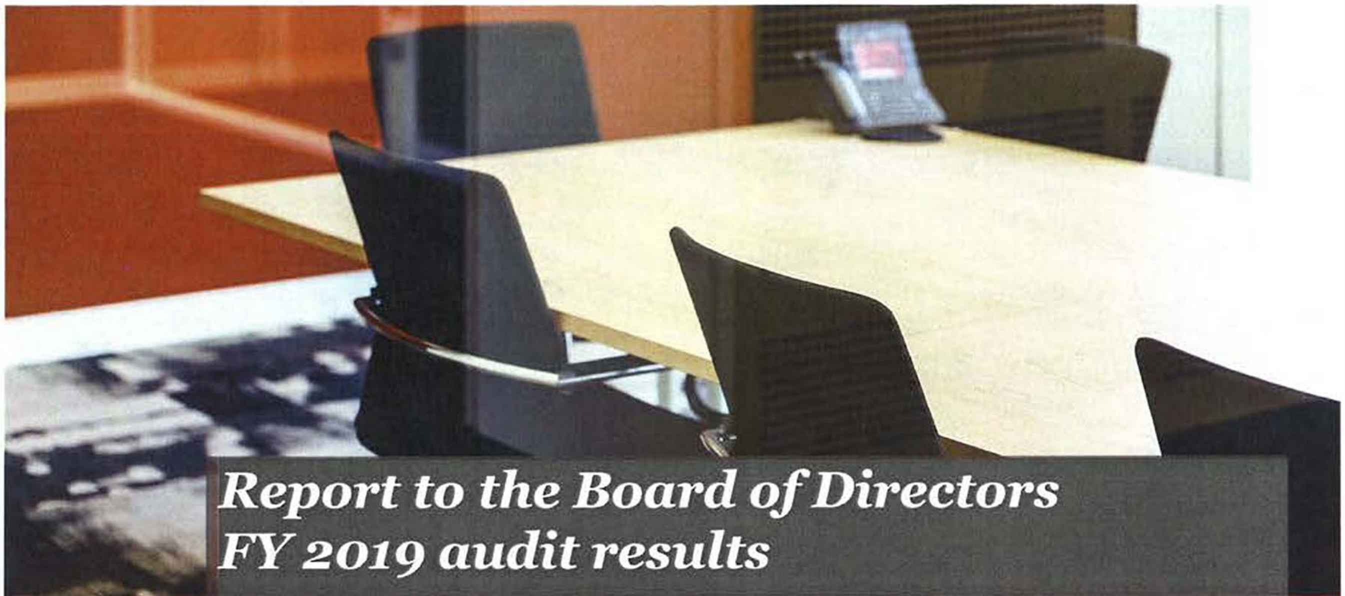

# Report to the Board of Directors FY 2019 audit results

ABAG Publicly Owned Energy Resources

October 30, 2019

pwc

October 17, 2019

Dear Members of the Board of Directors of ABAG Publicly Owned Energy Resources:

We are pleased to submit our Report to the Board of Directors related to the results of our fiscal year 2019 audit of ABAG Publicly Owned Energy Resources ("POWER" or "Organization"). Our report includes a summary of the results of our audit work and other required communications.

This report has been prepared in advance of your meeting and prior to the completion of our procedures. Other matters of interest to the Board of Directors may arise that we will provide for your attention at your meeting.

Please feel free to contact me at (415) 377-4410 or ian.fleming@pwc.com with any questions you may have.

Very truly yours,

Ian Fleming
Engagement Partner

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111-4004
T: (415) 498 5000 F: (415) 498 7100

# Table of contents



This report and the information that it contains is intended solely for the information and use of the Board of Directors or management, if appropriate, and should not be used by anyone other than these specified parties.

# Executive summary

pwc

# Executive summary

## Status of our audit

- We have substantially completed our audits of the financial statements of POWER in accordance with accounting principles generally accepted in the United States of America as of and for the year ended June 30, 2019. Pending items include:
  - Keeping current procedures
  - Receipt of signed management representation letter
  - Receipt of final in-house counsel letter and external counsel legal letters
  - Completion of certain audit procedures

## Identified misstatements, recorded and unrecorded

- There were no identified misstatements as part of the audit.

