

AUDIT OPINIONS

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

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

These samples are written to cover as many conditions and situations as possible. The actual opinion letter should be modified based upon the actual funds audited and the various statements and schedules presented.

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**EXAMPLE 1: Unqualified Opinion on Basic Financial Statements
Accompanied by Required Supplementary Information
and Supplementary Information**

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying 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 [Example Government or Public Authority], North Carolina as of and for the year ended June 30, 20XX, which collectively comprise [Example Government or Public Authority]'s basic financial statements as listed in the table of contents.^{1,2} These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.³

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.⁴ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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 [Example Government or Public Authority], North Carolina as of June 30, 20XX, and the respective changes in financial position, and, where applicable, cash flows⁵ thereof and the respective budgetary comparison for the [general, and major, annually budgeted special revenue funds, if applicable]⁶ for the year then ended in conformity with accounting principles generally accepted in the United States of America.²

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx through xx and xx and xx not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.⁷ We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Example Government or Public Authority]'s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules⁸, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules,⁸ have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.⁹ The introductory section and statistical information has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

[Signature]
[Date]

¹ If the governmental unit is a component unit of another government, the first sentence of the auditor’s report should be modified; i.e., “We have audited the accompanying financial statements of the governmental activities and each major fund of Example Travel and Tourism Authority, component unit of City of Example, as of and for the year ended June 30, 20XX, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.”

² This sentence should be modified to include only those items which relate to the governmental unit.

The financial statements are identified at the opinion unit level. The auditor may combine two aggregate opinion units-(the first one for the aggregate discretely presented opinion unit and the second one for the remaining fund information) as a single opinion unit. If this is done, the auditor’s report should use the term “aggregate discretely presented component unit and remaining fund information.” The terms “aggregate discretely presented component unit” and “aggregate remaining fund information” should not be used separately in the auditor’s report since they have now been combined into one opinion unit.

³ If the prior-period financial statements include the minimum information required by GAAP for a complete set of financial statements, the continuing auditor should report on them. If prior period financial statement information is partial or a summarized presentation, and an opinion is to be expressed, the following should be added to the first paragraph: “The prior year (partial or summarized) comparative information has been derived from [Example Government or Public Authority] June 30, 20XX financial statements and, in our report dated August 15, 20XX, we expressed unqualified opinions on the respective financial statements of the (opinion units) information.” If prior year information was audited by a predecessor auditor, then the report should be modified.

⁴ If the audit is submitted to comply with a legal, regulatory, or contractual requirement for a financial audit in accordance with the Yellow Book, 2007 revision, or U. S. Office of Management and Budget Circular A-133, the auditor’s report should refer to *Government Auditing Standards*; refer to EXAMPLE 2.

⁵ If the financial statements produce one or more financial statements of cash flows, the opinion paragraph should reference cash flows, where applicable. If all funds have cash flows, then remove “where applicable.” If no proprietary funds then reference to cash flows should be deleted.

⁶The last sentence of the opinion paragraph should agree to the statements with regard to which funds’ budgetary statements are included in the basic financial statements. The General Fund and each major annually budgeted Special Revenue Fund must be listed by name.

⁷ If the required supplementary information (RSI) is included pursuant to another authoritative body’s requirement, the paragraph should be modified to identify that body. Inclusion of RSI as part of generally accepted accounting principles in the United States of America should also be disclosed.

⁸ Budgetary schedules are required by the NC Department of State Treasurer (NCDST) to be presented as supplementary information. Other schedules include ad valorem taxes receivable and analysis of current tax levy that are also required by the NCDST to be reported as supplementary information.

⁹ When reporting on supplementary information, the auditor should consider the effect of any modifications to the report on the basic financial statements. Furthermore, if the report on supplementary information is other than unqualified, this paragraph should be modified. Guidance for reporting in these circumstances is described in SAS No. 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *Professional Standards*, vol. 1, AU sec. 551, paragraphs 551.09 - .11 and 551.13 - .14).

If the supplementary information is based in part on the report of another auditor and that work of the other auditors is referred to, this sentence should be modified to read: “The combining and individual nonmajor fund financial statements and statistical information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.”

