

FORT WORTH TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Fort Worth Transportation Authority

We have audited the accompanying statement of net assets of the Fort Worth Transportation Authority (the Authority) as of September 30, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of September 30, 2008, were audited by other auditors whose report dated January 23, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2010, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the schedule of revenues and expenses - budget and actual for the year ended September 30, 2009, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Fort Worth Transportation Authority
March 11, 2010

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
March 11, 2010

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2009

(unaudited)

The Fort Worth Transportation Authority's (the "Authority") management prepared this narrative overview and analysis of its financial activities for the fiscal year ended September 30, 2009. The information presented herein should be read in conjunction with the accompanying financial statements and notes thereto and the additional information furnished in the letter of transmittal.

Financial Highlights

At September 30, 2009, the Authority's assets exceeded its liabilities by approximately \$370,955,000. Of this amount, approximately \$95,366,000 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. The unrestricted net assets balance was approximately 165.9% of the fiscal 2009 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 Assets 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 Assets 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 Change in Net Assets

The Authority's net assets increased by approximately \$23,155,000 or 6.7%, compared to an increase of approximately \$28,245,000 or 8.8% in fiscal 2008. The decrease in the change in net assets as compared to fiscal 2008 of approximately \$5,090,000 is primarily due to the following:

- a decrease in capital grant reimbursement revenue of approximately \$7,427,000; and
- an increase in operating expenses before depreciation of \$2,217,000.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2009

(unaudited)

These changes were partially offset by a decrease in depreciation expense of approximately \$1,352,000 and an increase in non-operating revenue of approximately \$3,269,000. A detailed discussion of these changes is provided below in the Analysis of the Authority's Statement of Revenues, Expenses and Changes in Net Assets section of this document.

Total current liabilities decreased approximately \$5,576,000. This decrease is primarily due to a decrease in general accounts payable at the end of the fiscal year. At the end of fiscal 2008, the Authority received eight new fixed route buses, increasing the general accounts payable at the end of the fiscal year. There was no similar liability at the end of fiscal 2009.

Analysis of the Authority's Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues for fiscal 2009 decreased approximately \$66,000 or 1.0%, primarily due to a decrease in advertising revenue as a result of a weak advertising market. This decrease in advertising revenue of approximately \$218,000 or 57.5% was partially offset by a modest increase in fare revenue and other revenue, primarily rentals. Fare revenue increased approximately \$100,000 or 1.7% due to increased ridership; while other revenue increased approximately \$51,000 or 33.0% due to an increase in room rentals for special events.

Operating expenses before depreciation increased approximately \$2,217,000 or 4.0% in fiscal 2009 as compared to fiscal 2008. This increase in operating expenses is primarily due to the following:

- Wages and benefits increased \$894,000 or 3.1% due to:
 - a scheduled increase in wages for all bargaining unit employees; and
 - a merit increase for staff employees;
- Professional services and utilities increased approximately \$431,000 or 8.0% due to offsite repair cost for an aging fleet of revenue vehicles and professional services related to the expansion of rail operations;
- Casualty and liability insurance increased \$355,000 due to a major claim that occurred during the fiscal year;
- Purchased transportation services increased approximately \$403,000 or 3.2% due primarily to more contracted para-transit trips compared to fiscal 2008; and
- Other costs, which included travel and staff training, increased \$158,000 or 18.3% primarily as a result of miscellaneous expenses related to an availability and disparity study.

Sales tax revenues decreased approximately \$1,526,000 or 3.1% in fiscal 2009 as compared to 2008, due to weak economic conditions and lack of new construction projects in the area.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2009

(unaudited)

Income from operating and preventive maintenance reimbursement grants increased approximately \$7,805,000 or 66.2% due to receipt of federal grant funds under the American Recovery and Reinvestment Act (ARRA or stimulus funds) for preventive maintenance assistance.

Investment income decreased approximately \$1,364,000 or 56.6% due to record low interest rates paid on investment balances during the year.

Income from capital expenditure reimbursement grants decreased approximately \$7,427,000 or 48.4% due to the completion of a major grant funded project in early 2009. During fiscal 2009, the Authority received approximately \$7,920,000 in federal grants for capital projects expenditures. A summary of major capital project expenditures during the fiscal year is presented below.

