REPORT TO THE AUDIT COMMITTEE

MUNICIPALITY OF ANCHORAGE, ALASKA

2024 AUDIT RESULTS

Welcome

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June 22, 2026

Audit Committee

Municipality of Anchorage, Alaska

We look forward to discussing with you the current year audit results for the Municipality of Anchorage. On October 30, 2025, we presented an overview of our plan for the audit of the financial statements of the Municipality of Anchorage (the “Municipality” or “MOA”) as of and for the year ended December 31, 2024.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Municipality’s accounting practices and policies, management’s judgments and estimates, financial statement disclosures, and other required matters to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Municipality is responsible.

We are pleased to be of service to the Municipality and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA

Your Client Service Executive Team

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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors) and, if appropriate, management of the Municipality, and is not intended and should not be used by anyone other than these specified parties.

Executive Summary

Executive Summary

Results of Our Audit

- Overview and Status – We have completed our audit work with respect to the financial statements for the year ended December 31, 2024.
- Quality of the Municipality’s Financial Reporting
- Significant Risk Overview & Discussion
- Corrected and Uncorrected Misstatements
- Internal Control Over Financial Reporting

Required Communications

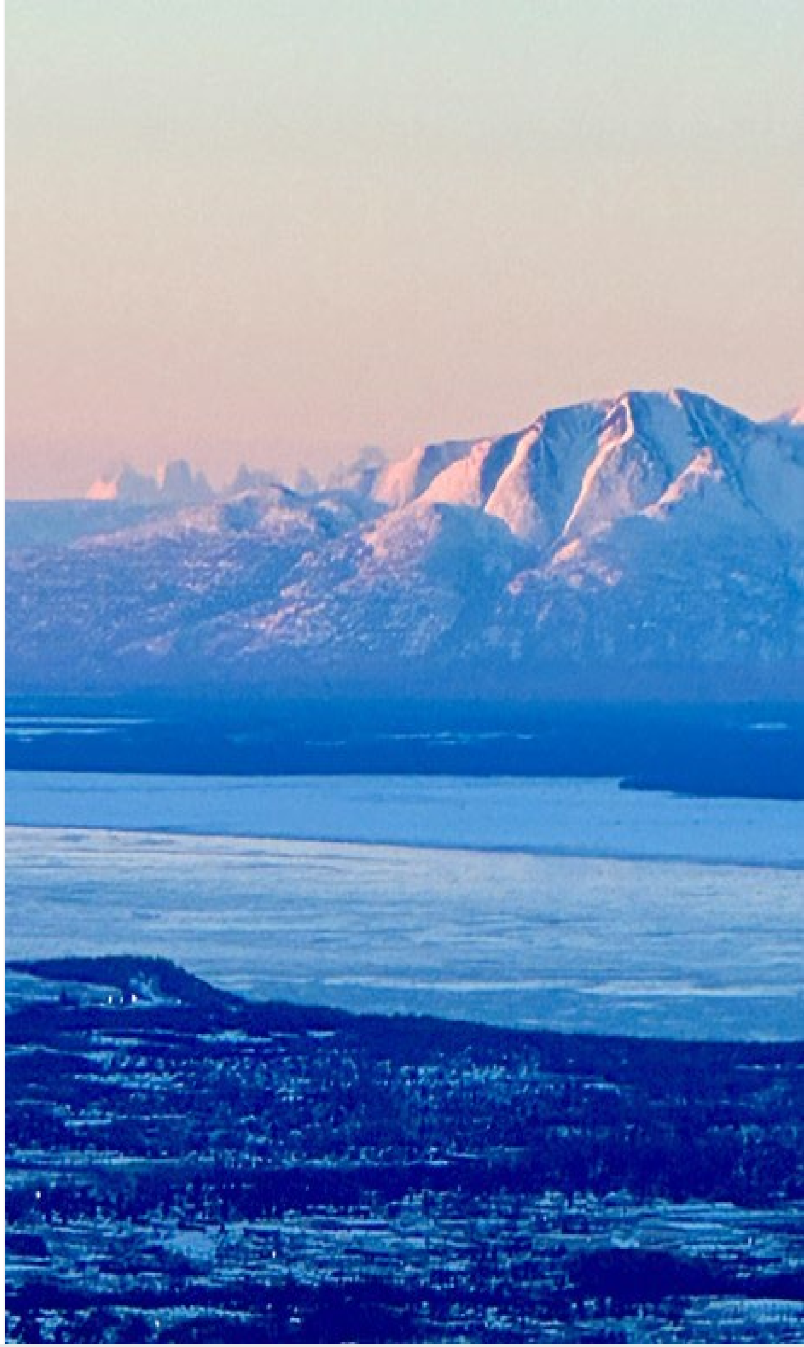
Open Discussion and Questions

Audit Results

Overview & Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended December 31, 2024. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Plan communications.
- We issued an unmodified opinion on the financial statements and released our report on June 22, 2026.
- We issued our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our responsibility for other information in documents containing the Municipality's audited financial statements (e.g., budgetary comparisons, schedules of pension and OPEB plans) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Municipality and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by BDO were freely available for our inspection.
- We want to acknowledge the cooperation extended to us by all levels of Municipality personnel throughout the course of our work.



Quality of the Municipality's Financial Reporting

A discussion will be held regarding the quality of the Municipality's financial reporting, which included the following:

- Qualitative aspects of significant accounting policies and practices
- Our assessment of critical accounting estimates, accounting policies and practices
- Significant unusual transactions
