

NEW MEXICO OFFICE OF THE STATE AUDITOR
 REPORT REVIEW GUIDE FOR AUDITS OF STATE AND LOCAL GOVERNMENTS
 FINANCIAL AUDITS FOR THE FISCAL YEARS ENDING JUNE 30, 2006-2009

This review guide should be used for governments that only present the financial statements required for enterprise funds, and did not expend \$500,000 or more of federal awards during the fiscal year. This review guide should be used for colleges and universities, housing authorities, hospitals, special districts, and other types of agencies that only present financial statements for enterprise funds. (GASBS 34.138)

AGENCY NAME		AGENCY NUMBER/FISCAL YEAR	
NAME OF AUDITING FIRM		NAME OF AUDIT MANAGER	
DATE REPORT SUBMITTED TO STATE AUDITOR		Yes <input type="checkbox"/> No <input type="checkbox"/> Was the audit report submitted by the due date? If not, the compliance finding is reported on p. _____.	
OPINION(S) RENDERED ON FINANCIAL STATEMENTS		DATE OF OPINION	NUMBER OF FINDINGS
Was a member of the governing body (or head of a state agency) present at the exit conference as required by SAO Rule 2.2.2.10 J? If not, the compliance finding is reported on p. _____.		Yes <input type="checkbox"/> No <input type="checkbox"/>	

Objective:

The objectives of the review are to: (1) ensure that audit reports meet applicable governmental auditing, accounting and financial reporting standards, and the New Mexico Administrative Code 2.2.2 - Requirements for Contracting and Conducting Audits of Agencies; and (2) identify any follow-up audit or reporting work needed.

Instructions:

The audit manager or the employee in charge of the audit firm's quality control system is required to complete this review guide. You are required to answer all of the questions in the review guide. Insert page number references for all yes answers. Submit comments to explain all no answers, unusual circumstances, or why a reporting standard was not complied with. The report will not be accepted by the Office of the State Auditor if the review guide is incomplete, or if the report contains an excessive amount of errors and omissions. This review guide does not contain every auditing, accounting and financial reporting standard or requirement applicable

to a financial audit. Due to the fact that this checklist is intended to be used for reviewing audits from different fiscal years, the checklist may include questions that do not apply to the specific fiscal year being reviewed. In which case, the auditor is responsible for knowing when various reporting standards became effective, in order to properly determine which questions apply and which do not apply to the specific audit report being reviewed. Agencies and auditing firms are required to ensure that all applicable auditing, accounting and financial reporting standards, laws and regulations are complied with during the preparation of the audit reports, financial statements, notes and schedules.

Authoritative References:

- AAG-SLA *AICPA Audit Guide: Government Auditing Standards and Circular A-133 Audits* (Updated as of August 1, 2008)
- AAG-SLV *AICPA Audit and Accounting Guide - State and Local Governments* (Updated as of March 1, 2008)
- SAS *AICPA Statement on Auditing Standards*
- AU *AICPA Codification of Statements on Auditing Standards*
- GAGAS *Government Auditing Standards July 2007 Revision (Yellow Book)*
- GASB *Governmental Accounting Standards Board*
- A-133 *OMB (U.S. Office of Management and Budget) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as amended*
- NMAC *New Mexico Administrative Code*
- SAO Rule *2.2.2 NMAC - Requirements for Contracting and Conducting Audits of Agencies*

Documents Required by the Office of the State Auditor	
Did the auditor submit a copy of: (1) the signed management representation letter; (2) a list of “passed adjustments” or a memo stating there were none; (3) a completed report review guide; (4) the signed engagement letter (unless previously submitted pursuant to 2.2.2.8.L(2); and (5) a complete and accurate bound hard copy of the audit report? If not, the report will not be accepted or considered received by the State Auditor. (SAO Rule 2.2.2.9 A. (3) NMAC)	YES ____ Comments:
1 Do the titles and page numbers in the Table of Contents agree with the actual contents in the report? Are all of the pages in the report numbered as required by SAO Rule 2.2.2.9.C?	YES____ NO____ Comments: Page Ref:
2 Does the audit report include an official roster including all members of the governing body and top management? (SAO Rule 2.2.2.10.T.(5))	YES____ NO____ N/A____ Comments: Page Ref:
3 Independent Auditor’s Report:	
a. Does the report on the financial statements contain the required elements and follow the applicable report examples on the OSA website at www.saonm.org ? (AU 508.08, 551.06, AAG-SLA 4.22)	YES____ NO____ Comments: Page Ref:
Introductory Paragraph:	
(1) Is there a statement identifying the financial statements that were audited? Does the scope paragraph indicate that the following were audited: (a) the basic financial statements consisting of the aggregate discretely presented component units, each major fund, and the	YES____ NO____ N/A____ Comments:

<p>aggregate remaining fund information (consisting of the aggregate nonmajor enterprise funds) as applicable?</p> <p>(b) If applicable, the financial statements of each of the agency’s nonmajor enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 200X, as listed in the table of contents?</p> <p>See Example A-14 in the AICPA Guide (AAG-SLV 14.79) and take into consideration footnote 41. (SAO Rule 2.2.2.10 A.(1)(d)and(e) and (2) and AU 508.08b, AAG-SLA 4.21(b))</p> <p>For financial statements presented in accordance with the Business-Type Activities (BTA) model, an appropriate combination of language from Examples A-3 and A-14 in the AICPA Audit and Accounting Guide should be followed. The audited statements include: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets, Statement of Cash Flows, and the notes to the financial statements plus Supplemental Information (SI) consisting of the budgetary comparisons. [GASBS 34.138, SAO Rule 2.2.2.10 A.(2)(d) and 2.2.2.12 E (2) and (3)]</p>	<p>Page Ref:</p> <p>YES_____ NO_____ N/A_____</p> <p>Comments:</p> <p>Page Ref:</p> <p>YES_____ NO_____ N/A_____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>Scope Paragraph:</p>	
<p>(2) Unmodified GAGAS compliance statement - If the auditor (a) followed all applicable unconditional (must) and presumptively mandatory (should) GAGAS requirements, or (b) followed all unconditional requirements and documented the justification for any departures from applicable presumptively mandatory requirements, and achieved the objectives of those requirements through other means, is there a statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America <u>and with standards applicable to financial audits contained in <i>Government Auditing Standards</i></u> issued by the Comptroller General of the United States? AU 508.08d; SAS 102, GAGAS 1.12(a) (2007), AAG-SLA 4.21 (d))</p>	<p>YES_____ NO_____ N/A_____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>(3) Modified GAGAS compliance statement – Example language is “Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States.” Did the auditor use a modified GAGAS compliance statement if (a) the auditor performed the audit in accordance with GAGAS, except for specific applicable requirements that were not followed or (b) because of the significance of the departure(s) from the requirements, the auditor was unable to and did not perform the audit engagement in accordance with GAGAS? If the auditor used a modified GAGAS statement, did they disclose in the report the applicable requirement(s) not followed, the reasons for not following the requirement(s), and how not following the requirements affected, or could have affected, the audit and the assurance provided? [SAS 102, GAGAS 1.12(b) (2007)]</p>	<p>YES_____ NO_____ N/A_____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>Explanatory and Opinion Paragraphs</p>	<p>Page Ref:</p>

