**THIS OPINION SHELL MUST BE USED FOR 12-31-21 & SUBSEQUENT FYEs.**

**Example A-10 (SLG Chapter 17.64) Report on Basic Financial Statements that Includes Multiple Opinion Modifications, Including an Adverse Opinion Because a Major Fund is Omitted [[1]](#endnote-1))[[2]](#endnote-2)**

**INDEPENDENT AUDITOR’S REPORT [[3]](#footnote-1) [[4]](#endnote-3)**

Entity Name

County Name

Street Address

City, Ohio Zip Code

To the Governing Body Type:

**Report on the Audit of the Financial Statements**

***Adverse, Qualified and Unmodified Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit(s), each major fund (except as described below), and the aggregate remaining fund information[[5]](#endnote-4) of the Entity Name, County Name, Ohio (the Entity Type) [[6]](#endnote-5), as of and for the year ended FYE Date, and the related notes to the financial statements, which collectively comprise the Entity Type’s basic financial statements as listed in the table of contents.

*Summary of Opinions*

Governmental Activities

Qualified

Business-Type Activities

Qualified

Aggregate Discretely Presented Component Units

Unmodified

Governmental Fund X

Qualified

Governmental Fund Y

Qualified

Governmental Fund Z

Unmodified

Enterprise Fund A

Adverse

Enterprise Fund B

Unmodified

Aggregate Remaining Fund Information

Unmodified



*Adverse Opinion on Enterprise Fund A*

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse, Qualified, and Unmodified Opinions* section of our report, the accompanying financial statements referred to above do not present fairly the financial position of Enterprise Fund A of the Entity Name, County Name, Ohio as of FYE Date, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State of America.

*Qualified Opinions on Governmental Activities, Business-type Activities, and Governmental Funds X and Y*

In our opinion, except for the matters described in the *Basis for Adverse, Qualified and Unmodified Opinions* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and Governmental Funds X and Y of the Entity Name, County Name, Ohio, 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* *on* ***<< list opinion units which are unmodified***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the ***<< list opinion units which are unmodified >>*** of the Entity Name, County Name, Ohio as of FYE Date, and the respective changes in financial position and, where applicable, cash flowsthereof and the respective ***<< delete “respective” if only one budgetary fund comparison*** budgetary comparison(s) for the General and ***<< list major special revenue funds >>*** [[7]](#endnote-6) for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Basis for Adverse, Qualified and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Entity Type, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified audit opinions.

*Matter Giving Rise to Adverse Opinion on Enterprise Fund A and Qualified Opinion on Business-Type Activities*

Management has not included Enterprise Fund A[[8]](#endnote-7) in the Entity Type’s financial statements. Accounting principles generally accepted in the United States of America require Enterprise Fund A to be presented as a major enterprise fund and financial information about Enterprise Fund A to be part of the business-type activities, thus increasing that activity’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, and changing its net position[[9]](#endnote-8). The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

*Matters Giving Rise to Qualified Opinions on Governmental Activities and Governmental Funds X and Y*

As discussed in Note X to the financial statements, management has not recorded a liability for compensated absences in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses7 of governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

In addition, management has not adopted a methodology for reviewing the collectability of taxes receivable in Governmental Funds X and Y and in the governmental activities 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, fund balances, and net position, and change the revenues in Governmental Funds X and Y and in the governmental activities. The amount by which this departure would affect the assets, deferred inflows of resources, fund balances, net position, and revenues of the Governmental Funds X and Y and governmental activities has not been determined.

***Emphasis of Matter [[10]](#endnote-9) [[11]](#endnote-10)***

As discussed in Note Xto the financial statements, during 20XX, the Entity adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. XX, *include name/title of GASB Statement in italics*.  Our opinion is not modified with respect to this matter.