- Financial statement presentation
- New accounting pronouncements
- Alternative accounting treatments

Areas of Significant Risk

Our areas of significant risk, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations, are as follows.

Risk Area	Description	Results of Planned Audit Procedures
Fraud risk and management override of internal controls	Risks relating to management exercising undue influence to override internal control policies and procedures designed to deter, prevent, and detect misstatements due to fraud	Substantive procedures were performed over manual journal entries. Lack of supporting documentation and adequate review and approval of journal entries, including segregation of duties, were identified during these procedures.
Grant revenue	Risks related to the existence of grant revenue	Substantive procedures were performed over grant revenue. Preliminary grant schedules were not received until February of 2026 and approximately 10 versions of the grants schedule was received over several months. Not all supporting documentation requested was readily available for testwork.
Grant revenue	Risks related to completeness and accuracy of Muni-wide grant schedules	Substantive procedures were performed over the completeness and accuracy of Muni-wide grant schedules. Schedules required multiple modifications to ascertain completeness and accuracy.
FEMA grant revenue	Risks related to the recording of FEMA revenue and related grant receivable and grant deferred revenue	Substantive procedures were performed over FEMA grant revenue. Adjustments to the FEMA grants schedules, including Port and Solid Waste Services, were identified related to FEMA grant revenue recognition.
Financial statement preparation	Entries outside the SAP ERP application	Entries outside the ERP application were identified during testwork procedures performed over the ACFR draft. Entries were identified during the ACFR drafting process that were not initially included in the trial balances nor the entries provided by management.
Financial statement preparation	Risks related to the accuracy of equity / net position by fund	Substantive procedures were performed over the accuracy of equity and net position. Trial balances required adjustments for the full accrual and modified accrual basis of accounting, as well as corrections to equity. In addition, supporting documentation for fund balance / net position commitments, restrictions, and reserves were not readily available for testwork.
Financial statement preparation	Risks related to the cash-to-accrual (GASB 34) conversion for governmental activities	Substantive procedures were performed over the GASB 34 conversion. The GASB 34 cash-to-accrual conversion required multiple revisions for accuracy of governmental activities.

Areas of Significant Risk, continued

Below is a continuation of the areas of significant risk:

Risk Area	Description	Results of Planned Audit Procedures
Financial statement preparation	Risks related to management review of reconciliations for significant classes of transactions	Substantive procedures were performed over management reconciliations for significant classes of transactions. Multiple reconciliations (e.g., capital assets, construction in progress, grants, reconciliations for full and modified accrual basis of accounting, leases, SBITAs, disclosures of cash and investments, disclosures of capital assets, and various internal inconsistencies within the ACFR draft financial statements) required modifications during procedures performed.
Financial statement preparation	Risks related to management communication for preparation and oversight of reconciliations for significant classes of transactions	Substantive procedures were performed regarding the management communication for preparation and oversight of reconciliations for significant classes of transactions. Revisions were required for leases and SBITAs.
Financial statement preparation	Risks related to the appropriate use of fund classification	Substantive procedures were performed for the appropriate use of fund classifications. Proper financial reporting under GASB No. 54 for proper use of fund classification could result in incorrect reporting of costs.
Lease receivables	Risks related to completeness and accuracy of lease receivables based on executed lease contracts	Substantive procedures were performed over lease receivables and lease payables. Multiple adjustments were required for the completeness and accuracy of lease receivables and lease payables under GASB No. 87
Interfund Transactions	Risks related to the accuracy of interfund transfers, due to / due from other funds, and advances to / advances from other funds	Substantive procedures were performed over interfund transactions. Interfund transactions were balanced at the entity-wide level, however, multiple adjustments were required for interfund transactions including, but not limited to, intergovernmental transactions (IGCs).
Charges for services	Risks related to charges for services to end users for services provided by the Municipality for utilities (water, wastewater) and other service-related charges (Wharfage, Dockage, Moorage, Refuse, and Disposal)	Substantive procedures were performed for charges for services for Water, Wastewater, Solid Waste Refuse, Solid Waste Disposal, and Port. Requested supporting documentation was readily available and charges were substantiated.

Corrected Misstatements

Corrected Misstatements:

There were corrected misstatements for the Municipality, as shown in the attached detailed listing (Attachment A). These corrected misstatements include:

- correct beginning and ending net position,
- related to modified and full accrual accounts,
- grant revenue, grant receivables, deferred grant revenue, and deferred inflows related to grants,
- correct right of use assets and associated liabilities for leases under GASB 87 and SBITAs under GASB 96,
- interfund balances and transfers,
- capital assets - to correct classification of regulatory assets, deletions not properly recorded, and construction-in-progress

Corrected Presentation Disclosures:

There were corrected presentation disclosures for the Municipality, as shown in the attached detailed listing (Attachment C). These corrected disclosures include:

- OPEB Required Supplementary Information schedules for the years ended 6/30 contained the 12/31 covered payroll amount. This variance totaled $9,231,441 and was corrected in a subsequent version.
- The cash and investments footnote did not tie to the trial balance or balance sheet by approximately $25 million. Corrections were made to the trial balance through AJE corrected misstatements.
- IT construction-in-progress additions and deletions were grossed up to include transfers, resulting in both being overstated by approximately $6.4 million.
- SBITA contract for Microsoft Office 365 was written off due to the Municipality electing to renew the contract rather than exercise options to extend on the existing contract. This was appropriate, however, the write-off was initially presented as payments in the Statement of Cash Flows in the IT internal service fund.
- Additions and deletions were grossed up in the long-term debt footnote and not appropriately adjusted with corresponding general ledger adjustments.
- Additions and deletions for lease liabilities were grossed up in the long-term debt footnote by approximately $4 million for both additions and deletions.

Uncorrected Misstatements

Uncorrected Misstatements:

There were uncorrected misstatements for the Municipality, as shown in the attached detailed listing (Attachment B). These uncorrected misstatements include:

- Current year and prior year grant revenue remaining uncorrected after corrections to grant receivables and deferred revenues were made,
- An incorrect opening grant receivable balance for one grant, affecting revenue and grant receivables.

