



MOTION ACCEPTING THE SAN FRANCISCO COUNTY TRANSPORTATION
AUTHORITY'S AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Pursuant to the annual audit requirements in its Fiscal Policy, the San Francisco County
Transportation Authority hereby accepts the audit report for the fiscal year ended June 30, 2018.

Enclosure:

1. Audit Report for the Year Ended June 30, 2018



Memorandum

Date: February 21, 2019
To: Transportation Authority Board
From: Cynthia Fong – Deputy Director for Finance and Administration
Subject: 3/12/2019 Board Meeting: Acceptance of the Audit Report for the Fiscal Year Ended June 30, 2018

<p>RECOMMENDATION <input type="checkbox"/> Information <input checked="" type="checkbox"/> Action</p> <p>Accept the audit report for the fiscal year ended June 30, 2018</p> <p>SUMMARY</p> <p>The Transportation Authority’s financial records are required to be audited annually by an independent, certified public accountant. The Comprehensive Annual Financial Reporting (Audit Report) for the year ended June 30, 2018, was conducted in accordance with generally accepted auditing standards by the independent, certified public accounting firm of Vavrinek, Trine, Day & Co., LLP (VTD). Since more than \$750,000 in federal grants were expended during the year, a single audit (compliance audit) was also performed on the I-80/Yerba Buena Island Interchange Improvement and Bridge Structures Project. The Transportation Authority received all unmodified (also known as a clean opinion/unqualified opinion) audit opinions from VTD, with no findings or recommendations for improvements. The full audit report and separate report containing other required communications to the Board are enclosed.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Fund Allocation <input type="checkbox"/> Fund Programming <input type="checkbox"/> Policy/Legislation <input type="checkbox"/> Plan/Study <input type="checkbox"/> Capital Project Oversight/Delivery <input checked="" type="checkbox"/> Budget/Finance <input type="checkbox"/> Contract/Agreement <input type="checkbox"/> Other: <hr/>
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DISCUSSION

Background.

Under its Fiscal Policy (Resolution 18-07), the Transportation Authority’s financial records are to be audited annually by an independent, certified public accounting firm. The audits for the fiscal year ended June 30, 2018, were conducted in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Audit Report contains formal opinions, or disclaimers thereof, issued by an independent, certified public accounting firm as a result of an external audit performed on an agency. An unmodified opinion (also known as a clean opinion/unqualified opinion) is the best type of report an agency may receive from an external audit

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and represents that the agency complied with direct and material regulatory requirements or that the agency's financial condition, position, and operations in all material respects were fairly presented.

Discussion.

The Audit Report includes an introductory section, the overall basic financial statements, a management discussion and analysis of the Transportation Authority's financial performance during that fiscal year, footnotes, required supplemental information, and other supplementary information, which include the results from the single audit of federal awards, statistical section, and compliance section.

We are pleased to note that VTD issued all unmodified opinions and had no findings or recommendations for improvements. The Transportation Authority recognized all significant transactions in the financial statements in the proper period and received no adjustments to any estimates made in the financial statements. For the annual fiscal audit, VTD has issued an opinion stating that the financial statements present fairly, in all material respects, the financial position of the Transportation Authority. Since more than \$750,000 in federal grants was expended during the year, a single audit was performed on the I-80/Yerba Buena Island Interchange Improvement and Bridge Structures Project. For the single audit, VTD has issued an opinion, stating that the Transportation Authority complied in all material respects with the compliance requirements that could have a direct and material effect on the federal funds audited. The full audit report and separate report containing other required communications to the Board are enclosed.

FINANCIAL IMPACT

Expenditures did not exceed the amounts approved in the agency-wide amended Fiscal Year 2017/18 budget and budgeted expenditures that did not expend in FY 2017/18 will be included in the FY 2018/19 mid-year amendment.

CAC POSITION

The CAC was briefed on this item at its February 27, 2019 meeting and unanimously adopted a motion of support for the staff recommendation.

SUPPLEMENTAL MATERIALS

Attachment 1 – Separate Report Containing Other Required Communications to the Board

Enclosure 1 – Comprehensive Annual Financial Report for the Year Ended June 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

The Board of Commissioners
San Francisco County Transportation Authority
San Francisco, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco County Transportation Authority (Transportation Authority) a component unit of the City and County of San Francisco, California, for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

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 Transportation Authority are described in Note 2 to the financial statements. As described in Note 9 and Note 16 to the financial statements, the Transportation Authority adopted the new accounting pronouncement: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Our opinion is not modified with respect to this matter. We noted no transactions entered into by the Transportation Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Transportation Authority's financial statements were:

Management's estimates used in: establishing pension liabilities and other postemployment benefit liabilities and disclosures. We evaluated the key factors and assumptions used to develop these estimates in determining that they appeared reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of pension plans in Note 8 and 9 to the financial statements describes the Transportation Authority's retirement and other postemployment benefit plans required by the Transportation Authority's implementation of GASB Statement No. 68 and GASB Statement No. 75 during the period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the 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 January 29, 2019.

Management Consultations 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 governmental unit's 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 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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Changes in the Net Other Postemployment Benefits Liability and Related Ratios, Schedule of Other Postemployment Benefits Contributions, Schedule of the Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the Supplementary Information accompanying the financial statements such as the Schedule of Expenditures of Federal Awards, the Fiduciary Fund Statement of Changes in Assets and Liabilities, and the Agency-wide Budgetary Comparison, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section or the statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of governing board and management of the Transportation Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
January 29, 2019