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AN ACT

RELATING TO PUBLIC FINANCE; PROVIDING A TIERED SYSTEM OF
FINANCIAL REPORTING FOR MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATIONS, LAND GRANTS, INCORPORATED MUNICIPALITIES AND
SPECIAL DISTRICTS; ALLOWING A THREE-YEAR RETROACTIVE
APPLICATION OF THE TIERED SYSTEM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 6-6-1 NMSA 1978 (being Laws 1957,
Chapter 250, Section 1, as amended) is amended to read:

"6-6-1. DEFINITIONS.--"Local public body" means every
political subdivision of the state that expends public money
from whatever source derived, including but not limited to
counties, county institutions, boards, bureaus or
commissions; incorporated cities, towns or villages;
drainage, conservancy, irrigation or other districts;
charitable institutions for which an appropriation is made by
the legislature; and every office or officer of any of the
above. "Local public body" does not include a mutual
domestic water consumers association, a land grant, an
incorporated municipality or a special district with an
annual revenue, exclusive of capital outlay funds, federal or
private grants or capital outlay funds disbursed directly by
an administrating agency, of less than ten thousand dollars
(\$10,000), nor county, municipal, consolidated, union or

1 rural school districts and their officers or irrigation
2 districts organized under Sections 73-10-1 through 73-10-47
3 NMSA 1978."

4 Section 2. Section 12-6-2 NMSA 1978 (being Laws 1969,
5 Chapter 68, Section 2, as amended) is amended to read:

6 "12-6-2. DEFINITIONS.--As used in the Audit Act:

7 A. "agency" means:

8 (1) any department, institution, board,
9 bureau, court, commission, district or committee of the
10 government of the state, including district courts,
11 magistrate or metropolitan courts, district attorneys and
12 charitable institutions for which appropriations are made by
13 the legislature;

14 (2) any political subdivision of the state,
15 created under either general or special act, that receives or
16 expends public money from whatever source derived, including
17 counties, county institutions, boards, bureaus or
18 commissions; municipalities; drainage, conservancy,
19 irrigation or other special districts; and school districts;

20 (3) any entity or instrumentality of the
21 state specifically provided for by law, including the New
22 Mexico finance authority, the New Mexico mortgage finance
23 authority and the New Mexico lottery authority; and

24 (4) every office or officer of any entity
25 listed in Paragraphs (1) through (3) of this subsection; and

1 B. "local public body" means a mutual domestic
2 water consumers association, a land grant, an incorporated
3 municipality or a special district."

4 Section 3. Section 12-6-3 NMSA 1978 (being Laws 1969,
5 Chapter 68, Section 3, as amended) is amended to read:

6 "12-6-3. ANNUAL AND SPECIAL AUDITS--FINANCIAL
7 EXAMINATIONS.--

8 A. Except as otherwise provided in Subsection B of
9 this section, the financial affairs of every agency shall be
10 thoroughly examined and audited each year by the state
11 auditor, personnel of the state auditor's office designated
12 by the state auditor or independent auditors approved by the
13 state auditor. The comprehensive annual financial report for
14 the state shall be thoroughly examined and audited each year
15 by the state auditor, personnel of the state auditor's office
16 designated by the state auditor or independent auditors
17 approved by the state auditor. The audits shall be conducted
18 in accordance with generally accepted auditing standards and
19 rules issued by the state auditor.

20 B. The examination of the financial affairs of a
21 local public body shall be determined according to its annual
22 revenue each year. All examinations and compliance with
23 agreed-upon procedures shall be conducted in accordance with
24 generally accepted accounting standards and rules issued by
25 the state auditor. If a local public body has an annual

1 revenue, calculated on a cash basis of accounting, exclusive
2 of capital outlay funds, federal or private grants or capital
3 outlay funds disbursed directly by an administrating agency,
4 of:

5 (1) less than ten thousand dollars (\$10,000)
6 and does not directly expend at least fifty percent of, or
7 the remainder of, a single capital outlay award, it is exempt
8 from submitting and filing quarterly reports and final
9 budgets for approval to the local government division of the
10 department of finance and administration and from any
11 financial reporting to the state auditor;

