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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

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STATE TREASURER

## **Bulletin 7**

### **Public Act 451 of 1976, Revised School Code**

#### **Bonded Construction Fund and Sinking Fund Audits**

**Issued By:** Local Fiscal Accountability Division,  
Bureau of Local Government and School Services

**Effective Date:** May 12, 2014 (Revised September 12, 2017)

[Section 1351a](#) of Public Act 451 of 1976, the Revised School Code, requires a school district that issues bonds to have an independent audit, using generally accepted accounting principles. The independent audit must be for the school district's bonding activities and be conducted within 120 days after completion of all projects financed by the proceeds of the bonds. The school district shall submit the audit report to the Department of Treasury.

[Section 1212](#) of Public Act 451 of 1976, the Revised School Code, requires a school district that levies a sinking fund tax to have an independent audit, using generally accepted accounting principles, of its sinking fund conducted annually, including a review of the uses of the sinking fund. The school district shall submit the audit report to the Department of Treasury.

The purpose of this bulletin is twofold: 1) it updates and thereby supersedes our previous bulletin from May 2014, and; 2) it addresses Sinking Fund changes resulting from [Public Act 319 of 2016](#).

#### **INTRODUCTION**

Public Act 451 of 1976, the Revised School Code, gives the Department of Treasury the responsibility for establishing and implementing the requirements related to the audit of bonded construction funds and sinking funds in school districts. The bulletin establishes standards and procedures to assist the independent certified public accountant in the conduct of their audit. The bulletin is intended to set forth minimum procedures, but does not guarantee that by use of all the suggested procedures a satisfactory audit will result. In the final analysis, there is no substitute for the knowledge and experience that the individual certified public accountant brings to the engagement. It is only through the use of these skills that an audit plan can be tailored to fit the terms of the engagement.

The primary purpose of the auditing and reporting requirements related to Public Act 451 of 1976 is to maintain the confidence of all interested parties in the integrity of the record keeping and financial reporting of school districts. Interested parties include, but are not limited to, the following: citizens of the community, state and federal governments, creditors, and local

officials. The audit will help to assure legal compliance that systems are in effect to adequately safeguard assets, that the provisions of the state uniform chart of accounts are being complied with, and financial statements are fairly stated in accordance with generally accepted accounting principles. The independent certified public accountant should provide the school district with constructive recommendations that will improve efficiency, safeguard assets, make budgets more useful as “tools of management,” and insure that financial reports are fairly presented.

Independent certified public accountants should be aware that while their client relationships are with the legislative body and officials of the school district, their basic responsibility is to all users of the financial reports. Without confidence in the integrity of financial statements, there can be no confidence in government.

It should be borne in mind by all concerned that an audit will only assure that the financial representations of the school district are presented fairly. It cannot guarantee that the figures are absolutely correct. Nor can an independent certified public accountant guarantee that they will find any irregularities that might exist. An audit consists of a series of tests and procedures that the independent certified public accountant feels are necessary to enable them to express an opinion on the financial statements. The opinion expresses whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The cost to perform a complete review of every transaction would be prohibitive and would still not guarantee that an irregularity would be uncovered. An adequate system of internal control, coupled with annual audits, will minimize the possibilities of fiscal irregularities. The independent audit should follow the guidance of [AU Section 316](#), which relates to the independent auditor’s responsibility, as it relates to fraud, in the audit of financial statements conducted in accordance with general accepted auditing standards. Also, the auditor is referred to [AU Section 317](#), which relates to illegal acts of clients.

### **AUDITING STANDARDS**

The audit must be performed by an independent certified public accountant licensed with the [Michigan State Board of Accountancy](#) to practice in Michigan.

The audit of the financial records, accounts and procedures by all local units of government shall be made in accordance with generally accepted auditing standards as adopted by the American Institute of Certified Public Accountants in its [Statements on Auditing Standards](#).

