

FINANCIAL MANAGEMENT FOR GEORGIA LOCAL UNITS OF ADMINISTRATION

Date Issued	Effective Date	Section	Title:
December 2004	December 2004	II	Financial Reporting
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2	March 2017	II-4	Audit Reports, Preparing for Audit, Financial Reporting Rewards Program

NATURE AND PURPOSE

All Georgia Local Units of Administration (LUA) are subject to an annual audit. The Georgia Department of Audits And Accounts (DOAA) audits most LUAs but some LUAs are audited by private certified public accounting firms. To assist the auditors with the audit the LUA's financial statements, note disclosures and accounting records, LUAs have a responsibility to provide certain information to facilitate the audit process and to allow the auditors to maintain their independence. This chapter discusses the different kinds of audit reports and the financial statements covered by the auditor's opinion, as well as the responsibilities which should help the LUA to be better prepared for the annual audit. Additionally, this chapter discusses various financial reporting rewards programs.

AUDIT REPORT AND FINANCIAL STATEMENTS

The first component of the financial section of the Comprehensive Annual Financial Report (CAFR) is the auditor's report. The auditor's opinion, presented in the auditor's report, is issued on the basic statements and does not extend to either supplementary or Required Supplementary Information (RSI). The basic statements are comprised of the government-wide statements, fund level statements, and notes to the financial statements. Required Supplementary Information includes the Management's Discussion and Analysis and the budgetary comparison schedule. Although an opinion is not issued on RSI, the auditor is required to review the other information and comment on it. However, the review of the RSI doesn't affect the opinion on the basic statements.

ELEMENTS OF THE AUDIT OPINIONS

The audit opinion is expressed by an independent auditor following generally accepted governmental auditing standards issued by the Comptroller General of the United States and

incorporates by reference the Statements of Auditing Standards issued by the Auditing Standards Board. Standard elements of audit reports include –

- a. a title that includes the word *independent*.
- b. an addressee as required by the circumstances of the engagement.
- c. when applicable, a section with the heading “Report on the Financial Statements” (this heading should be used when the report contains a separate section on other reporting responsibilities).
- d. an introductory paragraph that should
 - i. identify the entity whose financial statement have been audited;
 - ii. state that the financial statements have been audited;
 - iii. identify the title of each statement that the financial statements encompass; and
 - iv. specify the date or period covered by each financial statement that the financial statements encompass.
- e. a section with the heading “Management’s Responsibility for the Financial Statements”.
- f. a statement that 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; this includes 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.
- g. a section with the heading “Auditor’s Responsibility.”
- h. a statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.
- i. a statement that the audit was conducted 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.
- j. a statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- k. a statement that
 - i. an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.
 - ii. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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, the auditor expresses no such opinion.
 - iii. an audit also includes the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

- l. a statement regarding whether the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion.
- m. a section with the heading "Opinion."
- n. an opinion statement regarding whether the financial statements are presented, in all material respects, in accordance with the applicable reporting framework.
- o. the titles of the financial statement identified in the introductory paragraph of the auditor's report.
- p. identification of the applicable financial reporting framework and its origin
- q. a section with the heading "Other Matters."
- r. a section with the subheading "Supplementary Information", "Supplementary and Other Information" or "Accompanying Information."
- s. a description of the other reporting responsibilities, one example of which is reporting on supplementary information.
- t. a section with the heading "Other Reporting Required by *Government Auditing Standards*."
- u. a statement that the auditor has issued a report dated [date of report] on the consideration of the entity's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters.
- v. a statement that the purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.
- w. a statement that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.
- x. the signature of the auditor (manual or printed).
- y. the auditor's city and state.
- z. the date of the auditor's report.

TYPES OF AUDIT OPINIONS

There are four different types of reports an auditor may issue. Either the report is unmodified, resulting in an unmodified opinion; or the report is modified, resulting in a qualified opinion, an adverse opinion, or a disclaimer of opinion. Each of these reports are discussed below.

Unmodified Opinion

An unmodified audit opinion will include all of the elements of audit reports discussed above and the following opinion –

"The financial statements present fairly, in all material respects, the financial position and results of operations in accordance with accounting principles generally accepted in the United States of America."

