

Fort Worth Transportation Authority

Financial Report

September 30, 2019

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Independent Auditor's Report

To the Board of Directors of the
Fort Worth Transportation Authority

Report on the Financial Statements

We have audited the accompanying statements of net position of the Fort Worth Transportation Authority (the Authority) as of September 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Authority management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2019 and 2018, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues and Expenses – Budget and Actual, the Schedule of Expenditures of Federal Awards as required by as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the Schedule of Expenditures of State Awards, as required by the Texas Governor's Office of Budget and Planning Uniform Grant Management Standards, which includes the State of Texas Single Audit Circular (UGMS) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Revenues and Expenses – Budget and Actual has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Board of Directors of the
Fort Worth Transportation Authority

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2020 on our consideration of the Fort Worth Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
May 5, 2020

Management's Discussion and Analysis

The Fort Worth Transportation Authority (the Authority) management prepared this narrative overview and analysis of its financial activities for the fiscal year ended September 30, 2019. The information presented herein should be read in conjunction with the accompanying financial statements and notes to the financial statements.

Financial Highlights

At September 30, 2019, the Authority's assets exceeded its liabilities by \$1,097,353,147. Of this amount, \$299,199,716 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. Unrestricted net position was approximately 289% of the fiscal 2019 operating expenses before depreciation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of two components: fund financial statements and the accompanying notes. In addition to the financial statements, this report also contains other supplementary information. The Authority's activities are accounted for in a single enterprise fund; therefore, government-wide financial statements are not presented. Enterprise funds are generally used to report business-type activities of governmental entities.

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information on the Authority's business activities during the year. The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the financial statements.

Financial Analysis of the Authority's Net Assets

The Authority's total assets of \$1,503,849,949 at September 30, 2019 represented an increase of \$114,658,102 or 8% from September 30, 2018. Capital assets, which includes land and construction in progress, at September 30, 2019 were \$1,164,618,932, representing an increase of \$150,355,280 or 15% from September 2018.

The Authority's total liabilities of \$406,496,802 at September 30, 2019 represented a decrease of \$32,888,647 or 7% from September 30, 2018. Total current and non-current portions of long-term liabilities were \$346,586,248 at September 30, 2019, a decrease of \$519,415 or less than 1% from September 30, 2018. This decrease is due to scheduled debt payments.

Total current liabilities increased by \$172,250,713 or 160%, primarily due to completion of the Texrail project. This note payable is on a rapid repayment plan, as the repayments commence in fiscal 2020 with full liquidation of the debt in 2022. \$205,000,000 was moved to the current portion of the note payable to be paid in fiscal 2020.

The Authority's net position increased in fiscal 2019 by \$147,546,749 or 16%, compared to an increase of \$237,543,857 or 33%, in fiscal 2018. The decrease in the change in net position as compared to fiscal 2018 of \$89,997,108 is primarily due to the following:

- A decrease in preventative maintenance reimbursement grants of \$24,631,402;
- A decrease in the contribution from partners of \$14,142,132;
- An increase in depreciation expenses by \$20,153,143 due to the completion of the Texrail project;
- An increase in purchased transportation expenses of \$8,802,784;
- An increase in interest expense of \$7,745,871 due to the completion of the Texrail Project;
- An increase in other operating expenses of \$5,101,859 due primarily to interest on the Texrail loan & the imputed interest on the long-term payable due to the City of Grapevine.

The Authority's total assets of \$1,389,191,847 at September 30, 2018 represented an increase of \$253,121,876, or 22% from September 30, 2017. Capital assets, which includes land and construction in progress, at September 30, 2018, were \$1,014,263,652, representing an increase of \$370,878,686 or 58% from September 2017.

The Authority's total liabilities of \$439,385,449 at September 30, 2018 represented an increase of \$15,578,019, or 4% from September 30, 2017. Total current and non-current portions of long-term liabilities were \$347,105,663 at September 30, 2018, an increase of \$18,375,658 or less than 6% from September 30, 2017. This increase is due to the addition of long-term liabilities related to the City of Grapevine.

Total current liabilities increased \$12,355,206 or 13% due primarily to the timing of payments to vendors at the end of the fiscal year and accrued payables related to a construction project offset by the liability related to the City of Grapevine.

The Authority's net position increased in fiscal 2018 by \$237,543,857 or 33%, compared to an increase of \$124,528,127 or 21%, in fiscal year 2017. The increase in the change in net position as compared to fiscal 2017 of \$113,015,730 is primarily due to the following:

- An increase in operating revenues of \$1,140,641;
- An increase in sales tax revenue of \$4,170,216;
- An increase in preventative maintenance grants of \$15,135,895;
- An increase in contribution from partners of \$15,172,590;
- An increase in investment income of \$1,892,463; and
- An increase in grants for capital improvements of \$78,868,080;

A detailed discussion of these changes is provided below in the Analysis of the Authority's Statement of Revenues and Expense and Changes in Net Position section of this document.

Condensed Summary of Assets, Liabilities, and Net Position

	2019	2018
Current assets	\$ 320,806,158	\$ 356,030,904
Non-current assets	1,183,043,791	1,033,160,943
Total assets	1,503,849,949	1,389,191,847
Current liabilities	280,204,700	107,953,987
Long-term liabilities	126,292,102	331,431,462
Total liabilities	406,496,802	439,385,449
Net position		
Net investment in capital assets	796,153,431	612,466,471
Restricted	2,000,000	2,000,000
Unrestricted	299,199,716	335,339,927
Total net position	\$ 1,097,353,147	\$ 949,806,398

Operating revenues for fiscal 2019 increased \$710,953 or 7%. Fare revenue increased \$560,048 or 6% due to increased ridership on the Authority's core transportation services, fixed route bus, paratransit and commuter rail, during the year. Other revenues, which include items such as natural gas royalties, the sale of pass covers, identification cards and subrogation revenue, increased \$95,543 or 49%.

Operating expenses before depreciation increased \$31,244,670 or 43% in fiscal 2019 as compared to fiscal 2018. This increase in operating expenses is primarily due to the following:

- Purchased transportation increased by \$8,802,784 or 47%;
- Interest expense increased by \$7,745,871 or 8,699%;
- Other expenses increased by \$ 5,101,859 or 591%;
- Professional services increased by \$2,737,549 or 44%; and
- Casualty and liability insurance expenses increased by \$2,664,847 or 164%;
- Salaries and wages expense increased by \$2,205,940 or 6%;

Non-operating revenue (expenses) decreased \$40,479,209 or 28% in fiscal 2019 as compared to fiscal 2018. This decrease is primarily due to the following:

- A decrease in operating assistance grants of \$2,098,367 or 63%
- A decrease in preventative maintenance grants of \$24,631,402 or 100%,
- A decrease in para-transit assistance grants of \$2,400,000 or 100%;
- A decrease in the contribution from partners of \$14,142,132 or 50%;
- Sales tax revenue increased \$3,433,678 or 4%

Operating revenues for fiscal 2018 increased \$1,140,641 or 13%. Fare revenue increased \$1,129,875 or 14% due to increased ridership on the Authority's core transportation services, fixed route bus, paratransit and commuter rail, during the year. Other revenues, which include items such as natural gas royalties, the sale of pass covers and identification cards, decreased \$54,475 or 22%. These changes were partially offset by an increase in bus and bus bench advertising revenues of \$65,241 or 13%.