Fiscal 2009 oil and gas revenue was approximately \$1,442,000. It was comprised of approximately \$1,192,000 from an alternative fuel tax credit and \$250,000 in mineral rights lease signing bonuses. The tax credit is part of a multi-year incentive by the U.S. Federal Government to encourage the use of alternative fuels. The Authority owns 189 revenue vehicles, of which 183 or 96.8% operate on the alternative fuel compressed natural gas. In fiscal 2008, oil and gas revenue was approximately \$2,650,000, approximately \$1,435,000 in tax credit and \$1,215,000 in mineral rights lease signing bonuses. The tax credit expired on December 31, 2009.

Capital Assets

The Authority added approximately \$18,780,000 in acquisitions and construction of capital assets during fiscal 2009. This was approximately \$5.2 million less than in fiscal 2008. Some of the more significant capital expenditures include:

- Commuter rail related capital improvements of approximately \$15,933,000 include:
 - Bi-level coach procurement \$4,473,000;
 - Double tracking and passenger platform improvements at the Richland Hills station \$4,237,000;
 - Eules South Main bridge replacement \$1,886,000;
 - Rail corridor and station improvements \$2,913,000;
 - The Environment Impact Study for the Southwest to Northeast commuter rail expansion at a cost of \$1,603,000; and
 - Completion of CentrePort station and double tracking \$821,000;
- Fixed Route bus system upgrades, including on-board vehicle cameras, signal prioritization in preparation for a Bus Rapid Transit Corridor and improved passenger shelters totaled approximately \$1,743,000;
- Facility improvements and maintenance equipment purchases approximately \$928,000; and
- Information technology systems and software upgrades approximately \$262,000.

Fort Worth Transportation Authority

Management's Discussion and Analysis
For the Year Ended September 30, 2009
(unaudited)

These improvements were offset by approximately \$15,245,000 in depreciation expense. The following is a summary of the Authority's capital assets.

Capital Assets, net of Accumulated Depreciation *as of September 30, 2009 and 2008*

	2009	2008
Land	\$39,361,378	\$39,595,072
Buildings	103,993,502	106,225,769
Building Improvements	1,365,942	1,447,974
Machinery and Equipment	5,830,722	5,425,018
Rolling Stock	22,335,992	22,766,445
Improvements other than Buildings	81,442,794	55,480,097
Construction in Progress	21,259,085	41,368,209
	<u>\$275,589,415</u>	<u>\$272,308,584</u>

Debt Administration

As of September 30, 2009, the Authority had not incurred any outstanding debt.

Economic Factors and Next Year's Budget

The operating budget for fiscal 2010 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 declined in fiscal 2009, decreasing approximately \$1.5 million or 3.1% over fiscal 2008 receipts. Sales tax receipts for fiscal 2010 are budgeted at \$47.7 million, approximately the same as fiscal 2009 actual receipts of \$47.5 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 the Authority's service area has deteriorated over the past twelve months. Unemployment has increased to 8.3% in August 2009, up from 5.0% in August 2008. The local unemployment rate remains slightly below the nationwide unemployment rate of 8.8%. Fort Worth, which is the Authority's largest member city, continues to experience population growth. Fort Worth is expected to reach a total population of approximately 720,000 by the end of 2010.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2009

(unaudited)

The adopted fiscal 2010 operating budget meets key financial standards established by the Authority's Board of Directors in 2002 to ensure a sound financial future. The fiscal 2010 budgeted operating expenses before depreciation increased approximately \$5.6 million or 9.8% over actual fiscal 2009 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 \$2.4 million or 8.2%, as compared to fiscal 2009 actual results. This increase is due to more service hours expected in bus and para-transit operations and higher health care premiums all of which will be absorbed by the Authority;
- A budgeted increase in purchased transportation expenses of \$2.3 million or 14.3% as compared to fiscal 2009 actual results. This increase is due to an increase in the number of budgeted vanpools and more para-transit trips performed by contractors during the year; and
- A budgeted increase in materials and supplies expense of \$0.7 million or 8.5% as compared to fiscal 2009 actual results. This change is primarily due to an expected increase in the price and volume of parts used in the repair of the Authority's bus fleet.

