



# Memorandum

## AGENDA ITEM 5

**DATE:** December 30, 2021  
**TO:** Transportation Authority Board  
**FROM:** Cynthia Fong - Deputy Director for Finance and Administration  
**SUBJECT:** 1/11/2022 Board Meeting: Accept the Audit Report for the Fiscal Year Ended June 30, 2021

<p><b>RECOMMENDATION</b>    <input type="checkbox"/> Information    <input checked="" type="checkbox"/> Action</p> <p>Accept the audit report for the fiscal year ended June 30, 2021</p> <p><b>SUMMARY</b></p> <p>The Transportation Authority's financial records are required to be audited annually by an independent, certified public accountant. The Annual Comprehensive Financial Reporting (Audit Report) for the year ended June 30, 2021, was conducted in accordance with generally accepted auditing standards by the independent, certified public accounting firm of Eide Bailly LLP. 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 Project and Yerba Buena Bridge Structures and the Surface Transportation Program: Transportation Planning and Programming. The Transportation Authority received all unmodified audit opinions from Eide Bailly, with no findings or recommendations for improvements. A representative from Eide Bailly will present the audit report and answer any questions at the Board meeting.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Fund Allocation</li> <li><input type="checkbox"/> Fund Programming</li> <li><input type="checkbox"/> Policy/Legislation</li> <li><input type="checkbox"/> Plan/Study</li> <li><input type="checkbox"/> Capital Project Oversight/Delivery</li> <li><input checked="" type="checkbox"/> Budget/Finance</li> <li><input type="checkbox"/> Contract/Agreement</li> <li><input type="checkbox"/> Other: _____</li> </ul>
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## BACKGROUND

Under its Fiscal Policy (Resolution 21-57), 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, 2021, 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 audit opinion (also known as a clean opinion/unqualified opinion) is the best type of report an agency may receive from an external audit 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 our 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 Eide Bailly issued all unmodified opinions and had no findings or recommendations for improvements. We 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, Eide Bailly has issued an opinion stating that the financial statements present fairly, in all material respects, the financial position of our agency. Since more than \$750,000 in federal grants were expended during the year, a single audit was performed on the I-80/Yerba Buena Island Interchange Improvement Project and Yerba Buena Bridge Structures and the Surface Transportation Program: Transportation Planning and Programming. For the single audit, Eide Bailly 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 (FY) 2020/21 budget. Budgeted expenditures that were not expended in FY2020/21 will be included in the FY2021/22 mid-year amendment.

## **CAC POSITION**

This item will be agendaized for the January 26, 2022 CAC meeting as an information item.

## **SUPPLEMENTAL MATERIALS**

- Attachment 1 - Separate Report Containing Other Required Communications to the Board
- Enclosure 1 - Annual Comprehensive Financial Report for the Year Ended June 30, 2021



December 21, 2021

To the Board of Commissioners of the  
San Francisco County Transportation Authority  
San Francisco, California

We have audited the financial statements of San Francisco County Transportation Authority (Transportation Authority) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 21, 2021. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated June 28, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the Transportation Authority complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Transportation Authority major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Transportation Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the Transportation Authority major federal program compliance, is to express an opinion on the compliance for each of the Transportation Authority's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the Transportation Authority's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 21, 2021. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 21, 2021.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We have identified a significant risk involving the entity's revenue recognition of sales tax revenues and grant reimbursements because year-end accruals require more complexity to ensure they are recorded in the correct fiscal period.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Transportation Authority is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the Transportation Authority's pension liability and related deferrals.

Management's estimate of the pension liability and related deferrals is based on actuarial valuations performed by CalPERS. We evaluated the key factors and assumptions used to develop the liabilities and deferrals and determined that it is reasonable in relation to the basic financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting Transportation Authority's financial statements relate to the net pension liability at Note 8 to the financial statements.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

#### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

#### **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 21, 2021.

#### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Transportation Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Transportation Authority's auditors.

## **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the Transportation Authority's annual report, does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have performed the following procedures:

With respect to the supplementary information accompanying the financial statements, we applied certain limited procedures to management's discussion and analysis and budgetary comparison schedules, pension schedules of contributions and proportionate share and other postemployment schedules, 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.

We were engaged to report on the Schedule of Expenditures of Federal Awards and other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California