Operating expenses before depreciation increased \$3,537,823 or 5% in fiscal 2018 as compared to fiscal 2017. This increase in operating expenses is primarily due to the following:

- Salaries, wages and fringe benefits increased by \$2,281,965 or 6%.
- Purchased transportation increased by \$2,508,522 or 16%

Non-operating revenue (expenses) increased \$37,200,663 or 35% in fiscal 2018 as compared to fiscal 2017. This increase is primarily due to the following:

- Sales tax revenue increased \$4,170,216 or 6% due to increased sales tax collections as a result of a strong economy during fiscal 2018;
- Preventative maintenance reimbursement increased \$15,135,895 or 159% due to an increase in pass through related grants; and
- Contributions from partners increased \$15,172,590 or 114%;

Changes in Net Position

	2019	2018
Operating revenue		
Fare revenue	\$ 9,676,529	\$ 9,116,481
Advertising	605,556	550,194
Other	292,102	196,559
Operating revenue	10,574,187	9,863,234
Operating expenses	142,284,594	90,886,781
Operating loss	(131,710,407)	(81,023,547)
Nonoperating revenue (expenses)		
Sales Tax	82,117,362	78,683,684
Operating assistance grants	1,219,594	3,317,961
Preventive Maintenance reimbursement	-	24,631,402
Para-transit assistance	-	2,400,000
Contributions from partners	14,283,029	28,425,161
Other non-operating revenue	6,391,980	7,032,966
Net non-operating revenue (expenses)	104,011,965	144,491,174
Grants for Capital Improvements	175,245,191	174,076,230
Change in net position	147,546,749	237,543,857
Net position, beginning of year	949,806,398	712,262,541
Net position, end of year	\$ 1,097,353,147	\$ 949,806,398

Capital Assets

During fiscal 2019 the Authority's net investment in capital assets increased by \$183,686,960. The Authority added \$191,784,739 in acquisitions and construction of capital assets, \$197,526,429 or 51% less than in fiscal 2018. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
 - Commuter rail expansion of \$165,015,217; and
- Fixed route bus service and para-transit service improvements include:
 - Replacement of aging para-transit and fixed route vehicles of \$4,059,494;
 - Technology improvements of \$3,327,500; and
 - Facilities improvements and other capital maintenance of \$19,382,528.

Depreciation expense for fiscal 2019 was \$38,207,682. The following is a summary of the Authority's capital assets:

	2019	2018
Land	\$ 154,714,132	\$ 45,089,218
Buildings	103,451,225	80,724,990
Building improvements	1,834,370	868,915
Machinery and equipment	79,032,439	8,104,646
Rolling stock	162,717,879	43,125,092
Improvements other than buildings	602,780,877	58,751,774
Construction in Progress	60,088,010	777,599,017
	\$ 1,164,618,932	\$ 1,014,263,652

During fiscal 2018 the Authority's net investment in capital assets increased by \$114,082,562. The Authority added \$389,311,168 in acquisitions and construction of capital asset, \$171,368,981 or 78% more than in fiscal 2017. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
 - Commuter rail expansion of \$366,225,596; and
- Fixed route bus service and para-transit service improvements include:
 - Replacement of aging para-transit and fixed route vehicles of \$10,149,756;
 - Technology improvements of \$4,032,769; and
 - Facilities improvements and other capital maintenance of \$5,552,734.

Depreciation expense for fiscal 2018 was \$18,432,000. The following is a summary of the Authority's capital assets:

**Capital Assets, Net of Accumulated Depreciation
as of December 30, 2018 and 2017**

	2018	2017
Land	\$ 45,089,218	\$ 45,089,218
Buildings	80,724,990	83,275,474
Building improvements	868,915	944,599
Machinery and equipment	8,104,646	4,525,392
Rolling stock	43,125,092	49,769,603
Improvements other than buildings	58,751,774	63,758,003
Construction in Progress	777,599,017	396,022,677
	<u>\$ 1,014,263,652</u>	<u>\$ 643,384,966</u>

Debt Administration

TEX Rail Loan

With the current financial structure of the TEX Rail project, long term debt financing is not necessary. With New Starts FFGA payments beginning in FY2017, there is a cash flow deficit for project CAPEX from FY2017 through FY2019. This cash flow deficit is met by short-term borrowing with rapid repayment. With the current project schedule, the maximum projected amount of the short term debt was reached in quarter 2 of 2017 in an amount of \$325.0 million. Repayments on the loan commence in fiscal 2020 with full liquidation of the debt in fiscal 2022. The projected net proceeds of the short-term borrowing are \$325.0 million. The total payments on the short-term borrowing are estimated at \$355.3 million, which includes interest of \$30.3 million. For the baseline financial structure, interest on the short-term debt has been assumed at 5% (APR) of the outstanding amount borrowed accrued and capitalized quarterly. In addition, there is an estimated \$3.7 million in costs related to the issuance of the debt. Currently, FWTA has never issued any debt, except a \$2.5 million 10-year capital lease that financed new energy efficient air-conditioning and lighting systems. This short-term debt will be secured by lawfully available funds of FWTA.

Due to State of Texas

During the year ended September 30, 2011, the Authority was notified by the Texas Comptroller of Public Accounts (the Comptroller) that the Comptroller erroneously remitted approximately \$4.6 million in sales tax collections to the Authority. The Comptroller and the Authority have agreed to interest free monthly repayment terms, which will be deducted from the monthly sales tax remittance from the Comptroller through June 2036.

During fiscal 2014, the Authority was notified by the Comptroller that an additional \$517,000 had been erroneously remitted. This additional amount payable to the State of Texas was added to the outstanding balance due to the State of Texas as of July 31, 2014. The Authority calculated and recorded the present value of the overpayment from the state as a long-term liability, using a 2.55% discount rate, consistent with other borrowings of the Authority. Monthly payments consist of a reduction of the principal balance, as well as recognizing the imputed interest for the period.

During fiscal 2015, the Authority was notified by the Comptroller that an additional \$1,342,000 had been erroneously remitted. This additional amount payable to the State of Texas was added to the outstanding balance due to the State of Texas as of September 30, 2015. The Authority calculated and recorded the present value of the overpayment from the state as a long-term liability, using a 2.55% discount rate, consistent with other borrowings of the Authority. Monthly payments consist of a reduction of the principal balance, as well as recognizing the imputed interest for the period.

The balance due the State of Texas at September 30, 2019 and 2018 was approximately \$2,842,000 and \$3,208,000, respectively.

Due to The City of Grapevine

During the year ended September 30, 2018, the Authority and the City of Grapevine agreed upon a one-time payment of \$15,000,000 and annual payments of \$250,000 over 20 years to share in the construction cost of TEXRail station enhancements. The annual payments will be made through a reduction in the monthly sales tax remittances to the Authority.

The Authority has calculated and recorded the present value of the payments, noted above, as a long-term liability, using a 2.5% discount rate, consistent with other borrowings of the Authority. Annual payments will consist of a reduction of the principal balance as well as recognition of the imputed interest for the period.

Economic Factors and Next Year's Budget

The operating budget for fiscal 2020 continues to recognize the importance of efficient service that meets the needs of our customers and community while maintaining a balanced budget. Sales tax revenues continued to be strong in fiscal 2019, increasing approximately \$3.4 million or 4% over fiscal 2018 receipts. Sales tax revenues for fiscal 2020 are budgeted at \$83.6 million, an increase of approximately \$1.5 million or 2% as compared to fiscal 2019 actual revenue of \$82.1 million.

Budgeted sales tax receipts are based on a number of local economic and demographic trends, including the unemployment and population growth. The overall employment picture in Authority's service area has shown significant improvement over the past twelve months. According to the Department of Labor the unemployment rate for the Fort Worth area for August 2019 was 3.5%. This is a decrease of 0.1% over August 2018, and the Fort Worth/Arlington region remains below the national unemployment rate of 3.7% in August 2019. Fort Worth, which is the Authority's largest member city, continues to experience population growth. Fort Worth's estimated population in July 2019 was 917,050. With an annual population growth rate of 2.45%, the population of Fort Worth is expected to exceed 937,000 next year.

The adopted fiscal 2020 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2020 budgeted operating expenses before depreciation totaled approximately \$113.9 million dollars, an increase of approximately \$10.2 million or 10% over actual fiscal 2019 total expenses before depreciation.

