

Exhibit to Agenda Item #1

Board Policy Committee and Special SMUD Board of Directors Meeting
Wednesday, March 6, 2019, scheduled to begin at 5:30 p.m.
Customer Service Center, Rubicon Room

Sacramento Municipal Utility District

2018 Financial Statement Audit Presentation

March 6, 2019



The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments. Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2018 Baker Tilly Virchow Krause, LLP





Audit recap



Audit results

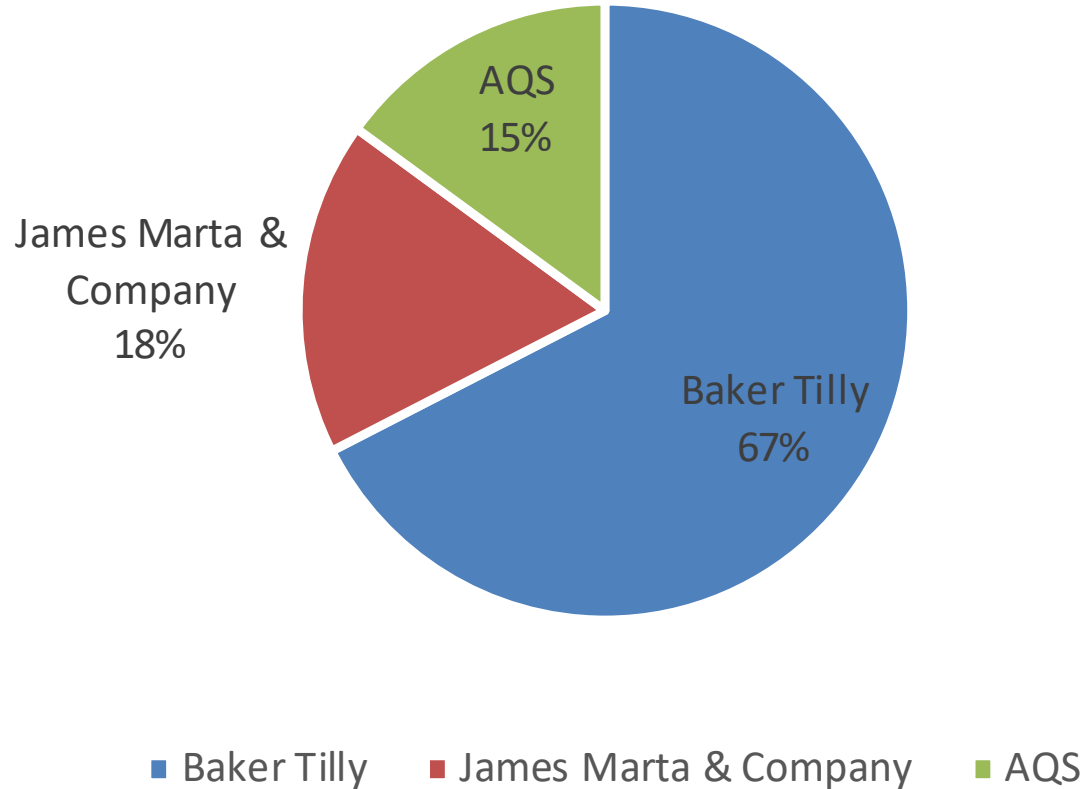


Communication to the SMUD oversight body



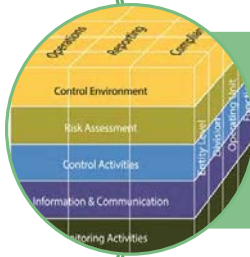
Impact of future accounting standards

SMUD and JPA Audit Hours





Audit assesses internal controls



“...a means by which an organization’s resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization’s resources”



Controls must meet the goal and objectives of Operations, Reporting and Compliance



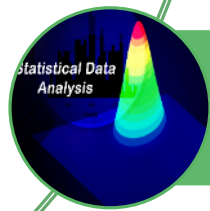
Evaluating and assessing risk



Interviewing employees and documenting business processes



Testing business processes for weaknesses and adherence to policies



Statistical sampling



Independent confirmations



Use of specialist reports



Tracing to source documents

Controls
reviewed in
key
transaction
areas

Expenditures

Payroll

Revenues

Cash and investments

Capital assets

Information technology

SMUD

Where were the audit results?



