

# Fort Worth Transportation Authority

Financial Report  
September 30, 2022



# C O N T E N T S

	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis .....	4
Financial Statements	
Statements of Net Position .....	11
Statements of Revenues, Expenses and Changes in Net Position.....	12
Statements of Cash Flows .....	13
Notes to Financial Statements.....	15
Supplementary Information	
Schedule of Revenues and Expenses - Budget and Actual.....	27
Federal Awards Section	
Schedule of Expenditures of Federal Awards .....	28
Notes to Schedule of Expenditures of Federal Awards .....	29
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 <i>Government Auditing Standards</i> .....	30
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance.....	32
Schedule of Findings and Questioned Costs .....	35
Status of Prior Year Findings .....	37



## Independent Auditor's Report

To the Board of Directors of the  
Fort Worth Transportation Authority

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying statements of net position of the Fort Worth Transportation Authority (the Authority) as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Weaver and Tidwell, L.L.P.  
2821 West 7th Street, Suite 700 / Fort Worth, Texas 76107  
Main: 817.332.7905

**CPAs AND ADVISORS | [WEAVER.COM](http://WEAVER.COM)**

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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.

The Board of Directors of the  
Fort Worth Transportation Authority

### ***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 and the Schedule of Expenditures of Federal Awards, 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), 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 Revenues and Expenses – Budget and Actual 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 Revenues and Expenses – Budget and Actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023, 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  
January 10, 2023

## 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, 2022. 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, 2022, the Authority's assets exceeded its liabilities by \$1,133,417,281. Of this amount, \$28,613,402 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. Unrestricted net position was approximately 23% of the fiscal 2022 operating expenses before depreciation and amortization.

### 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 position. Over time, changes in net position 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 understand the data provided in the financial statements.

### Financial Analysis of the Authority's Net Assets

The Authority's total assets of \$1,183,497,737 at September 30, 2022 represented a decrease of \$35,006,347 or 3% from September 30, 2021. Capital assets, which includes land and construction in progress, at September 30, 2022 were \$1,105,462,985, representing decrease of \$31,402,166 or approximately 3% from September 30, 2021.

The Authority's total liabilities of \$50,080,456 at September 30, 2022 represented an increase of \$1,207,237 or 2% from September 30, 2021. Total current and non-current portions of long-term liabilities were \$3,263,750 at September 30, 2022, a decrease of \$164,300 or 5% from September 30, 2021. This decrease is due to regularly scheduled debt payments.

Total current liabilities increased by \$1,375,644 or 3%, primarily due to an increase in accrued payroll and payroll related taxes.

The Authority's net position decreased in fiscal 2022 by \$36,213,584 or 3%, compared to an increase of \$26,733,637 or 2%, in fiscal 2021. The decrease in the change in net position as compared to fiscal 2021 of \$62,947,221 is primarily due to the following:

- A decrease in operating assistance grants of \$49,187,827;
- A decrease in grants for capital improvements of \$29,268,318;
- An increase in purchased transportation expenses of \$4,952,881;
- An increase in sales tax revenue of \$21,708,969;
- An increase in contributions from partners of \$2,586,731;
- A decrease in other non-departmental revenues of \$2,145,889.

The Authority's total assets of \$1,218,504,084 at September 30, 2021 represented a decrease of \$21,937,275 or 2% from September 30, 2020. Capital assets, which includes land and construction in progress, at September 30, 2021 were \$1,136,865,151, representing decrease of \$29,418,669 or approximately 3% from September 2020.

The Authority's total liabilities of \$48,873,219 at September 30, 2021 represented a decrease of \$48,670,912 or 50% from September 30, 2020. Total current and non-current portions of long-term liabilities were \$3,428,050 at September 30, 2021, a decrease of \$62,944,840 or 95% from September 30, 2020. This decrease is due to regularly scheduled debt payments and early payoff of amounts due to State.

Total current liabilities increased by \$14,185,508 or 45%, primarily due to an increase related to funds received from Dallas Area Rapid Transit ("DART") for shared use of TEXRail facilities at DFW International Airport.

The Authority's net position increased in fiscal 2021 by \$26,733,637 or 2%, compared to an increase of \$45,544,081 or 4%, in fiscal 2020. The decrease in the change in net position as compared to fiscal 2020 of \$18,810,444 is primarily due to the following:

- An increase in operating assistance grants of \$3,642,498;
- A decrease in preventative maintenance reimbursement grants of \$21,511,716;
- An increase in grants for capital improvements of \$9,096,003;
- An increase in sales tax revenue of \$4,099,271;
- An increase in other non-departmental revenues of \$2,002,758;
- An increase in professional services expenses of \$5,172,925;
- An increase in purchased transportation expenses of \$5,634,422.