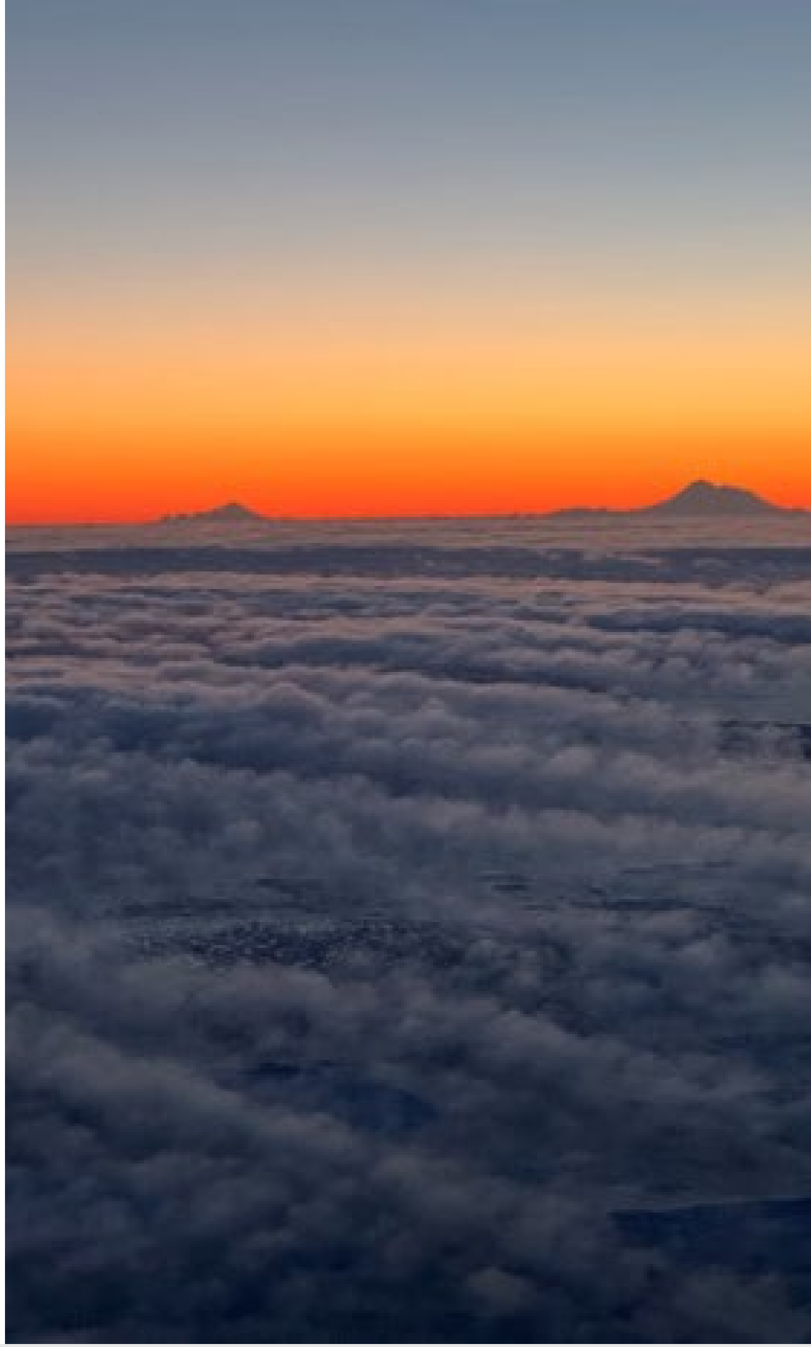
Uncorrected Presentation Disclosures:

There were uncorrected presentation disclosures for the Municipality, as shown in the attached detailed listing (Attachment D). These uncorrected presentation disclosures include:

- Cash in central treasury per footnote is different for business type activities due to a grant adjustment for Port and State Grant special revenue fund. The uncorrected presentation in the cash and investments footnote resulted in approximately $500,000 difference when compared between the government activities and business type activities as compared to the entity-wide financial statements.
- Capital contributions should be from external sources. Management has elected to show a capital contribution to the Equipment Maintenance internal service fund from the General Government capital projects fund. The uncorrected presentation is shown in supplementary schedules I-2 as a contribution from other governmental funds.

We concur with management's assessment that the effects of not recording such adjustments or not corrected such presentations are, both individually and in the aggregate, immaterial to the consolidated financial statements taken as a whole, considering both qualitative and quantitative factors.

- The uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated.



Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Municipality's internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Control Deficiency	A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented or detected and corrected on a timely basis.

Internal Control Over Financial Reporting, continued

In conjunction with our audit, we noted the following material weaknesses, significant deficiencies, and control deficiencies. For full details regarding the material weaknesses, significant deficiencies, and control deficiencies refer to Attachment E included at the end of this presentation.

- The following material weaknesses were identified:

Material Weakness	Description
2024-001: Timely Reporting of Financial Information	The Municipality failed to perform closure of books and records in a timely manner after its fiscal year end. This resulted in delayed completion of reconciliations and final period-ending trial balances necessary for the production and issuance of financial reports. In addition, significant adjustments were required to trial balances and to the financial statements in order to properly present results after final reconciliations and adjustments were processed. Trial balances received for the audit included modified and full accrual basis accounts, which resulted in multiple duplications of account balances. In addition, trial balances received for the audit included equity accounts that were inaccurate and required material adjustments to ensure equity appropriately rolled forward. Material adjustments were required to the financial statements as a result of these.
2024-002: Level of Precision of Review	Adjustments were identified during the audit related to reconciliations performed by management in closing of the books and records. In addition, certain issues were identified as part of understanding internal controls over financial reporting. Overall reconciliation and review controls were not performed at a level of precision to detect errors in the following areas: (1) Cash and investments were materially misstated by approximately $25 million and required adjustments to tie to the testwork and related cash and investment disclosures; (2) accounts receivable and accounts payable were recorded in the incorrect fiscal year for approximately $700 thousand and $780 thousand, respectively; (3) ACFR presentation disclosures required material revisions to tie to the reconciliations for capital assets, leases payable, subscription-based IT assets and liabilities, and IT construction in progress. These were initially overstated and resulted in material revisions to the reconciliations and the financial statement disclosures; (4) grant reconciliations for grant related receivables, unearned revenue, expenditures, and deferred inflows required material revisions to tie to the underlying trial balances. These resulted in approximately 10 versions of the grant reconciliation and required material adjustments to the trial balances; (5) lease amortization schedules required revision resulting from incorrect rates utilized within the lease amortization schedules; (6) subscription-based IT amortization schedules contained inaccuracies for the early termination of a SBITA contract. This resulted in financial statement and disclosure adjustments of approximately $4 million; (7) other postemployment benefits calculations contained inaccuracies which required adjustments to the financial statement disclosures and required supplementary information.

Internal Control Over Financial Reporting, continued

Material weaknesses identified, continued:
Refer to Attachment E included at the end of this presentation for full details.

Material Weakness	Description
2024-003: Journal Entry Review	Adjustments were posted with improper review and approval, insufficient supporting documentation, and/or were not posted in a timely manner. In addition, there was a system design change in 2023 that removed the requirement to review and approve journals in SAP, which remained in effect for the majority of 2024.
2024-004: Grant Accounting	BDO identified material inaccuracies in the grants reconciliation, the grant analysis worksheets, and the related financial statements for grant receivables, unearned revenue, deferred inflows, and revenue. These include the following areas: At the ACFR level: (1) reconciliations received throughout the course of the audit resulted in approximately 10 revisions to the Municipality-wide grant schedules to correct for material inaccuracies to beginning accounts receivable and deferred revenue balances and current year receivables, expenses, revenue, and ending accounts receivable and deferred revenue balances. This results in material adjustments to grant receivables and grant revenues; (2) supporting documentation identified inconsistent and conflicting information in grant reporting documentation, grant reporting records were not consistently maintained, grant reporting requirements to the grantor agency were not timely, resulting in inconsistent grant reconciliations and grant analysis worksheets. Out of a sample of 70 grants, 51 were found to have discrepancies with the grant agreements (missing or unsigned original awards or amendments), and the Municipality was unable to provide expense reimbursement/draw requests for 44 sample items; (3) the Municipality is not filing timely for reimbursement of grant expenditures and the grant analysis worksheets contained material inaccuracies; (4) BDO identified that 3 grants out of a sample of 70 recognized grant revenue and related receivable in the improper fiscal year. Material adjustments of approximately $4 million were identified as an overstatement of grant revenue and grant receivables. Port: The grant reconciliation schedule contained material inaccuracies for the beginning grant receivables and deferred revenue amounts and exclusions of FEMA grants. Material grant adjustments were identified that resulted in approximately $89 million in adjustments. Grant receivables were initially overstated by approximately $5.7 million and grant revenue was overstated by approximately $5.4 million. Solid Waste Services – Refuse and Disposal Utilities: The grant reconciliation schedule contained material inaccuracies for the beginning grant receivable and deferred revenue amounts and exclusions of FEMA grants. In addition, the Municipality is not timely filing for reimbursement of grant expenditures, and the grant analysis worksheets contained material inaccuracies. Material adjustments of $1.3 million were identified as an overstatement of grant revenue and grant receivables.

Internal Control Over Financial Reporting, continued

Material weaknesses identified, continued:
Refer to Attachment E included at the end of this presentation for full details.

