

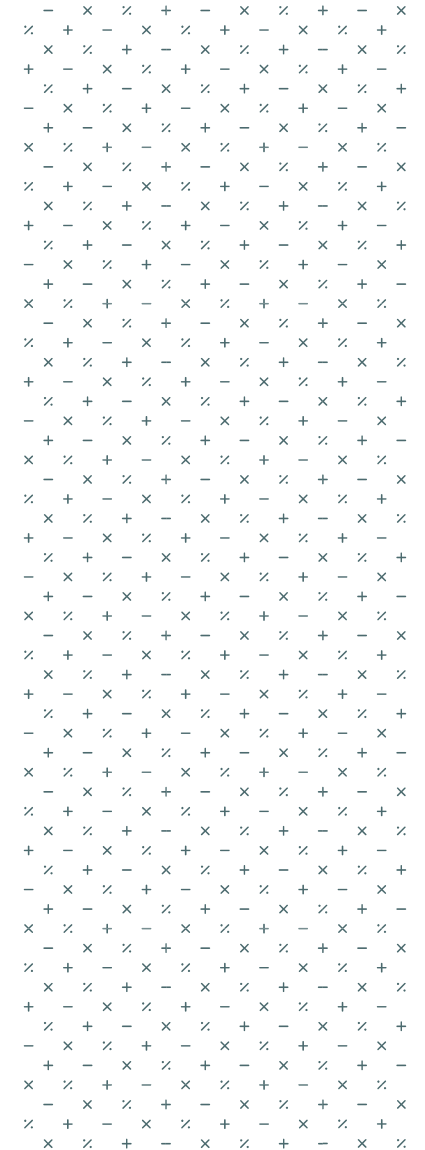


2019 Audit Results

Sound Transit

Presentation to Finance and Audit Committee

July 16, 2020



Auditor Reports

Auditor Report on the Financial Statements

- Unmodified opinion
- Dated May 22, 2020

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

- No internal control or compliance findings
- Dated May 22, 2020

Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance (Single Audit)

- No internal control or compliance findings
- The Schedule of Expenditures of Federal Awards (SEFA) is presented fairly in all material respects in relation to the financial statements
- Dated May 22, 2020



Required Communications to Those Charged with Governance

ENTRANCE

- Auditor's responsibility under auditing standards
- Planned scope and timing of audit

EXIT

- Significant accounting policies and unusual transactions
- Management judgments and accounting estimates; risks and uncertainties
- Difficulties encountered in performing the audit; disagreements with management
- Corrected and uncorrected misstatements
- Management representations
- Management consultation with other independent accountants



Significant Accounting Policies & Unusual Transactions

The auditor should determine that the finance and audit committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the finance and audit committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Our Comments

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by Sound Transit are described in the notes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies.

Sound Transit adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, which changes how the existing liability for asset retirement obligations is calculated and creates a deferred outflow of resources that will be recognized over the useful life of the underlying capital assets.

Sound Transit adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of A Construction Period*, which requires any interest incurred on debt to fund capital assets to be expensed as incurred (rather than capitalized into the project).

Sound Transit adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the effective date of several previously issued statements. Sound Transit adopted this statement to postpone the effective date of GASB Statement No. 84, *Fiduciary Activities*, for one additional year.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year. No unusual transactions were noted.



Management Judgments & Accounting Estimates; Risks and Uncertainties

The finance and audit committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Our Comments

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

Significant management estimates impacting the financial statements include the following: useful lives of capital assets, assessment of impairment of capital assets, potential losses related to litigation, asset retirement obligations, environmental pollution remediation, and cost allocations including amounts capitalized to construction.

We deemed them to be reasonable.

Our Comments

Sound Transit is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the financial statements.

The finance and audit committee should be adequately informed of the potential effect of significant risks and exposures and uncertainties that are disclosed in the financial statements



Difficulties Encountered and Disagreements with Management

The finance and audit committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

Our Comments

No significant difficulties were encountered during our audit.

Our Comments

We are pleased to report that there were no disagreements with management.



Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements, or the auditor's report.

Other Communications

The finance and audit committee should be informed of all significant audit adjustments arising from the audit, and should also be informed of uncorrected misstatements aggregated by us that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

We requested certain representations from management that are included in the management representation letter.

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle 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.

Our Comments

There were no corrected or uncorrected audit adjustments noted during the course of our audit.

Our Comments

We obtained a management representation letter; this is available to the Finance and Audit committee upon request.

Our Comments

We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.



Summary of Other Projects

Audit of the Regional Fare Coordination System (ORCA)
(Sound Transit is fiscal agent)

Audit was completed and report was issued on April 3, 2020. Presentation of audit results was made to the Joint Board on April 13, 2020.

Agreed Upon Procedures for the Federal Transit Administration - National Transit Database reports

Procedures were completed and report was issued on June 26, 2020. No exceptions or unusual items were noted as a result of our procedures.

Agreed Upon Procedures on the Schedule of Sources and Uses of Funds by Subarea (Subarea Equity)

Procedures are in process. We expect to be complete and issue our report on or before July 31, 2020



Acknowledgements

- The audit progressed on time and in an orderly fashion; all requested schedules and draft financial statements were received on a timely basis
- All Sound Transit personnel organization wide and across all departments were courteous, responsive and fulfilled all of our requests in a timely manner
- ‘Tone at the Top’ and attitude from management was one of helpfulness, candor, and openness in response to audit requests and discussion points



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THANK
YOU