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

### Condensed Summary of Assets, Liabilities, and Net Position

	2022	2021
Current assets	\$ 60,743,731	\$ 63,969,966
Non-current assets	1,122,754,006	1,154,534,118
Total assets	1,183,497,737	1,218,504,084
Current liabilities	46,985,112	45,609,468
Long-term liabilities	3,095,344	3,263,751
Total liabilities	50,080,456	48,873,219
Net position		
Net investment in capital assets	1,102,803,879	1,134,712,975
Restricted	2,000,000	2,000,000
Unrestricted	28,613,402	32,917,890
<b>Total net position</b>	<b>\$ 1,133,417,281</b>	<b>\$ 1,169,630,865</b>

#### Analysis of the Authority's Statements of Revenues, Expenses and Changes in Net Position

Operating revenues for fiscal 2022 increased by \$1,349,632 or 21%. Fare revenue increased \$1,078,213 or 21% 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, increased by \$258,315 or 46%.

Operating expenses before depreciation increased \$6,463,388 or 6% in fiscal 2022 as compared to fiscal 2021. This increase in operating expenses is primarily due to the following:

- Salaries, wages and fringe benefits increased by \$3,507,953 or 8%;
- Purchased transportation increased by \$4,952,881 or 13%;
- Interest expense decreased by \$2,289,738 or 96%;
- Casualty and liability insurance decreased by \$620,776 or 10%.

Non-operating revenue (expenses) decreased by \$26,812,932 or 18% in fiscal 2022 as compared to fiscal 2021. This decrease is primarily due to the following:

- An increase in sales tax revenue of \$21,708,969 or 25%;
- A decrease in operating assistance grants of \$49,187,827 or 97%;
- A decrease in other non-departmental revenue of \$2,145,889 or 85%.

Operating revenues for fiscal 2021 decreased by \$1,049,139 or 14%. Fare revenue decreased \$1,433,207 or 21% due to decreased 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 by \$281,891 or 102%.



Operating expenses before depreciation increased \$9,941,042 or 9% in fiscal 2021 as compared to fiscal 2020. This increase in operating expenses is primarily due to the following:

- Professional services increased by \$5,172,925 or 49%;
- Purchased transportation increased by \$5,634,422 or 17%;
- Interest expense decreased by \$1,882,081 or 44%;
- Casualty and liability insurance increased by \$1,191,768 or 24%.

Non-operating revenue (expenses) decreased by \$14,346,241 or 9% in fiscal 2021 as compared to fiscal 2020. This increase is primarily due to the following:

- An increase in sales tax revenue of \$4,099,271 or 5%;
- An increase in operating assistance grants of \$3,642,498 or 8%;
- A decrease in preventative maintenance reimbursement grants of \$21,511,716 or 100%;
- A decrease in para-transit assistance grants of \$2,335,863 or 100%;
- An increase in other non-departmental revenue of \$2,002,758 or 394%.

#### Changes in Net Position

	2022	2021
Operating revenue		
Fare revenue	\$ 6,324,826	\$ 5,246,613
Advertising	573,618	560,514
Other	816,511	558,196
Operating revenue	7,714,955	6,365,323
Operating expenses	174,600,931	166,385,328
Operating loss	(166,885,976)	(160,020,005)
Nonoperating revenue (expenses)		
Sales Tax	107,082,162	85,373,193
Operating assistance grants	1,241,306	50,429,133
Contributions from partners	14,261,720	11,674,989
Other non-operating revenue	913,891	688,807
Other non-departmental revenues (expenses)	364,806	2,510,695
Net non-operating revenue (expenses)	123,863,885	150,676,817
Grants for Capital Improvements	6,808,507	36,076,825
Change in net position	(36,213,584)	26,733,637
Net position, beginning of year	1,169,630,865	1,142,897,228
<b>Net position, end of year</b>	<b>\$ 1,133,417,281</b>	<b>\$ 1,169,630,865</b>

## Capital Assets

During fiscal 2022 the Authority's net investment in capital assets decreased by \$31,909,096. The Authority added \$20,230,903 in acquisitions and construction of capital assets, \$1,102,081 or 5% less than in fiscal 2021. Some of the more significant capital expenditures include:

- Commuter rail capital improvements including:
  - TRE capital maintenance of \$2,552,566;
  - TEXRail Southside extension of \$1,783,537;
  - Trinity Lakes Station Project of \$2,960,035; and
- Fixed route bus service and para-transit service improvements including:
  - Replacement of aging para-transit and fixed route vehicles of \$3,734,143;
  - IT Improvements of \$4,118,888;
  - Facilities improvements of \$2,569,588.

