



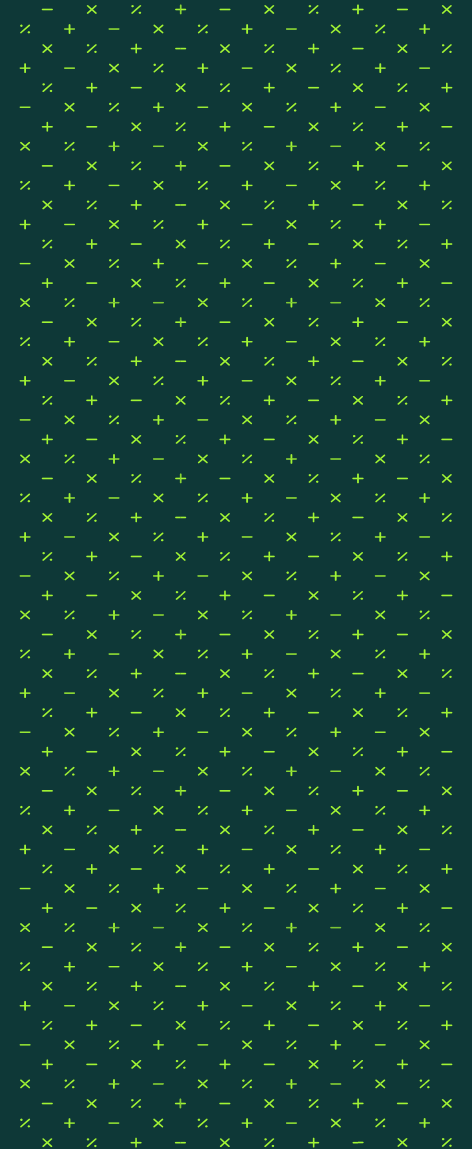
MOSSADAMS

Seattle Public Utilities

2021 AUDIT PLAN

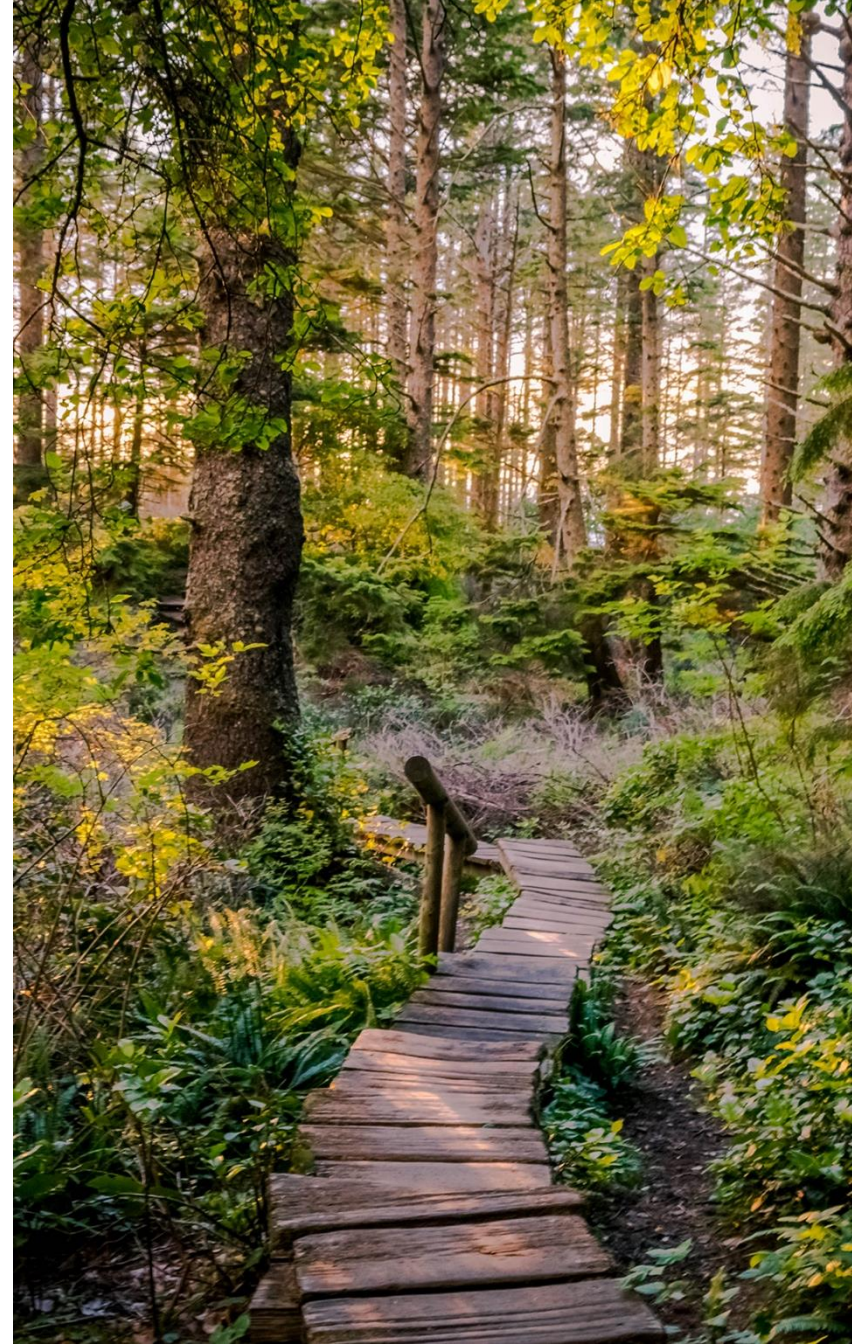
Transportation and Utilities Committee

December 15, 2021



Agenda

1. Your Service Leadership Team
2. Scope of Services
3. Auditor's Responsibility in a Financial Statement Audit
4. Audit Timeline
5. Significant Risks Identified
6. Consideration of Fraud
7. Risks Discussion
8. Documents Containing Audited Financial Statements and the Auditor's Report
9. New Auditing Standards
10. Recent Accounting Developments



Your Service Leadership Team

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Scope of Services

- Audits will be conducted in accordance with U.S. Generally Accepted Auditing Standards and *Government Audit Standards*
- Reports to be issued:
 - Independent Auditors Report on the financial statements of
 - Water Fund
 - Drainage and Wastewater Fund