This budgeted increase in operating costs is primarily due to the following:

- A budgeted increase in salaries, wages and fringe benefits of \$5.0 million or 12%, as compared to fiscal 2019 actual results. The largest contributor to this increase is wage increases for bargaining unit staff as well as filling in vacancies and new additional positions to support increases in service;
- A budgeted increase in service type expenses, which included purchased transportation expenses, of approximately \$13.2 million or 36%, as compared to fiscal 2019 actual results. This increase is due to running a full year of TEXRail revenue service with 30-minute headways during peak hours as well as new services such as Trinity Metro ZIPZONE.
- A budgeted decrease of interest expenses of \$3.6 million or 46%, as compared to fiscal 2019 actual results due to continued payment on the principal of the TEXRail loan.
- A budgeted decrease of other expense of \$4.9 million or 82%, as compared to fiscal 2019 actual results due to expensing costs related to the TEXRail project that had originally been recorded to construction in progress.

The Authority enters fiscal 2020 recognizing the importance of efficient public transportation services that meets the needs of our customers and the community. As always, our number one goal continues to be focusing on increasing system wide ridership, balancing the demands of existing public transportation modes, while making certain that funds are available in the future to operate and maintain new and innovative modes of service. Some of the principal issues facing the Authority include the increasing costs and greater public demand for high quality public transportation services.

The extent of the operational and financial impact the COVID-19 pandemic may have on the Authority has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. The Authority is unable to accurately predict how COVID-19 will affect the results of its operations because the virus's severity and the duration of the pandemic are uncertain. However, while it is premature to accurately predict its full impact, the Authority anticipates that sales tax collections will be reduced for the immediate future. In addition, and in response to COVID-19, the Authority has temporarily suspended the collection of fares through May 16, 2020 and may extend the suspension into the future. The Authority is eligible to receive grant funding under the CARES Act, and this funding is intended to support the Authority's operating and capital costs incurred on or after January 20, 2020. The grant provides for reimbursement of up to 100% of these costs up to a total of approximately \$55 million, and reimbursement of these costs are partially expected to bridge the Authority for any loss of revenues. Given the funding being made available under the CARES Act and although unknown as to the severity of the impact of the pandemic, the Authority does not believe it's impact will prove materially detrimental to the long term operations of the Authority.

Requests for Information

The financial report is designed to provide the citizens of our member cities, customers and other interested parties with a general overview of our finances. If you have any questions regarding this report or need any additional information, contact the Chief Financial Officer at Burnett Plaza 801 Cherry St, Suite 850, Fort Worth, Texas 76102 or by e-mail at tmweb@ridetm.org

Financial Statements

Fort Worth Transportation Authority

Statements of Net Position September 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Board reserves for operations and insurance claims	\$ 11,000,000	\$ 11,000,000
Restricted for rail vehicles	800,682	3,334,407
Unrestricted cash and cash equivalents	251,503,704	244,617,537
Total cash and cash equivalents	263,304,386	258,951,944
Investments	10,000,000	60,000,000
Receivables, net	44,554,041	33,190,814
Inventory	1,727,468	2,028,631
Prepaid expenses	1,220,263	1,859,515
Total current assets	320,806,158	356,030,904
LONG-TERM ASSETS		
Right to use asset, net	18,424,859	18,897,291
Land and construction in progress	214,802,142	822,688,235
Other capital assets, net of accumulated depreciation	949,816,790	191,575,417
Total long-term assets	1,183,043,791	1,033,160,943
Total assets	1,503,849,949	1,389,191,847
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	53,693,220	83,340,369
Accrued payroll and payroll related taxes	2,649,454	2,545,867
Other accrued liabilities	1,921,938	2,775,739
Current portion of due to state	137,764	521,633
Current portion of due to municipality	15,156,382	15,152,568
Current portion of revenue note payable	205,000,000	-
Unearned transit revenue	1,645,942	3,617,811
Total current liabilities	280,204,700	107,953,987
LONG-TERM LIABILITIES		
Due to state, net of current portion	2,703,761	2,686,739
Due to municipality, net of current portion	3,588,341	3,744,723
Revenue note payable	120,000,000	325,000,000
Total long-term liabilities	126,292,102	331,431,462
Total liabilities	406,496,802	439,385,449
NET POSITION		
Net investment in capital assets	796,153,431	612,466,471
Restricted	2,000,000	2,000,000
Unrestricted	299,199,716	335,339,927
TOTAL NET POSITION	\$ 1,097,353,147	\$ 949,806,398

The Notes to Financial Statements are an integral part of these statements.

Fort Worth Transportation Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Fare revenue	\$ 9,676,529	\$ 9,116,481
Advertising	605,556	550,194
Other	292,102	196,559
Total operating revenues	<u>10,574,187</u>	<u>9,863,234</u>
OPERATING EXPENSES		
Salaries, wages and fringe benefits	41,360,760	39,154,820
Professional services	8,998,724	6,261,175
Purchased transportation	27,335,341	18,532,557
Fuels and lubricants	2,501,841	2,074,574
Tires and tubes	352,105	432,021
Maintenance materials	3,144,493	2,299,028
Supplies and materials	682,354	343,232
Utilities	1,224,675	759,763
Casualty and liability insurance	4,294,416	1,629,569
Taxes and fees	4,014	15,044
Interest expense	7,834,918	89,047
Other	5,965,328	863,469
Depreciation and amortization	38,585,625	18,432,482
Total operating expenses	<u>142,284,594</u>	<u>90,886,781</u>
Operating loss	(131,710,407)	(81,023,547)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax	82,117,362	78,683,684
Operating assistance grants	1,219,594	3,317,961
Preventative maintenance reimbursement	-	24,631,402
Para-transit assistance	-	2,400,000
Contributions from partners	14,283,029	28,425,161
Rental income	812,937	741,352
Investment income	5,664,745	5,074,085
Oil and gas revenue	39,296	45,536
Gain (loss) on disposal of capital assets	(124,998)	11,769
Other non-operating revenue	-	1,160,224
Total non-operating revenue (expenses)	<u>104,011,965</u>	<u>144,491,174</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS	(27,698,442)	63,467,627
GRANTS FOR CAPITAL IMPROVEMENTS	<u>175,245,191</u>	<u>174,076,230</u>
Change in net position	147,546,749	237,543,857
NET POSITION, beginning of year	<u>949,806,398</u>	<u>712,262,541</u>
NET POSITION, end of year	<u>\$ 1,097,353,147</u>	<u>\$ 949,806,398</u>

The Notes to Financial Statements are an integral part of these statements.

Fort Worth Transportation Authority
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,604,063	\$ 11,293,398
Payments to suppliers	(91,898,744)	(20,226,456)
Payments to employees	(41,257,173)	(38,055,716)
	(130,551,854)	(46,988,774)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax received	81,997,374	77,948,747
Preventive maintenance reimbursement	3,465,936	21,248,502
Para-transit assistance	-	2,400,000
Contributions from partners	14,283,029	28,425,161
Rental income	812,937	741,352
Operating assistance grants	1,219,594	3,317,961
Oil and gas revenue	39,296	45,536
Other non-operating receipts	-	1,160,224
Payment of due to state	(519,415)	(521,633)
	101,298,751	134,765,850
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants for capital improvements	165,835,789	175,331,430
Acquisition and construction of capital assets	(188,620,706)	(389,311,168)
Proceeds from sale of capital improvements and land	27,235	11,769
	(22,757,682)	(213,967,969)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	6,363,227	4,741,966
Purchase of investments	-	(60,000,000)
Proceeds from sale and maturity of investments	50,000,000	60,000,000
	56,363,227	4,741,966
Net change in cash and cash equivalents	4,352,442	(121,448,927)
CASH AND CASH EQUIVALENTS, beginning of year	258,951,944	380,400,871
CASH AND CASH EQUIVALENTS, end of year	\$ 263,304,386	\$ 258,951,944

The Notes to Financial Statements are an integral part of these statements.