Depreciation and amortization expense for fiscal 2022 was \$51,122,276. The following is a summary of the Authority's capital assets:

	<u>2022</u>	<u>2021</u>
Land	\$ 157,201,486	\$ 157,188,800
Buildings, net	94,367,573	97,408,350
Building improvements, net	7,977,893	1,926,074
Machinery and equipment, net	81,985,401	86,503,422
Rolling stock, net	154,399,802	162,518,202
Improvements other than buildings, net	589,348,412	607,042,602
Construction in progress	<u>20,182,418</u>	<u>24,277,701</u>
	<u>\$ 1,105,462,985</u>	<u>\$ 1,136,865,151</u>

During fiscal 2021 the Authority's net investment in capital assets increased by \$40,241,519. The Authority added \$21,332,984 in acquisitions and construction of capital assets, \$27,308,757 or 56% less than in fiscal 2020. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
  - TRE capital maintenance of \$4,160,638;
  - Automated fare collection system of \$4,239,386;
  - TEXRail fencing design and construction of \$2,005,406; and
- Fixed route bus service and para-transit service improvements include:
  - Replacement of aging para-transit and fixed route vehicles of \$2,724,330;
  - Facilities improvements of \$4,523,704.

Depreciation expense for fiscal 2021 was \$49,370,061. The following is a summary of the Authority's capital assets:

	2021	2020
Land	\$ 157,188,800	\$ 154,714,132
Buildings, net	97,408,350	103,451,225
Building improvements, net	1,926,074	1,834,370
Machinery and equipment, net	86,503,422	79,032,439
Rolling stock, net	162,518,202	162,717,879
Improvements other than buildings, net	607,042,602	602,780,877
Construction in progress	24,277,701	60,088,010
	<u>\$ 1,136,865,151</u>	<u>\$ 1,164,618,932</u>

**Debt Administration**

**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 2023 continues to recognize the importance of efficient service that meets the needs of our customers and community. Sales tax revenues increased in fiscal 2022, increasing approximately \$21.7 million or 25% compared to fiscal 2021 receipts. Sales tax revenues for fiscal 2023 are budgeted at \$102.8 million, a decrease of approximately \$4.3 million or -4% as compared to fiscal 2022 actual revenue of \$107.1 million.

The overall employment picture in the Authority's service area has increased due to a recovery from the pandemic. According to the Department of Labor, the unemployment rate for Tarrant County for September 2022 was 3.5%. This is a decrease of 1.2% over September 2021, which had a rate of 4.7%. The Fort Worth/Arlington region remains at the national unemployment rate of 3.5% in September 2022. Fort Worth, which is the Authority's largest member city, continues to experience population growth. According to the United States Census estimate, Fort Worth's estimated population for 2022 was 958,692.

The adopted fiscal 2023 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2023 budgeted operating expenses before depreciation totaled approximately \$138.1 million dollars, an increase of approximately \$15.0 million or 12% over actual fiscal 2022 total expenses before depreciation of \$123.1 million.

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

- A budgeted increase in salaries, wages and fringe benefits of \$3.3 million or 7%, as compared to fiscal 2022 actual results. The largest contributor to this increase is staff salary increases of 5%, bargaining unit contract increases, and the filling of vacancies throughout fiscal 2022.
- A budgeted increase in service type expenses, which included purchased transportation expenses, of approximately \$9.7 million or 16%, as compared to fiscal 2022 actual results. This increase is due service expansions in the ZIPZONE service areas and contract rate increases.
- A budgeted increase in utility expenses of approximately \$1.0 million or 78%, as compared to fiscal 2022 actual results. This increase is due a new contract for electricity going into effect in fiscal 2023 resulting in higher rates.

The Authority enters fiscal 2023 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.

### **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 801 Grove St, Fort Worth, Texas 76102 or by e-mail at [tmweb@ridetm.org](mailto:tmweb@ridetm.org).

# Financial Statements

# Fort Worth Transportation Authority

## Statements of Net Position September 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Board reserves	\$ 4,975,289	\$ 3,267,825
Restricted for rail vehicles	641,063	636,337
Unrestricted	18,954,178	25,471,682
Total cash and cash equivalents	24,570,530	29,375,844
Receivables, net	25,001,582	22,949,438
Inventory	7,766,920	8,142,608
Prepaid expenses	3,404,699	3,502,076
Total current assets	60,743,731	63,969,966
<b>LONG-TERM ASSETS</b>		
Right to use asset, net	17,291,021	17,668,967
Land and construction in progress	177,383,904	181,466,501
Other capital assets, net of accumulated depreciation	928,079,081	955,398,650
Total long-term assets	1,122,754,006	1,154,534,118
Total assets	1,183,497,737	1,218,504,084
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	20,805,227	19,959,492
Accrued payroll and payroll related taxes	2,578,401	1,052,565
Other accrued liabilities	1,585,375	1,798,587
Current portion of due to municipality	168,406	164,299
Unearned revenue	21,847,703	22,634,525
Total current liabilities	46,985,112	45,609,468
<b>LONG-TERM LIABILITIES</b>		
Due to municipality, net of current portion	3,095,344	3,263,751
Total long-term liabilities	3,095,344	3,263,751
Total liabilities	50,080,456	48,873,219
<b>NET POSITION</b>		
Net investment in capital assets	1,102,803,879	1,134,712,975
Restricted	2,000,000	2,000,000
Unrestricted	28,613,402	32,917,890
<b>TOTAL NET POSITION</b>	<b>\$ 1,133,417,281</b>	<b>\$ 1,169,630,865</b>