The Authority enters fiscal 2010 recognizing the importance of efficient public transportation services that meet the needs of our customers and the community. During fiscal 2009, the Authority completed customer service refresher training for all employees, which will continue to improve their customer service skills and their customer service performance. In fiscal 2010, the focus will continue to be on customer service. This reflects our vision to provide excellent public transportation services throughout our service area that will contribute to our region's goals for mobility, clean air and economic prosperity.

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 1600 East Lancaster Avenue, Fort Worth, Texas 76102 or by e-mail at tweb@the-t.com.

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2009 AND 2008**

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents reserved for operations and insurance claims	\$ 7,000,000	\$ 7,000,000
Cash reserved for SW to NE rail project	29,243,107	24,986,595
Cash reserved for capital reinvestment	17,101,594	18,606,859
Total cash and cash equivalents	53,344,701	50,593,454
Investments	34,042,415	25,032,220
Receivables, net	15,851,403	13,144,936
Inventory	2,515,926	2,541,298
Prepaid expenses	446,636	590,576
Total current assets	106,201,081	91,902,484
Capital assets		
Land and construction in progress	60,620,463	80,963,281
Other capital assets, net of accumulated depreciation	214,968,952	191,345,303
	275,589,415	272,308,584
Total assets	381,790,496	364,211,068
LIABILITIES		
Current liabilities		
Accounts payable	7,607,516	13,321,903
Accrued payroll and payroll related taxes	2,136,221	2,074,197
Other accrued liabilities	807,843	623,428
Deferred transit revenue	283,534	391,640
Total current liabilities	10,835,114	16,411,168
Commitments and Contingencies - Note 7		
NET ASSETS		
Invested in capital assets	275,589,415	272,308,584
Unrestricted	95,365,967	75,491,316
Total net assets	\$ 370,955,382	\$ 347,799,900

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

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Operating revenues		
Fare revenue	\$ 5,983,880	\$ 5,883,750
Advertising	160,753	378,634
Other	206,789	155,527
	<u>6,351,422</u>	<u>6,417,911</u>
Operating expenses		
Salaries, wages and fringe benefits	29,358,598	28,464,504
Materials and supplies	8,083,491	8,107,557
Professional services and utilities	5,807,053	5,375,629
Casualty and liability insurance	373,685	19,114
Purchased transportation	12,837,637	12,434,858
Other	1,020,649	862,834
	<u>57,481,113</u>	<u>55,264,496</u>
Depreciation	15,245,026	16,597,194
	<u>72,726,139</u>	<u>71,861,690</u>
Operating loss	<u>(66,374,717)</u>	<u>(65,443,779)</u>
Non-operating revenues (expenses)		
Sales tax	47,525,746	49,052,073
Street improvements	(121,050)	(135,870)
Operating assistance grants	1,552,787	1,477,573
Preventive maintenance reimbursement	18,042,714	10,312,447
Para-transit assistance	1,200,000	1,200,000
Contributions from partners	8,156,491	10,406,851
Rental income	1,012,230	968,700
Investment income	1,045,360	2,409,065
Oil and gas revenue	1,441,913	2,650,400
Gain on disposal of capital assets	20,029	-
Gain on insurance proceeds	1,734,203	-
Total non-operating revenue	<u>81,610,423</u>	<u>78,341,239</u>
Income before capital grants	15,235,706	12,897,460
Grants for capital improvements	<u>7,919,776</u>	<u>15,347,232</u>
Change in net assets	23,155,482	28,244,692
Net assets, beginning of year	<u>347,799,900</u>	<u>319,555,208</u>
Net assets, end of year	<u>\$ 370,955,382</u>	<u>\$ 347,799,900</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, 2009 AND 2008**

