



1 CABINET FOR GENERAL GOVERNMENT

2 AUDITOR OF PUBLIC ACCOUNTS

3 (Amendment)

4 45 KAR 1:050. Audits of fiscal courts.

5 RELATES TO: KRS 43.070, 43.075, 64.810, 68.210, 31 U.S.C. 7501-7507

6 STATUTORY AUTHORITY: KRS 43.075

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 43.075 requires the Auditor of Public Accounts to
8 promulgate administrative regulations developing uniform standards and procedures for conducting, and
9 uniform formats for reporting, audits of the funds contained in county budgets (fiscal courts). This
10 administrative regulation establishes the auditing standards, procedures, and formats for fiscal court audits.

11 Section 1. Definition. "Generally accepted government auditing standards" means the "Government
12 Auditing Standards" issued by the Comptroller General of the United States.

13 Section 2. Auditing Standards, Procedures, and Formats. The financial and compliance audit of the funds
14 contained in each county's budget shall be conducted in accordance with:

15 (1) Auditing standards generally accepted in the United States of America, referenced in 201 KAR
16 1:290~~[201 KAR 1:300, Section 3]~~;

17 (2) Generally accepted government auditing standards, referenced in 201 KAR 1:290~~[201 KAR 1:300,~~
18 ~~Section 3]~~; and

19 (3) Fiscal Court Audit Guide, issued by the Auditor of Public Accounts, October 14, 2022~~[August 14,~~
20 ~~2020]~~.

1 Section 3. Auditor's Independent Judgement. The requirements of this administrative regulation shall not be
2 interpreted in a manner that restricts the independent judgment of a certified public accountant or the Auditor
3 of Public Accounts.

4 Section 4. Audit Objective.

5 (1) The primary objective of an audit of a fiscal court shall be an audit report that provides an opinion on
6 whether the financial statements of a fiscal court are presented fairly, in all material respects, in accordance
7 with a basis of accounting prescribed or permitted by the Department for Local Government, which is the
8 regulatory basis of accounting or Generally Accepted Accounting Principles (GAAP).

9 (2) Any audit report of a fiscal court that is required to comply with the requirements of the Single Audit
10 Act Amendments of 1996 and Title 2 C.F.R. Part 200, Uniform Administrative Requirements, Cost
11 Principles, and Audit Requirements for Federal Awards (Uniform Guidance), shall include a statement
12 concerning whether:

13 (a) The Schedule of Expenditure of Federal Awards is fairly stated, in all material respects, in relation to
14 the financial statements taken as a whole; and

15 (b) The fiscal court has complied, in all material respects, with the requirements applicable to each of its
16 major federal programs.

17 (3) An auditor shall make tests sufficient to determine whether:

18 (a) The fiscal court has complied with the requirements of the uniform system of accounts adopted under
19 KRS 68.210;

20 (b) Receipts have been accurately recorded by source;

21 (c) Expenditures have been accurately recorded by payee; and

22 (d) The county has complied with all other legal requirements relating to the management of public funds.

23 Section 5. Allowance of Audit Fees; Acceptance of Report.

1 (1) Fees for county fiscal court audits shall be allowable as reasonable and necessary expenses of a county
2 if the independent accountant's examination has been performed and reported in compliance with the
3 standards, procedures, and formats promulgated by this administrative regulation.

4 (2) A county shall obtain written approval of an audit report from the Auditor of Public Accounts prior to
5 the:

6 (a) Release of an audit report; and

7 (b) Payment of fees for a fiscal court audit.

8 (3) Failure by an independent certified public accountant to comply with the Fiscal Court Audit Guide and
9 this administrative regulation shall disqualify him from conducting fiscal court audits.

10 Section 6. Incorporation by Reference.

11 (1) The "Fiscal Court Audit Guide," Auditor of Public Accounts, October 14, 2022~~[August 14, 2020]~~ is
12 incorporated by reference.

