



City and County of San Francisco Municipal Transportation Agency (MTA)

Presentation of Audit Results by KPMG

January 3, 2012

AUDIT

Auditors' Required Communications (SAS 114)

January 3, 2012

- **Our Responsibility under Generally Accepted Auditing Standards (GAAS)**
 - Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control
 - Design and implement audit procedures based on our understanding of MTA to gain reasonable, not absolute, assurance as to the absence of material misstatements in the financial statements
 - Perform tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts
 - Opine on financial statements based on our audit
 - GASB Statement No. 34 requires MTA to present management's discussion and analysis in the financial statements

- **Significant Accounting Policies**
 - MTA's significant accounting policies are described in Note 2 to the financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards
 - Discussion of qualitative aspects of accounting practices

Auditors' Required Communications (SAS 114)

January 3, 2012

- **Management Judgments and Accounting Estimates**

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

- Management's estimates of the accrued workers' compensation and accrued general liability are based upon a number of assumptions. These estimates are prepared by the external actuarial experts based on the information provided by management.

We evaluated management's estimates of the workers' compensation and general liability, including possible management bias in developing the estimate, and determined that they were reasonable in relation to the financial statements taken as a whole.

Auditors' Required Communications (SAS 114)

January 3, 2012

- **Corrected Misstatements**
 - None

- **Uncorrected Misstatements**
 - None

- **Significant deficiencies in internal control**
 - None

Auditors' Required Communications (SAS 114)

January 3, 2012

- **No Disagreements or Difficulties with Management**
 - There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on MTA's financial statements, nor were there significant difficulties in dealing with management in performing our audit.
- **No Consultations with Other Accountants**
 - To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of AU 625, *Reports on the Application of Accounting Principles*.
- **Significant Issues Discussed with Management Prior to Retention**
 - We generally discuss a variety of matters, including business plans and strategies, the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. During the discussion, we noted the management had decided to dissolve SFMRIC subsequent to the audit.
- **Material Written Communications**
 - We received a representation letter provided to us by management.

This report to the Municipal Transportation Agency is intended solely for the information and use of the SFMTA Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.