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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
- Environmental Services – Wastewater/Stormwater Management and Solid Waste

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

- No material weaknesses in internal control
- No compliance findings

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Area of Audit Emphasis

Internal Control Environment

- Cash receipts/revenues, cash disbursements/payables, payroll, power trading, 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;



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Area of Audit Emphasis, continued

Debt Activity

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

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 for 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;
- Analytical testing of revenue and expenses;



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COMMUNICATION WITH GOVERNING BODY

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 Receivables; Pension Accruals; and Environmental Liabilities;*

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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



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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



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Audit Adjustments and Passed Audit Adjustments

Audit Adjustments

- None identified

Passed Audit Adjustments

- **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.
 - Solid Waste Division - To adjust unbilled revenue by \$515,000.
 - Sewer Division - To adjust unbilled revenue by \$875,000.



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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 in 2025).

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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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