**EXAMPLE 2: Unqualified Opinion on Basic Financial Statements
Accompanied by Required Supplementary Information
and Supplementary Information
- Single Audit Published Under Same Cover**

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying 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 [Example Government or Public Authority], North Carolina, as of and for the year then ended June 30, 20XX, which collectively comprise the [Example Government or Public Authority]'s basic financial statements as listed in the table of contents.^{1, 2} These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.³

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.⁴ An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of [Example Government or Public Authority], North Carolina as of June 30, 20XX, and the respective changes in financial position and cash flows, where applicable,⁵ thereof and the respective budgetary comparison for the [general and major, annually budgeted special revenue funds, if applicable]⁶ for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of Example Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx through xx and xx through xx, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America.⁷ We have applied certain limited procedures, which consisted principally of inquiries of management regarding the

methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Example Government or Public Authority], North Carolina's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules,⁸ and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and State awards⁹ is presented as for purposes of additional analysis are required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, and are also not a required part of the basic financial statements of the [Example Government or Public Authority], North Carolina. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules,⁸ and the schedule of expenditures of federal and State awards⁹ have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.¹⁰ The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

[Signature]

[Date]

¹ See EXAMPLE 1, note 1.

² See EXAMPLE 1, note 2.

³ See EXAMPLE 1, note 3.

⁴ A statement should be inserted if a material component unit or fund is not required to have an audit performed under *Governmental Auditing Standards*, and one is not performed even though the primary government had an audit performed in accordance to *Governmental Auditing Standards*: We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of [name of fund or component unit] were not audited in accordance with *Government Auditing Standards*.

⁵ See EXAMPLE 1, note 5.

⁶ See EXAMPLE 1, note 6.

⁷ See EXAMPLE 1, note 7.

⁸ See EXAMPLE 1, note 8.

⁹ The reference to the schedule of expenditures of federal and State awards should be deleted if the schedule of expenditures of federal and State awards is not presented with the basic financial statements (i.e., a separate single audit package is issued). In such circumstance, the required reporting on the schedule may be incorporated in the reports issued to meet the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act.

¹⁰ See EXAMPLE 1, note 9.

EXAMPLE 3: Unqualified Opinions on Basic Financial Statements and on Combining and Individual Fund Financial Statements Presented as Supplementary Information.¹

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying 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 [Example Government or Public Authority], North Carolina, as of and for the year then ended June 30, 20XX, which collectively comprise [Example Government or Public Authority], North Carolina's basic financial statements as listed in the table of contents^{2 3} We have also audited the financial statements of each of the [Example Government or Public Authority], North Carolina's nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 20XX, as listed in the table of contents.⁴ These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.⁵

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.⁶ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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 [Example Government or Public Authority], North Carolina, as of June 30, 20XX, and the respective changes in financial position and, where applicable, cash flows⁷ thereof and the respective budgetary comparison for the [general and major, annually budgeted special revenue funds, if applicable] for the year then ended in conformity with accounting principles generally accepted in the United States of America.³ In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each of nonmajor governmental, nonmajor enterprise, internal service, and fiduciary fund of [Example Government or Public Authority], North Carolina, as of June 30, 20XX, and the respective changes in financial position and the cash flows,⁷ where applicable, thereof and the respective budgetary comparison for the [general and major, annually budgeted special revenue funds, if applicable]⁸ for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx and xx-xx are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.⁹ We have applied certain

limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Example Government or Public Authority]'s basic financial statements and on the combining and individual nonmajor fund financial statements. The accompanying financial information listed as supporting schedules, budgetary schedules, other schedules¹⁰, and statistical information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules¹⁰ have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.¹¹ The accompanying financial information listed as supporting schedules and statistical information in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

[Signature]

[Date]

¹ This report should only be used when the financial statements subject to the more-detailed audit scope are present as supplementary information. If the financial statements subject to more detailed audit scope are presented in the basic financial statements, refer to EXAMPLE XX.

² See EXAMPLE 1, note 1.

³ See EXAMPLE 1, note 2.

⁴ The introductory and opinion paragraphs should list only the funds subject to the more-detailed audit scope.

⁵ See EXAMPLE 1, note 3.

⁶ See EXAMPLE 1, note 4.

⁷ See EXAMPLE 1, note 5.

⁸ See EXAMPLE 1, note 6.

⁹ See EXAMPLE 1, note 7.

¹⁰ See EXAMPLE 1, note 8.

¹¹ See EXAMPLE 1, note 9.

