

Capital Metropolitan Transportation Authority

FY 2024 Audit Results
Report to the Finance, Audit and Administration
Committee

Date March 31, 2025



Finance, Audit and Administration Committee of
Capital Metropolitan Transportation Authority

We are pleased to present this report related to our 2024 audit of Capital Metropolitan Transportation Authority's (the Authority) financial statements. Our report shares the results of our audit work as required by professional standards alongside other meaningful insights, which we believe will help you in executing your oversight responsibility for the Authority's financial reporting process.

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Authority.

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Executive summary

Audit status

The September 30, 2024, financial statement audit is complete. We issued an unqualified opinion on the financial statements.

Significant changes to the planned audit strategy

There were no significant changes to the planned audit strategy.

Significant risks

We previously issued a separate communication dated December 9, 2024, regarding planned scope and timing and identified significant risks.

Adoption of new accounting policy

In 2024, the Authority did not adopt new standards or related accounting policy.

Audit adjustments or uncorrected misstatements

During our audit, we did not identify audit adjustments or uncorrected misstatements.

Deficiencies in internal control

We did not identify a material weakness or significant deficiency that we are required to communicate

Understand the client

Risk assessment

Further audit procedures

Evaluation

Delivery

REQUIRED COMMUNICATIONS

Accounting policies and practices

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Matter to Report	Yes	No
Our responsibilities	✓	We described our responsibilities under auditing standards generally accepted in the United States of America in our engagement letter dated September 24, 2024. Our audit of the financial statements does not relieve management or you of your responsibilities, which are also described in that letter.
Planned scope and timing of the audit	✓	We previously issued a separate communication dated December 9, 2024, regarding the planned scope and timing of our audit and identified significant risks. We did not make any changes to the planned scope and timing of the audit.
Accounting policies and practices		
Preferability of accounting policies and practices	✓	Under accounting principles generally accepted in the United States of America management may select among alternative accounting practices in certain circumstances. In our view, in such circumstances, management has selected the preferable accounting practice.
Adoption of, or change in, accounting policies	✓	Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies nor change any significant accounting policies during the current period.
Significant accounting policies	✓	We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Significant unusual transactions	✓	We did not identify any significant unusual transactions.

Significant accounting estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events.

Fair value of investments

Accounting policy

All non-negotiable certificates of deposits and fixed-rate time deposits are recorded at amortized cost. Investments and debt securities are recorded at fair value.

Management’s estimation process

Investments are reflected based on closing bid prices as of the last business day of the month as supplied by third party data services provider. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. All non-negotiable fixed-rate time deposits are recorded at amortized cost .

Basis for our conclusion on the reasonableness of the estimate

We tested the fair value of investments and concluded management’s estimate was reasonable.

Net Pension liability

Accounting policy

The Authority is the sponsor of two Single Employer Pension plans. The Authority measures its pension expense and net pension asset/liability based on approved demographic and economic assumptions approved by members of the Pension Committee. The measurement is used to record the pension expense, net pension asset/liability and related disclosures in its financial statements

Management’s estimation process

The net pension liability and related expense were measured as of December 31, 2024. The calculation is prepared by an independent actuarial companies engaged by the Authority.

Basis for our conclusion on the reasonableness of the estimate

We used our own actuarial specialist to review the related valuations and concluded management’s estimate was reasonable.

Significant accounting estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events.

Leases

Accounting policy

The Authority recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease term unless the lease contract is considered a short-term lease.

As lessor, the Authority recognizes a lease receivable. The lease receivable is measured using the net present value of future lease payments to be received for the lease term and deferred inflow of receivables at the beginning of the lease term

Management’s estimation process

The lease liability/receivable is measured using the net present value of the future contract payments at inception, using the incremental borrowing rate

Basis for our conclusion on the reasonableness of the estimate

We tested the value of the lease liability/receivable and concluded management’s estimate was reasonable.

Subscription Based Information Technology Arrangements (SBITA)

Accounting policy

The Authority recognizes a subscription liability and an intangible right to use subscription asset at the beginning of a SBITA term unless the SBITA contract is considered a short-term SBITA.

Management’s estimation process

The subscription liability is measured using the net present value of the future contract payments at inception, using the incremental borrowing rate.

Basis for our conclusion on the reasonableness of the estimate

We tested the value of the subscription liability and concluded management’s estimate was reasonable.

Significant accounting estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events.

Depreciable useful lives of capital assets

Accounting policy

The depreciable life of property and equipment is set at the estimated useful life of the related asset.

Management’s estimation process

The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including the estimated useful life and prior experience.

Basis for our conclusion on the reasonableness of the estimate

We tested the value of the related balances and concluded management’s estimate was reasonable.

Accrued compensated absences

Accounting policy

The Authority recognizes a liability for certain employee benefits including vacations, holidays, illness and certain other qualifying leave.

Management’s estimation process

The Authority records a liability for unused vacation balances that are estimated to be used or paid out each fiscal year and is generally based on length of service. Substantially all employees are eligible to receive compensation for vacations, holidays, illness and certain other qualifying leave.

Basis for our conclusion on the reasonableness of the estimate

We tested the value of the liability and concluded management’s estimate was reasonable.

Audit adjustments and uncorrected misstatements

Audit adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations about the audit process

Matter to Report	Yes	No
Observations about the audit process		
Significant issues discussed with management	✓	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Disagreements with management	✓	There were no disagreements with management.
Significant difficulties encountered in performing the audit	✓	We did not encounter any significant difficulties in dealing with management during the audit.
Consultations with other accountants	✓	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant matters that required consultation	✓	We did not encounter any difficult or contentious matters that required consultation outside our engagement team and that are, in our professional judgment, significant and relevant to your responsibility to oversee the financial reporting process.

Independence

Shared responsibilities for independence

Auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees, and audit firms work together in considering compliance with AICPA and *Government Accountability Office* (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and RSM each play an important role.

Our responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The CapMetro's responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - Change in the reporting entity impacting affiliates as subsidiaries, partnerships related entities, investments, joint ventures, component units, jointly governed organizations.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the CapMetro and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into arrangements of nonaudit services resulting in RSM being involved in making management decision on behalf of CapMetro.
- Not entering into relationships resulting in close family members of RSM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the CapMetro.

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Aaron

One of the
RSM team



Appendices

Appendix A—Significant written communications between management and our firm

Significant written communications between our firm and the management of the Authority, included a representation letter provided to us by management as part of the audit.

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