

Exhibit to Agenda Item #1

SMUD's 2025 Financial Statements Independent Audit Report.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, March 17, 2026, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium



Sacramento Municipal Utility District and JPAs

2025 Financial Statement Audit Presentation

March 17, 2026

AGENDA

- Audit Approach
- Audit Results
- Communication to the SMUD Oversight Body



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 SMUD and SMUD JPA'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 the Board of Directors:
 - 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
 - Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by Government Auditing Standards (SMUD only)
 - Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements (SMUD only).
 - Forming and expressing an opinion based on our audit in accordance with *OMB's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs (SMUD only).
- Our audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.



Planned scope and timing

Audit focus

Based on our understanding of SMUD and SMUD JPA's 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, GASB 102, *Certain Risk Disclosures*

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 SMUD and SMUD JPA's current year results.



Key areas of focus and significant findings

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 areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities and related deferrals	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures
Regulatory items	Accrued liabilities	Derivative instruments
Asset retirement obligations and Pollution remediation liabilities	Information technology	Lease and SBITA accounting



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 SMUD and JPAs received an *Unmodified Opinion*

There were no material weaknesses or significant deficiencies in controls



Auditor communication to oversight body

Area to be Communicated	Area to be Communicated
Accounting Policies	Accounting Estimates
Financial Statement Disclosures	Significant Unusual Transactions
Significant Difficulties Encountered in Performing the Audit	Disagreements with Management
Audit Report	Audit Consultations Outside Engagement Team
Corrected and Uncorrected Misstatements	Other Audit Findings or Issues



Auditor communication to oversight body

Area to be Communicated	Area to be Communicated
Other Information in Documents Containing Basic Financial Statements	Management's Consultations with Other Accountants
Written Communications Between Management and Baker Tilly	Compliance with Laws and Regulations
Fraud	Going Concern
Independence	Related parties
Other Matter (RSI)	



**We appreciate the help of the SMUD
Accounting and Audit and Quality Services
teams in preparing for and assisting in the
audit!**



Discussion

Contact Info



Bethany Ryers, CPA
Principal

P: +1 (608) 240 2382
E: bethany.ryers@bakertilly.com



Ryan O'Donnell, CPA
Director

P: +1 (608) 240 2606
E: ryan.odonnell@bakertilly.com



Baker Tilly US, LLP, trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2022 Baker Tilly US, LLP