Auditing standards, as differentiated from auditing procedures, which relate to acts to be performed, deal with the quality of the performance of those procedural acts. These standards are discussed in great detail in [AU Section 110](#).

### **REPORTING REQUIREMENTS**

A bonded construction fund audit report is required after construction is completed as determined by the [Certificate of Substantial Completion \(also see modification of completion date on Page 4 of 16\)](#). This report must be for the entire construction period, from the sale of the bond issue or the beginning of the project (whichever is earlier) through completion, and must include all activity in the fund for that period. The objective of the audit is to determine if the bond proceeds have been expended in accordance with the stated purposes for which the bonds

were authorized and to render an opinion regarding such usage. The report may be issued as a separate report (See Appendix A) or as part of the school district's annual audited financial statements. When issuing the report as part of the annual audited financial statements, the required financial statements may be presented as supplementary information. The schedules included in Appendix A are included with the other additional information in the general purpose financial statements. The audit must be conducted within 120 days after construction completion. The audit report is due to the Department of Treasury within 150 days after construction project completion (120 days plus 30 days to file), or alternatively with the school district's annual audited financial statements for the next ended fiscal year. In the second alternative, there are two sets of statements for the construction fund in the audit, one as of the project completion date and the other as of the end of the fiscal year for the school district. A separate audit must be completed for each individual series of bonds issued. When electing to include the audit report with the school district's annual audited financial statements, the school district must send a letter to the Department of Treasury within the 120 day period, providing notification as to the use of that alternative. If the school district chooses to make the audit of the bonded construction fund or sinking fund part of the annual audited financial statements, the auditor's opinion must take responsibility for the supplementary information. See [AU Section 551](#).

A sinking fund audit report is required annually for school districts levying a sinking fund tax. The objective of the audit is to determine if the sinking fund money has been used for expenditures allowed under [Section 1212](#).

#### **ALTERNATIVE REPORTING REQUIREMENTS**

The school district may engage an auditor to conduct the audit of the bonded construction fund on an annual basis. Under this option, auditors would review financial records for compliance with Bulletin 7 for the current year. Their opinion should cover the project's current year activity. The school district is responsible to ensure prior year activity was audited and reported on in accordance with this Bulletin. If the required auditing and reporting was not completed, the school district should contract with the current auditor to perform procedures required by the Bulletin for unaudited periods. If the school district elects to have the bonded construction fund audited annually, the following footnote should be added to the financial statements.

The Capital Projects Fund(s) include capital project activities funded with bonds issued after May 1, 1994. For (this) these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code. (In the year the Certificate of Substantial Completion is issued only, insert the following sentences):

Beginning with the year of bond issuance, the school district has reported the annual construction activity in the \_\_\_\_\_ Capital Projects Fund. The project for which the \_\_\_\_\_ (name, describe) Bonds were issued was considered complete on \_\_\_\_\_ (Use date of Certificate of Substantial Completion) and the cumulative expenditures recognized for the construction period were \$\_\_\_\_\_.

The footnote is a management assertion; however, the auditor's opinion letter presumes agreement with the management assertion.

Under this scenario, the school district must submit all of the annual audits for the construction period to the Department of Treasury along with a transmittal. The transmittal should include a

summary or compilation of the annual audits and certification from the school district that the compilation accurately reflects the attached audits. See Appendix B for a sample transmittal letter.

### **BASIC REPORTS**

The basic reports to be rendered by the independent certified public accountant on each fund, agency and/or operation in order to comply with the provisions of Public Act 451 of 1976 are as follows:

1. Report on Financial Statements – The bonded construction fund financial statements of the school district should consist of an opinion, balance sheet, and statement of revenues, expenditures and changes in fund balance of the bonded construction fund for the construction period, and a compliance letter. See Appendix A for an example of the audit report, if issued for the entire construction period as a stand-alone financial audit report of the entire project. The date the Certificate of Substantial Completion should be used as the completion date for audit purposes. If more than one certificate is issued because of multiple projects under one bond issue, the date of the last project certificate issued related to that bond issue should be used.