	2009	2008
Cash flows from operating activities		
Receipts from customers and users	\$ 6,396,569	\$ 6,534,803
Payments to suppliers	(33,483,175)	(22,337,247)
Payments to employees	(29,296,574)	(28,051,070)
	(56,383,180)	(43,853,514)
Cash flows from non-capital financing activities		
Sales tax received	48,552,814	48,925,065
Street improvement payments	(121,050)	(135,870)
Preventive maintenance reimbursement	11,292,272	10,276,924
Para-transit assistance	1,200,000	1,200,000
Contributions from partners	8,434,236	10,406,851
Rental income	1,012,230	968,700
Operating grant reimbursements	994,430	1,061,554
Oil and gas revenue	1,441,913	2,650,400
	72,806,845	75,353,624
Cash flows from capital and related financing activities		
Contributions and grants for capital improvements	11,446,991	11,757,890
Acquisition and construction of capital assets	(18,779,883)	(24,031,779)
Proceeds from sale of capital improvements and land	274,055	-
Insurance proceeds	1,193,326	-
	(5,865,511)	(12,273,889)
Cash flows from investing activities		
Interest received on investments	1,206,363	2,519,984
Purchase of investments	(36,013,270)	(31,006,633)
Proceeds from sale of investments	27,000,000	32,445,458
	(7,806,907)	3,958,809
Net increase in cash and cash equivalents	2,751,247	23,185,030
Cash and cash equivalents, beginning of year	50,593,454	27,408,424
Cash and cash equivalents, end of year	\$ 53,344,701	\$ 50,593,454

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

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(CONTINUED)**

	2009	2008
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (66,374,717)	\$ (65,443,779)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	15,245,026	16,597,194
Change in operating assets and liabilities		
Operating accounts receivable	153,253	(4,803)
Inventory	25,372	(106,923)
Prepaid expenses	143,940	(192,683)
Operating accounts payable	(5,714,387)	5,116,978
Accrued payroll and payroll related taxes	62,024	413,434
Other accrued liabilities	184,415	(354,627)
Deferred revenue	(108,106)	121,695
	(56,383,180)	(43,853,514)
Noncash investing activity		
Unrealized gain (loss) on investments	\$ (3,075)	\$ 29,120

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

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fort Worth Transportation Authority (the Authority) is a regional 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 nine members. Eight Board of Directors members are appointed by the City of Fort Worth (Fort Worth) City Council and one 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 December 19, 1992, to include the City of Lake Worth (Lake Worth) in the Authority's service area and 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 November 5, 1991, May 4, 1992 and May 8, 1992, the citizens of Lake Worth, Richland Hills and Blue Mound, respectively, approved referendums authorizing a one-half of one percent sales tax increase. Collection of Lake Worth sales tax began January 1, 1992. Collection of Blue Mound and Richland Hills sales tax began October 1, 1992. On September 13, 2003, Lake Worth voters elected to withdraw as a member of the Authority.

The City of Grapevine voters approved a \$0.01 (one-cent) increase in the 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 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 (see Note 9).

The accounting policies of the Fort Worth Transportation Authority, as reflected in the accompanying financial statements as of and for the years ended September 30, 2009 and 2008, 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 and include applicable standards of the Financial Accounting Standards Board. 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.

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reporting Entity

The financial statements of the Authority include all governmental activities, 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.

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 net income, 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 imposed by the provider have been met.

Budgetary Data

The Authority maintains control over operating expenses by the establishment of an annual operating budget. Budgets are prepared on the accrual basis consistent with accounting principles generally accepted in the United States of America. An annual proposed budget is prepared by management and submitted to the Board of Directors prior to August 1. The operating budget includes only proposed expenses and the means of financing them. Following public discussion of the proposed operating budget, the Board of Directors adopts a preliminary budget, which is forwarded to the governing bodies of the jurisdictions participating in the transportation system. After a minimum of thirty days allowed for review and comment by these governing bodies, the Board of Directors legally enacts the operating budget in a public meeting prior to October 1.

The President/Executive Director is authorized to transfer budgeted amounts between departments; however, any revisions that alter the total expenses must be approved by the Board of Directors. Therefore, total expenses may not exceed total appropriations. Formal budgetary integration is employed as a management control device during the year.

Budgets are presented in the financial statements as amended by the Board of Directors and adjusted for transfers of budgeted amounts between departments authorized by the President/Executive Director. There were no amendments made during the year. Budget appropriations lapse at the end of each fiscal year.

Budgetary data from the capital budget have not been presented in the accompanying financial statements as such amounts are budgeted over the life of the respective project and not on an annual basis.

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting

The Authority has elected not to apply all Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

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, 2009 and 2008, 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.

