

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Appendix A – Illustrative Auditor's Reports

17.114 This appendix illustrates auditor's reports in specific situations discussed in this chapter.

Auditors should revise the illustrative reports as needed in different situations, using selected elements of the illustrative reports, as applicable. The following list describes assumptions used in preparing the illustrations, items the auditor may want to consider in preparing the auditor's reports for specific engagements, and circumstances in which revisions to the auditor's report are required:

- The illustrative auditor's reports cover a single year. Paragraphs 17.56–.62 discuss modifications to the auditor's report on the basic financial statements when those financial statements include information from a prior period.
- If prior-period financial information is a partial or summarized presentation (or a combination of partial and summarized information) and does not include the minimum information required by GAAP for a complete set of financial statements, revisions to the auditor's report are required. See paragraphs 17.56–.57.
- Within many of the illustrative auditor's reports there are references to both "basic financial statements" and "financial statements." There is an intended distinction for when each term is used because of the nature of governmental audits. That is, although the government prepares basic financial statements as defined by GASB (See chapter 2, "Financial Reporting," of this guide for a detailed description of the basic financial statements.), the auditor expresses an opinion or disclaims an opinion on each opinion unit. (See chapter 4, "General Auditing Considerations," of this guide and paragraphs 17.04–.11 for more information on opinion units.) Therefore, when the term "financial statements" is used within the report illustrations it is generally a reference to the financial statements of each opinion unit.
- The auditor's report may need to separately name each individual major fund rather than refer to "each major fund." See paragraph 17.15.
- The "Opinion" section should list only the opinion units presented in the financial statements. As discussed in paragraph 17.04, under certain circumstances, the auditor may choose to combine the two aggregate opinion units — the one for the aggregate discretely presented component units and the one for the aggregate remaining fund information — as a single opinion unit. If that is done, the terms aggregate discretely presented component units and aggregate remaining fund information should not be used in the auditor's report, for example, as shown in example A-1. Instead, the auditor's report should use the term aggregate discretely presented component units and remaining fund information.
- Illustrative auditor's reports on governmental financial statements conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* (also referred to as the Yellow Book), issued by the Comptroller General of the United States are discussed in detail in AICPA Audit Guide Government Auditing Standards *and Single Audits*.

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- If a government presents required budgetary comparison information as basic financial statements instead of as required supplementary information (RSI), the “Opinion” section should be revised to refer to the budgetary comparison in the manner shown in footnote 4 to example A-1.
- When the auditor determines a modified opinion is appropriate, the guidance in paragraph .21–.28 of AU-C section 705, *Modifications to the Opinion in the Independent Auditor’s Report*,¹ indicates a “Basis for Opinion” section should describe the matter giving rise to the modification. If the misstatement relates to specific amounts in the financial statements (including amounts in disclosures), the description should include quantification of the financial effects of misstatements, unless impracticable. If it is not practicable to quantify the effects, the auditor should so state. If the misstatement is related to qualitative disclosures, the auditor should explain how the disclosures are misstated. If the misstatement is related to omitted information, the auditor should describe the nature of the omitted information and provide the information if practicable to do so.² If the modification relates to the inability to obtain sufficient appropriate audit evidence, the auditor should include the reasons for the inability.
- The “Opinion” section should refer to cash flows only if the financial statements are required to present one or more statements of cash flows. If only some opinion units are required to present statements of cash flows, the “Opinion” section should refer to “where applicable, cash flows.”
- Because of the GASB requirement that financial statements be accompanied by management discussion and analysis, most governmental financial statements are required to present RSI. A government’s financial statements also may be accompanied by supplementary information (SI), other information (OI), or both. AU-C sections 720, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*; 725, *Supplementary Information in Relation to the Financial Statements as a Whole*; and 730, *Required Supplementary Information*, discuss auditor reporting for RSI, SI, and OI. Paragraphs 17.77–.95 discuss auditor reporting for RSI, SI and OI. Example A-1 illustrates auditor reporting on RSI, SI, and OI and assumes that the auditor is engaged to issue an “in relation to” opinion on SI. In addition, example A-15 illustrates unmodified opinions on combining and individual fund financial statements presented as “GASB Defined” supplementary (that is, SI as contemplated in GASB Concepts Statement No. 3, *Communication Methods in General Purpose External Reports That Contain Basic Financial Statements*, preceding items 2–3).
- The illustrative auditor’s reports assume the auditor has not been engaged to report on key audit matters (KAMs). AU-C section 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*, addresses the auditor’s responsibilities to communicate KAM in the auditor’s report when the auditor is engaged to do so, including relating to the auditor’s judgment of what to communicate and the form and content of such communication. KAMs are addressed in paragraphs 17.29–.32 of this chapter.

¹All AU-C sections can be found in AICPA *Professional Standards*.

²Paragraph .24 of AU-C section 705, *Modifications to the Opinion in the Independent Auditor’s Report*, also indicates that the auditor should discuss the omission with those charged with governance.

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- The illustrative auditor's reports assume the auditor has concluded that there are no conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time in accordance with AU-C section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*. Paragraph 17.28 provides additional information concerning AU-C section 570 and the auditor's report.

Other conditions that require revisions to the auditor's report are described in the footnotes to the illustrative reports.