A sample unqualified opinion for a local unit of administration is shown in Exhibit IV-22B -1. See italics for the opinion.

EXHIBIT IV-22B-1

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
[1] Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

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 the [1] Board of Education [a component unit of the _____, Georgia], as of and for the year ended June 30, 20XX, and the related notes to the financial statements (Exhibits A through ____), which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the [1] Board of Education, as of June 30, 20XX, and the respective changes in financial position [and cash flows] thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 opinion on the basic financial statements is not affected by this missing information.

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*] on pages XX-XX and XX-XX be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [1] Board of Education's basic financial statements. The

accompanying supplementary information, consisting of Schedules ___ through ___, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying supplementary 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. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [2] on our consideration of the [1] Board of Education's internal control over financial reporting and on 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Example's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,
State Auditor

Qualified Opinion

A qualified opinion includes an “except for” clause. The “except for” means that the financial statements are fairly presented except for certain matters which the qualification describes. Reasons for issuing a qualified opinion include the presence of misstatements that are material, but not pervasive, to the financial statements or restrictions on the scope of the audit. Scope restrictions result when an auditor is not able to perform required procedures considered necessary. In addition, a qualification may be issued when the auditor believes, on the basis of his or her audit, that the financial statements contain a departure from generally accepted accounting principles, the effect of which is material (significant). When the auditor expresses a qualified opinion, one or more separate explanatory paragraph(s) should disclose all of the substantive reasons for the qualification in paragraphs preceding the opinion of the report.

A sample qualified opinion for a local unit of administration is shown in Exhibit IV-22B -2.

EXHIBIT IV-22B-2

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
[1] Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

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 the [1] Board of Education [a component unit of the _____, Georgia], as of and for the year ended June 30, 20XX, and the related notes to the financial statements (Exhibits A through ____), which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on [Major Fund Affected]

Management has not recorded current year capital asset additions or deletions in governmental activities and, accordingly, has not properly recorded current year depreciation expense on capital assets or accumulated depreciation. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities in the [major fund affected]. The amount by which this departure would affect the assets, net position and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on [Major Fund Affected], the financial statements referred to above present fairly, in all material respects, the financial position of the [major fund affected] of the [1] Board of Education, 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.

Unmodified 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,] [major funds not affected by the previously described qualified opinion], and the aggregate remaining fund information of the [1] Board of Education, as of June 30, 20XX, and the respective changes in financial position [and cash flows] thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 opinion on the basic financial statements is not affected by this missing information.

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*] on pages XX-XX and XX-XX be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [1] Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules __ through __, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying supplementary 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. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [2] on our consideration of the [1] Board of Education's internal control over financial reporting and on 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Example's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,
State Auditor

Adverse Opinion

An adverse opinion states that the financial statements do not present fairly the financial position or the results of operations in conformity with generally accepted accounting principles. When the auditor expresses an adverse opinion, a separate explanatory paragraph(s) should precede the opinion paragraph of the report. The explanatory paragraph should include all the substantive reasons for the adverse opinion, and the principal effects of the subject matter of the adverse opinion on financial position and results of operations if possible. If the effects cannot be reasonably determined, this should be stated in the report.

A sample adverse opinion for a local unit of administration is shown in Exhibit IV-22B -3.

EXHIBIT IV-22B-3

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
[1] Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

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 the [1] Board of Education [a component unit of the _____, Georgia], as of and for the year ended June 30, 20XX, and the related notes to the financial statements (Exhibits A through ____), which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion

Management has not presented district-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require presentation of district-side financial statements. The amount by which this departure would affect the assets, net position and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion” paragraph, the financial statements referred to above do not present fairly the financial position of the [1] Board of Education, as of June 30, 20XX, or the changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 opinion on the basic financial statements is not affected by this missing information.