### Highlights

- Audit has been substantially completed
- We have used final 2019 balances to update preliminary materiality
- Continued independence has been affirmed
- We did not identify any potential or known fraud, irregularities, or illegal acts




# Audit results

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# Status of our audit

| Remaining items to complete | Significant changes to the audit plan |
|---|---|
| We are in the process of completing the audit procedures in accordance with our audit plan to address the identified risks.<br><br>Open items include:<br>• Keeping current procedures<br>• Receipt of signed management representation letters<br>• Receipt of final in-house counsel letters and external counsel legal letters<br>• Completion of certain audit procedures<br><br>We expect to issue our unmodified report on the financial statements of the Organization on October 24, 2019. | We provided our planned audit approach, including our preliminary risk assessment, and related scoping considerations for FY2019 to the Board on August 26, 2019. Throughout the audit, we continuously evaluated the appropriateness of our audit strategy. There were no further significant changes to the planned audit approach. |



# Audit risks and results

*Final audit plan*

### *Significant risk*

| | Risk | Significant findings |
|---|---|---|
| ⚠ | Management override of controls – presumed risk under the auditing standards | None to report |

⚠ Significant risk

# Other required communications

| | |
|---|---|
| *Independence re-evaluation* | There were no independence matters that occurred or were identified subsequent to our most recent independence affirmation. |
| *Material uncertainties related to events and conditions (specifically going concern)* | We are not aware of any material uncertainties that cast doubt on POWER's ability to continue as a going concern. |
| *Other information in documents containing audited/reviewed financial statements* | We did not identify any information that was materially inconsistent with the information in the financial statements. |
| *Disagreements with management* | There were no disagreements with management. |
| *Consultation with other accountants* | We are not aware of any consultations management has had with other accountants about significant accounting or auditing matters. |
| *Difficulties encountered during the audit* | There were no significant difficulties encountered during the audit. |
| *Other material written communications* | Appendix I includes a draft of management's representation letter. |
| *Non-compliance with laws and regulations* | We did not identify any instances of non-compliance with laws and regulations. |
| *Fraud or Illegal acts* | We did not identify any potential or known fraud, irregularities, or illegal acts. |
| *Alternative accounting treatments* | We did not identify any alternative treatments permissible under US GAAP for accounting policies and practices related to material items, including recognition, measurement, and presentation and disclosure. |



# Other required communications

| | |
|---|---|
| *Identified misstatements* | There were no identified misstatements as part of the audit. |
| *Control deficiencies* | We considered internal controls over POWER's financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of POWER's internal controls. Accordingly, we do not express an opinion on the effectiveness of POWER's internal control. In performing our audit, we identified no material weaknesses. |
| *Departure from standard report* | We plan to issue an unmodified audit report. |
| *Other matters* | There were no other matters arising from the audit that are significant to the oversight of POWER's financial reporting process. |
| *Quality of the organization's financial reporting* | We have performed an evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial reporting framework, including our consideration of the form, arrangement, and content of the financial statements (including the accompanying notes). We did not identify any instances of non conformity.<br><br>We have evaluated management's anticipated application of accounting pronouncements that have been issued but are not yet effective and might have a significant effect on future financial reporting. We do not have any concerns as a result of our evaluation.<br><br>We have evaluated the potential effect on the financial statements of significant exposures and risks, and uncertainties, such as pending litigation, that are disclosed in the financial statements. We did not identify any matters with a material potential effect.<br><br>We have evaluated whether the difference between estimates best supported by the audit evidence and estimates included in the financial statements, which are individually reasonable, indicate a possible bias on the part of POWER management. We did not identify any areas of possible bias. |

# Appendices

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## Appendices

Appendix I – Management representation letter draft

METROPOLITAN
TRANSPORTATION
COMMISSION

Bay Area Metro Center
375 Beale Street, Suite 800
San Francisco, CA 94105
415.778.6700
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Scott Haggerty, Chair
Alameda County
Alfredo Pedroza, Vice Chair
Napa County and Cities
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Cities of Santa Clara County
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Anne W. Halsted
San Francisco Bay Conservation and Development Commission
Nick Josefowitz
San Francisco Mayor's Appointee
Sam Liccardo
San Jose Mayor's Appointee
Jake Mackenzie
Sonoma County and Cities
Gina Papan
Cities of San Mateo County
David Rabbitt
Association of Bay Area Governments
Hillary Ronen
City and County of San Francisco
Libby Schaaf
Oakland Mayor's Appointee
Warren Slocum
San Mateo County
James P. Spering
Solano County and Cities
James Stracner
U.S. Department of Housing and Urban Development
Tony Tavares
California State Transportation Agency
Amy R. Worth
Cities of Contra Costa County
Therese W. McMillan
Executive Director
Alix Bockelman
Deputy Executive Director, Policy
Andrew B. Fremier
Deputy Executive Director, Operations
Brad Paul
Deputy Executive Director, Local Government Services

