**Example A-5 (SLG 15.33): Qualified Opinions on Major**

**Governmental Funds Because of a GAAP Departure [[1]](#endnote-1)**

**(You can modify this for other qualifications, too. See A-10 if there are multiple qualifications)**

**Applicable for FYE 6-30-15 & Subsequent**

**INDEPENDENT AUDITOR’S REPORT [[2]](#footnote-1)**

[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 [[3]](#endnote-2) of [ENTITY NAME], [COUNTY NAME] County, Ohio[[4]](#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.

***Summary of Opinions***

|  |  |
| --- | --- |
| **Opinion Unit** | **Type of Opinion** |
| Governmental Activities | Unmodified |
| Business-Type Activities | Unmodified |
| Aggregate Discretely Presented Component Units | Unmodified |
| Governmental Fund X | Qualified |
| Governmental Fund Y | Qualified |
| Governmental Fund Z | Unmodified |
| Enterprise Fund A | Unmodified |
| Enterprise Fund B | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

***Basis for Qualified Opinions on Major Governmental Funds X and Y***

Management has not adopted a methodology for reviewing the collectability of taxes receivable in the [*identify the affected major governmental funds, such as Major Governmental X and Y*] and, accordingly, has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets, deferred inflows of resources and fund balances and change the revenues[[5]](#endnote-4) in the *[identify the affected major governmental funds*]. We cannot reasonably determine the amount by which this departure would affect the assets, deferred inflows of resources, fund balances and revenues of the [*identify the affected major governmental funds*].

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Major Governmental Funds X and Y* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the X and Y Funds of the City of Example, Any State, as of [FYE DATE], and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, Major Fund Z, the aggregate discretely presented component units, [identify the major funds ***not*** affected by the qualification], and the aggregate remaining fund information of the [ENTITY NAME], [COUNTY NAME] County, Ohio as of [FYE DATE], and the respective changes in its 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] [[6]](#endnote-5) thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter [[7]](#endnote-6)***

As discussed in Note **X** to the financial statements, during the year ended June 30, 2015, the Government adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.  We did not modify our opinion regarding this matter.

***Other Matters [[8]](#endnote-7)***

*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*,**]** and schedules of net pension liabilities and pension contributions 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. [[9]](#endnote-8)

*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**][[10]](#endnote-9)** present additional analysis and **is/are** not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards **[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. <<Include this paragraph for FYE prior to 12-31-15 audits. Include next paragraph for 12-31-15 and subsequent FYE audits.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements. << Include this paragraph for 12-31-15 and subsequent FYE audits. Include previous paragraph for FYE prior to 12-31-15 audits.

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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this informationdirectly 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 information is 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**.[[11]](#endnote-10) **(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.

**Dave Yost**

Auditor of State

Columbus, Ohio

[REPORT DATE]

1. Depending on the nature and magnitude of the GAAP departure, the auditor’s opinion on the governmental activities might also be qualified, as illustrated in example A-10. Further, the same GAAP departure in the nonmajor governmental funds could affect the auditor’s opinion on RFI. This example assumes the auditor has concluded that the GAAP departure is not material to the governmental activities or to RFI. Another auditor could judge differently. (See paragraph 15.07-.08.) If a GAAP departure is material to more than one opinion unit, the basis for modification paragraph should explain the nature and effect of the departure on each affected opinion unit. [↑](#endnote-ref-1)
2. Revised June 2016 for correction of the SEFA title. Previously revised November, 2015, to include pension RSI in the Other Matters paragraph, an example emphasis of matter paragraph, refer to Uniform Guidance for the in-relation-to opinion on the SFAE for 12-31-15 FYE, and to clarify the endnotes. [↑](#footnote-ref-1)
3. 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 4.73) 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)
4. As discussed in SLG 15.58, insert “, a component unit of [PRIMARY GOVERNMENT],” if applicable. [↑](#endnote-ref-3)
5. Modify financial statement elements to fit the circumstances. Include or omit assets, liabilities,

 deferred or inflows of resources, deferred outflows of resources, revenues, expenditure, expenses,

 fund balances and net position. [↑](#endnote-ref-4)
6. 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-5)
7. Modify this example when a client properly adopts a new GASB pronouncement (including required disclosures and restatements) and it materially affects the financial statements (see AU-C 708.08).

*Do not include EOM paragraphs for new standards with immaterial financial statement effects, or standards that effect only disclosures.* [↑](#endnote-ref-6)
8. **Comparative Financial Statements**

 Note: “*Comparative financial statements” means* only *complete* financial statements for one or more prior periods included for comparison with the current financial statements. (“Total only” columns are *in*complete presentations.)

 Per AU-C 700.44, when we are the continuing auditor we would refer to 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**

AU-C 700 uses the term *comparative information* for partial presentations. (e.g. “Total Only” columns). (*Comparative statements* refer only to complete p/y presentations.)

Per AU-C 700.46 We should include one of the following ***other matter*** paragraphs to describe comparative information (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-7)
9. Modify this paragraph in the following circumstances. See AU-C 730 and SLG 15.66. -- 73:

	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-8)
10. Modify the list of *supplementary information* paragraph as necessary. SLG 15.74-.79 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) and AOS auditors consult with CFAE.

We must disclaim on this information if we render an adverse opinion or disclaimer of opinion. AOS auditors consult with CFAE.

***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-9)
11. This last sentence derives from AU-C720 and relates to financial or nonfinancial information that is neither RSI nor supplementary information subject to AU-C725. 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. If you identify a material inconsistency or misstatement of fact and management is unwilling to correct it. AOS auditors consult with CFAE.

 \* While standards only require us to “read it” you should apply the procedures form 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. See SLG 15.80-.84. [↑](#endnote-ref-10)