

Pollie McCloskey

From: Debbie Tarry
Sent: Friday, February 18, 2022 9:45 AM
To: Keith Scully; Betsy Robertson
Cc: Pollie McCloskey; John Norris
Subject: FW: [EXTERNAL] Follow-up to capital asset discussion

Hi –

A late add for the Mayor/Dep Mayor meeting.

Debbie Tarry

City Manager | City of Shoreline
17500 Midvale Avenue N, Shoreline, WA 98133
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From: Sara Lane <slane@shorelinewa.gov>
Sent: Friday, February 18, 2022 9:40 AM
To: Debbie Tarry <dtarry@shorelinewa.gov>
Cc: Peter Jenson <pjenson@shorelinewa.gov>
Subject: RE: [EXTERNAL] Follow-up to capital asset discussion

Debbie- Peter met with the auditors this week and they have determined that the issue is at the finding level. There are two options for moving forward. Spoiler alert- we prefer option A as it brings the audit to a close sooner and at the lowest cost.

Option A: Complete the audit without correcting the error in the financial statements. The SAO will issue a modified with the finding on the RWD financial statements for 2019, 2020, 2021. With this option we can hold the exit conference for RWD in Mid- March. While it isn't optimal to have modified opinions, there are no creditors for the District. The issue would be primarily a political one. In our explanation of the "cause" of the finding we will be clear that this was an error that occurred decades ago, before any of the current board members or employees were involved in the district. The error wasn't uncovered during any prior audits and was only apparent now because of the transition. The City will make an off the books adjustment and bring over the correct balances.

Option B: Have CLA correct the errors in the 2019, 2020 and 2021 financial statements. The SAO will still issue the finding but they would issue unmodified opinion. This option will cost about \$5K- \$8K in SAO and CLA time. It will also delay the closing of this audit for an undetermined time while CLA fixes the statements and the SAO re-audits. The value would be in the unmodified opinion (but still with a finding) and that the statements would match what the City brings over.

As noted before, we don't think that the value of Option B outweighs the cost (in time and money). But you are a better judge of the political impact this might have. I am happy to set up time to talk next week if that would be helpful.

Thanks,

Sara

From: Debbie Tarry <dtarry@shorelinewa.gov>
Sent: Thursday, February 10, 2022 11:29 AM
To: Sara Lane <slane@shorelinewa.gov>
Cc: Peter Jenson <pjenson@shorelinewa.gov>
Subject: RE: [EXTERNAL] Follow-up to capital asset discussion

I don't think I need further discussion.

Debbie Tarry

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From: Sara Lane <slane@shorelinewa.gov>
Sent: Tuesday, February 8, 2022 1:07 PM
To: Debbie Tarry <dtarry@shorelinewa.gov>
Cc: Peter Jenson <pjenson@shorelinewa.gov>
Subject: FW: [EXTERNAL] Follow-up to capital asset discussion
Importance: High

Debbie- You may have noticed that the Ronald Exit Conference was cancelled again. Here is the back story. Last week as we worked with the auditors to make sure we were bringing over the Ronald assets correctly into our system, they determined that Ronald has understated their assets and overstate depreciation, due to an error over 20 years ago. Because Ronald chose to break these items out separately rather than show them as net, they believe that this might be considered more than a classification error and could result in a finding for RWD. Last week I let Wendy know that we would prefer to move forward to close the audit and that if there needs to be a finding so be it. Unfortunately, their review process doesn't support that level of decision making. So while they are in their process we need to once again postpone the exit.

Had Ronald presented Net assets this wouldn't be an issue, but also the error wouldn't have been identified. And, alas, as we bring their assets over to our books and correct the misstatement it will result in an increase to fund balance for the Wastewater Fund. So not a bad result.

Let me know if you would like to discuss further and/or if you want a version of this update for Council – particularly CM Mork.

Thanks,

Sara

From: Peter Jenson <pjenson@shorelinewa.gov>
Sent: Tuesday, February 8, 2022 11:52 AM
To: Sara Lane <slane@shorelinewa.gov>
Cc: Jody Jessop <jjessop@shorelinewa.gov>
Subject: FW: [EXTERNAL] Follow-up to capital asset discussion
Importance: High

Sara,

See highlights below and let me know if you want discuss.

Definitely frustrating that things keep getting pushed back.

Peter

From: Wiley, Heidi (SAO) <wileyh@sao.wa.gov>
Sent: Tuesday, February 8, 2022 11:49 AM
To: Peter Jenson <pjenson@shorelinewa.gov>; Jody Jessop <jjessop@shorelinewa.gov>
Cc: Choy, Wendy (SAO) <choyw@sao.wa.gov>; Trushinsky, Clay (SAO) <trushinskyc@sao.wa.gov>
Subject: RE: [EXTERNAL] Follow-up to capital asset discussion

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Hi Peter,

Thank you for checking in after Clay and I met with Wendy yesterday. Wendy also received Sara Lane's voice message about the exit. We are waiting to hear back from the Assistant Director or someone from the financial audit team on whether the capital assets errors will remain classification errors or more that would hit the income statement.

At this point we are going to need to go ahead and hold off on the exit since we have not been able to start the audit reports yet with the remaining issue open.

As soon as we hear back on how to best move forward, we can set up a time for us to meet with you and Jody to discuss.

Thank you,



Heidi Wiley

Assistant State Auditor 3, [Office of the Washington State Auditor](#)
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From: Peter Jenson <pjenson@shorelinewa.gov>
Sent: Tuesday, February 8, 2022 11:39 AM
To: Wiley, Heidi (SAO) <wileyh@sao.wa.gov>; Jody Jessop <jjessop@shorelinewa.gov>
Subject: RE: [EXTERNAL] Follow-up to capital asset discussion

External Email

Hi Heidi,

I wanted to check in on where things are at since I believe you had a meeting with Wendy yesterday. We are really hoping to not push back our exit meeting again by an additional week or two. Do we need to schedule a discussion for this week? Preferably in the next day or two with the hope of staying on track.

Thanks,

Peter

From: Wiley, Heidi (SAO) <wileyh@sao.wa.gov>

Sent: Thursday, February 3, 2022 12:54 PM

To: Jody Jessop <jjessop@shorelinewa.gov>; Peter Jenson <pjenson@shorelinewa.gov>

Subject: [EXTERNAL] Follow-up to capital asset discussion

CAUTION: This email originated from outside of the City of Shoreline. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi Peter and Jody,

You guys got us thinking more about how to best go about reporting the errors from Ronald and seeing if that helps the City or not. We played around with the accounting of the capital assets and it got us thinking that the Ronald side is more than a classification error with those negative asset balances. If this is a prior period adjustment recording needed, then that would be more than classification the we need to report. This is definitely not an everyday type of item and we want to make sure we are all on the same page with the City's recording/reporting and our conclusions on the Ronald side of the capital assets. Clay and I are going to meet with Wendy on Monday to go over the capital assets discussion we had with you.

This might impact whether we can exit on the 14th or not. We will probably want to set up another meeting next week after we have things more clarified on our end. I just wanted to keep you informed so we are as transparent as possible and keeping the line of communication open.

Thank you,



Heidi Wiley

Assistant State Auditor 3, [Office of the Washington State Auditor](#)

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