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, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>OPERATING REVENUES</b>		
Fare revenue	\$ 6,324,826	\$ 5,246,613
Advertising	573,618	560,514
Other	816,511	558,196
Total operating revenues	7,714,955	6,365,323
<b>OPERATING EXPENSES</b>		
Salaries, wages and fringe benefits	48,949,699	45,441,746
Professional services	15,757,362	15,838,705
Purchased transportation	43,163,359	38,210,478
Fuels and lubricants	2,322,469	1,765,431
Tires and tubes	470,219	406,609
Maintenance materials	3,703,978	3,712,243
Supplies and materials	1,125,852	1,041,278
Utilities	1,272,897	1,288,277
Casualty and liability insurance	5,525,173	6,145,949
Interest expense	85,701	2,375,439
Other	723,999	411,165
Depreciation and amortization	51,500,223	49,748,008
Total operating expenses	174,600,931	166,385,328
Operating loss	(166,885,976)	(160,020,005)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax	107,082,162	85,373,193
Operating assistance grants	1,241,306	50,429,133
Contributions from partners	14,261,720	11,674,989
Rental income	615,144	588,661
Investment income	208,914	84,627
Oil and gas revenue	144,784	43,124
Loss on disposal of capital assets	(54,951)	(27,605)
Other non-departmental revenues	364,806	2,510,695
Total non-operating revenue (expenses)	123,863,885	150,676,817
<b>LOSS BEFORE CAPITAL GRANTS</b>	(43,022,091)	(9,343,188)
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	6,808,507	36,076,825
Change in net position	(36,213,584)	26,733,637
<b>NET POSITION, beginning of year</b>	1,169,630,865	1,142,897,228
<b>NET POSITION, end of year</b>	\$ 1,133,417,281	\$ 1,169,630,865

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

**Fort Worth Transportation Authority**  
**Statements of Cash Flows**  
**Years Ended September 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 6,590,520	\$ 25,952,011
Payments to suppliers	(73,045,422)	(82,019,547)
Payments to employees	(47,423,863)	(48,352,506)
	(113,878,765)	(104,420,042)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax received	107,592,896	82,199,826
Contributions from partners	12,880,634	10,293,903
Rental income	615,144	588,661
Operating assistance grants	397,127	53,005,699
Oil and gas revenue	144,784	43,124
Payment of due to municipality	(164,300)	(160,291)
Payment of revenue note payable	-	(60,000,000)
Payment of due to state	-	(2,784,549)
Other departmental revenue	364,806	3,679,579
	121,831,091	86,865,952
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Grants for capital improvements	6,808,507	36,076,825
Acquisition and construction of capital assets	(20,230,903)	(21,332,986)
Proceeds from sale of capital improvements and land	455,842	185,105
	(12,966,554)	14,928,944
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	208,914	84,627
	208,914	84,627
Net cash provided by investing activities	208,914	84,627
Net change in cash and cash equivalents	(4,805,314)	(2,540,519)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	29,375,844	31,916,363
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 24,570,530	\$ 29,375,844

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, 2022 and 2021

	2022	2021
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (166,885,976)	\$ (160,020,005)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	51,122,276	49,370,061
Amortization expense	377,946	377,946
Change in operating assets and liabilities		
Receivables	(337,613)	(1,144,473)
Inventory	375,688	(5,946,305)
Prepaid expenses	97,377	(1,331,194)
Accounts payable	845,735	(3,087,993)
Accrued payroll and payroll related taxes	1,525,836	(2,910,760)
Other accrued liabilities	(213,212)	(458,480)
Unearned transit revenue	(786,822)	20,731,161
	\$ (113,878,765)	\$ (104,420,042)

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 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 Blue Mound (Blue Mound) in the Authority's service area. On May 8, 1992, the citizens of Blue Mound approved referendums authorizing a one-half of one percent sales tax increase. Collection of Blue Mound 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, 2022 and 2021, 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.

#### 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.

# Fort Worth Transportation Authority

## Notes to Financial Statements

### Cash and Cash Equivalents

The cash, cash equivalents 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, 2022 and 2021, the Authority did not own any type of securities other than those permitted by statute. 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

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.