***Insert an Other Matter(s) section here, if required. See FN [[12]](#endnote-11) (Omit if no “other matters” included.)***

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity Type’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

* exercise professional judgment and maintain professional skepticism throughout the audit.
* identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
* obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity Type’s internal control. Accordingly, no such opinion is expressed.
* evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
* conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity Type’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of Americarequire that the 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 and other post-employment benefit liabilities and pension and other post-employment benefit contributions[[13]](#endnote-12) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. [[14]](#endnote-13)

***Supplementary information[[15]](#endnote-14)***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Entity Type’s basic financial statements. The ***<< identify accompanying supplementary information, such as the combining and individual nonmajor fund financial statements and schedules or Financial Data Schedule (for MHAs) >>*** and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awardsis/are presented for purposes of additional analysis and is/are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the ***<< identify accompanying supplementary information >>*** is/are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information << Omit if no “other information” included.***

Management is responsible for the other information included in the annual financial report. The other information comprises the ***<< identify other information, such as the introductory and statistical sections >>*** but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. [[16]](#endnote-15)

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued[[17]](#endnote-16) our report dated Report Date, on our consideration of the Entity Type’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. The purpose of that report is solely 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 effectiveness of the Entity Type's 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 Entity Type's internal control over financial reporting and compliance.

Auditor Signature

City, State

Report Date

1. As discussed in paragraph 17.64, the auditor should issue an adverse opinion on a major fund opinion unit when a major governmental or enterprise fund is omitted from the financial statements. (That paragraph also discusses how the auditor should modify the opinion on the aggregate remaining fund information opinion unit if the major fund is included in the financial statements but not as a major fund.) Further, the auditor should modify the opinion (that is, qualified or adverse) on the aggregate remaining fund information opinion unit if the major fund is included in the financial statements but not as a major fund. Depending on the nature and magnitude of the other GAAP departures illustrated in this report, it is possible that the auditor might issue an adverse opinion on one or more of the opinion units affected by the omitted or misclassified major fund, or on the financial statements as a whole. This example assumes that the auditor has concluded that qualified opinions on the opinion units affected by the omitted or misclassified major fund are appropriate. Another auditor could make a different professional judgment. If a GAAP departure is material to more than one opinion unit, the “Basis for Opinion” section should include a description of the matter giving rise to the modification for each affected opinion unit. [↑](#endnote-ref-1)
2. ***Blue, italicized***text is guidance from CFAE which should be replaced or removed (as necessary) when the letter is prepared.

   Items highlighted in gray should be replaced with the necessary information. Instructions are available on how to fill in [entity specific parameters](https://ohioauditor.gov/ocs/2021/Instruction%20on%20how%20to%20Fill%20in%20Entity%20Specific%20Parameters%20within%20Word.docx) within this document.

   Yellow highlight relates only to Single audits. Omit if not a Single audit.

   [↑](#endnote-ref-2)
3. Updated Nov ~~May~~ 2024 for minor edits to SLG references in endnotes (not marked). clarification of comparative information/financial statements, and new endnote x. . ~~letterhead and other minor changes (not marked).~~ [↑](#footnote-ref-1)
4. If we are engaged to report Key Audit Matter (KAM), review AU-C 701. [↑](#endnote-ref-3)
5. If we combine *discrete component units* and *remaining fund information* into one opinion unit under the circumstances permitted by footnote 7 to Exhibit 4-2 (following section 4.170) 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-4)
6. As discussed in SLG 17.70, insert “, a component unit of Primary Government,” if applicable. [↑](#endnote-ref-5)
7. Delete the reference to the budgetary comparisons from the opinion section and refer to it with the “RSI section” if the budgetary comparisons are presented as RSI. [↑](#endnote-ref-6)
8. This example presumes that the omitted major fund is part of the primary government’s legal entity. If, instead, the omitted major fund is a blended component unit and the only component unit, the auditor could instead issue a report on the primary government, as discussed in paragraphs 17.66-.69. [↑](#endnote-ref-7)
9. 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-8)
10. Modify this example when a client properly adopts a new GASB pronouncement (including required disclosures and restatements), and it materially affects the financial statements or disclosures (see AU-C 708.08).

