

Exhibit to Agenda Item #1

SMUD's 2024 Financial Statements Independent Audit Plan.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, December 10, 2024, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium



Planning presentation to the Finance and Audit Committee

Prepared for Sacramento Municipal Utility District

December 10, 2024

Presentation Overview

- Engagement team
- Scope
- Audit timeline
- Required communication
- Areas of emphasis
- Audit plan



Engagement team



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Scope

Deliverable 1	Deliverable 2	Deliverable 3
<p>Audit of the financial statements in accordance with auditing standards generally accepted in the United States of America.</p> <p>We will perform the financial statement audit in accordance with auditing standards generally accepted in the United States of America (GAAS) in order to obtain reasonable (rather than absolute) assurance that SMUD’s basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are free from material misstatement whether due to fraud or error.</p>	<p>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></p>	<p>Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance (if applicable)</p>



Scope cont.

Other deliverables

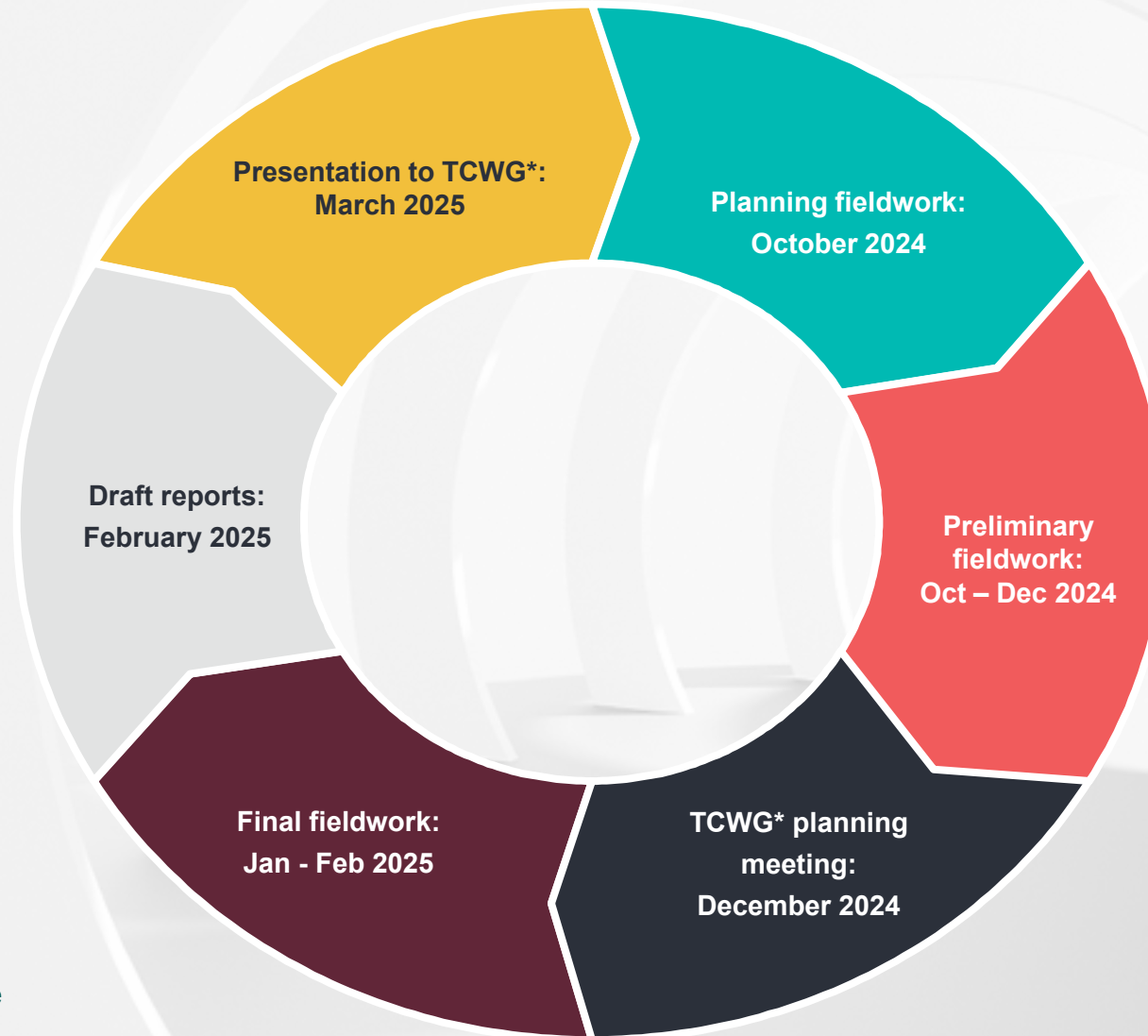
- AU-C 260 Letter, Communications to Those Charged With Governance
- AU-C 265 Letter, Internal Control Related Matters (if applicable)