A school district must contact the Department of Treasury regarding a modification of the completion date when substantial expenditures (more than 5% of the original bonds) will be incurred after the date of the Certificate of Substantial Completion. This typically occurs when a substantial portion of the bonded project is to be used for equipment, computers, furniture, or renovations not requiring an architect. See Appendix C for a sample extension request.

If bond proceeds are used exclusively for projects that will not require an architect to issue a Certificate of Substantial Completion, the completion date may be determined by the school district and must be able to be substantiated. This date will be the date of substantial completion of the project, not be to be confused with the date the bills were paid or financing completed for the project.

This report shall conform to one of the standard forms of report on financial statements recommended by the American Institute of Certified Public Accountants.

The sinking fund should also have a balance sheet and a statement of revenues, expenditures and changes in fund balance for each fiscal year. Sinking funds authorized prior to March 29, 2017 and those authorized on or after March 29, 2017, should not be commingled, but should be accounted for separately in the financial statements, each with their own balance sheet and statement of revenues, expenditures and changes in fund balance for the fiscal year. March 29, 2017 is the effective date of Public Act 319 of 2016. These funds would be audited annually as part of the school district's annual audited financial statements. When a sinking fund exists, the footnotes to the financial statements should include the following disclosure.

Sinking Funds – The \_\_\_\_\_ Capital Projects Fund records capital project activities funded with Sinking Fund millage. For (this) these funds, the school district has complied with the applicable provisions of Section 1212 of the Revised School Code.

2. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The report of comments and recommendations shall include a description of improper, illegal, or other actions disclosed by the independent certified public accountant's procedures in connection with their audit of the bond activity transactions. Usage of bond proceeds or sinking funds must only be for projects as stated in the ballot language, for bonded construction funds as supported by project detail used to develop the bond issue, and for sinking funds as provided in Section 1212. For bonds, which have received state qualification, project information is contained in the school district's bond loan preliminary qualification application. Examples of the types of actions, which should be considered in the preparation of the report, includes:
  - a. Lack of action on previous reports of comments and recommendations by the independent certified public accountant.
  - b. Unaudited funds, agencies, and/or operations.
  - c. Expenditures not made in accordance with legislative appropriations and other state fiscal requirements and restrictions.
  - d. Failure to obtain prior approval for the issuance of bonds.
  - e. Inadequate or ineffective internal controls or procedures (reportable conditions) must be reported in the audit report as required by [Generally Accepted Government Auditing Standards](#). The Department of Treasury requires that material weaknesses in internal controls be reported in writing in accordance with [AU Section 325](#) and Generally Accepted Government Auditing Standards.
  - f. Lack of proper accounting procedures for bond proceeds, interest earnings, capital expenditures, and debt service collections as related to [Section 1215](#) and [Section 1223](#) of Public Act 451 of 1976.
  - g. Lack of competitive bidding procedures as defined in [Section 1267](#) and [Section 1274](#) of Public Act 451 of 1976.
  - h. Improper use of sinking fund money pursuant to [Section 1212](#) of Public Act 451 of 1976. The Department of Treasury's interpretation of this section makes any improper use of sinking fund money material. For purposes of designing audit tests, materiality must be applied at the fund level. However, because of the penalties imposed by Section 1212 due to the improper use of the funds by a school district, materiality is not a factor when reporting audit results. If the auditor finds any violation during their testing, it must be reported either in the schedule of findings and questioned costs or in a separate comment and recommendation letter. We do not expect extra testing for this purpose.
  - i. Improper use of bonded construction fund money pursuant to [Section 1351a](#) of Public Act 451 of 1976. The Department of Treasury interpretation of this section makes any improper use of bonded construction fund money material. If the auditor finds any violation during their testing, it must be reported either in the schedule of findings and questioned costs or in a separate comment and recommendation letter. We do not expect extra testing for this purpose.