Audit performed in accordance with *Generally Accepted Auditing Standards*



Audit objective - reasonable assurance that financial statements are free from material misstatement



Financial statements of SMUD received an *Unmodified Opinion*



There were no material weaknesses or significant deficiencies in controls

SMUD

Auditor communication to those charged with governance

Auditor
responsibility &
independence

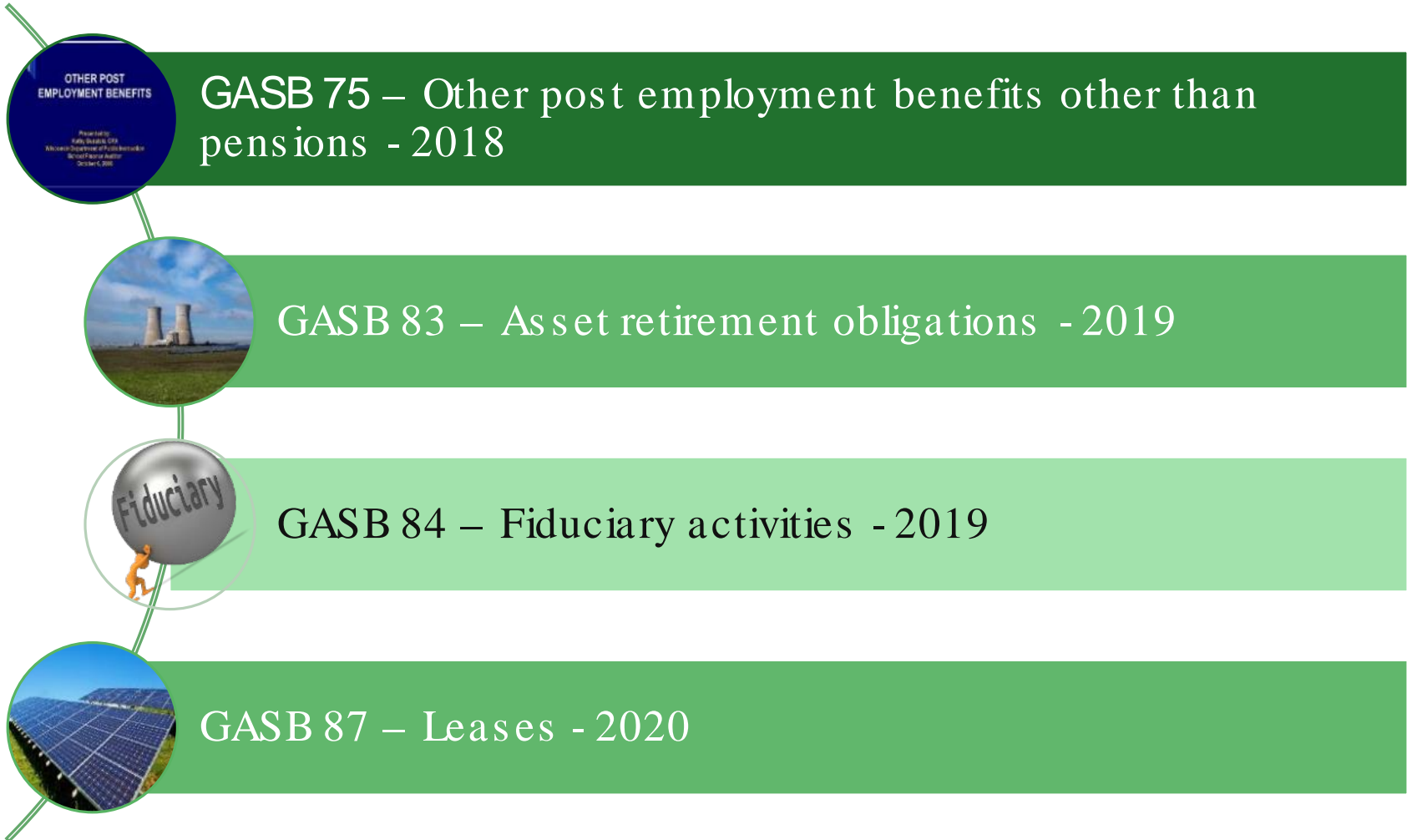
Board
responsibility

Accounting
policies &
estimates

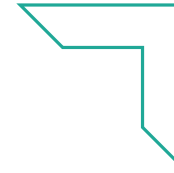
Baker Tilly agrees with SMUD's
accounting policies and disclosures

There were
no adjustments
to the financial
statements

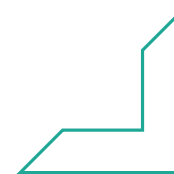
**No audit findings or auditor concerns
on SMUD's financial reporting**



We appreciate the help of the SMUD
Accounting and Audit and Quality Services
teams in preparing for and assisting in the Audit!



Discussion



Contact Info

Russ Hissom, Partner

D: 608 240 2361

M: 608 628 4020

Russ.Hissom@bakertilly.com

Ryan O'Donnell, Manager

D: 608 240 2606

Ryan.O'Donnell@bakertilly.com

Dan La Haye, Manager

D: 608 240 2534

Dan.lahaye@bakertilly.com