13 (2) This document may be inspected, copied, or obtained, subject to applicable copyright law, at the office
14 of the Auditor of Public Accounts, 209 Saint Clair Street, Frankfort, Kentucky 40601, Monday through
15 Friday, 8 a.m. to 5:00 p.m.


Mike Harmon, Auditor of Public Accounts

10/13/2022
Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on December 28, 2022, at 10:00 a.m. Eastern Time at the will be held at the office of the Auditor of Public Accounts, 209 St. Clair Street, Frankfort, KY 40601. Individuals interested in being heard at this hearing shall notify this agency in writing by five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through December 31, 2022. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

Contact person: Graham Gray, General Counsel, Auditor of Public Accounts, 209 St. Clair Street, Frankfort, KY 40601; Tel. 502-209-2868; Fax 502-564-2912; E-mail: Graham.Gray@ky.gov.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

45 KAR 1:050: Audits of fiscal courts.
Contact Person: Graham Gray
Phone: 502-209-2868
Email: Graham.Gray@ky.gov

(1) Provide a brief summary of:

- (a) What this administrative regulation does: This administrative regulation promulgates uniform standards and procedures for conducting, and uniform formats for reporting, all audits of fiscal courts performed under KRS 43.070 or KRS 64.810.
- (b) The necessity of this administrative regulation: KRS 43.075 requires the Auditor of Public Accounts to promulgate this administrative regulation.
- (c) How this administrative regulation conforms to the content of the authorizing statutes: This administrative regulation conforms to the content of the authorizing statutes by promulgating uniform standards and procedures for conducting, and uniform formats for reporting, all audits of fiscal courts performed under KRS 43.070 or KRS 64.810.
- (d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation currently assists or will assist in the effective administration of the statute by promulgating uniform standards and procedures for conducting, and uniform formats for reporting, all audits of fiscal courts performed under KRS 43.070 or KRS 64.810.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

- (a) How the amendment will change this existing administrative regulation: The amendment will change the existing administrative regulation by replacing the "Fiscal Court Audit Guide," issued by the Auditor of Public Accounts, August 14, 2020, with "Fiscal Court Audit Guide," issued by the Auditor of Public Accounts, October 14, 2022, which is incorporated by reference, to make auditing procedures and report formats conform to the regulatory basis of accounting and applicable auditing standards. The amendment also updates the regulatory references in Section 2.
- (b) The necessity of the amendment to this administrative regulation: Amending this administrative regulation by incorporating the updated "Fiscal Court Audit Guide" is necessary to conform this administrative regulation to current fiscal court practices and procedures.
- (c) How the amendment conforms to the content of the authorizing statutes: The amendment conforms to the content of the authorizing statute, KRS 43.075, by updating current standards and procedures for conducting, and formats for reporting, fiscal court audits performed under KRS 43.070 or KRS 64.810.
- (d) How the amendment will assist in the effective administration of the statutes: The amendment will assist in the effective administration of the statute, KRS 43.075, by updating current standards and procedures for conducting, and uniform formats for reporting, all fiscal court audits performed under KRS 43.070 or KRS 64.810.

- (3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: All Kentucky counties, certified public accountants licensed in Kentucky who perform audits of fiscal courts, and the Auditor of Public Accounts, are affected by this administrative regulation.
- (4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:
- (a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: The regulated entities identified in question (3) will not be impacted by the change to this administrative regulation that this amendment effectuates; the groups identified will continue to audit and be audited using uniform standards and procedures for conducting, and uniform formats for reporting, fiscal court audits.
 - (b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There is no cost to the entities identified in question (3) in complying with the amendment to this administrative regulation.
 - (c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The entities identified in question (3) will all benefit by having an updated "Fiscal Court Audit Guide" to follow in completing all audits of fiscal courts conducted pursuant to KRS 43.070 or KRS 64.810, consistent with the regulatory basis of accounting or Generally Accepted Accounting Principles (GAAP).
- (5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:
- (a) Initially: No cost.
 - (b) On a continuing basis: No cost.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Agency receipts of payments by the fiscal courts for the expense of the audits per KRS 43.070.
- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No increase in fees or funding will be necessary to implement the change in the amendment of this administrative regulation.
- (8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish any fees, nor does it increase any fees, directly or indirectly.
- (9) TIERING: Is tiering applied? No, tiering was not applied. Tiering is not applicable to this amendment to this administrative regulation. Neither the amendment nor the administrative regulation disproportionately impact certain classes of regulated entities, as all fiscal courts are audited using the same uniform standards and procedures for conducting, and uniform formats for reporting, audits.

