



Seattle Public Utilities

Report to Transportation & Utilities
A Committee of the Seattle City Council

REPORT ON 2020 AUDITS

August 4, 2021



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 SPU 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 controls in place at SPU, and verify debt coverage and debt covenant compliance



Reports Issued

Report on financial statements

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

Internal control matters

- No material weaknesses noted as a result of our audits
- No significant deficiencies reports
- No written recommendations issued this year



Areas of Audit Emphasis

- **Cash and Investments:** Earnings and classification
- **Utility Plant and Related Accounts:** Work order cycle, capital projects, 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
- **Operations:** Retail and wholesale sales, operating expenses, capital and operating contributions and grants
- **Management Discussion & Analysis and Note Disclosures**



Significant Estimates

- **Allowance for Doubtful Accounts:** Estimate of the amount of accounts receivable that will not be collected.
- **Recovery Periods for the Cost of Plant:** Represents the depreciation of capital assets. Estimate of the recovery periods for the capital assets is based on regulatory-prescribed recovery periods.
- **Environmental Remediation Costs and Liabilities:** Estimate of the total amount expected to be paid out for each remediation site.
- **Other Post-Employment Benefit Obligations:** Actuarially determined liability for expected future post-employment benefits.
- **Net Pension Liability:** Actuarially determined with the Seattle City Employees' Retirement System's estimates and inputs



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 GASB 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.



Matters to Be Communicated to the Governing Body

- Audits were performed according to the planned scope and timing as provided by our Consultant Agreement No. 16-082-S.
- Significant accounting policies used by SPU are described in the notes to the financial statements for each Fund. There were no changes to significant accounting policies for the year ended December 31, 2020. Throughout the course of an audit, we review changes, if any, to accounting policies or their application, and the initial selection and implementation of new policies.
- Financial statement disclosures were consistent, clear, and understandable.



Matters to Be Communicated to the Governing Body

Matters to be Communicated	Moss Adams Comments
Significant difficulties encountered during the audit	No significant difficulties were encountered during our audits of the Funds' financial statements.
Matters to be Communicated	Moss Adams Comments
Disagreements With Management: Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements, or the auditor's report.	There were no disagreements with management.



Matters to Be Communicated to the Governing Body

Matters to be Communicated	Moss Adams Comments
<p>Material, corrected or uncorrected misstatements</p> <p>Material, corrected or uncorrected misstatements that were brought to the attention of management as a result of audit procedures.</p>	<p>No material misstatements were identified as a result of our audits.</p>



Matters to Be Communicated to the Governing Body

Matters to be Communicated	Moss Adams Comments
Management's consultation with other accountants	None of which we are aware.
Matters to be Communicated	Moss Adams Comments
Significant issues arising from the audit that were discussed, or the subject of correspondence with management	No significant issues arose during the audits.



Acknowledgements

Thank you!

- The audits progressed on time and in an orderly fashion; requested schedules and draft financial statements were received on a timely basis.
- All SPU personnel were courteous, responsive, and fulfilled all 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.

