MOSSADAMS Audit Results Presentation

Tacoma Public Utilities Public Utility Board

Presented by Olga A. Darlington, CPA, Partner

June 29, 2022



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 19, 2022

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
- Significant deficiency
 - Water Related to timely closing of CWIP and proper classification to plant in-service

Area of Audit Emphasis

Internal Cash receipts/revenues, cash disbursements/payables, payroll, power trading, treasury, financial close and reporting; Control • Our IT team of specialists tested the IT general computer controls Environment that support the various financial reporting systems; Coordination with State Auditor's Office testing of City's cash and Treasury investment balances for existence, valuation, restrictions and classification; evaluation of fair value; Capital • Consideration of capitalization policies, as well as testing of additions, retirements, overhead application, and depreciation; Assets

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 2021: Power and Rail Division
Net Pension and OPEB Liability	 Recognition of share of the liability for 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; WMIPF termination liability
Revenues and Expenses	 Vouching of cash receipts and timing of revenue recognition; Third-party confirmations with largest commercial power purchasers for Power Division; Detail testing of larges line haul transactions for Rail Division;

- Detail testing of larges line haul transactions for Rail Division;
- Analytical testing of revenue and expenses;

Significant Accounting Policies & Unusual Transactions

The auditor should determine that the board is 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. COMMUNICATION WITH GOVERNING BODY

Management Judgments & Accounting Estimates; Risks and Uncertainties

The board 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.

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

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 & OPEB Accruals;*

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.

COMMUNICATION WITH GOVERNING BODY Difficulties Encountered and Disagreements with Management

The board 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.



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 board 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.

8

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.

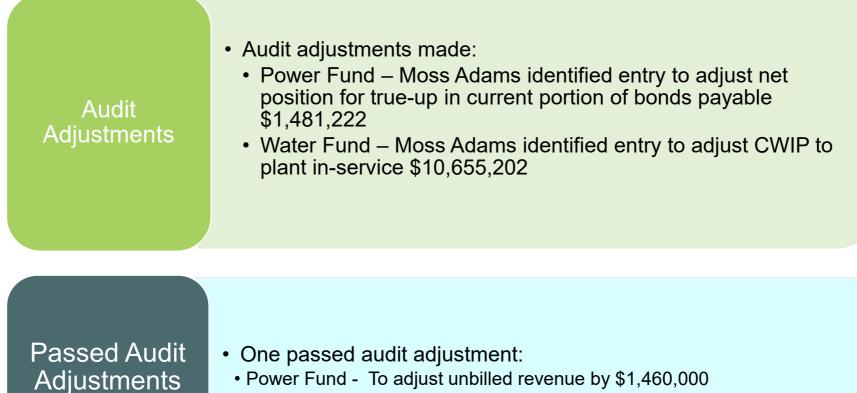
Our Comments

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

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



• 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!

11

- 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.



Olga A. Darlington, Partner olga.darlington@mossadams.com (425) 551-5712

