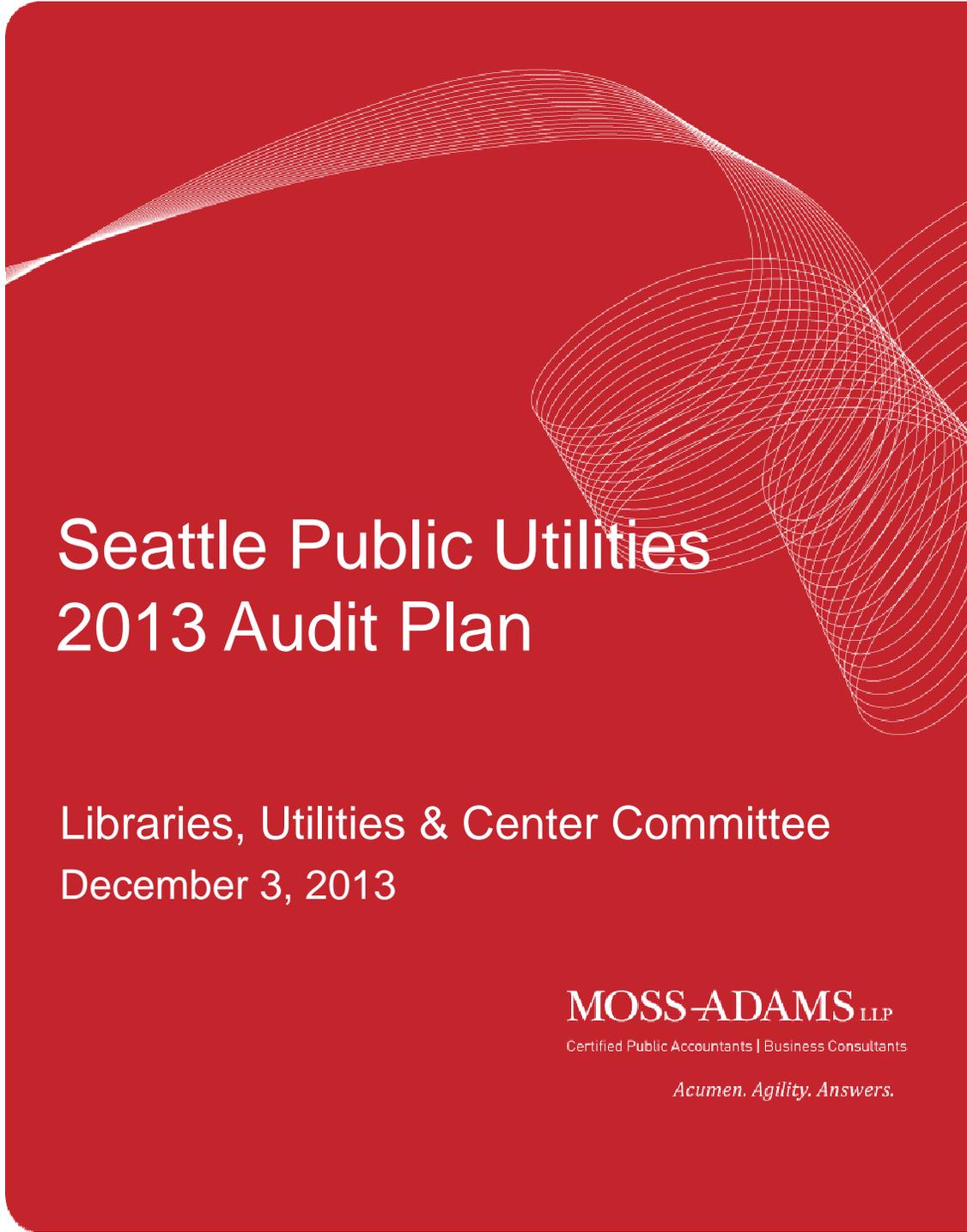




100 THAT
years COUNTS
1913-2013

*Laurie Tish
Amy Sutherland
Alan Hartmann*



Seattle Public Utilities 2013 Audit Plan

Libraries, Utilities & Center Committee
December 3, 2013

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

SCOPE OF AUDITS

- Role of auditor and SPU management
- Concept of materiality
- Reports to be issued:
 - Report on the audit of the financial statements of:
 - Water
 - Drainage & Wastewater
 - Solid Waste
 - Report on Internal Control, if significant deficiencies or material weaknesses are noted
 - Letter of recommendations and observations on internal controls and related matters

TIMING OF AUDITS

- Planning procedures are complete
- Interim procedures are in process
- Substantive audit fieldwork is scheduled for March 3 through April 4, 2014
- We plan to issue our audit reports by April 30, 2014
- Council Committee presentation planned for May 2014
 - Required communications will be made
 - Review of audit opinions and other reports issued

NEW ACCOUNTING PRONOUNCEMENTS

- The following standards are effective for the 2013 financial statements:
 - GASB 61 - *The Financial Reporting Entity* –
 - Increases the emphasis on financial relationship of component units. No significant impact to SPU.
 - GASB 65 - *Items Previously Reported as Assets and Liabilities* –
 - Builds on GASB 63, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Identified what should be reclassified from assets to deferred outflows or from liabilities to deferred inflows. This will impact SPU.
 - GASB 66 - *Technical Corrections* –
 - Amendments to prior statements. No impact to SPU.

NEW ACCOUNTING PRONOUNCEMENTS

- There are additional GASB statements (GASB No.'s 67 - 70) that have been released with effective dates starting in 2014 and 2015. SPU management is still reviewing each statement to determine applicability, and do not intend to early adopt any of these statements.

PHASES OF AUDIT

- Audit Planning (October 2013)
 - Develop initial audit plan based on information obtained from management; provide the 'client prepared' schedules listing
- Audit Fieldwork
 - Internal control testing (October-December 2013)
 - Revenue/Cash Receipts, Expenses/Disbursements, Payroll
 - Work Order System and Utility Plant related systems
 - General Computer Controls
 - Audit final fieldwork (March-April 2014)
 - Substantive analytical review & tests of details
 - Review of Management Discussion & Analysis and Notes to Financial Statements
- Report Preparation & Issuance (April 2014)
 - Audit opinions, reports on significant deficiencies or material weaknesses, if applicable, and management recommendations

RISK ASSESSMENT

- Primary risk areas
 - Revenue recognition
 - Regulatory charges and accounts
 - Plant/work order classification and accounts
 - Management estimate accounts

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

AREAS OF AUDIT EFFORT

- Utility plant and related accounts:
 - Capitalization policies
 - Impairment assessment
 - Work order system - sample of transactions
- Bond-related accounts:
 - Arbitrage liability
 - Capitalized interest
 - Compliance with covenants
 - Debt refunding and defeasance
- Accrued Liabilities & Contingencies
 - Environmental/pollution remediation liability
 - Landfill postclosure liability
 - Litigation and claims

AREAS OF AUDIT EFFORT

- Regulatory accounts
- Cash and investments
- Accounts and other receivables
- Operations:
 - Retail and wholesale sales
 - Operating expenses
 - Capital and operating contributions and grants
- Net position classification (equity accounts)
- Documentation of new control processes implemented during the year
- Management Discussion & Analysis and note disclosures

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