

Seattle Public Utilities

Report to the Seattle Public Utilities &
Neighborhoods Committee
A Committee of the Seattle City Council

REPORT ON 2009 AUDITS

June 8, 2010

MOSS-ADAMS LLP

Presented by: Laurie Tish and Amanda Geismann



Reports Issued

Report on financial statements

- Unqualified opinion on the financial statements
- Opinions 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
- Control deficiencies noted; this report will be presented at the next meeting



Areas of Audit Significance

- Cash and Investments: Earnings and classification
- Utility Plant and Related Accounts: Work order cycle, CWIP, capitalized interest, depreciation, overhead charges
- Accounts and Other Receivables
- Bonds and Related Accounts: Issuances and repayments, interest expense, covenant compliance, arbitrage liability, debt defeasance
- Deferred Charges
- Donated Assets
- Accrued liabilities including environmental remediation liability, pollution remediation obligation and landfill closure/post-closure
- Litigation and Contingencies
- Operations: Retail and wholesale sales, operating expenses, capital and operating contributions and grants
- Net Asset Classification
- General Computer Controls: Access, security, change management
- Management Discussion & Analysis and Note Disclosure



New Accounting Pronouncements

New In 2009

- Standards effective in 2009 had minimal or no impact on SPU

Upcoming in 2010:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
 - Requires that intangible assets be classified as capital assets
 - Effective for financial statements for periods beginning after June 15, 2009 (in 2010 for SPU)
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*
 - Derivative instruments include such items as terms embedded in contracts, interest rate swaps on debt
 - Requires recording of derivative instruments at fair value along with extensive note disclosure
 - Effective for financial statements for periods beginning after June 15, 2009 (in 2010 for SPU)



Required Communications

- Auditor's Responsibility under GAAS
- Significant Accounting Policies (Note 1)
 - New policies
 - No changes to existing policies
- Accounting estimates – typical for utility industry
 - Unbilled revenue
 - Allowance for doubtful accounts
 - Recovery periods for the cost of plant
 - Environmental liabilities
 - Landfill closure and postclosure care (solid waste)
- Disagreements with Management – None
- Consultation with Other Accountants – None of which we are aware
- Difficulties Encountered in Performing the Audit – None
- Moss Adams is independent with respect to SPU and the City of Seattle



Required Communications

- Posted audit adjustments and reclassifications
 - Water
 - To place asset in service and remove from CWIP \$46.8 million
 - Decrease capital assets for donation double booked \$790,000
 - Increase allowance for doubtful accounts 334,000
 - Drainage & Wastewater
 - To adjust environmental liability and expense \$4.7 million
 - Increase allowance for doubtful accounts \$508,000
 - Decrease capital assets for donation double booked 419,000
 - Accrual of construction invoice 155,000
 - Solid Waste
 - Adjustment of deferred revenue to include invoices billed in advance \$3.4 million
 - Reclassification of environmental deferral/liability \$792,000
- There were no passed (unposted) adjustments



QUESTIONS?