- j. Indication of possible fraud or irregularity must be disclosed in the audit report.
  - k. Improper disposition of unexpected bond proceeds.
  - l. Departures from generally accepted accounting principles.
3. Report on Compliance – A report regarding compliance with the above requirements applicable to the spending of bond proceeds or sinking funds. If a separate report is issued on the bond issue, the compliance letter included in Appendix A should be issued. If the alternative reporting method is used, the Generally Accepted Government Auditing Standards compliance letter includes the laws and regulations applicable to Section 1351a of Public Act 451 of 1976. Under this reporting alternative, the annual Generally Accepted Government Auditing Standards compliance letter is sufficient to meet Department of Treasury reporting requirements and no additional letters are required.

For sinking fund compliance requirements, in according with Generally Accepted Government Auditing Standards, the compliance letter includes the laws and regulations applicable to Section 1212 of Public Act 451 of 1976, and does not need to be modified. Issuance of this letter is sufficient to meet Department of Treasury reporting requirements and no additional letters are required.

If findings exist, it can be discussed in more detail in Section II of the Schedule of Findings and Questioned Costs.

4. Reports on Finding of Suspected Fraud and/or Embezzlement – During the course of an engagement, the independent certified public accountant should be constantly aware of the possibility of fraud and/or embezzlement. [AU Section 317](#) and [AU Section 316](#) should be followed where applicable. If any fiscal irregularities, defalcation, misfeasance, nonfeasance, or malfeasance come to the auditor's attention, a report disclosing the independent certified public accountant's findings should be forwarded to both the Department of Education and the Department of Attorney General. The Attorney General is responsible for the prosecution of fraud, if warranted. Refer to Public Act 2 of 1968, Uniform Budgeting and Accounting Act, Sections [11](#) and [20](#), for further details regarding statutory violations.

#### **APPROVAL TO ISSUE BONDS**

School districts must have either qualified status or have received the Department of Treasury's prior approval under [Section 303 of Public Act 34 of 2001](#). Forms and instructions for qualified status and prior approval may be obtained at [Michigan.gov/MunicipalFinance](http://Michigan.gov/MunicipalFinance).

Violations of this process should be reported in the audit as a finding and brought to the attention of the school district board.

#### **ADDITIONAL PROJECTS PRIOR TO COMPLETION OF ORIGINAL PROJECT**

For bonds issued in a series, a separate audit must be conducted for each individual series of a bond authorization within 120 days of the completion of all work related to that series. A district may request an exception from completing individual series final audits if it has received

approval from the Department of Treasury to combine more than one series into one construction fund.

If a school district wishes to hold a bond election for a new bond issue prior to the completion of all projects from a previous bond issue, it is recommended that school districts have an interim audit. The interim audit must be on the project records from the first bond issue or series conducted before making application for a new bond issue. If requesting preliminary qualification with the [School Bond Qualification and Loan Program](#), either the results from the interim audit or a status report regarding the first bond issue will be required during preliminary qualification review. A status report can be prepared by the school district administration and should address the following issues:

1. Current degree of completion of project(s) and expected final completion date.
2. Total amount expended to date and a summary of expenditures by project, program, or cost category.
3. Audit activity that has been completed, if any:
  - a. Description of the scope or what activities have been completed.
  - b. Audit report or findings.
4. Certification that all expenditures are in conformance with existing requirements for usage of bond proceeds and that bond proceeds have not been used for 1) repair or maintenance cost, 2) teacher, administrator, or employee salaries, or 3) other operating expenses.

This report may include, as attachments, any current and existing information available from the architect, construction manager, general contractor, auditor, or school district publications which addresses the above issues.

#### **ALLOWABLE USE OF CONSTRUCTION BOND PROCEEDS**

See [Sections 1351 through 1372](#) of Public Act 451 of 1976. If the state treasurer determines from the audit report that bond proceeds have been used for purposes other than those authorized, the school district shall repay the misused funds. The misused funds must be repaid to the bonded construction fund or the bond and interest redemption fund from the school district's general fund as determined by the state treasurer.

