

## Independent Auditor's Report

[Addressee]

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information, the changes in governmental capital assets, and the changes in governmental long-term obligations of the [City], Montana, as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise the [City's] basic 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 section 2.4.401 of the Administrative Rules of Montana as described in Note [X]. 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 opinions 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 [City'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 [City'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 adverse audit opinion.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note [X] to the financial statements, the financial statements are prepared by [City] on the basis of the financial reporting provisions of section 2.4.401(3) of the Administrative Rules of

Montana, 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 Montana.

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 Opinions 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 the [City] as of June 30, 20XX, or changes in financial position and cash flows, where applicable, for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position, the changes in regulatory basis financial position, the regulatory basis changes in governmental capital assets, the regulatory basis changes in governmental long-term obligations, and where applicable, the regulatory basis cash flows, of each major fund and the aggregate remaining fund information of the [City], as of and for the year ended June 30, 20XX, in conformity with the basis of accounting described in Note [X].

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the [City] basic financial statements. The budgetary comparison supplementary information and the other information, consisting of the Schedule of Proportionate Shares and Schedule of Contributions, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison 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. Such 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note [X].

The Schedule of Proportionate Shares and Schedule of Contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated Month XX, 20XX, on our consideration of the [City's] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other 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 the [City's] internal control over financial reporting and compliance.

*[Auditor's Signature]*

*[Auditor's City and State]*

*[Date of Auditor's Report]*

EXAMPLE

## **Note [X] Basis of Accounting**

The financial statements are presented in accordance with a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). This regulatory basis of accounting, also known as the Small Government Financial Reporting Framework, is in accordance with the financial reporting provisions of section 2.4.401(3) of the Administrative Rules of Montana. This regulatory basis of accounting involves the reporting of fund financial statements and related note disclosures, a statement of changes in governmental capital assets, a statement of changes in governmental long-term obligations, major fund budgetary comparison information as supplementary information (when applicable), and pension schedules of proportionate shares and required contributions (when applicable).

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include:

- The GAAP presentations of government-wide financial statements, related note disclosures and related reconciliations.
- Actuarially determined post-employment benefit information, related note disclosures and related required supplementary information.
- Certain supplementary information required by the GASB.

As a result, all economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that would be reported in GAAP basis financial statements are not reported in this regulatory basis presentation.