

CPS Energy Report on Fiscal Year 2019 Financial Audit

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Audit presentation topics

- > Audit overview
- > Internal control communication
- > Auditor's communication with those charged with governance
- > Questions



Audit overview

- > We appreciate the work done by CPS Energy accounting staff and management in preparing for and assisting in the audit!

- > Total hours approximated 2,800



Audit overview

- > **Audit performed in accordance with Generally Accepted Auditing Standards.**
- > **Audit is based on assessment of control risk in key business process areas. Below are several key areas of review:**
 - Pension and OPEB liabilities
 - Investments
 - City payment and additional transfers
 - Unbilled revenues/revenue recognition
 - Energy market accounting
 - Asset retirement obligations
 - Assets under construction and plant in service
 - Review of Audit Services' work order, cash disbursement, inventory observation and ITGC
 - Analytical review of statement of net position and statement of revenues, expenses and changes in net position



Audit overview

- > Audit objective – obtain reasonable assurance that financial statements are free from material misstatement.
- > Financial statements received an *Unmodified Opinion*(clean opinion)

Internal control communication

AU-C Section 265

Communicating Internal Control Related Matters Identified in an Audit

Material weaknesses noted in CPS Energy's internal control:

- > None noted

Significant deficiencies noted in CPS Energy's internal control:

- > None noted

Management discussion items:

- > Ongoing improvement opportunities to continue enhancement of controls over information technology

Auditor communication with Those Charged with Governance

Area to be Communicated	Area to be Communicated
Our responsibility under Auditing Standards Generally Accepted in the United States	Other Information in Documents Containing Audited Financial Statements
Planned Scope and Timing of the Audit	Accounting Policies
Accounting Estimates	Financial Statement Disclosures

Auditor communication with Those Charged with Governance

Area to be Communicated	Area to be Communicated
Difficulties Encountered in Performing the Audit	Corrected and Uncorrected Misstatements
Consultations with Other Independent Accountants	Disagreements with Management
Auditor Independence	Management Representations
Other Audit Findings or Issues	



Audit summary

Thank You!

We appreciate the work performed by CPS Energy's accounting staff, management, and Audit Services staff in preparing for and assisting in the audit!

We would be happy to answer any questions regarding the audit.