Inventory

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

Capital Assets

Assets purchased with an original cost of \$2,500 or more which have a useful life of one year or more are capitalized at cost. Donated assets are valued at their estimated fair 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 buildings, improvements, machinery and equipment 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**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

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.

Operating 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 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 street improvement assistance for other local governments.

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.

Deferred Transit Revenue

Monthly tickets and passes are sold for bus operations. Deferred transit revenue is an estimate of these unused tickets and passes.

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**

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 \$196,372 and \$191,500 in 2009 and 2008, respectively, for transit management services.

Prior to the year ended September 30, 2008, the Authority made quarterly payments to the City of Fort Worth to a dedicated fund for improvements of bus route streets and its share of a state program for arterial street expansion. During 2006 an agreement was made with the City of Fort Worth to reduce the street maintenance program payments contingent on the Authority's implementation of a rail corridor project that will pass from the southwest through northeast sections of the City (see Note 9). Payments were eliminated October 1, 2007. Annual payments to the Cities of Richland Hills and Blue Mound are made for street modifications and improvements on bus routes. Street improvement payments for the years ended September 30, 2009 and 2008 were as follows:

	2009	2008
City of Richland Hills	\$ 113,320	\$ 128,355
City of Blue Mound	7,730	7,515
	\$ 121,050	\$ 135,870

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 \$2,371,111 and \$2,077,054 for services in the years ended September 30, 2009 and 2008, respectively.

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. CASH AND INVESTMENTS

All investments and cash equivalents during the year were U.S. Government Agency, U.S. Treasury Notes and Bills, 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 fair value of the position in TexPool and TexStar is the same as the value of the pool shares.

At September 30, 2009 and 2008, the Authority had the following investments:

	<u>2009</u>		<u>2008</u>	
	<u>Fair Value</u>	<u>Years to Maturity</u>	<u>Fair Value</u>	<u>Years to Maturity</u>
Federal National Mortgage Association	\$ 2,006,260	2.6	\$ 4,005,000	2.1 to 2.6
Federal Home Loan Bank Bond	14,020,135	0.5 to 4.8	19,030,600	0 to 4.2
Federal Home Loan Mortgage Corporation	-		1,996,620	4.3
Certificates of Deposit	<u>18,016,020</u>	0 to 0.5	<u>-</u>	
Total Investments	34,042,415		25,032,220	
Tex Pool-Cash Equivalent	47,391,763		49,542,638	
TexStar-Cash Equivalent	<u>3,005,545</u>		<u>-</u>	
Total Portfolio	<u>\$ 84,439,723</u>		<u>\$ 74,574,858</u>	

All bonds are callable.

Cash and Cash Equivalents	<u>2009</u>	<u>2008</u>
Cash in bank	\$ 2,947,393	\$ 1,050,816
TexPool - cash equivalent	47,391,763	49,542,638
TexStar - cash equivalent	<u>3,005,545</u>	<u>-</u>
Total cash and cash equivalent	<u>\$ 53,344,701</u>	<u>\$ 50,593,454</u>

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.

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. CASH AND INVESTMENTS – CONTINUED

Credit Risk

At September 30, 2009, the Authority's investments in TexPool and TexStar were rated AAAM by Standard & Poor's and the government agency securities' rating ranged from unrated to AAA. The Authority's investments in certificates of deposit were unrated.

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, 2009, the Authority held deposits in excess of the FDIC limit of \$2,927,546. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2009.

The Board of Directors designated the use of certain assets to fund the self-insurance program (see Note 7). These funds are to be continually invested until required for self-insured claims. At September 30, 2009 and 2008, the designated assets of cash and investments consisted of \$1,000,000 for the self-insurance program.