# Fort Worth Transportation Authority

## Notes to Financial Statements

### 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 from partners, rental income, oil and gas 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 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

Governmental grants (including federal grants in years ended September 30, 2022 and 2021) 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. As of September 30, 2022 and 2021, unearned transit revenue was \$750,816 and \$805,299, respectively. Unearned revenue also includes grant funds received, but not yet earned of \$641,063 and \$636,337 as of September 30, 2022 and 2021, respectively, and amounts received in advance of earning period related to right-to-use assets granted of \$20,455,824 and \$21,192,889 as of September 30, 2022 and 2021, respectively.

### 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.

### 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 by operating agreements.

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

# Fort Worth Transportation Authority

## Notes to Financial Statements

### Leases

GASB Statement No. 87, Leases (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019; however, issuance of GASB Statement No.95, Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95), extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 87 was evaluated for the Authority's 2022 financial statements with no material impact to amounts reported under previous standards.

### 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 \$288,269 and \$249,529 in the years ended September 30, 2022 and 2021, respectively, for transit management services.

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 \$4,450,124 and \$4,333,148 for services in the years ended September 30, 2022 and 2021, respectively.

### Note 3. Cash and Cash Equivalents

All cash equivalents during the year were money market funds, 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.

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

# Fort Worth Transportation Authority

## Notes to Financial Statements

At September 30, 2022 and 2021, the Authority had the following investments:

	2022		2021	
	Fair Value	Weighted Avg Years to Maturity	Fair Value	Weighted Avg Years to Maturity
TexPool-cash equivalent	\$ 1,795,462	1.11	\$ 9,018,875	1.11
TexStar-cash equivalent	81,543	1.15	81,016	1.15
Total portfolio	\$ 1,877,005		\$ 9,099,891	

### Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Certificates of deposit and the two external investment pools are excluded from the fair value hierarchy.

	2022	2021
Cash and cash equivalents		
Cash deposits	\$ 518,271	\$ 1,387,626
Money market accounts	22,175,254	18,888,327
TexPool	1,795,462	9,018,875
TexStar	81,543	81,016
Total cash and cash equivalents	\$ 24,570,530	\$ 29,375,844

### 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, 2022 and 2021, the Authority's investments in TexPool and TexStar were rated AAAM and AAAM, 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, 2022 and 2021, the Authority held deposits in excess of the FDIC limit of \$7,680,954 and \$3,119,759, respectively. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2022 and 2021.

# Fort Worth Transportation Authority

## Notes to Financial Statements

### Restricted Cash and Board Reserves

During the year ended September 30, 2020, the Board of Directors adopted new general financial policies regarding cash reserves. In doing so, the Board of Directors updated the methodology in which reserves were calculated, which required cash reserves to be based on annual sales tax revenue in the prior year. These funds are to be continually invested until required for use. At September 30, 2022 and 2021, the amounts on the accompanying statements of net position as board reserves consisted of \$4,975,289 and \$3,267,825, respectively, for operations. The Authority also has funds restricted by a grant from Regional Toll Revenues, to be used for the purchase of rail vehicles. These restricted funds totaled \$641,063 and \$636,337 at September 30, 2022 and 2021, respectively.

### Note 4. Receivables

Receivables at September 30, 2022 and 2021 consisted of the following:

	2022	2021
Ticket, token and miscellaneous receivables	\$ 3,731,508	\$ 3,393,895
Sales tax	20,419,611	19,549,259
Grants receivable	935,463	91,284
Less: allowance	(85,000)	(85,000)
Total	\$ 25,001,582	\$ 22,949,438

Receivables are reduced, as necessary, by an allowance for estimated uncollectible amounts. Management evaluates the adequacy of the allowance based on a review of individual accounts. The primary factors considered in determining the amount of the allowance are collection history, the aging of the accounts, and other specific information known to management that may affect collectability. The allowance for doubtful accounts was \$85,000 as of September 30, 2022 and 2021, respectively, all of which is associated with ticket, token and miscellaneous receivables. Management writes off receivables against the allowance when accounts are deemed uncollectable. Management does not believe an allowance is necessary on grants or sales tax receivables.

# 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, 2022:

	Balance Beginning of Year	Increases	Decreases	Transfers	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 157,188,800	\$ 12,686	\$ -	\$ -	\$ 157,201,486
Construction in progress	24,277,701	19,274,927	(560,000)	(22,810,210)	20,182,418
Total capital assets not being depreciated	181,466,501	19,287,613	(560,000)	(22,810,210)	177,383,904
Capital assets, being depreciated					
Buildings	152,275,514	-	-	(1)	152,275,513
Building improvements	3,847,593	-	-	7,072,377	10,919,970
Machinery and equipment	122,876,742	-	-	4,462,332	127,339,074
Rolling stock	254,067,374	943,290	(11,238,573)	4,735,705	248,507,796
Improvements other than buildings	765,048,813	-	(20,916)	6,539,797	771,567,694
Total capital assets being depreciated	1,298,116,036	943,290	(11,259,489)	22,810,210	1,310,610,047
Less accumulated depreciation for					
Buildings	54,867,164	3,040,776	-	-	57,907,940
Building improvements	1,921,519	1,020,558	-	-	2,942,077
Machinery and equipment	36,373,320	8,980,353	-	-	45,353,673
Rolling stock	91,549,172	13,867,518	(11,308,696)	-	94,107,994
Improvements other than buildings	158,006,211	24,213,071	-	-	182,219,282
Total accumulated depreciation	342,717,386	51,122,276	(11,308,696)	-	382,530,966
Total capital assets, being depreciated, net	955,398,650	(50,178,986)	49,207	22,810,210	928,079,081
Capital assets, net	<u>\$ 1,136,865,151</u>	<u>\$ (30,891,373)</u>	<u>\$ (510,793)</u>	<u>\$ -</u>	<u>\$ 1,105,462,985</u>

