External annual audits for municipal governments ensure that the financial statements, including the statement of revenues and expenditures and fund balance, are accurate and reliable. The audit process involves thoroughly examining the municipality's financial records, internal controls, and compliance with laws and regulations. The audit also assesses the municipality's financial health and identifies any areas of weakness or non-compliance. By conducting external annual audits, cities can maintain the trust and confidence of stakeholders and ensure that public funds are being used appropriately.