NOTE 4. RECEIVABLES

Receivables at September 30, 2009 and 2008 consisted of the following:

	2009	2008
Operating		
Ticket, token and miscellaneous receivable	\$ 877,714	\$ 1,030,967
DART receivable	611,861	348,729
Sales tax	4,094,181	5,121,249
Grants receivable from Federal government	10,091,451	6,309,867
Accrued interest receivable	176,196	334,124
Total	\$ 15,851,403	\$ 13,144,936

**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, 2009.

	Beginning Balance 9/30/2008	Increases	Decreases	Reclass- ifications	Ending Balance 9/30/2009
Capital assets, not being depreciated:					
Land	\$ 39,595,072	\$ -	\$ (233,694)	\$ -	\$ 39,361,378
Construction in progress	41,368,209	18,866,476	(81,380)	(38,894,220)	21,259,085
	<u>80,963,281</u>	<u>18,866,476</u>	<u>(315,074)</u>	<u>(38,894,220)</u>	<u>60,620,463</u>
Capital assets, being depreciated					
Buildings	126,786,200	-	-	317,499	127,103,699
Building improvements	1,929,314	-	-	466	1,929,780
Machinery and equipment	15,084,594	-	-	2,447,024	17,531,618
Rolling stock	89,378,206	-	(4,314,199)	6,086,362	91,150,369
Improvements other than buildings	73,339,970	-	-	30,042,869	103,382,839
	<u>306,518,284</u>	<u>-</u>	<u>(4,314,199)</u>	<u>38,894,220</u>	<u>341,098,305</u>
Less accumulated depreciation for					
Buildings	20,560,431	2,549,766	-	-	23,110,197
Building improvements	481,340	82,498	-	-	563,838
Machinery and equipment	9,659,576	2,041,320	-	-	11,700,896
Rolling stock	66,611,761	6,491,270	(4,288,654)	-	68,814,377
Improvements other than buildings	17,859,873	4,080,172	-	-	21,940,045
	<u>115,172,981</u>	<u>15,245,026</u>	<u>(4,288,654)</u>	<u>-</u>	<u>126,129,353</u>
Total capital assets, being depreciated, net	<u>191,345,303</u>	<u>(15,245,026)</u>	<u>(25,545)</u>	<u>38,894,220</u>	<u>214,968,952</u>
Capital assets, net	<u>\$ 272,308,584</u>	<u>\$ 3,621,450</u>	<u>\$ (340,619)</u>	<u>\$ -</u>	<u>\$ 275,589,415</u>

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. RETIREMENT BENEFITS

The Authority has established The T 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 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, 2009 and 2008, the employee contributions to the 401(k) Plan were \$682,018 (3.89% of covered payroll) and \$692,666 (4.03% of covered payroll), respectively. The Authority's contributions to the 401(k) Plan for those years were \$867,409 and \$862,982, 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, 2009 and 2008, the employee contributions to the 457(b) Plan were \$276,267 (5.72% of covered payroll) and \$277,912 (5.87% of covered payroll), respectively. The Authority's contribution to the 457(b) Plan was \$256,304 and \$253,329, respectively.

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. COMMITMENTS AND CONTINGENCIES

Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2009. The Authority has spent \$11,124,756 on these projects, and has remaining commitments of \$16,160,838.

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, 2009 and 2008, 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 worker's compensation claims and carries excess worker's compensation insurance for claims that exceed \$750,000 per claim up to the statutory limit. Estimated losses on claims, including incurred but not reported claims, are charged to expense in the period the loss is determinable.

The claims liability for vehicle, general liability and worker's compensation of \$771,021 and \$588,543 reported at September 30, 2009 and 2008 respectively, is based on the requirements of Government Accounting Standards Board Statement No. 10 (GASB No. 10), which requires that 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 each claimant. The provision for claims incurred but not yet reported is estimated based on experience.

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. COMMITMENTS AND CONTINGENCIES – CONTINUED

Risk Management – Continued

Changes in the reported liability for the years ended September 30, 2009 and 2008 are as follows:

	Beginning of Year Liability	Incurred Claims	Claim Payments	End of Year Liability
Vehicle and General Liability				
Fiscal Year 2009	\$ 298,258	\$ 426,719	\$ 191,579	\$ 533,398
Fiscal Year 2008	475,500	19,114	196,356	298,258
Workers' Compensation				
Fiscal Year 2009	\$ 290,285	\$ 376,865	\$ 429,527	\$ 237,623
Fiscal Year 2008	467,852	207,910	385,477	290,285

There were no significant reductions in insurance coverage in prior years 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, 2009 and 2008, respectively.

