenues. We reviewed revenue categories which varied from budget by 10% and by \$5,000 or more. The only category which varied by more than the criteria was Admission Fees which fell short of the budgeted amount by \$17,393. The District anticipated one major customer being added during the year. However, this didn't occur. Revenue variations were reasonable.
- b. We tested the following revenue sources on a cash basis which is how the District maintains its records:
  - i. Monthly Service Sales – The District receives one monthly check from Lower Valley Water Users Association (LVWUA) who provides domestic water services to all of the Districts sewer customers. LVWUA bills sewer services with its water bills and then remits the sewer district collections to the District for the cost of \$100 per month. Six months of distributions – July 2013, September 2013, November 2013, January 2014, March 2014, and May 2014 – from LVWUA were traced to supporting documentation, to the bank statement, and to the general ledger. No exceptions were noted and all revenues were properly categorized and recorded. Total collections on Monthly Service Sales for the year amounted to \$157,742 of which \$87,223 were tested, 55.3% of total service revenues. No exceptions were noted.

- ii. New Mexico Gross Receipts Tax – Local businesses within the sewer district boundaries collect a 0.25% gross receipts tax which is distributed to the District by San Juan County. A direct deposit is made to the District’s account for this gross receipts distribution. We selected six months – August 2013, October 2013, December 2013, February 2014, April 2014, and June 2014 – to verify that amounts were properly deposited into the District’s bank account and that it was properly and timely recorded into the general ledger. Total amounts collected through the County amounted to \$36,871 of which \$17,496 was tested, or 47.5% of the total. No exceptions were noted.
- c. Total revenues tested amounted to \$104,719 or 52.2% of total revenues reported by the District. All classifications were proper, the amounts agreed to supporting documentation and bank statements, and amounts agreed to general ledger amounts and were recorded in the proper periods. No exceptions were noted.

#### **4. Expenditures**

##### **Procedures:**

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor’s invoice, purchase order, contract and cancelled check, as appropriate.
- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

##### **Results:**

We randomly selected 30 of the 98 total disbursements made for the year. We also selected all disbursements equal to or greater than \$4,000 which weren’t selected in the random sampling. This added 15 additional items to the testing sample for a total of 45 items tested. Total disbursements were \$209,899, and the 45 items selected accounted for \$163,853, or 78.1% of total disbursements.

- a. We tested each disbursement to ascertain the following:
  - Vendor invoice is clerically accurate
  - Purchase order (P.O.) is clerically accurate and initiated by purchasing agent
  - Amount and payee per check agree to P.O. and invoice
  - P.O. is supported by proper quote or bid documentation as required by State Purchasing Requirements
  - Traced to general ledger
  - Does not violate Anti-Donation Laws
  - Receiving documents identify items received and when and who received them and that items are OK to pay

We tested all disbursement according to the above criteria. The items had proper documentation and amounts, payees, dates and descriptions agreed to supporting documentation except as noted below:

- The District did not issue purchase orders prior to December 2013; thus, no disbursements had been properly encumbered prior to that date and not all expenditures after December 2013 had proper purchase orders.
- The District did not have a formal receiving policy prior to December 2013, and no invoices had any indication of being reviewed by a responsible party indicating that the products and

services had been received and were authorized for payment prior to that date. From December 2013 through June 2014, all items contained proper receiving documentation.

The exceptions are noted in Finding 2014-001 – Purchase Orders and Payment Authorization.

- b. All checks were signed by a member of the Board and were thus authorized for disbursement and were legal disbursements of the District.
- c. During our review of procedures related to the Procurement Code, we noted no exceptions to the bidding process as no purchases requiring bids or requests for proposals occurred this year. The District did perform a request for proposal to cover potential professional services which are required by the District. This process was proper and according to State guidelines. As mentioned above, the District was not in compliance with purchase order creation for the entire year.