October 23, 2019

PricewaterhouseCoopers LLP
3 Embarcadero Center
San Francisco, CA 94111
Attn: Filip Nowak

We are providing this letter in connection with your audits of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information and the fiduciary funds of the Metropolitan Transportation Commission Government-wide ("MTC GW") as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise MTC GW's financial statements for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information and the fiduciary funds of MTC GW at June 30, 2019 and 2018, and were applicable, the respective changes in financial position and cash flows thereof and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We are also providing this letter in connection with your audits of the standalone financial statements for MTC GW's discretely presented component unit, Bay Area Headquarters Authority ("BAHA") as of and for the years ended June 30, 2019 and 2018 MTC GW's discretely presented component unit, Bay Area Infrastructure Financing Authority ("BAIFA") for the year ended June 30, 2019 and the related notes to the financial statements which comprise BAHA's and BAIFA's financial statements for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position of BAHA at June 30, 2019 and 2018 and BAIFA at June 30, 2019 and the changes in financial position and cash flows thereof and for the years then ended in conformity and 375 Beale Condominium Corporation (375 Beale Condo) for the year ended June 30, 2019 and the related notes to the financial statements with accounting principles generally accepted in the United States of America.

Further, we are providing this letter in connection with your audits of the Association of Bay Area Governments (ABAG), ABAG Publicly Owned Energy Resources (POWER), and ABAG Finance Authority for Nonprofit Corporations (FAN) for the year ended June 30, 2019 and the related notes to the financial statements which comprise these respective entities' financial statements for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position of the entities at June 30, 2019 and the changes in financial position and cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letters of April 9, 2019, for the preparation and fair presentation in the individual financial statements of financial position, and, where applicable, changes in financial position and cash flows in conformity with generally accepted accounting principles, including the appropriate selection and application of accounting policies. For the purposes of this letter, the entities above are collectively referred to as "MTC" or "MTC entities".

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. Materiality used for purposes of this letter is enclosed in Appendix 1 covered.

We confirm, to the best of our knowledge and belief, as of October 23, 2019, the date of your report, the following representations made to you during your audit(s):

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which MTC is subject. We have prepared the financial statements on the basis that the MTC is able to continue as a going concern. There are no conditions or events, considered in the aggregate, that raise substantial doubt about MTC's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

2. We have made available to you:

   a. All financial records and related data.

   b. Unconditional access to persons within the entity from whom you have requested audit evidence.

   c. All minutes of the meetings of the Commission, committees of the Commission, the Boards, and Board committees of the MTC entities and summaries of actions of recent meetings for which minutes have not yet been prepared through the date of this letter. The most recent meetings held were:

      - Metropolitan Transportation Commission – 10/23/2019
      - Administration Committee – 10/09/2019
      - Bay Area Headquarters Authority (BAHA) – 06/26/2019
      - Bay Area Toll Authority (BATA) – 10/23/2019
      - Bay Area Toll Authority (BATA) Oversight Committee – 10/09/2019
      - Bay Area Infrastructure Financing Authority (BAIFA) – 10/23/2019
      - 375 Beale Condo Corporation Board – 05/30/2019
      - Operations Committee – 10/11/2019
      - Programming and Allocations Committee – 10/09/2019
      - ABAG Administrative Committee – 10/11/2019
      - ABAG Executive Board – 09/19/2019
      - ABAG Finance Committee – 09/19/2019
      - ABAG POWER Executive Committee – 08/21/2019

3. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations

and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa. All intra-**entity** accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements. The effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices. We have shared with you the Government Finance Officers' Association's comments on MTC GW's financial statements for the fiscal year ended June 30, 2019.

5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.

6. The effects of the uncorrected financial statement misstatements and out-of-period adjustments summarized in the accompanying schedule Appendix 2 are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

7. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letters of April 9, 2019, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and we have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware. We have also disclosed to you which of these deficiencies we believe are significant deficiencies or material weaknesses in internal control over financial reporting.