The illustrative reports provided are as follows:

Example A-1 — Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information, Supplementary Information, and Other Information

Example A-2 — Unmodified Opinion on Basic Financial Statements of a Special-Purpose Government That Is a Component Unit With a Single Opinion Unit

Example A-3 — Unmodified Opinions on Basic Financial Statements of a Special-Purpose Government That Has One Opinion Unit for the Primary Government and Another Opinion Unit for Its Aggregate Discretely Presented Component Units

Example A-4 — Unmodified Opinions on Basic Financial Statements of a Special-Purpose Government That Has One Opinion Unit for Business-Type Activities and Another Opinion Unit for Fiduciary Activities

Example A-5 — Report on Basic Financial Statements That Includes Qualified Opinions on Major Governmental Funds Because of a GAAP Departure

Example A-6 — Report on Basic Financial Statements That Includes an Adverse Opinion on the Governmental Activities Because Certain General Infrastructure Assets Are Omitted

Example A-7 — Report on Basic Financial Statements That Includes an Adverse Opinion on the Governmental Activities Because Compensated Absences Are Omitted

Example A-8 — Report on Basic Financial Statements That Presents an Adverse Opinion on the Financial Statements as a Whole Because the Government-Wide Financial Statements Are Omitted

Example A-9 — Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information, Supplementary Information, and Other Information With Reference to an Audit by Another Auditor

Example A-10 — Report on Basic Financial Statements That Includes Multiple Opinion Modifications, Including an Adverse Opinion Because a Major Fund Is Omitted

Example A-11 — Unmodified Opinions on Basic Financial Statements of a Primary Government That Omits the Financial Data of Each Component Unit and That Issues Audited Financial Statements for the Reporting Entity

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Example A-12 — Report on Basic Financial Statements That Includes Multiple Opinion Modifications, Including a Disclaimer of Opinion on the Discretely Presented Component Units Because Unable to Obtain Sufficient Appropriate Audit Evidence

Example A-13 — Report on Basic Financial Statements of a Primary Government That Omits the Financial Data of Each Component Unit and That Does Not Issue Audited Financial Statements for the Reporting Entity

Example A-14 — Unmodified Opinions on Basic Financial Statements and on Additional Detail Presented in the Basic Financial Statements

Example A-15 — Unmodified Opinions on Basic Financial Statements and on Combining and Individual Fund Financial Statements Presented as "GASB Defined" Supplementary Information

Example A-16 — Unmodified Opinion on General Fund Financial Statements

Example A-17 — Unmodified Opinions on Departmental Financial Statements

Example A-18 — Report on Separately Issued Summary Financial Information

Example A-1 — Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information, Supplementary Information, and Other Information

(Paragraphs 17.12–.15 and 17.77–.95)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements³

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position, and, where applicable,

³The "Report on the Audit of the Financial Statements" heading is only necessary if the auditor's report contains a separate section that addresses other reporting responsibilities. See footnote 10.

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cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.⁴

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).⁵ 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], 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.

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]’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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

⁴If a government presents required budgetary comparison information as basic financial statements instead of as RSI, this paragraph in the “Opinion” section would be replaced with the following:

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the [indicate the major governmental funds involved] for the year then ended in accordance with accounting principles generally accepted in the United States of America.

⁵When the audit is also performed under *Government Auditing Standards*, issued by the Comptroller General of the United States, see AICPA Audit Guide *Government Auditing Standards and Single Audits* for illustrations of the additional reporting required by *Government Auditing Standards* and other information on planning, performing and reporting on the audit in accordance with *Government Auditing Standards*.

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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

- 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]'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]'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 Information⁶

⁶This RSI section of the report illustrates a situation where RSI is included, the auditor has applied the specified procedures, and no material departures from prescribed guidelines have been identified.

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 or 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*. (See the discussion beginning at paragraph 17.77.) AU-C section 730 does not prescribe placement of the RSI section of the report.

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Accounting principles generally accepted in the United States of America require that the [identify required supplementary information, such as management’s discussion and analysis and budgetary comparison information] 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.

Supplementary Information⁷

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Entity]’s basic financial statements. The [identify accompanying supplementary information, such as the combining and individual nonmajor fund financial statements] are presented for purposes of additional analysis and 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 fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information⁸

⁷This illustration assumes that the auditor has been engaged to provide an "in-relation-to" opinion on SI, the auditor is issuing an unmodified opinion on the financial statements, and the auditor has concluded that the SI is fairly stated, in all material respects, in relation to the financial statements as a whole. If there is no SI on which to report, this section would be deleted. If the auditor has issued an opinion other than unmodified on the basic financial statements, see the guidance in AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*. (See the discussion beginning at paragraph 17.84.)

⁸This OI section of the report illustrates a situation where OI is included in the annual report and all information was obtained prior to the date of the auditor’s report, the auditor has applied the specified procedures, no uncorrected material misstatements of the OI exist, and the auditor is issuing an unmodified opinion on the basic financial statements. If the auditor has concluded that an uncorrected material misstatement of the other information exists or if the auditor has issued an opinion other than unmodified on the basic financial statements, refer to the guidance in AU-C section 720, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*. (See the discussion beginning at paragraph 17.90.) See Technical Questions and Answers (Q&A) section 9165, “Other Information Included in Annual Reports,” questions .01 through .03, which address

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Management is responsible for the other information included in the annual report.⁹ 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.

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.

Report on Other Legal and Regulatory Requirements¹⁰

[*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.*]

[*Signature of the auditor's firm*]

[*City and state where the auditor's report is issued*]¹¹

[*Date of the auditor's report*]

the auditor's reporting requirements when other information included in an annual report is not obtained until after the date of the auditor's report.

⁹Paragraph .A10 of AU-C section 720 indicates that government annual reports include annual comprehensive financial reports (ACFR) and other annual financial reports that include a government's financial statements and auditor's report. The auditor and client agree in the engagement letter on what constitutes the annual report. The auditor may choose to use annual financial report or ACFR language here rather than annual report.