Fort Worth Transportation Authority
 Statements of Cash Flows – Continued
 Years Ended September 30, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (131,710,407)	\$ (81,023,547)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	38,113,193	18,432,482
Amortization expense	472,432	-
Change in operating assets and liabilities		
Receivables	(5,998,255)	1,365,942
Inventory	301,163	28,021
Prepaid expenses	639,252	(350,724)
Notes receivable	-	64,222
Accounts payable	(29,647,149)	12,580,794
Accrued payroll and payroll related taxes	103,587	1,099,104
Other accrued liabilities	(853,801)	814,932
Unearned transit revenue	(1,971,869)	-
Net cash used in operating activities	\$ (130,551,854)	\$ (46,988,774)
NONCASH INVESTING ACTIVITY		
Right-to-use asset financed through long-term payable	\$ -	\$ 18,897,291

The Notes to Financial Statements are an integral part of these statements.

Fort Worth Transportation Authority

Note to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Fort Worth Transportation Authority (the Authority) is a local transportation authority of the State of Texas providing public transportation to certain cities in Tarrant County, Texas, created pursuant to Chapter 452 of the Texas Transportation Code, and confirmed by a public referendum on November 8, 1983. Texas state law provides that the control and operation of a regional transportation authority and its property shall be vested in a Board of Directors (the Board) comprised of eleven members. Eight Board of Directors members are appointed by the City of Fort Worth (Fort Worth) City Council and three by the Tarrant County Commissioners' Court. The Board's purpose is to oversee public and general transportation services in the Authority's service area. In November 1983, the voters in the Authority's service area approved a one-quarter of one percent sales tax to fund the Authority's operations. In January 1989, the sales tax was increased to one-half of one percent as permitted by State Law.

The Board adopted resolutions on June 18, 1992, to include the City of Richland Hills (Richland Hills) and the City of Blue Mound (Blue Mound) in the Authority's service area. On May 4, 1992 and May 8, 1992, the citizens of Richland Hills and Blue Mound, respectively, approved referendums authorizing a one-half of one percent sales tax increase. Collection of Blue Mound and Richland Hills sales tax began October 1, 1992.

The City of Grapevine voters approved a \$0.01 (one cent) increase in city sales tax on November 6, 2006. A portion of this tax, \$0.0038 (three-eighths of a cent) was dedicated to the construction and operation of commuter rail from Fort Worth, through the City of Grapevine and into Dallas/Fort Worth International airport. On May 30, 2007, the Authority entered into an interlocal agreement with the City of Grapevine to provide this service.

The accounting policies of the Authority, as reflected in the accompanying financial statements as of and for the years ended September 30, 2019 and 2018, conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board.

Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used. A summary of the Authority's significant accounting policies applied in the preparation of the accompanying financial statements follows.

Reporting Entity

The financial statements of the Authority include all activities of the primary government, organizations and functions as required by accounting principles generally accepted in the United States of America. The Authority does not have any component units and does not meet the requirements to be included as a component unit in other governmental entities.

Fort Worth Transportation Authority

Notes to Financial Statements

Basis of Accounting

The activities of the Authority are similar to those of enterprise funds of local jurisdictions and, therefore, are reported as an enterprise fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of changes in net position, financial position, and cash flow. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Investments

The cash and investment policies of the Authority are governed by state statute. Statutes authorize the Authority to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act. During the years ended September 30, 2019 and 2018, the Authority did not own any type of securities other than those permitted by statute. Major provisions of the Authority's cash and investment policies include: depositories must be FDIC insured by Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits and repurchase agreements; repurchase agreements are made only through the designated central depository or primary dealers; securities collateralizing repurchase agreements and time deposits are held by independent third party trustees. Investments are stated at fair value, absent of investment pools. Texpool is recorded at amortized cost, and TexStar is at net asset value (NAV).

Inventory

Inventory is valued at average cost. Inventory generally consists of expendable supplies and vehicle parts held for consumption, and is recorded as an expense when consumed.

Prepaid Expenses

Prepaid expenses consist of certain payments to vendors reflecting costs applicable to future accounting periods, and are recorded as expenses in the related future period.

Capital Assets

Assets purchased with an original cost of \$5,000 or more which have a useful life of one year or more are capitalized at cost. Donated assets are valued at their estimated acquisition value on the date received. Depreciation is charged as expense over the estimated useful lives of the related assets using the straight-line method. Useful lives of capital assets approximate the following:

Buildings	20-50 years	Rolling stock	
Building improvements	4-10 years	Fixed route vehicles (light duty)	4 years
Machinery and equipment		Fixed route vehicles (medium duty)	7 years
Communications equipment	10 years	Fixed route vehicles (heavy duty)	12 years
Computer equipment	4 years	Commuter rail cars	25 years
Revenue equipment	8-10 years	Improvements other than buildings	
Maintenance equipment	4-10 years	Bus shelters	4 years
		Rail line improvements	25 years

Fort Worth Transportation Authority

Notes to Financial Statements

Major improvements to buildings and equipment are capitalized. Normal maintenance and repairs are charged to expense as incurred, and improvements and betterments which extend the useful lives of buildings and improvements are capitalized.

Right-to-Use Asset

Right-to-use assets are recorded at the present value of the required payments to the municipality using a discount rate, and is amortized over the life of the asset.

During year ended September 30, 2018, the Authority and the City of Grapevine agreed upon a one-time payment of \$15,000,000 and annual payments of \$250,000 over 20 years to share in the construction cost of TexRail station enhancements.

Revenues and Expenses

Operating revenues are generated from activities related to providing public transportation services to the Authority's customers. The Authority's operating revenues include primarily passenger fare revenues and advertising revenues. Non-operating revenues are not directly related to the operations of the Authority's transit service. Sales tax revenues, grant revenues, contributions and investment income are classified as non-operating revenues.

Operating expenses are incurred for activities related to providing public transportation services to the Authority's customers. Such activities include transportation, maintenance, and general and administration functions. Non-operating expenses include primarily contributions for other public projects. When both restricted and unrestricted resources are available for a specific expenditure, it is management's policy to first use restricted resources.

Grants and Contributions

Federal and state grants are made available to the Authority for the acquisition of public transit facilities, buses and other transit equipment, and to subsidize certain operating expenses. Grants are recorded as federal operating and formula assistance in the period in which the assistance expense is incurred, unless grants allow "pre-award" costs. In these instances, the revenues are often recognized in a period subsequent to that of the related expenses.

Contributions from Partners

Amounts noted as contributions from partners consist primarily of sales tax revenue levied by certain municipalities and paid to the Authority, along with state grant revenue and other local contributions.

Unearned Revenue

Monthly tickets and passes are sold for bus operations. Unearned transit revenue is an estimate of these unused tickets and passes. Unearned revenue also includes grant funds received, but not yet earned.

Statement of Cash Flows

For purposes of the statement of cash flows, all highly liquid investments (including reserved assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Fort Worth Transportation Authority

Notes to Financial Statements

Net Position

Net position is displayed in three components as follows:

Net Investment in Capital Assets: This consists of capital assets, net of accumulated depreciation and related debt.

Restricted: This consists of \$2,000,000 externally restricted for spending due to external operating agreements.

Unrestricted: This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

Note 2. Operating and Service Agreements

Prior to January 1, 2005, the Authority had a contract with McDonald Transit Associates, Inc. (MTA) to provide management services to operate the public transit system. McDonald Transit, Inc. (MTI) employed all personnel necessary to operate the Authority. The Authority was responsible for all costs incurred by McDonald Transit, Inc.

Effective January 1, 2005, the contract with MTA and MTI was renegotiated to provide only transportation services. MTI employs all operations and maintenance staff necessary to operate the fixed route and para-transit services for the Authority. Under this agreement, the Authority continued to be responsible for MTI costs and also paid MTA \$285,976 and \$240,384 in the years ended September 30, 2019 and 2018, respectively, for transit management services.