FISCAL NOTE

45 KAR 1:050: Audits of fiscal courts.
Contact Person: Graham Gray
Phone: 502-209-2868
Email: Graham.Gray@ky.gov

- (1) What units, parts, or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation?

All 120 Kentucky counties, certified public accountants licensed in Kentucky that perform fiscal court audits, and the Auditor of Public Accounts are affected by this administrative regulation.

- (2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation.

KRS 43.075.

- (3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

The effect of this amended administrative regulation on the expenditures and revenues of fiscal courts is neutral, resulting in no increase or decrease in expenditures or revenues.

- (a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year?

None.

- (b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years?

None.

- (c) How much will it cost to administer this program for the first year?

There will be no cost to administer this program for the first year, other than the expenses provided for under KRS 43.070.

- (d) How much will it cost to administer this program for subsequent years?

There will be no cost to administer this program for subsequent years, other than the expenses provided for under KRS 43.070.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-): The fiscal impact of this amendment to this administrative regulation on the revenues of fiscal courts is neutral, resulting in no increase or decrease in revenues.

Expenditures (+/-): The fiscal impact of this amendment to this administrative regulation on the expenditures of fiscal courts is neutral, resulting in no increase or decrease in expenditures.

Other Explanation: None.

- (4) Estimate the effect of this administrative regulation on the expenditures and cost savings of regulated entities for the first full year the administrative regulation is to be in effect.

The effect of this amended administrative regulation on the expenditures and revenues of fiscal courts is neutral, resulting in no increase or decrease in expenditures or revenues.

- (a) How much cost savings will this administrative regulation generate for the regulated entities for the first year? The fiscal impact of this amendment to this administrative regulation on the revenues of fiscal courts is neutral, resulting in no increase or decrease in cost savings.
- (b) How much cost savings will this administrative regulation generate for the regulated entities for subsequent years? The fiscal impact of this amendment to this administrative regulation on the revenues of fiscal courts is neutral, resulting in no increase or decrease in cost savings.
- (c) How much will it cost the regulated entities for the first year? There will be no cost to administer this program for the first year, other than the expenses provided for under KRS 43.070.
- (d) How much will it cost the regulated entities for subsequent years? There will be no cost to administer this program for the first year, other than the expenses provided for under KRS 43.070.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Cost Savings (+/-): The fiscal impact of this amendment to this administrative regulation on the revenues of fiscal courts is neutral, resulting in no increase or decrease in cost savings.

Expenditures (+/-): The fiscal impact of this amendment to this administrative regulation on the revenues of fiscal courts is neutral, resulting in no increase or decrease in cost savings.

Other Explanation: None.

- (5) Explain whether this administrative regulation will have a major economic impact, as defined below. *"Major economic impact" means an overall negative or adverse economic impact from an administrative regulation of five hundred thousand dollars (\$500,000) or more on state or local government or regulated entities, in aggregate, as determined by the promulgating administrative bodies. [KRS 13A.010(13)]*

This amendment to this administrative regulation will not have a major economic impact. The fiscal impact of this amendment to this administrative regulation on the revenues and expenditures of fiscal courts is neutral, resulting in no increase or decrease in revenues or expenditures of fiscal courts. There will be no cost to administer this program for the first year or subsequent years, other than the expenses provided for under KRS 43.070.

