Reporting and insights from 2021 audit: Northern California Power Agency

October 12, 2021



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Audit Discussion





RESPONSIBILITIES

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment
 is a consideration of the Agency's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the
 oversight of those charged with governance:
 - Are free from material misstatement
 - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America



AUDIT OBJECTIVES

Our responsibilities

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Qualitative aspects of the Agency's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit



AUDIT OBJECTIVES

Management's responsibilities

Management		Auditor	
\$ ≡]	Prepare and fairly present the financial statements	Our audit does not relieve management or those charged with governance of their responsibilities	
	Establish and maintain effective internal control over financial reporting	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls	
Z	Provide us with written representations at the conclusion of the audit	See Appendix in the Audit Results report for a copy of management's representations	



AUDIT APPROACH AND RESULTS

Planned scope and timing

Audit focus

Based on our understanding of the Agency and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards, if any
- Areas of complexity including regulatory assets under GASB Statement No. 62 and interest rate swaps

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Agency's current year results.



AUDIT APPROACH AND RESULTS

Key areas of focus and significant findings

Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis	Testing approach	Conclusion
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures
Regulatory assets and credits	Derivative instruments	



Audit Approach and Results

Audit performed in accordance with *Generally Accepted Auditing Standards*

Audit objective – reasonable assurance that financial statements are free from material misstatement

Financial statements of the Agency received an Unmodified Opinion

There were no material weaknesses or significant deficiencies in controls



Auditor communication to those charged with governance





ACCOUNTING CHANGES RELEVANT TO THE AGENCY

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts You	Effective Date
87	Leases	Ś	6/30/22*
89	Accounting for Interest Incurred before the End of a Construction Period	Š	6/30/22*
91	Conduit Debt	Ś	6/30/23*
92	Omnibus 2020	Ś	6/30/22*
93	Replacement of Interfund Bank Offered Rates	Š	6/30/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	V	6/30/23
96	Subscription-Based Information Technology Arrangements	V	6/30/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans		6/30/22

*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date. Further information on upcoming <u>GASB pronouncements</u>.





CLIENT SERVICE TEAM

Client service team



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