**IPA RESOURCES**

**AOS Regulatory Basis (i.e., non-OCBOA) & OCBOA Opinion examples**

***Revised January 2012 to*:**

* **C**onform with the 2011 AICPA Audit and Accounting Guide, *State and Local Governments* (SLG Guide), **regarding RSI. We encourage OCBOA preparers to include RSI (such as MD&A). *However*, OCBOA statements can no longer classify information as RSI. Therefore, we have modified the OCBOA ‘in-relation-to” paragraph to conform with AU 550 (Other information) and AU 551 (Supplementary information).**
* Add Endnote 5 to provide a scope limitation opinion example.
* Include GASB 54 guidance below and language in the opinion letters.

|  |
| --- |
| **GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* applies to financial statements for periods beginning after June 15, 2010.** **Auditor of State Bulletin 2011-004 includes lots of useful implementation guidance.****The following clarifies the Bulletin’s implementation requirements:*** Ohio governments should apply Statement 54 to their fiscal years *ending* June 30 or December 31, 2011, and to subsequent years.
* If GAAP or OCBOA presentations include prior year statements (e.g. a two-year audit for FYE December 31, 2011 and 2010), both year’s statements should apply GASB 54.
	+ This relates to both fund balance reporting and to fund type definitions.
	+ We should qualify opinions on two-year audits subject to Statement 54 that do not follow it in material respects for both years presented.
	+ GAAP and OCBOA governments subject to two-year audits can avoid reclassifying FY 2010 fund balances by issuing separate presentations for 2010 and 2011.
		- This would require two sets of statements and notes, and two opinions (and probably two GAGAS reports).
		- GAAP governments issuing two reports should include an MD&A for both years.
		- Regarding OCBOA, the AICPA’s *State and Local Government Guide* (SLG) 15.05 explains that RSI (i.e., MD&A) is not technically “required” for OCBOA presentations.
			* SLG 15.05 “generally” deems MD&A  / RSI as ***other information***, subject to SAS 118.
			* Nevertheless, AOS strongly encourages OCBOA filers to present MD&A, at least to the most recent year of a two- year presentation.
			* MD&A includes valuable information of use to most readers.
* AOS will not require regulatory basis presentations to revise statements presented for earlier periods.
	+ For example, a two-year audited presentation covering FYE 2011 and 2010 must apply Statement 54 to its 2011 statements, but may present the 2010 statements without applying 54.
		- So, separate presentations for 2010 and 2011 are not required, and one set of notes / opinion / GAGAS report suffices.
		- AOS-basis entities must apply both the fund balance reporting and fund type definitions when they adopt Statement 54.
		- Audit opinions would refer to the change effective in FYE 2011, but would not qualify (include “except for” language) for 2010 “pre 54” statements.
			* Applying Statement 54 to 2010 statements is certainly acceptable, and even preferable.  Opinions thereon would mention the change occurring during 2010.
 |

**Dual (“Adverse” / Unqualified) Opinion on Financial Statements Prepared in Accordance**

**With the Auditor of State’s Accounting Basis[[1]](#endnote-1)**

**INDEPENDENT ACCOUNTANTS’ REPORT**

[ENTITY NAME]

[COUNTY NAME] County

(Insert address -

*This is very important. The Clerk of the Bureau needs an exact mailing address.)*

To the [GOVERNING BODY]:

We have audited the accompanying financial statements of [ENTITY NAME], [COUNTY NAME] County[[2]](#endnote-2),(the Government) as of and for the years ended December 31, 20EE and 20BB. These financial statements are the responsibility of the Government’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

**[[3]](#endnote-3)**

As described more fully in Note 1, the Government has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Government’s larger (i.e. major) funds separately. While the Government does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Government has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 20EE and 20BB do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Government as of [FYE DATE], or its changes in financial position **or cash flows, where applicable** **<< insert only if the statements include proprietary funds** for the years then ended.

**USE THE FOLLOWING PARAGRAPH WHEN SEPARATE REPORTS ARE NOT ISSUED FOR 2011 AND 2010:**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of [ENTITY NAME], [COUNTY NAME] County, , and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes. **<< modify as necessary. For example, remove “and the reserved for encumbrances as of December 31, 2010” if auditee presents financial statements as of December 31, 2010 in accordance with GASB54.**

**USE THE FOLLOWING PARAGRAPH WHEN A SEPARATE REPORT IS ISSUED FOR 2011 FINANCIAL STATEMENTS PRESENTED IN ACCORDANCE WITH GASB 54:**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of [ENTITY NAME], [COUNTY NAME] County, as of December 31, 2011, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

**USE THE FOLLOWING PARAGRAPH WHEN SEPARATE REPORTS IS ISSUED FOR 2010 FINANCIAL STATEMENTS NOT PRESENTED IN ACCORDANCE WITH GASB54:**

Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and the reserves for encumbrances of [ENTITY NAME], [COUNTY NAME] County, as of December 31, 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes. **<< modify as necessary. For example, remove “reserved for encumbrances” if auditee does not report encumbrances.**

**USE THE FOLLOWING PARAGRAPH THE FIRST YEAR THE GOVERNMENT ADOPTS GASB54:**

As described in Note XX, during 2011 the [ENTITY NAME] adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

**USE THE FOLLOWING PARAGRAPH WHEN THE SCHEDULE OF FEDERAL AWARDS EXPENDITURE (SFAE) OPINION IS INCLUDED IN THE OPINION LETTER (DELETE IF PRESENTED IN THE A133 REPORT LETTER). Note: If the opinion date on this schedule is later than the financial opinion, revise this paragraph per example 9 in the A-133 report shell.**

We conducted our audit to opine on the Government’s financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management’s responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

**Auditor’s Signature**

Do not use the “restricted use” paragraph with this opinion.

**Unqualified Report on Modified[[4]](#endnote-4) Cash Basis (OCBOA) Statements**

**Accompanied by MD&A**

**and Supplementary Information, if > 1 opinion unit– GASB 34 Format[[5]](#endnote-5)**

**INDEPENDENT ACCOUNTANTS’ REPORT**

[ENTITY NAME]

[COUNTY NAME] County

[STREET ADDRESS]

[CITY], Ohio [ZIP CODE]

To the [GOVERNING BODY]:

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[[6]](#endnote-6) of [ENTITY NAME], [COUNTY NAME] County, Ohio (the Government),[[7]](#endnote-7) Dublin City School DistrictDublin Schools
as of and for the year ended [FYE DATE], which collectively comprise the Government’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement.[[8]](#endnote-8)  An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

**USE THE FOLLOWING PARAGRAPH ONLY FOR GOVERNMENTS REQUIRED TO FOLLOW GAAP.**

Ohio Administrative Code § 117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the **modified** cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

**THE FOLLOWING PARAGRAPH REPLACES THE PRECEDING PARAGRAPH, IF THE GOVERNMENT NEED NOT FOLLOW GAAP:**

As discussed in Note 1, the accompanying financial statements and notes follow the **modified** cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective **modified** cash 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 **modified** cash financial position**,**[[9]](#endnote-9)thereof and the **respective**<<DELETE IF ONLY ONE BUDGETARY FUND COMPARISON budgetary comparison for the General and [list major special revenue funds][[10]](#endnote-10) thereof for the year(s) then ended in conformity with the accounting basis Note 1 describes.

**USE THE FOLLOWING PARAGRAPH THE FIRST YEAR THE GOVERNMENT ADOPTS OCBOA:**

For the year ended December 31, 20XX, the Government revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

**USE THE FOLLOWING PARAGRAPH THE FIRST YEAR THE GOVERNMENT ADOPTS GASB54:**

As described in Note XX, during 2011 the [ENTITY NAME] adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

**Use the following paragraph when the auditee presents MD&A or the schedule of federal awards expenditure (SFAE) opinion is attached as supplemental info to the statements. (Delete if presented in the A-133 report letter). Note: If the opinion date on the SFAE schedule is later than the financial opinion, revise this paragraph per example 9 in the A-133 report shell.**

We conducted our audit to opine on the Government’s financial statements taken as a whole. Management’s Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt *[<<modify titles as needed]*. **The federal awards expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*** These tables **[and the Schedule]** provide additional information, but are not part of the basic financial statements. However these tables **[and the Schedule]** are management’s responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables **[and the schedule]** were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management’s Discussion & Analysis, and we express no opinion or any other assurance on it. **[[11]](#endnote-11), [[12]](#endnote-12)**

**Auditor’s Signature**

[REPORT DATE]

Note: Do not use the “restricted use” paragraph with this opinion.

**Adverse Opinion for Governments Required to Follow GAAP,**

**But that Instead Use the Auditor of State’s Accounting Basis**

**INDEPENDENT ACCOUNTANTS’ REPORT**

[ENTITY NAME]

[COUNTY NAME] County

[STREET ADDRESS]

[CITY], Ohio [ZIP CODE]

To the [GOVERNING BODY]:

We have audited the accompanying financial statements of [ENTITY NAME], [COUNTY NAME] County,(the Government) [[13]](#endnote-13) as of and for the year**(s)** ended [FYE DATE]. These financial statements are the responsibility of the Government’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows,[[14]](#endnote-14) where applicable, of the [indicate entity] as of and for the year ended [date] in accordance with accounting principles generally accepted in the United States of America.

