



Audit Results Presentation

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

June 21, 2022



Auditor's Report on the Financial Statements

Unmodified
Opinions on financial statements, which are presented fairly and in accordance with US GAAP – following pronouncements promulgated by GASB

- Tacoma Public Utilities – Power, Water, and Rail Divisions – reports issued May 19, 2022;
- Environmental Services – Wastewater/Surface Water Management and Solid Waste Divisions – reports issued May 19, 2022

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

- No material weaknesses in internal control
- Significant deficiency
 - Water - Related to timely closing of CWIP and proper classification to plant in-service



Area of Audit Emphasis

Internal Control Environment

- Cash receipts/revenues, cash disbursements/payables, payroll, power trading, treasury, financial close and reporting;
- Testing of the IT applications and 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, classification; evaluation of fair value;

Capital Assets

- Consideration of capitalization policies, as well as testing of additions, retirements, overhead allocation, depreciation methods;

Area of Audit Emphasis, continued

Debt Activity

- Debt repayments, arbitrage liability, capitalized interest, discounts and premiums, compliance with covenants; third party confirmations with financial institutions;
- New debt issuances in 2021: Electric and Rail Division

Net Pension and OPEB Liability

- Recognition of share of the liability for employees' future pension and OPEB obligations as part of TERS plans;
- Employer liability and related deferred inflows/outflows including employee census and contributions made to TERS;

Revenues and Expenses

- Vouching of cash receipts and timing of revenue recognition;
- Third-party confirmations with largest commercial power purchasers;
- Analytical testing of revenue and expenses;



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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.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year. No unusual transactions were noted.



Management Judgments & Accounting Estimates; Risks and Uncertainties

The finance committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Our Comments

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable and do not materially misstate the financial statements.

Significant management estimates impacting the financial statements are included in Note 2 discloses the Divisions' significant accounting policies: *Allowance for doubtful accounts; Unbilled Revenues; Depreciable lives of capital assets; Pension Accruals; and Environmental Liabilities;*

Our Comments

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.

The finance committee should be adequately informed of the potential effect of significant risks and exposures and uncertainties that are disclosed in the financial statements



Difficulties Encountered and Disagreements with Management

The finance committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

Our Comments

No significant difficulties were encountered during our audit.



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Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements, or the auditor's report.

Our Comments

There were no disagreements with management.

Other Communications

The finance committee should be informed of all significant audit adjustments arising from the audit and should also be informed of uncorrected misstatements aggregated by us that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Our Comments

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



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In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle 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.

Our Comments

We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.

Audit Adjustments and Passed Audit Adjustments

Audit Adjustments

- Audit adjustments made:
 - Power – Moss Adams identified entry to adjust net position for true-up in current portion of bonds payable \$1,481,222
 - Water – Moss Adams identified entry to adjust CWIP to plant in-service \$10,655,202

Passed Audit Adjustments

- Passed audit adjustments:
 - Power Fund - To adjust unbilled revenue by \$1,460,000.

Upcoming Accounting Pronouncements

GASB Statement No. 87 *Leases* – delayed until 2022*

GASB Statement No. 96, *Subscription –Based Information Technology Arrangements* – delayed until 2023*

* GASB Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* was issued on May 8, 2020. The standard provides temporary relief in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain pronouncements by one year and by eighteen months for GASB 87.

Acknowledgements

Thank you!

The audit progressed on time and in an orderly fashion; our teams were working collaboratively on issues as they came up during the audit.

Weekly meetings were held between Moss Adams and Funds' management and staff throughout the audit term.

All City personnel across all departments were courteous, responsive, and fulfilled all of our requests in a timely manner.



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Olga A. Darlington, Lead Client Service Partner

olga.darlington@mossadams.com

(425) 551-5712

Julie Desimone, QC Partner

Julie.desimone@mossadams.com

(503) 478-2101



**THANK
YOU**