Communications with Those
Charged with Governance

City of Tacoma Government Performance and Finance Committee and Audit Advisory Board

December 31, 2025

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Communications with Those Charged with Governance

To the City of Tacoma Government Performance and Finance Committee and Audit Advisory Board
Tacoma Public Utilities – Power, Water, and Rail Divisions
Environmental Services Department – Wastewater and Stormwater, and Solid Waste Management
Tacoma, Washington

We have audited the financial statements of each individual enterprise fund of the City of Tacoma – Power Division, Water Division, Rail Division, Wastewater and Stormwater Management, and Solid Waste Management (the "Divisions") as of and for the year ended December 31, 2025 and have issued our reports thereon dated May 29, 2026. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Generally Accepted Government Auditing Standards

As stated in our engagement letter dated September 5, 2025, we are responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*). As part of an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Divisions' internal control over financial reporting. Accordingly, we considered Divisions' internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

The supplementary information was subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

Other Information Included in the Annual Reports

Management is responsible for the other information included in the Divisions' Annual Reports. The other information comprises the Statistical Data, Supplemental Information and Graphs but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the audited financial statements. We have read the information, and nothing came to our attention that caused us to believe that such information is materially inconsistent with the financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the 2025 Entrance Presentation on February 3, 2026.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Divisions are described in Notes 1 to the financial statements.

In December 2023, Governmental Accounting Standards Board (GASB) issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The adoption and implementation of Statement No. 102 did not have an impact on the Divisions' financial reporting for the year ended December 31, 2025.

No other new accounting policies were adopted and there were no changes in the application of existing policies during 2025. We noted no transactions entered into by the Divisions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: allowance for doubtful accounts, unbilled revenues, depreciation lives of capital assets, lease receivables, environmental liabilities, contingency and legal reserves, compensated absences, pension and other post-employment benefits. See Notes 2 to the financials for summary of significant accounting policies.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Significant Unusual Transactions

We encountered no significant unusual transactions during our audit of the Divisions' financial statements.

Significant Difficulties Encountered in Performing the Audit

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of the Divisions' financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor's report in accordance with U.S. GAAS and *Government Auditing Standards*. There were no circumstances that affected the form and content of the auditor's report.

Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Uncorrected Misstatements: The below summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole. Uncorrected misstatements, or matters underlying those uncorrected misstatements, as of and for the year ended December 31, 2025 could potentially cause future-period financial statements to be materially misstated, even though we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Judgmental Misstatements – To adjust GASB 101 *Compensated Absences* short term accrual based on estimated usage:

Power Division - $9,300,000

Rail Division - $900,000

Water Division - $2,100,000

Sewer Division - $2,200,000

Solid Waste Division - $1,500,000

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 29, 2026.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Divisions' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified.

This information is intended solely for the use of City of Tacoma Government Performance and Finance Committee and Audit Advisory Board and management of the City and its Divisions and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly US, LLP

Tacoma, Washington
May 29, 2026