

# 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 balance sheet – regulatory basis of ABC Schools Internal School Funds, as of June 30, 20XX, and the related combined statement of revenues, 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 Schools Internal School Funds' basic financial statements, as listed in the table of contents. We also have audited the individual school balance sheets – regulatory basis, and the individual school statements of revenues, expenditures and changes in fund balances – regulatory basis presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying individual school financial statements as of and for the year ended June 30, 20XX, 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*. 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 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 *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 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 changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the combined 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 revenue, expenditures and changes in fund balances 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. In addition, in our opinion, the 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 revenue, expenditures and changes in fund balances 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.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements – regulatory basis that collectively comprise the ABC Schools Internal School Funds’ basic financial statements. In addition, our audit was conducted for the purpose of forming an opinion on the individual school financial statements – regulatory basis, presented as supplementary information, as defined by the Government Accounting Standards Board. The supplemental schedules and other 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 of the schools. As described in Note X of the financial statements, the supplemental schedules and other information, as listed in the table of contents, are prepared by ABC Schools 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 supplemental schedules and other information, as listed in the table of contents, are the responsibility of management and were derived from and relate 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 supplemental schedules and other information, as listed in the table of contents, are 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 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 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 Schools Internal School Funds’ internal control over financial reporting and compliance.

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

### **Notes**

The following language is required when the internal school funds are also reported in the financial report of the reporting entity (i.e., county, municipality, or special school district, as applicable).

#### ***Emphasis of a matter***

As discussed in Note \_\_, the financial statements present only the internal school funds of the Example City/County Board of Education/Special School District and do not purport to, and do not, present fairly the financial position of the Example City/County/Special School District, as of June 30, 20XX, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### **Decentralized County Cafeteria Operations**

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

***Emphasis of a matter***

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 Example County Board of Education and do not purport to, and do not, present fairly the financial position of the Example County as of June 30, 20XX, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Authoritative Guidance:**

AICPA Audit and Accounting Guide: *State and Local Governments*, Chapters 15 and 16  
(March 1, 2015, Edition)

AICPA Audit and Accounting Guide: *Government Auditing Standards and Circular A-133 Audits*, Chapter 4 (February 1, 2015, Edition)

AICPA *Codification of Statements on Auditing Standards*, AU-C Sections 700, 725 and 800  
(January 2015 Edition)