Such payments are made from sales tax collected in the respective jurisdictions.

The Authority has also entered into service agreements with several contractors to provide demand responsive para-transit service to qualified customers. These organizations were paid \$3,084,547 and \$3,149,849 for services in the years ended September 30, 2019 and 2018, respectively.

Note 3. Cash, Cash Equivalents and Investments

All investments and cash equivalents during the year were certificates of deposit or investments in investments pools TexPool and TexStar as authorized by Authority Resolution and State Statute. TexPool is duly chartered and administered by managers selected by the State Treasurer's Office with oversight by the State Treasurer. The TexPool portfolio consists of U.S. Treasury Bills, Treasury Notes, collateralized certificates of deposit and repurchase agreements. TexStar is duly chartered and administered by First Southwest Asset Management, Inc. and JPMorgan Chase. The TexStar portfolio consists of government obligations and fully collateralized repurchase agreements.

The Authority is a voluntary participant in two external investment pools, TexPool and TexStar. TexPool uses amortized investment costs rather than market values to compute participant share values. Accordingly, the fair value of the Authority's position in TexPool is substantially the same as the value of the shares in each of the pools.

Fort Worth Transportation Authority

Notes to Financial Statements

TexStar uses net asset value to report net assets to compute share prices. Accordingly, the fair value of the Authority's position in TexStar is the same as the value of TexStar shares.

At September 30, 2019 and 2018, the Authority had the following investments:

	2019		2018	
	Fair Value	Weighted Avg Years to Maturity	Fair Value	Weighted Avg Years to Maturity
Certificates of deposit	\$ 10,000,000	1.23	\$ 60,000,000	1.39
Total investments	10,000,000		60,000,000	
TexPool-cash equivalent	7,798,321	1.11	565,508	1.00
TexStar-cash equivalent	<u>81,373</u>	1.15	<u>67,385</u>	1.00
Total portfolio	<u>\$ 17,879,694</u>	1.49	<u>\$ 60,632,893</u>	1.21

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair market value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.

Level 2: Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.

Level 3: Significant unobservable inputs for an asset, as they trade infrequently or not at all. (The Authority does not value any investments using Level 3 inputs.)

Certificates of deposit and the two external investment pools are excluded from the hierarchy.

	2019	2018
Cash and cash equivalents		
Cash deposits	\$ 520,479	\$ 2,370,060
Money market accounts	254,904,213	255,948,991
TexPool	7,798,321	565,508
TexStar	<u>81,373</u>	<u>67,385</u>
Total cash and cash equivalents	<u>\$ 263,304,386</u>	<u>\$ 258,951,944</u>

Fort Worth Transportation Authority

Notes to Financial Statements

Interest Rate Risk

In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 18 months.

Credit Risk

At September 30, 2019 and 2018, the Authority's investments in TexPool and TexStar were rated AAAM and AAm, respectively, by Standard & Poor's. The Authority's investments in certificates of deposit were unrated both years.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority complies with the State of Texas custodial risk policy which states that all bank deposits in excess of the FDIC limit be collateralized. As of September 30, 2019 and 2018, the Authority held deposits in excess of the FDIC limit of \$26,277,940 and \$189,134,804, respectively. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2019 and 2018.

Restricted Cash and Board Reserves

The Board of Directors has designated the use of certain assets to fund the self-insurance program (see Note 8) and to cover at least three months' budgeted operating expense. These funds are to be continually invested until required for self-insured claims. At September 30, 2019 and 2018, the designated assets of cash and investments consisted of \$1,000,000 for the self-insurance program and \$10,000,000 for operations. The Authority also has restricted funds, which were provided through a grant from Regional Toll Revenues, to be used for the purchase of rail vehicles. These restricted funds totaled \$800,682 and \$3,334,407 at September 30, 2019 and 2018, respectively.

Note 4. Receivables

Receivables at September 30, 2019 and 2018 consisted of the following:

	2019	2018
Ticket, token and miscellaneous receivable	\$ 9,381,639	\$ 3,538,781
Sales tax	15,809,223	15,689,235
Grants receivable	19,363,179	13,419,713
Accrued interest receivable	-	543,085
Total	\$ 44,554,041	\$ 33,190,814

Fort Worth Transportation Authority

Notes to Financial Statements

Note 5. Capital Assets

The following table summarizes the changes in capital assets for the year ended September 30, 2019:

	Balance Beginning of Year	Increases	Decreases	Transfers	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 45,089,218	\$ -	\$ -	\$ 109,624,914	\$ 154,714,132
Construction in progress	777,599,017	191,784,739	(3,069,544)	(906,226,202)	60,088,010
Total capital assets not being depreciated	822,688,235	191,784,739	(3,069,544)	(796,601,288)	214,802,142
Capital assets, being depreciated					
Buildings	126,583,579	-	-	25,606,351	152,189,930
Building improvements	2,152,658	-	-	1,239,863	3,392,521
Machinery and equipment	26,482,629	-	(493,638)	76,216,787	102,205,778
Rolling stock	114,395,124	-	(4,633,151)	130,981,942	240,743,915
Improvements other than buildings	150,356,472	-	-	562,556,345	712,912,817
Total capital assets being depreciated	419,970,462	-	(5,126,789)	796,601,288	1,211,444,961
Less accumulated depreciation for					
Buildings	45,858,589	2,880,116	-	-	48,738,705
Building improvements	1,283,743	274,408	-	-	1,558,151
Machinery and equipment	18,377,983	9,769,912	(4,974,556)	-	23,173,339
Rolling stock	71,270,032	6,756,004	-	-	78,026,036
Improvements other than buildings	91,604,698	18,527,242	-	-	110,131,940
Total accumulated depreciation	228,395,045	38,207,682	(4,974,556)	-	261,628,171
Total capital assets, being depreciated, net	191,575,417	(38,207,682)	(152,233)	796,601,288	949,816,790
Capital assets, net	\$ 1,014,263,652	\$ 153,577,057	\$ (3,221,777)	\$ -	\$ 1,164,618,932

Interest of \$2,807,000 was capitalized during the year ended September 30, 2019.

Fort Worth Transportation Authority

Notes to Financial Statements

The following table summarizes the changes in capital assets for the year ended September 30, 2018:

	Balance Beginning of Year	Increases	Decreases	Reclassifications	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 45,089,218	\$ -	\$ -	\$ -	\$ 45,089,218
Construction in progress	396,022,677	382,059,251	(482,911)	-	777,599,017
Total capital assets not being depreciated	441,111,895	382,059,251	(482,911)	-	822,688,235
Capital assets, being depreciated					
Buildings	126,583,579	-	-	-	126,583,579
Building improvements	2,152,658	-	-	-	2,152,658
Machinery and equipment	23,498,545	5,235,409	(2,251,325)	-	26,482,629
Rolling stock	126,430,957	-	(12,035,833)	-	114,395,124
Improvements other than buildings	147,857,056	2,499,416	-	-	150,356,472
Total capital assets being depreciated	426,522,795	7,734,825	(14,287,158)	-	419,970,462
Less accumulated depreciation for					
Buildings	43,308,105	2,550,484	-	-	45,858,589
Building improvements	1,208,059	75,684	-	-	1,283,743
Machinery and equipment	18,973,153	1,656,155	(2,251,325)	-	18,377,983
Rolling stock	76,661,354	6,644,511	(12,035,833)	-	71,270,032
Improvements other than buildings	84,099,053	7,505,645	-	-	91,604,698
Total accumulated depreciation	224,249,724	18,432,479	(14,287,158)	-	228,395,045
Total capital assets being depreciated, net	202,273,071	(10,697,654)	-	-	191,575,417
Capital assets, net	<u>\$ 643,384,966</u>	<u>\$ 371,361,597</u>	<u>\$ (482,911)</u>	<u>\$ -</u>	<u>\$ 1,014,263,652</u>

Interest of \$8,346,000 was incurred during the year ended September 30, 2018, all of which was capitalized.

