**Example A-1 (SLG Chapter 14): Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information**

**(Other Information)[[1]](#endnote-1)**

**IPA Resources**

***Revised:***

* ***Oct 2013 – to remove community school reporting guidance from endnote 1. See footnote \* in Opinion A02 example.***

***Applicable for FYE 12-31-12 & subsequent***

**INDEPENDENT AUDITOR’S REPORT**

[ENTITY NAME]

[COUNTY NAME] County

[STREET ADDRESS]

[CITY], Ohio [ZIP CODE]

To the [GOVERNING BODY]:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the **[aggregate]** discretely presented component unit**(s),** each major fund, and the aggregate remaining fund information[[2]](#endnote-2) of [ENTITY NAME], [COUNTY NAME] County, Ohio[[3]](#endnote-3) (the Government),Dublin City School DistrictDublin Schools
as of and for the year ended [FYE DATE], and the related notes to the financial statements, which collectively comprise the Government’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States’ *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management’s accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the **[aggregate]** discretely presented component unit**(s),** each major fund, and the aggregate remaining fund information of [ENTITY NAME], [COUNTY NAME] County, Ohio, as of [FYE DATE], and the respective changes in financial position **and, where applicable, cash flows** thereof and the **respective<<DELETE “respective” IF ONLY ONE BUDGETARY FUND COMPARISON** budgetary comparison**[s]** for the General and [list major special revenue funds] [[4]](#endnote-4) thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***[[5]](#endnote-5)***

***Other Matters[[6]](#endnote-6)***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of Americarequire this presentation to include *Management’s discussion and analysis*, **[***Required budgetary comparison schedule****(s)*** and *Schedules for infrastructure assets accounted for using the modified approach*,**]** listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance. [[7]](#endnote-7)

*Supplementary and Other Information*

Our audit was conducted to opine on the Government’s basic financial statements taken as a whole.

**[**The introductory section, the financial section’s combining statements, individual fund statements and schedules and the statistical section information**]** [[8]](#endnote-8) present additional analysis and **is/are** not a required part of the basic financial statements.

The Schedule of Federal Award [Receipts and] Expenditures **[also]** presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The **[**statements**]** **and** **[**schedules**]** are management’s responsibility, and derive**(s)** from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these **[statements] and [schedules]** to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling **[**statements**]** **and** **[**schedules**]** directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, **this/these** **[**statements**]** **and** **[**schedules**]** **is/are** fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on **it / them**.[[9]](#endnote-9) ***(Omit paragraph if no “other information” included.)***

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated [REPORT DATE], on our consideration of the Government’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government’s internal control over financial reporting and compliance.

**[Auditor Signature]**

City, State

[REPORT DATE]

1. Paragraph A-1 (in SLG Ch. 14, App. A) describes conditions that may require modifying this report, such as when the financial statements include information from a prior period. [↑](#endnote-ref-1)
2. If we combine *discrete component units* and *remaining fund information* into one opinion unit under the circumstances permitted by footnote 7 to Exhibit 4-1 (following section 4.32) in SLG, revise this phrase as follows:

“ . . . governmental activities, the business-type activities, each major fund and the [aggregate] discretely presented component unit and remaining fund information . . . “ [↑](#endnote-ref-2)
3. As discussed in SLG 14.45, insert “, a component unit of [PRIMARY GOVERNMENT],” if applicable. [↑](#endnote-ref-3)
4. Delete reference to the budgetary comparisons from the opinion paragraph, and refer to it with the “MD&A / RSI paragraph” if the budgetary comparisons are presented as RSI. [↑](#endnote-ref-4)
5. As with any implementation of a new accounting principle, auditors should evaluate the need for an Emphasis of a Matter (EOM) paragraph in the opinion using the guidelines in AU-C 706 and AU-C 708.  Per AU-C 706, an EOM refers to a matter appropriately presented or disclosed in the financial statements that we as auditors feel is of such importance that it is fundamental to user’s understanding of the financial statements.

 If the client adopts a new GASB and there is an immaterial impact on the financial statements, whether or not disclosed in the notes, no EOM should be added to the opinion.

If the client adopts a new GASB and there is a material impact on the financial statements (see AU-C 708.08) and:

	* The auditee included the appropriate note disclose, auditors should issue an EOM in the opinion. See example language below.
	* The auditee did not include the appropriate note disclosure, auditors should request the auditee adjust their note disclosures.
		+ - If the auditee adjusts the footnotes to include the omitted material disclosure, auditors should include the EOM in the opinion.
			- If the auditee does not adjust the footnotes to include the omitted material disclosure, auditors should modify the opinion accordingly.An Other Matter (OM) paragraph is not appropriate in these circumstances.