8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud and we have no knowledge of any fraud or suspected fraud affecting MTC involving:

   a. Management,
   b. Employees who have significant roles in internal control over financial reporting, or
   c. Others where the fraud could have a material effect on the financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting MTC received in communications from employees, former employees, analysts, regulators, short sellers, or others. (As to items 8, 9 and 10, we understand the term "fraud" to mean those matters described in AICPA AU-C 240).

11. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

12. MTC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

13. We have disclosed to you the identity of the MTC's related parties and all the related party relationships and transactions of which we are aware.

14. The following, if material, have been properly recorded or disclosed in the financial statements

    a. Relationships and transactions with related parties, as described in GASB Codification Section 2250 -*Additional Financial Reporting Considerations*, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

    b. Significant changes in estimates in accordance with GASB Codification Section 2250 - Additional Financial Reporting Considerations.

    c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB 72, *Fair Value Measurement and Application*.

15. There are no Guarantees, whether written or oral, under which MTC is contingently liable.

16. MTC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.

17. Where an allocation estimate is used to recognize assets for construction/capital work in process, management has ensured the underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. Any change is allocation in the current year was as a result of new facts and circumstances not previously known and as such was accounted for as a change in estimate.

18. MTC has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

19. Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet dates and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable values.

20. We have not violated any covenants of our debt instruments during any of the periods presented, and we disclosed to you all covenants and information related to how we determined compliance with the covenants.

21. We are responsible for all significant estimates and judgments affecting the financial statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, are completely and appropriately disclosed in the financial statements, and appropriately reflect management's intent and ability to carry out specific courses of action, where relevant. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. There have been no subsequent events which would require the adjustment of any significant estimate and related disclosures.

22. MTC has no unpaid claims of risks not covered by an insurer that should either be recorded as a liability or reported as a contingency.

23. Expenditure by external transit agencies is an eligibility requirement of the AB664 fund.

24. The Service Authority for Freeways and Expressways ("SAFE") revenue is a fee and not a tax and therefore this entity is appropriately classified as an enterprise fund.

25. Management has determined in consultation with counsel that the contract between the Bay Area Toll Authority ("BATA") and the patron for prepaid FasTrak toll monies establishes a legal restriction on the use of the patron's monies such that the monies may not be used by BATA for operating purposes.

26. Management has determined in conclusion with counsel that the contract between BATA and the Golden Gate Bridge Highway and Transportation District relating to the collection of FasTrak toll monies establishes a legal restriction on the use of the monies such that the monies may not be used by BATA for operating purposes.

27. The Memorandum of Understanding Regarding the Operation and Maintenance of Clipper Fare Collection System ("MOU") is a validly executed arrangement and is the basis by which MTC and the parties to the MOU are operating the Clipper Fare Collection System.

28. Management has concluded that the nature of ABAG membership dues is a fee charged to external users for goods or service. As such, ABAG is considered an enterprise fund.

29. Management has concluded that in consideration of the GASB Codification 2100 - *Defining the financial reporting entity*, ABAG, 375 Beale Condo, are not considered component units of MTC GW. Additionally, POWER, FAN and the San Francisco Bay Restoration Authority are not considered to be component units of ABAG.

30. We have appropriately implemented the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). We concluded that it was not practical, as defined by GASB 75, to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to OPEB for the prior periods presented.

31. We have concluded that OPEB Plan Assets held in a trust are not considered to be a Fiduciary Fund. We conclude that we have no financial accountability for the plan assets per the provisions of GASB Statement No. 14 *The Financial Reporting Entity.*

32. Management has followed applicable laws and regulations in adopting, approving, and amending budgets.

33. The financial statements of MTC properly classify all funds and activities.

34. The financial statements of MTC include all component units and properly disclose all other related organizations.

35. All funds that meet the quantitative criteria in GASB Codification Section 2200 – *Comprehensive Annual Financial Report*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered to be important to financial statement users, and therefore presented accordingly.

36. Net position components (restricted, assigned, committed, unassigned, nonexpendable, invested in capital assets, net of related debt; and unrestricted and fund balance reserves and designations) are properly classified and, if applicable, approved.

37. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities and the statement of revenues, expenses and changes in fund balances/net position, and allocations have been made on a reasonable basis.

