Exhibit to Agenda Item #2
SMUD's 2022 Financial Statements External Audit Results.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, March 14, 2023, scheduled to begin at 6:00 p.m.
SMUD Headquarters Building, Auditorium
Sacramento Municipal Utility District and JPAs

2022 Financial Statement Audit Presentation

March 14, 2023
SMUD and JPAs

Agenda

- Audit recap
- Audit results
- Communication to the SMUD oversight body
- Impact of current and future accounting standards
SMUD and JPAs

Audit overview

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
SMUD and JPAs

Testing methods

- Evaluating and assessing risk
- Interviewing employees and documenting business processes
- Testing business processes for weaknesses and adherence to policies
- Statistical sampling
SMUD and JPAs

Testing methods

- Independent confirmations
- Use of specialist reports
- Tracing to source documents
### SMUD and JPAs

**Major transactional areas tested**

<table>
<thead>
<tr>
<th>Controls reviewed in key transaction areas</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payroll</td>
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<tr>
<td></td>
<td>Revenues</td>
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<tr>
<td></td>
<td>Cash and investments</td>
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<tr>
<td></td>
<td>Capital assets</td>
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<td>Information technology</td>
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</table>
SMUD and JPAs

What were the results

Audit performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards

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

Financial statements of SMUD and JPAs received Unmodified Opinions

There were no material weaknesses or significant deficiencies in controls
## Auditor communication to oversight body

<table>
<thead>
<tr>
<th>Area to be Communicated</th>
<th>Area to be Communicated</th>
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</thead>
<tbody>
<tr>
<td>Accounting Policies</td>
<td>Accounting Estimates</td>
</tr>
<tr>
<td>Financial Statement Disclosures</td>
<td>Significant Unusual Transactions</td>
</tr>
<tr>
<td>Significant Difficulties Encountered in Performing the Audit</td>
<td>Disagreements with Management</td>
</tr>
<tr>
<td>Audit Report</td>
<td>Audit Consultations Outside Engagement Team</td>
</tr>
<tr>
<td>Corrected and Uncorrected Misstatements</td>
<td>Other Audit Findings or Issues</td>
</tr>
</tbody>
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## Auditor communication to oversight body

<table>
<thead>
<tr>
<th>Area to be Communicated</th>
<th>Area to be Communicated</th>
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<tbody>
<tr>
<td>Other Information in Documents Containing Basic Financial Statements</td>
<td>Management’s Consultations with Other Accountants</td>
</tr>
<tr>
<td>Written Communications Between Management and Baker Tilly</td>
<td>Compliance with Laws and Regulations</td>
</tr>
<tr>
<td>Fraud</td>
<td>Going Concern</td>
</tr>
<tr>
<td>Independence</td>
<td>Related parties</td>
</tr>
<tr>
<td>Other Matter (RSI)</td>
<td></td>
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</tbody>
</table>
Impact of current and future accounting standards

Pronouncements implemented during 2022:
- GASB No.87: Leases
- GASB No. 99: Omnibus 2022

Relevant pronouncements for 2023:
- GASB No.96: Subscription-Based Information Technology Arrangements
- GASB No.94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB No. 93: Replacement of Interbank Offered Rates (Libor delayed by GASB 99 – 2022 Omnibus)
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

Aaron Worthman, Partner
D: 512 975 7281
Aaron.Worthman@bakertilly.com

Ryan O’Donnell, Senior Manager
D: 608 240 2606
Ryan.O’Donnell@bakertilly.com