



# AUDIT RESULTS

## City of Tacoma

### Government Performance and Finance Committee Presentation

June 7, 2017

**MOSS ADAMS**<sub>LLP</sub>

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

**June 7, 2017**

To the Members of the Government Performance Finance Committee  
Tacoma Public Utilities - Power, Water, and Rail Divisions  
Environmental Services – Sewer (Surface water/Wastewater) and Solid Waste Divisions

Dear Committee Members:

Thank you again for your continued engagement of Moss Adams. We are pleased to meet with you to discuss the results of our audits of the Funds' financial statements for the year ended December 31, 2016.

The accompanying report, intended solely for the use of the Committee and management, presents important information regarding the Funds' financial statements that we believe will be of interest to you.

We conducted our audits with the objectivity and independence you expect. We received the full support and assistance from the Funds' personnel. We are pleased to serve and be associated with the Funds, and we look forward to our continued relationship.

Sincerely,

A handwritten signature in dark ink, appearing to read "Moss Adams LLP", is positioned above the typed name.

Olga A. Darlington, Partner  
Moss Adams LLP

# AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

## Unmodified Opinions

- Financial statements are presented fairly and in accordance with US GAAP
- Tacoma Public Utilities - Power, Water, and Rail Divisions
- Environmental Services – Sewer (Surface water/Wastewater) and Solid Waste Divisions

# AREAS OF AUDIT EMPHASIS

- Internal control environment
  - Cash receipts/revenues, cash disbursements/payables, payroll, power trading, treasury, financial close and reporting;
  - General computer controls, IT environment;
- Management estimates
  - Unbilled revenue;
  - Recovery periods for cost of plant;
  - Allowance for doubtful accounts;
  - Actuarial valuations for pension and OPEB amounts;
  - Environmental liabilities and land field post closure monitoring;
- Treasury
  - Coordination with SAO testing of cash and investment balances for existence, valuation, restrictions; implementation of GASB 72

# AREAS OF AUDIT EMPHASIS (CONTINUED)

- Capital assets
  - Consideration of capitalization policies, as well as testing of additions, retirements, overhead application, capitalized interest, depreciation
- Net pension liability
  - Recognition of share of the liability for employees' future pension obligations as part of the Tacoma Employees Retirement System (TERS);
  - Employer liability and related deferred inflows/outflows including selections of new hires from the census and contributions made by the Utilities to TERS
- Debt activity
  - New debt issued and refunded in Solid Waste and Sewer Funds; debt repayments, arbitrage liability, capitalized interest, discounts and premiums, compliance with covenants
- TES Lease termination
  - Transfer of assets and liabilities in Solid Waste and Sewer Funds; valuation of assets; debt issued to pay off lease liability; interfund transfers;

# REQUIRED COMMUNICATIONS

- Auditor and Management responsibilities for financial statements under Generally Accepted Auditing Standards
  - To form and express an opinion about whether the financial statements are fairly presented; to plan and perform the audit in accordance with generally accepted auditing standards
  - Our audit does not relieve management and the GPFC of its responsibilities
- Audit was performed according to the planned scope
- Significant accounting policies are summarized in Note 1 to the financial statements
- Financial statement disclosures were consistent, clear and understandable
- Representations were requested and received from management
- There were no passed audit adjustments; one audit adjustment was posted in Solid Waste Fund in the amount of \$360,000 for unbilled revenues

# REQUIRED COMMUNICATIONS (CONTINUED)

- New accounting pronouncements applied during 2016 – GASB Statement No. 72, *Fair Value Measurement and Application*
- There were no disagreements with management
- Consultation with other independent auditors (none of which we are aware)
- Difficulties encountered during the audit (none)
- Illegal acts (none noted)
- Ability to continue as a going concern (no disclosure necessary)
- Consideration of fraud in a financial statement audit
  - Procedures performed included journal entry testing and interviews of personnel
- Moss Adams is independent with respect to the City and the Funds

# UPCOMING ACCOUNTING PRONOUNCEMENTS

- *GASB 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (effective in 2017) and GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (effective in 2018):* Addresses accounting and financial reporting issues related to other postemployment benefit plans.
- *GASB 82 – Pension Issues –amendment of GASB Statements No. 67, No. 68, and No. 73 (effective in 2018):* Addresses accounting and financial reporting clarifications related to issues identified in statements Nos. 67, 68, and 73.
- *GASB 83 – Certain Asset Retirement Obligations (effective in 2019):* Addresses accounting and financial reporting for certain asset retirement obligations.



# UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- *GASB 84 – Fiduciary Activities (effective in 2019)*: Addresses the improvement of guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- *GASB 85 – Omnibus 2017 (effective in 2018)*: Addresses practice issues that have been identified during implementation and application of certain GASB Statements.
- *Lease Accounting* – Exposure draft approved in January 2016. Public comment deadline was 2016 but has been extended. There is not yet a release date for this new standard.

We will work with management to plan for the implementation of these standards.

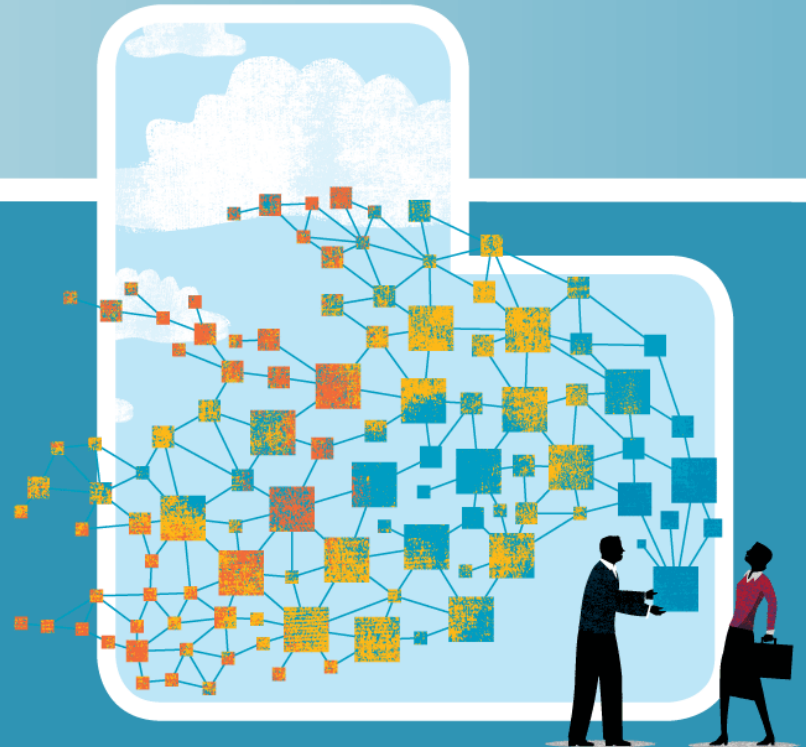
## OTHER COMMUNICATIONS

- Weekly meetings were held and updates were shared between Moss Adams and management and staff throughout the audit term
- The audits progressed on time and in an orderly fashion; all requested schedules and draft financial statements were received on a timely basis
- All City's 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, candor, and openness in response to audit requests and discussion points

# KEY SERVICE TEAM MEMBERS

Name	Role	Contact
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# QUESTIONS?



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