Material Weakness	Description
2024-005: Tracking of Capital Assets	Capital asset reconciliations per the asset management details to the related financial statements contained material inconsistencies and required material adjustments. The capital asset reconciliations required multiple revisions and material adjustments were identified in the financial statements and related disclosures. Capital asset schedules and related financial statements were inaccurate prior to these corrected misstatements. These include the following: General Government: (1) The purchase of an asset in the previous fiscal period was inaccurately reflected in asset details and reconciliations, resulting in an approximately $300 thousand adjustment; (2) construction in progress (CIP) details and reconciliations were not properly reviewed to identify and close stale projects. CIP contained 29 projects that should have been closed but instead have another negative project to net to zero. (3) Approval of CIP closures was verbal and not documented or retained, resulting in $3 million of assets placed into service without supporting documentation for the approval of project closure. Information Technology Fund: CIP reconciliations contained duplicated information in additions and deletions due to significant general ledger adjustments for movement of assets between CIP, capital outlay expense, and capital assets. This resulted in an overstatement of additions and deletions by approximately $7.4 million each. Material adjustments were required for reconciliations and footnote disclosures. Hydropower fund: (1) CIP details and reconciliations incorrectly included completed CIP projects that were already in use as assets. This resulted in material adjustments of approximately $380 thousand to properly move these assets from CIP to capital assets. (2) Equipment totaling approximately $325 thousand was recorded as an asset placed in service in the previous fiscal year but not recorded as an addition until 2024. (3) Approximately $12 thousand in assets were incorrectly expensed. Port Fund: The Municipality failed to record assets sold at auction which resulted in adjustments of approximately $343 thousand to remove the capital assets and recording the resulting gain of approximately $46 thousand. Solid Waste Services: Capital asset acquisitions were placed in service at an amount lower than acquisition cost. Capital asset disposals that were traded in for new assets were disposed of at an amount that did not recognize the gain on disposal. Capital asset acquisitions were understated by approximately $200 thousand, accumulated depreciation and depreciation expense were understated by approximately $19 thousand, and gain on disposal of capital assets revenue was understated by approximately $200 thousand.

Internal Control Over Financial Reporting, continued

In conjunction with our audit, we noted the following deficiencies that we consider to be significant deficiencies:

Refer to Attachment E included at the end of this presentation for full details.

Significant Deficiency	Description
2024-006: Procurement and Purchasing Policies	There were several items reported by Internal Audit where procurement activities did not comply with Municipality Policies & Procedures and the Procurement Card Guide. These include the following: Procurement card purchases: (1) Procurement card purchases were identified as exceeding the single transaction limit. Internal audit identified transactions split to circumvent dollar limits; (2) Mandatory annual supply contracts were not always utilized; (3) Supporting documentation was not always readily available or properly approved. Contract compliance: (1) Contractors managing the Sullivan, Boeke, Dempsey, and Harry McDonald Centers were not in compliance with contract terms; (2) Solid Waste Services maintenance contract was entered into without the required signatory approval of the Municipal Manager.
2024-007: Budget Impact on Financial Reporting	During the audit, certain instances were noted where the approved budget coding is not in line with the required reporting of the capital expense or grant revenue under accounting standards. When expenditures are not tracked in the fund that ultimately records the asset, the SAP capital asset module posts an asset and capital contribution revenue as assets are recorded. This results in a duplicated presentation of capital contribution revenue and an incorrect expense in the fund that carried the initial coding. In 2024, revenue and the related expense was presented as overstated by $1.9 million when a grant-funded asset was approved for expense in a governmental capital project fund but ultimately recorded as an asset in the equipment internal service fund. BDO identified approximately 20 journal entries to adjust amounts and reallocate among prior period budget-period fiscal years. The total impact of these entries was approximately $240 thousand. There was insufficient documentation in place to support the rationale for these adjustments.

Internal Control Over Financial Reporting, continued

In conjunction with our audit, of the financial statements, we identified the following control deficiencies that we do not consider to be material weaknesses nor significant deficiencies.

Refer to Attachment E included at the end of this presentation for full details.

Information Technology General Controls (ITGC) Deficiencies	
CD-1	ITGC – Segregation of Duties (SAP)
CD-2	ITGC – Database password policies (KABA, APD TeleStaff, AFFD TeleStaff, AWWU CIS)
CD-3	ITGC – User Access Reviews (AFD TeleStaff, APD TeleStaff, Tower Billing)
CD-4	ITGC – Privileged Access (AFD TeleStaff, Tower Billing
CD-5	ITGC – Application Password Policy (AFD TeleStaff)
CD-6	ITGC – Segregation of Duties (AWWU CIS)

