



Audit Results Presentation

Tacoma Public Utilities Public Utility Board

Presented by Olga A. Darlington, CPA, Partner

July 9, 2025



Auditor's Report on the Financial Statements

Unmodified Opinions on each Division's Financial Statements

- Financial statements are presented fairly and in accordance with U.S. GAAP – following pronouncements promulgated by the Governmental Accounting Standards Board (GASB)
- Tacoma Public Utilities –
 - ✓ Power – reports issued May 21, 2025
 - ✓ Water and Rail Divisions – reports issued May 27, 2025

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

- No material weaknesses in internal control
- No compliance findings



Areas 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;

- **Capital assets**

- Consideration of capitalization policies, testing of construction in progress additions, asset retirements, asset impairment and depreciation; asset retirement obligation;
- Consideration of timely closing of capital improvement projects completed and transferred from construction in progress to depreciable capital assets;

- **Debt activity**

- Debt repayments, arbitrage liability, discounts and premiums, compliance with covenants; third party confirmations with financial institutions;
- New bond issuances in 2024: Power and Water Divisions; and loan borrowings by Rail Division
- Consideration of refunding transactions;



Areas of Audit Emphasis



- **Treasury**

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

- **Revenues & Expenses**

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

- **Accounting Estimates**

- Significant management estimates impacting the financial statements are included in Note 2:
 - Allowance for Doubtful accounts and unbilled revenues;
 - Depreciable lives of capital assets;
 - Lease receivables;
 - Pension accruals;



Areas of Audit Emphasis



- **Implementation of GASB 100, *Accounting Changes and Error Correction***
 - Divisions determined gross earnings tax levied by the City, which had been reported under Transfers, should be reported as an operating expense (all Divisions)
 - Classification of restricted net position (Power and Water)
- **Implementation of GASB 101, *Compensated Absences***
 - Implemented in 2024 resulting in restatement of 2023 financial statements (Note 3)
 - Power – increase liabilities by \$1,581,291
 - Water – increase liabilities by \$512,768
 - Rail – increase liabilities by \$47,243



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

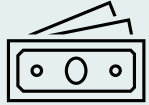


Representations were requested and received from management



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 (PBC) - To record revenue collected from WSDOT for SR 167 project by \$1,037,300.
- Power Division (PBC) - To adjust Power's portion for the 50% sharing cost for SR 167 project by \$1,542,500.
- Power Division (PBC) - To adjust City of Fife's portion for the 50% sharing cost for SR 167 project by \$1,542,500.
- Power Division (PBC) – To record donated assets from WSDOT for SR 167 project for \$2,400,000.
- Rail Division (PBC) - To properly classify reimbursement received \$1,000,000



Upcoming Accounting Pronouncements

GASB No. 102 *Certain Risk Disclosures* (effective in 2025).

GASB No. 103 *Financial Reporting Model Improvements* (effective in 2026).

GASB No. 104 *Disclosure of Certain Capital Assets* (effective in 2026).



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.

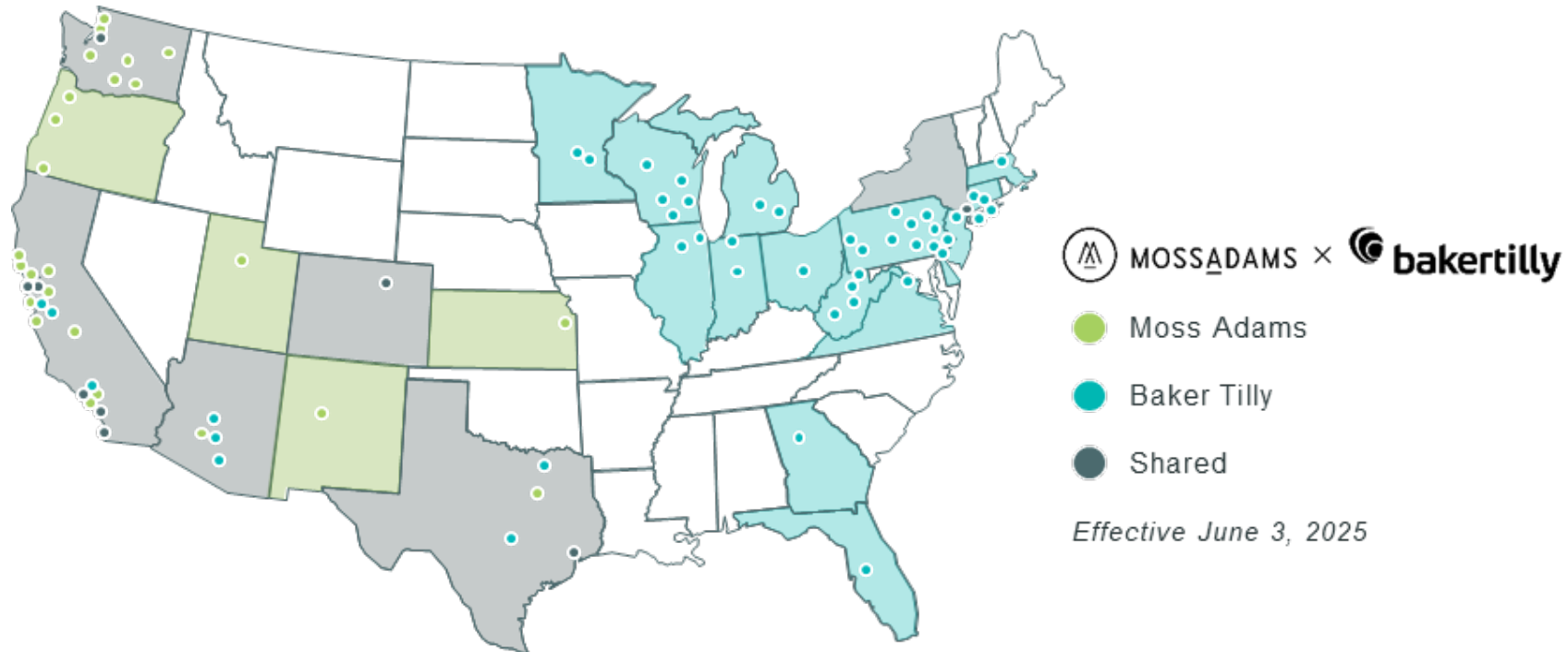


More Than A Merger. A Multiplier.

We're joining forces with Baker Tilly to
redefine accounting and advisory services
for the middle market.



Our Combined Footprint





INTERNATIONAL CAPABILITIES

Our partnership with Baker Tilly International will enable us to meet any growing international needs.

EXPANDED NATIONAL FOOTPRINT

We will have a larger pool of clients in not-for-profit to give you access to more best practices and benchmarking. Our scale and evolved business model will help us attract and retain top talent to better serve you.

STRATEGIC INDUSTRY RESOURCE

You will gain access to a wider range of insights through our combined expertise and expanded services offerings.

OUR PROMISE

Leadership you have come to appreciate will assume similar roles in the newly merged firm. We don't anticipate any changes to the teams that currently serve you unless it presents an opportunity for improved service.





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THANK
YOU