Exhibit to Agenda Item #1
Presentation to the Board by SMUD’s independent auditor on the 2021 Financial Statements External Audit Report.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, March 15, 2022, scheduled to begin at 5:30 p.m.
Virtual Meeting (online)
Sacramento Municipal Utility District

2021 Financial Statement Audit Presentation

March 15, 2022
SMUD and JPAs

Agenda

- Audit recap
- Audit results
- Communication to the SMUD oversight body
- Impact of 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

**Major transactional areas tested**

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

Auditor communication to those charged with governance

No audit findings or auditor concerns on SMUD’s financial reporting

- Baker Tilly agrees with SMUD’s accounting policies and disclosures
- Sacramento Financing Authority Transfer of Operations
- There were no adjustments to the financial statements
- Auditor responsibility & independence
- Board responsibility
- Accounting policies & estimates
SMUD and JPAs

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
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