During year ended September 30, 2016, the Authority entered into an agreement with an entity which would provide for approximately \$40,000,000 in in-kind design and construction costs related to a new station to be used by the Authority related to TexRail. The entity retains full rights and ownership to the station, and, therefore, this is not recorded in the financial statements for year ended September 30, 2019.

Fort Worth Transportation Authority

Notes to Financial Statements

Note 6. Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2019:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to state	\$ 3,208,372	\$ -	\$ (366,847)	\$ 2,841,525	\$ 137,764
Due to municipality	18,897,291	-	(152,568)	18,744,723	15,156,382
Revenue note payable	<u>325,000,000</u>	<u>-</u>	<u>-</u>	<u>325,000,000</u>	<u>205,000,000</u>
Total	<u>\$ 347,105,663</u>	<u>\$ -</u>	<u>\$ (519,415)</u>	<u>\$ 346,586,248</u>	<u>\$ 220,294,146</u>

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2018:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to state	\$ 3,730,005	\$ -	\$ (521,633)	\$ 3,208,372	\$ 521,633
Due to municipality	-	18,897,291	-	18,897,291	15,152,568
Revenue note payable	<u>325,000,000</u>	<u>-</u>	<u>-</u>	<u>325,000,000</u>	<u>-</u>
Total	<u>\$ 328,730,005</u>	<u>\$ 18,897,291</u>	<u>\$ (521,633)</u>	<u>\$ 347,105,663</u>	<u>\$ 15,674,201</u>

Due to State

During the year ended September 30, 2011, the Authority was notified by the Texas Comptroller of Public Accounts (the Comptroller) that the Comptroller had erroneously remitted approximately \$4.6 million in sales tax collections to the Authority. The Comptroller and the Authority have agreed to repayment terms, which provide for no interest and monthly payments reduced from the regular sales tax monthly remittance from the Comptroller through June 2036.

During the year ended September 30, 2014, the Authority was notified by the Comptroller that an additional \$517,000 had been erroneously remitted. This additional amount payable to the State of Texas was added to the existing outstanding balance due to the State of Texas as of July 31, 2014. The Comptroller and the Authority have agreed to repayment terms, which provide for no interest and monthly payments reduced from the regular sales tax monthly remittance from the Comptroller through June 2036.

During the year ended September 30, 2015, the Authority was notified by the Texas Comptroller of Public Accounts that the Comptroller had erroneously remitted approximately \$1.3 million in sales tax collections to the Authority. This additional amount payable to the State of Texas was added to the existing outstanding balance due to the State of Texas as of September 30, 2015. The Comptroller and the Authority have agreed to repayment terms, which provide for no interest and monthly payments reduced from the regular sales tax monthly remittance from the Comptroller through April 2019.

Total due to state as of September 30, 2019 and 2018 are \$2,841,525 and \$3,208,372 respectively.

Fort Worth Transportation Authority

Notes to Financial Statements

The Authority has calculated and recorded the present value of the overpayments from the state, noted above, as a long-term liability, using a 2.55% discount rate, consistent with other borrowings of the Authority. Monthly payments will consist of a reduction of the principal balance as well as recognition of the imputed interest for the period.

Reductions of future sales tax remittances from the Comptroller to the Authority for repayment of the amount due to state at September 30, 2019 were scheduled as follows:

Year Ending September 30,		
2020	\$	208,620
2021		208,620
2022		208,620
2023		208,620
2024		208,620
2025-2028		834,480
2029-2033		1,043,100
2034-2036		573,736
Total minimum payments		3,494,416
Less amount representing interest		(652,891)
Recorded value of minimum payments	\$	2,841,525

The imputed interest totaled \$76,302 and \$89,047 for the years ended September 30, 2019 and 2018, respectively, and is included in interest expense.

Due to Municipality

During the year ended September 30, 2018, the Authority and a local municipality agreed that the Authority would pay, through a one-time payment of \$15,000,000 and annual payments of \$250,000 over 20 years, for certain rights to use. The municipality and the Authority have agreed to repayment terms, which provide for no interest and monthly payments reduced from the monthly remittances to the Authority.

The Authority has calculated and recorded the present value of the payments, noted above, as a long-term liability, using a 2.5% discount rate, consistent with other borrowings of the Authority. Monthly payments will consist of a reduction of the principal balance as well as recognition of the imputed interest for the period.

Fort Worth Transportation Authority

Notes to Financial Statements

Reductions of future remittances to the Authority for repayment of the amount due to municipality at September 30, 2019 were scheduled as follows:

Year Ending September 30,		
2020	\$	15,250,000
2021		250,000
2022		250,000
2023		250,000
2024		250,000
2025-2029		1,250,000
2030-2034		1,250,000
2035-2038		1,000,000
Total minimum payments		19,750,000
Less amount representing interest		(1,005,277)
Recorded value of minimum payments	\$	18,744,723

The imputed interest totaled \$97,432 the year ended September 30, 2019, and is included in interest expense.

TEX Rail Loan

On December 21, 2016, the Authority issued \$325,000,000 in Revenue Notes, Series 2016 to finance the Tex Rail Project. The Full Funding Grant Agreement is pledged as security. Principal will be paid in the amounts of \$205,000,000, \$60,000,000, and \$60,000,000 on October 1, 2019, 2020, and 2021, respectively. Interest ranges from 2.4% to 3.0% and is payable semi-annually each April 1 and October 1.

Principal and interest payments are scheduled as follows:

Year Ending September 30,	Principal	Interest
2020	\$ 205,000,000	\$ 7,152,745
2021	60,000,000	3,155,058
2022	60,000,000	1,074,106
	\$ 325,000,000	\$ 11,381,909

For year ended September 30, 2019, \$10,468,040 of interest was incurred, with \$7,661,184 recorded as interest expense. Interest capitalized related to borrowing during year ended September 30, 2019 totaled \$2,806,856.

Letter of Credit

The Authority had a letter of credit approximating \$5,000,000 in the name of an entity related to an operating agreement as of September 30, 2019 and 2018.

Fort Worth Transportation Authority

Notes to Financial Statements

Note 7. Retirement Benefits

The Authority has established the McDonald Transit, Inc. 401(k) Retirement Plan (the 401(k) Plan), which is a defined contribution plan under the Internal Revenue Code (the IRC). The 401(k) Plan has a calendar year end and is administered by an advisory committee. The provisions of the 401(k) Plan allow full time, part time and temporary employees of MTI who are age 18 or older and work at least one hour to be participants and to make voluntary contributions of up to 100% of their compensation or the IRC limitations.

The Authority makes contributions to the 401(k) Plan for employees who work 1,000 hours or more during a calendar year based on their voluntary contribution as follows:

Employee Contribution as a Percent of Compensation	The Authority's Contribution
0%	3%
1.00-1.99%	4%
2.00-3.99%	5%
4.00% or greater	6%

During fiscal years ended September 30, 2019 and 2018, the employee contributions to the 401(k) Plan were \$1,491,256 and \$1,106,988, respectively. The Authority's contributions to the 401(k) Plan for those years were \$569,009 and \$1,199,148, respectively.

In January 2005, several of the MTI employees were transferred to become direct employees of the Authority (see Note 2). The affected employees' vested contributions from the 401(k) Plan were transferred to the Fort Worth Transportation Authority Eligible 457(b) Plan (the 457(b) Plan), which was adopted on December 14, 2004. All employees of the Authority are eligible to participate effective on the employee's hire date with the Authority. The 457(b) Plan allows for the Authority to make a discretionary matching contribution for the employees based on a percentage of each participant's contributions to the plan.