**USE THE FOLLOWING PARAGRAPH THE FIRST YEAR THE GOVERNMENT ADOPTS GASB54:**

As described in Note XX, during 2011 the [ENTITY NAME] adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The Government also has not presented Management’s Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Government’s financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and* is not a required part of the financial statements. The federal awards expenditure schedule is management’s responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Government, as of [FYE DATE], or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

**Auditor’s Signature**

[REPORT DATE]

Do not use the “restricted use” paragraph with this opinion.

1. Use this opinion for AOS basis governments **not required** to follow GAAP and which do not present “OCBOA 34” statements.) [↑](#endnote-ref-1)
2. Insert, “, a component unit of [NAME OF PRIMARY GOVERNMENT],” if applicable. [↑](#endnote-ref-2)
3. For qualified opinions with a scope limitation insert description of the limitation here and include “Except as noted below’ at the beginning of paragraph two.

Example scope limitation:

We were unable to obtain sufficient evidential matter supporting the amounts recorded as municipal income taxes and charges for services receipts. Municipal income taxes are reported at $XXX, and $YYY for the years ended December 31, 20EE and 20BB, respectively, which are XX percent of General Fund receipts for the year ended December 31, 20EE, and YY percent of General Fund receipts for the year ended December 31, 20BB. Charges for services receipts are reported at $ZZ and $AA for the years ended December 31, 20EE and 20BB respectively, which is BB percent of total Enterprise Fund operating receipts for the year ended December 31, 20EE, and CC percent of total Enterprise Fund operating receipts for the year ended December 31, 20BB. We were unable to determine the completeness or accuracy of municipal income taxes and utility receipts through alternative procedures.

Example modifications to the applicable opinion unit paragraphs:

Also, in our opinion, except for the effects adjustments, if any, that might have been required had we been able to examine sufficient appropriate evidence regarding municipal income taxes and utility receipts as described in paragraph X, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the General and Enterprise Funds of [ENTITY NAME], [COUNTY NAME], as of December 31, 20EE and 20BB and their combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes. ***Insert an additional opinion paragraph for other combined fund types to which this qualification does not apply.***

 As a reminder, refer to this in the first paragraph in the GAGAS letter, too. Example:

We have audited the financial statements of the [ENTITY NAME], [COUNTY NAME], (the Government) as of and for the year ended December 31, 20EE, and have issued our report thereon dated [REPORT DATE], wherein we noted the Government followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We qualified our opinion due to the lack of sufficient, appropriate evidential matter for the amounts reported as municipal income taxes for the General Fund and utility revenues for the Enterprise Fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards*.

**These examples are for AOS basis reporting and should be modified accordingly for OCBOA basis reporting.** [↑](#endnote-ref-3)
4. The cash basis reports only cash and cash equivalents as assets. Since we permit governments to include all investments ORC 135 authorizes, Ohio governments can use a cash basis, **modified** to include ORC 135 long-term investments. [↑](#endnote-ref-4)
5. We adopted this example from the AICPA’s *Applying OCBOA in State and Local Governmental Financial Statements.*  [↑](#endnote-ref-5)
6. 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-6)
7. Insert, “, a component unit of [NAME OF PRIMARY GOVERNMENT],” if applicable. [↑](#endnote-ref-7)
8. If we divide responsibility per AU 543, follow the opinion modifications in Briefcase Example GASB 34 A09. [↑](#endnote-ref-8)
9. Insert “and where applicable, cash flows,” if a cash flow statement is presented. If all funds present cash flow statements, delete the phrase “where applicable.” [↑](#endnote-ref-9)
10. Delete reference to the budgetary comparisons from the opinion paragraph, and refer to it in a supplementary information paragraph (see footnote 13) if the budgetary comparisons are presented as SI. [↑](#endnote-ref-10)
11. We modified the last paragraph of the OCBOA example, per SLG 15.05, which changed due to SAS 118 --- 120. As a result, OCBOA presentations cannot classify any information (such as MD&A or budget schedules) as RSI.

We modified the last paragraph to report on “RSI” as follows:

We report on MD&A ***tables*** derived from the statements as *Supplementary Information in Relation to the Financial Statements as a Whole*, per AU 551.

We disclaim on the remainder of MD&A (such as the text), per *Other Information in Documents Containing Audited Financial Statements,* per AU 550.

The OCBOA example assumes the auditee presented budgetary schedules with the statements. If presented as *supplementary information*, modify this paragraph to describe procedures similar to those we apply to MD&A tables.

If the auditee does not present MD&A with OCBOA financial statements, auditors should not consider this an exception because the SLG indicates it is not a requirement. [↑](#endnote-ref-11)
12. 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 551.09(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-12)
13. Insert, “, a component unit of [NAME OF PRIMARY GOVERNMENT],” if applicable. [↑](#endnote-ref-13)
14. Delete the reference to cash flows if none should have been presented. [↑](#endnote-ref-14)