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*] on pages XX–XX and XX–XX be presented to supplement the basic financial statements. Such 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the [1] Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules __ through __, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying supplementary 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. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [2] on our consideration of the [1] Board of Education's internal control over financial reporting and on 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Example's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,
State Auditor

Disclaimer

An auditor issues a disclaimer of opinion when the auditor does not express an opinion on the financial statements. When the auditor is unable to form or has not formed an opinion as to the fairness of presentation of the financial statements in conformity with generally accepted accounting principles a disclaimer should be issued. If the auditor disclaims an opinion, the auditor's report should give all of the substantive reasons for the disclaimer. A disclaimer may be issued when the auditor is unable to perform an audit sufficient in scope to form an opinion on the financial statements. If based on audit work performed, the auditor determines there are material departures from generally accepted accounting principles; a disclaimer should not be issued. Rather a qualified or adverse opinion is appropriate. When a disclaimer is issued, the report should not identify the procedures that were performed nor include the paragraph describing the characteristics of an audit. In addition, the auditor should also disclose any other reservations regarding fair presentation of the financial statements in conformity with generally accepted accounting principles.

A sample of a report disclaiming an opinion for a local unit of administration is shown in Exhibit IV-22B -4.

EXHIBIT IV-22B-4

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
[1] Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We were engaged to audit 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 the [1] Board of Education [a component unit of the _____, Georgia], as of and for the year ended June 30, 20XX, and the related notes to the financial statements (Exhibits A through ____), which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The financial statements of The Educational Foundation, Inc. (Foundation) have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the (1) Board of Education's basic financial statements. The Foundation's financial activities are included in the (1) Board of Education's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion

Because of the matter described in the Basis for Disclaimer paragraph, 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 Foundation as of and for the year ended June 30, 20XX.

Unmodified 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,] [major funds not affected by the previously described qualified opinion], and the aggregate remaining fund information of the [1] Board of Education, as of June 30, 20XX, and the respective changes in financial position [and cash flows] thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [2] on our consideration of the [1] Board of Education's internal control over financial reporting and on 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Example's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,
State Auditor

Summary

Auditor reports focus on the basic financial statements. There are four different types of reports: unmodified, qualified, adverse, and disclaimer. The unmodified opinion is the preferred report. It is important to read your audit opinion and be aware of its meaning.

GENERAL INFORMATION – PREPARING FOR AUDIT

There is some basic information that the independent auditor will need to audit the LUA's accounting records. Generally, the information requested assumes that the auditor will draft the financial statement and related note disclosures from the LUA provided information. The following is a list of these items, including a brief description, as applicable.

- Funds - A listing of all funds used during the fiscal year, including the fund number and name.
- Trial Balances - A balanced trial balance for each fund's general ledger. The LUA should conduct a cursory review of the trial balance to insure its accuracy. For example, most asset accounts and expenditure accounts should report debit balances and most liability accounts and revenue accounts should report credit balances. Also, fund balance normally reports a credit balance.
- School Food Service Fund Trial Balance - A balanced trial balance for the School Food Service Fund. The trial balance should be presented at a summarized level.
- Prior Year Audit Findings - A copy of the clearance letter from the Georgia Department of Education (GA DOE) regarding any prior year audit findings. Also, a copy of the LUA's corrective action plan regarding the prior year's findings should be provided.
- Board Policies - Copies of any new or updated policies.
- Financial Policies - Copies of any new or updated policies.

- Leases - Copies of any operating or capital leases in which the LUA entered into during the fiscal year under audit.
- Unemployment Compensation - Copies of billings and related cancelled checks for unemployment compensation provided by the Georgia Department of Labor for the fiscal year under audit.
- Board Minutes - Documentation of the school board minutes for the fiscal year under audit.
- School Board Members - Documentation of payroll earnings histories and vendor payment details relating to any payments to school board members for the fiscal year under audit.
- Budgets - Copies of the original adopted and the final (i.e., after all current fiscal year amendments) amended budgets for each fund. Revenues should be summarized at the following source level:
 - Property taxes
 - Sales taxes
 - State funds
 - Federal funds
 - Charges for services
 - Investment earnings
 - Miscellaneous

Expenditures should be presented by function.