EXAMPLE 4: Report on the 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 ¹

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of [Example Government or Public Authority], North Carolina, as of and for the year ended June 30, 20XX, as listed in the table of contents.^{1 2} These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.³

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.⁴ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for [Example Government or Public Authority]'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 [Example Government or Public Authority]'s primary government unless the [Example Government or Public Authority] also issues financial statements for the financial entity that include the financial data for the component unit. The [Example Government or Public Authority] has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units would have been presented as [indicate the amounts].⁵

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of [Example Government or Public Authority], North Carolina, as of June 20, 20XX, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of omitting blended component units as discussed previously, the financial statements referred to previously present fairly, in all material respects, the financial position of the aggregate remaining fund information of the [Example Government or Public Authority], North Carolina, as of June 20, 20XX, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Further, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the [Example Government or Public Authority], North Carolina, as of

June 30, 20XX, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the [general, and major, annually budgeted special revenue funds, if applicable] ⁶ for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx and xx-xx are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.⁷ We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the [Example Government or Public Authority]'s basic financial statements and on the combining and individual nonmajor fund financial statements. The accompanying financial information listed as supporting schedules, budgetary schedules, other schedules,⁸ and statistical information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of [Example Government or Public Authority], North Carolina. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.⁹ The accompanying financial information listed as supporting schedules and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

[Signature]

[Date]

¹The auditor should issue an adverse opinion on the omitted discretely component unit opinion unit. This example assumes that the omitted component unit does not warrant an adverse opinion on the financial statements as a whole. Any variations from unqualified opinions should be discussed with the staff of the LGC and will require an amendment to the contract to audit accounts before the final invoice will be approved.

¹ See EXAMPLE 1, note 1.

² See EXAMPLE 1, note 2.

³ See EXAMPLE 1, note 3.

⁴ See EXAMPLE 1, note 4.

⁵ A separate paragraph identifies the omitted component unit and discloses the effects of the omission. If the amounts applicable to the omitted component unit(s) have not been audited, the phrase "based on unaudited information" should be inserted in the second sentence after the phrase "had been included". If the financial statements of the omitted component unit were audited by other auditors, the following sentence should be inserted between the first and second sentences of the paragraph: The financial statements of the [identify component unit omitted] were audited by other auditors whose report dated [date] expressed an unqualified opinion on those statements

⁶The last sentence of the opinion paragraph should agree to the statements with regard to which funds' budgetary statements are included in the basic financial statements. The General Fund and each major annually budgeted Special Revenue Fund must be listed by name.

⁷ See EXAMPLE 1, note 7.

⁸ See EXAMPLE 1, note 8

⁹ See EXAMPLE 1, note 9.

EXAMPLE 5: Adverse Opinion on Basic Financial Statements That Omit a Major Fund or a Nonmajor Fund from a Fund Type¹

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying 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 [Example Government or Public Authority], North Carolina, as of and for the year ended June 30, 20XX, which collectively comprise the [Example Government or Public Authority]'s basic financial statements as listed in the table of contents.^{2 3} These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.⁴ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not included [Example fund] in the City's financial statements. Accounting principles generally accepted in the United States of America require [Example fund] to be presented as a major enterprise fund and financial information about [Example fund] to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.⁵

In our opinion, because of the omission described of Example Fund, as discussed previously, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Example Fund of the [Example Government or Public Authority], North Carolina, as of June 30, 20XX, or the changes in financial position and cash flows thereof for the year then ended.⁶

In addition, in our opinion, except for the effects of not including financial information for Example Fund as part of the business-type activities, as described previously, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities of the [Example Government or Public Authority], North Carolina, as of June 30, 20XX, and the changes in financial position thereof for the year then ended⁷ in conformity with accounting principles generally accepted in the United States of America.⁸

Finally, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, the general fund, and the aggregate remaining fund information of the [Example Government or Public Authority], North Carolina as of June 30, 20XX, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx and xx-xx are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America.⁹ We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.¹⁰

[Signature]

[Date]

² See EXAMPLE 1, note 1.

³ See EXAMPLE 1, note 2.

⁴ See EXAMPLE 1, note 4.

⁵ A separate explanatory paragraph should state all the substantive reasons for the adverse opinion and the principal effects of those matters.

⁶ An auditor could follow an opinion paragraph following the explanatory paragraphs presenting an opinion modification.

⁷ See EXAMPLE 1, note 5.

⁸ The opinion units without the adverse opinion are referenced in the opinion paragraph.

⁹ See EXAMPLE 1, note 7.

¹⁰ See EXAMPLE 1, note 9.