Financial Reporting Control Deficiencies	
CD-7	Review and Approval of Payroll
CD-8	Review of Self Insurance Rates
CD-9	Payroll Reconciliations
CD-10	Cash Control Procedures
CD-11	Office of the Mayor Language Access Policy
CD-12	WIC Program
CD-13	AWWU Lock and Key Controls
CD-14	Review of Commitments and Contingencies
CD-15	Internal Service Fund Recovery
CD-16	AHD Child-Care Licensing Program
CD-17	Traffic Engineering Inventory
CD-18	Timely Response to Public Records Request
CD-19	Hydropower Billings and Contract Management

Detail of Significant Accounting Practices, Policies, Estimates and Disclosures

Significant Accounting Practices (including Policies, Estimates, and Disclosures)

ACCOUNTING PRACTICES, POLICIES, ESTIMATES, AND DISCLOSURES

The following summarizes the more significant required communications related to our audit concerning the Municipality's accounting practices, policies, estimates and significant unusual transactions:

The Municipality's significant accounting practices and policies are those included in Note 21 to the financial statements. These accounting practices and policies are appropriate, comply with the applicable financial reporting framework and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- A summary of recently issued accounting pronouncements is included in Note 21 to the Municipality's financial statements.
- The Municipality adopted GASB Statement No. 101, *Compensated Absences*, with no significant impact.
- There were no changes in significant accounting policies and practices during 2024.

Critical accounting estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Municipality's critical accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in Note 1 of the financial statements.

Accounting Estimates
Collectability of Accounts Receivable
Net Pension / OPEB Liabilities and Asset
Discount Rate Utilized in Lease and Subscription-Based Information Technology Arrangement Calculations
Fair Value Measurements
Useful Life / Depreciation of Capital Assets
Self-Insured Liabilities / IBNR
Landfill Closure Liability

The methods used to account for significant or unusual transactions, and related disclosures, are considered appropriate.

Additional Required Communications

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Municipality:

Requirement	Discussion Point
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Plan communications to the Municipality, other than the change in the timing of the audit due to delays in receipt of financial and audit information.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Municipality's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Alternative accounting treatment	No alternative accounting treatments permissible under the applicable financial reporting framework for policies and practices related to material items were identified and discussed with management.
Significant unusual transactions	During the year ended December 31, 2024, we were not aware of any significant unusual transactions.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of requirements of an applicable financial reporting framework.
Significant findings and issues arising during the audit in connection with the Municipality's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management	There were no significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management other than those findings related to Internal Control over Financial Reporting.

Other Required Communications (cont.)

Following is a summary of other required items, along with specific discussion points as they pertain to the Municipality:

Requirement	Discussion Point
Results of procedures performed related to other information included in annual report	The Municipality releases and Annual Comprehensive Financial Report which includes the basic financial statements, Required Supplementary Information (RSI), and Supplementary Information (SI). As a result, additional limited procedures were required to be performed on the RSI and SI for consistency but not for the purposes of issuing an opinion on the RSI and SI.
Other matters significant to the oversight of the Municipality's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Municipality's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter shown as an attachment.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Municipality's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were delays associated with the timing of audit preparations performed and errors in the initial trial balances used to prepare the initial draft of the financial statements. There were no other significant difficulties encountered during the audit.
Matters that are difficult or contentious for which the auditor consulted outside the engagement team	There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process.

Independence

Our engagement letter to you dated June 11, 2025, and as amended on September 3, 2025 describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* regarding independence and the performance of our services. This letter also stipulates the responsibilities of the Municipality with respect to independence as agreed to by the Municipality. Please refer to that letter for further information.

Other Topics

BDO’s System of Quality Management

An audit firm’s effective system of quality management (“SoQM”) is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards, and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a SoQM designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct engagements in accordance with those standards and requirements. The firm’s SoQM supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our Assurance Quality Management team performs regular reviews and testing of key controls and processes throughout the SoQM and identifies and communicates areas for improvement.

As required by International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of its system of quality management and concluded, as of September 30, 2025, that the system provides reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance services engagements in accordance with professional standards, and applicable legal and regulatory requirements.

We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO’s system of quality management within our annual Audit Quality Reports, the most recent of which is accessible here.

CLICK HERE TO ACCESS IAASB ISQM-1 IN ITS ENTIRETY >

About BDO USA

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients, and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax, and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

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Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

BDO