

SECTION V

ILLINOIS CPA SOCIETY
Governmental Report Review Program

REVISED 10/16/11

2011 Review Session Supplemental Check List For Independent Auditors' Reports
Accompanying The Annual Financial Report For Local Education Agencies Filed With The
Illinois State Board Of Education

Your Name _____

Report # _____

Code Location: SPFD CHGO

INTRODUCTION

This check list has been developed as a supplement to the regular financial review check lists. The reviewer should have already used the set of Instructions for Completing the Review and should have completed Sections I-IV of a regular checklist.

It is intended that the District's basic financial statements prepared in accordance with the provisions of GASB Statement #34 (or the bound report) will have been reviewed. If there is no bound or basic financial statements, then the Annual Financial Report For Local Education Agencies (the AFR) filed with the Illinois State Board of Education will have been reviewed as if it were the formal annual report of the entity. Also, the "bound report" may have consisted of individual fund financial statements prepared for purposes of compliance with regulatory requirements. **In these two situations, this checklist will not be used.**

The need for possible use of Section V below is explained as follows:

Illinois Local Education Agencies are required to file an annual report with the Illinois State Board of Education entitled "Illinois School District Annual Financial Report" (AFR). This report on a preprinted form presents financial information on an individual Fund basis only. There is no requirement for District wide or combined fund financial statements. Further, the table of contents of the AFR refers to basic financial statements, which is in conflict with the concept of GASB #34 financial statements.

GAAP for local governmental units requires the presentation of District-wide financial statements and the presentation of Fund financial statements that may combine one or more of the operating, special revenue or construction funds of the District. Thus, the AFR cannot qualify as general purpose financial statements.

Accordingly, the language of the Auditor's Report on the AFR Financial Statements will need to be modified appropriately to describe the extent of audit coverage; applicable to the AFR. It cannot be a copy of or the same as the report upon the basic or GASB 34 financial statements. The AFR financial statements are Individual Funds' only.

NATURE OF MODIFIED REPORT LANGUAGE

Note – The term “basic” used hereinafter refers to published financial statements of the District in the format required by GASB #34 and not those statements referred to in the table of contents of the AFR.

The key is the auditor's report accompanying the basic financial statements, i.e., “the bound report.”

If an auditor has audited the basic (entity wide) and combined major fund financial statements only and has not extended the audit to the combining and individual fund financial statement level, then the auditor's report on the AFR must be modified. The auditor may report upon the AFR as Other Financial Information and issue an "in relation to" report (accepted by the Illinois State Board of Education but not recommended) or the auditor may report upon the AFR as a special report issued in compliance with regulatory provisions.

If individual funds have been presented as the major funds in the basic financial statements then the auditor has audited these individual funds. In this circumstance the AFR auditors' report may refer to the basic financial statements (terminology in the AFR table of contents) as being the audited financial statements.

USE OF THIS CHECKLIST

Use this checklist only after completing Sections I-IV of the regular checklist and only if separate basic financial statements have been issued and reviewed. The Instructions for Completing the Review are intended to apply to Section V as well as to Sections I-IV.

This checklist will be applicable only to the Auditors' report attached to the AFR, and reference to related financial statements or footnote disclosures will not be necessary.

SECTION V

ILLINOIS SCHOOL, DISTRICT ANNUAL FINANCIAL REPORT
PREPARED ON CASH BASIS OR GAAP BASIS

In general, refer to ASLGU, Chapter 18 and AU623, "ASLGU" refers to the AICPA's "Audit and Accounting Guide - Audits of State and Local Governmental Units, Revised Edition" (2007). AU refers to Sections of the AICPA's "Codification of Statements on Auditing Standards."

With regard to the *AFR report*:

- | | | |
|------|--|--------|
| 801. | Is there a title that includes the word "independent?" | Yes No |
| 802. | Is the auditors' report dated? | Yes No |
| 803. | Is the report addressed to the governing board? | Yes No |
| | Is there a paragraph that: | |
| 804. | Adequately identifies the governmental unit? | Yes No |
| 805. | Specifically states in the first sentence that the auditor has audited the financial statements rather than the "books and records, the transactions" or similar vague references? | Yes No |
| 806. | Clearly identifies which financial statements were audited (<i>AU150.02</i> , and <i>AU509.06</i>). This can be accomplished by: | |
| | a. referring to sections of the table of contents (the references should be consistent with language used in the table of contents) | |
| | b. actually listing them in the introductory paragraph itself (the titles used should match the titles used on the financial statements), or | |
| | c. other appropriate language (an "in relation to" opinion which describes the statements that were audited), | Yes No |