12 (2) at least ten thousand dollars (\$10,000)
13 but less than fifty thousand dollars (\$50,000), it shall
14 comply only with the applicable provisions of Section 6-6-3
15 NMSA 1978;

16 (3) less than fifty thousand dollars
17 (\$50,000) and directly expends at least fifty percent of, or
18 the remainder of, a single capital outlay award, it shall
19 submit to the state auditor a financial report consistent
20 with agreed-upon procedures for financial reporting that are:

21 (a) focused solely on the capital
22 outlay funds directly expended;

23 (b) economically feasible for the
24 affected local public body; and

25 (c) determined by the state auditor

1 after consultation with the affected local public body;

2 (4) at least fifty thousand dollars
3 (\$50,000) but not more than two hundred fifty thousand
4 dollars (\$250,000), it shall submit to the state auditor, at
5 a minimum, a financial report that includes a schedule of
6 cash basis comparison and that is consistent with agreed-upon
7 procedures for financial reporting that are:

8 (a) narrowly tailored to the affected
9 local public body;

10 (b) economically feasible for the
11 affected local public body; and

12 (c) determined by the state auditor
13 after consultation with the affected local public body;

14 (5) at least fifty thousand dollars
15 (\$50,000) but not more than two hundred fifty thousand
16 dollars (\$250,000) and expends any capital outlay funds, it
17 shall submit to the state auditor, at a minimum, a financial
18 report that includes a schedule of cash basis comparison and
19 a test sample of expended capital outlay funds and that is
20 consistent with agreed-upon procedures for financial
21 reporting that are:

22 (a) narrowly tailored to the affected
23 local public body;

24 (b) economically feasible for the
25 affected local public body; and

1 (c) determined by the state auditor
2 after consultation with the affected local public body;

3 (6) at least two hundred fifty thousand
4 dollars (\$250,000) but not more than five hundred thousand
5 dollars (\$500,000), it shall submit to the state auditor, at
6 a minimum, a compilation of financial statements and a
7 financial report consistent with agreed-upon procedures for
8 financial reporting that are:

9 (a) economically feasible for the
10 affected local public body; and

11 (b) determined by the state auditor
12 after consultation with the affected local public body; or

13 (7) five hundred thousand dollars (\$500,000)
14 or more, it shall be thoroughly examined and audited as
15 required by Subsection A of this section.

16 C. In addition to the annual audit, the state
17 auditor may cause the financial affairs and transactions of
18 an agency to be audited in whole or in part.

19 D. Annual financial and compliance audits of
20 agencies under the oversight of the financial control
21 division of the department of finance and administration
22 shall be completed and submitted by an agency and independent
23 auditor to the state auditor no later than sixty days after
24 the state auditor receives notification from the financial
25 control division to the effect that an agency's books and

1 records are ready and available for audit. The local
2 government division of the department of finance and
3 administration shall inform the state auditor of the
4 compliance or failure to comply by a local public body with
5 the provisions of Section 6-6-3 NMSA 1978.

6 E. In order to comply with United States
7 department of housing and urban development requirements, the
8 financial affairs of a public housing authority that is
9 determined to be a component unit in accordance with
10 generally accepted accounting principles, other than a
11 housing department of a local government or a regional
12 housing authority, at the public housing authority's
13 discretion, may be audited separately from the audit of its
14 local primary government entity. If a separate audit is
15 made, the public housing authority audit shall be included in
16 the local primary government entity audit and need not be
17 conducted by the same auditor who audits the financial
18 affairs of the local primary government entity."

19 Section 4. TEMPORARY PROVISION--LIMITED WAIVER.--
20 Compliance of a local public body not in compliance with the
21 Audit Act between January 1, 2007 and June 30, 2010 is waived
22 for those years if the local public body complies with the
23 applicable provisions of that act in effect on or after
24 July 1, 2010, unless the local public body is required to
25 receive a full financial and compliance audit pursuant to the

1 provisions of that act in effect on or after July 1, 2010.

2 Section 5. EFFECTIVE DATE.--The effective date of the
3 provisions of this act is July 1, 2010. _____

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