 - Solid Waste Fund
 - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in accordance with *Government Auditing Standards*
 - Report to Those Charged with Governance (communicating required matters and other matters of interest)



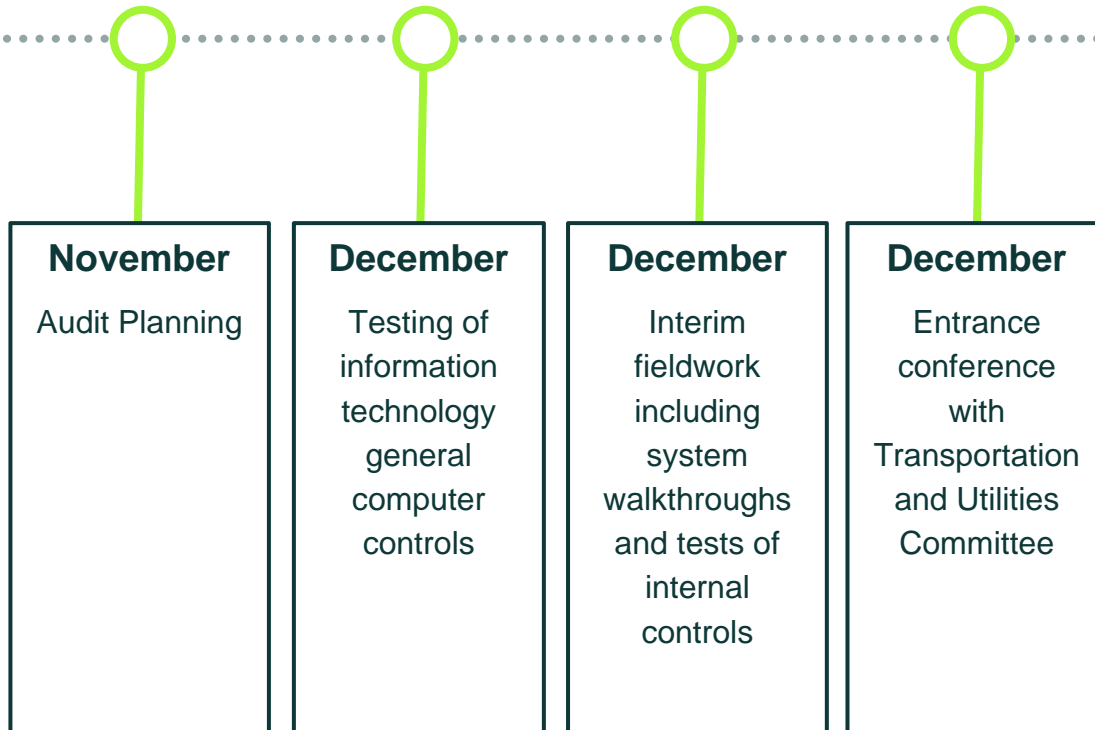
Auditor's Responsibilities in a Financial Statement Audit

- Auditor is responsible for:
 - forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in conformity with generally accepted accounting principles
 - communicating significant matters, as defined by professional standards, arising during the audit that are relevant to you
 - when applicable, communicating matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement
- The audit of the financial statements doesn't relieve management or you of your responsibilities.
- The auditor is not responsible for designing procedures for the purpose of identifying other matters to communicate to you.

