

SAMPLE INDEPENDENT AUDITOR'S REPORT FOR INTERNAL SCHOOL FUNDS

Independent Auditor's Report

[*Appropriate Addressee*]

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of ABC Schools Internal School Funds, which comprise the combined and individual school balance sheets – regulatory basis, as of June 30, 20XX, and the related combined and individual school statements of revenues, expenditures, and changes in fund balances – regulatory basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying combined and individual school financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances of ABC Schools Internal School Funds as of June 30, 20XX, and the related revenues, expenditures and changes in fund balances for the year then ended, in accordance with the financial reporting provisions of the *Internal School Funds Manual* described in Note X.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of ABC Schools Internal School Funds as of June 30, 20XX, or the changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ABC Schools Internal School Funds, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note X of the financial statements, the financial statements are prepared by ABC Schools Internal School Funds on the basis of the financial reporting provisions of the *Internal School Funds Manual*, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Tennessee. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note X and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the *Internal School Funds Manual*, as described in Note X. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ABC Schools Internal School Funds' internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Schools Internal School Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information¹

Our audit was conducted for the purpose of forming opinions on the combined and individual school financial statements – regulatory basis that collectively comprise ABC Schools Internal School Funds' basic financial statements. The (identify accompanying supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements – regulatory basis. As described in Note X of the financial statements, the supplementary information, as listed in the table of contents, is prepared by ABC Schools Internal School Funds on the basis of the financial reporting provisions of the *Internal School Funds Manual*, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements – regulatory basis. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements – regulatory basis 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 – regulatory basis or to the basic financial statements – regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the (identify accompanying supplementary information), as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements – regulatory basis as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the (identify other information, such as the introductory section and other schedules) but does not include the basic financial statements – regulatory basis and our

¹ This part can be deleted if the auditor has not been engaged to provide an “in-relation-to” opinion on supplementary information. However, at a minimum, the schedule of expenditures of federal awards and state assistance must be opined on in relation to the basic financial statements-regulatory basis, if applicable. If supplemental schedules are not addressed as supplementary information, they should be addressed in the other information section of the report.

auditor's report thereon. Our opinions on the basic financial statements – regulatory basis do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements – regulatory basis, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements – regulatory basis, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated (date of report) on our consideration of ABC Schools Internal School Funds' 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 solely 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 the effectiveness of ABC Schools Internal School Funds' 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 ABC Schools Internal School Funds' internal control over financial reporting and compliance.

[*Signature of the auditor's firm*]

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

[*Date of the auditor's report*]

Authoritative Guidance:

AICPA Audit and Accounting Guide: *State and Local Governments*, Chapters 17 and 18
(March 15, 2023, Edition)

AICPA Audit and Accounting Guide: *Government Auditing Standards and Single Audits*,
Chapter 4 (April 1, 2023, Edition)

AICPA *Professional Standards*, AU-C Sections 700, 720, 725, and 800
(June 1, 2023, Edition)

Notes:

- (1) The report should be presented on firm letterhead.
- (2) An Emphasis-of-Matter paragraph is not included in accordance with the AICPA Audit and Accounting Guide: *State and Local Governments*, Chapter 17 paragraph 103, (March 15, 2023, Edition).