¹⁰In some circumstances, the auditor may have other reporting responsibilities in addition to the auditor's responsibility under GAAS. When there are such other reporting responsibilities, they should be addressed in a separate section in the auditor's report. Paragraph .39 of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*, provides that other reporting responsibilities should be addressed in a separate section in the auditor's report with the heading "Report on Other Legal and Regulatory Requirements." or another heading that is appropriate to the content of the section. For example, if the audit is also performed in accordance with *Government Auditing Standards*, an alternative title would be "Other Reporting Required by *Government Auditing Standards*." When there are no such other reporting responsibilities, this section is excluded, and the "Report on the Audit of the Financial Statements" heading at the beginning of the report is not necessary. (See footnote 3.)

¹¹Technical Questions and Answers (Q&A) section 9100.07, "Naming the City and State Where the Auditor Practices," addresses situations where the firm's letterhead includes the city and state.

Q&A sections are an *other auditing publication*. Readers should refer to the preface for further guidance in assessing the relevance and appropriateness of an other auditing publication.

All Q&A sections can be found in *Technical Questions and Answers*. Log in to the AICPA website to download the full text of the publication at <https://www.aicpa-cima.com/resources/download/aicpa-technical-questions-and-answers-at-your-fingertips>. The publication is fully searchable with bookmarking that allows users to navigate directly to a desired section.

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Example A-2 — Unmodified Opinion on Basic Financial Statements of a Special-Purpose Government That Is a Component Unit With a Single Opinion Unit

(Paragraphs 17.16 and 17.69)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹²

Opinion

We have audited the financial statements of the [Name of Governmental Entity (Entity)], a component unit of the [Name of Primary Government],¹³ as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the [Name of Governmental Entity] as of June 30, 20X1, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.¹⁴

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).¹⁵ 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], 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 opinion.

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.

¹²See footnote 3.

¹³As discussed in paragraph 17.69, the auditor's report should disclose when an entity is a component unit of a financial reporting entity. If the special-purpose government is not a component unit of another government, this reference to being a component unit should be removed.

¹⁴In the "Opinion" section, the terms *financial position* and *changes in financial position* could be replaced with terms that would be more descriptive in the circumstances. For example, in a report on a public employee retirement system, the terms *plan net position or fiduciary net position* and *changes in plan net position or changes in fiduciary net position* might be used. In addition, reference to cash flows may be removed if not applicable (for example, governmental funds, fiduciary funds).

¹⁵See footnote 5.

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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]'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 opinion. 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 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, 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]'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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

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Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI]

Report on Other Legal and Regulatory Requirements¹⁶

[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.]

[Signature of the auditor's firm][City and state where the auditor's report is issued]¹⁷

[Date of the auditor's report]

Example A-3 — Unmodified Opinions on Basic Financial Statements of a Special-Purpose Government That Has One Opinion Unit for the Primary Government and Another Opinion Unit for Its Aggregate Discretely Presented Component Units

(Paragraph 17.16)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹⁸

Opinions

We have audited the financial statements of the business-type activities¹⁹ and the aggregate discretely presented component units of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the

¹⁶See footnote 10.

¹⁷See footnote 11.

¹⁸See footnote 3.

¹⁹The example assumes that the special-purpose government is engaged only in business-type activities. If the special-purpose government is engaged only in fiduciary activities, the "Opinions" section would refer to fiduciary activities. If the special-purpose government is engaged in both business-type activities and fiduciary activities. (See example A-4.)

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aggregate discretely presented component units of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof 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).²⁰ 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], 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.

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]'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 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, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

²⁰See footnote 5.

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- 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]’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]’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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI]

Report on Other Legal and Regulatory Requirements²¹

[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.]

[Signature of the auditor’s firm]

[City and state where the auditor’s report is issued]²²

[Date of the auditor’s report]

²¹See footnote 10.

²²See footnote 11.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Example A-4 — Unmodified Opinions on Basic Financial Statements of a Special-Purpose Government That Has One Opinion Unit for Business-Type Activities and Another Opinion Unit for Its Fiduciary Activities

(Paragraph 17.16)

Independent Auditor's Report

[*Appropriate Addressee*]

Report on the Audit of the Financial Statements²³

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities²⁴ of [*Name of Governmental Entity (Entity)*], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [*Entity*]'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the [*Name of Governmental Entity*] as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof 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).²⁵ 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*], 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.

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.

²³See footnote 3.

²⁴The example assumes that the special-purpose government is engaged only in business-type activities and fiduciary activities. If the special-purpose government also has nonmajor funds, the "Opinions" section would refer to aggregate remaining fund information. If the special purpose government is engaged in only business-type activities. (See example A-3.)

²⁵See footnote 5.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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]'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 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, 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]'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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements²⁶

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]²⁷

[Date of the auditor's report]

Example A-5 — Report on Basic Financial Statements That Includes Qualified Opinions on Major Governmental Funds Because of a GAAP Departure²⁸

(Paragraph 17.44)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements²⁹

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements,

²⁶See footnote 10.

²⁷See footnote 11.

²⁸Depending on the nature and magnitude of the U.S. generally accepted accounting principles (GAAP) departure, it is possible that the auditor's opinion on the governmental activities also would be qualified, as illustrated in example A-10. Further, the same GAAP departure in the nonmajor governmental funds could affect the auditor's opinion on the aggregate remaining fund information. This example assumes that the auditor has concluded that the GAAP departure is not material to the governmental activities opinion unit or to the aggregate remaining fund information opinion unit. Another auditor could make a different professional judgment. (See paragraphs 17.07–.08.) If a GAAP departure is material to more than one opinion unit, the "Basis for Opinions" section should include a description of the matter giving rise to the modification for each affected opinion unit.