#### **COMPETITIVE BIDS**

See [Section 1267](#) and [Section 1274](#) of Public Act 451 of 1976.

#### **USE OF REMAINING BOND PROCEEDS**

See [Section 18 of Public Act 92 of 2005](#).

#### **DEPOSIT AND INVESTMENT OF FUNDS**

See [Section 1221](#) and [Section 1223](#) of Public Act 451 of 1976.

#### **ALLOWABLE USE OF SINKING FUND MONEY**

See [Section 1212](#) of Public Act 451 of 1976. The Department of Treasury does not issue pre-approval or opinion letters as to permissible sinking fund use so as not to compromise its

statutory role to determine from the audit report that the sinking fund was used for the purpose authorized under the law. If the Department of Treasury determines from the audit report that the sinking fund has been used for a purpose other than those authorized by Section 1212, the school district shall repay the misused funds to the sinking fund from the school district's operating funds and shall not levy a sinking fund tax under this section after the date the Department of Treasury makes that determination.

#### **ELECTRONIC FILING**

Starting February 21, 2014, bonded construction fund audits and letters providing notification that those audits were filed as part of the annual audited financial statements, may be submitted via email to [Treas\\_MunicipalFinance@Michigan.gov](mailto:Treas_MunicipalFinance@Michigan.gov) (*there's an underscore between Treas and MunicipalFinance*). The audit and any supporting documentation should be attached as a single pdf file. **We will not accept emails with more than one attachment.** The pdf file must use a naming convention that begins with the six digit municipal code followed by "BondConstAudit." For example, an audit filed for the Lansing School District would be named either "334020BondConstAudit.pdf." The email's subject line must read the same as the file name. Sinking fund audits should be included as part of the school district's annual audited financial statements submitted to the [Michigan Department of Education](#).

## APPENDIX A

### Report on Financial Statements

We have audited the accompanying balance sheet and statement of revenues, expenditures and changes in fund balance for the 20xx School Building and Site Bond Issue Capital Project Fund of the Anytown School District, and related notes for the eighteen month period ended December 31, 20xx.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. When 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 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.

### Emphasis of Matter

The accompanying financial statements were prepared for the purpose of complying with the provisions of the Revised School Code, Public Act 451 of 1976 as described in Note x. The presentation is not intended to be a presentation of Anytown School District's total revenues and expenditures.

## Opinion

In our opinion, the statements referred to above present fairly, in all material respects, the financial position of the 20xx School Building and Site Bond Issue Capital Project Fund of the Anytown School District at December 31, 20xx and changes in its financial position for the eighteen month period then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 20xx on our consideration of Anytown School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 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 Anytown School District's internal control over financial reporting and compliance.

ANYTOWN SCHOOL DISTRICT  
20xx School Building and Site Bond Issue Capital Project Fund  
Balance Sheet  
December 31, 20xx

ASSETS	
Cash	\$ _____
Total Assets	\$ _____
LIABILITIES	
Accounts Payable	\$ _____
Total Liabilities	\$ _____
Fund Balance	\$ _____

See Accompanying Notes to Financial Statements.

ANYTOWN SCHOOL DISTRICT  
20xx School Building and Site Bond Issue Capital Project Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Eighteen Month Period Ended December 31, 20xx

Revenues—Investment Income	\$ _____
Expenditures	
Capital Outlay	
Building Improvements	\$ _____
Equipment	\$ _____
Other	\$ _____
Bond Costs and Fees	\$ _____
Total Expenditures	\$ _____
Deficiency of Revenues Under Expenditures	\$ _____
Other Financing Sources—Proceeds From Bonds	\$ _____
Excess of Revenues and Other Financing Sources over Expenditures	\$ _____
Fund Balance at Beginning of Period	\$ _____
Fund Balance at End of Period	\$ _____

See Accompanying Notes to Financial Statements.

The following sample notes are not intended to be all-inclusive. The school district and CPA should review GASB and AICPA publications to determine if additional disclosures are necessary.

