



Utility Debt Securitization Authority Discussion with the Board of Trustees

Audit results for the year ended 12/31/2023

With you today:

Edward Lee: Lead Audit Partner

Todd Fowler: Client Relationship Partner

Stephen Scelfo: Lead Audit Senior Manager

Grace Kachigian: Audit Senior Manager

March 26, 2024





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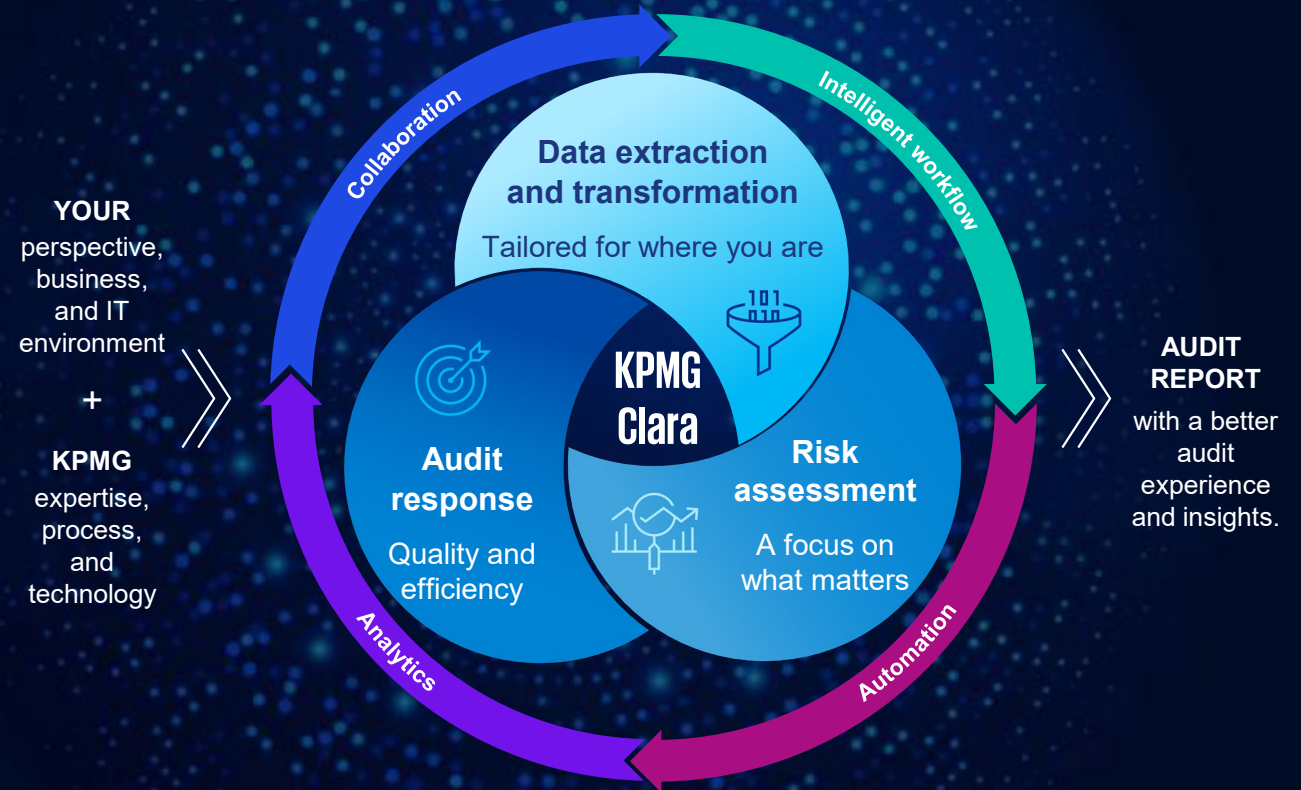
Insights

An audit aligned to you

Your business is unique. We begin by listening—helping us better understand you and your organization in order to align our efforts.

Powered by our [KPMG Clara](#) platform, we bring clarity to the audit through a modernized approach that effectively coordinates the audit, powers our process with automation and analytics, and supports clear and transparent communication through the cycle.