- Miscellaneous Documentation - Copies of documentation related to any instances of errors, irregularities, related party transactions, or contingent liabilities identified during the fiscal year under audit or in the subsequent reporting period.
- Insurance Policies - Copies of the declaration pages for all insurance policies in effect during the fiscal year under audit, including any exclusions.
- Surety Bonds - Copies of surety bonds for all covered officials and copies of supporting documentation for payments made for the fiscal year under audit.
- Subsequent Events - Copies of documentation relating to any subsequent events occurring after June 30 of the fiscal year under audit (e.g., bonds issued, a SPLOST referendum approval, losses due to natural disasters, litigation resolved).
- 941 Reports - Copies of the 941 Quarterly IRS Reports for quarters ending 9/30, 12/31, 3/31 and 6/30 of the fiscal year under audit.
- Superintendent's Contract - Payroll earnings history and employment contract for the

Superintendent for the fiscal year under audit.

- General Journal Entries - A detailed summary of all journal entries made during the fiscal year under audit (by journal entry number) and all journal entry supporting documentation.

CASH AND INVESTMENT INFORMATION

The following information needs to be provided regarding cash and investments:

- Copies of the June (i.e., for the fiscal year under audit) bank statements, outstanding check listings, deposits in transit and any other adjustment information for all bank accounts, including the school accounts.
- Copies of bank reconciliations for the months of May and June for the year under audit for all bank accounts, including school accounts.
- July, August and September (the months subsequent to the year under audit) bank statements for all bank accounts should be available for review.
- All system generated cash reports must be available for the fiscal year under audit, check registers reports for the operating and payroll bank accounts for the fiscal year under audit.
- Copies of all certificates of deposits purchased and/or redeemed during the fiscal year under audit, including renewal notifications.
- Copies of other investments made during the fiscal year under audit (e.g., Georgia Fund I, U.S government securities)

GOVERNMENT-WIDE FINANCIAL STATEMENT INFORMATION

The following information generally applies to the preparation of the government-wide financial statements.

Compensated Absences - A list of the compensated absence liabilities at June 30 for the fiscal year under audit. The schedule should include the liability classified by expense function (i.e., matched against the function in which the employee's salary is charged). Also, the schedule must include the beginning balance, the amount of compensated absences earned during the year, the amount of compensated absences used during the year and the ending balance. The LUA also must estimate the current portion (i.e., the amount of compensated absences that will be used in the subsequent year) of the year-end balance. The following is a suggested form that the LUA might use to report its changes in compensated absences:

Governmental Activities	Outstanding			Outstanding	Amounts Due
	<u>7/1/2015</u>	<u>Increases</u>	<u>Decreases</u>		
Compensated absences	<u>\$956,208</u>	<u>\$125,414</u>	<u>\$137,448</u>	<u>\$944,174</u>	<u>\$128,414</u>

In order to provide supporting documentation for this schedule, the LUA also must have available a listing of the employees, the number of day or hours of compensated absences earned and the daily/hourly pay rates at June 30.

Capital Assets - The following information needs to be provided regarding capital assets:

- Any changes to the beginning capital asset balances by asset class resulting from physical inventories, changes in thresholds, etc.
- Current year additions to capital assets, balances classified by asset class, including any contributed assets and supporting documentation.
- A schedule of current year additions, classified by the function to which the expenditure was charged when the capital asset was purchased.
- Current year deletions to capital asset balances, classified by asset class with supporting documentation (e.g., sale, surplus items, items sold).
- Current year depreciation expense classified by function.

Exhibit A to this chapter provides a sample form that the LUA might use to report these capital assets.

General Long Term Debt - The following information needs to be provided regarding general long term debt (normally general obligation bonds, special purpose local option sales tax bonds or capital leases)

- Copies of documentation (e.g., checks, wire transfers) for principal and interest payments made during the year under audit.
- For any capital leases entered into during the year, provide:
 - A copy of the lease agreement
 - A copy of the lease agreement's amortization schedule

- For any bonds issued during the year, provide:
 - The bond closing statement
 - The amortization schedule if not included in bond closing statement
 - A copy of the LUA's official statements relating to the bond issue (if applicable)
 - A signed copy of the bond resolution
 - If the bonds issued are refunding bonds, a copy of the "Non-arbitrage certificate" or tax exempt status letter and the escrow agent's name and address

Consider using the following format to account for the current year changes in general long-term debt.