²⁹See footnote 3.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

which collectively comprise the [Entity]’s basic financial statements as listed in the table of contents.³⁰

*Summary of Opinions*³¹

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

*Qualified Opinions on Governmental Funds X and Y*³²

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Governmental Funds X and Y of the [Name of Governmental Entity], as of June 30, 20X1, and the 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 Governmental Activities, Business-Type Activities, Aggregate Discretely Presented Component Units, Governmental Fund Z, Enterprise Funds A and B, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, Governmental Fund Z, Enterprise Funds A and B, and the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).³³ Our responsibilities under those standards are further

³⁰See footnote 4. If a government presents required budgetary information as basic financial statements instead of RSI, the auditor should evaluate whether the basis for qualified opinion impacts the auditor’s opinion on budgetary comparison information. Modify example wording in footnote 4 as appropriate.

³¹This table is not a required element of the auditor’s report under AU-C section 700. It is included here and in other illustrations in this section to illustrate an additional way for the auditor to communicate that more than one type of opinion is being issued. Its inclusion may assist users in more easily understanding the report.

³²As there are multiple opinion units in this report, the heading illustrates identifying the opinion units to which the modification applies to more clearly communicate the opinion units associated with the modification.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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], 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 qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on Governmental Funds X and Y

Management has not adopted a methodology for reviewing the collectibility of taxes receivable in Governmental Funds X and Y and, accordingly, has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets, deferred inflows of resources, and fund balances and change the revenues in Governmental Funds X and Y. The amount by which this departure would affect the assets, deferred inflows of resources, fund balances, and revenues of the Governmental Funds X and Y has not been determined.^{34,35}

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]’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

³³See footnote 5.

³⁴If a government presents required budgetary comparison information as basic financial statements instead of as RSI, the “Basis for Opinions” section also should explain the effect of the GAAP departure on the budgetary comparison information. This example assumes that the government budgets on a cash basis, and thus the GAAP departure would not affect the budgetary comparison information if it were presented as a basic financial statement. Example A-1 provides modification that would be needed to this report in other areas if required budgetary comparison information is presented as a basic financial statement.

³⁵Based on the guidance in paragraphs .21–.22 of AU-C section 705, the “Basis for Opinions” section should describe the matter giving rise to the modification. If the misstatement relates to specific amounts in the financial statements (including amounts in disclosures), the description should include quantification of the financial effects of misstatements, unless impracticable. Paragraphs .A29–.A30 of AU-C section 705 describe when obtaining information is practicable. If it is not practicable to quantify the effects, the auditor should so state. Paragraphs .23–.28 of AU-C section 705 provide further guidance on the “Basis for Opinions” section related to misstatements involving qualitative disclosures, omitted information, and the inability to obtain sufficient appropriate audit evidence.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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 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, 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]'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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Report on Other Legal and Regulatory Requirements³⁶

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]³⁷

[Date of the auditor's report]

Example A-6 — Report on Basic Financial Statements That Includes an Adverse Opinion on the Governmental Activities Because Certain General Infrastructure Assets Are Omitted³⁸

(Paragraph 17.45)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements³⁹

Adverse and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *[Name of Governmental Entity (Entity)]*, as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the *[Entity]*'s basic financial statements as listed in the table of contents.⁴⁰

Summary of Opinions⁴¹

³⁶See footnote 10.

³⁷See footnote 11.

³⁸As discussed in paragraph 17.45, an adverse opinion is usually appropriate if a general-purpose government omits general infrastructure assets. Further, depending on the nature and magnitude of the facts and circumstances leading to an adverse opinion on one or more opinion units, it is possible that the auditor would conclude that it is appropriate to issue an adverse opinion on the financial statements as a whole. (See paragraphs 17.10 and 17.46.) This example assumes that the auditor has concluded that the GAAP departure warrants an adverse opinion on the governmental activities but not on the financial statements as a whole. Another auditor could make a different professional judgment and issue an adverse opinion on the financial statements as a whole. (See the illustration of an adverse opinion on the financial statements as a whole in example A-8.)

³⁹See footnote 3.

⁴⁰See footnote 4.

⁴¹See footnote 31.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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

Adverse Opinion on Governmental Activities⁴²

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the governmental activities of the [Name of Governmental Entity], as of June 30, 20X1, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-Type Activities, Aggregate Discretely Presented Component Units, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).⁴³ 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], 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 and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note X to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded

⁴²See footnote 32.

⁴³See footnote 5.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and net position and change the expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.⁴⁴

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]'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 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, 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]'s internal control. Accordingly, no such opinion is expressed.

⁴⁴See footnote 35.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

- 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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements⁴⁵

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]⁴⁶

[Date of the auditor's report]

⁴⁵See footnote 10.

⁴⁶See footnote 11.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Example A-7 — Report on Basic Financial Statements That Includes an Adverse Opinion on the Governmental Activities Because Compensated Absences Are Omitted⁴⁷

(Paragraphs 17.07–.08 and 17.45)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements⁴⁸

Adverse and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [Entity]’s basic financial statements as listed in the table of contents.

Summary of Opinions⁴⁹

<i>Op n on Un t</i>	<i>Type of Op n on</i>
Governmental Activities	Adverse
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Governmental Fund X	Unmodified
Governmental Fund Y	Unmodified
Governmental Fund Z	Unmodified
Enterprise Fund A	Unmodified
Enterprise Fund B	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Governmental Activities⁵⁰

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements

⁴⁷Depending on the nature and magnitude of the GAAP departure, it is possible that the auditor would issue a qualified opinion rather than an adverse opinion. Further, depending on the nature and magnitude of the facts and circumstances leading to an adverse opinion on one or more opinion units, it is possible that the auditor would conclude that it is appropriate to issue an adverse opinion on the financial statements as a whole. (See paragraphs 17.10 and 17.46.) This example assumes that the auditor has concluded that the GAAP departure warrants an adverse opinion on the governmental activities, but not on the financial statements as a whole. Another auditor could make a different professional judgment and either issue a qualified opinion (See example A-10.) or issue an adverse opinion on the financial statements as a whole. (See example A-8.)

