LETTERHEAD OF INDEPENDENT AUDITOR

Independent Auditor’s Report[[1]](#endnote-1)

To the Board of Education

Carolina County Board of Education

Dogwood, North Carolina

**Report on the Financial Statements**

***Opinions***

We have audited accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information [[2]](#endnote-2), of the Carolina County Board of Education, as of and for the year ended June 30, 200X [[3]](#endnote-3) and the related notes to the financial statements, which collectively comprise of the Carolina County Board of Education’s basic financial statements as listed in the table of contents. [[4]](#endnote-4)

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, each major fund, and the aggregate remaining fund information of Carolina County Board of Education as of June 30, 20XX, and the respective changes in financial position, and cash flows,[[5]](#endnote-5) [where applicable], thereof and the respective budgetary comparison for the General Fund and [and major, annually budgeted special revenue funds, if applicable] for the year then ended in accordance with accounting principles generally accepted in the United States of America [[6]](#endnote-6).

***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 *Governmental Auditing Standards*, issued by the Comptroller of the United States.[[7]](#endnote-7) 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 Carolina County Board of Education 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. [[8]](#endnote-8) [[9]](#endnote-9)

***Responsibilities of Management for the Audit of the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about Carolina County Board of Education’s ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor’s*** ***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 of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards 7* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAASand *Governmental Auditing Standards 7* we

* exercised professional judgement and maintained professional skepticism throughout the audit.
* identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
* obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Carolina County Board of Education’s internal control. Accordingly, no such opinion is expressed.
* evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
* conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Carolina County Board of Education’s ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information*** *[[10]](#endnote-10)*

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages xx through xx and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages xx and xx, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information [[11]](#endnote-11)***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carolina County Board of Education’s basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, [[12]](#endnote-12) as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act [[13]](#endnote-13) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to pre- pare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state 13 awardsis fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Information*** [[14]](#endnote-14)

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

**Other Reporting Required by *Government Auditing Standards***[[15]](#endnote-15)

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of Carolina County 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 the effectiveness of Carolina County Board of Education’s 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 Carolina County Board of Education’s internal control over financial reporting and compliance.

*[Signature]*

*[City and State]*

*[Date]*

1. This example has been adapted from AICPA’s *Audit & Accountant Guide: State and Local Governments* Chapter 16, Appendix A and reflects the reporting requirements of local governments and public authorities in North Carolina by the NC Department of State Treasurers State and Local Government Finance Division.

The following sample has incorporated the AICPA Auditing Standards Board’s SASs No. 134 to 140 that revises the auditor reports beginning with fiscal years ending on or after December 15, 2021. Early implementation is allowed for audits issued prior to the implementation date. [↑](#endnote-ref-1)
2. The financial statements are identified at the opinion unit level. This sentence should be modified to include only those opinion units which relate to the governmental unit.

If the financial statements do not clearly indicate the major funds, “each major fund” should be replaced with the individual major fund names.

The auditor may combine two aggregate opinion units, if both are presented in the financial statements, (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. [↑](#endnote-ref-2)
3. If the prior-period financial statements include the minimum information required by GAAP for a complete set of financial statements, the current auditor should report on them. Due to the complexity of governmental financial statements, prior period financial statement information may present comparative information that is condensed or summarized financial information that is not considered to be comparative financial statements. Accordingly, the auditor is not required to opine on such comparative information. Instead, the auditor should add an appropriate headed other-matter paragraph to describe the character of the auditors work and the degree of responsibility taken.

**Report on Summarized Comparative Information**

Prior year information, such as prior year combining and individual fund information may be included in RSI or SI when prior-year financial statements are not presented. The auditor may choose not to report on such comparative information:

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

 [↑](#endnote-ref-3)
4. The reference to the table of contents should be deleted if the financial statements are not listed there and replaced with the appropriate page numbers. [↑](#endnote-ref-4)
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. [↑](#endnote-ref-5)
6. North Carolina local governments are required to present annually budgetary statements in the basic financial statements. The last sentence of the opinion paragraph should agree with the statements with regard to which funds’ budgetary statements are included in the basic financial statements. The General Fund and each major annually budgeted Special Revenue Fund must be listed by name. [↑](#endnote-ref-6)
7. The report for an audit performed in accordance *Governmental Auditing Standards* (GAGAS) refers to audit performed in accordance with the GAGAS, 2011 revision, chapters 1 – 4 as well as generally accepted auditing standards. [↑](#endnote-ref-7)
8. If there has been a change in accounting principle that has a material effect on comparability of the financial statements, a paragraph should be added after the opinions paragraph:

**Change in Accounting Principle:** “As discussed in Note X to the financial statements, in 20XX the Board of Education adopted new accounting guidance, GASB Statement No. 87*, Leases*. Our opinion is not modified with respect to this matter.” [↑](#endnote-ref-8)
9. **Emphasis of Matter paragraph:** If required by GAAS or the auditor considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor should refer to AU-C §706 and include an emphasis-of-matter paragraph in the auditor's report, provided that the matter does not result in a modified opinion. The paragraph should fully describe the matter in the financial statements. This paragraph is not a substitute for a modified opinion, and the paragraph should note that the opinion is not modified. Circumstances in which it is necessary to include an emphasis of mater paragraph: 1) uncertainty related to future outcome of unusually important legislation or regulatory action, 2) significant subsequent event, 3) a major catastrophe that affect the entity’s financial position or results of operations, or 4) significant transaction of related parties. **Other-Matter paragraph**: If required by GAAS or included at the auditor’s discretion to draw user’s attention to any matters other than those presented or disclosed in the financial statements that are relevant to users understanding of the audit, the auditor’s responsibilities, or the auditor’s report. An other-matter paragraph is required if laws, regulation, or generally accepted practice may require or permit the auditor to elaborate on matters or when the auditor is unable to withdraw from an engagement (refer to AU-C §706). [↑](#endnote-ref-9)
10. Per AU-C § 730, the auditor’s report on the financial statements should include a separate section that refers to the supplementary information that GAAP requires to accompany the financial statements, such as MD&A, Pension and OPEB schedules, if applicable. Common RSI schedules applicable to North Carolina LEAs are included in this example. The RSI listing in the auditor’s report should be tailored for each engagement. This RSI section of the report illustrates a situation where the auditor has applied the specified procedures, and no material departures from prescribed guidelines have been identified. If the RSI is omitted, the paragraph on RSI would be replaced with the following:

“Management has omitted [state the missing RSI] that governmental 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 the 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.”

If the auditor is unable to complete prescribed procedures, the last two sentences of the paragraph with the wording: “We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because [state the reasons]. We do not express an opinion or provide any assurance on the information.” [↑](#endnote-ref-10)
11. This illustration assumes that the auditor has engaged to provide an “in-relation-to” opinion on SI, the auditor is issuing an unmodified opinion on the financial statements, and the auditor concluded that SI is fairly stated in all material respects, in relation to the financial statements as a whole. If there is no SI, then references to SI in these paragraphs would be deleted.

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 anything other than unqualified, this paragraph should be modified. Refer to AU-C section 725 for guidance. [↑](#endnote-ref-11)
12. Combining and individual fund financial statements, budgetary schedules are required by the State and Local Government Finance Division (NCDST) to be presented as supplementary information. [↑](#endnote-ref-12)
13. Guidance found in AICPA’s Accounting and Auditing Guide: State and Local Governments recommend combining the reporting on the schedule of expenditures of federal and state awards (SEFSA) with the reporting on the financial statements. However, if the SEFSA is issued under a separate cover and therefore not presented with the basic financial statements, reference to the SEFSA in the auditor’s report should be deleted. Reporting on the SEFSA should be included either in the Uniform Guidance Single Audit report and the State Single Audit report or it could be contained in a stand-alone report.

When a federal or State single audit is performed in accordance with the Uniform Guidance or State Single Audit Act subsequent to the financial statement audit, the required procedures on the SEFSA may not be completed until after the date of the auditor’s report on the financial statement. If the in-relation-to reporting on the SEFSA is included in the financial statement report, the auditor would dual-date the financial statement report. The auditor may also consider including the in-relation-to reporting on the SEFSA in a separate report or in the auditor's reporting issued to meet the requirements of the Uniform Guidance. As noted in AU-C section 725, the date of the auditor's report on SI in relation to the financial statements as a whole should not be earlier than the date on which the auditor completed the required procedures required by AU-C section 725. [↑](#endnote-ref-13)
14. The auditor’s reporting on Other Information (OI) is described in AU-C §720. Although not a required part of the basic financial statements, the auditor is required to perform certain procedures on OI. The most common OI is the introductory information and statistical sections required when an Annual Comprehensive Financial Report is issued, that is obtained prior to the date of the auditor’s report. In this example, the auditor has applied procedures and no uncorrected material misstatement of the OI exists. In this example, the auditor has applied procedures and no uncorrected material misstatement of the OI exists, and the auditor is issuing an unmodified opinion. If the auditor has determined that an uncorrected material misstatement of the OI exists or if the auditor issued an opinion, other than unmodified on the financial statements, the auditor should refer to the guidance in AU-C §720. [↑](#endnote-ref-14)
15. AU-C section 700, Paragraph .37 provides that the section related to an auditor’s other reporting responsibilities should be subtitled “report on Other Legal and Regulatory Requirements” or otherwise, as appropriate to the contents of this section. An example of an alternative title would be describing the reporting requirements by audits performed under *Governmental Auditing Standards* as is illustrated here.

The heading “Report on the Audit of the Financial Statements” is only necessary if the auditor report contains a separate section that addresses other reporting responsibilities, such as a Governmental Auditing Standards. [↑](#endnote-ref-15)