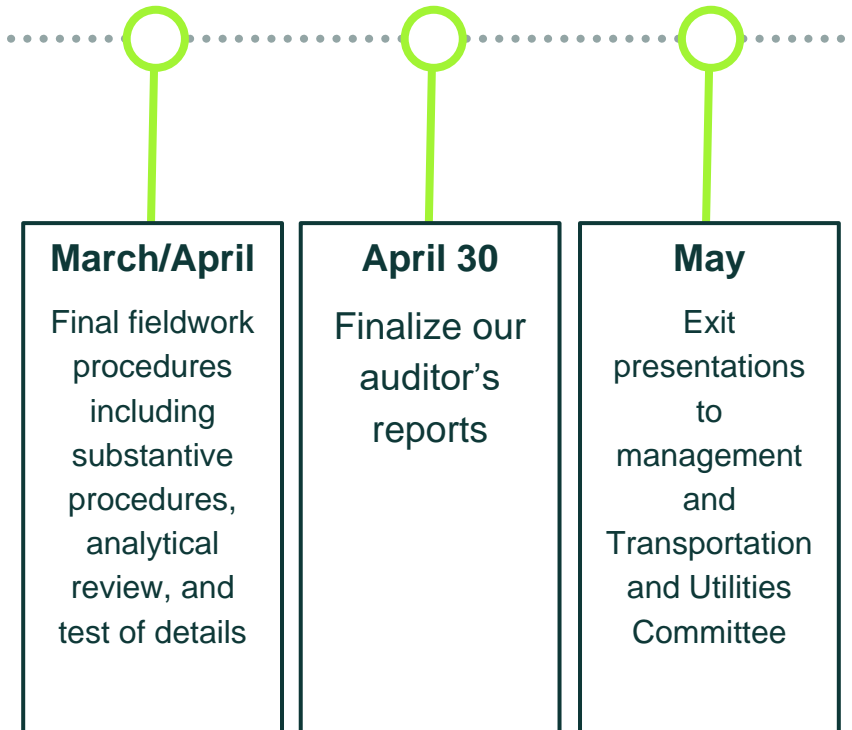


Audit Timeline

2021



2022



Significant Risks Identified

Based on our current understanding of the Utilities, and financial results to date, the following are the areas considered significant to the audit:




- Utility plant and construction work in progress
- Debt balances
- Environmental liabilities
- Regulatory accounts - deferral of charges and capitalized interest
- Operating revenues – sales to customers
- Operating and non operating expenses
- Information Technology – general computer controls

Final audit plan to be developed based upon results of our testing of transactions and internal controls



Consideration of Fraud in a Financial Statement Audit

Auditor's responsibility: Obtain reasonable assurance that the financial statements as a whole are free from material misstatement – whether caused by fraud or error

	Procedures to address the risk of fraud	<ul style="list-style-type: none">• Engagement team discussion
	Identify the risks of material misstatement due to fraud	<ul style="list-style-type: none">• Perform procedures to address identified risks
	Unavoidable risk exists that some material misstatements may not be detected	<ul style="list-style-type: none">• Inherent limitations of an audit





Risks Discussion

1. What are your views regarding:
 - SPU's objectives, strategies and business risks that may result in material misstatements
 - Significant communications between the entity and regulators
 - Attitudes, awareness, and actions concerning
 - SPU's internal control and importance
 - How those charged with governance oversee the effectiveness of internal control
 - Detection or the possibility of fraud
 - Other matters relevant to the audit
2. Do you have any areas of concern?



Documents Containing Audited Financial Statements and the Independent Auditor's Report



Our responsibility under generally accepted auditing standards



Request for advance notification when you intend to include audited financial statements and the independent auditor's report in a document