Lease Commitments

The Authority leases tires and computers under operating leases. The tire lease includes maintenance of approximately \$7,000 per month. Under the terms of the present leases, total future minimum lease payments are as follows for fiscal years ending September 30:

2010	\$ 346,898
2011	104,876
2012	13,282
2013	<u>1,368</u>
	<u><u>\$ 466,424</u></u>

Total rent under the leases approximated \$327,000 and \$302,000 for the years ended September 30, 2009 and 2008, respectively.

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. COMMITMENTS AND CONTINGENCIES – CONTINUED

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, 2009 and 2008 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 \$533,398.

NOTE 8. 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 9. SOUTHWEST TO NORTHEAST RAIL CORRIDOR

On November 6, 2006, the voters in the City of Grapevine elected to approve a \$0.01 or one-cent sales tax increase in the local sales tax rate. A portion of this tax, \$0.0038 (three-eighths of a cent) was dedicated to the construction and operation of a commuter rail line from Fort Worth, Grapevine and into Dallas/Fort Worth International Airport. On May 30, 2007, the Authority entered into an inter-local agreement with the City of Grapevine to provide this service.

SUPPLEMENTARY INFORMATION

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE ACTUALS FOR 2008**

	2009			2008
	Original and Final Budget	Actual	Variance	Actual
Operating revenues				
Fare revenue	\$ 6,166,148	\$ 5,983,880	\$ (182,268)	\$ 5,883,750
Advertising	400,000	160,753	(239,247)	378,634
Other	100,000	206,789	106,789	155,527
	<u>6,666,148</u>	<u>6,351,422</u>	<u>(314,726)</u>	<u>6,417,911</u>
Operating expenses				
Salaries, wages and fringe benefits	30,552,016	29,358,598	(1,193,418)	28,464,504
Materials and supplies	9,073,302	8,083,491	(989,811)	8,107,557
Professional services and utilities	5,778,805	5,807,053	28,248	5,375,629
Casualty and liability insurance	417,407	373,685	(43,722)	19,114
Purchased transportation	14,471,609	12,837,637	(1,633,972)	12,434,858
Other	943,366	1,020,649	77,283	862,834
	<u>61,236,505</u>	<u>57,481,113</u>	<u>(3,755,392)</u>	<u>55,264,496</u>
Depreciation	<u>17,660,642</u>	<u>15,245,026</u>	<u>(2,415,616)</u>	<u>16,597,194</u>
	<u>78,897,147</u>	<u>72,726,139</u>	<u>(6,171,008)</u>	<u>71,861,690</u>
Operating loss	(72,230,999)	(66,374,717)	5,856,282	(65,443,779)
Non-operating revenues (expenses)				
Sales tax	48,914,080	47,525,746	(1,388,334)	49,052,073
Street improvements	(121,050)	(121,050)	-	(135,870)
Operating assistance grants	1,320,156	1,552,787	232,631	1,477,573
Preventive maintenance reimbursement	11,284,001	18,042,714	6,758,713	10,312,447
Para-transit assistance	1,200,000	1,200,000	-	1,200,000
Contributions from partners	11,953,298	8,156,491	(3,796,807)	10,406,851
Rental income	910,000	1,012,230	102,230	968,700
Investment income	2,100,000	1,045,360	(1,054,640)	2,409,065
Oil and gas revenue	1,300,000	1,441,913	141,913	2,650,400
Gain on disposal of capital assets	-	20,029	20,029	-
Gain on insurance proceeds	-	1,734,203	1,734,203	-
	<u>78,860,485</u>	<u>81,610,423</u>	<u>2,749,938</u>	<u>78,341,239</u>
Income before capital grants	6,629,486	15,235,706	8,606,220	12,897,460
Grants for capital improvements	<u>12,514,317</u>	<u>7,919,776</u>	<u>(4,594,541)</u>	<u>15,347,232</u>
Change in net assets	<u>\$ 19,143,803</u>	<u>\$ 23,155,482</u>	<u>\$ 4,011,679</u>	<u>\$ 28,244,692</u>