Governmental Activities	Outstanding <u>7/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	Outstanding <u>6/30/2016</u>	Amounts Due <u>in One Year</u>
General obligation bonds	\$4,250,000	\$ -	\$ -	\$4,250,000	\$135,000
Capital leases	<u>385,442</u>	<u>126,000</u>	<u>61,545</u>	<u>449,897</u>	<u>64,485</u>
Total	<u>\$4,635,442</u>	<u>\$126,000</u>	<u>\$ 61,545</u>	<u>\$4,699,897</u>	<u>\$199,485</u>

Interfund Transactions - The following information needs to be provided regarding interfund balances at year-end and for interfund transfers made during the year:

- A listing of the interfund balances between funds indicating the amount of the balance, by individual funds, and the purpose of the receivable/payable as follows:

Payable from:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>Total</u>
Payable to:				
General Fund	\$ -	\$42,000	\$53,000	\$ 95,000
Special Revenue Fund	-	10,000	-	10,000
SPLOST Capital Projects Fund	<u>240,000</u>	_____	_____	<u>240,000</u>
Total	<u>\$240,000</u>	<u>\$52,000</u>	<u>\$53,000</u>	<u>\$345,000</u>

- A listing of interfund transfers, by individual fund with the amount and the purpose of the transfer, as follows:

Transfers from:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>SPLOST Capital Projects Fund</u>	<u>Total</u>
Transfers to:				
General Fund	\$ -	\$ -	\$24,786	\$ 24,876
Special Revenue Fund	92,670	-	2,900	95,570
SPLOST Capital Projects Fund	<u>845,000</u>	<u>240,000</u>	_____	<u>1,085,000</u>
Total	<u>\$937,670</u>	<u>\$240,000</u>	<u>\$27,686</u>	<u>\$1,205,356</u>

FUND LEVEL FINANCIAL REPORTING

Provide the following information relating primarily to the fund financial reporting level.

Temporary Loans - Documentation related to any temporary loans made during the fiscal year under audits (e.g., tax anticipation notes).

Taxes - In order to properly accrue taxes at June 30 for the year under audit, provide documentation of receipts of property taxes (from the county tax commissioner or city clerk), of intangible taxes from the county tax commissioner or city clerk or clerk of the superior court and of special purpose local option sales taxes (from the Georgia Department of Revenue) for taxes collected in July and August of the subsequent year to the year under audit.

Accounts Receivable - A listing of all accounts receivable at June 30 for the year under audit and documentation of subsequent year receipts demonstrating the collection of the accounts receivable.

Accounts Payable - A listing of all accounts payable at June 30 for the year under audit and documentation of subsequent issued checks demonstrating the payment of the outstanding accounts payable.

Expired Grant Balances - Documentation of checks for all expired grant balances made payable to the Georgia Department of Education.

Accrued Salaries and Benefits Payable - The following information is required to be provided for salaries and benefits payable.

- For the prior year audit period, a listing of the salaries and related benefits payable (i.e., the July and August salaries and benefits relating to the prior fiscal year), presented by expenditure function at June 30.

- For the current year under audit, a listing of the salaries and related benefits payable (i.e., the July and August salaries and benefits relating to the current fiscal year), presented by expenditure function at June 30.
- The detailed listing of salaries and benefits by employee should be made available, if requested by the auditor.

School Activity Accounts - Separate these accounts into two classifications, government activity (e.g., athletics, vending) and agency activity (e.g., school clubs). For the agency accounts, prepare a schedule of activity and a consolidate schedule as follows:

	Consolidation of All Schools Agency Funds			
	School #1	School #2	School #3	Total
CASH AND CASH EQUIVALENTS	\$86,371.00	\$14,759.00	\$15,836.00	\$116,966.00
FUNDS HELD FOR OTHERS	86,371.00	14,759.00	15,836.00	116,966.00
RECEIPTS	419,742.00	69,649.00	55,426.00	544,817.00
DISBURSEMENTS	401,911.00	67,985.00	48,237.00	518,133.00
Excess of Receipts Over (Under) Disbursements	17,831.00	1,664.00	7,189.00	26,684.00
BEGINNING FUNDS HELD FOR OTHERS	68,540.00	13,095.00	8,647.00	90,282.00
ENDING FUNDS HELD FOR OTHERS	\$86,371.00	\$14,759.00	\$15,836.00	\$116,966.00

The bank reconciliation and bank related bank statement for the months of June and July under audit should be copied and available for auditor use. All other bank reconciliations and related bank statements should be available, if requested by auditor.