Use the following paragraph (including the heading) the year the auditee implements if it meets the criteria described above:

	* For OCBOA & AOS Basis reporting (where applicable), this paragraph should follow the accounting basis paragraph.
	* For GAAP reporting it should follow the opinion paragraphGASBs 63 & 65 are used in the example below but this guidance is applicable for implementation of any new accounting principle. Note: GASB 63 / 65 are not applicable for AOS Basis.

***Emphasis of Matter***

 As discussed in Note **X** to the financial statements, during the year ended December 31, 2012, the Government adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.  We did not modify our opinion regarding this matter. **<< Delete reference to No. 65 if the auditee did not early implement.** [↑](#endnote-ref-5)
6. **Comparative Financial Statements**

 AU-C 700 uses the term *comparative financial statements* when the Government issues a complete set of financial statements for one or more prior periods included for comparison with the financial statements of the current period.

 Per AU-C 700.44 “When comparative financial statements are presented, the auditor’s report should refer to each period for which financial statements are presented and on which an audit opinion is expressed.”

When we are the continuing auditor we would include these statements in our opinion (See AU-C 700, Illustration 1); however, when the prior period was audited by a predecessor auditor the following is an example other matter paragraph (See AU-C 706.54).

***Prior Period Financial Statements Audited by a Predecessor Auditor***

The financial statements of the [ENTITY NAME], [COUNTY NAME], Ohio (the Government),Dublin City School DistrictDublin Schools
as of and for the year ended [FYE DATE], were audited by predecessor auditor whose report dated [DATE], expressed an unmodified opinion on those statements. **<< modify as necessary if other than an unmodified opinion was issued.**

 **Comparative Information**

Governments sometimes present partial prior period presentations (e.g.) “Total Only” columns). AU-C 700 uses the term *comparative information* for partial presentations.

Per AU-C 700.46 “If comparative information is presented but not covered by the auditor's opinion, ***the auditor should clearly indicate*** in the auditor's report the character of the auditor's work, if any, and ***the degree of responsibility the auditor is taking.***

Here are examples explaining the “degree of responsibility” from AU-C 700, Illustration 4:

***Report on Summarized Comparative Information***

*We* have previously audited the Government's 20XX financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated [DATE]. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 20XX is consistent, in all material respects, with the audited financial statements from which it has been derived. **<< modify as necessary if other than an unmodified opinion was issued.**

Or:

The financial statements of the Government as of and for the year ended December 31, 20XX were *audited by a predecessor auditor.* An unmodified opinion was issued [DATE] by the predecessor auditor. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 20XX is consistent, in all material respects, with the audited financial statements from which it has been derived. **<< modify as necessary if other than an unmodified opinion was issued.**

 [↑](#endnote-ref-6)
7. Modify this paragraph in the following circumstances. See AU-C 730:

	1. The required supplementary information is omitted.
	2. Some required supplementary information is missing and some is presented in accordance with the prescribed guidelines.
	3. The auditor has identified material departures from the prescribed guidelines.
	4. The auditor is unable to complete the procedures in AU-C 730.05.
	5. The auditor has unresolved doubts about whether the required supplementary information is presented in accordance with prescribed guidelines. [↑](#endnote-ref-7)
8. Modify the list of *supplementary information* paragraph as necessary. Also:

If an opinion qualification on the financial statements also affects the supplementary information, include a statement that, in the auditor's opinion, ***except for*** the effects on the supplementary information of (refer to the paragraph in the auditor's report explaining the qualification), this information is fairly stated, in all material respects, in relation to the financial statements as a whole. See AU-C 725.09(f).

We must disclaim on this information if we render an adverse opinion or disclaimer of opinion.

***Important:***  We normally consider materiality for each opinion unit. However, our in-relation-to opinion on supplementary information is in relation to the financial statements as a whole. Therefore, we consider materiality at a level representing the entire governmental entity. [↑](#endnote-ref-8)
9. This last sentence derives from AU-C 720 (SAS118), and relates to financial or nonfinancial information that is neither RSI nor *supplementary information* subject to AU-C 725 (SAS119). Examples include *introductory information* or *statistical tables*, which are not subject to an “in –relation – to opinion.”

 Our responsibility for this “unaudited” information is only to read it**\*\*** to determine if (1) material inconsistencies exist between it and the audited statements, or (2) this information includes material misstatements of fact.

 \*\* While standards only require us to “read it,” you should apply the procedures from our specimen program for *finalizing the audit* to agree this information to supporting documentation. For example, you should agree 10 - year statistical tables to the prior-year CAFR to assure the prior years’ amounts did not inadvertently change. [↑](#endnote-ref-9)