<p>City of Example’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 <i>Government Auditing Standards</i> and should be considered in assessing the results of our audit.</p>	<p>Page Ref:</p>
<p>(10) Section 2.2.2.10.A.(2)(e) requires that the IPA apply certain limited procedures to the MD&A (RSI) and report deficiencies in or the omission of required information in accordance with the requirements of SAS AU 558.06. If the report includes an MD&A, is there a description of the character of the auditor’s work and a disclaimer of an opinion? If the MD&A is missing or does not contain all of the required elements, did the auditor report the omission? (SAS AU 558.08)</p>	<p>YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>(10) Does the last paragraph of the report include a SAS 29 or SAS 52 opinion on whether the accompanying supplementary information (only schedules, not the combining and individual fund financial statements or budgetary comparisons) is fairly stated, in all material respects, in relation to the financial statements taken as a whole, per AU 551.06d; AAG-SLA 12.12; and 12.13, and the last paragraph of Example A-1 of AAG-SLV 14.79?</p>	<p>YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>(a) If the audit report includes audited combining and individual fund financial statements presented as supplemental information as required by SAO Rule 2.2.2.10.A.(2)(d), does the first sentence of the SAS 29 opinion paragraph say “Our audit was conducted for the purpose of forming opinions on the basic financial statements <u>and the combining and individual fund financial statements and budgetary comparisons</u>”?</p>	<p>YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>(b) Is a SAS 29 opinion expressed on all of the schedules presented in the report, and are the schedules properly identified in the SAS 29 paragraph as noted in the table of contents?</p>	<p>YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>(11) Dating the Audit Report – The last day of field work is no longer the day the report should be dated. SAS 103 is effective for audits beginning in FY07 and requires that the auditor’s report not to be dated earlier than the date on which he or she has obtained sufficient appropriate audit evidence to support the opinion. Among other things, sufficient appropriate audit evidence includes evidence that: (1) the audit documentation has been reviewed; (2) the entity’s financial statements, including disclosures, have been prepared; and (3) management has asserted that it has taken responsibility for them. (SAS 103 ¶ 23) Does the date of the audit report comply with this requirement? [AU 508.08j; AAG-SLA 4.21 (k)]</p>	<p>YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>4 Does the annual financial report include the following?</p>	
<p>a. Does the Management’s Discussion and Analysis (MD&A) precede the basic financial statements as required supplementary information? (GASBS 34.8)? Are the following items included in the MD&A</p>	<p>YES____ NO____ N/A____ Comments:</p>

	Page Ref:
(3) Is the Statement of Net Assets in balance (assets = liabilities and net assets)? If the traditional balance sheet format is used, do assets equal liabilities plus net assets? (GASBS 34.30)	YES____ NO____ N/A____ Comments: Page Ref:
(4) Is there a Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds that reflects the following descriptions: operating revenues; operating expenses; operating income (loss), nonoperating revenues (expense), total nonoperating revenues (expenses), income (loss) before contributions and transfers, capital contributions, transfers out, change in net assets, total net assets-beginning, and total net assets-ending? (GASB 34.91b, 34.100, and illustration D-3) <u>If there were any restatements</u> , were the following line items included on the face of the financial statement: Beginning net assets, Restatement, Beginning net assets as restated, and Ending net assets?	YES____ NO____ N/A____ Comments: Page Ref:
(5) Are revenues reported by major source, net of discounts and allowances with the discounts and allowances disclosed on the face of the financial statement or in a note to the financial statements? (GASBS 34.100, footnote 41)	YES____ NO____ N/A____ Comments: Page Ref:
(6) In proprietary funds, have all capital contributions and additions to permanent and term endowments been reported in the statement of revenues, expenses, and changes in fund net assets after nonoperating revenues and expenses? (GASBS 34 ¶ 103 and example D-3) Note that in a GASBS 34 proprietary fund statement of net assets (balance sheet) there will no longer be “contributed capital” or “retained earnings.” Those have been replaced by the three categories of “net assets.” Governments that wish to provide information about the extent to which a particular enterprise fund has received capital subsidies may do so in the notes to the financial statements. (GASBS 34 ¶ 430 and GASBS 34 examples D-1 and D-2)	YES____ NO____ N/A____ Comments: Page Ref:
(7) Restricted Net Assets: when permanent endowments or permanent fund principal amounts are included, were “restricted net assets” displayed in two additional components: expendable and nonexpendable? Nonexpendable net assets are those that are required to be retained in perpetuity. (GASBS 34.35)	YES____ NO____ N/A____ Comments: Page Ref:
Statement of Cash Flows	
(8) Is the Direct Method used for the Proprietary Fund Statement of Cash Flows showing the applicable four categories of cash flows from: operating activities; noncapital financing activities; capital and related financing activities; and investing activities? Does the statement separately report the net effect of cash flows of each of these categories on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents? (GASBS 9.15, 30 and 35; GASBS 34.105)	YES____ NO____ N/A____ Comments: Page Ref:
(9) Is a reconciliation of operating cash flows to operating income included? Does the reconciliation separately report all major classes of reconciling items including changes in receivables, inventory and payables? (GASBS 34.105 and illustration D-4; GASBS 9.30 and .35; GASB Cod. Sec 2450.129) Note that an example of the direct method of cash flow is available at GASBS 9 ¶ 75.	YES____ NO____ N/A____ Comments: Page Ref:
(10) Does the statement show the total amounts of cash and cash equivalents at the beginning and end of the period in a manner	YES____ NO____ N/A____ Comments:

where they can be easily traced to the line items or subtotals in the balance sheet? (GASBS 9.8)	Page Ref:
(11) Does the statement separately report the classes of operating cash receipts and payments per GASB Cod. Sec. 2450.128?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(12) Does the statement include information about all investing, capital and financing activities that affect recognized assets or liabilities but do not result in cash receipts or payments in the period? (GASBS 9.37)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(13) Do the proprietary fund financial statements contain a column for each major fund, a column for the aggregate nonmajor funds, and a total column? (GASBS 34.75)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(14) Is the main operating fund (general fund or its equivalent) reported as a major fund? Are other individual enterprise funds reported in separate columns as major funds based on the following criteria: (GASBS 34.76; GASBS 37 ¶ 15)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(a) Total assets, liabilities, revenues, expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities and so forth) for all funds of that category or type; and	YES _____ NO _____ N/A _____ Comments: Page Ref:
(b) The same element that met the 10 percent criterion above is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined; or	YES _____ NO _____ N/A _____ Comments: Page Ref:
(c) Other enterprise funds that the government's officials believe particularly important to financial statement users may be reported as major funds?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(d) Are the combining and individual fund statements for the nonmajor funds presented as supplemental information after the notes?(SAO Rule 2.2.2.10A.(2)(d)(ii) and GASBS 34 financial statements examples H-1 and H-2)	YES _____ NO _____ N/A _____ Comments: Page Ref:
e. Budgetary Comparison Statements – Are budgetary comparison statements for each enterprise fund presented after the notes as audited supplementary information? [SAO Rule 2.2.2.10.A(2)(d)(iii) and 2.2.2.10 O(3)(c)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(1) Do all the budgetary comparison statements present the original budget, the final budget, actual expenditures or expenses on the budgetary basis, and a variance column? [GASBS 34.130 and SAO Rule 2.2.2.10 O (3)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(2) Does the Budget column include the required fund balance (if prepared on accrual or modified basis) or prior year cash balance if prepared on a cash basis (or fund balance on the cash basis) necessary to balance the budget? [SAO Rule 2.2.2.10.O (1)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(3) If actual expenditures exceeded budgeted expenses at the legal level of compliance, is that fact reported in a finding and disclosed in the notes? If budgeted expenses exceeded budgeted revenues, was a finding reported if the budgeted prior year fund balance did not exist at the beginning of the fiscal year to cover the budgeted deficit? [GASBS 34.131; GASBS 37.19; SAO Rule 2.2.2.10.P (1)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(4) Are the differences between the budgetary basis and GAAP basis revenues and expenses <u>for each individual fund</u> reconciled on the face of the budgetary comparison or the notes? [GASBS 34.131; SAO Rule 2.2.2.10 O (2)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(5) For colleges and universities only: were the required budgetary	YES _____ NO _____ N/A _____

