



COMMUNICATIONS WITH THOSE CHARGED WITH
GOVERNANCE AND INTERNAL CONTROL RELATED MATTERS

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

December 31, 2020

Communications with Those Charged with Governance

To the Board of Directors
Truckee Donner Public Utility District

We have audited the consolidated and primary government only financial statements of Truckee Donner Public Utility District (the District) as of and for the year ended December 31, 2020, and have issued our reports thereon dated June 18, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated October 23, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards and to design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of consolidated financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we considered the District's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the consolidated financial statements. In 2020 the District implemented GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plan*. The accounting and reporting standards established by these statements did not have an impact on the District's financial statements during the year of implementation.

No other new accounting policies were adopted and there were no changes in the application of existing policies during 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

Unbilled Revenue – Unbilled revenue is a measure of revenue earned through the end of the reporting period that has yet to be billed. This generally represents accounts with billing cycles that start in the reporting year and end in the subsequent year. We have evaluated the key factors and assumptions used to develop unbilled revenue in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Allowance for Doubtful Accounts – The allowance for doubtful accounts represents an estimate of the amount of accounts receivable that will not be collected. We have evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Recovery Periods for the Cost of Plant – This represents the depreciation of plant assets. Management's estimate of the recovery periods for the cost of plant is based on regulatory-prescribed depreciation recovery periods. We have evaluated the key factors and assumptions used to develop the recovery periods in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

Other Post-Employment Benefit Obligations – This represents the amount of annual expenses recognized for post-employment benefits. The amount is actuarially determined with management input. We have evaluated the key factors and assumptions used to develop the annual expenses in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Pension Liability and Related Pension Expense – This represents the amount of annual expense recognized for pensions and the related pension asset or liability. The amount is actuarially determined, with CalPERS management input. We have evaluated the key factors and assumptions used to develop the annual expense in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Valuation of Investments – This represents management’s estimate of the fair value of investments based on current market rates and conditions. We evaluated the key factors and assumptions used to develop the valuation of investments and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the consolidated financial statements are consistent, clear and understandable. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

We did not note any disclosures in the financial statements which we consider sensitive to potential users.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected 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.

For purposes of this letter, professional standards defined an audit adjustment as a proposed correction of the financial statements made subsequent to the start of audit final fieldwork. An audit adjustment may or may not indicate matters that could have a significant effect on the District’s financial reporting process (that is, cause future financial statements to be materially misstated). No audit adjustments were identified during the course of our audit procedures.

Uncorrected misstatements are those entries found during the course of the audit that management has decided to not post to the financial statements. We identified the following passed audit adjustment during the course of our audit procedures.

- 1) Entry to reclassify open work orders in commercial operation at December 31 to plant assets in service - \$998,925

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 18, 2021.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s consolidated financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Communication of Internal Control Related Matters

In planning and performing our audit of the consolidated financial statements of the District as of and for the year ended December 31, 2020 in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Other Control Related Matters

During the course of our audit, we became aware of matters that are opportunities for improving reporting in compliance with generally accepted accounting principles, and strengthening internal controls and operating effectiveness, which are summarized below:

Closing of Work Orders

During our testing of construction work in progress, we selected a work order for testing that was placed in service in April 2019 but not closed until March 2021. For such scenarios where the work is complete and the asset is in commercial operation, but the work order cannot be closed due to incomplete documentation, we recommend the District review such instances and reclassify them to FERC account 106, *Construction completed but not yet classified*, and out of construction work-in-process for annual financial statement reporting purposes. In these cases, we would also recommend that management estimate the impact of missed depreciation.

Review of Existing Vendors

During our control testing over vendors, we noted no formal review is performed over key changes made to existing vendors in the vendor master file, including changes in payment and routing information. We recommend that the District implement controls to require review of key changes to existing vendors in the vendor master file prior to issuance of payment.

User Access Review

Through our review of the IT systems and related controls, we noted that a formal review of user access is performed, however, the review is not being formally documented. As a best practice, we recommend that a periodic review of user access take place at least annually, and that such review be documented to note, at a minimum, when the review was performed, which reports were reviewed, who was involved in the review, and what conclusions were reached.

This information is intended solely for the use of Board of Directors and management of Truckee Donner Public Utility District and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
June 18, 2021