⁴⁸See footnote 3.

⁴⁹See footnote 31.

⁵⁰See footnote 32.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

referred to above do not present fairly the financial position of the governmental activities of the [Name of Governmental Entity], as of June 30, 20X1, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-Type Activities, Aggregate Discretely Presented Component Units, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).⁵¹ 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], 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 and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

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 expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.⁵²

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.

⁵¹See footnote 5.

⁵²See footnote 35.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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]'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 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, 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]'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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements⁵³

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]⁵⁴

[Date of the auditor's report]

Example A-8 — Report on Basic Financial Statements That Presents an Adverse Opinion on the Financial Statements as a Whole Because the Government-Wide Financial Statements Are Omitted

(Paragraphs 17.10 and 17.46)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements⁵⁵

Adverse Opinion

We have audited the financial statements of each major fund and the aggregate remaining fund information of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise a portion of the [Entity]'s basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the [Name of Governmental Entity], as of June 30, 20X1, or the changes in financial position, or,

⁵³See footnote 10.

⁵⁴See footnote 11.

⁵⁵See footnote 3.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the [Entity]'s governmental activities, business-type activities, and discretely presented component units have not been determined.⁵⁶

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).⁵⁷ 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], 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 audit opinion.

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]'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 opinion. 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 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.

⁵⁶See footnote 35.

⁵⁷See footnote 5.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

In performing an audit in accordance with GAAS, 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]'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]'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.

Report on Other Legal and Regulatory Requirements⁵⁸

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]⁵⁹

[Date of the auditor's report]

Example A-9 — Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information, Supplementary Information, and Other Information With Reference to an Audit by Another Auditor

(Paragraphs 17.47–.50 and 17.74–.96)

Independent Auditor's Report

⁵⁸See footnote 10.

⁵⁹See footnote 11.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

[Appropriate Addressee]

Report on the Audit of the Financial Statements⁶⁰

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report(s) of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.⁶¹

We did not audit the financial statements of [identify organization, function, or activity], which represent XX%, XX%, and XX%, respectively, of the assets, [net position, or fund balances], and revenues of the [identify opinion unit(s)] as of June 30, 20X1.⁶² Those statements were audited by other auditors whose report(s) has been furnished to us, and our [opinion(s)], insofar as it relates to the amounts included for [identify organization, function, or activity], [is(are)] based solely on the report(s) of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).⁶³ 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], 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.

⁶⁰See footnote 3.

⁶¹See footnote 4.

⁶²Appropriate changes to this sentence should be made when an entire opinion unit is audited by another auditor. For example, "We did not audit the financial statements of the Sewer Enterprise Fund, which is both a major fund and XX%, XX%, and XX%, respectively, of the assets, net position, and revenues of the business-type activities." However, the report still should indicate in the "Auditor's Responsibilities for the Audit of the Financial Statements" section the group auditor's responsibility for auditing that opinion unit. The group auditor should also express or disclaim an opinion in the "Opinions" section of the report. See the further discussion in paragraph 17.96 and the guidance in AU-C section 600A, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*.

⁶³See footnote 5.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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]'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 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, 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]'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]'s ability to continue as a going concern for a reasonable period of time.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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 Information⁶⁴

Accounting principles generally accepted in the United States of America require that the [identify required supplementary information, such as management's discussion and analysis and budgetary comparison information] 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 and other auditors⁶⁵ 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.

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements⁶⁶

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]⁶⁷

[Date of the auditor's report]

⁶⁴See footnote 6.

⁶⁵Reference to other auditors is only appropriate when the component auditor's report discusses applicable RSI. (See paragraph 17.97.)

⁶⁶See footnote 10.

⁶⁷See footnote 11.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Example A-10 — Report on Basic Financial Statements That Includes Multiple Opinion Modifications, Including an Adverse Opinion Because a Major Fund Is Omitted⁶⁸

(Paragraph 17.64)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements⁶⁹

Adverse, Qualified, and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund (except as described below), and the aggregate remaining fund information of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements as listed in the table of contents.

Summary of Opinions⁷⁰

Opinion Unit	Type of Opinion
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

⁶⁸As 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 Opinions" section should include a description of the matter giving rise to the modification for each affected opinion unit.

⁶⁹See footnote 3.

⁷⁰See footnote 31.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

*Adverse Opinion on Enterprise Fund A*⁷¹

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 [Name of Governmental Entity], as of June 30, 20X1, 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 States 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 [Name of Governmental Entity], as of June 30, 20X1, 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 Aggregate Discretely Presented Component Units, Governmental Fund Z, Enterprise Fund B, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, Governmental Fund Z, Enterprise Fund B, and the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with 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).⁷² 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], 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 A⁷³ in the [Entity]'s financial statements. Accounting principles generally accepted in the United States of America require Enterprise

⁷¹See footnote 32.

⁷²See footnote 5.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.⁷⁴

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 expenses of the 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 collectibility 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.

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]'s ability to continue as a going concern for twelve months beyond the financial

⁷³This 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 17.65–.68 and illustrated in example A-11.

⁷⁴See footnote 35.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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 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, 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]'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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements⁷⁵

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]⁷⁶

[Date of the auditor's report]

Example A-11 — Unmodified Opinions on Basic Financial Statements of a Primary Government That Omits the Financial Data of Each Component Unit and That Issues Audited Financial Statements for the Reporting Entity⁷⁷

(Paragraphs 17.65–.66)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements⁷⁸

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the basic financial statements of the [Entity]'s primary government as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the

⁷⁵See footnote 10.

⁷⁶See footnote 11.