For the governmental activity accounts, a detailed listing of revenues by source and expenditures by function and object must be prepared. It is also helpful to document why many of the expenditures from the student activity accounts are to the instruction function (1000), representing instruction resulting from interactions between students and teachers outside of regular classes. Sports, clubs and fund raisers are examples of co-curricular activities. An example of documentation for a co-curricular activity in support of validating instruction expenditures is:

- Musical and drama clubs serve to improve individual students' skills or provide entertainment for the school and/or the community.
- The musical co-curricular activities include a marching band, symphony orchestra, chorus and a jazz ensemble.
- Drama clubs give practice in all aspects of producing a show including acting, directing, stage management, scenery production and makeup.

These are learning environments that enhance school life and teach cooperation, teamwork and leadership skills, and the receipts generated from these activities contribute to the educational experience of students by enriching the curriculum, providing new learning experiences, promoting interest in classroom work and improving morals and discipline. These student activity funds finance the normal, legitimate, co-curricular activities of the organization including the interaction between teachers and students. The following is an example:

CONSOLIDATION OF ALL SCHOOLS
GOVERNMENTAL ACTIVITY ACCOUNTS

	<u>School #1</u>	<u>School #2</u>	<u>School #3</u>	<u>TOTAL</u>
CASH AND CASH EQUIVALENTS	\$87,273.00	\$16,159.00	\$42,194.00	\$145,626.00
FUND EQUITY	<u>87,273.00</u>	<u>16,159.00</u>	<u>42,194.00</u>	<u>145,626.00</u>
REVENUES				
1500 Interest	0.00	0.00	0.00	0.00
1210 Concession Sales	45,080.00	11,931.00	19,219.00	76,230.00
1220 Donations	42,383.00	3,906.00	15,270.00	61,559.00
1225 Fund Raising/Misc Sales	70,144.00	31,697.00	13,311.00	115,152.00
1230 Gate Receipts	149,718.00	2,486.00	1,286.00	153,490.00
5200 Transfer In	<u>26,545.00</u>	<u>1,018.00</u>	<u>2.00</u>	<u>27,565.00</u>
TOTAL REVENUES	<u>333,870.00</u>	<u>51,038.00</u>	<u>49,088.00</u>	<u>433,996.00</u>
EXPENDITURES				
1000 Instruction				
Salaries	10,000.00	4,250.00	2,000.00	16,250.00
Supplies and Materials	198,207.00	45,982.00	40,123.00	284,312.00
Telecommunications	0.00	0.00	0.00	0.00
Other Expenses	0.00	0.00	0.00	0.00
3200 Enterprise Operations				
Salaries	0.00	0.00	0.00	0.00
Supplies and Materials	98,722.00	16,048.00	5,526.00	120,296.00
Other Expenses	0.00	0.00	0.00	0.00
5000 Other Outlays				
Transfers Out	<u>4,913.00</u>	<u>858.00</u>	<u>101.00</u>	<u>5,872.00</u>
TOTAL EXPENDITURES	311,842.00	67,138.00	47,750.00	426,730.00
Excess of Revenues Over (Under) Expenditures	22,028.00	-16,100.00	1,338.00	7,266.00
BEGINNING FUND EQUITY	<u>65,245.00</u>	<u>32,259.00</u>	<u>40,856.00</u>	<u>138,360.00</u>
ENDING FUND EQUITY	<u>87,273.00</u>	<u>16,159.00</u>	<u>42,194.00</u>	<u>145,626.00</u>

A summary report presented by bank account within each school should be prepared. A sample follows:

<u>Location</u>	<u>Financial Institution/ Account Number</u>	<u>Cash Balance June 30, 2005</u>
School #1		173,644.00
School #2		30,918.00
School #3		<u>58,030.00</u>
Total All Schools		<u>\$262,592.00</u>

Finally, any reports audited either by an independent auditor or the LUA’s internal auditor should be provided.

