**Special Purpose Framework Financial Statement Audits**

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

 **& OCBOA Opinion examples**

**Revised November 2015[[1]](#footnote-1)**

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

**With the Auditor of State’s Accounting Basis**

**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 cash balances, receipts and disbursements by fund type, and related notes of [ENTITY NAME], [COUNTY NAME] County[[2]](#endnote-1), (the Government) as of and for the years ended December 31, 20EE and 20BB.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***[[3]](#endnote-2)

As described in Note X of the financial statements, the Government prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Government does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Government as of December 31, 20EE and 20BB, or changes in financial position **or cash flows** << delete if the Government would not have reported a cash flow statement thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of [ENTITY NAME], [COUNTY NAME] as of December 31, 20EE and 20BB, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note **X**.

*Include* the following paragraph when the SFAE is included as supplemental info accompanying the audited statements. *Delete* this paragraph if SFAE is presented in a separate report with 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.

***Other Matters*** ***[[4]](#endnote-3)***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award [Receipts and] Expenditures 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 Federal Award [Receipts and] Expenditures 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 schedule is management’s responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

***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]

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

**Unmodified Report on Modified**[[5]](#endnote-4) **Cash Basis (OCBOA) Statements**

**Accompanied by MD&A and Supplementary and Other Information – GASB Format**

**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 modified cash-basis 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 informationof [ENTITY NAME], [COUNTY NAME] County, Ohio (the Government),1 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 the modified cash accounting basis Note **X** describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 2***

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 modifiedcash financial position[[6]](#endnote-5)and the **respective <<DELETE** “respective” if only one budgetary fund comparison budgetary comparison for the General and [list major special revenue funds] [[7]](#endnote-6) thereof for the year(s) then ended in accordance with the accounting basis described in Note **X**.

***Accounting Basis***

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. We draw attention to Note **X** of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Use the following paragraph if the government need not follow GAAP:

We draw attention to Note **X** of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Use the following paragraph the first year the government adopts OCBOA:

***Emphasis of Matter***

As discussed in Note **X** to the financial statements, during 20XX, the Government has elected to change its financial presentation to a modifiedcash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Use the following paragraph the first year the government adopts a GASB statement, but ***only*** if materially effects its statements:

As discussed in Note **X** to the financial statements, during 20XX, the Government adopted new accounting guidance in Governmental Accounting Standards Board Statement No. XX, [include name of GASB in italics]. We did not modify our opinion regarding this matter.

Use the following paragraph when the auditee presents MD&A, transmittal letter & trend information, or if the SFAE opinion is reported on in this opinion (i.e. 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.

***Other Matters 3***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award [Receipts and] Expenditures 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 Federal Award [Receipts and] Expenditures 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 schedule is management’s responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to Management’s Discussion & Analysis, the letter of transmittal, trend information or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them. << Include this paragraph *if* the client presents this information.

***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]

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 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 [ENTITY NAME], [COUNTY NAME] County, Ohio (the Government),1 Dublin City School DistrictDublin Schools
as of and for the year ended [FYE DATE], and the related notes to the financial statements.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

***Basis for Adverse Opinion 2***

As described in Note **X** of the financial statements, the Government prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note **X** and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

***Adverse Opinion***

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows,[[8]](#endnote-7) where applicable, of the [Entity Name] as of and for the year ended [date] in accordance with accounting principles generally accepted in the United States of America.

***Other Matters 3***

*~~Required Supplementary Information~~*

~~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~~. (Only GAAP presentations can report RSI.)

*Supplementary Information*

Our audit was conducted to opine on the financial statements taken as a whole.

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. <<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 Federal Award [Receipts and] Expenditures 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 also 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.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to express and we do not express an opinion on the supplementary information referred to above.

*Other Information*

We applied no procedures to Management’s Discussion & Analysis, the letter of transmittal, trend information or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them. << Include this paragraph *if* the client presents this information.

***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]

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

1. Revised November, 2015 to refer to GASB 68 schedules as *Other Information* in the *Other Matters* paragraph, and to refer to the *Uniform Guidance* for the in-relation-to opinion on the SFAE.

If presented, non-GAAP presentations should reclassify RSI as *supplemental information* or as *other information*, and never classify any statements or schedules as RSI.

*Supplemental information* = statements, schedules or accounts that derive from the accounting system for the year we audited.

*Other information* = statements, schedules or accounts or narratives that do not derive from the accounting system for the year we audited. For example, 10 year tables may have been previously audited, but do not derive from the accounting system for the year we are auditing.

~~Revised April 2015 to include guidance for auditee~~ *~~other information~~*~~, modify guidance in endnote 10 and minor wording changes throughout the examples and endnotes.~~ [↑](#footnote-ref-1)
2. Insert, “, a component unit of [NAME OF PRIMARY GOVERNMENT],” if applicable. [↑](#endnote-ref-1)
3. See guidance from AU-C 705.A1 below for determining additional opinion modifications.

*These examples are for AOS basis reporting and require additional modification if government issues OCBOA basis statements – AOS auditors should consult with the CFAE:*

Example scope limitation:

 ***Basis for Additional Opinion Qualification***

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 obtain sufficient appropriate audit evidence supporting the amounts recorded as municipal income taxes and charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

 Example modifications to the applicable opinion unit paragraphs:

 ***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of [ENTITY NAME], [COUNTY NAME] as of December 31, 20EE and 20BB, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note **X**.

*Insert an additional opinion paragraph under the heading “Unmodified Opinions” for other combined fund types to which this qualification does not apply.*

***Auditor’s Responsibility -*** *The last sentence in this section can be modified as follows when there is a scope limitation. However, if there is also an additional opinion paragraph for “Unmodified Opinions” then leave the reference to just say ‘audit opinions’:*

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

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

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the [ENTITY NAME], [COUNTY NAME], (the Government) as of and for the year ended December 31, 20EE, and the related notes to the financial statements and have issued our report thereon dated [REPORT DATE], wherein we noted the Government followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as municipal income taxes and charges for services receipts.

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 [↑](#endnote-ref-2)
4. 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) and AOS auditors consult with the CFAE.

We must modify reporting on this information if we render an adverse opinion or disclaimer of opinion. AOS auditors consult with CFAE. See AU-C 725.11 and reporting examples in AU-C 725 .A17.

***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-3)
5. 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)
6. 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-5)
7. Delete reference to the budgetary comparisons from the opinion paragraph, and refer to it in a supplementary information paragraph if the budgetary comparisons are presented as SI. [↑](#endnote-ref-6)
8. Delete the reference to cash flows if none should have been presented. [↑](#endnote-ref-7)