⁷⁷This report should only be used when the entity also has issued audited financial statements for the reporting entity. The report in example A-13 should be used if the entity has not also issued audited financial statements for the reporting entity. Paragraph 17.68 discusses reporting on financial statements that omit the financial information of component units.

⁷⁸See footnote 3.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the [*Name of Governmental Entity*], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.⁷⁹

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).⁸⁰ 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*], 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.

Emphasis of Matter^{81,82}

As discussed in Note X, the financial statements referred to above include only the primary government of the [*Name of Governmental Entity*], which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the [*Entity*]’s legal entity. These primary government financial statements do not include financial data for the [*Entity*]’s legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the [*Entity*]’s primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the [*Name of Governmental Entity*], as of June 30, 20X1, the changes in its financial position, or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

⁷⁹If a government presents required budgetary comparison information as basic financial statements instead of as RSI, this paragraph in the “Opinions” section would be replaced with the following:

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the [*Name of Governmental Entity*], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the [*indicate the major governmental funds involved*] for the year then ended in accordance with accounting principles generally accepted in the United States of America.

⁸⁰See footnote 5.

⁸¹When the auditor includes an emphasis-of-matter paragraph in the auditor’s report, the auditor should use an appropriate heading. If key audit matters are included in the auditor’s report, the heading should include the term “Emphasis of Matter.”

⁸²If the government also has issued audited financial statements for the reporting entity, the auditor’s report on separate primary government basic financial statements should contain the required elements listed in paragraph 17.66. Without those elements, such separate basic financial statements for the primary government could be misinterpreted to be the complete basic financial statements of the financial reporting entity. An emphasis-of-matter paragraph should be used to communicate these elements.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the [*Name of Governmental Entity*], as of and for the year ended June 30, 20X1, and our report thereon, dated [*date of report*], expressed unmodified opinions on those financial statements.

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*]'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 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, 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*]'s internal control. Accordingly, no such opinion is expressed.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

- 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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements⁸³

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]⁸⁴

[Date of the auditor's report]

Example A-12 — Report on Basic Financial Statements That Includes Multiple Opinion Modifications, Including a Disclaimer of Opinion on the Discretely

⁸³See footnote 10.

⁸⁴See footnote 11.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Presented Component Units Because Unable to Obtain Sufficient Appropriate Audit Evidence⁸⁵

(Paragraphs 17.39–.42)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements⁸⁶

Qualified, Unmodified, and Disclaimer of Opinions

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information; and we were engaged to audit the aggregate discretely presented component units, of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [Entity]'s basic financial statements as listed in the table of contents.

Summary of Opinions⁸⁷

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

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

We do not express an opinion on the accompanying financial statements of the aggregate discretely presented component units of the [Name of Governmental Entity]. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units.

⁸⁵This example assumes that the auditor has concluded that the single unaudited component unit warrants a disclaimer of opinion. Another auditor could make a different professional judgment based upon whether the auditor concludes that possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive, in accordance with AU-C section 705.

⁸⁶See footnote 3.

⁸⁷See footnote 31.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Qualified Opinions on Governmental Funds X and Y⁸⁸

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Governmental Funds X and Y of the [Name of Governmental Entity], as of June 30, 20X1, and the 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 Governmental Activities, Business-Type Activities, Governmental Fund Z, Enterprise Funds A and B, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, Governmental Fund Z, Enterprise Funds A and B, and the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The [Name of Component Unit (Component Unit)] implemented a new accounting information system in December 20X0, which resulted in numerous misstatements in the general ledger. As of the date of our audit report, management was still in the process of rectifying the system deficiencies, performing various account analysis, and correcting the misstatements. We were unable to confirm or verify by alternative means the financial statements amounts for [Component Unit]. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary for the amounts included in the statement of financial position and changes in financial position for [Component Unit]. [Component Unit]'s financial activities are included in the [Entity]'s basic financial statements as a discretely presented component unit and represent XX%, XX%, and XX% of the assets, net position, and revenues, respectively, of the [Entity]'s aggregate discretely presented component units.⁸⁹

Basis for Qualified and Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS).⁹⁰ 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

⁸⁸See footnote 32.

⁸⁹Based on the guidance in paragraphs .25 and .28 of AU-C section 705, the "Basis for Opinions" section should include reason(s) for the inability to obtain sufficient appropriate audit evidence when the auditor disclaims an opinion as well as a description of any other matters, of which the auditor is aware, that would have required a modification to the opinion.

⁹⁰See footnote 5.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

required to be independent of the [Entity], 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 qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on Governmental Funds X and Y

Management has not adopted a methodology for reviewing the collectibility of taxes receivable in Governmental Funds X and Y and, accordingly, has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets, deferred inflows of resources, and fund balances and change the revenues in Governmental Funds X and Y. The amount by which this departure would affect the assets, deferred inflows of resources, fund balances, and revenues of the Governmental Funds X and Y has not been determined.⁹¹

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'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

Auditor's Responsibilities for the Audit of the Aggregate Discretely Presented Component Units

Our responsibility is to conduct an audit of the [Entity]'s financial statements in accordance with GAAS and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units.

We are required to be independent of the [Entity] and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the Governmental Activities, the Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information

⁹¹See footnote 35.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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 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, 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]'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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements⁹²

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]⁹³

[Date of the auditor's report]

Example A-13 — Report on Basic Financial Statements of a Primary Government That Omits the Financial Data of Each Component Unit and That Does Not Issue Audited Financial Statements for the Reporting Entity^{94,95}

(Paragraphs 17.65 and 17.67)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements⁹⁶

Adverse, Qualified, and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements,

⁹²See footnote 10.

⁹³See footnote 11.

⁹⁴This report should only be used when the entity has not also issued audited financial statements for the reporting entity.