During the years ended September 30, 2019 and 2018, the employee contributions to the 457(b) Plan were \$569,009 and \$316,331, respectively. The Authority's contributions to the 457(b) Plan for those years were \$198,305 and \$311,238, respectively.

Note 8. Commitments and Contingencies

Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2019. The Authority has spent \$36,107,847 on these projects and has remaining commitments of \$186,246,471 at September 30, 2019.

Fort Worth Transportation Authority

Notes to Financial Statements

Risk Management

The Authority participates in the Texas Municipal League Intergovernmental Risk Pool (the Risk Pool) to provide insurance for errors and omission and property coverage. At September 30, 2019 and 2018, the Risk Pool was self-sustaining based on premiums charged, so that total contributions plus compounded earnings on these contributions will be sufficient to satisfy claims and liabilities and other expenses. Premiums are assessed based on the rates set by the Texas State Board of Insurance and may be adjusted, on an annual basis, by the Risk Pool's Board of Trustees for each participating political subdivision's experience.

The Risk Pool has purchased stop loss coverage to protect the assets of the pool from catastrophic losses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years, and there have been no significant reductions in insurance coverage during the current year.

The Authority is fully self-insured for vehicle and general liability damage claims and for the first \$750,000 of any workers' compensation claims and carries excess workers' compensation insurance for claims that exceed \$750,000 per claim up to the statutory limit.

The claims liability for vehicle, general liability and workers' compensation of \$570,190 and \$689,341 reported at September 30, 2019 and 2018, respectively, is based on the requirements of Government Accounting Standards Board Statement No. 10 (GASB No. 10), which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on the Authority's experience with similar claims, and is included in other accrued liabilities as of September 30, 2019 and 2018.

Changes in the reported liability for the years ended September 30, 2019 and 2018 are as follows:

	Beginning of Year Liability	Incurred Claims and Adjustments	Claim Payments	End of Year Liability
Vehicle and general liability				
Fiscal year 2019	\$ 591,173	\$ 297,418	\$ 432,217	\$ 456,374
Fiscal year 2018	454,161	137,012	-	591,173
Fiscal year 2017	433,669	291,127	270,635	454,161
Workers' compensation				
Fiscal year 2019	\$ 82,484	\$ 180,998	\$ 149,666	\$ 113,816
Fiscal year 2018	358,233	54,273	330,022	82,484
Fiscal year 2017	675,129	84,447	401,343	358,233

There were no significant reductions in insurance coverage from the prior year by major categories of risk, and no settlements exceeded insurance coverage for each of the past three fiscal years.

Cash and/or investments of \$1,000,000 were held for purposes of funding future claims liabilities (see Note 3) at September 30, 2019 and 2018.

Fort Worth Transportation Authority

Notes to Financial Statements

Lease Commitments

The Authority leased tires under operating leases during year ended September 30, 2018. The tire lease included maintenance of approximately \$7,000 per month. Total lease payments approximated \$359,000 for the year ended September 30, 2018. There were no leases noted during year ended September 30, 2019.

State and Federal Grants

The Authority participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivables at September 30, 2019 and 2018 may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; accordingly, no provision has been recorded in the accompanying financial statements for such contingencies.

Litigation

The Authority has various pending claims and lawsuits. It is the evaluation of management and legal counsel that any liabilities related to these claims will not have a material effect on the accompanying financial statements in excess of the accrued estimated loss of \$456,374, which is included in other accrued liabilities on the statements of financial position.

Note 9. Trinity Railway Express (TRE)

On July 7, 1983, the Cities of Dallas and Fort Worth, Texas (the Cities) acquired the Rock Island railroad right-of-way connecting the two Cities. In 1994, the Cities entered into an interlocal agreement (the Agreement) with the Authority and Dallas Area Rapid Transit (DART) providing access to the rail corridor for the two transit authorities. A separate agreement was also executed during the year between the Authority and DART to provide for operations of the Trinity Railway Express (TRE) commuter rail service on the corridor. On December 29, 1999, the Cities deeded the rail corridor to the Authority and DART for the development of passenger rail service between Fort Worth and Dallas. The Authority and DART each own an undivided joint interest in the rail corridor.

Note 10. Subsequent Events

The extent of the operational and financial impact the COVID-19 pandemic may have on the Authority has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. The Authority is unable to accurately predict how COVID-19 will affect the results of its operations because the virus's severity and the duration of the pandemic are uncertain. However, while it is premature to accurately predict its full impact, the Authority anticipates that sales tax collections will be reduced for the immediate future. In addition, and in response to COVID-19, the Authority has temporarily suspended the collection of fares through May 16, 2020 and may extend the suspension into the future. The Authority is eligible to receive grant funding under the CARES Act, and this funding is intended to support the Authority's operating and capital costs incurred on or after January 20, 2020. The grant provides for reimbursement of up to 100% of these costs up to a total of approximately \$55 million, and reimbursement of these costs are partially expected to bridge the Authority for any loss of revenues. Given the funding being made available under the CARES Act and although unknown as to the severity of the impact of the pandemic, the Authority does not believe its impact will prove materially detrimental to the long term operations of the Authority.

Supplementary Information

Fort Worth Transportation Authority
Schedule of Revenues and Expenses – Budget and Actual
Year Ended September 30, 2019
With Comparative Actuals for the Year Ended September 30, 2018

	2019			2018	
	Original Budget	Final Budget	Actual	Variance Over (Under)	Actual
OPERATING REVENUES					
Fare revenue	\$ 13,587,000	\$ 13,587,000	\$ 9,676,529	\$ (3,910,471)	\$ 9,116,481
Advertising	550,000	550,000	605,556	55,556	550,194
Other	157,000	157,000	292,102	135,102	196,559
Total operating revenues	14,294,000	14,294,000	10,574,187	(3,719,813)	9,863,234
OPERATING EXPENSES					
Salaries, wages and fringe benefits	45,213,000	45,213,000	41,360,760	3,852,240	39,154,820
Professional services	39,639,000	39,639,000	8,998,724	30,640,276	6,261,175
Purchased transportation	-	-	27,335,341	(27,335,341)	18,532,557
Fuels and lubricants	1,965,000	1,965,000	2,501,841	(536,841)	2,074,574
Tires and tubes	432,000	432,000	352,105	79,895	432,021
Maintenance materials	2,494,000	2,494,000	3,144,493	(650,493)	2,299,028
Supplies and materials	465,000	465,000	682,354	(217,354)	343,232
Utilities	1,036,000	1,036,000	1,224,675	(188,675)	759,763
Casualty and liability insurance	444,000	444,000	4,294,416	(3,850,416)	1,629,569
Taxes and fees	20,000	20,000	4,014	15,986	15,044
Interest expense	-	-	7,834,918	(7,834,918)	89,047
Depreciation	-	-	38,585,625	(38,585,625)	18,432,482
Other	1,124,000	1,124,000	5,965,328	(4,841,328)	863,469
Total operating expenses	92,832,000	92,832,000	142,284,594	(49,452,594)	90,886,781
Operating loss	(78,538,000)	(78,538,000)	(131,710,407)	(53,172,407)	(81,023,547)
NON-OPERATING REVENUES (EXPENSES)					
Sales tax	81,352,000	81,352,000	82,117,362	765,362	78,683,684
Operating assistance grants	10,652,000	10,652,000	1,219,594	(9,432,406)	3,317,961
Preventive maintenance reimbursement	-	-	-	-	24,631,402
Para-transit assistance	-	-	-	-	2,400,000
Contributions from partners	17,422,000	17,422,000	14,283,029	(3,138,971)	28,425,161
Rental income	760,000	760,000	812,937	52,937	741,352
Investment income	2,000,000	2,000,000	5,664,745	3,664,745	5,074,085
Oil and gas revenue	-	-	39,296	39,296	45,536
Gain (loss) on disposal of capital assets	-	-	(124,998)	(124,998)	11,769
Other non-operating expense	(2,880,000)	(2,880,000)	-	2,880,000	-
Other non-operating revenue	-	-	-	-	1,160,224
Total non-operating revenue (expenses)	109,306,000	109,306,000	104,011,965	(5,294,035)	144,491,174
Income before capital grants	30,768,000	30,768,000	(27,698,442)	(58,466,442)	63,467,627
Grants for capital improvements	207,118,000	207,118,000	175,245,191	(31,872,809)	174,076,230
CHANGE IN NET POSITION	\$ 237,886,000	\$ 237,886,000	\$ 147,546,749	\$ (90,339,251)	\$ 237,543,857