EXAMPLE 6: Unqualified Opinion on Basic Financial Statements When One Fund or Component Unit Representing Less Than All of a Fund Type Has Been Audited by Other Auditors

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying 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 [Example Government or Public Authority], North Carolina, as of and for the year ended June 30, 20XX, which collectively comprise the [Example Government or Public Authority]'s basic financial statements as listed in the table of contents.^{1, 2} These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of [identify major fund, fund type or all component units]³ Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for [identify major fund, fund type or all component units], is based on the report of the other auditors.⁴

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.⁵ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously 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 [Example Government or Public Authority], North Carolina, as of June 30, 20XX, and the respective changes in financial position and, where applicable, cash flows⁶ thereof and the respective budgetary comparison for the [general and any major, annually budgeted special revenue funds]⁷ for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Example Government or Public Authority]'s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules⁸ and statistical information are presented for purposes of additional analysis and are not a

required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules,⁸ have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.⁹ The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

[Signature]

[Date]

¹ See Example 1, note 1.

² See Example 1, note 2.

³ If the entire opinion unit was audited by another auditor, then the sentence should read: “We did not audit the financial statements of [identify fund or component unit].” The principal auditor is responsible for auditing that opinion unit; therefore the introductory paragraph still should indicate that. The auditor should express or disclaim an opinion on that opinion unit.

⁴ See Example 1, note 3.

⁵ See Example 1, note 4.

⁶ See Example 1, note 5.

⁷ See Example 1, note 6.

⁸ See Example 1, note 8.

⁹ See Example 1, note 9.

EXAMPLE 7: Unqualified Opinion on Basic Financial Statements When a Major Fund, Nonmajor Funds or All Component Units of a Fund Type Have Been Audited by Other Auditors

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying 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 [Example Government or Public Authority], North Carolina, as of and for the year ended June 30, 20XX, which collectively comprise the [Example Government or Public Authority]'s basic financial statements as listed in the table of contents.^{1, 2} These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of [identify major fund, fund type or all component units]³. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for [identify major fund, fund type or all component units], is based on the report of the other auditors.⁴

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.⁵ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to previously 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 [Example Government or Public Authority], North Carolina, as of June 30, 20XX, and the respective changes in financial position and, where applicable, cash flows⁶ thereof and the respective budgetary comparison for the [general and any major, annually budgeted special revenue funds]⁷ for the year then ended in conformity with accounting principles generally accepted in the United States.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx and xx-xx are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Example Government or Public Authority]'s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules,⁸ and statistical information are presented for purposes of additional analysis and are

not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules,⁸ and statistical information have been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and, in our opinion, based on our report and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.⁹ The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of basic financial statements and, accordingly, we express no opinion on them.

[Signature]

[Date]

¹See Example 1, note 1.

²See Example 1, note 2.

³ If the entire opinion unit was audited by another auditor, then the sentence should read: “We did not audit the financial statements of [identify fund or component unit].” The principal auditor is responsible for auditing that opinion unit; therefore the introductory paragraph still should indicate that. The auditor should express or disclaim an opinion on that opinion unit.

⁴See Example 1, note 3.

⁵See Example 1, note 4.

⁶See Example 1, note 5.

⁷See Example 1, note 6.

⁸See Example 1, note 8.

⁹See Example 1, note 9.

EXAMPLE 8: Report on Basic Financial Statements That Includes a Qualified Opinion on Major Governmental Funds because of a GAAP Departure¹

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying 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 [Example Government or Public Authority], North Carolina as of and for the year ended June 30, 20XX, which collectively comprise [Example Government or Public Authority]'s basic financial statements as listed in the table of contents.^{2,3} These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.⁴

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.⁵ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not adopted a methodology for reviewing the collectibility of taxes receivable in the [major fund affected] 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 and fund balances and change the revenues in the [major fund affected]. The amount by which this departure would affect the assets, fund balances, and revenues of the [major fund affected] is not reasonably determinable.