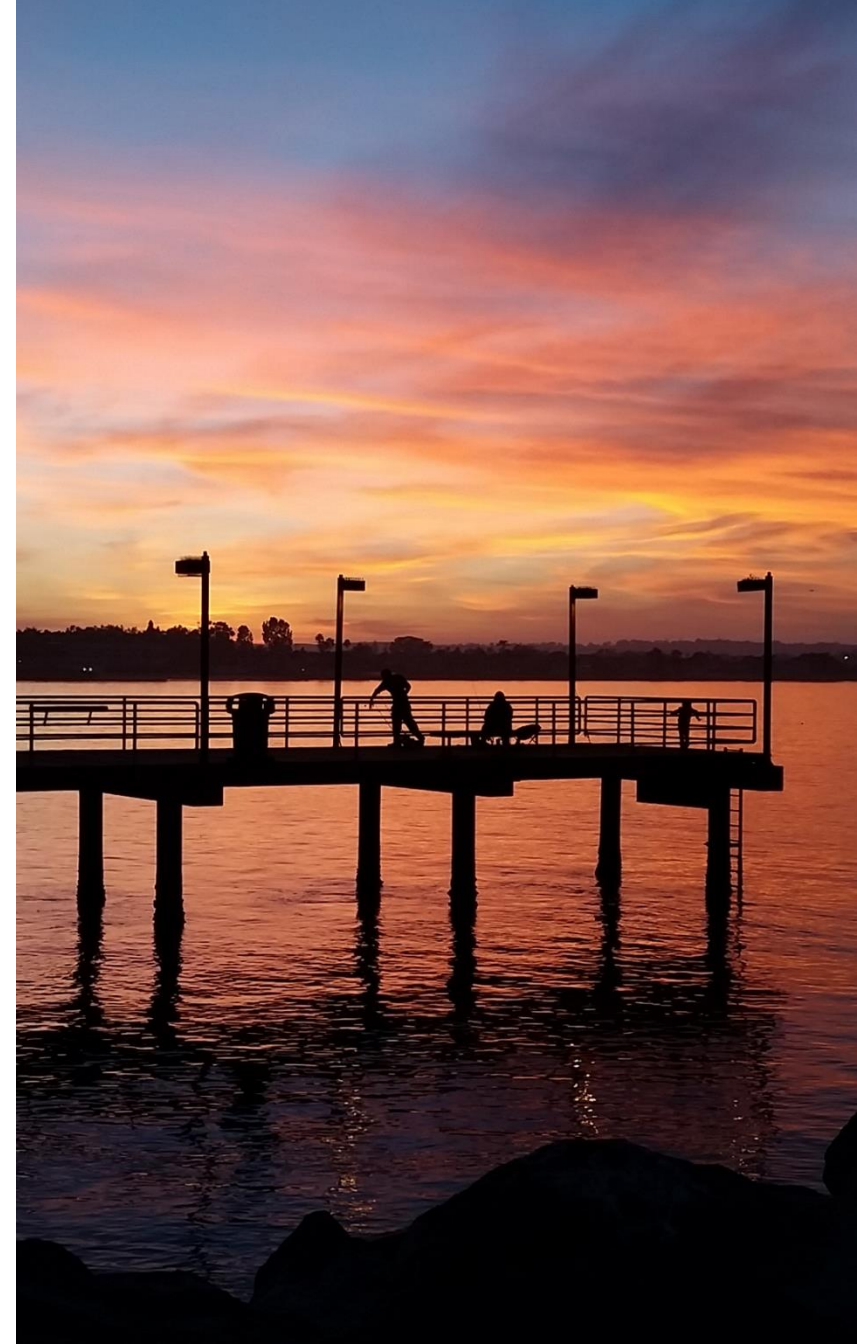


Arrangements to obtain the other information prior to report issuance



New Auditing Standards

- Suite of new audit reporting standards is effective for the 2021 audits (SAS No. 134 – 140)
- Audit report format will change; the intent of this was to enhance the communicative value and relevance of the audit report
- Requires auditor to communicate with those charged with governance about the significant risks identified by the auditor in pre-audit communications



Recent Accounting Developments

GASB 87 – Leases (effective in 2022): Addresses the accounting change for the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the underlying contract. We are working with management to assist in implementation of this standard in 2022.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period (effective in 2021): This statement establishes a requirement for interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. In response to this standard, the Utilities have invoked regulatory accounting as allowed under GASB 62 and will continue to capitalize interest as a charge to projects.

GASB 91 - Conduit Debt Obligations (effective in 2022): This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. Management does not believe that this statement is applicable to SPU.



Recent Accounting Developments

GASB 92 - *Omnibus 2020 (effective in 2022)*: Enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This likely will not have a material impact to SPU.

GASB 93 - *Replacement of Interbank Offered Rates (effective in 2021)*: Addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable LIBOR. Management is assessing the potential impact of this standard.

GASB 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (effective 2023)*: Improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Management is assessing the potential impact of this standard.



Recent Accounting Developments

GASB 96 - *Subscription-Based Information Technology Arrangements* - (effective 2023): Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Management is assessing the impact of this standard.

GASB 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - (effective 2022): To increase consistency and comparability related to the reporting of fiduciary component units, mitigate costs associated with the reporting of certain plans, and enhance the relevance, consistency, and comparability of accounting and financial reporting for IRC section 457 plans. Management does not believe that this statement is applicable to SPU.

GASB 98 – *The Annual Comprehensive Financial Report (effective 2021)*: This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. As SPU does not publish an ACFR, this standard will not be applicable.





**THANK
YOU**

