



Massachusetts Bay Transportation Authority discussion with those charged

Audit results for fiscal year ended June 30, 2022

with governance

February 2023

Required
communicati
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Summary

Audit results required communications and other matters

Audit results	Response
Significant unusual transactions	None Noted
Uncorrected audit misstatements	None Noted
Corrected audit misstatements	Corrected misstatements related to Pension and OPEB and Debt Premiums and Interest Expense
Financial presentation and disclosure omissions	No matters to communicate.
Non-GAAP policies and practices	The Authority has adopted certain accounting policies or practices that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. The Authority has evaluated the effect of the application of such policies and practices on the financial statements (and its assessment of internal control over financial reporting) and concluded that such effect is not material to the 2022 financial statements.
Auditors' reports	<p>Our 2022 independent auditors' reports indicated that:</p> <ul style="list-style-type: none"> • We conducted our audit in accordance with U.S. generally accepted auditing standards and <i>Government Auditing Standards</i> (GAS). • We issued an unmodified opinion on the financial statements of the Authority. • We issued an unmodified opinion on compliance with each major program • GAS report included reporting of a significant deficiency noted below, otherwise no issued noted
Changes to our risk assessment and planned audit strategy	No matters to report.
Material Weaknesses/Significant Deficiencies	No Material Weaknesses reported. Significant deficiency 2022-001 related to financial reporting

Summary

Audit results required communications and other matters (continued)

	Response
Audit results	
Related Parties	No significant parties or issues related to related party transactions were identified during the audit.
Significant accounting policies and practices	<p>The significant accounting policies used by the Authority are described in Note 2 to the financial statements. GASB 87, Leases was newly adopted, effective July 1, 2021.</p> <p>We have discussed with management our judgements about the quality, not just the acceptability of the Authority's accounting principles as applied to its financial reporting. The discussions generally included such matters as the consistency of the Authority's accounting policies and their application, and the understandability and completeness of the Authority's financial statements, which include related disclosures.</p>
Accounting estimates	Accounting estimates are an integral part of the financial statements. We have evaluated the key factors and assumptions used to develop management's estimates and found them to be reasonable in relation to the financial statements taken as a whole. Our assessment of the risks associated with valuation estimates has not changed significantly from the prior year, as there have been no modifications in the accounting judgments made by management
Going concern	No matters to report.
Other Information	See slides 6 to 8.
Subsequent events	Disclosure included for defeasance of \$228 million in Senior Sales Tax Bonds Series, 2014 A, 2015 A and 2015 B, Redemption of \$94.2 million of Senior Sales Tax Bonds Variable Demand Obligations 2018 Series A and 2018 Series A-1, and issuance of \$95 million in 2022 Series A Subordinated Sales Tax Bonds Variable Demand Obligations.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit

Summary

Audit results required communications and other matters (continued)

Response

Audit results

Noncompliance with laws and regulations No matters to report.

Significant difficulties encountered during the audit No matters to report.

Significant findings or issues discussed, or the subject of correspondence, with management No matters to report other than significant deficiency communicated in GAS report.

Management's consultation with other accountants No matters to report.

Difficult or contentious matters for which the auditor consulted No matters to report.

Disagreements with management No matters to report.

Other significant matters No matters to report.

Written communications Engagement letter, management representation letter available upon request

Independence See slide 9

1 Cash and Investments

Procedures performed

- Confirmed balances with financial institutions
- Reviewed year end reconciling items between book and bank
- Reviewed required financial statement disclosures to ensure presentation was in compliance with GASB standards and U.S. GAAP

2 Capital assets and related depreciation

Procedures performed

- Tested sample of CIP additions and CIP transfers out
- Tested mathematical accuracy of capital asset rollforward
- Tested depreciation – using substantive analytical procedures
- Reviewed required financial statement disclosures to ensure presentation was in compliance with GASB standards and U.S. GAAP

3 Debt

Procedures performed

- Gained an understanding of management's processes surrounding debt and related items
- Confirmed outstanding debt with financial institutions
- Tested reasonableness of interest expense
- Reviewed liquidity agreements
- Reviewed required financial statement disclosures to ensure presentation was in compliance with GASB standards and U.S. GAAP

4 Federal grants, sales tax revenue and capital contributions

Procedures performed

- Tested a sample of associated revenue and accrued revenue transactions, including agreeing to third party websites, contracts, spreadsheets and subsequent cash receipts, if applicable

5 Wages and employee benefits and related liabilities

Procedures performed

- Performed tests of details over wages and benefits expense
- Performed testing over Pension and OPEB liabilities and disclosures including KPMG actuary review

6 Commitments and contingencies

Procedures performed

- Evaluated outstanding legal and regulatory matters
- Confirmed outstanding legal matters with legal counsel
- Evaluated financial statement disclosures

Independence communications

- We have not identified any circumstances or relationships that, in our professional judgment, may reasonably be thought to bear on independence, and to which we given significant consideration, in reaching the conclusion that independence has not been impaired.
- In connection with our audit of the Authority, KPMG and relevant KPMG professionals have complied with relevant ethical requirements regarding independence, as that term is defined by the professional standards.

Uniform guidance audit overview

- Major programs are determined based on defined federal regulations utilizing risk factors as well as a predefined coverage calculation:
- Effort is focused on “major programs,” as defined in the federal regulations. Fiscal year 2022 major programs subject to audit were:
 - Federal-State Partnership for State of Good Repair
 - Federal Transit Cluster
 - Disaster Grants-Public Assistance (Presidentially Declared Disasters)

New accounting standards

New accounting standards	Effective date	
	2023	2024
GASB No. 91, <i>Conduit Debt Obligations</i>	✓	
GASB No. 94, <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	✓	
GASB 96, Subscription-Based Information Technology	✓	
GASB No. 99, Omnibus 2022	✓(GASB 94 and 96 amendments)	✓(GASB 53 amendments)
GASB No. 100, <i>Accounting Changes and Error Corrections</i>		✓
GASB No. 101, Compensated Absences		✓

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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