In our opinion, except for the effects of not providing an adequate allowance for uncollectible taxes receivable for the [major fund affected] as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the [major fund affected] of the [Example Government or Public Authority], North Carolina, as of June 30, 20XX, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously 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 [Example Government or Public Authority], North Carolina as of June 30, 20XX, and the respective changes in financial position and cash flows, where appropriate,⁶ thereof and the respective budgetary comparison for the [general and any major, annually budgeted special revenue, if applicable] fund(s)⁷ for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management’s Discussion and Analysis and the Law Enforcement Officers’ Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx and xx-xx are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.⁸ We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Example Government or Public Authority]’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules,⁹ and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, statements of revenues, expenses and changes in net assets, and statements of cash flows for management having not provided an allowance for uncollectible taxes receivable in [major fund affected], in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.¹⁰ The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

[Signature]

[Date]

¹This example assumes that the auditor has concluded that not providing an adequate allowance for taxes receivable warrants a qualified opinion. Another auditor, using professional judgment, may decide to issue a disclaimer of an opinion or make a different conclusion and would use the following in the first opinion paragraph: “Because management has not adopted a methodology for reviewing the collectibility of taxes receivable in the [major fund affected] and, accordingly, has not considered the need to provide an allowance for uncollectible amounts, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on 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 [Example Government or Public Authority] as of and for the year ended June 30, 20XX.” Any variations from unqualified opinions should be discussed with the staff of the LGC and will require an amendment to the contract to audit accounts before the final invoice will be approved.

² If the governmental unit is a component unit of another government, the first sentence of the auditor’s report should be modified; i.e., “We have audited the accompanying 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 Example Travel and Tourism Authority, component unit of City of Example, as of and for the year ended June 30, 2005, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.”

³ This sentence should be modified to include only those items which relate to the governmental unit.

The financial statements are identified at the opinion unit level. The auditor may combine two aggregate opinion units-(the first one for the aggregate discretely presented opinion unit and the second one for the remaining fund information) as a single opinion unit. If this is done, the auditor’s report should use the term “aggregate discretely presented component unit and remaining fund information.” The terms “aggregate discretely presented component unit” and “aggregate remaining fund information” should not be used separately in the auditor’s report since they have now been combined into one opinion unit.

⁴ If the prior-period financial statements include the minimum information required by GAAP for a complete set of financial statements, the continuing auditor should report on them. If prior period financial statement information is partial or a summarized presentation, and an opinion is to be expressed, the following should be added to the first paragraph: “The prior year (partial or summarized) comparative information has been derived from [Example Government or Public Authority] June 30, 2004 financial statements and, in our report dated August 15, 2004, we expressed unqualified opinions on the respective financial statements of the (opinion units) information.” If prior year information was audited by a predecessor auditor, then the report should be modified.

⁵ If the audit is submitted to comply with a legal, regulatory, or contractual requirement for a financial audit in accordance with the Yellow Book, 2007 revision, or U. S. Office of Management and Budget Circular A-133, the auditor’s report should refer to *Government Auditing Standards*; refer to EXAMPLE 2.

⁶ See Example 1, note 5.

⁷ See Example 1, note 6.

⁸ See Example 1, note 7.

⁹ See Example 1, note 8.

¹⁰ See Example 1, note 9.

EXAMPLE 9: Unqualified Opinion on the Basic Financial Statements of a Special Purpose Government That Has a Single Opinion Unit Engaged in Governmental Activities Only

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying basic financial statements of [Special Purpose Government], North Carolina as of and for the year ended June 30, 20XX, as listed in the table of contents.¹ These financial statements are the responsibility of [Special Purpose Government], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.²

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.³ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities and the budgetary comparison for the general fund as of June 30, 20XX and for the year then ended in conformity with accounting principles generally accepted in the United States of America.⁴

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx and xx-xx are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.⁵ We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

[Signature]

[Date]

¹ See Example 1, note 1.

² See Example 1, note 3.

³ See Example 1, note 5.

⁴ In the opinion paragraph, the terms financial position and changes in financial position could be replaced with terms that would be more descriptive in the circumstances.

⁵ If the required supplementary information (RSI) is included pursuant to another authoritative body's requirement, the paragraph should be modified to identify that body. Inclusion of RSI as part of generally accepted accounting principles in the United States of America should also be disclosed.

EXAMPLE 10: Unqualified Opinion on the Basic Financial Statements of a Special Purpose Government That Has a Single Opinion Unit Engaged in Business-Type Activities Only

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying basic financial statements of [Special Purpose Government], North Carolina as of and for the year ended June 30, 20XX, as listed in the table of contents.¹ These financial statements are the responsibility of [Special Purpose Government], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.²

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.³ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the [Special Purpose Government], North Carolina as of June 30, 20XX, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.⁴

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx and xx-xx are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.⁵ We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

[Signature]
[Date]

¹ See Example 1, note 1.

² See Example 1, note 3.

³ See Example 1, note 5.

⁴ In the opinion paragraph, the terms financial position and changes in financial position could be replaced with terms that would be more descriptive in the circumstances.

