

Seattle Public Utilities

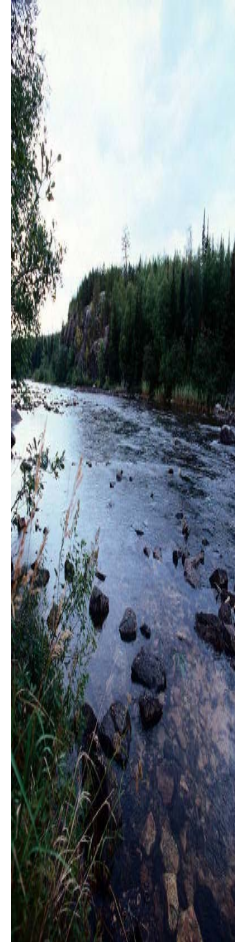
Report to Civil Rights, Utilities, Economic
Development and Arts

A Committee of the Seattle City Council

REPORT ON 2015 AUDITS

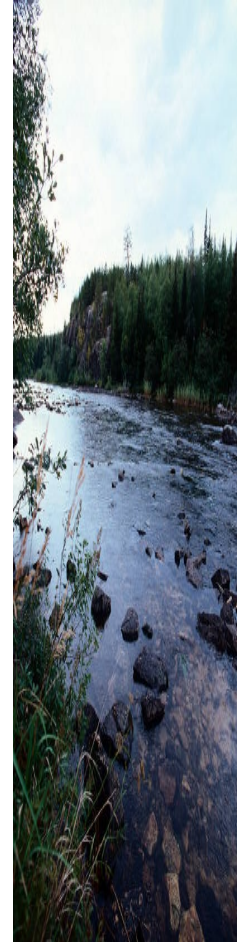
MOSS-ADAMS LLP

Presented by: Laurie Tish and Amy Sutherland



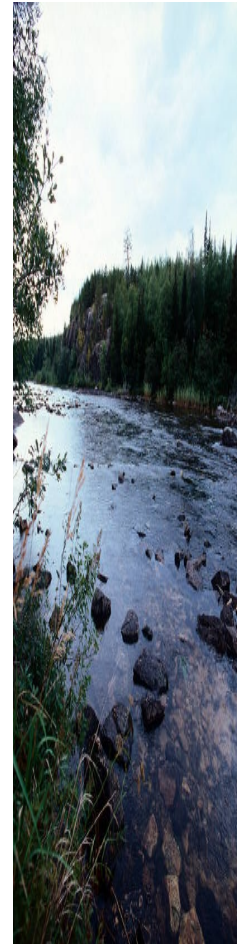
Purpose of our Audits

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



Scope of our Audits

- Separate 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 control in place at SPU, and verify debt coverage and covenant compliance



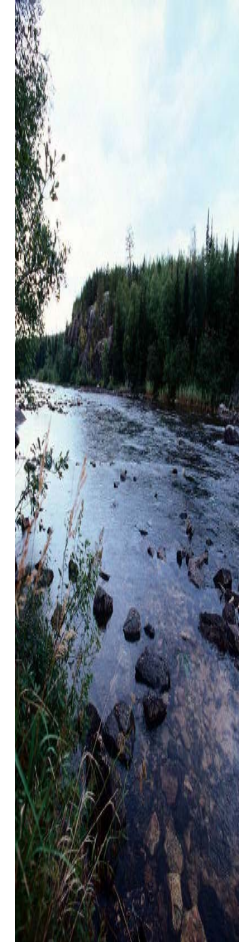
Reports Issued

Report on financial statements

- Unmodified Opinion for each of the separate statements of Water, Drainage & Wastewater and Solid Waste Funds

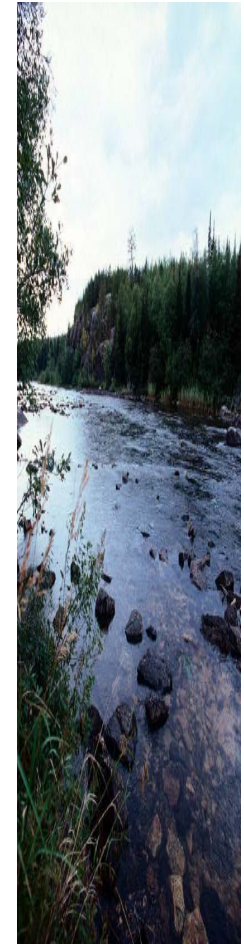
Internal control matters

- No material weaknesses noted as a result of our audits
- Suggestions for business process improvements in accounting and information technology were provided to management