Federal and State Awards Section

Fort Worth Transportation Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Grantor ID Number</u>	<u>Catalog of Federal Domestic Assistance ID Number</u>	<u>Federal Expenditures</u>
FEDERAL AWARDS			
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster			
New Starts -FFGA	TX-2017-001-00	20.500	\$ 173,785,707
FTA/Formula (and flex funds)	TX-90-Y032-00	20.507	50,966
FTA/Formula (and flex funds)	TX-17-059-00	20.507	341,864
FTA/Formula (and flex funds)	TX-17-071-00	20.507	173,164
FTA/Formula (and flex funds)	TX-2018-004	20.507	147,782
FTA/Formula (and flex funds)	TX-2018-032	20.507	182,935
FTA/Formula (and flex funds)	TX-2018-085	20.526	<u>414,635</u>
Total Federal Transit Cluster			175,097,053
Highway Planning and Construction Cluster			
Passed through Texas Department of Transportation (TxDot)			
Texas Mobility Funds - Unassigned	DFWIA-TXDOT	20.205	<u>642,570</u>
Total Highway Planning and Construction Cluster			642,570
Passed through North Central Texas Council of Governments			
JARC Vanpool	TX-37-X096-01	20.516	296,566
JARC Reverse Commute	TX-37-X096-02	20.516	<u>366,432</u>
Total passed through North Central Texas Council of Governments			<u>662,998</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 176,402,621</u></u>

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this statement

Fort Worth Transportation Authority
 Schedule of Expenditures of State Awards
 Year Ended September 30, 2019

<u>State Grantor/Pass-Through Grantor Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures</u>
STATE AWARDS		
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>		
<i>Passed through Regional Transportation Council and North Central Texas Council of Governments</i>		
Regional Rail Vehicles	CSJ0902-90-002	\$ 2,586,000
Total passed through Texas Department of Transportation		2,586,000
TOTAL EXPENDITURES OF STATE AWARDS		\$ 2,586,000

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this statement

Fort Worth Transportation Authority

Notes to Schedule of Expenditures of Federal and State Awards

Note 1. Summary of Significant Accounting Policies

General: The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards present the activity of all federal and state award programs of Fort Worth Transportation Authority (the Authority). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements.

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The accompanying schedule of expenditures of state awards (the SESA) includes the state award activity of the Authority under programs of the state for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Texas Governor's Office of Budget and Planning Uniform Grant Management Standards, which includes the State of Texas Single Audit Circular (UGMS).

Because the SEFA and SESA presents only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position, changes in net position, or cash flows of the Authority.

Basis of Accounting: Expenditures reported on the SEFA and SESA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

During the fiscal year ended September 30, 2019, the Authority was awarded grants under CFDA 20.500, 20.507, and 20.526, which included reimbursement for expenditures incurred in previous fiscal years. The total amount of expenditures incurred in a prior year reported on the fiscal year SEFA under these grants is \$138,705,525.

De Minimis Cost Rate: The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reconciliation: Grant revenue per the accompanying SEFA and SESA is recorded the statement of revenue, expenses and changes in net position for year ended September 30, 2019 as follows:

Federal assistance per SEFA	\$ 176,402,621
State assistance per SESA	2,586,000
Local grants	62,164
Amounts included in contributions from partners	<u>(2,586,000)</u>
Reconciled revenue	<u><u>\$ 176,464,785</u></u>
Operating assistance grants	\$ 1,219,594
Grants for capital improvements	<u>175,245,191</u>
Grant revenue per the statement of revenue, expenses and changes in net position	<u><u>\$ 176,464,785</u></u>



**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of the
Fort Worth Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fort Worth Transportation Authority (the Authority), as of and for the year ended September 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Directors of the
Fort Worth Transportation Authority

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
May 5, 2020



**Independent Auditor's Report on Compliance for
Each Major Federal and State Program and
Report on Internal Control over Compliance in Accordance
with the Uniform Guidance and UGMS**

To the Board of Directors of the
Fort Worth Transportation Authority

Report on Compliance for Each Major Federal and State Program

We have audited the Fort Worth Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the U.S Office of Management and Budget (OMB) Compliance Supplement and Texas Governor's Office of Budget and Planning, Uniform Grant Management Standards, which includes the State of Texas Single Audit Circular (UGMS) that could have a direct and material effect on the Authority's major federal and state programs for the year ended September 30, 2019. The Authority's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and UGMS. Those standards, the Uniform Guidance and UGMS, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal and state programs as a basis for determining auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
May 5, 2020

Fort Worth Transportation Authority
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Section I. Summary of the Auditor's Results:

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) identified that are not considered a material weakness _____ Yes X None reported

Noncompliance material to financial statements noted _____ Yes X No

Federal Awards

Internal control over major programs

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) identified that are not considered a material weakness _____ Yes X None reported

An unmodified opinion was issued on compliance for major programs

Any audit findings disclosed that were required to be reported in accordance with section 200.516 of the Uniform Guidance _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500; 20.507; 20.525; 20.526	Federal Transit Cluster

The dollar threshold used to distinguish between Type A and Type B programs \$ 3,000,000

Auditee qualified as a low-risk auditee. _____ Yes X No

Fort Worth Transportation Authority
Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2019

State Awards

Internal control over major programs

Material weakness(es) identified? Yes No

 Significant deficiency(s) identified that are not
 considered a material weakness Yes None reported

An unmodified opinion was issued on compliance for major programs

Any audit findings disclosed that were required to be
reported in accordance with UGMS Yes No

Identification of major programs:

Regional Rail Vehicles

The dollar threshold used to distinguish between
Type A and Type B programs \$ 300,000

 Auditee qualified as a low-risk auditee. Yes No

Section II. Financial Statement Findings

There were no matters reported.

Section III. Financial Statement Findings

No findings reported.

Fort Worth Transportation Authority

Status of Prior Year Findings Year Ended September 30, 2018

Finding 2018-001 – Accounting Reconciliation and Financial Reporting

Condition: () Compliance Finding () Significant Deficiency (X) Material Weakness

Context: At September 30, 2018 controls in place related to the reconciliation and review of various balance sheet accounts failed to prevent or detect errors; Additionally, reconciliations were not completed in a timely manner, which led to inadequate cutoff and year-end closing procedures.

Status: Corrected.

Finding 2018-002 – Schedule of Expenditures of Federal Awards

Condition: () Compliance Finding () Significant Deficiency (X) Material Weakness

Context: At September 30, 2018, internal controls did not detect or prevent errors in the Schedule of Expenditures of Federal Awards and as a result, the schedule did not properly reconcile to the general ledger without significant audit adjustments and/or revisions.

Status: Corrected.

Finding 2018-003 – Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Major Program: Federal Transit Cluster

Condition: () Compliance Finding () Significant Deficiency (X) Material Weakness

Context: During year ended September 30, 2018, the Authority received grant awards that, in some instances, related to expenses incurred in prior years. During testing of these grants awards, payroll costs for fiscal years 2016 and 2017 were reviewed for specific departments of the Authority. For these fiscal years, documentation of supervisory approval was not retained or was not documented sufficiently and therefore did not allow for assessment/testing of internal controls over these costs.

Status: Corrected.