⁵ If the required supplementary information (RSI) is included pursuant to another authoritative body's requirement, the paragraph should be modified to identify that body. Inclusion of RSI as part of generally accepted accounting principles in the United States of America should also be disclosed.

EXAMPLE 11: Report on Basic Financial Statements That Include Multiple Opinion Modifications, Including an Adverse Opinion Because a Major Fund is Omitted¹

Independent Auditor's Report

To the [Highest Elected Official
and Governing Board]
City of Example, North Carolina

We have audited the accompanying 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 [Example Government or Public Authority], North Carolina as of and for the year ended June 30, 20XX, which collectively comprise [Example Government or Public Authority]'s basic financial statements as listed in the table of contents.^{1,2} These financial statements are the responsibility of [Example Government or Public Authority], North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.³

We conducted our audit in accordance with auditing standards generally accepted in the United States of America.⁴ Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not included [omitted fund] in the [Example Government or Public Authority]'s financial statements. Accounting principles generally accepted in the United States of America require [omitted fund] to be presented as a major enterprise fund and financial information about [omitted fund] to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, fund balances, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

In addition, management has not adopted a methodology for reviewing the collectibility of taxes receivable in the [major fund affected] and in 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, fund balances, and net assets, and change the revenues in the [major fund affected] and in governmental activities. The amount by which this departure would affect the assets, fund balances, net assets, and revenues of the [major fund affected] and governmental activities is not reasonably determinable.

Further, 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 the employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The

amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of [omitted fund], as discussed previously, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of [omitted fund] of the [Example Government or Public Authority], as of June 30, 20XX and the changes in financial position and cash flows thereof for the year then ended.⁵

In addition, in our opinion, except for the effects of not including financial information for [omitted fund] as part of the business-type activities, as described previously, the financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities of the [Example Government or Public Authority] as of June 30, 20XX, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, except for the effects of not providing an adequate allowance for uncollectible taxes receivable for the [major fund affected] and governmental activities and not recording a liability for compensated absences in governmental activities, as described previously, the financial statements referred to previously, present fairly, in all material respects, the respective financial position of the governmental activities and the [major fund affected] of the [Example Government or Public Authority] as of June 30, 20XX, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Finally, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, [include any major funds not affected by the above adverse and qualified opinions], and the aggregate remaining fund information of the [Example Government or Public Authority], as of June 30, 20XX, and the respective changes in financial position and, where applicable, cash flows⁶ thereof and the budgetary comparison for the [refer to the appropriate governmental fund(s)]⁷ for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx-xx and xx-xx are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.⁸ We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [Example Government or Public Authority]'s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements of [Example Government or Public Authority], North Carolina. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects on the combining and individual statements and schedules of revenues, expenditures, and changes in fund balances, of not providing an adequate allowance for uncollectible taxes receivable and of not recording a liability for compensated absences in

governmental activities, as explained previously, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.⁹ The introductory information and the statistical information have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

[Signature]

[Date]

¹This report illustrates the possibility that an adverse opinion may be rendered on one opinion unit, a qualified opinion is issued on another opinion unit, and an unqualified opinion issued on any remaining opinion units. Any variations from unqualified opinions should be discussed with the staff of the LGC and will require an amendment to the contract to audit accounts before the final invoice will be approved.

² See Example 1, note 1.

³ See Example 1, note 2.

⁴ See Example 1, note 3.

⁵See Example 1, note 4.

⁵ Depending on the nature of the discussions in the explanatory paragraphs and the relationships of those discussions to the resulting opinions on the various opinion units, an auditor could insert an opinion paragraph with an opinion modification directly following the related explanatory paragraph.

⁶ See Example 1, note 5.

⁷ If the opinion unit illustrated in this paragraph does not include budgetary information, the paragraph should be adapted as follows.

Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, [include any major funds not affected by the above adverse and qualified opinions], and the aggregate remaining fund information of the [Example Government or Public Authority], as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

⁸ If the required supplementary information (RSI) is included pursuant to another authoritative body's requirement, the paragraph should be modified to identify that body. Inclusion of RSI as part of generally accepted accounting principles in the United States of America should also be disclosed.

⁹ This final paragraph may need to be further modified subject to the actual conditions and deviations from GAAP which the auditor is reporting on.

COMPLIANCE REPORTS
[FOR EXAMPLES OF ILLUSTRATIVE SINGLE AUDIT REPORTS, SEE
SECTION 35-E]