SUMMARY OF MATERIAL INCORPORATED BY REFERENCE

The Fiscal Court Audit Guide provides the uniform standards, procedures, and formats, developed by the Auditor of Public Accounts (APA) pursuant to KRS 43.075 for conducting and reporting, all audits of county budgets.

The following is a summary of changes made in the material incorporated by reference in sufficient detail that a person reading the summary will know the differences between the previously incorporated material and the new material.

In regard to the Audit Guide generally:

Page 1: Add “KRS” in two places for clarity.

Page 2: Revised first paragraph and changed the last sentence on the page to enhance readability.

Page 3: Made minor changes to the third, fourth, and fifth paragraph for clarity.

Page 4: Made minor changes to the Regulatory Reporting Entity and Regulatory Materiality paragraphs to clarify acronym usage and enhance readability.

Page 6: Added “Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position” to the fund financial statements list. Added “Government-wide” to the fourth bullet point of the fund financial statements list. Removed “Fund” from the sixth bullet point of the fund financial statements list. Removed “Fund” and “Assets” from the eighth bullet point of the fund financial statements list. Added “Position – Fiduciary Funds” to the eighth bullet point of the fund financial statements list. Added “Fiduciary Funds” to the ninth bullet point of the fund financial statements list. Changed “enterprise” to “proprietary” in the last paragraph of the fund financial statements section. Added clarification that GASB means “Governmental Accounting Standards Board” in the second bullet point of the required supplementary information section. Added “Infrastructure condition and maintenance data (if applicable)” as the third bullet point of the required supplementary information section. Added “Funding and liability data on pension and other postemployment benefit plans” as the fourth bullet point of the required supplementary information section.

Page 7: Added “Combining Statements for Internal Service Funds and other funds (as needed)” as the third bullet point of the supplementary information section. Added “if applicable” after “SEFA” in the fourth bullet point of the supplementary information section. Updated GASB references in the last sentence of the GAAP reporting entity section. Added “Clarified Statements on Auditing Standards” to the last sentence of the first paragraph of the GAAP materiality section.

Page 9: Added “transaction class or” to the second paragraph. Made minor corrections to text. Added “deemed material and/or that have increased risk” to the second bullet point of the receipts section. Added third indented bullet point to accounts receivable subsection. Added a new bullet point at end of page.

Page 10: Added “Perform tests of health insurance” as indented bullet point in Payroll section. Deleted the “Health Insurance Disbursement,” “Health Insurance Withholdings,” and “FSA/HRA” bullet points.

Page 11: Added the following indented bullet points to the Cash Lead Sheet subsection:

- For depository accounts opened and closed during the period, determine if properly handled. Document this on the cash lead sheet or in a separate memo.
- Identify the individual funds that are required by law or contractual agreement to maintain separate accounts and ascertain that separate accounts are maintained. Document on the cash lead sheet or in a separate memo.

Added “Auditors may choose to do proof of cash for some accounts and reconciliations for others, based on risk assessment” to the third bullet point. Added a fourth bullet point regarding savings account balances. Added two bullet points on revolving accounts and investments at the end of the page.

Page 12: Added a sentence at the end of the first bullet point. Fixed typographical error in third bullet point. Added bullet point concerning lease activity at end of page.

Page 13: Added three bullet points on grant/contract disbursements, wire transfers, and compliance with bid laws.

Page 14: Added three bullet points on encumbrances, bonds/insurance, and fourth year disbursement tests.

Page 15: Added 3 bullet points on confirming bank account balances, payments to jail fund, and sales tax. Added “Ensure refunds are being paid to former inmates, when applicable” to bullet point on inmate accounts.

Page 16: Made corrections to the first indented bullet point in the county’s capital assets listing bullet point. Added 2 new indented bullet points in the county’s capital assets listing bullet point.

