

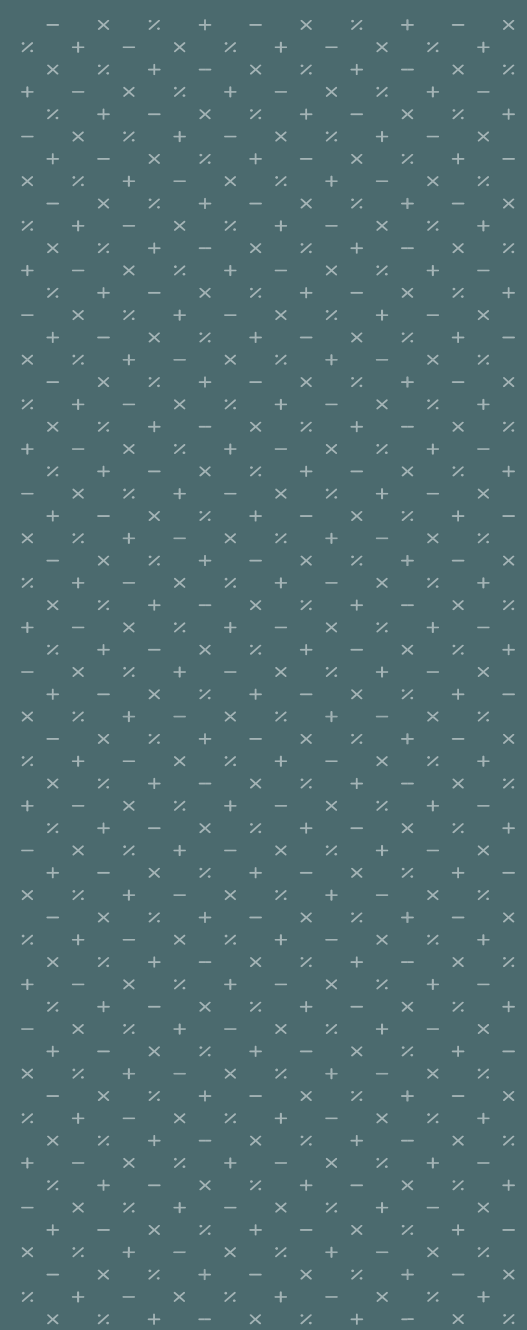


Seattle Public Utilities

Report to Transportation and Seattle Public Utilities Committee
A Committee of the Seattle City Council

REPORT ON 2022 AUDITS

May 2, 2023



Scope of Services

- Separate financial statement audit for each of the three utilities: Water, Drainage & Wastewater, Solid Waste
- SPU management is responsible for the preparation and fair presentation of the financial statements
- Auditor's responsibility is to express an opinion on the financial statements
 - Presented fairly in all material respects
 - In conformity with generally accepted accounting principles
- We test certain systems within the structure of internal controls in place at SPU, and verify debt coverage and debt covenant compliance



Purpose of our Audits

- Audits of Seattle Public Utilities (SPU) are relied upon by the Washington State Auditor's Office in their audit of the City – no duplication of efforts
- The financial statements of Seattle Public Utilities are 'rolled up' into the City of Seattle's Annual Comprehensive Financial Report
- Audit report for each fund is used in official statements for bond issuances
- Audit report and financial statements are also available to other stakeholders



Auditor's Reports Issued

Unmodified Opinion

for each of the three
separate statements
for Water, Drainage &
Wastewater and Solid
Waste Funds

- Financial statements are presented fairly and in accordance with US GAAP – promulgated by the Governmental Accounting Standards Board (GASB)
- Emphasis of a matter noted for implementation of the new leasing standard
- Reports dated April 28, 2023

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

- No material weaknesses noted as a result of our audits
- No significant deficiencies reported
- Reports dated April 28, 2023



Our Responsibility Under Auditing Standards

1

To **express our opinion on whether the financial statements prepared by management with your oversight** are fairly presented, in all material respects, and conform to US GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and *Government Auditing Standards* issued by the Comptroller General of the United States and **design the audit to obtain reasonable, rather than absolute, assurance** about whether the financial statements are free of material misstatement.

3

To **consider internal control over financial reporting as a basis for designing audit procedures** but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To **communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process**. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



Areas of Audit Emphasis

- **Cash and Investments:** Earnings and classification
- **Utility Plant and Related Accounts:** Work order cycle, capital projects, right to use assets (leases), depreciation, overhead charges
- **Accounts and Other Receivables**
- **Bonds and Related Accounts:** Issuances and repayments, interest expense, covenant compliance, arbitrage liability, debt defeasance
- **Regulatory Assets and Liabilities/Credits and Deferred Accounts**
- **Internal Controls:** Cash receipts and disbursements, payroll, financial close and reporting, budgeting, treasury, debt, information technology/general computer controls



Areas of Audit Emphasis – continued

- **Accrued Liabilities:** Environmental remediation liability, pollution remediation obligation and landfill closure/post-closure care
- **Operations:** Retail and wholesale sales, operating expenses, capital and operating contributions and grants
- **Net Position Classification**
- **Outstanding Bonds:** New bond issuances and refundings or defeasance of old bonds
- **Management Discussion & Analysis and Note Disclosures**

Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED

Significant Accounting Practices:

Our views about qualitative aspects of SPU's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

MOSS ADAMS COMMENTS

- The quality of SPU's accounting policies and underlying estimates are discussed in Note 1 to the financial statements. There were no changes in SPU's approach to applying the critical accounting policies.
- Management Estimates –
 - unbilled revenue,
 - allowance for doubtful accounts,
 - certain bond related accounts,
 - depreciable lives of capital assets,
 - environmental liabilities, litigation, contingencies,
 - landfill closure and post-closure care (within Solid Waste),
 - other post employment benefits, compensated absences



Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED

Significant Difficulties encountered during the audit

Disagreements With Management:

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

MOSS ADAMS COMMENTS

None

There were no disagreements with management



Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED

Uncorrected misstatements

Uncorrected misstatements that were brought to the attention of management as a result of audit procedures.

Material, corrected misstatements

Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.

MOSS ADAMS COMMENTS

No material uncorrected misstatements were identified as a result of our audit.

No material misstatements were recorded as a result of our audit.



Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED

Representation made by management

Other findings or issues, if any, arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process

MOSS ADAMS COMMENTS

Moss Adams obtained representation letters from management

GASB 87 *Leases* was implemented in 2022 with minimal impact on the financial statements. The prior year 2021 financial statements were restated in order to retroactively implement the standard back to January 1, 2021. This is explained in Notes 1 and 5 within each set of financial statements.



Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED

Management's consultation with other accountants

Potential Effect of Any Significant Risks and Exposures

Independence

MOSS ADAMS COMMENTS

None noted

SPU is subject to potential legal proceedings and claims that arise in the ordinary course of business. SPU appropriately discloses its exposure in the footnotes of each of the financial statements.

Moss Adams is independent with respect to SPU and the City of Seattle



Acknowledgements

Thank you!

- Regular communication and status meetings were held between Moss Adams and SPU staff throughout the audit term;
- ‘Tone at the Top’ and attitude from management was one of helpfulness and openness in response to audit discussions;
- The audit progressed on time as established during the planning stage of the audit; requested schedules and draft financial statements were received on a timely basis;
- All SPU personnel responded to our requests in a timely manner.





**THANK
YOU**