## **5. Journal Entries**

### **Procedures:**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a. Journal entries appear reasonable and have supporting documentation.
- b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### **Results:**

- a. We obtained all manual journal entries for the period July 01, 2013 through June 30, 2014. We reviewed the journal entries for non-routine entries, such as adjustments or reclassifications which were posted to the general ledger.
- b. We determined that all journal entries were reasonable and had proper supporting documentation; however, the District had not implemented procedures that require journal entries to be reviewed by anyone other than the accountant making the entries until mid-year. The District now has a policy in place for the Board to review journal entries at its monthly Board meeting. The failure to review journal entries for the first half of the year is noted as Finding 2014-003 – Review of Journal Entries.

## **6. Budget**

### **Procedures:**

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c. From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

### **Results:**

- a. We obtained the original budget and all minutes for the period of July 01, 2013 through November 11, 2014 and identified that the budget for the 2014 fiscal year was properly approved by the Board and DFA-LGD. We also noted that a mid-year and end-of-year budget modification was approved by the Board and submitted and accepted by DFA-LGD.
- b. We reviewed all expenditures and determined that the District did not exceed its budgetary level of control and was in compliance with State guidelines.
- c. We have prepared a Schedule of Revenues and Expenses – Budget and Actual (Non-GAAP Budgetary Basis) which was prepared on the cash basis which is the basis used by the District in preparing its financial statements. This schedule is included in this report on page 4.

**Other**

**Procedures:**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

**Results:**

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud or illegal acts.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the District's cash and capital assets as of June 30, 2014 and the District's revenue, expenditures, and budget for the year ended June 30, 2014. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, others within the District, the State Auditor, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Manning Accounting and Consulting Services, LLC*

Manning Accounting and Consulting Services, LLC

Kirtland, New Mexico

November 26, 2014

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**SUPPLEMENTARY INFORMATION**

Valley Water and Sanitation District  
Balance Sheet  
June 30, 2014

ASSETS

Current Assets		
Checking Account	\$	<u>78,221.10</u>
Total Current Assets		78,221.10
Property and Equipment		
Land		33,200.00
Land Improvements		3,407,992.00
Buildings		1,859.52
Accumulated Depreciation		<u>(144,284.04)</u>
Total Property and Equipment		3,298,767.48
Other Assets		
Total Other Assets		<u>0.00</u>
Total Assets		<u><u>\$ 3,376,988.58</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Sales Tax Payable	\$	<u>708.07</u>
Total Current Liabilities		708.07
Long-Term Liabilities		
N/P Whipple Taps		<u>11,500.00</u>
Total Long-Term Liabilities		<u>11,500.00</u>
Total Liabilities		12,208.07
Capital		
Fund Balance - Fixed Assets		3,347,008.84
Fund Balance - Operating		65,852.52
Net Income		<u>(48,080.85)</u>
Total Capital		<u>3,364,780.51</u>
Total Liabilities & Capital		<u><u>\$ 3,376,988.58</u></u>

Valley Water and Sanitation District  
Income Statement  
For the Twelve Months Ending June 30, 2014

