

Audit and Reporting Committee External Reporting

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 **SOUND TRANSIT**

Standards Reports

Sound Transit:

- ✓ 2016 Financial Statements – issued Q2
 - ✓ 2016 Single Audit – issued Q2
 - 2016 National Transit Database Reporting Q2
 - 2016 Subarea Reporting
 - *2016 SAO Accountability Audit*
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Fiscal Agent

- ✓ 2016 ORCA Financial Statements (Fiscal Agent)

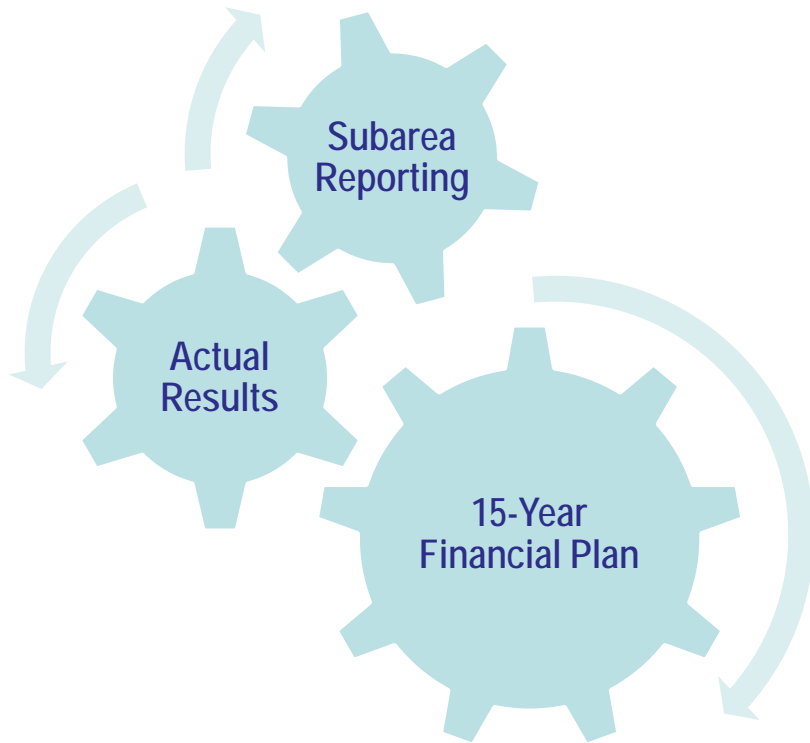
2014 Audit of the Original Data Submission of the Federal Funding Allocation Statistics Form (NTD)

- Established by Congress, NTD is the nation's primary source for information and statistics on transit systems in the United States.
- Recipients of grants from the Federal Transit Administration (FTA) under the Urbanized Area Formula Program (§ 5307) are required by statute to submit data to the NTD.
- NTD requires specific procedures to be performed by independent auditors to validate the integrity of the information reported

Results from the Auditor's Agreed Upon Procedures

- Initial submission due by April 30th
- Any findings/corrections found through the auditor's work incorporated into the agency's submission
- The procedures include interviews of staff responsible for reporting, as well as review of source documentation and verification of calculations.
- There were exceptions noted in procedure 6 which have been corrected in the final submission

Subarea Reporting



- Financial Policies
 - “Sound Transit will establish a system that on an annual basis reports subarea revenues and expenditures”
 - “Sound Transit will appoint an advisory citizen oversight committee to monitor Sound Transit performance under these policies”

Subarea Equity – Management Responsibilities

- ✓ Establish an accounting and reporting system consistent with financial policies set forward in voter approved plans
 - ✓ Establish an internal control system that ensures integrity of information presented
 - ✓ Establish subarea equity rules
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- Provide information to the Board and the Citizen Oversight Panel to monitor subarea equity

Subarea Reports

- Two reports prepared annually
 - The Schedule of Sources and Uses of Funds by Subarea for the year ending December 31, 2016
 - Summary of Sources and Uses of Funds by Subarea
 - Fifteen year report from 2009 through 2023
 - 8 years of audited information / 7 year financial plan projection
 - Equity is achieved over the life of the plan
 - The 2016 reports represent the final ST2 only, financial plan view

Basis of Presentation

- Subarea reports are prepared consistent with the financial plan
- Modified cash basis
 - Does not incorporate non-cash items such as depreciation and amortization
 - Tax revenues on a cash basis
 - Reconciliation to financial statements presented in Appendix A
- Subarea drivers and rules described in Note 3 and Appendix B