comparisons (five) presented after the notes in the format approved by the NM Higher Education Department as noted in SAO Rule 2.2.2.12 E (2)(a-e)?	Comments: Page Ref:
(6) For colleges and universities only: was the following legal level of budgetary compliance disclosed in the budgetary comparisons or notes to the financial statements: “Total expenditures or transfers in each of these items of budgetary control may not exceed the amount shown in the approved budget - A. Unrestricted expenditures and restricted expenditures; B. Instruction and general; C. Each budget function in current funds other than instruction and general; D. Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements, and debt service; and E. Each individual item of transfer between funds and/or functions? [5.3.4.10 NMAC; SAO Rule 2.2.2.12 E (2)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(7) For colleges and universities only: is a reconciliation of actual revenue <u>and</u> expense amounts on the budgetary basis to the GAAP basis financial statements should be disclosed on the budgetary comparisons or in the notes to the financial statements? The reconciliation is required only at the “rolled up” level of Unrestricted and Restricted – All Operations and should include revenues <u>and</u> expenses. [SAO Rule 2.2.2.12 E (2)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
f. Fiduciary Fund and Similar Component Unit Financial Statements – Are all fiduciary funds of the primary government, as well as component units that are fiduciary in nature included in the fiduciary fund financial statements? Do the statements provide a <u>separate column for each applicable fund type</u> (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trusts, (4) agency funds? (GASBS 34 Paragraphs 69-73 and 106-111)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(1) Statement of Fiduciary Net Assets – Do the Agency Fund assets equal the liabilities presented in the Statement of Fiduciary Net Assets? If there are <u>only agency funds</u> , the title should be the Statement of Fiduciary Assets and Liabilities-Agency Funds. (GASBS 34 Paragraph 110 and example E-1)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(2) Does the Statement of Changes in Fiduciary Net Assets shown in the basic financial statements include information about the additions to, deductions from, and net increase (or decrease) for the year in net assets for each applicable fiduciary fund type except for agency funds? The Statement of Changes in Fiduciary Net Assets should be presented after the Statement of Fiduciary Net Assets just before the notes, for all fiduciary fund types, except for agency funds. (GASB 34 Paragraph 109 and example E-2)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(3) Agency funds are excluded from the Statement of Changes in Fiduciary Net Assets since they have no “net assets.” It is a requirement of the State Auditor that a Schedule of Changes in Assets and Liabilities for each agency fund be included as other supplemental information (SI) for all agencies that have agency funds. If applicable, was this schedule presented? [GASBS 34.110 and SAO Rule 2.2.2.10 AA (1)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(4) If the agency fund has been used as a clearing account to distribute financial resources to other funds of the primary government as well as other entities (such as property tax receivables in audits of Counties, or tax distributions to funds of the Taxation and Revenue Department), have the portions of the clearing account balances that pertain to the primary government been reclassified and reported as	YES _____ NO _____ N/A _____ Comments:

assets of the primary government's funds rather than as assets of the agency funds? (GASB 34 ¶ 111 and Q 225 1 st GASB 34 Implementation Guide)	Page Ref:
h. Notes to the Financial Statements	
(1) Do the notes include a Summary of Significant Accounting Policies including the following:	See below
(2) If the agency has component unit(s), does the summary of significant accounting policies provide: a brief description of the component units (those blended and discretely presented) and their relationships to the primary government; a discussion of the criteria for including component units in the financial reporting entity and how the component units are reported; and information about how the separate financial statements for the component units may be obtained? [GASB Cod. Sec. 2300.106(a)(2)]	YES____ NO____ N/A____ Comments: Page Ref:
<ul style="list-style-type: none"> a. If an agency has a legally separate tax-exempt organization that meets the following criteria, was it included as a component unit as required by GASBS 39.5? <ul style="list-style-type: none"> i. The resources of the tax-exempt organization are entirely or almost entirely for the direct benefit of the agency. ii. The agency is entitled to the majority of the tax exempt organization's resources or has the ability to otherwise access them. iii. The resources of the tax exempt organization are significant to the agency. 	YES____ NO____ N/A____ Comments: Page Ref:
(3) For governments that present their primary government in more than a single column (at the fund financial statements level) in the basic financial statements, are the activities accounted for in each of the columns described in the notes to the financial statements? With the exception of the general fund or its equivalent, the description should be specific to the particular government rather than general descriptions that could describe any government, as required by GASBS 38 ¶ 6. The fund activity description should also explain what kind of fund type (enterprise, agency, private purpose trust fund, etc.) each fund is. Does the summary of significant accounting policies disclose this information?	YES____ NO____ N/A____ Comments: Page Ref:
(4) Do the notes disclose the economic resources measurement focus and the accrual basis of accounting used in the proprietary and fiduciary fund type financial statements? (GASB Cod. Sec. 2300.106 (a)(4))	YES____ NO____ N/A____ Comments: Page Ref:
(5) GASBS 33 revenue recognition for non-exchange transactions (GASBS 33 ¶ 16 through 28 (full accrual) and ¶ 29 and 30 (modified accrual) and Table 6-1 from AAG-SLV 6.17):	
(a) If property taxes are included in revenues, do the government-wide full accrual basis property tax receivables recognize revenues net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied, even if they are not available? Is this revenue recognition policy disclosed in the notes to the financial statements? (GASBS 33 ¶ 18)	YES____ NO____ N/A____ Comments: Page Ref:
(b) If derived tax revenues (such as sales taxes, gas taxes, motor vehicle taxes, etc.) are included in revenues, was the revenue recognized when the underlying transaction took place? Is the	YES____ NO____ N/A____ Comments:

revenue recognition policy disclosed in the notes? (GASBS 33 ¶ 18 and ¶ 103)	Page Ref:
(c) If grant revenue is included in the agency revenues, was the grant revenue recognized when the eligibility requirements were met? Note that unless the grant is a “reimbursement basis” grant, it does not have to be expended before the revenue is recognized. (GASB 33 ¶ 20, ¶ 98, and ¶ 103)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(d) If the agency received a portion of another government’s derived tax revenues or imposed non-exchange revenues did they follow the accounting guidance for government-mandated and voluntary nonexchange transactions per GASBS 36 ¶ 13? This follows the symmetrical recognition concept of Statement 33. Except for payments in advance of meeting eligibility requirements, the recipient and provider would record assets and liabilities, respectively, at the same time that they record revenues and expenses/expenditures.	YES _____ NO _____ N/A _____ Comments: Page Ref:
(6) Do the notes disclose the standard definitions for the components of net assets (invested in capital assets, net of related debt, restricted, and unrestricted)? If the purpose of the restrictions is not reported on the face of the financial statement, are the purposes disclosed in the notes? (GASBS 34.33-37; GASB Cod. Sec. 1800.142-.146)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(7) Did the agency use the GASBS 46 definition of “legally enforceable” in determining the net assets that are shown as “restricted” and report them in accordance with the Statement’s requirements? “Legally enforceable” means that “a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment.” (GASBS 46 ¶3) “If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net assets should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation.” (GASBS 46 ¶ 5) Do the notes disclose the net assets that are restricted by enabling legislation as required by GASBS 46.6? See Illustration 1 in Appendix C of GASBS 46 for an example of this disclosure.	YES _____ NO _____ N/A _____ Comments: Page Ref:
(8) Does the summary of significant accounting policies regarding capital assets include the following?	YES _____ NO _____ N/A _____ Comments:
(a) Does the capital asset policy disclosure in the summary of significant accounting policies state that the capitalization threshold is \$5,000 per Section 12-6-10 NMSA 1978? Note that the items on the capital asset listing that were capitalized under lower thresholds should not be deleted from the capital asset listing until the agency disposes of them in accordance with applicable statute. [SAO Rule 2.2.2.10.Y(1)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(b) A disclosure about the policy for estimated useful lives used to calculate depreciation expense/amortization with respect to major classes of depreciable assets? [GASBS 34 ¶ 115 (e)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(c) If the agency is a Phase I or Phase II government for purposes of implementing GASBS 34, is it clear from the disclosure that the agency has retroactively reported all major general infrastructure assets in the audit report as required by GASBS	YES _____ NO _____ N/A _____ Comments:

34 paragraphs 143 and 148? [SAO Rule 2.2.2.10.AA(2)]	Page Ref:
(d) If the agency chose to use the modified approach for reporting eligible infrastructure assets, did the agency describe that approach in the notes? [GASB 34 ¶ 115 (e)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(9) For proprietary funds, does the summary of significant accounting policies disclose the government's policy for defining operating and nonoperating revenues? [GASBS 34 ¶ 115 (g)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(10) Is the policy disclosed for applying FASB pronouncements issued after November 30, 1989, to proprietary funds in the fund financial statements? [GASBS 34.115 (d)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(11) Budgetary Information: do the notes disclose the legal level of budgetary control <u>and</u> the basis of accounting used to present the budgetary comparisons? [GASB Cod. Sec 2300.108]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(12) Budgetary Information: if a budgetary comparison is not presented for an individual fund, do the notes explain the reason for not presenting the budgetary comparison? (AAG-SLV 11.16)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(13) Is the definition of cash and cash equivalents used in the statement of cash flows for proprietary funds disclosed? (GASB Cod. Sec. 2300.106(a)(11))	YES _____ NO _____ N/A _____ Comments: Page Ref:
(14) For agencies that have restricted funds, does the summary of significant accounting policies disclose the government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available? (GASBS 34.115h)	YES _____ NO _____ N/A _____ Comments: Page Ref:
Cash and Investments	
(15) Do the notes disclose a brief description of the types of deposits and investments authorized by legal or contractual provisions? Are significant violations of legal or contractual provisions for deposits and investments that occurred during the period disclosed in the notes? (GASBS 3.65-.66)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(16) If the agency's deposits and investments are exposed to one or more of the following risks, (1) credit risk, (2) custodial credit risk, (3) concentration of credit risk, (4) interest rate risk, (5) or foreign currency risk, has the agency disclosed its investment policy(ies) related to the risks to which it is exposed, as required by GASBS 40.6? If the agency is exposed to one of the above risks but has not formally adopted deposit or investment policies to address that risk, is that fact disclosed in the notes? (GASBS 40.6)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(17) Cash deposits with financial institutions – Do the notes disclose the custodial credit risk of any <u>deposit</u> that was not covered by depository insurance and was: uncollateralized; or collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name? Does the note disclose the definition of custodial credit risk? Be sure to review the FDIC website at http://www.tdbanknorth.com/bank/fdic_insurance.html for the latest information on FDIC coverage changes including coverage of non-interest bearing accounts. (GASBS 40 ¶ 8; use illustration 6; GASB Cod. Sec. C20)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(18) Does the audit report include a supplementary schedule that discloses the collateral pledged by each bank and savings and loan that is a depository for public funds? The schedule should disclose	YES _____ NO _____ N/A _____ Comments:

<p>the type of security (i.e. bond, note, Treasury bill, etc.), security number, CUSIP number, fair market value, and maturity date. The schedule should also disclose the name of the custodian and the place of safekeeping for all collateral. [SAO Rule 2.2.2.10 N (4)(b)]</p>	<p>Page Ref:</p>
<p>(19) Does the audit report include a list of individual deposit and investment accounts held by the government, with the name of depository, account name, type of deposit (checking, savings, CD) or investment (specific types of U.S. Treasuries, U.S. agencies, commercial paper, corporate bonds, etc.) account, the account balance as of the balance sheet date, and the reconciled balance of the deposit and investment accounts as of the balance sheet date, as reported in the financial statements? (SAO Rule 2.2.2.10 N (3); Section 12-6-5 NMSA 1978)</p>	<p>YES _____ NO _____ N/A _____ Comments: Page Ref:</p>
<p>(20) Investments -</p>	<p>See below</p>
<p>(a) Securities Custodial Credit Risk - If the agency has investment securities (including securities under repurchase agreements) at the end of the period that are exposed to custodial credit risk (securities that are uninsured and not registered in the name of the government), do the notes disclose the investment type and reported balances that are held by the following parties: 1) the counterparty; 2) the counterparty's trust department or agent but not in the government's name? (GASBS 40.9)</p>	<p>YES _____ NO _____ N/A _____ Comments: Page Ref:</p>
<p>(b) Credit Quality Risk - Did the agency disclose the credit quality ratings of investments as described by nationally recognized statistical rating organizations as of the date of the financial statements? Generally obligations of the U.S. Government or obligations <u>explicitly</u> guaranteed by the U.S. Government are not considered to have credit risk and do not require this disclosure. This disclosure is required for investments such as Federal National Mortgage Association (FNMA) mortgage backed securities or Federal Home Loan Mortgage Corporation (FHLMC) mortgage backed securities, securities of the Federal Home Loan Bank, Federal Financing Bank, Federal Farm Credit Bank, external investment pools, money market funds, bond mutual funds, or other pooled investments of fixed-income securities, <u>but not for</u> Government National Mortgage Association (GNMA) mortgage backed securities that are guaranteed by the United States government. If the credit quality disclosure is required but unrated, did the disclosure indicate that fact? (GASBS 40 ¶ 7)</p>	<p>YES _____ NO _____ N/A _____ Comments: Page Ref:</p>
<p>(c) Concentration of Credit Risk – Investments: If the government had investments in any one issuer that totaled 5 percent or more of total investments in the agency or in any fund of the agency (GASBS 40 ¶ 5), did the government disclose that concentration? Investments issued or <u>explicitly</u> guaranteed by the U. S. government, and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. This disclosure is required for investments such as Federal National Mortgage Association (FNMA) mortgage backed securities or Federal Home Loan Mortgage Corporation (FHLMC) mortgage backed securities, securities of the Federal Land Bank and the Federal Farm Credit Bank, <u>but not for</u> Government National Mortgage Association (GNMA) mortgage backed securities that are guaranteed by the United States government. (GASBS 40 ¶</p>	<p>YES _____ NO _____ N/A _____ Comments:</p>

12)	Page Ref:
(d) Interest Rate Risk – If the government had interest rate risk related to debt investments is the disclosure organized by investment type, using one of the following five methods: segmented time distribution; specific identification; weighted average maturity; duration; or the simulation model? Per GASB 40 ¶ 15, debt investments in mutual funds, external investment pools, or other pooled investments that do not meet the definition of a 2a7-like pool should disclose interest rate risk information according to one of these methods. also.	YES_____ NO_____ N/A_____ Comments: Page Ref:
(e) Foreign Currency Risk – If the government has deposits or investments exposed to foreign currency risk, did the government disclose the U.S. Dollar balances of such deposits or investments, organized by currency denomination and investment type? (GASB 40 ¶ 17)	YES_____ NO_____ N/A_____ Comments: Page Ref:
(f) If the agency has investments in the State Treasurer’s Local Government Investment Pool, is the interest rate risk (WAM in number of days) and the current credit rating disclosed? See www.stonm.org for the necessary information. (GASBS 40 ¶ 7)	YES_____ NO_____ N/A_____ Comments: Page Ref:
(g) Are investment disclosures organized by investment type, such as U.S. Treasury notes, bills, strips, specific types of GSE’s, corporate bonds, commercial paper, etc.? [GASBS 40.4 and SAO Rule 2.2.2.10.N.(3)(c)]	YES_____ NO_____ N/A_____ Comments: Page Ref:
(h) If the entity has Investments in the State General Fund Investment Pool at the State Treasurer’s Office (STO), are the investments classified as such on the Statement of Net Assets and/or the Balance Sheet? Also, do the notes to the financial statements disclose the “Investment in the State General Fund Investment Pool” including the following: SHARE fund number (if applicable), account name, account balance, interest rate risk, credit risk, the involuntary participation in the pool, and a reference to the separate audit report of the STO. For investments at the State Investment Council, similar information should be disclosed in the notes. Use the standard note disclosure on DFA-FCD’s website. [GASBS 40.7, 9, 15; GASBS 31.15; SAO Rule 2.2.2.10 N (4) (f)]	YES_____ NO_____ N/A_____ Comments: Page Ref:
(i) If the agency made any reverse repurchase agreements, do the notes disclose the information required by GASBS 3.76-81 and GASBI No. 3.6?	YES_____ NO_____ N/A_____ Comments: Page Ref:
(21) In the note disclosure regarding significant violations of finance-related legal or contractual provisions (including budget violations), did the government identify actions taken to address such violations? (GASBS 38 ¶ 9)	YES_____ NO_____ N/A_____ Comments: Page Ref:
(22) Does either the Statement of Net Assets (or Balance Sheet) or the notes to the financial statements disclose what makes up aggregated components of receivables, such as balances due from taxpayers (including the specific type of tax receivable such as property taxes, gross receipts taxes, gas taxes, franchise taxes, etc.), other governments, vendors, customers, beneficiaries, and employees? (GASB 38 ¶ 13) Does the note disclose that the receivables are fully collectible? If not, does the note disclose the amount of the allowance for uncollectible accounts? (APB 12.3) If the agency has significant receivable balances that are not expected to be collected within one year of the date of the financial statements, are	YES_____ NO_____ N/A_____ Comments:

they disclosed in the notes? (GASB Cod. Sec. 2300.119)	Page Ref:
(23) Does either the Statement of Net Assets (or Balance Sheet) or a note to the financial statements disclose the specific types of liabilities included in accounts such as “accrued expenses” and “accrued liabilities”? (GASB 38 ¶ 13)	YES ___ NO ___ N/A ___ Comments: Page Ref:
(24) For inventories, is the method for stating inventories disclosed, including the method of determining cost? (ARB No. 43 and APB 22.13)	YES ___ NO ___ N/A ___ Comments: Page Ref:
(25) Interfund Receivables and Payables	
(a) Do the notes disclose the following about interfund balances reported in the fund financial statements: (GASBS 38 ¶ 14; see illustration 16 or 17)	YES ___ NO ___ N/A ___ Comments: Page Ref:
(i) Amounts due from other funds by individual major fund, and fiduciary fund type;	YES ___ NO ___ N/A ___ Comments: Page Ref:
(ii) The purpose for the interfund balances; and	YES ___ NO ___ N/A ___ Comments: Page Ref:
(iii) Interfund balances that are not expected to be repaid within one year from the date of the financial statements?	YES ___ NO ___ N/A ___ Comments: Page Ref:
(b) In the fund financial statements, if one fund has overdrawn its share of an internal investment pool, does that fund report an interfund liability to the fund that loaned the amount to the overdrawn fund? Does the fund deemed to have loaned the amount report an interfund receivable from the borrowing fund? Cash overdrafts should not be reported as a liability on the financial statements unless there were negative bank balances at fiscal year-end. (AAG-SLV 5.27)	YES ___ NO ___ N/A ___ Comments: Page Ref:
(26) Do the notes disclose the following about transfers reported in the fund financial statements: (GASBS 38 ¶ 15; see illustration 16 or 17)	YES ___ NO ___ N/A ___ Comments: Page Ref:
(a) Amounts transferred from other funds by individual major fund, nonmajor enterprise funds in the aggregate, and fiduciary fund type;	YES ___ NO ___ N/A ___ Comments: Page Ref:
(b) A general description of the principal purposes of the government’s interfund transfers;	YES ___ NO ___ N/A ___ Comments: Page Ref:
(c) The intended purpose and the amount of significant transfers that meet <u>either or both</u> of the following criteria: do not occur on a routine basis; and/or are inconsistent with the activities of the fund making the transfer?	YES ___ NO ___ N/A ___ Comments: Page Ref:
(27) Is the detail in the notes about capital assets divided into major classes of capital assets and does it include:	YES ___ NO ___ N/A ___ Comments: Page Ref:
(a) Beginning and end-of-year balances with accumulated depreciation presented separately from historical cost for each major class of asset; capital acquisitions (additions), and sales or other dispositions (deletions)?	YES ___ NO ___ N/A ___ Comments: Page Ref:
(b) Are capital assets that are not being depreciated (such as land, intangible assets with indefinite useful lives, and infrastructure under the modified approach) disclosed separately from capital assets that are being depreciated? (GASBS 34 ¶ 116-117)	YES ___ NO ___ N/A ___ Comments: Page Ref:
(c) If the agency had impaired capital assets that were idle at year-	YES ___ NO ___ N/A ___

end, is there disclosure of the carrying amount and classification of insurance recoveries if not otherwise apparent? (GASBS 42 ¶ 20 and ¶ 21)	Comments: Page Ref:
(d) If the agency uses the infrastructure-modified approach, does the report present the three most recent condition assessments indicating the dates of the assessments; and present the estimated annual amount to maintain and preserve versus actual amount expended for each of the last five years. (GASBS 34.132)	YES____ NO____ N/A____ Comments: Page Ref:
(e) If applying the transition provisions for retroactive reporting of infrastructure assets, are the following disclosures provided: a description of the infrastructure assets being reported on and those that are not; and a description of any eligible infrastructure assets that the government has decided to report using the modified approach? Under the transition provisions, certain governments have delayed <u>or have no requirement to retroactively report major general infrastructure assets.</u> (GASBS 34.148-151)	YES____ NO____ N/A____ Comments: Page Ref:
(f) Do the notes disclose the descriptions of collections of works of art and historical treasures that are not being capitalized and the reasons for not capitalizing them? (GASBS 34.118)	YES____ NO____ N/A____ Comments: Page Ref:
(28) Long Term Liabilities	
(a) Does detail in the notes about long-term liabilities reported in the statement of net assets include both long-term debt (such as bonds, notes, loans, and <u>leases payable</u>) and other long-term liabilities (such as compensated absences, claims and judgments, and landfill closure liabilities)?	YES____ NO____ N/A____ Comments: Page Ref:
(b) Does the disclosure include:	
(i) Disclosure of interest rates, maturity dates, subordinate features, pledged assets, and restrictive covenants? (SFAS 5.18 and 19)	YES____ NO____ N/A____ Comments: Page Ref:
(ii) Beginning and end-of-year balances, increases <u>and</u> decreases (<u>separate amounts presented</u>), and the portions of each item that are due within one year of the statement date?	YES____ NO____ N/A____ Comments: Page Ref:
(iii) Debt service requirements to maturity (principal and interest requirements presented separately) for each of the five subsequent fiscal years <u>and in five-year increments thereafter</u> ? The terms by which interest rates change for variable-rate debt; interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date. The debt service requirement disclosure should include capital leases and noncancelable operating leases. (GASBS 38 ¶ 10 and 11)	YES____ NO____ N/A____ Comments: Page Ref:
(iv) Are current portions of debt obligations presented as current liabilities (due within one year)? (APB 43 and SFAS 78.5)	YES____ NO____ N/A____ Comments: Page Ref:
(29) Is the following disclosed in the notes about short-term debt activity during the year even if no short-term debt is outstanding at year end: a) A schedule of changes in short-term debt disclosing beginning and end-of-year balances, increases, and decreases [GASBS 38 ¶ 18 and SAO Rule 2.2.2.10.L.(5)]; and b) the purpose(s) for which the short-term debt was issued (GASB 38 ¶ 12)?	YES____ NO____ N/A____ Comments: Page Ref:
(30) Does the report include the required note disclosures for conduit	YES____ NO____ N/A____

debt obligations? (GASBI 2.3)	Comments: Page Ref:
(31) Are the following disclosures about donor-restricted endowments included:	
b. The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the governing board, and how those amounts are reported in net assets;	YES _____ NO _____ N/A _____ Comments: Page Ref:
c. The state law regarding the ability to spend net appreciation; and	YES _____ NO _____ N/A _____ Comments: Page Ref:
d. The policy for authorizing and spending investment income, such as a spending-rate or total-return policy (GASBS 34 ¶ 121)?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(32) Segment Information (Definition was changed to “different identifiable activities” by GASBS 37 ¶ 10) Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. A segment is an identifiable activity (or grouping of activities), reported as or within an enterprise fund or another stand-alone entity that <u>has one or more bonds or other debt instruments (such as certificates of participation) outstanding, with a revenue stream pledged in support of that debt.</u> In addition, the activity’s revenues, expenses, gains and losses, assets and liabilities are required to be accounted for separately. Disclosure requirements for each segment should be met by identifying the types of goods and services provided, and by presenting condensed financial information in the notes. However, segment reporting is not required when an individual fund is both a segment and is reported as a major fund. (GASBS 34, paragraph 122 – 123) (GASB 37 ¶ 17) Is segment information properly disclosed in the notes to the financial statements?	
(33) Were the reasons for any restatements (prior period adjustments) of prior year ending net assets and/or fund balances, caused by a reclassification or the correction of an error in the financial statements of a prior period, fully explained in the notes? If the restatement is material, were the prior year financial statements corrected and reissued? Explain your response to the “reissued report” question in the comments section. (APB 20 ¶ 36 and APB No. 9)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(34) Did the agency receive or administer any special capital outlay appropriations from the State Legislature? If not, check N/A and proceed to question (43). If capital outlay appropriations were received, the following questions should be answered:	YES _____ NO _____ N/A _____ Comments: Page Ref:
(a) Did the financial statements of the state agency recognize the transactions (revenues, expenditures, and related assets and liabilities) in accordance with GASBS 33 as detailed in DFA’s instructions (“Accounting and Financial Statement Presentation of Appropriated Bond Proceeds”) that are posted on their Financial Control Division’s (FCD) website at http://fcdsu.dfa.state.nm.us/Forums/ ? The revenues and receivables should be recognized when all of the eligibility requirements established by the Board of Finance (2.61.6 NMAC) have been met (when DFA-BOF approves the draw	YES _____ NO _____ N/A _____ Comments:

<p><u>down request</u>). Refer to DFA’s instructions to review the applicable journal entries.</p> <p>(b) If the prior year financial statements reported any reserved fund balances for capital projects, was the beginning fund balance restated and explained in the notes to the financial statements as necessary? Refer to DFA’s instructions for the journal entries and standard note disclosure for the restatement.</p> <p><u>Special Note:</u> SAO Rule 2.2.2.12.A.12(b) has been rescinded and replaced with DFA’s instructions.</p>	<p>Page Ref:</p>
<p>(35) If the agency participates in a pension plan or postemployment healthcare plan other than PERA, ERA, or RHCA, and separate GAAP financial statements were not issued for those plans; did the agency include in the notes to its financial statements the financial statements for the individual pension plans as required by GASBS 34.106? If separate GAAP financial reports have been issued for those plans, do the agency’s notes disclose how to obtain those separate reports?</p> <p>If the agency participates in PERA, ERA, and/or RHCA did the agency include the standard note disclosure provided on the SAO website? (GASB 50.7 and 45.24)</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>(36) Do the notes disclose the amount and reason for any net asset deficits (proprietary funds only) and a corrective action plan? (GASB Cod. Sec. 2300.108)</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>(37) For entities other than public entity risk pools, are the following disclosures made: a) a description of the risks of loss to which the entity is exposed and the way(s) in which those risks of loss are handled (for example, purchase of commercial insurance, participation in a public entity risk pool, risk retention); b) a description of significant reductions in insurance coverage from coverage in the prior year by major categories of risk, and an indication of whether the amount of settlements exceeded insurance coverage for each of the past three fiscal years; and c) If an entity participates in a risk pool, a description of the nature of the participation, including the rights and the responsibilities of both the entity and the pool? (GASB Cod. Sec. C50.145)</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>(38) If an entity retains the risk of loss, are the required disclosures made for claims liabilities per GASBS 30.10?</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>If applicable, are the following disclosures included in the notes to the financial statements:</p>	
<p>(39) Significant effects of subsequent events? (GASB Cod. Sec. 2300.106f)</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>(40) Construction and other significant commitments (outstanding encumbrances)? (GASB Cod. Sec. 2300.106k; GASB Cod. Sec. 1700.128d)</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref:</p>
<p>(41) For each major component unit, the nature and amount of significant transactions with other discretely presented component units or with the primary government? (GASB Cod. Sec. 2300.106p and 2600.110)</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref:</p>

(42) Entity risk management activities? (GASBS 10; GASB Cod. Sec. 2300.107a, C50.115, .144-145 and Po20.147-148) For agencies that have self-insurance agreements, do the notes disclose the name of the agency that is providing the insurance and the amount of contribution by the agency to the fund during the year? [SAO Rule 2.2.2.10 (X)]	YES____ NO____ N/A____ Comments: Page Ref:
(43) Do the notes to the financial statements contain the required disclosures for related organizations, joint ventures and jointly governed organizations? (GASBS 14.68, .75 and .77 and SAO Rule 2.2.2.10.W)	YES____ NO____ N/A____ Comments: Page Ref:
(44) Capital leases? (GASB Cod. Sec. 2300.107h and L20.124 and .125; SFAS 13.10, 13 and 16; SFAS 29.12)	YES____ NO____ N/A____ Comments: Page Ref:
(45) Debt refundings? (GASB Cod. Sec. 2300.107j and D20.111-115)	YES____ NO____ N/A____ Comments:
(46) Reverse repurchase and dollar reverse repurchase agreements? (GASB Cod. Sec. 2300.107s and I55.106-113)	YES____ NO____ N/A____ Comments: Page Ref:
(47) Securities lending transactions? (GASB Cod. Sec. 2300.107t and I60.109-114)	YES____ NO____ N/A____ Comments: Page Ref:
(48) Landfill closure and postclosure care? (GASBS 18.17-.18)	YES____ NO____ N/A____ Comments: Page Ref:
(49) On-behalf payments for fringe benefits and salaries? (GASBS 24.12)	YES____ NO____ N/A____ Comments: Page Ref:
(50) Entity involvement in conduit debt obligations? (GASB Cod. Sec C65; GASBI 2.3)	YES____ NO____ N/A____ Comments: Page Ref:
(51) Significant transactions or other events that are either unusual or infrequent but not within the control of management? (GASB Cod. Sec 2200.141 and .159)	YES____ NO____ N/A____ Comments: Page Ref:
(52) Impairment losses, idle impaired capital assets, and insurance recoveries, when not otherwise apparent from the face of the financial statements? (GASBS 42.21-22)	YES____ NO____ N/A____ Comments: Page Ref:
(53) Did the agency have termination benefits (benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of a voluntary early termination or as a consequence of the involuntary early termination of services including early-retirement incentives, severance benefits, and other termination-related benefits)? If yes, and the benefits were <u>not</u> provided through an existing defined benefit OPEB plan, was the guidance in GASBS 47 followed?	YES____ NO____ N/A____ Comments: Page Ref:
(54) Future revenues that are pledged or sold? (GASBS 48.21-22) This disclosure requirement applies if the agency has pledged any revenues to repay bonds, which is common in NMFA financing	YES____ NO____ N/A____ Comments: Page Ref:

(1) If there are no component units, is that fact specifically stated in the Summary of Significant Accounting Policies as required by 2.2.2.10 A (1)(b)?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(2) If a component unit is presented in any way other than “discretely,” was an exemption obtained from the State Auditor? Also, do the notes to the financial statements disclose the reasons for changing the presentation from a component unit to a Department or other type of entity (if applicable)? (SAO Rule 2.2.2.10.A(1)(a) and 2.2.2.12.B (2)(b))	YES _____ NO _____ N/A _____ Comments: Page Ref:
(3) If the component unit audit was performed by a different auditor from the primary government auditor, was an exemption obtained from the State Auditor’s Office as required by Section 2.2.2.10.A(1)(c) of NMAC? Note that due to the recent amendment to Section 12-6-3(D) NMSA 1978, by Senate Bill 263, this exemption is no longer needed for housing authorities that are component units of local governments. (SAO Rule 2.2.2.12.B(4)(b))	YES _____ NO _____ N/A _____ Comments: Page Ref:
(4) If there are discretely presented component units that are non-fiduciary, is information provided in the basic financial statements about each component unit by one of the following methods:	
(a) Presentation of each component unit in a separate column in the reporting entity’s statements of net assets and activities; or	YES _____ NO _____ N/A _____ Comments: Page Ref:
(b) Inclusion of combining statements of the component units in the reporting entity’s basic statements after the fund financial statements (the aggregated total component unit information should be the entity totals derived from the component unit’s statements of net assets and activities); or	YES _____ NO _____ N/A _____ Comments: Page Ref:
(c) Presentation of condensed financial statements in the notes to the reporting entity’s financial statements? (GASBS 37 ¶ 18 and GASBS 34 ¶ 126)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(5) If there are no separately issued financial statements for the component unit, are fund financial statements for the component unit included as audited supplemental information? (SAO Rule 2.2.2.10.A(1)(e)(i) and AAG-SLV 3.20)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(6) Is the level of detail reported consistent with the materiality level required for the component unit: In general, at the individual fund level within the component unit. [SAO Rule 2.2.2.10 A(1)(d)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(7) Are transactions between the primary government and discretely presented component units reported as external transactions, and are receivables/payables reported on a separate line? (GASBS 34.61)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(8) Do the notes disclose how the separate audit reports for the component units can be obtained by disclosing the address of each component unit? (GASB Cod. 2600.120)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(9) Are the required note disclosures for the component unit’s significant account balances included in the notes? Also, do the notes disclose the nature and amount of significant transactions with the primary government and other component units? (GASBS 34.128)	YES _____ NO _____ N/A _____ Comments: Page Ref:
(10) If separately issued financial statements of the component unit are not available, are individual fund budgetary comparisons included in the supplemental information section of the report, for each component unit fund with a legally adopted budget? The OSA interprets a “legally adopted budget” to exist any time the agency prepared a budget and in every case where an entity receives federal funds, state funds, or any other “appropriated funds.” [AAG-SLV	YES _____ NO _____ N/A _____ Comments:

11.04 and SAO Rule 2.2.2.10 A. (1) (e) (ii)]	Page Ref:
(11) Are the component unit audit findings included in the audit report of the primary government? [SAO Rule 2.2.2.10. I.(6)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(12) Were all 501(c)3 components of housing authorities, universities, or other types of governments with gross annual incomes in excess of \$100,000 audited as required by Section 6-5A-1 NMSA 1978? [SAO Rule 2.2.2.10.A.(1)(b)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(13) If there were any separate audit reports written for any of the agency's component units, were all of them submitted to the Office of the State Auditor for review by the date the primary government audit report was due? Was a separate review guide and reporting package submitted to the State Auditor for each separate report of a component unit? [SAO Rule 2.2.2.9.A.(1)(h)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
5 Other Supplementary Information (Required Schedules and RSI) (GASBS 34.129 - 131)	
a. Special, Deficiency, Specific and Capital Outlay Appropriations: If special, deficiency, or specific appropriations (including those for capital outlay projects) were appropriated to the agency, are the following disclosed in the notes or a Schedule of Special Appropriations: the original appropriation, the appropriation period, expenditures to date; outstanding encumbrances; and related unencumbered balances? [SAO Rule 2.2.2.10.P (2)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
b. Special, Deficiency, Specific and Capital Outlay Appropriations: does the schedule of special appropriations or the notes disclose the accounting treatment of any unexpended balances (if applicable)? [SAO Rule 2.2.2.10.P (2)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
c. Are all Joint Powers Agreements and Memorandums of Understanding disclosed in the notes or a schedule including the elements required by SAO Rule 2.2.2.10.W?	YES _____ NO _____ N/A _____ Comments: Page Ref:
d. Do the amounts reported in the notes and schedules agree to the amounts reported in the financial statements including the reconciliations in the basic financial statements?	YES _____ NO _____ N/A _____ Comments: Page Ref:
e. Have all the financial statements, notes and schedules been footed and cross-footed for clerical accuracy?	YES _____ NO _____ N/A _____ Comments: Page Ref:
f. Did the entity expend \$500,000 or more of federal awards during the fiscal year? If so, you are using the wrong review guide and a single audit should have been performed.	YES _____ NO _____ N/A _____ Comments: Page Ref:
g. If the audit report includes a statistical section (in a CAFR or non-CAFR report), does it comply with the GASBS 44 requirements to include the five categories of information: financial trends; revenue capacity; debt capacity; demographic and economic; and operating? Is there trend information on the governmental fund balances and principal employers, ten-year trend information about net assets and changes in net assets, debt information from the government wide statements and notes, and notes to the schedules regarding sources, methodologies, and assumptions, and explanations of objectives, unfamiliar concepts, relationships between information and the schedules and elsewhere in the audit report, and atypical trends and irregular data that users would not otherwise understand? (GASBS 44 Summary)	YES _____ NO _____ N/A _____ Comments: Page Ref:
6 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> (This is required in all audit reports in accordance with the	See below

audit contract. Follow the examples on the State Auditor’s website which have been updated to meet the requirements of SAS 112 but not SAS 115):	
a. Does the report contain the required elements? The AICPA Audit and Accounting Guide contains the provisions listed below: (A-133 .505 (b); AAG-SLA 4.26, and the AICPA example at http://gaqc.aicpa.org as amended on the OSA website)	See below
Introductory/Scope Paragraph	
(1) Is there a statement that the auditor audited the financial statements (referring to each opinion unit <u>like the first paragraph of the Independent Auditor’s Report</u>) and a reference to the auditor’s report on the financial statements, including a description of any departure from the standard report? (AAG-SLA 4.50 and Example 4-6 and footnote 24)	YES____ NO____ N/A____ Comments: Page Ref:
(2) Is there a statement that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards (GAGAS)</i> issued by the Comptroller General of the United States? [GAS 5.05; AAG-SLA 4.26 (b)]	YES____ NO____ N/A____ Comments: Page Ref:
Internal Control Over Financial Reporting Section	
(3) Does the paragraph on “internal control over financial reporting” precede the paragraph on “compliance and other matters?” (AAG-SLA 4.50 Examples 4-3 through 4-6)	YES____ NO____ N/A____ Comments: Page Ref:
(4) Is there a statement that in planning and performing the audit, the auditor considered the agency’s internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency’s internal control over financial reporting? [AAG-SLA 4.26(c)]	YES____ NO____ N/A____ Comments: Page Ref:
(5) Significant Deficiencies (per SAS 112)	
(a) If significant deficiencies were noted, is there a paragraph stating that the auditor’s 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, the auditors identified certain deficiencies in internal control over financial reporting that they consider to be significant deficiencies?	YES____ NO____ N/A____ Comments: Page Ref:
(b) If there are no significant deficiencies to be reported, was the paragraph described above excluded from the report?	YES____ NO____ N/A____ Comments: Page Ref:
(6) The next paragraph should state that “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	YES____ NO____ N/A____ Comments:

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.” Is this wording included in the report?	Page Ref:
(a) If significant deficiencies were noted, the paragraph above should end with an additional sentence stating “We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. [List the reference numbers of the related findings, for example, 09-1, 09-3, and 09-4].” Was this additional sentence appropriately included in the report?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(b) If there are no significant deficiencies to be reported, was the additional sentence described in (a) above omitted?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(7) The report should include the following definition of a material weakness: “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.” Is this sentence included in the report?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(8) The next paragraph of the report should state “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...” Is this wording included in the report?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(a) If significant deficiencies were noted, the paragraph above should end with the following wording “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. [If there are material weaknesses disclosed, the report should identify the material weaknesses identified by the auditor and the last sentence should use language like, “However, of the significant deficiencies described above, we consider items 09-1 and 09-4 to be material weaknesses.”] Is this additional wording appropriately included in or excluded from the report?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(b) If there are no significant deficiencies to be reported the wording in item (8) above should end with the following wording “...or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.” Is this additional wording appropriately included in or excluded from the report?	YES _____ NO _____ N/A _____ Comments: Page Ref:
Compliance and Other Matters Section	
(9) Does the report include the following paragraph? “As part of obtaining reasonable assurance about whether the agency’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination	YES _____ NO _____ N/A _____ Comments:

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...”	Page Ref:
(a) If applicable findings were noted, the paragraph above should end with the following wording “instances of noncompliance or other matters that are required to be reported under <i>Government Auditing Standards</i> and which are described in the accompanying schedule of findings and responses as items [list the reference numbers of the related findings, for example, 09-2 and 09-5].” Is this additional wording appropriately included in the report?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(b) If there were no such findings, the wording in item (9) above should end with the following wording “... no instances of noncompliance or other matters that are required to be reported under <i>Government Auditing Standards</i> .” Is this additional wording appropriately included in the report?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(10) If the auditor has found inconsequential: control deficiencies; instances of fraud; illegal acts; violations of provisions of contracts or grant agreements; or abuse that do not rise to the level of significant deficiencies required to be reported under SAS 112, those instances must be included in the report pursuant to Section 12-6-5 NMSA 1978. Such inconsequential “other matters” should be reported in a paragraph that states “We noted certain matters that are required to be reported under <i>Government Auditing Standards</i> paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 09-6 and 09-7.” Is this paragraph appropriately included in or excluded from the report as applicable?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(11) If applicable, does the report include an audit finding for failure to submit the audit report by the due date? Does the finding describe the circumstances for the late report and a response from the governing officials? Is the late report finding included as a significant deficiency in the operation of internal control in the agency’s internal controls over financial reporting per the SAS 112 Appendix and SAO Rule 2.2.2.9 A(3)?	YES _____ NO _____ N/A _____ Comments: Page Ref:
(12) If there were any audit findings, an additional paragraph should be included in the report following the paragraph regarding inconsequential matters. It should state that “The agency’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency’s response and, accordingly, we express no opinion on it.” This paragraph should be omitted from the report if there were no findings for management to respond to. Was this paragraph appropriately included or excluded from the report?	YES _____ NO _____ N/A _____ Comments: Page Ref:
Concluding Paragraph	
(13) Is there a statement that the report is intended solely for the information and use of the specified parties (audit committee, management, specified legislative or regulatory bodies) and is not intended to be and should not be used by anyone other than these specified parties? [AU 532.15, AAG-SLA 4.26(m)]	YES _____ NO _____ N/A _____ Comments: Page Ref:
(14) Is the date of the report included? Is the date the same as the dates on the Independent Auditor’s Report? [AAG-SLA 4.26 (o) and SAO Rule 2.2.2 10.T(3)(a)]	YES _____ NO _____ N/A _____ Comments: Page Ref:

7 Schedule of Findings and Responses (GAGAS 5.19, AAG-SLA 12.32 (a); SAO Rule 2.2.2.10 I.) Is the Schedule titled as such in the report? [AAG-SLA 12.37 (a)]	YES ____ NO ____ N/A ____ Comments:
a. Are the findings presented in sufficient detail and include the following information: Condition, Criteria, Effect, Cause, Recommendation, and Agency Response? [AAG-SLA 12.37 (a)]	YES ____ NO ____ N/A ____ Comments: Page Ref:
b. Is there a reference number for each finding? For all modified or repeated prior year audit findings, was the original finding number used to preserve the audit trail? [AAG-SLA 12.39 and SAO Rule 2.2.2.10. I (3)(a)]	YES ____ NO ____ N/A ____ Comments: Page Ref:
c. Are the facts and amounts supporting the deficiency clearly identified in the <u>condition</u> paragraph? Is information included that provides a proper perspective for judging the prevalence and consequences of the audit findings, such as whether the findings represent an isolated instance or a systemic problem? Where appropriate, are instances identified: related to the universe; related to the number of cases examined; and quantified in terms of dollar value? [A-133 .510(b)(5); AAG-SLA 12.37(e)) (GAGAS 5.15 (2003), GAGAS 4.16 (2007), A-133 .510(b)(3); AAG-SLA 12.37(c)]	YES ____ NO ____ N/A ____ Comments: Page Ref:
d. Is the criterion or specific requirement, upon which the audit finding is based, including the statutory, regulatory, or other citation reported in the <u>criteria</u> paragraph? [GAGAS 5.15, A-133 .510(b)(2); AAG-SLA 12.37(b)]	YES ____ NO ____ N/A ____ Comments: Page Ref:
e. Does the <u>effect</u> (or potential effect) explain the impact or potential impact of the difference between the situation that exists (condition) and the required or desired state (criteria)? Does it explain the outcomes or consequences of the condition? [GAGAS 5.15 (2003); GAGAS 4.18 (2007) A-133 .510(b)(6); AAG-SLA 12.37 (f)]	YES ____ NO ____ N/A ____ Comments: Page Ref:
f. Does the <u>cause</u> explain the difference between the situation described in the “condition” and the required or desired state described in the “criteria”? Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. A properly determined cause will facilitate an appropriate recommendation.(GAGAS 4.17 (2007))	YES ____ NO ____ N/A ____ Comments: Page Ref:
g. Are recommendations included to prevent future occurrences of the deficiencies identified in the <u>condition and cause</u> paragraphs? [(A-133 .510(b)(7); AAG-SLA 12.37 (g); GAGAS 4.17 (2007)]	YES ____ NO ____ N/A ____ Comments: Page Ref:
h. Are views of responsible officials and management’s planned corrective actions included in the <u>agency response</u> paragraph? (A-133 .510 (b) and .510(b)(8); GAGAS 5.26 to 5.30 (2003); GAGAS 5.32 (2007); AAG-SLA 12.38)	YES ____ NO ____ N/A ____ Comments: Page Ref:
i. If management’s response or planned corrective actions did not adequately address the auditors’ recommendations, did the auditor state his/her reasons for disagreeing with the management response or planned corrective actions as required by GAGAS 5.30 (2003) and GAGAS 5.35 (2007)? If so, an Auditor’s Rebuttal should be presented after the management’s response.	YES ____ NO ____ N/A ____ Comments: Page Ref:
j. Does the schedule include a status of prior year audit findings? Compare it to the prior year audit report to be sure all prior year audit findings were included as resolved, modified and repeated, or repeated. (SAO Rule 2.2.2.10 I(2), AAG-SLA 12.05, 12.41 and 12.42, A-133 .315)	YES ____ NO ____ N/A ____ Comments: Page Ref:
k. Were indications of fraudulent or illegal acts of a criminal nature or other sensitive matters affecting federal awards or other funds noted	YES ____ NO ____ N/A ____ Comments:

<p>during the audit? If so, did you report these matters in a letter to the Office of the State Auditor? [SAO Rule 2.2.2.10 K (3)]</p>	<p>Page Ref:</p>
<p>l. If applicable, does the report include an audit finding for failure to submit the audit report by the due date? Does the finding describe the circumstances for the late report and a response from the governing officials? Is the late report finding included as a significant deficiency in the operation of internal control in the agency's internal controls over financial reporting per the SAS 112 Appendix and SAO Rule 2.2.2.9 A(3)?</p>	<p>YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>m.If the IPA prepared the financial statements in conformance with Subsection H of 2.2.2.8 NMAC, for management's review and approval, including documenting the safeguards as required by GAGAS 3.17, is the fact that the auditor prepared the financial statements disclosed in the concluding paragraphs of the audit report, after the schedule of findings and questioned costs?</p> <p>Did the auditor carefully determine whether a related financial statement finding is required? The SAS 112 Appendix lists "employees or management who lack the qualifications and training to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements" as circumstances that may be a control deficiency, significant deficiency, or material weakness. (SAO Rule 2.2.2.8.J.(4) and SAS 112 Appendix)</p>	<p>YES____ NO____ N/A____ Comments: Page Ref: YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>8 Exit Conference</p>	
<p>a. Was the date of the exit conference, and the names and titles of those in attendance listed? Was there at least one member of the governing body and top management present at the exit conference?</p>	<p>YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>b. If there is a component unit, was a representative of the component unit present at an exit conference? If a quorum of a public body subject to the Open Meetings Act was present at the exit conference, was it held in a closed meeting to preserve the confidentiality of the information? If so, the disclosure should state that it was held in a closed session. If not, is there a related finding for noncompliance with the Open Meetings Act? (SAO Rule 2.2.2.10 J(1-3))</p>	<p>YES____ NO____ N/A____ Comments: Page Ref:</p>
<p>9 Management Representation Letter</p>	
<p>a. Dating of the Management Representation Letter – Paragraph 14 of SAS 113 is effective for audits beginning in FY07. Is the management representation letter dated the same day as the Independent Auditor's Report? This date is no longer the last day of field work. It is no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion, the audit documentation has been reviewed, and management has asserted that it has taken responsibility for the financial statements including the disclosures. (SAS 103 ¶ 23 and SAS 113 ¶ 14)</p>	<p>YES____ NO____ N/A____ Comments:</p>
<p>b. Does the management representation letter reflect the following updated SAS 99 language: (1) We have no knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements; and (2) We have no knowledge of any allegations of fraud or suspected fraud affecting the</p>	<p>YES____ NO____ N/A____ Comments:</p>

entity received in communications from employees, former employees, analysts, regulators, or others.	
c. Does the management representation letter contain the required representations regarding the (1) preparation of adjusting journal entries to convert the cash basis to the accrual basis of accounting; and (2) preparation of the trial balances and financial statements? (GAGAS 3.18 (a) and Q 46 of <i>Government Auditing Standards Answers to Independence Standards Questions, Q & A Guide</i> .)	YES____ NO____ N/A____ Comments:
d. If there are no passed audit adjustments, does the letter omit the standard representation indicating that “misstatements noted in the attached schedule are immaterial”?	YES____ NO____ N/A____ Comments:

Note: this review guide should only be completed and signed by the Audit Manager or the employee in charge of the firm’s quality control system.

I hereby certify that the financial statements were presented in accordance with applicable auditing, accounting and financial reporting standards, OMB Circular A-133, and 2.2.2 NMAC. I also certify that all of the questions noted above were answered correctly, page numbers were properly referenced for all “yes” answers, and all no answers were fully explained or corrected:

Print Name

Print Title

Signature

Date