Page 17: Added “including basis of presentation and basis of accounting” to the summary of significant accounting policies bullet point. Added three bullet points on details of reconciliation, stewardship, and accountability.

In regard to that portion of the report applicable to the Regulatory Audit Report Format:

Page 1: Added three new paragraphs to the first page of the Independent Auditor’s Report letter.

Page 2: Added three paragraphs and deleted seven paragraphs on the second page of the Independent Auditor’s Report letter.

Page 3: Added new third page of the Independent Auditor’s Report letter.

Page 4: Added a new paragraph and deleted a paragraph at the beginning of the “Other Information” section of the fourth page of the Independent Auditor’s Report letter. Deleted “supplementary information” and “Schedule of Capital Assets (other information)” from the supplementary information section. Added “effectiveness of” to last paragraph.

Page 5: Added “if this is Single Audit” to first paragraph. Substituted “no report findings” for “not needed” in first paragraph.

In regard to that portion of the guide applicable to the Index for Notes to the Financial Statement:

Page 15: Added clarification to the third sentence of the first paragraph of the reporting entity section. Corrected typographical error in the second sentence of the second paragraph of the reporting entity section. Changed Schedule of Capital Assets from "Supplementary Information" to "Other Information" to be consistent with the regulatory basis of accounting.

Page 16: Deleted paragraphs on central dispatch fund, Homeland Security fund, and county police account funds.

Page 17: Changed location of state local finance officer phrase from the end to the beginning of the first paragraph.

Page 20: Replaced "fiscal court's bank balance was" with "public funds were" in first paragraph.

Page 23: Added "According to KRS 66.480, the" at the beginning and added "(Please review their investment policy to ensure this is accurate)" at the end of, the first sentence of the first paragraph.

Page 26: Added new paragraphs on lessor and lessee to beginning of Note 5 on leases.

Page 28: Added "Aggregate Debt Schedule" and "The amount of required principal and interest payments on long-term obligations at June 30, 20XX, were as follows:" to Note 8.

Page 29: Substituted "(Ky. Ret. Sys.)" for "(KRS)" to avoid having the same acronym as that for Kentucky Revised Statutes. Added new sentence at end of first paragraph of Note 11.

Page 30: Updated percentages and substituted "(Ky. Ret. Sys.)" for "(KRS)" to avoid having the same acronym as that for Kentucky Revised Statutes.

Page 31: Changed KRS references.

Page 32: Substituted "(Ky. Ret. Sys.)" for "(KRS)" to avoid having the same acronym as that for Kentucky Revised Statutes.

Page 45: Changed location of state local finance officer phrase from the end to the beginning of the first paragraph.

Page 58: Substituted "as a basis for designing" for "to determine the" in the second paragraph of the first page of the Independent Auditor's Report letter.

Page 59: Deleted "determination of" and "amounts" from first sentence of first paragraph.

Page 62: Substituted "as a basis for designing" for "to determine the" in the second paragraph of the first page of the Independent Auditor's Report letter.

Page 63: Deleted "determination of" and "amounts" from first sentence of first paragraph.

Page 64: Substituted "as a basis for designing" for "to determine the" in the second paragraph of the first page of the Independent Auditor's Report letter.

Page 65: Deleted “determination of” and “amounts” from first sentence of first paragraph.

Page 70: Substituted “identified as subject to audit” for “described” and deleted “U.S.” in the first paragraph. Added three new paragraphs.

Page 71: Entire page revised with the first paragraph being revised and the remainder having new material added (and several paragraphs deleted).

Page 73: First two paragraphs deleted. Several revisions to next to last paragraph.

Page 76: Added “on whether the financial statement audited was prepared in accordance with GAAP:” to first sentence.