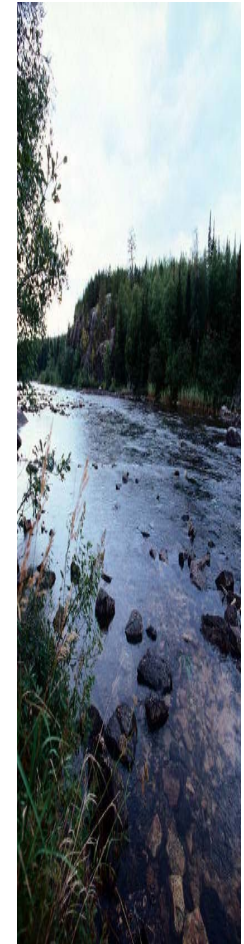
Areas of Audit Significance

- Cash and Investments: Earnings and classification
- Utility Plant and Related Accounts: Work order cycle, CIP, capitalized interest, 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
- Internal Controls: Cash receipts and disbursements, payroll, financial close and reporting, budgeting, treasury and debt, information technology/general computer controls



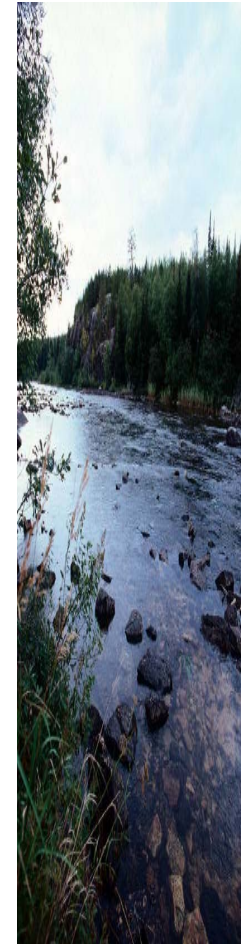
Areas of Audit Significance

- **Accrued Liabilities:** Environmental remediation liability, pollution remediation obligation and landfill closure/post-closure care
- **Litigation and Contingencies**
- **Operations:** Retail and wholesale sales, operating expenses, capital and operating contributions and grants
- **Net Position Classification**
- **New Accounting Standards (GASB 68 & 71) Implementation**
- **Management Discussion & Analysis and Note Disclosures**



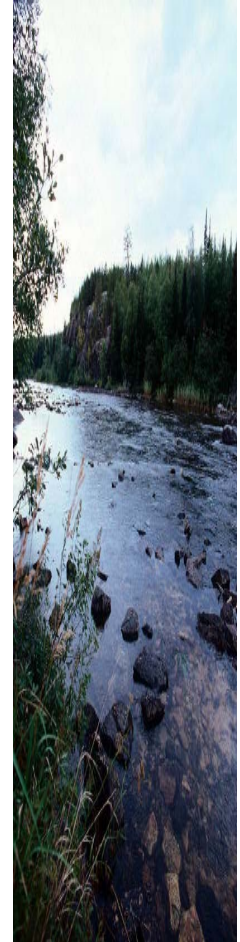
Required Communications

- Significant Accounting Policies (Note 1)
 - No new policies or changes to existing policies
 - Two new accounting standard adopted during the year to record the funds' net pension liability
- Accounting Estimates – typical for utility industry
 - Unbilled revenue
 - Allowance for doubtful accounts
 - Certain bond related accounts
 - Recovery periods for the cost of plant, capitalized interest
 - Environmental liabilities, litigation, contingencies
 - Landfill closure and postclosure care (Solid Waste)
 - Other post employment benefits, compensated absences



Required Communications – continued –

- No adjustments were recorded or proposed to management
- Representation letters were obtained from management
- There were no disagreements with management
- We are not aware of any consultation with other accountants
- There were no difficulties encountered in performing the audit
- Moss Adams is independent with respect to SPU and the City of Seattle



Other

- Seattle Public Utilities management and staff across all departments were courteous, responsive and timely with their assistance to our audit team
- All requested schedules and the draft financial statements were prepared and provided on a timely basis and accurate (properly supported by source documents and schedules)
- ‘Tone at the Top’ and attitude from management was one of helpfulness, candor, and openness in response to audit requests and discussion points