The following table summarizes the changes in capital assets for the year ended September 30, 2021:

	Balance Beginning of Year	Increases	Decreases	Reclassifications	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 156,763,218	\$ -	\$ -	\$ 425,582	\$ 157,188,800
Construction in progress	31,114,857	21,270,268	(1,160,298)	(26,947,126)	24,277,701
Total capital assets not being depreciated	187,878,075	21,270,268	(1,160,298)	(26,521,544)	181,466,501
Capital assets, being depreciated					
Buildings	152,273,956	-	-	1,558	152,275,514
Building improvements	4,132,604	-	(506,579)	221,568	3,847,593
Machinery and equipment	122,017,348	62,716	(1,675,904)	2,472,582	122,876,742
Rolling stock	246,549,197	-	(8,706,794)	16,224,971	254,067,374
Improvements other than buildings	757,892,843	-	(444,895)	7,600,865	765,048,813
Total capital assets being depreciated	1,282,865,948	62,716	(11,334,172)	26,521,544	1,298,116,036
Less accumulated depreciation for					
Buildings	51,825,392	3,041,772	-	-	54,867,164
Building improvements	1,993,640	434,458	(506,579)	-	1,921,519
Machinery and equipment	30,371,328	7,529,273	(1,527,281)	-	36,373,320
Rolling stock	86,824,684	13,339,590	(8,615,102)	-	91,549,172
Improvements other than buildings	133,445,159	25,005,947	(444,895)	-	158,006,211
Total accumulated depreciation	304,460,203	49,351,040	(11,093,857)	-	342,717,386
Total capital assets being depreciated, net	978,405,745	(49,288,324)	(240,315)	26,521,544	955,398,650
Capital assets, net	<u>\$ 1,166,283,820</u>	<u>\$ (28,018,056)</u>	<u>\$ (1,400,613)</u>	<u>\$ -</u>	<u>\$ 1,136,865,151</u>

No interest was capitalized during the years ended September 30, 2022 and 2021, respectively.



# Fort Worth Transportation Authority

## Notes to Financial Statements

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, 2022.

### Note 6. Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2022:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to municipality	\$ 3,428,050	\$ -	\$ (164,300)	\$ 3,263,750	\$ 168,406
<b>Total</b>	<b>\$ 3,428,050</b>	<b>\$ -</b>	<b>\$ (164,300)</b>	<b>\$ 3,263,750</b>	<b>\$ 168,406</b>

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2021:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to state	\$ 2,784,550	\$ 6,206,851	\$ (8,991,401)	\$ -	\$ -
Due to municipality	3,588,340	-	(160,290)	3,428,050	164,299
Revenue note payable	60,000,000	-	(60,000,000)	-	-
<b>Total</b>	<b>\$ 66,372,890</b>	<b>\$ 6,206,851</b>	<b>\$ (69,151,691)</b>	<b>\$ 3,428,050</b>	<b>\$ 164,299</b>

### 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, 2021, the Authority was notified by the Texas State Comptroller of Public Accounts that the Comptroller had erroneously remitted approximately \$6.2 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.

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 consisted of a reduction of the principal balance as well as recognition of the imputed interest for the period. The imputed interest totaled \$98,041 for the year ended September 30, 2021 and is included in other non-departmental (revenues) expenses. All amounts were paid in year ended September 30, 2021.

# Fort Worth Transportation Authority

## Notes to Financial Statements

### 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.

Reductions of future remittances to the Authority for repayment of the amount due to municipality at September 30, 2022 were scheduled as follows:

Year Ending September 30,		
2023	\$	250,000
2024		250,000
2025		250,000
2026		250,000
2027		250,000
2028-2032		1,250,000
2033-2037		1,250,000
2038		250,000
Total minimum payments		4,000,000
Less amount representing interest		(736,250)
Recorded value of minimum payments	\$	3,263,750

The imputed interest totaled \$89,709 and \$93,618 for the years ended September 30, 2022 and 2021, 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. Interest ranges from 2.4% to 3.0% and is payable semi-annually each April 1 and October 1.