1. Reporting Entity

The Anytown School District is comprised of K-12 operations. The school district's board of education members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes only the balance sheet and statement of revenues, expenditures and changes in fund balance of the 20xx School Building and Site Bond Issue Capital Project Fund of the school district. Its activities are considered to be part of the school district and controlled by the board of education.

2. Bond Description

a. General

The school district issued the 20xx General Obligation School Building and Site Bond Issue on July 1, 20xx, in the amount of \$7,600,000. The principal and interest on this bond issue is financed primarily from property taxes. The bonds, dated July 1, 20xx, which bear interest at 4-6% are due serially through 20xx.

The bond proceeds and interest income earned on those proceeds were used for the purpose of erecting, furnishing, and equipping an elementary school building, demolishing an existing structure, and improving and developing the site.

b. Basis of Presentation

The accompanying statements have been prepared based on the modified accrual basis of accounting, in accordance with generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (IE: both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The Revised School Code, Public Act 451 of 1976, Section 1351a, requires that an independent audit be performed on certain operating results and compliance tests performed related to specified bond activities.

The accompanying statements reflect the activity of the 20xx General Obligation School Building and Site Bond Issue, recorded in the school district's 20xx School Building and Site Bond Issue Capital Project Fund, from the date of the bond issue, July 1, 20xx, through project completion, December 31, 20xx, as indicated on the Certificate of Substantial Completion. The project for which the bonds were issued was considered complete, with all funds expended as of December 31, 20xx.

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements performed in accordance with Government Auditing Standards

[No material weaknesses, significant deficiencies, or  
reportable instances of noncompliance or other matters identified]

To the Board of Education  
Anytown School District

We have audited, in accordance with the 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, the financial statements of the 20xx School Building and Site Bond Issue Capital Project Fund of the Anytown School District for the eighteen month period ended December 31, 20xx, and the related notes to the financial statements, which collectively comprise the Anytown School District's basic financial statements, and have issued our report thereon dated May 31, 20xx.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Anytown School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anytown School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Anytown School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Anytown School District's financial statements are free from material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Anytown School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Anytown School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Firm's signature

City, State  
May 31, 20xx

**APPENDIX B**

Transmittal Certification

This is to certify that to the best of my knowledge and belief, the school district has engaged an independent auditor to perform annual audits of the above bond fund in accordance with Bulletin 7. The auditor has completed such audits and the data included on this transmittal is true and correct.

Signed,

\_\_\_\_\_ Signature and Date  
\_\_\_\_\_ Name (Print)  
\_\_\_\_\_ Title  
\_\_\_\_\_ School District

Checklist for the minimum documents to be submitted with this transmittal (from annual audits for all fiscal years involved in the construction period):

	Year 20xx Page No.	Year 20xx Page No.	Year 20xx Page No.
Opinion on Financial Statements	_____	_____	_____
Compliance Footnote	_____	_____	_____
Balance Sheet	_____	_____	_____
Revenues, Expenditures and Changes in Fund Bal	_____	_____	_____
Compliance Letter	_____	_____	_____
Schedule of Finding and Questioned Costs	_____	_____	_____

**APPENDIX C**

Extension Request (email to [Treas\\_MunicipalFinance@Michigan.gov](mailto:Treas_MunicipalFinance@Michigan.gov))

Dear Local Fiscal Accountability Division:

Re: \_\_\_\_\_ School District  
\_\_\_\_\_ School Building and Site Bonds

Our school district received a Certificate of Substantial Completion for our last project for the above mentioned bonds that is dated \_\_\_\_\_. At that time there was \$\_\_\_\_\_ remaining in our construction fund for these bonds. These funds represent \_\_\_\_\_% of the original bond issue. Our school district would like an extension on the end date for the construction period to \_\_\_\_\_. This date is more appropriate because \_\_\_\_\_.

Thank you for your consideration of this request.

Sincerely,