



Audit Results Presentation

Tacoma Public Utilities Public Utility Board

Presented by Olga A. Darlington, CPA, Partner

June 26, 2024



Auditor's Report on the Financial Statements

Unmodified Opinions on each Division's Financial Statements

- Financial statements are presented fairly and in accordance with US GAAP – following pronouncements promulgated by the Governmental Accounting Standards Board (GASB)
- Tacoma Public Utilities – Power, Water, and Rail Divisions – reports issued May 28, 2024

Audits and reports on each Division's internal control and compliance over financial reporting in accordance with *Government Auditing Standards*

- No material weaknesses in internal control
- No compliance findings



Area of Audit Emphasis

Internal Control Environment

- Cash receipts/revenues, cash disbursements/payables, payroll, power trading, financial close and reporting;
- Our IT team of specialists tested the IT general computer controls that support the various financial reporting systems;

Treasury

- Coordination with State Auditor's Office testing of City's cash and investment balances for existence, valuation, restrictions and classification; evaluation of fair value;

Capital Assets

- Consideration of capitalization policies, as well as testing of additions, retirements, overhead application, and depreciation;



Area of Audit Emphasis, continued

Debt Activity

- Debt repayments, arbitrage liability, discounts and premiums, compliance with debt covenants; third party confirmations with financial institutions;
- New debt issuances in 2023: Rail

Subscription-Based Information Technology Arrangements (SBITA)

- SBITA asset – recorded right to use asset
- SBITA liability – recorded liability
- Restatement of 2022 financial results for comparative presentation: Power, Water and Rail Divisions

Revenues and Expenses

- Vouching of cash receipts and timing of revenue recognition;
- Third-party confirmations with largest commercial power purchasers for Power;
- Detail testing of larges line haul transactions for Rail;
- Analytical testing of revenue and expenses;



Significant Accounting Policies & Unusual Transactions

The auditor should determine that the advisory board and the finance committee are informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the finance committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Our Comments

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the Divisions are described in the notes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies.

Significant management estimates impacting the financial statements are included in Note 2, which discloses the Divisions' significant accounting policies: *Allowance for Doubtful Accounts; Unbilled Revenues; Depreciable Lives of Capital Assets; Lease Receivable; Pension Accruals;*



COMMUNICATION WITH GOVERNING BODY



Audit was performed according to the planned scope and timing



Significant accounting policies are summarized in Note 1 of each Division's financial statements



Financial statement disclosures were consistent, clear, and understandable



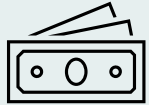
Representations were requested and received from management



There were no disagreements with management or difficulties encountered during the audit



COMMUNICATION WITH GOVERNING BODY (continued)



Summary of proposed and passed journal entries is presented in the next slide.



The Divisions are subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the financial statements.



Moss Adams is independent with respect to the City and each Division



Consideration of fraud in a financial statement audit

Procedures performed included journal entry testing, third-party confirmations, and interviews of personnel

Audit Adjustments and Passed Audit Adjustments

Audit Adjustments

- None identified

Passed Audit Adjustments

- Power Division - To adjust unbilled revenue by \$1,731,000.
- Power Division - To adjust for updated incremental borrowing rate at lease remeasurement (decrease lease receivable and deferred inflows by \$7,950,000, immaterial impact on lease revenue and expense).
- Water Division - To adjust unbilled revenue by \$3,396,000.
- Water Division - To adjust for capital project substantially completed at year end \$585,305.



Upcoming Accounting Pronouncements

GASB No. 100, *Accounting Changes and Error Corrections* – effective for the reporting year 2024.

GASB No. 101, *Compensated Absences* – effective for the reporting year 2025.

GASB No. 102, *Certain Risk Disclosures* – effective for the reporting year 2025.



Acknowledgements

Thank you!

- The audit progressed in an orderly fashion; requested schedules were received on a timely basis.
- All personnel across all departments were courteous, responsive, and fulfilled all of our requests in a timely manner.
- ‘Tone at the Top’ and attitude from management was one of helpfulness and openness in response to audit requests and discussion points.





THANK
YOU



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