

SAMPLE INDEPENDENT AUDITOR'S REPORT FOR INTERNAL SCHOOL FUNDS

Independent Auditor's Report

[Appropriate Addressee]

Report on the Financial Statements

We have audited the accompanying combined and individual fund balance sheets – regulatory basis of ABC School Internal School Funds, as of June 30, 20X3, and the related combined and individual fund statements of revenues and expenditures and changes in fund balances – regulatory basis for the year then ended, and the related notes to the financial statements, which collectively comprise ABC School Internal School Funds' 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 the financial reporting provisions of the *Tennessee Internal School Uniform Accounting Policy Manual*, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 Responsibility

Our responsibility is to express an opinion 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 *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 opinion.

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 School Internal School Funds on the basis of the financial reporting provisions of the *Tennessee Internal School Uniform Accounting Policy 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.

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” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of ABC School Internal School Funds as of June 30, 20X3, or changes in financial position for each fund for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined and individual fund balance sheets – regulatory basis of ABC School Internal School Funds as of June 30, 20X3, and the related combined and individual fund statements of revenues and expenditures and changes in fund balances – regulatory basis for the year then ended in accordance with the financial reporting provisions of the *Tennessee Internal School Uniform Accounting Policy Manual* described in Note X.

Emphasis of a matter¹

As discussed in Note __, the financial statements present only the internal school funds of the City/County of Example Board of Education and are not intended to present fairly the financial position of the City/County of Example, as of June 30, 20X3 or the changes in financial position of the City of Example, for the year ended June 30, 20X3, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined and individual fund balance sheets – regulatory basis of ABC School Internal School Funds, as of June 30, 20X3, and the related combined and individual fund statements of revenues and expenditures and changes in fund balances – regulatory basis for the year then ended, and the related notes to the financial statements, which collectively comprise ABC School Internal School Funds’ financial statements. The accompanying financial information, listed in the Table of Contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements – regulatory basis of the schools. As described in Note X of the financial statements, the supplementary information is prepared by ABC School Internal School Funds on the basis of the financial reporting provisions of the *Tennessee Internal School Uniform Accounting Policy Manual*, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated MM-DD-YYYY on our consideration of ABC School 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 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 ABC School Internal School Funds internal control over financial reporting and compliance.

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

¹ Decentralized cafeteria operations are considered internal school funds; therefore, for school systems with decentralized cafeteria operations, this paragraph should read as follows:

As discussed in Note __, the financial statements present only the internal school funds (excluding those accounted for in the school system's decentralized internal cafeteria operations) of the City/County of Example Board of Education and are not intended to present fairly the financial position and results of operations of the City/County of Example, in conformity with accounting principles generally accepted in the United States of America.

Authoritative Guidance:

AICPA Audit and Accounting Guide: *State and Local Governments*, Chapters 14 and 15
AICPA *Codification of Statements on Auditing Standards*, AU-C Sections 700 and 725