



## Exhibit — Illustrations of Auditor's Reports on Special Purpose Financial Statements

### Illustration 1 — An Auditor's Report on a Complete Set of Financial Statements Prepared in Accordance With the Cash Basis of Accounting

Circumstances include the following:

[To be updated to be consistent with the presentation in the Auditor Reporting ED and ISA 800 (Revised)]

- The financial statements have been prepared by management of the entity in accordance with the cash basis of accounting (that is, a [fair presentation](#) special purpose framework).
- Management has a choice of financial reporting frameworks.<sup>1</sup>

#### Independent Auditor's Report

[Appropriate Addressee]

#### *Report on the [Audit of the Financial Statements](#)<sup>2</sup>*

We have audited the ~~accompanying~~ financial statements of ABC Partnership, which comprise the statement of assets and liabilities arising from cash transactions as of December 31, 20X1, and the related statement of revenue collected and expenses paid for the year then ended, and the related notes to the financial statements.

#### *Opinion*

In our opinion, the ~~accompanying~~ financial statements ~~referred to above~~ present fairly, in all material respects, the assets and liabilities arising from cash transactions of ABC Partnership as of December 31, 20X1, and its revenue collected and expenses paid during the year then ended in accordance with the cash basis of accounting described in Note X.

#### *Basis for Opinion* ~~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 ([GAAS](#)). [Our responsibilities under those standards are further described in](#)

~~the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of ABC Partnership, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 partnership'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 partnership's internal control.<sup>3</sup> 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.~~

**Emphasis of Matter - Basis of Accounting**<sup>4</sup>

We draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Information [or another title if appropriate, such as "Information Other Than the Financial Statements and Auditor's Report Thereon"]**

[Reporting in accordance with the reporting requirements in proposed SAS The Auditor's Responsibilities Relating to Other Information Included in Annual Reports—see illustration 1 in the appendix of that proposed SAS]

**Management's Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note X; this includes ~~determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

In preparing the financial statements, management is responsible for assessing ABC Partnership's ability to continue as a going concern-, and using the going concern basis of

accounting unless management -either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ABC Partnership's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 ABC Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate 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.
- Conclude on ABC Partnership's ability to continue as a going concern and conclude on the appropriateness of management's use of the going concern basis of accounting.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies and material weaknesses in internal control that we identified during our audit.

~~***Basis of Accounting***~~<sup>4</sup>

~~We draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.~~

### Report on Other Legal and Regulatory Requirements

~~[The form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]~~

~~[Auditor's signature of the auditor's firm]~~

~~[Auditor's city and state]~~

~~[Date of the auditor's report]~~

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<sup>1</sup>If management does not have a choice of financial reporting frameworks, the auditor is not required by paragraph .18a to make reference to management's responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

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<sup>2</sup>The subtitle "Report on the Financial Statements" is unnecessary in circumstances when the second subtitle "Report on Other Legal and Regulatory Requirements" is not applicable.

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<sup>3</sup>In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "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." In addition, the next sentence, "Accordingly, we express no such opinion." would not be included.

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<sup>4</sup>Another appropriate heading may be used.

### Illustration 4 — An Auditor's Report on a Complete Set of Financial Statements Prepared in Accordance With a Regulatory Basis of Accounting ~~(the Financial Statements Together With the Auditor's Report Are Intended for General Use)~~

Circumstances include the following:

~~[To be updated to be consistent with the presentation in the Auditor Reporting ED and ISA 800 (Revised)]~~

- The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulatory agency (that is, a compliance special purpose framework).
- The financial statements together with the auditor's report are intended for general use.
- Based on the regulatory requirements, management does not have a choice of financial reporting frameworks. <sup>1</sup>

### Independent Auditor's Report

[Appropriate Addressee]

#### **Report on Audit of the Financial Statements <sup>2</sup>**

We have audited the accompanying financial statements of XYZ City, Any State, which comprise cash and unencumbered cash for each fund as of December 31, 20X1, and the related statements of cash receipts and disbursements and disbursements—budget and actual for the year then ended, and the related notes to the financial statements.

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

In our opinion, the accompanying financial statements referred to above ~~presentare prepared fairly~~, in all material respects, ~~the cash and unencumbered cash of each fund of XYZ City as of December 31, 20X1, and their respective cash receipts and disbursements, and budgetary results for the year then ended~~ in accordance with the financial reporting provisions of Section Y of Regulation Z of Any State described in Note X.

#### ***Basis for Opinion ~~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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of XYZ City, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. ~~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 partnership'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 partnership's internal control.~~ <sup>3</sup> ~~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.

**Emphasis of Matter - Basis of Accounting**

We draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared by XYZ City in accordance with the financial reporting provisions of Section Y of Regulation Z of Any State, which is a basis of accounting other than accounting principles generally accepted in the United States of America to comply with the financial reporting provisions of Section Y of Regulation Z of Any State. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

**Other Information [or another title if appropriate, such as "Information Other Than the Financial Statements and Auditor's Report Thereon"]**

[Reporting in accordance with the reporting requirements in proposed SAS The Auditor's Responsibilities Relating to Other Information Included in Annual Reports—see illustration 1 in the appendix of that proposed SAS]

**Management's Responsibilities of Management and Those Charged with Governance 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 Y of Regulation Z of Any State. ~~Management is also responsible for this includes~~ 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.

In preparing the financial statements, management is responsible for assessing XYZ City's ability to continue as a going concern in accordance with the financial reporting provisions of Section Y of Regulation Z of Any State and using the going concern basis of accounting unless management -either intends to liquidate XYZ City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ABC Partnership's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but

is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 XYZ City's -internal control. Accordingly, no such opinion is expressed.
- Evaluate 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.
- -Conclude on XYZ City's -ability to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies and material weaknesses in internal control that we identified during our audit

~~We draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared by XYZ City in accordance with the financial reporting provisions of Section Y of Regulation Z of Any State, which is a basis of accounting other than accounting principles generally accepted in the United States of America to comply with the financial reporting provisions of Section Y of Regulation Z of Any State. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.~~

*Other Information [or another title if appropriate, such as "Information Other Than the Financial Statements and Auditor's Report Thereon"]*

*[Reporting in accordance with the reporting requirements in proposed SAS The Auditor's Responsibilities Relating to Other Information Included in Annual Reports—see illustration 1 in the appendix of that proposed SAS]*

*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 XYZ City on the basis of the financial reporting provisions of Section Y of Regulation Z of Any State, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Any State.~~

~~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 XYZ City as of December 31, 20X1, or changes in financial position or cash flows thereof for the year then ended.~~

***Report on Other Legal and Regulatory Requirements***

*[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]*

*[Auditor's signature]*

*[Auditor's city and state]*

*[Date of the auditor's report]*

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<sup>1</sup>If management has a choice of financial reporting frameworks, paragraph .18~~c~~ requires that the explanation of management's responsibility for the financial statements also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

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<sup>2</sup>The subtitle “Report on the Financial Statements” is unnecessary in circumstances when the second subtitle “Report on Other Legal and Regulatory Requirements” is not applicable.

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<sup>3</sup>In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “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.” In addition, the next sentence, “Accordingly, we express no such opinion.” would not be included.