GENERAL FUND INFORMATION

Provide the following information relating primarily to the general fund:

- A copy of the “Summary Report of Completion Reports” (From GDOE Administrative Web Page).
- Copies of all contracts initiated with other state and local agencies during the year under audit.
- A copy of the “Final Allotment Sheet” for the year under audit, copies of the July and August QBE payment advise for the year under audit, and a copy of the July and August QBE payment advice the year end accruals (currently QBE 017 report).

CAPITAL PROJECTS FUND INFORMATION

Provide the following information relating primarily to the capital projects fund:

- Copies of all construction contracts, architects contracts, and related approved change orders for all construction projects in progress during the fiscal year under audit.
- Documents supporting architects and contractor’s requests for reimbursement that were paid during the fiscal year under audit and any requests paid after June 30 but relating to prior year end.
- If any projects were completed during the year under audit, a copy of the completion letter sent to GSFIC, if applicable.

PENSION/RETIREMENT PLAN INFORMATION

- Copy of pension/retirement plan financial statements or web accessibility.
- Documentation of employer and employee contributions to each plan for the year under audit.
- Schedule of the deferred outflows and deferred inflows for each plan for the year under audit.
- Listing of contributions subsequent to the measurement date by fiscal year.

OTHER INFORMATION

Provide the following miscellaneous information:

- Copies of any trust or agency accounts opened during the year under audit.
- Copies of expenditure details for lottery purchases for expenditure objects 7XX and 615 and 612 during the year under audit.

Note that individual auditors may request other information not referenced above.

Exhibit A

	Adjusted Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$5,122,234	\$ -	\$ -	\$5,122,234
Construction in progress	<u>6,448,354</u>	<u>327,485</u>	<u>1,347,555</u>	<u>5,428,284</u>
Total capital assets not being depreciated	<u>11,570,588</u>	<u>327,485</u>	<u>1,347,555</u>	<u>10,550,518</u>
Depreciable capital assets:				
Land improvements	3,771,115	-	-	3,771,115
Buildings	42,785,443	1,347,555	-	44,132,998
Machinery and equipment	10,558,819	-	-	10,558,819
Busses	671,148	121,442	61,157	731,433
Other vehicles	<u>442,147</u>	<u>---</u>	<u>---</u>	<u>442,147</u>
Total depreciable capital assets	<u>58,228,672</u>	<u>1,468,997</u>	<u>61,157</u>	<u>59,636,512</u>
Total capital assets	<u>69,799,260</u>	<u>1,796,482</u>	<u>1,408,712</u>	<u>70,187,030</u>
Accumulated depreciation:				
Land improvements	1,004,844	377,112	-	1,381,956
Buildings	8,668,994	1,334,557	-	10,003,551
Machinery and equipment	4,887,254	725,844	-	5,613,098
Busses	71,588	68,422	61,157	78,853
Other vehicles	<u>74,221</u>	<u>58,585</u>	<u>---</u>	<u>132,806</u>
Total accumulated depreciation	<u>14,706,901</u>	<u>2,564,520</u>	<u>61,157</u>	<u>17,210,264</u>
Governmental activities capital assets, net	<u>\$55,092,359</u>	<u>\$(768,038)</u>	<u>\$1,347,555</u>	<u>\$52,976,766</u>

FINANCIAL REPORTING REWARDS PROGRAMS

Both the Association of School Business Officials International (ASBO) and the Government Finance Officers Association (GFOA) present awards to Local Units of Administration (LUA) for excellence in financial reporting. Each of these programs' web pages provides information regarding their programs. Additionally, the Georgia Department of Audits presents a Certificate of Excellence award for school district audits that meet certain defined criteria, as detailed on their website. The following discussion provides a brief overview of each of these excellent programs.

Government Finance Officers Association. The Certificate of Achievement for Excellence in Financial Reporting Program (CAFR - certificate program) was established in 1945 by the GFOA to encourage government units including LUAs to produce and publish excellent CAFRs and to provide educational assistance and well deserved peer recognition to the report preparers. The certificate program is recognized as the highest award in governmental financial reporting.