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Summary: Audit results required communications and other matters

Scope of audit and other deliverables	
Scope of the audit	Our audit of the basic financial statements of the Utility Debt Securitization Authority (“UDSA”) as of and for the years ended December 31, 2023 and 2022, was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller of the United States.
Other deliverables	Other planned audit deliverables include: <ul style="list-style-type: none">• Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Accounting Standards</i>• Report on Investment Compliance• Reports on applying agreed upon procedures in connection with Servicing Agreements



Required communications to the Board of Trustees

Prepared on: 3/20/2024

Presented on: 3/26/2024



Audit results required communications and other matters

Matters to communicate	Response
Significant and or unusual transactions	As disclosed in Note 3, on December 15, 2023, UDSA issued the Series 2023 Bonds in connection with Financing Order No.7. No other matters to report
Uncorrected audit misstatements	No matters to report
Corrected audit misstatements	See page 9 – Not material to the basic financial statements
Financial statement presentation and disclosure omissions	No matters to report
Non-GAAP policies and practices	No matters to report
Auditors' report	We plan to issue an unmodified opinion on the basic financial statements
Changes to our risk assessment and planned audit strategy	No matters to report
Significant accounting policies and practices	Significant accounting polices and practices are discussed within Note 1 of the UDSA's basic financial statements. We have reviewed the accounting policies utilized by management in preparation of the basic financial statements and found such polices to be appropriate.
Significant risk and accounting estimate	Pages 10 to 11
Significant financial statement disclosures	No matters to report
Related parties	We performed an evaluation of the LIPA's identification of, accounting for, and disclosure of its relationships and transactions with related parties. As a result of such procedures, we have no matters report.
Going concern	No matters to report

Audit results required communications and other matters

Matters to communicate	Response
Other information	We are currently not aware of any other documents that contain the audited financial statements of UDSA, including our opinions.
Subsequent events	No matters to report
Noncompliance with laws and regulations	No matters to report
Significant difficulties encountered during the audit	No matters to report
Significant findings or issues discussed, or the subject of correspondence with management	No matters to report
Management’s consultation with other accountants	No matters to report
Disagreements with management	No matters to report
Other significant matters	No matters to report
Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to the audit committee’s oversight of the financial reporting process.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter, management representation letters, and required communications letter
Independence	See page 12
Inquiries	See page 13

Audit results required communications and other matters

Reports	Response
Agreed-upon procedures relating to Servicing Agreements	No matters to report.
Investment compliance report in connection with the specified requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and in the Authority's Investment Guidelines	No matters to report.

Corrected audit misstatement

Description of misstatement	Debit	Credit
Revenue for the month of April was overstated as management did not use the correct electric consumption figure in their calculation.		
Operating Revenue	\$2,648,877	
Accounts Receivable		\$2,648,877

The above correction was not considered material to the basic financial statements. Management elected to record the entry rather than have an uncorrected misstatement.

Significant risk and accounting estimate

Significant risks	Procedures performed
<p>Risk of fraud due to management override of controls</p>	<p>Internal controls</p> <ul style="list-style-type: none"> — Assessed management’s design and implementation of controls over journal entries (during the year and at the end of the reporting period), as well as post-closing adjustments <p>Substantive procedures</p> <ul style="list-style-type: none"> — Involved KPMG Forensics in our risk assessment throughout the audit to assist in our consideration of fraud risk factors and procedures that the engagement team performed — Performed roll-forward procedures to test completeness of the journal entry population and tested a selection of journal entries to test relevant data elements for accuracy — Used eData routines to select journal entries for testing based on specific criteria. — Reviewed accounting estimates for bias — The engagement team considered the risk of management override of controls related to revenue and noted that the UDSA revenue process is routine and not complex. Additionally, the engagement team confirmed through inquiries that there is no incentive to fraudulently manipulate revenue

Significant accounting estimates: Fair market value investments

Description of significant accounting estimates

- Management follows the provisions of GASB Statement No. 72, Fair Value Measurements. USDA's investments are comprised of marketable securities. Marketable securities with readily determinable fair values are reported at fair value based upon quoted or published market prices with gain and losses included in the Statement of revenues, expenses and changes in net position.

Audit findings

Significant assumptions used that have a high degree of subjectivity

- No significant assumptions used in the valuation of investments that would have a high degree of subjectivity
- **Qualitative aspects**
- USDA reviews and evaluates the values provided directly by the investment managers in the determination of the estimate of the valuation of the marketable securities.

Substantive procedures

- Reviewed a sample of investments for compliance with Board approved policies
- Confirmed investment balances with respective banks as of December 31, 2023
- Reviewed the financial statements for completeness and accuracy of trust assets and obligations

Conclusions

The engagement team determined that there are no matters to report related to the estimate of marketable securities as of December 31, 2023. No indicators of management bias were noted and disconfirming evidence was not identified.