As of September 30, 2021, the Authority repaid the full principal amount outstanding of \$60,000,000.

For year ended September 30, 2021, \$2,187,689 of interest was charged on the revenue notes, with \$2,187,689 recorded as interest expense. No interest was capitalized during the years ended September 30, 2022 and 2021, respectively.

# 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.

Effective January 1, 2020, the Authority makes contributions to the 401(k) Plan for employees who work at least one hour or more during a calendar year 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, 2022 and 2021, the employee contributions to the 401(k) Plan were \$2,036,803 and \$1,786,037, respectively. The Authority's contributions to the 401(k) Plan for those years were \$1,649,924 and \$1,498,942, 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, 2022 and 2021, the employee contributions to the 457(b) Plan were \$647,858 and \$584,258, respectively. The Authority's contributions to the 457(b) Plan for those years were \$490,795 and \$462,366, respectively.

### Note 8. Commitments and Contingencies

#### Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2022. The Authority has spent \$7,247,427 on these projects and has remaining commitments of \$10,879,554 at September 30, 2022.

# 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, 2022 and 2021, 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.

As of January 2019, the Authority also has a stand-alone liability policy related to TEXRail revenue service. The coverage amount is \$300 million and has self-retention of \$1 million. No changes were made to this coverage during year ended September 30, 2021. During year ended September 30, 2022, the Authority entered into a rail liability insurance pooled insurance program with two other transportation authorities, providing coverage amount of \$323 million in coverage.

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 \$478,655 and \$634,628 reported at September 30, 2022 and 2021, 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, 2022 and 2021.

Changes in the reported liability for the years ended September 30, 2022 and 2021 are as follows:

	Beginning of Year Liability	Incurred Claims and Adjustments	Claim Payments	End of Year Liability
Vehicle and general liability				
Fiscal year 2022	\$ 138,500	\$ 12,948	\$ 138,321	\$ 13,127
Fiscal year 2021	424,067	140,709	426,276	138,500
Fiscal year 2020	456,374	-	32,307	424,067
Workers' compensation				
Fiscal year 2022	\$ 496,128	\$ 670,610	\$ 701,210	\$ 465,528
Fiscal year 2021	146,225	922,424	572,521	496,128
Fiscal year 2020	113,816	213,260	180,851	146,225

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.

# Fort Worth Transportation Authority

## Notes to Financial Statements

### 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, 2022 and 2021 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 \$13,127, which is included in other accrued liabilities on the statements of financial position.

### Unearned Revenue

During the year ended September 30, 2021, the Authority and a local government agreed that the Authority would receive, through one-time payments of \$21,500,000 and \$6,000,000, payment for granting certain rights to use, which was deemed to be the fair value of the right to use provided. The government and the Authority have agreed to repayment terms, which provide for no interest. As of September 30, 2022, the Authority has recorded unearned revenue of \$20,455,824 related to this transaction.

The Authority has calculated and recorded the present value of the payments, noted above, as unearned revenue, using a 2.1% discount rate, consistent with other borrowings of the Authority. Revenue recognition will be recorded over the period of use, which approximates 36 years, and 8 months.

### 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.

## Supplementary Information

**Fort Worth Transportation Authority**  
Schedule of Revenues and Expenses – Budget and Actual  
Year Ended September 30, 2022  
With Comparative Actuals for the Year Ended September 30, 2021