Agreed Upon Procedures

- Annually specified procedures are performed by independent auditors to independently verify our compilation of the Schedule of Subarea Equity
 - No exceptions noted
- These procedures were developed in 2010 and reviewed with the Citizen Oversight Panel
- 2016's report includes a change in presentation in bond proceeds and correction of 2015 bond related items

Total Sources By Subarea

- Tax, grant, fare and interest sources were up in 2016, sources from bond issuance were lower than 2015
- Bond proceeds were utilized in NKC (\$117M) and SKC (\$30M)
 - Balance carried in system-wide until needed by a subarea
- Tax sources grew by 8%, 10% in SKC and EKC
- Grant sources were up significantly in Pierce County with the Point Defiance Bypass project, however declined in NKC with Ulink completing

	(in thousands)		
	2016	2015	Change
Snohomish	\$ 108,330	\$ 102,064	\$ 6,266
North King	457,589	804,765	(347,176)
South King	180,610	268,750	(88,140)
East King	249,416	237,849	11,567
Pierce	240,788	183,702	57,086
System-wide	344,735	10,440	334,295
	<u>\$ 1,581,468</u>	<u>\$ 1,607,570</u>	<u>\$ (26,102)</u>

Total Capital Uses By Subarea

- Total capital outlay were down 1% from 2015 as Ulink and Angle Lake opened service
- Capital outlays increased in Snohomish, East and Pierce County as work progressed on Lynnwood and East Link and the Tacoma Trestle and Point Defiance projects in Pierce County.
- Activity continued on the Northgate Link and Federal Way extensions.

	2016	2015	Change
Snohomish	26,782	18,036	8,746
North King	241,260	343,107	(101,847)
South King	68,062	119,601	(51,539)
East King	294,929	211,919	83,010
Pierce	116,212	61,717	54,495
System-wide	4,780	5,648	(868)
	752,025	760,028	(8,003)

Total Operating & Maintenance Uses

- Operating & maintenance increased \$39M from 2015
 - NKC operating and maintenance up \$20M or 51% with the opening of light rail service to the University and Angle Lake
 - Three new stations and 4.7 miles of new light rail service.
- Service capacity was increased on Sounder and ST Express
 - New Route541 connecting Overlake with the University of Washington
 - 44 weekday or mid-day trips added
 - Additional mid-day round trip on Sounder South Line

	2016	2015	Change
Snohomish	29,795	25,905	3,890
North King	60,200	39,992	20,208
South King	52,761	49,319	3,442
East King	54,925	49,831	5,094
Pierce	52,785	47,802	4,983
System-wide	28,538	27,256	1,282
	279,004	240,105	38,899

Debt Service and Change in Reserve

- Debt service and Change in Reserves increased by \$57M from 2015
- Reserves increased in subareas, except East King County, due to system expansion for East Link.
- East King County has had no need for borrowing to date and as such incurs no debt service
- Not all of the 2016 green bond proceeds have been utilized and have been presented as unallocated bond proceed in system-wide.
 - As subareas require borrowing those funds will be allocated in future periods.

	2016	2015	Change
Snohomish	51,753	58,123	(6,370)
North King	156,129	421,666	(265,537)
South King	59,787	99,830	(40,043)
East King	(100,438)	(23,901)	(76,537)
Pierce	71,791	74,183	(2,392)
System-wide	311,417	(22,464)	333,881
	550,439	607,437	(56,998)

15 Year Subarea Results

For the 15-Year Period 2009 - 2023

	Actual results through 2016						
	SNO	NKC	SKC	EKC	PC	System	Total
Sources	2,638	7,932	3,035	5,858	2,787	170	22,420
Capital Uses	1,866	5,379	1,457	4,444	1,503	197	14,846
O & M Uses	509	1,150	916	1,068	970	568	5,181
Debt Service and Reserves	263	1,403	662	346	314	(595)	2,393
	2,638	7,932	3,035	5,858	2,787	170	22,420

For the 15-Year Period 2009 - 2023

	Actual results through 2015						
	SNO	NKC	SKC	EKC	PC	System	Total
Sources	2,395	7,634	2,813	6,001	2,653	155	21,651
Capital Uses	1,518	5,042	1,421	4,512	1,467	291	14,251
O & M Uses	487	1,123	842	1,109	897	440	4,898
Debt Service and Reserves	390	1,469	550	380	289	(576)	2,502
	2,395	7,634	2,813	6,001	2,653	155	21,651

Looking Forward

2017 Subarea Procedures

- New procedure to be developed to cover property tax revenue
- MVET revenue procedures to be updated, as revenues now reported to Sound Transit based on location code

Questions and Comments