38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

39. Deposits and investment securities are properly classified in a category of custodial credit risk.

40. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

41. We acknowledge our responsibility for the presentation of the *Required Supplementary Information, Other Supplementary Information*, and *Statistical Section* in accordance with prescribed guidelines. We believe such information, including its form and content, is fairly presented in accordance with applicable criteria, including those required by GASB. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the information.

42. Assets and liabilities required to be measured at fair value were measured both on a recurring and nonrecurring basis at fair value in accordance with GASB Statement No. 72, Fair value measurement and application. The valuation was determined using an acceptable methodology applied on a consistent basis and taking into account reasonable assumptions, including highest and best use, non-performance risk and credit and liquidity risk adjustments. We classified and disclosed financial assets and liabilities in the financial statements as Level 1, Level 2 and Level 3 in accordance with GASB 72, including a description of inputs and information used to develop valuation techniques.

43. Special items are appropriately classified and reported.

44. Tax-exempt bonds issued have retained their tax-exempt status.

45. The actuarial valuations of the Miscellaneous Plan of Metropolitan Transportation Commission, MTC's defined-benefit other post-employment benefits healthcare plan obligations, and all other MTC pension and OPEB plans were determined using acceptable methodologies applied on a consistent basis and taking into account the individual characteristics of the plans and reasonable assumptions, including those for the discount rates, rates of return on plan assets, mortality rates and other demographic assumptions.

46. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

47. We are responsible for establishing and maintaining effective internal controls over financial reporting.

48. We are responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

49. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

50. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements, and any other instances that warrant the attention of those charged with governance.

51. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts.

52. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements.

53. We are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

54. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.

55. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.

56. We have a process to track the status of audit findings and recommendations.

57. We have identified for you previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

58. We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

59. We acknowledge our responsibilities as they relate to nonaudit services performed by you and assume all management responsibilities. We oversee the services by designating an individual within senior management who possesses suitable skills, knowledge, or experience and we evaluate the adequacy and results of the services performed. We accept responsibility for the results of the services.

With respect to the federal awards program applicable to MTC entities

I. We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.

II. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs.

III. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs.

IV. We acknowledge and understand our responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance and we believe such information, including its form and content, is fairly presented in accordance with the Uniform Guidance. We have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

V. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit.

VI. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

VII. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

VIII. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was no such noncompliance.

IX. We believe that we have complied with the direct and material compliance requirements.

X. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

XI. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.

XII. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

XIII. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

XIV. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

XV. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

XVI. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report or we have stated that there were no such known instances.

XVII. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

XVIII. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

XIX. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

XX. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

XXI. We have issued management decisions for audit findings that relate to federal awards we make to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from us.

XXII. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records.

XXIII. We have charged costs to federal awards in accordance with applicable cost principles.

XXIV. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.

XXV. The reporting package does not contain protected personally identifiable information.

XXVI. We have accurately completed the appropriate sections of the data collection form.

XXVII. We have disclosed all contracts or other agreements with service organizations.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Therese W. McMillan– Executive Director

Brian Mayhew – Chief Financial Officer

Arleicka Conley – Section Director, Finance & Accounting

Debbie Atmaja – Assistant Director, Financial Reporting

Suzanna Bode – Assistant Director, Accounting Manager

*Appendix 1*

**Materiality Levels**

| Fund Name | Materiality ($) |
|---|---|
| MTC General | 160,000 |
| AB 664 | 183,000 |
| STA | 489,000 |
| Rail Reserves | 41,000 |
| BART Car Exchange | 395,000 |
| MTC Non Major | 26,000 |
| Gov Activities / Fund 299 (A) | 774,000 |
| BATA | 849,000 |
| Clipper | 97,000 |
| SAFE | 25,000 |
| BAHA | 238,000 |
| BAIFA | 20,000 |
| TDA / AB1107 / Clipper | 524,000 |
| ABAG | 63,000 |
| ABAG Non Major | 5 |
| POWER | 15,000 |
| FAN | 2,500 |
| 375 Beale Condo Corporation | 9,000 |

*Appendix 2*

**Preliminary SUM Items**

**Funds affected**

**FY 2019 SUM Entries - Business Type:**

| Entries | Reason | BATA | | Clipper | | SAFE | | Business-Wide |
|---|---|---|---|---|---|---|---|---|
| DR/CR Operating Expenses | To correct expenses pertaining to FY 2019 that were not booked | $ 2,989,335 | | $ 354,289 | | $ 1,982 | | $ 3,345,606 |
| CR/DR Accounts Payable | | | $ 2,989,335 | | $ 354,289 | $ 1,982 | $ - | $ 3,345,606 |