⁹⁵This example assumes that some of the omitted component units would have been discretely presented and that others would have been blended. (See footnote 3.) It also assumes that the blended component units would have been presented as nonmajor governmental funds and as part of the governmental activities. As discussed in paragraph 17.53, the auditor should issue an adverse opinion on the omitted discretely presented component units opinion unit. (See footnote 26 in paragraph 17.67.) This example assumes that the auditor has concluded that the omitted blended component unit warrants a qualified opinion on the aggregate remaining fund information opinion unit (as they are material to the aggregate remaining fund information) but are not material to the governmental activities opinion unit. This example also assumes that the auditor has concluded that the omitted component units do not warrant an adverse opinion on the financial statements as a whole. (See paragraphs 17.10 and 17.46.) Depending on the nature and magnitude of the facts and circumstances, another auditor could make different professional judgments and express a modified opinion on the governmental activities opinion unit, an adverse opinion on the aggregate remaining fund information opinion unit, or an adverse opinion on the financial statements as a whole (using the type of report illustrated in example A-8).

⁹⁶See footnote 3.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

which collectively comprise the [Entity]’s basic financial statements as listed in the table of contents.

Summary of Opinions⁹⁷

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

Adverse Opinion on Aggregate Discretely Presented Component Units⁹⁸

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 the aggregate discretely presented component units of the [Name of Governmental Entity], as of June 30, 20X1, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, except for the matter 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 financial position of the aggregate remaining fund information of the [Name of Governmental Entity], as of June 30, 20X1, and the changes in financial position, and, where applicable, cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-Type Activities, and Each Major Fund

In our opinion, 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 each major fund of the [Name of Governmental Entity], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse, Qualified, and Unmodified Opinions

⁹⁷See footnote 31.

⁹⁸See footnote 32.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).⁹⁹ 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], 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.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Aggregate Remaining Fund Information

The financial statements do not include financial data for the [Entity]'s legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the [Entity]'s primary government unless the [Entity] also issues financial statements for the financial reporting entity that include the financial data for its component units. The [Entity] has not issued such reporting entity financial statements. The effects of not including the [Entity's] legally separate component units on the aggregate discretely presented component units and the aggregate remaining fund information has not been determined.^{100,101}

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]'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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

⁹⁹See footnote 5.

¹⁰⁰If none of the omitted component units would have been blended, this paragraph would not refer to the effect on the aggregate remaining fund information opinion unit, and (absent other reasons to modify the opinion) the report would not contain an opinion modification for the aggregate remaining fund information opinion unit.

¹⁰¹See footnote 35.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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

- 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]'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]'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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements¹⁰²

¹⁰²See footnote 10.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

[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.]

[Signature of the auditor's firm]

*[City and state where the auditor's report is issued]*¹⁰³

[Date of the auditor's report]

Example A-14 — Unmodified Opinions on Basic Financial Statements and on Additional Detail Presented in the Basic Financial Statements¹⁰⁴

(Paragraph 17.72)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹⁰⁵

Opinions¹⁰⁶

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *[Name of Governmental Entity (Entity)]*, as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the *[Entity]*'s basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds, the aggregate nonmajor enterprise funds, the internal service fund type, and each fiduciary fund type of *[Name of Governmental Entity]*, as of and for the year ended June 30, 20X1, as displayed in the *[Entity]*'s basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as well as the aggregate nonmajor governmental funds, the aggregate nonmajor enterprise funds, the internal service fund type, and each fiduciary fund type of the *[Name of Governmental Entity]*, as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

¹⁰³See footnote 11.

¹⁰⁴This report should only be used when the financial statements subject to the more detailed audit scope are presented in the basic financial statements. The report in example A-15 should be used if the financial statements subject to the more detailed audit scope are presented as "GASB defined" SI.

¹⁰⁵See footnote 3.

¹⁰⁶The paragraphs in the "Opinions" section should list the reporting units that are subject to the more detailed audit scope.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).¹⁰⁷ 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], 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.

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]'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 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, 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.

¹⁰⁷See footnote 5.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

- 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]’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]’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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements¹⁰⁸

[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.]

[Signature of the auditor’s firm]

[City and state where the auditor’s report is issued]¹⁰⁹

[Date of the auditor’s report]

¹⁰⁸See footnote 10.

¹⁰⁹See footnote 11.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Example A-15 — Unmodified Opinions on Basic Financial Statements and on Combining and Individual Fund Financial Statements Presented as "GASB Defined" Supplementary Information

(Paragraphs 17.73 and 17.76)

Independent Auditor's Report

[*Appropriate Addressee*]

Report on the Audit of the Financial Statements¹¹⁰

Opinions¹¹¹

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [*Name of Governmental Entity (Entity)*], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [*Entity*]'s basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the [*Entity*]'s nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 20X1, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the [*Name of Governmental Entity*], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds of the [*Name of Governmental Entity*], as of June 30, 20X1, and the respective changes in financial position and cash flows, where applicable, thereof 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).¹¹² 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*], and to meet

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

¹¹⁰See footnote 3.

¹¹¹See footnote 106.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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.

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]'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 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, 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]'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.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity]’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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements¹¹³

[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.]

[Signature of the auditor’s firm]

[City and state where the auditor’s report is issued]¹¹⁴

[Date of the auditor’s report]

Example A-16 — Unmodified Opinion on General Fund Financial Statements

(Paragraphs 17.98–.101)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹¹⁵

Opinion

¹¹³See footnote 10.

¹¹⁴See footnote 11.

¹¹⁵See footnote 3.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

We have audited the financial statements of the general fund of the [*Name of Governmental Entity (Entity)*], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the general fund of the [*Name of Governmental Entity*], as of June 30, 20X1, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.^{116,117}

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).¹¹⁸ 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*], 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 opinion.