LUA's choosing to participate in the program submit copies of their CAFRs for review by an impartial Special Review Committee (SRC) of qualified judges. Reports meeting program standards are awarded Certificates of Achievement. The CAFR generally should demonstrate a constructive "spirit of full disclosure" effort to clearly communicate its financial picture, to enhance understanding of the logic underlying the traditional governmental financial reporting model and to address CAFR user needs.

The certificate program is not an accreditation program. Therefore, an LUA can neither "lose" a certificate nor can a certificate be "revoked," "cancelled" or "withdrawn." However, the fact that an LUA has received a Certificate of Achievement in one or more years is not a guarantee that its subsequent reports will be similarly honored.

For more information on this program, contact:

GFOA
201 N. LaSalle Street,
Suite 2700 Chicago, IL 60601-1210
312/977-9700
http://www.gfoa.org/index.php?option=com_content&task=view&id=35&Itemid=58

Association of School Business Officials International. Sponsorship of the Certificate of Excellence in Financial Reporting by School Systems Program documents ASBO's mission to encourage excellence and transparency in the preparation and issuance of U. S. school district's Comprehensive Annual Financial Report (CAFR).

The Certificate of Excellence in Financial Reporting for School Systems Program is a voluntary program sponsored by ASBO to foster excellence in the preparation and issuance of LUA financial reports. A Certificate of Excellence is awarded to those LUA's who voluntarily have submitted their system's CAFR for review by an ASBO Panel of Review. Upon completion of a vigorous technical review, the panel members conclude whether the LUA's CAFR has met the criteria for excellence in financial reporting. The Certificate of Excellence Award is the highest form of recognition in school financial reporting issued by the ASBO. Since certificates are granted based on a particular fiscal year's report, an LUA must resubmit its CAFR annually to maintain its certificate.

For more information on the program contact:

ASBO
11401 North Shore Drive
Reston, Virginia 22090-4232
866/682-2729
<https://asbointl.org/learning-career-development/awards-scholarships/certificate-of-excellence-in-financial-reporting>

Georgia Department of Audits and Accounts. The Georgia Department of Audits and Accounts awards school districts meeting certain criteria an “Award of Distinction for Excellent Financial Reporting.” The Best Practice Criteria was established to recognize better practices for financial reporting and controls. This award was developed by the Audit Department to encourage local boards of education to go beyond the minimum requirements of generally accepted accounting principles and recognize individual organizations that are successful in achieving that goal. Specific criteria is published on the Department’s website, www.audits.ga.gov.

SUMMARY

1. All Georgia Local Units of Administration (LUA) are subject to an annual audit.
2. The Georgia Department of Audits And Accounts (DOAA) audits most LUAs but some LUAs are audited by private certified public accounting firms.
3. LUAs have a responsibility to provide certain information to facilitate the audit process and to allow the auditors to maintain their independence.
4. The auditor’s opinion, presented in the auditor’s report, is the first component of the financial section of the Comprehensive Annual Financial Report (CAFR).
5. There are four different types of reports an auditor may issue. Either the report is unmodified, resulting in an unmodified opinion; or the report is modified, resulting in a qualified opinion, an adverse opinion, or a disclaimer of opinion.
6. An unmodified audit opinion states that *“The financial statements present fairly, in all material respects, the financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.”*
7. A qualified opinion includes an “except for” clause. The “except for” means that the financial statements are fairly presented except for certain matters which the qualification describes.
8. An adverse opinion states that the financial statements do not present fairly the financial position or the results of operations in conformity with generally accepted accounting principles.
9. An auditor issues a disclaimer of opinion when the auditor does not express an opinion on the financial statements. When the auditor is unable to form or has not formed an opinion as to the fairness of presentation of the financial statements in conformity with generally accepted accounting principles a disclaimer should be issued.
10. Both the Association of School Business Officials International (ASBO) and the Government Finance Officers Association (GFOA) present awards to Local Units of Administration (LUA) for excellence in financial reporting. Additionally, the Georgia Department of Audits presents a Certificate of Excellence award for school district audits that meet certain defined criteria.