**Total of Prior Year out-of-period adjustments:**

| | Reason | BATA | Clipper | SAFE | Business-Wide |
|---|---|---|---|---|---|
| DR/CR Income statement | To correct transactions pertaining to FY2018 that were subsequently booked in FY2019. | $ (1,995,583) | $ - | $ - | $ (1,995,583) |
| **Net P/L Impact of Uncorrected Misstatements (rollover):** | | $ 993,752 | $ 354,289 | $ 1,982 | $ 1,350,023 |

**Financial Statements Metrics:**

| | BATA | Clipper | SAFE | Business-Wide |
|---|---|---|---|---|
| Operating Revenues | $ 751,563,073 | $ 20,973,240 | $ 6,865,827 | $ 779,402,140 |
| Operating Expenses | $ 174,407,488 | $ 36,954,965 | $ 12,892,398 | $ 224,254,851 |
| Non-operating Revenues (Expenses) | $ (680,257,479) | $ 1,483,873 | $ 8,560,941 | $ (670,212,665) |
| Transfers | $ (32,663,071) | $ 19,821,933 | $ (9,086,669) | $ (21,927,807) |
| Change in Net Position | $ (135,764,965) | $ 5,321,081 | $ (6,552,299) | $ (136,996,183) |
| | | | | |
| Total current assets | $ 1,099,688,305 | $ 25,367,508 | $ 25,698,335 | $ 1,150,754,148 |
| Total non-current assets | $ 1,721,198,518 | $ - | $ 687,688 | $ 1,721,886,206 |
| Total Deferred Outflows | $ 810,715,055 | $ 1,248,219 | $ 385,135 | $ 812,348,409 |
| Total current liabilities | $ 428,812,757 | $ 7,981,285 | $ 4,786,670 | $ 441,580,712 |
| Total non-current liabilities | $ 10,054,591,322 | $ 2,085,597 | $ 650,250 | $ 10,057,327,169 |
| Total Deferred Inflows | $ 1,451,326 | $ 351,557 | $ 108,472 | $ 1,911,355 |
| Total Net Position | $ (6,853,253,527) | $ 16,197,288 | $ 21,225,766 | $ (6,815,830,473) |

Preliminary SUM Items

Funds affected

**FY 2019 SUM Entries - Governmental Funds:**

| Entries | Reason | MTC General | AB664 | STA | Rail Reserves | BART Car | Non-Major | GW |
|---|---|---|---|---|---|---|---|---|
| DR/CR Operating Expenses | To correct expenses pertaining to FY 2019 that were not booked | $ 868,838 | $ - | $ - | $ - | $ - | $ - | $ 868,838 |
| CR/DR Accounts Payable | | $ 868,838 | $ - | $ - | $ - | $ - | $ - | $ 868,838 |

**Total of Prior Year out-of-period adjustments:**

| | Reason | MTC General | AB664 | STA | Rail Reserves | BART Car | Non-Major | GW |
|---|---|---|---|---|---|---|---|---|
| DR/CR Income statement | To correct transactions pertaining to FY2018 that were subsequently booked in FY2019 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net P/L Impact of Uncorrected Misstatements (rollover): | | $ 868,838 | $ - | $ - | $ - | $ - | $ - | $ 868,838 |

**Financial Statements Metrics:**

| | MTC General | AB664 | STA | Rail Reserves | BART Car | Non-Major | GW |
|---|---|---|---|---|---|---|---|
| Total Revenues | $ 77,556,629 | $ 4,190,220 | $ 286,026,668 | $ 938,799 | $ 9,146,008 | $ 13,309,868 | $ 391,168,192 |
| Total Expenditures | $ 100,174,058 | $ 35,536,285 | $ 262,825,306 | $ 5,683,677 | $ 4,421 | $ 13,824,948 | $ 418,048,695 |
| Total Assets | $ 67,956,468 | $ 183,493,988 | $ 148,714,828 | $ 41,717,764 | $ 395,254,870 | $ 89,873,336 | $ 927,011,254 |
| Total Deferred Outflows | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total Liabilities | $ 21,927,941 | $ 30,190,365 | $ 64,051,145 | $ 5,056,281 | $ 4,420 | $ 4,839,876 | $ 126,070,028 |
| Total Deferred Inflows | $ - | $ 160,455,783 | $ - | $ 129,079,644 | $ - | $ 38,088,729 | $ 327,624,156 |
| Total Fund Balance | $ 67,956,468 | $ (7,152,160) | $ 84,663,683 | $ (92,418,161) | $ 395,254,870 | $ 46,944,731 | $ 495,249,431 |

