

**Proposed 2016 Subarea  
Agreed Upon Procedures**

**Schedule of Sources and Uses**

1. Verify the 2016 information as reported in the Subarea Sources and Uses – Version Mode/Project Detail report was derived from the underlying general ledger balances for 2016 by performing the following:
  - a. Agree the Subarea Sources and Uses – Version Mode/Project Detail report to the subarea ledger reconciliation.
  - b. Agree the subarea ledger reconciliation to the general ledger upon which the Sound Transit audited financial statements have been prepared.
2. Verify the mathematical accuracy of the totals and subtotals shown on the Schedule.

**Subarea Rules**

3. Obtain the 2016 authorized and approved subarea rule list and verify the mathematical accuracy of changes in each rule type as compiled from supporting documentation provided by management for:
  - a. Each new rule
  - b. Each change in existing rules
4. Agree the rule detail in the E1 Allocation Module to the 2016 authorized and approved subarea rule list:
  - a. For all new and changed rules allocated to more than one subarea and tested in procedure 3 above.
  - b. For a sample of 25 existing rules.
5. Verify the subarea rule drivers as presented in Appendix B to the 2016 authorized and approved subarea rule list.

**Subarea Rule Allocation**

6. For each new or changed rule verify the mathematical accuracy of the allocation of each source or use balance to each subarea in accordance with the rules.

7. Select a sample of existing rules, including location based rules, for not less than a combined total of 30 rules for procedure 6 and 7. Select sample based on geographic location of project, facility or designation from voter approved plan, and verify it is recorded in the appropriate subarea.

### **Sound Transit Tax Revenue**

8. **Sales tax cash revenues:** On a test basis verify taxes received have been correctly recorded to the subarea ledger as follows:
  - a. For sales tax revenue, select three months from throughout the year:
    - i. Agree the gross tax amount collected by Subarea in the workbook to the RTA Distribution Analysis report received from the Department of Revenue;
    - ii. Re-compute that miscellaneous pool revenue has been allocated on a pro-rata basis of taxes received by subarea; and
    - iii. Re-compute the gross amount by subarea reported within the workbook (gross taxes from step (i) above plus the allocated share of miscellaneous pool revenue from step (ii) above).
  - b. For each subarea agree the amount of Sales Tax Revenue reported in the Schedule of Sources and Uses by Subarea to the Tax Revenue Cash Basis Schedule prepared by Sound Transit Personnel.
  - c. For quarterly sales tax mitigation payments, select one quarter from the year:
    - i. Agree the total amount of mitigation payment received to the Summary of Mitigation Payments report received from the Department of Revenue;
    - ii. Recalculate the amount allocated by the subarea allocation percentage for that quarter;
    - iii. Verify the subarea allocation percentage has been calculated correctly based on the prorata share of locations within Sound Transit's district receiving mitigation payments and that King County unincorporated mitigation payments have been allocated between East King County and South King County in accordance with the tax distribution methodology as documented within the Subarea Allocation of Tax Revenue Rule.
  - d. For each subarea agree the amount of Mitigation Tax Revenue reported in the Schedule of Sources and Uses by Subarea to the Tax Revenue Cash Basis Schedule prepared by Sound Transit Personnel.

**9. Rental car tax cash revenues:** On a test basis verify taxes received have been correctly recorded to the subarea ledger as follows:

- a. Select three months from throughout the year:
  - i. Agree the amount of rental car tax payment received to the Rental Car Tax Detail Payor file received from the Department of Revenue for:
    - 1. Total rental car tax payment
    - 2. Snohomish County
    - 3. Pierce County
    - 4. King County
  - ii. For the allocation of rental car tax payment received to each King County subarea:
    - 1. Verify the 2016 King County subarea rental car tax allocation percentage has been calculated correctly based on the proportion of sales tax received from the six largest rental car tax payors in the accumulation months of July and August using the Six Largest Rental Car Tax Payor Reports provided by the Department of Revenue
    - 2. Recalculate the amount of rental car tax payment allocated to each King County subarea using the rule computed in step 9.a.ii.1 multiplied by the amount of rental car tax payment received from King County as reported in the Rental Car Tax Detail Payor file received from the Department of Revenue
- b. For each subarea agree the amount of Rental Car Tax Revenue reported in the Schedule of Sources and Uses by Subarea to the Tax Revenue Cash Basis Schedule prepared by Sound Transit Personnel.