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
U. S. Department of Transportation			
<i>Federal Transit Cluster</i>			
FTA/Shelter Design and Construction	TX-030-270	20.500	\$ 302,686
FTA/Earmark FY04 Vehicle Replacements	TX-030-277	20.500	19,436
FTA/Earmark FY07 Vehicle Replacements	TX-04-0004	20.500	(52,962)
ARRA	TX-96-X023	20.500	12,668,125
Fixed Guideway Modernization	TX-05-0139	20.500	900,878
			<u>13,838,163</u>
FTA/Formula (and flex funds)	TX-90-X492	20.507	526,875
FTA/Formula (and flex funds) Captial	TX-90-0534	20.507	31,296
FTA/Formula (and flex funds)	TX-90-0600	20.507	38,470
FTA/Formula (and flex funds)	TX-90-0674	20.507	64,000
FTA/Formula (and flex funds)	TX-90-0725	20.507	10,160
FTA/Formula (and flex funds)	TX-90-0735	20.507	31,587
FTA/Formula (and flex funds)	TX-90-0765	20.507	622,823
FTA/Formula (and flex funds)	TX-95-X007	20.507	1,208,854
FTA/Formula (and flex funds)	TX-90-X842	20.507	7,233,960
FTA/CMAQ and STP-MM	TX-95-0019	20.507	1,035,675
FTA/Jobs Access	TX-37-X062	20.507	293,819
			<u>11,097,519</u>
Highway Planning and Construction	TX-95-X013	20.205	3,117,394
			<u>28,053,076</u>

See notes to schedule

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
<i>Passed through Texas Department of Transportation</i>			
Elderly and Persons w/Disabilities (Sec 5310)	TX-16-0038/51802F7168	20.513	102,514
Elderly and Persons w/Disabilities (Sec 5310)	TX-16-0038/51902F7208	20.513	71,811
			<u>174,325</u>
<i>Passed through Texas Department of Transportation North Central Texas Council of Governments</i>			
RTDM Funding		20.205	164,952
JARC Vanpool	TX-37-X-070	20.516	34,468
New Freedom Funds-Bus Stop Access	TX-57-X-011	20.521	896
Northeast Tarrant County Jobs Access	TX-37-X-041	20.516	82,350
			<u>282,666</u>
			<u>\$ 28,510,067</u>

See notes to schedule

**FORT WORTH TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Fort Worth Transportation Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Specifically, when the Authority is awarded funds which include certain “pre-award” costs reimbursing the Authority for amounts expended prior to the approval of the award, the schedule of expenditures of federal awards will include expenses that were recorded on the statement of revenue, expenses and changes in net assets in a previous year.

NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Fort Worth Transportation Authority provided no federal awards to subrecipients.

NOTE 3. NON-CASH ASSISTANCE

The Fort Worth Transportation Authority did not receive any non-cash assistance from federal awards for the year ended September 30, 2009.

NOTE 4. LOANS

At year-end, the Fort Worth Transportation Authority had no loans or loan guarantees outstanding with federal awarding agencies.



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
Fort Worth Transportation Authority
Fort Worth, Texas

We have audited the financial statements of Fort Worth Transportation Authority (the Authority) as of and for the year ended September 30, 2009, and have issued our report thereon dated March 11, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Fort Worth Transportation Authority
March 11, 2010

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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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 11, 2010.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity and the U.S. Department of Transportation and Texas Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
March 11, 2010



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors
Fort Worth Transportation Authority
Fort Worth, Texas

Compliance

We have audited the compliance of Fort Worth Transportation Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the

Fort Worth Transportation Authority
March 11, 2010

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purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management and others within the entity and the U.S. Department of Transportation and Texas Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
March 11, 2010

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2009**

I. Summary of the Auditor's Results:

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. 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
- c. Noncompliance material to financial statements noted _____ Yes X No

Major Programs

- d. 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
- e. An unqualified opinion was issued on compliance for major programs
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133 _____ Yes X No
- g. Identification of major programs:
- | | |
|-------------------|-----------------------------------|
| 20.500 and 20.507 | Federal Transit Cluster |
| 20.205 | Highway Planning and Construction |
- h. The dollar threshold used to distinguish between Type A and Type B programs \$855,302
- i. Auditee qualified as a low-risk auditee. X Yes _____ No

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2009**

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*:

None

III. Findings and Questioned Costs for Federal Awards:

None

**FORT WORTH TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2009**

Audit Findings: None

Corrective Action: N/A