	Current Month		Year to Date	
<b>Revenues</b>				
Construction/Engineering Sales	\$ 1,052.88	0.52	\$ 1,052.88	0.52
Application Fee Sales	1,125.00	0.56	1,125.00	0.56
Connection/Tap Fee Sales	4,820.73	2.40	4,820.73	2.40
Monthly Service Sales	157,033.63	78.25	157,033.63	78.25
Standby Charge	0.00	0.00	0.00	0.00
Admission Fee Sales	107.34	0.05	107.34	0.05
Maintenance Income	0.00	0.00	0.00	0.00
Interest Income	0.00	0.00	0.00	0.00
San Juan County GRT	36,541.21	18.21	36,541.21	18.21
Disconnect/Reconnect Fee	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	0.00	0.00
Sales/Fees Discounts	0.00	0.00	0.00	0.00
<b>Total Revenues</b>	<u>200,680.79</u>	100.00	<u>200,680.79</u>	100.00
<b>Cost of Sales</b>				
Engineering Costs	2,812.64	1.40	2,812.64	1.40
Construction Inspection Costs	0.00	0.00	0.00	0.00
Service Line Construction Cost	0.00	0.00	0.00	0.00
Operations Maintenance Costs	39,821.02	19.84	39,821.02	19.84
Cleaning/Inspections Services	4,484.95	2.23	4,484.95	2.23
Admission Court/Clerk Fees	132.26	0.07	132.26	0.07
Pre-Treatment (Chemicals)	34,128.97	17.01	34,128.97	17.01
Meter Reads	0.00	0.00	0.00	0.00
City of Farmington Collection	14,365.92	7.16	14,365.92	7.16
Cost of Sales	0.00	0.00	0.00	0.00
Inventory Adjustments	0.00	0.00	0.00	0.00
<b>Total Cost of Sales</b>	<u>95,745.76</u>	47.71	<u>95,745.76</u>	47.71
<b>Gross Profit</b>	<u>104,935.03</u>	52.29	<u>104,935.03</u>	52.29



Valley Water and Sanitation District  
Income Statement  
For the Twelve Months Ending June 30, 2014

	Current Month		Year to Date	
Expenses				
Advertising	0.00	0.00	0.00	0.00
Billing Services	1,200.00	0.60	1,200.00	0.60
Payroll Tax Expense	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00
Income Tax Expense	0.00	0.00	0.00	0.00
Legal Services	0.00	0.00	0.00	0.00
Other Taxes Expense	0.00	0.00	0.00	0.00
Professional/Accountant	3,189.38	1.59	3,189.38	1.59
Rent or Lease Expense	2,350.00	1.17	2,350.00	1.17
Penalties/Interest Charged	15.05	0.01	15.05	0.01
Fuel/Oil	0.00	0.00	0.00	0.00
System Maintenance & Repairs	75,302.77	37.52	75,302.77	37.52
Supplies Expense	1,304.46	0.65	1,304.46	0.65
Small Tools Expense	0.00	0.00	0.00	0.00
Utilities Expense	10,975.45	5.47	10,975.45	5.47
Office Expense	171.73	0.09	171.73	0.09
Telephone Expense	0.00	0.00	0.00	0.00
Secretarial Expense	1,580.00	0.79	1,580.00	0.79
Interest Expense - N/P Whipple	0.00	0.00	0.00	0.00
Training Expense	0.00	0.00	0.00	0.00
Misc. Expenses	0.00	0.00	0.00	0.00
One-Call Locate	3,682.68	1.84	3,682.68	1.84
Permit/Application Fees	0.00	0.00	0.00	0.00
Service Charge Expense	0.00	0.00	0.00	0.00
Purchase Disc-Expense Items	0.00	0.00	0.00	0.00
Insurance Expense	5,003.00	2.49	5,003.00	2.49
Depreciation Expense	48,241.36	24.04	48,241.36	24.04
Gain/Loss - Sale of Assets Exp	0.00	0.00	0.00	0.00
	<u>153,015.88</u>	76.25	<u>153,015.88</u>	76.25
Total Expenses				
Net Income	<u>(\$ 48,080.85)</u>	(23.96)	<u>(\$ 48,080.85)</u>	(23.96)