**10. Motor vehicle excise tax cash revenues:**

- a. Select three months of revenues to perform the following procedures on:
  - i. Agree the amounts of the motor vehicle excise tax revenue to schedules prepared by Sound Transit Personnel.
  - ii. Agree total cash revenue on the supporting Sound Transit schedules to the Washington State Department of Licensing (DOL) excise tax collection report
  - iii. Verify that the revenues were properly allocated to the appropriate subarea as reported by DOL.

- b. At December 31, 2016, request a confirmation of zip code assignment by subarea from DOL for the period up to DOL's transition to the new DRIVES system.
- c. Judgmentally select 25 zip codes, of which 5 selections include split zips, and perform the following procedures:
  - i. Verify each zip code is assigned to the correct geographical subarea by tracing the zip code to the zip code map maintained by Sound Transit's GIS department, or by utilizing the Postal Service web site.
  - ii. For the 5 split zip codes, verify the revenues were allocated in accordance with the split zip procedure.
- d. For each subarea agree the amount of motor vehicle excise tax revenue reported for the year in the Schedule of Sources and Uses by Subarea to the Tax Revenue Cash Basis Schedule prepared by Sound Transit Personnel.

#### **Grant Revenues**

- 11.** Select a sample of 5 individual grant draw down item requests from the monthly U.S. Department of Transportation Federal Transit Administration Echo-Web Payment Reports.
- a. Trace the draw down request amount to the Detail Grant Outlay Report to identify each capital project the draw down is associated with.
  - b. Identify each capital project associated with the draw down on the authorized and approved subarea rule list and the related subarea rule.
  - c. Verify the grant draw down was recorded to the subarea(s) in which the related capital project disbursements were recorded to in accordance with the authorized and approved subarea rules list by:
    - i. Agreeing the total on the Detail Grant Outlay Report to the Actual Grant Reimbursements Revenues report
    - ii. Tracing the total to the posted journal entry associated with the recognition of the grant draw down in the general ledger for location based rules or by tracing to the subarea allocation detail report for non-location based rules.

#### **Bond Interest**

- 12.** For the change in basis of reporting interest on Sound Transit's outstanding bonds from accrual to cash basis within the Schedule of Sources and Use of Funds by Subarea verify the interest reported in the Schedule by:
- a. Obtaining bond amortization schedules for each bond series outstanding during the year

- b. Recalculating the interest paid
- c. Agreeing the interest paid as calculated in step 12.b to the interest expense reported in the Schedule of Sources and Use of Funds by Subarea.

### **Prior Year Adjustments**

- 13.** For any changes or corrections in rules or methodology for recording by subarea impacting prior years, verify the amount of the adjustment by agreeing the new rule to the 2016 approved Subarea Rules list or approved methodology change, obtaining the amount allocated in prior years, re-calculating or verifying to source documentation the prior year amount allocated using the new rule and computing the difference. Trace that amount to the subarea ledger journal entry post report.)

### **2016 Reserve Contributions**

- 14. Operating and maintenance reserve contribution:** Recalculate the contribution to the reserve and verify the amount has been recorded and the funds segregated within the general ledger are equal to two months of operating and maintenance expenses. Also, verify the actual contribution was made to the reserve for the appropriate amount. Agree the change in the reserve per the general ledger to the change in the reserve per the Schedule of Sources and Uses of Funds by Subarea.
- 15. Capital reserve contribution:** Verify that a minimum balance of \$300 million was maintained in the capital replacement reserve in accordance with Resolution No. R2015-32. Verify the amount has been recorded and the invested funds restricted within the general ledger. Agree the change in the reserve per the general ledger, including investment income earned, to the change in the reserve per the Schedule of Sources and Uses of Funds by Subarea.

### **Testing Threshold**

A test resulting in single a variance greater than \$100,000 or a combined variance greater than \$250,000 per subarea for each report line item.