	2022				2021
	Original Budget	Final Budget	Actual	Variance Over (Under)	Actual
<b>OPERATING REVENUES</b>					
Fare revenue	\$ 4,885,000	\$ 4,885,000	\$ 6,324,826	\$ 1,439,826	\$ 5,246,613
Advertising	535,000	535,000	573,618	38,618	560,514
Other	1,558,000	1,558,000	816,511	(741,489)	558,196
Total operating revenues	6,978,000	6,978,000	7,714,955	736,955	6,365,323
<b>OPERATING EXPENSES</b>					
Salaries, wages and fringe benefits	48,517,000	48,517,000	48,949,699	(432,699)	45,441,746
Professional services	61,923,000	61,923,000	15,757,362	46,165,638	15,838,705
Purchased transportation	-	-	43,163,359	(43,163,359)	38,210,478
Fuels and lubricants	1,798,000	1,798,000	2,322,469	(524,469)	1,765,431
Tires and tubes	418,000	418,000	470,219	(52,219)	406,609
Maintenance materials	3,326,000	3,326,000	3,703,978	(377,978)	3,712,243
Supplies and materials	907,000	907,000	1,125,852	(218,852)	1,041,278
Utilities	1,515,000	1,515,000	1,272,897	242,103	1,288,277
Casualty and liability insurance	9,795,000	9,795,000	5,525,173	4,269,827	6,145,949
Taxes and fees	44,000	44,000	-	44,000	-
Interest expense	-	-	85,701	(85,701)	2,375,439
Depreciation	49,980,000	49,980,000	51,500,223	(1,520,223)	49,748,008
Other	815,000	815,000	723,999	91,001	411,165
Total operating expenses	179,038,000	179,038,000	174,600,931	4,437,069	166,385,328
Operating loss	(172,060,000)	(172,060,000)	(166,885,976)	5,174,024	(160,020,005)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Sales tax	88,614,000	88,614,000	107,082,162	18,468,162	85,373,193
Operating assistance grants	48,038,000	48,038,000	1,241,306	(46,796,694)	50,429,133
Contributions from partners	13,136,000	13,136,000	14,261,720	1,125,720	11,674,989
Rental income	716,000	716,000	615,144	(100,856)	588,661
Investment income	46,000	46,000	208,914	162,914	84,627
Oil and gas revenue	-	-	144,784	144,784	43,124
Gain (loss) on disposal of capital assets	-	-	(54,951)	(54,951)	(27,605)
Other non-operating revenue (expense)	424,000	424,000	364,806	(59,194)	2,510,695
Total non-operating revenue (expenses)	150,974,000	150,974,000	123,863,885	(27,110,115)	150,676,817
Income before capital grants	(21,086,000)	(21,086,000)	(43,022,091)	(21,936,091)	(9,343,188)
Grants for capital improvements	71,597,000	71,597,000	6,808,507	(64,788,493)	36,076,825
<b>CHANGE IN NET POSITION</b>	<b>\$ 50,511,000</b>	<b>\$ 50,511,000</b>	<b>\$ (36,213,584)</b>	<b>\$ (86,724,584)</b>	<b>\$ 26,733,637</b>

# **Federal Awards Section**



**Fort Worth Transportation Authority**  
 Schedule of Expenditures of Federal Awards  
 Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Grantor ID Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
FEDERAL AWARDS			
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster			
Direct Award			
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2018-085	20.507	\$ 539,599
FTA/Urbanized Area Formula Grants (2013 & forward)	TX-2020-159-05-01	20.507	73,475
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-170-01	20.507	924,291
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-171	20.507	1,788,047
FTA/TOD Planning Pilot Program	TX-2021-087-01-00	20.500	<u>275,138</u>
Total Federal Transit Cluster			3,600,550
Transit Services Program Cluster			
Direct Award			
FTA/Mobility of Sr. & Indv. w/ Disabilities Formula	TX-2018-060-01	20.513	30,000
FTA/Mobility of Sr. & Indv. w/ Disabilities Formula	TX-2018-060-03	20.513	2,256
Passed through North Central Texas Council of Governments			
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-137	20.513	<u>87,011</u>
Total Transit Services Program Cluster			119,267
Passed through Dallas Area Rapid Transit			
Consolidated Rail Infrastructure and Safety Improvements Grant	N/A	20.325	<u>3,747,556</u>
Total Federal Assistance Listing Number 20.325			3,747,556
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 7,467,373</u></b>

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

# Fort Worth Transportation Authority

## Notes to Schedule of Expenditures of Federal Awards

### Note 1. Summary of Significant Accounting Policies

General: The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal 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, 2022. 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).

Because the SEFA presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Basis of Accounting: Expenditures reported on the SEFA 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

During the fiscal year ended September 30, 2022, the Authority was awarded grants under Federal Assistance Listing Number 20.500, 20.507, 20.513, and 20.325, 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 \$3,857,076.

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 is recorded the statement of revenue, expenses and changes in net position for year ended September 30, 2022 as follows:

Federal assistance per SEFA	\$	7,467,373
State grants		582,440
Reconciled revenue	\$	8,049,813
Operating assistance grants	\$	1,241,306
Grants for capital improvements		6,808,507
Total grant revenue - FY 2022	\$	8,049,813



**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, 2022, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2023.

**Report on 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.

**Report on 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*.

Weaver and Tidwell, L.L.P.  
2821 West 7th Street, Suite 700 / Fort Worth, Texas 76107  
Main: 817.332.7905

**CPAs AND ADVISORS | [WEAVER.COM](http://WEAVER.COM)**

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  
January 10, 2023



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

To the Board of Directors of the  
Fort Worth Transportation Authority

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Fort Worth Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2022. 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.

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 programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Weaver and Tidwell, L.L.P.  
2821 West 7th Street, Suite 700 / Fort Worth, Texas 76107  
Main: 817.332.7905

**CPAs AND ADVISORS | [WEAVER.COM](http://WEAVER.COM)**

### ***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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.

The Board of Directors of the  
Fort Worth Transportation Authority

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
January 10, 2023





**Fort Worth Transportation Authority**  
Schedule of Findings and Questioned Costs – Continued  
Year Ended September 30, 2022

**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, 2022

None noted.