AUDIT OPINIONS

**(Incorporates the Implementation of SAS No. 134 and other related SASs)**

The following sample audit opinions illustrate reports on the basic financial statements to be issued in selected situations. In all cases the auditor should strive to give an unqualified opinion. In situations where this is not possible, the auditor should explain in detail what internal controls or procedures are necessary to issue an unqualified opinion next year. This explanation should be contained in the internal control report or management letter, a copy of which shall be sent to the NC Department of State Treasurer, State and Local Government Finance Division. See the most recent memo regarding the Contract to Audit Accounts for more details and the implications and/or requirements if less than an unqualified opinion is to be issued.

Most of the sample opinions are adapted from the AICPA’s *Audit and Accounting Guide:*  *State and Local Governments*. The combining and individual fund financial statements presented with supporting schedules must be reported on as supplementary data in *Supplementary Information* section or in a separate opinion because the unit and the NC Department of State Treasurer, State and Local Government Finance Division, use this information for monitoring budgetary compliance, preparing bond circulars, evaluating the financial condition, and other purposes.

The following sample has incorporated the AICPA Auditing Standards Board’s SAS Nos. 134 to 140, to be used that revises the auditor reports for fiscal years ending on or after December 15, 2021. Early implementation is allowed for audits issued on year prior to the implementation date of fiscal years ending on or after December 15, 2021.

**Text that is unique to the type of example is noted in GREEN**

**Changes of resent auditing standards or other authoritative sources are noted in BLUE**

**EXAMPLE 7: Unmodified Opinion on the Basic Financial Statements of a Special Purpose Government That Has a Single Opinion Unit Engaged in Governmental Activities Only [[1]](#endnote-1)**

**(Includes SAS No. 134 and other related SASs requirements)**

Independent Auditor’s Report

To the [Highest Elected Official and Governing Board]

City of Dogwood, North Carolina

***Opinions[[2]](#endnote-2)***

We have audited the accompanying basic financial statements of the governmental activities and the major fund of City of Dogwood Tourism Development Authority, a component unit of the City of Dogwood, [[3]](#endnote-3) North Carolina as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the City of Dogwood Tourism Development Authority’s basic financial statements as listed in the table of contents. [[4]](#endnote-4) [[5]](#endnote-5)

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the City of Dogwood Tourism Development Authority as of June 30, 20X1, and the respective changes in financial position [and, its cash flows [[6]](#endnote-6) thereof and the respective budgetary comparison [[7]](#endnote-7)] for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). [[8]](#endnote-8) 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 City of Dogwood Tourism Development Authority, 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 audit opinions. [[9]](#endnote-9) [[10]](#endnote-10) [[11]](#endnote-11)

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

Management is responsible for the preparation and fair presentation of these 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 raises substantial doubt about the City of Dogwood Tourism Development Authority’s ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor’s Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 will always detect material statement 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, we

* Exercised professional judgement and maintained 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 responsible 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 City of Dogwood Tourism Development Authority’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 City of Dogwood Tourism Development Authority’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***

*Most NC Local Governments have Required Supplementary Information (RSI) and the information and auditor’s responsibility should be presented here. Refer to Example 1 for illustrative wording and footnote explanation.*

***Supplementary Information***

*Most NC Local Governments have Supplementary Information (SI) and the information and auditor’s responsibility should be presented here. Refer to Example 1 for illustrative wording and footnote explanation.*

***Other Information***

*NC Local Governments that issue Annual Comprehensive Financial Reports (ACFR) will have Other Information (OI) and the information and auditor’s responsibility should be presented here. Refer to Example 1 for illustrative wording and footnote explanation.*

***Report on Other Legal and Regulatory Requirements***

*The form and content of this section of the auditor’s report would vary depending on the nature of the auditor’s other reporting responsibilities. This would be included for an audit performed under Governmental Auditing Standards****. [[12]](#endnote-12)***

[Signature]

[City and State]

[Date]

1. This example is a Special-purpose government that is a component unit of a primary government. It is engaged only in a governmental activity (tourism-development) and has a single opinion unit. [↑](#endnote-ref-1)
2. If an audit was performed under *Governmental Auditing Standards*, a “Report on the Audit of the Financial Statements” heading would precede the Opinion heading. This heading would also be used if the auditor’s report contains a separate section “Report on Other Legal and Regulatory Requirements” that addresses other reporting responsibilities. [↑](#endnote-ref-2)
3. If the unit is not a component unit of another entity, then the reference should be removed. [↑](#endnote-ref-3)
4. If the prior-period financial statements include the minimum information required by GAAP for a complete set of financial statements, the current auditor should report on them. Due to the complexity of governmental financial statements, prior-period financial statement information may present comparative information that is condensed or summarized financial information that is not considered to be comparative financial statements. Accordingly, the auditor is not required to opine on such comparative information. Instead, the auditor should add an appropriate headed other-matter paragraph to describe the character of the auditors work and the degree of responsibility taken.