    *Do not include EOM sections for new standards with immaterial financial statement or disclosure effects.* [↑](#endnote-ref-9)
11. Per SLG 17.65, we should include an emphasis of matter when there is a change to or within the financial reporting entity, such as one resulting from a change in the component units included in the financial reporting entity. The EOM should describe the change in the reporting entity and provide a reference to the entity’s disclosure. (See AU-C 708.11). Auditors must review SLG 17.65, GASB Cod. 2250.130 (for exceptions), and AU-C 708.11 when adding the EOM. [↑](#endnote-ref-10)
12. See AU-C 700.47-.60 for discussion about ~~Other Matters.~~  comparative financial statements and comparative information, which are examples of *Other Matters* that might be included in the opinion.

    **Comparative Financial Statements**

    Note: “c*omparative 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 *incomplete* presentations.)

    Per AU-C 700.47, when we are the continuing auditor, we would refer to these statements in our opinion; however, when the prior period was audited by a predecessor auditor the following is an example ***other matter*** section (See AU-C 700.57).

    *Prior Period Financial Statements Audited by a Predecessor Auditor*

    The financial statements of the Entity Name, County Name, Ohio (the Entity Type), as of and for the year ended PYE Date, were audited by predecessor auditor whose report dated Prior Year Opinion Date, expressed an unmodified opinion on those statements. ***<< modify as necessary if other than an unmodified opinion was issued or there was an EOM, OM or going concern.***

    **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 700.49 and .A70-.A71, we need not opine on comparative information but we 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” and include one of the following ***other matter*** sections to describe comparative information (from SLG 17.61 (continuing auditor) and AU-C 700.57 (predecessor auditor)):

    *Report on Summarized Comparative Information*

    *When current auditors performed the previous audit:*

    We have previously audited the Entity Type's 20XX-1 financial statements, and we expressed unmodified opinions on the respective 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 dated Prior Year Opinion Date. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 20XX-1 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, including the nature of, and the reasons for opinion modifications (see SLG 17.61 footnote 21).***

    *Or:*

    *When other auditors performed the previous audit:*

    The financial statements of the Entity Type as of and for the year ended December 31, 20XX-1 from which the comparative information for December 31, 20XX-1 was derived were audited by a predecessor auditor. An unmodified opinion was issued Prior Year Opinion Date by the predecessor auditor. ***<< modify as necessary if other than an unmodified opinion was issued.***

    [↑](#endnote-ref-11)
13. RSI normally includes the MD&A as well as pension and OPEB schedules as required by GASB, therefore these items are included in the letter. However, if pension and OPEB schedules are not required, the highlighted language in this paragraph may be removed. Other items are allowable as RSI (including Budgetary schedules (if not presented as statements) and infrastructure asset schedules using the modified approach) but are not often included for Ohio governments. Therefore, the bracketed language should normally be excluded but may be necessary for some engagements. [↑](#endnote-ref-12)
14. Modify this section in the following circumstances. See AU-C 730 and SLG 17.77-.84:

    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.

    If all of the RSI is omitted, the section on RSI would be replaced with the following:

    Management has omitted ***<<identify the missing RSI, such as management's discussion and analysis and budgetary comparison information*** that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

    For other situations in which some RSI is omitted and some is presented in accordance with prescribed guidelines, there are material departures from prescribed guidelines, specified procedures were not completed, or there are unresolved doubts about whether the RSI is in accordance with prescribed guidelines, refer to the guidance in AU-C section 730, Required Supplementary Information. [↑](#endnote-ref-13)
15. Modify the list of *supplementary information* section as necessary. See SLG 17.85-.90. 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.

    Remove reference to *Schedule of Expenditures of Federal Awards* when reporting over it is instead included in the Single Audit Letter.

    ***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-14)
16. This last sentence derives from AU-C 720 and relates to financial or nonfinancial information that is neither RSI nor *supplementary information* subject to AU-C 725. 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 procedures to agree this information to supporting documentation. For example, you should agree 10 - year statistical tables to the prior-year Annual Comprehensive Financial Report to assure the prior years’ amounts did not inadvertently change. (SLG 17.91-.93) [↑](#endnote-ref-15)
17. Modify this to say “will also issue” when issuing an ACFR opinion separately from remainder of the report which is issued at a later time. [↑](#endnote-ref-16)