Seattle City Light
Energy and Environment Committee
Report on 2011 Financial Audit

Let's talk about an opportunity.

Presented by:

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June 12, 2012

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Audit presentation topics

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Audit overview

Internal control communication

Auditor Communication with Those Charged with Governance

Questions

Audit overview

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- Management and staff were prepared, cooperative and readily available.
- Audit schedule was maintained and communication between management and auditors was good.
- Four weeks of fieldwork were conducted (one week of preliminary and three weeks of final).
- Last day of fieldwork was March 22, 2012.
- No material audit adjusting journal entries were noted.

Audit overview

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- Audit performed in accordance with Generally Accepted Auditing Standards and *Government Auditing Standards*.
- Audit objective – reasonable assurance that financial statements are free from material misstatement.
- Financial statements received an *Unqualified "Clean" Opinion.*

Audit overview

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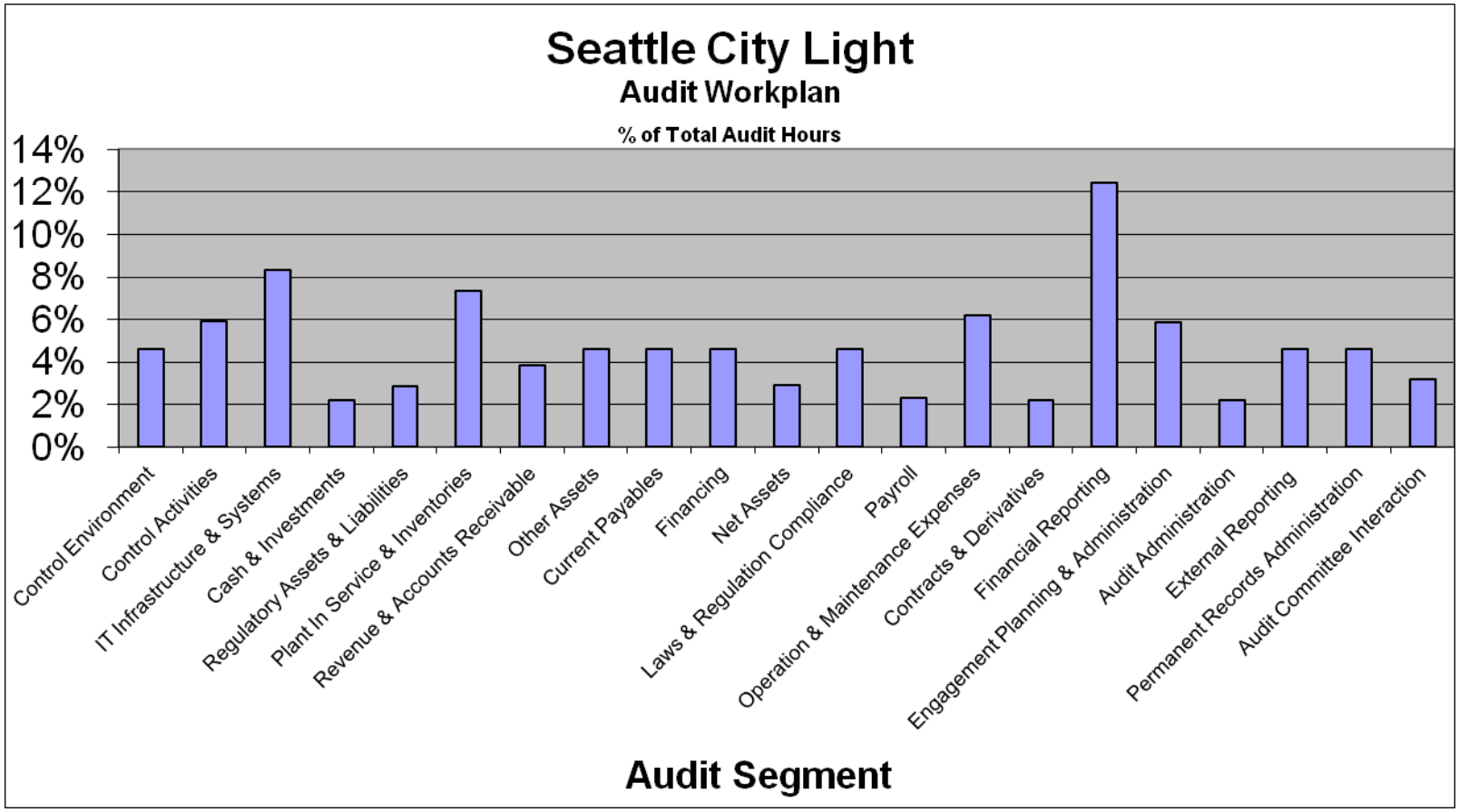

Internal control communication

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Statement on Auditing Standards (SAS) No. 115
Communication of Internal Control Related Matters Identified in an Audit

Material weaknesses noted in the Department's internal control:

- None noted

Significant deficiencies noted in the Department's internal control:

- Customer billing adjustments
- Cash handling

Other control deficiencies noted in the Department's internal control:

- Controls over information technology

Auditor's Communication with Those Charged with Governance

Significant findings from the audit

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Area to be Communicated	Auditor's Response
Auditor's View on Qualitative Aspects of Significant Accounting Policies	> The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. > Accounting estimates are an integral part of the financial statements prepared by management's knowledge and experience about past and current events and assumptions about future events. We feel that all estimates made by management are in accordance with generally accepted accounting principles.

Auditor's Communication with Those Charged with Governance

Significant findings from the audit

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Area to be Communicated	Auditor's Response
Significant Difficulties Encountered in Performing the Audit	> We encountered no difficulties in performing our audit.
Uncorrected Misstatements	> By Professional Auditing Standards, uncorrected misstatements refer to immaterial passed audit adjustments - there were no passed audit adjustments.

Auditor's Communication with Those Charged with Governance

Significant findings from the audit

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Area to be Communicated	Auditor's Response
Disagreements with Management	> Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements were encountered during the course of the audit.
Other Findings or Issues	> There are no other issues to disclose as part of the audit in connection with these Professional Auditing Standards.

Auditor's Communication with Those Charged with Governance

Significant findings from the audit

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Area to be Communicated	Auditor's Response
Material Corrected Misstatements	> Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. > There were no material adjustments as part of this year's audit.

Auditor's Communication with Those Charged with Governance

Significant findings from the audit

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Area to be Communicated	Auditor's Response
Management Representations	> We have requested certain representations from management that are included in the management representation letter. A copy of this letter is included with our Required Communication Letter.

Auditor's Communication with Those Charged with Governance

Significant findings from the audit

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Area to be Communicated	Auditor's Response
Management's Consultations with Other Accountants	> To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants on auditing and or the application of accounting principles during the past year. > Professional standards require the consulting accountant to discuss any such contacts with the current auditor to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Auditor's Communication with Those Charged with Governance

Significant findings from the audit

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Area to be Communicated	Auditor's Response
Auditor Independence	> We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and Seattle City Light that, in our professional judgment, may reasonably be thought to bear on our independence.

Audit summary

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Thank you!

We appreciate the work done by Seattle City Light's accounting staff and management in preparing for and assisting in the audit!