Non-attest services

- Proposing correcting and adjusting entries as considered necessary



Audit timeline



***TCWG:** Those Charged with Governance

Required communication

Audit planning considerations

- Approach to assessing risks of material misstatement
- Approach to internal control
 - We do not express an opinion on effectiveness of internal control
- Materiality
- We communicate with management unless otherwise directed

Review of engagement letters

- Management and governing board responsibilities
 - Responsibility for appropriateness and quality of accounting policies and practices
 - Responsibility for identifying government programs and ensuring compliance with federal regulations
- Auditor responsibilities
 - Form and express opinion on financial statements
 - Reporting on other information included in the financial statements



Required communication

Other items for consideration

- Independent with respect to SMUD
- Coordination with internal audit
- Use of specialists
- Significant risks:
 - Management override of controls
 - Improper revenue recognition due to fraud

Required communication

Consideration of fraud

Under AICPA audit standards we are required to make inquiries of management, and those charged with governance to obtain their views about the risk of fraud and how those risks are addressed. Questions we must ask include:

- Does the Committee or Management have knowledge of any fraud or suspected fraud?
- Were any items reported under the Organization's whistleblower policy in the past year?
- What are the Committee's and Management's views about the risks of fraud within the Organization and grant compliance (any areas of concern or focus)?
- Are there any matters that the members of the Committee or Management believe warrant attention by the auditors?



Areas of audit emphasis



- Internal control over financial reporting
- Review application and disclosures for new accounting standards adopted
- Consideration of fraud risks



- Information technology
- Confirmation of cash, investments and debt
- Revenue recognition
- Payroll and other expenses
- Regulatory assets and liabilities
- Fixed assets
- Derivative contracts



- Fair value measurements and disclosures
- Tests of compliance over certain provisions of laws, regulations, contracts and grant agreements
- Review, recompute and substantiate financial statement amounts and disclosures



Areas of audit emphasis:

Federal award programs audit

- Major programs
- Sample sizes are determined by higher-risk areas, likelihood of fraud, likelihood of error or prior noncompliance
- Test of compliance with certain provisions of laws, regulations, contracts and grants

The OMB Compliance Supplement is typically released annually, in July for the preceding fiscal year. Therefore, based on fieldwork dates, revisions to tests of compliance may be necessary.

Audit plan

Planning and interim fieldwork	Final fieldwork	Audit completion
<ul style="list-style-type: none">• Establish materiality level• Update internal controls evaluation and testing• Review board minutes• Identify, assess and respond to risk of material misstatement• Update permanent file• Perform other procedures as considered appropriate	<ul style="list-style-type: none">• Procedures will be based on analysis of controls and risks identified at interim work• Substantive tests<ul style="list-style-type: none">• Cash and investments• Property and equipment• Expenditures• Revenues and receivables• Regulatory assets and liabilities• Financing and debt• Compliance• Audit financial statements and footnotes provided by management	<ul style="list-style-type: none">• Finalize draft of financial statements• Draft other deliverables• Obtain attorney's response letters• Review management's evaluation of subsequent events• Obtain management representation letter• Meet with management and TCWG



Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

[Visit the resource page.](#)



Questions?

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