Page 78: Deleted “CFDA” twice from the first line. Deleted “[*If finding causes modified opinion add here*]” after “*Remember to identify COVID-19 Findings.*”

In regard to that portion of the guide applicable to the GAAP Audit Report:

Page 1: Deleted “accompanying” from the first sentence. Added two new paragraphs and made minor word changes to the last paragraph for clarification.

Page 2: Deleted two paragraphs and added three new paragraphs.

Page 4: Deleted one paragraph and added clarifying language to the first sentence of the Required Supplementary Information section. Deleted “as a whole” from the last paragraph.

Page 6: Added “solely” and “effectiveness of” to the second sentence of the first paragraph.

Page 30: Deleted “and” and added “, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements (delete this part if no fiduciary funds)” to the first sentence of the Governmental Funds section.

Page 31: Added new sentences to, and deleted previous sentences from, the Fiduciary Fund section.

Page 37: Updated GASB references in Section O. Deleted previous two paragraphs from Section O and replaced them with updated first paragraph.

Page 41: Added “According to KRS 66.480, the” and “(Please review their investment policy to ensure this is accurate)” to the last paragraph.

Page 46: Added new paragraphs on lessor and lessee to beginning of Note 5 on leases.

Page 47: Added the following bullet points to long-term debt note guidance:

- Including amounts of unused lines of credit
- Assets pledged as collateral for debt.

Page 48: Added “Aggregate Debt Schedule” and “The amount of required principal and interest payments on long-term obligations at June 30, 20XX, were as follows:” to Note 8.

Page 49: Updated percentages and substituted “(Ky. Ret. Sys.)” for “(KRS)” to avoid having the same acronym as that for Kentucky Revised Statutes. Added new sentence at end of first paragraph.

Page 51: Substituted “Kentucky Public Pension Authority” for “[Kentucky Retirement System]” in the last sentence of the first paragraph of the Net Pension Liability section. In last paragraph on page, substituted “(Ky. Ret. Sys.)” for “(KRS)” to avoid having the same acronym as that for Kentucky Revised Statutes.

Page 55: Substituted KPPA for KRS in several places on the page.

Page 56: Updated percentages and substituted KPPA for KRS in two places on the page.

Page 57: Substituted KPPA for KRS.

Page 61: Added new language in Note 16.

Page 69: Added “, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board” to the first sentence of Note 1.

Page 86: Substituted “modified accrual basis of accounting” for “[GAAP basis of accounting]” in first sentence of Note 1. Deleted “the” from first sentence of Note 2.

Page 95: Substituted “as a basis for designing” for “[to determine the]” in the first sentence of the first paragraph of the Internal Control Over Financial Reporting section.

Page 96: Added “from” to, and deleted “of,” “determination of,” and “amounts” from, the first sentence of the first paragraph.

Page 99: Substituted “as a basis for designing” for “to determine the” in the first sentence of the first paragraph of the Internal Control Over Financial Reporting section. Made revisions to last paragraph for clarity.

Page 100: Deleted “determination of” and “amounts” from, the first sentence of the first paragraph. Substituted “response to” for “[views and planned corrective action for]” in first sentence of Views of Responsible Official(s) and Planned Corrective Action section.

Page 103: Substituted “as a basis for designing” for “[to determine the]” in the first sentence of the first paragraph of the Internal Control Over Financial Reporting section.

Page 104: Deleted “determination of” and “amounts” from, the first sentence of the second paragraph. Substituted “response to” for “[views and planned corrective action for]” in first sentence of Views of Responsible Official(s) and Planned Corrective Action section.

Page 107: Substituted “identified as subject to audit” for “described” and deleted “U.S.” in the first paragraph. Added three new paragraphs.

Page 108: Entire page revised with the first paragraph being revised and the remainder having new material added (and several paragraphs deleted).

Page 110: First two paragraphs deleted. Several revisions to next to last paragraph.

Page 114: Added "on whether the financial statement audited was prepared in accordance with GAAP:" to first sentence.