Exhibit to Agenda Item # 1

Presentation to the Board by SMUD’s independent auditor on the 2020 Financial Statements External Audit Report.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, March 16, 2021, scheduled to begin at 5:30 p.m.
Virtual Meeting (online)
SMUD Agenda

- Audit recap
- Audit results
- Communication to the SMUD oversight body
- Impact of future accounting standards
“...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.
Testing methods

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

Testing methods

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

### 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>
</tr>
<tr>
<td></td>
<td>Revenues</td>
</tr>
<tr>
<td></td>
<td>Cash and investments</td>
</tr>
<tr>
<td></td>
<td>Capital assets</td>
</tr>
<tr>
<td></td>
<td>Information technology</td>
</tr>
</tbody>
</table>
What were the audit 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 received an Unmodified Opinion.

There were no material weaknesses or significant deficiencies in controls.
Auditor responsibility & independence

Board responsibility

Accounting policies and 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
SMUD

Upcoming accounting projects

- GASB 87 – Leases – 2022
- GASB 93 – Replacement of Interbank Offered Rates – 2022
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