**STATE OF NEW MEXICO**  
**VALLEY WATER AND SANITATION DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET**  
**AND ACTUAL (NON - GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDING JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Monthly service sales	\$ 166,000	\$ 156,000	\$ 157,034	\$ 1,034
Construction/engineering fees	-	-	1,053	1,053
San Juan County GRT	35,000	37,000	36,541	(459)
Tap fees sales	9,400	5,850	4,821	(1,029)
Other fees	19,000	875	1,232	357
<i>Total revenues</i>	<u>229,400</u>	<u>199,725</u>	<u>200,681</u>	<u>956</u>
<i>Expenses:</i>				
Engineering costs	10,300	4,300	2,813	1,487
Operations maintenance costs	30,600	40,600	39,821	779
Cleaning/inspection services	18,000	5,000	4,485	515
Court/clerk fees	21,000	250	132	118
Pre-treatment (chemicals)	21,650	34,650	34,129	521
City of Farmington collection	36,600	14,000	14,366	(366)
Billing services	2,400	1,300	1,200	100
Professional/accountant	3,200	3,200	3,189	11
Rent or lease expense	2,300	2,350	2,350	-
Penalties/interest charged	-	-	15	(15)
Fuel/Oil	1,600	-	-	-
Maintenance & repairs expense	55,000	95,000	75,303	19,697
Supplies expense	400	200	1,304	(1,104)
Small tools expense	700	-	-	-
Utilities expense	9,600	11,000	10,976	24
Office supplies expense	90	90	172	(82)
Secretarial expense	3,750	1,750	1,580	170
One-call expense	4,500	4,500	3,683	817
Insurance expense	6,000	6,000	5,003	997
Capital outlay	-	35,832	-	35,832
<i>Total expenses</i>	<u>227,690</u>	<u>260,022</u>	<u>200,521</u>	<u>59,501</u>
<i>Excess (deficiency) of revenues</i> <i>over (under) expenditures</i>	<u>1,710</u>	<u>(60,297)</u>	<u>160</u>	<u>(60,137)</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	60,297	-	60,297
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>60,297</u>	<u>-</u>	<u>60,297</u>
<i>Net income/(loss)</i>	<u>\$ 1,710</u>	<u>\$ -</u>	<u>160</u>	<u>\$ 160</u>
<i>Reconciliation to GAAP Basis:</i>				
Depreciation			(48,241)	
Change in net assets - GAAP basis			<u>(48,081)</u>	

**STATE OF NEW MEXICO**  
**VALLEY WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**FS 2014-001 [2013-03] – Purchase Orders and Payment Authorization (Significant Deficiency) Repeated and Revised**

**Criteria:** In accordance with proper accounting procedures and 1.4.1 NMAC 1) purchases of goods and services should be preceded with the issuance of a purchase order to encumber the funds, 2) purchases of tangible personal property, construction, and nonprofessional services between \$20,000 and \$600,000 should include three written quotes to be maintained in the purchasing file, and 3) professional services, property, and construction in excess of \$60,000 should be procured through requests for proposals.

**Condition:** The District did not issue purchase orders before expending funds prior to recommendation from prior year agreed upon procedures. Purchase orders have now been instituted as part of the procurement process. The District is working to be in compliance however, there were still 33 of 44 instances tested where there was no purchase order on file. The total cost of these goods and services was \$101,498.62.

Additionally, the District did not initially indicate that products or services were received and authorized for payment. No invoices indicate that the products or services have been received and are authorized for payment in 9 of 44 items tested. After the prior year recommendations the District began to record receiving goods and services and from December 2013 forward there were no instances found where goods and services were received without proper documentation.

Finally, at the beginning of the audit year the bookkeeper was authorizing payments for services performed without a secondary approving signature. There were three instances prior to the previous years agreed upon procedures recommendations for a total of \$280.00. After the District received the prior year agreed upon procedures recommendation, all subsequent tested payments, November 2013 through June 2014, had a secondary approving signature from a member of the board.

**Cause:** The District was initially unaware of the state purchasing guidelines affecting state agencies or aware of proper receiving documentation.

**Effect:** Funds were not being encumbered prior to purchase and no formal receiving process was being performed by the District whereby an authorized official signs and dates invoices indicating products or services have been received and are authorized for payment. However, the prior-year's agreed upon procedures were completed and recommendations were provided, the District made the necessary changes whereby all receiving occurred as prescribed, but not all purchases included a purchase order.

