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 OPEBliabilities
- 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

<table>
<thead>
<tr>
<th>Area to be Communicated</th>
<th>Area to be Communicated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our responsibility under Auditing Standards Generally Accepted in the United States</td>
<td>Other Information in Documents Containing Audited Financial Statements</td>
</tr>
<tr>
<td>Planned Scope and Timing of the Audit</td>
<td>Accounting Policies</td>
</tr>
<tr>
<td>Accounting Estimates</td>
<td>Financial Statement Disclosures</td>
</tr>
</tbody>
</table>
### Auditor communication with Those Charged with Governance

<table>
<thead>
<tr>
<th>Area to be Communicated</th>
<th>Area to be Communicated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulties Encountered in Performing the Audit</td>
<td>Corrected and Uncorrected Misstatements</td>
</tr>
<tr>
<td>Consultations with Other Independent Accountants</td>
<td>Disagreements with Management</td>
</tr>
<tr>
<td>Auditor Independence</td>
<td>Management Representations</td>
</tr>
<tr>
<td>Other Audit Findings or Issues</td>
<td></td>
</tr>
</tbody>
</table>
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.