807. States that the government wide financial statements were audited but are not presented? Yes No
808. Clearly identifies the inclusive dates of the period (i.e., the last day and length of the period) under audit. Yes No
809. States that the financial statements are the responsibility of the auditee's management? Yes No
810. States that the auditor is responsible for expressing an opinion on the financial statements based on the audit? Yes No
- Is there a paragraph that:
811. States that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*? Yes No
812. States that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? Yes No
- States that the audit includes:
813. Examining on a test basis, evidence supporting the amounts and disclosures in the financial statements? Yes No
814. Assessing the accounting principles used and significant estimates made by management, and Yes No
815. Evaluating the overall financial statement presentation? Yes No
816. States that the auditor believes that his or her audit provides a reasonable basis for the opinion? Yes No
817. If the financial statements are prepared on a comprehensive basis other than GAAP, is there another paragraph that:
- a. States the basis of presentation of the financial statements and refers to the notes to the financial statements that describes the basis? Yes No
N/A
- b. States that the basis of presentation is a comprehensive basis of accounting other than generally accepted accounting principles? Yes No
N/A
818. Is there another paragraph or paragraphs that explain what the financial statements are intended to present; that is, supplementary information or satisfaction of regulatory requirements? Yes No N/A

Questions regarding the auditors' opinion paragraph(s)

819 Does the auditors opinion reflect an Adverse Opinion followed by the appropriate regulatory-cash basis opinion? (AU 9623.15.97) Yes No N/A

Note: AICPA interpretation (AU 9623.15) extends the requirement for an Adverse Opinion "when the regulated entity distributes the financial statements to parties other than the regulatory agency either voluntarily or upon specific request." Since Illinois school districts are subject to the Freedom of Information Act, their audit reports would be subject to distribution upon request. Therefore, it is now required that the auditor must issue an Adverse Opinion on such statements.

Before continuing with this checklist, refer to the "bound report," the Independent Auditors' Report on the basic FS and answer the following general question:

GENERAL QUESTIONS: Answer yes to 1 or 2, not both.

No. 1 Were the "Fund" financial statements included in the basic financial statements combined in the entity wide financial statements and does it appear that the auditors' opinion covers such combined fund financial statements? In other words, not ALL funds were considered to be major in the "bound report." Yes

OR

No. 2 Were the "Fund" financial statements included in the basic financial statements presented as individual funds and does it appear that the auditors' opinion covers such individual fund financial statements? In other words, ALL funds were considered to be major in the "bound report." Yes

If #2 is Yes skip to Q. 822

820 If the answer to general question #1 was **yes**, does the opinion paragraph express the auditors' opinion that accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole; or a disclaimer of opinion, depending on the information that has been subjected to the auditing procedures applied in the audit of the basic financial statements? Yes No

Other questions regarding the opinion:

822. If any additional supporting schedule information (schedules of bonds payable, investments, etc.) is presented, has the auditor either accepted "in relation to" supplementary responsibility or clearly disclaimed any responsibility for them? Yes No

823. If there are any Statistical Table Information pages are they covered (either accepted or clearly disclaimed) by the Auditors' Report or clearly marked as unaudited (on the face of the pages)? If "no," list applicable pages. Yes No

825 It is assumed that the entity included historical pension information that is required but unaudited. Is there a paragraph that explains the inclusion of this information and clearly identifies the auditors' level of accepted responsibility? Yes No

826 If the engagement required a financial audit which relates to the Single Audit Act, which must be performed in accordance with OMB Circular A-133 and the Yellow Book, does the scope section of the auditor's report include the following language?

"We conducted our audit in accordance with auditing standards generally accepted in the United States of America, "Governmental Auditing Standards issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133. "Audits of State and Local Governments and Non-Profits." Yes No

827 If the engagement required a financial audit performed in accordance with the Yellow Book, is there separate paragraph of the auditor's report that includes the following language?

"In accordance with Government Auditing Standards, we have also issued a report dated July XX, 2010, on our consideration of LEA's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, grants, and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit." Yes No

828 Use this space to describe any potential problems that need additional Explanation. If so, answer No No