Preliminary SUM items

Funds affected

**FY 2019 SUM Entries - Fiduciary Funds:**

| Entries | Reason | Fiduciary | BAHA | BAIFA |
|---|---|---|---|---|
| DR/CR Operating Expenses | To correct expenses pertaining to FY 2019 that were not booked | $ 1,671,010 | $ 7,829 | $ 91,798 |
| CR/DR Accounts Payable | | $ 1,671,010 | $ 7,829 | $ 91,798 |

**Financial Statements Metrics:**

| | Fiduciary | BAHA | BAIFA |
|---|---|---|---|
| Operating Revenues | $ - | $ 9,970,433 | $ 13,672,704 |
| Operating Expenses | $ - | $ 12,534,773 | $ 7,341,837 |
| Non-operating Revenues (Expenses) | $ - | $ (3,835,916) | $ (2,645,079) |
| Transfers | $ - | $ 3,165,421 | $ - |
| Change in Net Position | $ - | $ (3,234,835) | $ 3,685,788 |
| Total current assets | $ 262,300,367 | $ 29,468,300 | $ 14,761,837 |
| Total non-current assets | $ - | $ 209,280,957 | $ 3,392 |
| Total Deferred Outflows | $ - | $ 232,178 | $ 327,919 |
| Total current liabilities | $ 262,300,367 | $ 4,932,820 | $ 3,214,426 |
| Total non-current liabilities | $ - | $ 375,652 | $ 100,357 |
| Total Deferred Inflows | $ - | $ 65,394 | $ 143,583 |
| Total Net Position | $ - | $ 233,607,569 | $ 11,634,782 |

Preliminary SUM items
Funds affected

**FY 2019 SUM Entries - Business Type:**

| Entries | Reason | BATA | | Clipper | | SAFE | | Business-Wide |
|---|---|---|---|---|---|---|---|---|
| DR/CR Operating Expenses | To correct expenses pertaining to FY 2019 that were not booked | $ 2,738,125 | | $ 82,115 | | $ 1,982 | | $ 2,822,222 |
| CR/DR Accounts Payable | | | $ 2,738,125 | | $ 82,115 | $ 1,982 | $ - | $ 2,822,222 |

**Total of Prior Year out-of-period adjustments:**

| | Reason | BATA | Clipper | SAFE | Business-Wide |
|---|---|---|---|---|---|
| DR/CR Income statement | To correct transactions pertaining to FY2018 that were subsequently booked in FY2019. | $ (1,995,583) | $ - | $ - | $ (1,995,583) |
| Net P/L Impact of Uncorrected Misstatements (rollover): | | $ 742,542 | $ 82,115 | $ 1,982 | $ 826,639 |

**Financial Statements Metrics:**

| | BATA | Clipper | SAFE | Business-Wide |
|---|---|---|---|---|
| Operating Revenues | $ 751,563,073 | $ 20,973,240 | $ 6,865,827 | $ 779,402,140 |
| Operating Expenses | $ 174,407,488 | $ 36,954,965 | $ 12,892,398 | $ 224,254,851 |
| Non-operating Revenues (Expenses) | $ (680,257,479) | $ 1,483,873 | $ 8,560,941 | $ (670,212,665) |
| Transfers | $ (32,663,071) | $ 19,821,933 | $ (9,086,669) | $ (21,927,807) |
| Change in Net Position | $ (135,764,965) | $ 5,321,081 | $ (6,552,299) | $ (136,996,183) |
| | | | | |
| Total current assets | $ 1,099,688,305 | $ 25,367,508 | $ 25,698,335 | $ 1,150,754,148 |
| Total non-current assets | $ 1,721,198,518 | $ - | $ 687,688 | $ 1,721,886,206 |
| Total Deferred Outflows | $ 810,715,055 | $ 1,248,219 | $ 385,135 | $ 812,348,409 |
| Total current liabilities | $ 428,812,757 | $ 7,981,285 | $ 4,786,670 | $ 441,580,712 |
| Total non-current liabilities | $ 10,054,591,322 | $ 2,085,597 | $ 650,250 | $ 10,057,327,169 |
| Total Deferred Inflows | $ 1,451,326 | $ 351,557 | $ 108,472 | $ 1,911,355 |
| Total Net Position | $ (6,853,253,527) | $ 16,197,288 | $ 21,225,766 | $ (6,815,830,473) |

