

**Metropolitan Transportation  
Commission  
TransLink<sup>®</sup> Capital Project  
2006 Required Communications**



June 28, 2007

To the Commissioners  
Metropolitan Transportation Commission

This communication is a supplemental communication to our Metropolitan Transportation Commission ("MTC") Required Communication and Report to Management dated September 27, 2006.

We have included in this letter a statement on communications with the Commissioners of MTC with relation to the TransLink® Capital Project as required by professional auditing standards.

The accompanying report is intended solely for the information and use of the Commissioners, management and others within MTC.

We appreciate the opportunity to have been of service to you and MTC. Should you have any questions or comments, please contact Ian Fleming at (415) 498-7462. We look forward to being of future service to you and MTC.

Yours truly,

*PricewaterhouseCoopers LLP*

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## I. REQUIRED COMMUNICATIONS

Professional auditing standards require auditors to communicate with the audit committee or Board on a number of subjects. The following information satisfies these requirements.

### 1. The Auditors' Responsibility Under Generally Accepted Auditing Standards and Government Auditing Standards

The audit of MTC's TransLink® Capital Project as of and for the year ended June 30, 2006 was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The objective of an audit is the expression of an opinion concerning whether the financial statements present fairly, in all material respects, the respective financial position of the TransLink® Capital Project, at June 30, 2006 and 2005, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As part of our audit, we considered MTC's internal control structure, as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*, for the purpose of establishing a basis for determining the nature, timing, and extent of auditing procedures necessary for expressing our opinion concerning the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MTC's internal control over financial reporting.

Our audit included procedures designed to provide reasonable assurance of detecting errors, fraud and noncompliance with the provisions of grants and contracts that are material to the financial statements. However, there are inherent limitations in the auditing process. For example, audits are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that such matters, if they exist, may not be detected. Also, because of the characteristics of fraud, including attempts at concealment through collusion and forgery, a properly designed and executed audit may not detect material fraud.

Similarly, in performing our audit of the TransLink® Capital Project, we were aware of the possibility that illegal acts may have occurred. However, it should be recognized that our audit provides no assurance that illegal acts generally will be detected and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected.

### 2. Quality of Significant and Critical Accounting Policies and Unusual Transactions

#### Accounting Policies

MTC's accounting policies with respect to the TransLink® Capital Project as applied in its financial reporting and the methods used in the development of estimates were consistently applied compared with policies and methods used in the prior year.

Disclosure of the TransLink® Capital Project's accounting policies, including critical accounting policies, is set forth in the Metropolitan Transportation Commission TransLink® Capital Project financial statements for the Fiscal Year Ended June 30, 2006. These disclosures appear reasonably clear and complete and we have no objections as to the quality of those principles used by the TransLink® Capital Project. We do not take exception to any of the policies and practices used by management nor have we discussed with management any alternative GAAP treatments to management's previously used policies.

### 3. Management Judgments and Accounting Estimates

There are no significant estimates that impact the financial position and changes in project balance of the TransLink® Capital Project.

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### **4. Significant Audit Adjustments**

There are no audit adjustments whether recorded or not that have or could have a significant effect on the TransLink® Capital Project's financial statements.

### **5. Unadjusted Audit Differences**

There were no unadjusted differences.

### **6. Risks, Exposures and Material Uncertainties Related to Events and Conditions**

As of the date of this report, we are not aware of any significant risks and exposures which will have a material adverse effect on the financial statements for the year ended June 30, 2006 other than those reported in our September 27, 2006 communication.

### **7. Material Uncertainties Related to Events and Conditions (specifically going concern issues)**

We noted no events which indicated that MTC would not be able to continue as a going concern nor are we aware of any other material uncertainties with respect to the TransLink® Capital Project.

### **8. Other Information in Documents Containing Audited Financial Information**

During the audit nothing has come to our attention indicating that the other supplementary information is inconsistent with the information contained in the audited financial statements.

### **9. Disagreements with Management**

There were no disagreements with management.

### **10. Consultation with Other Accountants**

To our knowledge, no such consultations with other accountants were held by management regarding application of accounting principles and auditing standards.

### **11. Major Issues Discussed with Management Prior to Our Retention**

No such issues were discussed.

### **12. Difficulties Encountered in Performing the Audit**

We encountered no such difficulties during our audit.

### **13. Deficiencies in Internal Control**

None noted with the exception of those reported in our September 27, 2006 communication.

### **14. Fraud and Illegal Acts**

No fraud or illegal acts came to our attention.

### **15. Independence**

We confirm our independence of Metropolitan Transportation Commission as of June 28, 2007.

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### **16. Related Party Transactions**

We are required to report to you management's process for identifying related party transactions and discuss related party transaction disclosures.

Management uses an informal process to identify related party transactions. There were no related party transactions identified by management for the 2006 fiscal year.

### **17. Transparency in Reporting**

As discussed in our communications plan, we planned to report to you our views on the transparency of financial reporting used by MTC with respect to the TransLink® Capital Project. Transparency can be evaluated based upon, among other items, the clearness of disclosures, the adherence to the spirit of required disclosures, rather than meeting the minimum required, as well as the structuring of transactions, or lack thereof, to achieve particular accounting results.

Although there are no objective standards by which transparency may be evaluated, we believe that MTC has made appropriate disclosures in its Project financial statements, consistent with materiality standards, and that these disclosures are clear. In addition, we did not become aware of any structured transactions recorded in the current year that were devised to achieve a particular accounting result.