Emphasis of Matter^{119,120}

As discussed in Note X, the financial statements present only the general fund and do not purport to, and do not, present fairly the financial position of the [*Name of Governmental Entity*], as of June 30, 20X1, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.¹²¹

¹¹⁶If the fund being reported on is a proprietary fund, this paragraph also should refer to cash flows.

¹¹⁷If the general fund presents budgetary comparison information as a basic financial statement instead of as RSI, the "Opinion" section should be modified to refer to the budgetary comparison in the manner shown in footnote 4. In addition, the emphasis-of-matter paragraph would be replaced with the following: "As discussed in Note X, the financial statements present only the general fund and do not purport to, and do not, present fairly the financial position of the [*Name of Governmental Entity*], as of June 30, 20X1, and changes in its financial position and budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter."

¹¹⁸See footnote 5.

¹¹⁹As discussed in paragraph 17.99, the auditor's report on an audit of individual fund financial statements should include an emphasis-of-matter paragraph indicating that the financial statements do not purport to, and do not, present the government's financial position, changes in financial position, or, where applicable, cash flows.

¹²⁰See footnote 81.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 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, 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]'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.¹²²

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.

¹²¹According to paragraph .32b of AU-C section 700, this section of the auditor's report should describe management's responsibilities relevant to going concern when required by the financial reporting framework. Because management is presenting financial statements at less than the legally separate entity level, going concern is not relevant. Therefore, this section does not include the paragraph related to going concern. [Based on Paragraph 16 of GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, going concern is assumed, in the absence of information to the contrary, for legally separate governmental entities. Additionally, paragraph 38 of GASB Statement No. 56 (in the "Basis for Conclusions") indicates that the going concern concept is applicable at the legally separate entity level and has little, if any, applicability to reporting units less than a legally separate entity.]

¹²²Paragraph .29 of AU-C section 700 indicates that the auditor should report in accordance with AU-C section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, when applicable. Because the auditor is reporting on financial statements of less than a legally separate entity, the report assumes that the auditor has determined that AU-C section 570 is not applicable. Therefore, this section does not include information related to going concern. See footnote 121 for further information on GAAP guidance for going concern not being applicable to less than a legally separate entity.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Required Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements¹²³

[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.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]¹²⁴

[Date of the auditor's report]

Example A-17 — Unmodified Opinions on Departmental Financial Statements

(Paragraph 17.102)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹²⁵

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the [Name of Department (Department)] of [Name of Governmental Entity (Entity)], as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the [Department]'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the

¹²³See footnote 10.

¹²⁴See footnote 11.

¹²⁵See footnote 3.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

business-type activities, each major fund, and the aggregate remaining fund information for the [Department] of [Entity], as of June 30, 20X1, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.¹²⁶

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).¹²⁷ 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], 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.

Emphasis of Matter^{128,129}

As discussed in Note X, the financial statements of the [Department] are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the [Entity] that is attributable to the transactions of the [Department]. They do not purport to, and do not, present fairly the financial position of the [Entity], as of June 30, 20X1, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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.¹³⁰

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

¹²⁶If a department presents budgetary comparison information as financial statements instead of as RSI. Example A-1 and example A-5 provide modification that would be needed to this report.

¹²⁷See footnote 5.

¹²⁸As discussed in paragraph 17.102, the auditor's report on departmental, agency, or program financial statements should include an emphasis-of-matter paragraph indicating that the financial statements do not purport to, and do not, present the government's financial position, changes in financial position, or, where applicable, cash flows.

¹²⁹See footnote 81.

¹³⁰See footnote 121.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 [Department]’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.¹³¹

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

[See illustrative wording in example A-1 and related footnotes for circumstances involving RSI.]

Supplementary Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving SI.]

Other Information

[See illustrative wording in example A-1 and related footnotes for circumstances involving OI.]

Report on Other Legal and Regulatory Requirements¹³²

¹³¹See footnote 122.

¹³²See footnote 10.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

[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.]

[Signature of the auditor's firm]

*[City and state where the auditor's report is issued]*¹³³

[Date of the auditor's report]

Example A-18 — Report on Separately Issued Summary Financial Information

(Paragraphs 17.104–.113)

Independent Auditor's Report on Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements of *[Name of Governmental Entity]*, as of and for the year ended June 30, 20X1, and the related notes, as listed in the table of contents, are derived from the audited financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *[Name of Governmental Entity]* as of and for the year ended June 30, 20X1, and the related notes, which collectively comprise the *[Entity]*'s basic financial statements. We expressed unmodified audit opinions on those audited financial statements in our report dated *[date of report]*.¹³⁴

In our opinion, the accompanying summary financial statements of the *[Name of Governmental Entity]* as of and for the year ended June 30, 20X1 referred to above are consistent, in all material respects, with the audited financial statements from which they have been derived, on the basis described in Note X.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the accounting principles generally accepted in the United States of America. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

Responsibility of Management for the Summary Financial Statements

¹³³See footnote 11.

¹³⁴As indicated in paragraph 17.109, the report should describe any modification of the auditor's report on the basic financial statements.

NOTE: The illustrative reports included here represent a sampling of the report examples in chapter 17 of the latest edition of the AICPA State and Local Government Auditing and Accounting Guide. Purchase the 2023 edition to access the full set of examples.

Management is responsible for the preparation of the summary financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in the United States of America. The procedures consisted principally of comparing the summary financial statements with the related information in the audited financial statements from which the summary financial statements have been derived and evaluating whether the summary financial statements are prepared in accordance with the basis described in Note X. We did not perform any audit procedures regarding the audited financial statements after the date of our report on those financial statements.

[Signature of the auditor's firm]

*[City and state where the auditor's report is issued]*¹³⁵

[Date of the auditor's report]

¹³⁵See footnote 11.