Preliminary SUM items
Funds affected

**FY 2019 SUM Entries - Governmental Funds:**

| Entries | Reason | MTC General | | AB664 | STA | Rail Reserves | BART Car | Non-Major | GW |
|---|---|---|---|---|---|---|---|---|---|
| DR/CR Operating Expenses | To correct expenses pertaining to FY 2019 that were not booked | $ 336,760 | | $ - | $ - | $ - | $ - | $ - | $ 336,760 |
| CR/DR Accounts Payable | | | $ 336,760 | $ - | $ - | $ - | $ - | $ - | $ 336,760 |

**Total of Prior Year out-of-period adjustments:**

| | Reason | MTC General | AB664 | STA | Rail Reserves | BART Car | Non-Major | GW |
|---|---|---|---|---|---|---|---|---|
| DR/CR Income statement | To correct transactions pertaining to FY2018 that were subsequently booked in FY2019 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net P/L Impact of Uncorrected Misstatements (rollover): | | $ 336,760 | $ - | $ - | $ - | $ - | $ - | $ 336,760 |

**Financial Statements Metrics:**

| | MTC General | AB664 | STA | Rail Reserves | BART Car | Non-Major | GW |
|---|---|---|---|---|---|---|---|
| Total Revenues | $ 77,556,629 | $ 4,190,220 | $ 286,026,668 | $ 938,799 | $ 9,146,008 | $ 13,309,868 | $ 391,168,192 |
| Total Expenditures | $ 100,174,058 | $ 35,536,285 | $ 262,825,306 | $ 5,683,677 | $ 4,421 | $ 13,824,948 | $ 418,048,695 |
| | | | | | | | |
| Total Assets | $ 67,956,468 | $ 183,493,988 | $ 148,714,828 | $ 41,717,764 | $ 395,254,870 | $ 89,873,336 | $ 927,011,254 |
| Total Deferred Outflows | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total Liabilities | $ 21,927,941 | $ 30,190,365 | $ 64,051,145 | $ 5,056,281 | $ 4,420 | $ 4,839,876 | $ 126,070,028 |
| Total Deferred Inflows | $ - | $ 160,455,783 | $ - | $ 129,079,644 | $ - | $ 38,088,729 | $ 327,624,156 |
| Total Fund Balance | $ 67,956,468 | $ (7,152,160) | $ 84,663,683 | $ (92,418,161) | $ 395,254,870 | $ 46,944,731 | $ 495,249,431 |

Preliminary SUM Items

Funds affected

**FY 2019 SUM Entries - Fiduciary Funds:**

| Entries | Reason | Fiduciary | | BAHA | | BAIFA | |
|---|---|---|---|---|---|---|---|
| DR/CR Operating Expenses | To correct expenses pertaining to FY 2019 that were not booked | $ 1,568,846 | | $ 7,829 | | $ 91,798 | |
| CR/DR Accounts Payable | | | $ 1,568,846 | | $ 7,829 | | $ 91,798 |

**Financial Statements Metrics:**

| | Fiduciary | BAHA | BAIFA |
|---|---|---|---|
| Operating Revenues | $ - | $ 9,970,433 | $ 13,672,704 |
| Operating Expenses | $ - | $ 12,534,773 | $ 7,341,837 |
| Non-operating Revenues (Expenses) | $ - | $ (3,835,916) | $ (2,645,079) |
| Transfers | $ - | $ 3,165,421 | $ - |
| Change in Net Position | $ - | $ (3,234,835) | $ 3,685,788 |
| Total current assets | $ 262,300,367 | $ 29,468,300 | $ 14,761,837 |
| Total non-current assets | $ - | $ 209,280,957 | $ 3,392 |
| Total Deferred Outflows | $ - | $ 232,178 | $ 327,919 |
| Total current liabilities | $ 262,300,367 | $ 4,932,820 | $ 3,214,426 |
| Total non-current liabilities | $ - | $ 375,652 | $ 100,357 |
| Total Deferred Inflows | $ - | $ 65,394 | $ 143,583 |
| Total Net Position | $ - | $ 233,607,569 | $ 11,634,782 |

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