Independence

Independence

Our professional standards and other regulatory requirements specify that we are required to communicate to you in writing, at least annually, all relationships between our firm, or any affiliates of the firm, and UDSA and persons in a financial reporting oversight role at UDSA, which may reasonably be thought to bear on independence. In addition to the professional services disclosed in the previous slides, we are not aware of any relationships between our firm and UDSA and persons in a financial reporting oversight role at UDSA. In connection with our audit of the LIPA, KPMG and relevant KPMG professionals have complied with relevant ethical requirements regarding independence, as that term is defined by the professional standards.

We also bring to your attention that LIPA does pay for an annual subscription to KPMG's Accounting Research Online (ARO) tool. KPMG's ARO tool provides easy access to a full range of authoritative accounting and financial reporting literature. The cost of the subscription is approximately \$2,230 per year and is permissible under professional standards.

Inquiries

Is the Board of Trustees aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Does the Board of Trustees have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting UDSA?
 - If so, have the instances been appropriately addressed and how have they been addressed?



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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Appendix



U.S. Audit Quality, Transparency, and Impact reports



- Interactive dashboard highlights key quality metrics
- Details KPMG’s investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report



- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP’s System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness.

Transparency Report



- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

KPMG Impact Plan

In addition to this report, we are providing you with our [Transparency Report Supplement: Assisting audit committees in meeting NYSE rules on auditor communications Reports and supplements available at: \[audit.kpmg.us/auditquality\]\(https://audit.kpmg.us/auditquality\)](#)

Positioning audit committees for the future: 10 areas of focus

1

Financial reporting and related expertise: Stay focused on financial reporting and related internal control risks—job number one.

2

Risk oversight: Continue to assess the risk oversight responsibilities assigned to the audit committee.

3

ESG risk and disclosures: Clarify the role of the audit committee in overseeing the company's climate and other ESG risks.

4

Talent in the finance organization: Focus on whether finance has the talent and skill sets to meet the evolving reporting and IT landscape.

5

Audit quality: Reinforce the importance of audit quality and set clear expectations.

6

Internal audit's value: Make sure internal audit is focused on the company's key risks.

7

Transparency: Insist on transparency among the board/audit committee, management, and auditors.

8

Compliance and culture: Closely monitor the tone at the top, culture, and behaviors.

9

Critical alignments: Help maintain alignment of culture, purpose, strategy, goals, risks, compliance, controls, incentives, performance metrics, and people.

10

Audit committee focus and effectiveness: Make the most of the committee's time together.

See the full report at <https://boardleadership.kpmg.us/>

Our values

We do what's right.	We never stop learning and improving.	We think and act boldly.	We respect each other and draw strength from our differences.	We do what matters.
<p>Integrity</p> <ul style="list-style-type: none"> — Has a moral compass that does not waver in any situation, big or small — Does what they say and takes accountability when they don't — Is honest and forthright, even when it's difficult — Is not a bystander; takes action in the moment to do what's right and speak up — Upholds the letter and spirit of our ethical and professional standards, even under pressure 	<p>Excellence</p> <ul style="list-style-type: none"> — Demonstrates a passion for quality — Pushes individuals and teams to reflect and evolve, learning from both success and failure — Shares knowledge patiently and generously — Advocates for and role models life-long personal, technical and professional growth — Invites feedback and constructive challenge, and promptly acts on it 	<p>Courage</p> <ul style="list-style-type: none"> — Thinks big, pursuing innovative ideas and solutions — Openly questions actions inconsistent with our values, even when it isn't popular — Engages in candid conversations, caring personally and challenging directly — Has a bias for action and makes tough decisions — Acknowledges mistakes and limitations; asks for help 	<p>Together</p> <ul style="list-style-type: none"> — Treats everyone with respect and dignity, always — Fosters an environment of inclusion, safety and belonging — Builds and nurtures meaningful relationships with people of all backgrounds — Embraces our 'One Firm' approach, involving those with different backgrounds, experiences, and capabilities — Actively listens and acts with empathy to drive better outcomes 	<p>For Better</p> <ul style="list-style-type: none"> — Puts the work we do every day into context — Generously helps out and cares for others — Acts today to strengthen the firm for the future — Does small things everyday that make a difference — Looks beyond themselves to make a broader impact - from the individual, to local communities, to the world at large