   **Report on Summarized Comparative Information**

   The summarized comparative information presented herein as of and for the year ending June 30, 20XX, derived from those financial statements, has not been audited, reviewed, compiled and, accordingly, we express no opinion on it.

   Prior year information, such as prior-year combining and individual fund information may be included in RSI or SI when prior-year financial statements are not presented. The auditor may choose not to report on such comparative information. [↑](#endnote-ref-4)
5. If there is no table of contents, then either delete the reference. Page numbers of the financial statements could be referenced. [↑](#endnote-ref-5)
6. If the unit is a proprietary (business-type) unit of government and the financial statements produce one or more financial statements of cash flows, the opinion paragraph should reference cash flows, where applicable. If all funds have cash flows, then remove “where applicable.” If no proprietary funds, then reference to cash flows should be deleted. [↑](#endnote-ref-6)
7. North Carolina local governments are required to present annually budgetary statements in the basic financial statements. The last sentence of the opinion paragraph should agree with the statements with regard to which funds’ budgetary statements are included in the basic financial statements. The General Fund and each major annually budgeted Special Revenue Fund must be listed by name. [↑](#endnote-ref-7)
8. If the audit is submitted to comply with a legal, regulatory, or contractual requirement for a financial audit in accordance with the Yellow Book, 2018 revision or Uniform Guidance, the auditor’s report should refer to *Government Auditing Standards*; refer to Example 2. Also refer to footnote 12. [↑](#endnote-ref-8)
9. If there has been a change in accounting principle that has a material effect on comparability of the financial statements, a paragraph should be added after the basis of opinions paragraph:

   **Change in Accounting Principle:** “As discussed in Note X to the financial statements, in 20XX the County adopted new accounting guidance, GASB Statement No. 87*, Leases*. Our opinion is not modified with respect to this matter.” [↑](#endnote-ref-9)
10. **Going Concern:** When performing risk assessment, the auditor should consider whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time. If substantial doubt has been raised, the auditor should consult guidance found in AU-C §570, including discussing with management and determining if adequate note disclosures are included in the audit. The auditor may determine that a “Substantial Doubt About the Entity’s Ability to Continue as a Going Concern” paragraph is necessary. [↑](#endnote-ref-10)
11. **Emphasis of Matter paragraph:** If required by GAAS or the auditor considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor should refer to AU-C §706 and include an emphasis-of-matter paragraph in the auditor's report, provided that the matter does not result in a modified opinion. The paragraph should fully describe the matter in the financial statements. This paragraph is not a substitute for a modified opinion, and the paragraph should note that the opinion is not modified. Circumstances in which it is necessary to include an emphasis of mater paragraph: 1) uncertainty related to future outcome of unusually important legislation or regulatory action, 2) significant subsequent event, 3) a major catastrophe that affect the entity’s financial position or results of operations, or 4) significant transaction of related parties. **Other-Matter paragraph**: If required by GAAS or included at the auditor’s discretion to draw user’s attention to any matters other than those presented or disclosed in the financial statements that are relevant to users understanding of the audit, the auditor’s responsibilities, or the auditor’s report. An other-matter paragraph is required if laws, regulation, or generally accepted practice may require or permit the auditor to elaborate on matters or when the auditor is unable to withdraw from an engagement (refer to AU-C §706). [↑](#endnote-ref-11)
12. AU-C section 700, Paragraph .37 of AU-C, provides that the section related to an auditor’s other reporting responsibilities should be subtitled “Report on Other Legal and Regulatory Requirements” or otherwise, as appropriate to the contents of this section. An example of an alternative title would be describing the reporting requirements by audits performed under *Governmental Auditing Standards*. Refer to Example 2 [↑](#endnote-ref-12)