**Auditor's Recommendation:** We recommend that the District begin issuing purchase orders for all purchases. We also recommend that an authorized official continue to sign and date all invoices for products and services indicating that the invoice is "OK to pay". This will provide assurance that an authorized individual is accepting responsibility for the products and services provided to the District.

**Responsible official's view:** Purchase order procedures started after prior year agreed upon procedures' recommendations and we have continued with these procedures.

**STATE OF NEW MEXICO**  
**VALLEY WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**FS 2014 – 002 [2013-02] – Annual Physical Inventory (Non-Compliance) Repeated and Revised**

**Criteria:** In accordance with proper accounting procedures and 2.20.1.16 NMAC, Lower Valley Water and Sanitation District (District) should complete an annual “physical inventory ... recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.” Per 2.20.1.9 NMAC, it is recommended that fixed assets be classified in various categories, i.e., land, land improvements, buildings and structures, etc.

**Condition:** The District did not do a physical inventory which was detailed and certified by the Board for the year ended June 30, 2014.

**Cause:** The District overlooked the requirement to have a physical inventory and have that inventory certified by the board.

**Effect:** The District is not in compliance with state statute.

**Auditor’s Recommendation:** We recommend that the District complete an annual inventory of capital assets and submitting the report to the Board for formal approval.

**Responsible Official’s View:** Assets are reviewed at each monthly meeting and approved with the Treasures’ Report. The Board will implement doing and certifying the physical inventory in a resolution at the end of each fiscal year.

**STATE OF NEW MEXICO**  
**VALLEY WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**2014-003 [2013 – 06] – Review of Journal Entries (Significant Deficiency) Repeated and Revised**

**Criteria:** In accordance with sound accounting practices and 2.20.5 NMAC, the Board is responsible for establishing sound accounting policies and practices which includes a proper internal control structure. Proper internal controls include review and authorization of all manual journal entries.

**Condition:** Valley Water and Sanitation District did not have a formal policy of reviewing and approving manual journal entries entered by the bookkeeper until December 2013. Manual journal entries prior to that date were not reviewed by the Board. From December 2013 through the end of the year, all manual journal entries were included in the treasurer's report for each board meeting and approved by the Board.

**Cause:** The District had not considered the need to review the journal entries of the bookkeeper as they are normally repetitive and don't significantly affect the financial statements. However, after the previous agreed upon procedures for 2013 were completed, the District implemented a policy to review and approve all manual journal entries.

**Effect:** Improper entries to the financial statements could occur by accident or intentionally which wouldn't be identified by the Board without proper review.

**Auditor's Recommendation:** We recommend that the District continue to adhere to proper accounting procedures and state guidelines of reviewing journal entries and approving those journal entries on a regular basis.

**Responsible Official's View:** All journal entries made by the bookkeeper will continue to be reviewed and approved by the Board.

**STATE OF NEW MEXICO**  
**VALLEY WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Prior Year Findings:**

- 2013-001 [2013-01] – Bank Reconciliation Procedures – Resolved
- 2013-002 [2013-02] – Annual Physical Inventory and Asset Classifications – Repeated and Revised
- 2013-003 [2013-03] – Purchasing and Receiving Procedures – Repeated and Revised
- 2013-004 [2013-04] – Proper Recording of Depreciation – Resolved
- 2013-005 [2013-05] – Budgetary Controls – Resolved
- 2013-006 [2013-06] – Review of Journal Entries – Repeated and Revised

**STATE OF NEW MEXICO**  
**VALLEY WATER AND SANITATION DISTRICT**  
**OTHER DISCLOSURES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exit Conference**

The contents of this report were discussed on November 26, 2014. The following individuals were in attendance.

**Valley Water and Sanitation District**

Jacqueline Foutz, Board Chairman  
William L. Flack, Board Secretary/Treasurer  
Jody Rico, Bookkeeper

**Manning Accounting and Consulting Services, LLC**

Byron R. Manning, CPA