

Fort Worth Transportation Authority

Financial Report
September 30, 2023



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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 (Authority) as of September 30, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 (Government Auditing Standards). 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.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2023, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Our opinions are not modified with respect to this matter.

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.

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 GAAS, 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 GAAS. 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 February 1, 2024, 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 solely 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 effectiveness of the Authority's 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
February 1, 2024

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, 2023. 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, 2023, the Authority's assets exceeded its liabilities and deferred inflows of resources by \$1,150,096,897. Of this amount, \$66,193,573 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. Unrestricted net position was approximately 49% of the fiscal 2023 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 \$1,199,828,963 at September 30, 2023 represented an increase of \$16,331,226 or 1% from September 30, 2022. Capital assets, which includes land and construction in progress, at September 30, 2023 were \$1,083,999,006, representing a decrease of \$21,463,979 or approximately 2% from September 30, 2022.

The Authority's total liabilities of \$30,013,307 at September 30, 2023 represented an increase of \$388,675 or 1% from September 30, 2022. Total current and non-current portions of long-term liabilities were \$5,092,110 at September 30, 2023, an increase of \$1,828,360 or 56% from September 30, 2022. This increase is due to new long-term liabilities related to due to state of \$1,996,766.

Total current liabilities decreased by \$864,971 or 3%, primarily due to a decrease in accrued liabilities and accounts payable.

Total deferred inflows of resources of \$19,718,759 at September 30, 2023 represented a decrease of \$737,065 or 4%.

The Authority's net position increased in fiscal 2023 by \$16,679,616 or 1.5%. The increase in the change in net position as compared to fiscal 2022 of \$52,893,200 is primarily due to the following:

- An increase in operating assistance grants of \$32,877,934;
- An increase in fare revenue of \$1,417,727;
- An increase in grants for capital improvements of \$1,846,256;
- Preventative maintenance reimbursements of \$18,804,307;
- An increase in purchased transportation expenses of \$4,811,937;
- An increase in salaries, wages and fringe benefits of \$4,749,903;
- An increase in security, maintenance and other professional services expenses of \$2,121,654;
- An increase in sales tax revenue of \$3,211,328;
- An increase in contributions from partners of \$979,403;
- An increase in investment income of \$1,726,919.

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, Deferred Inflows of Resources and Net Position

	2023	2022
Current assets	\$ 98,916,882	\$ 60,743,731
Non-current assets	1,100,912,081	1,122,754,006
Total assets	1,199,828,963	1,183,497,737
Current liabilities	25,664,317	26,529,288
Long-term liabilities	4,348,990	3,095,344
Total liabilities	30,013,307	29,624,632
Deferred inflows of resources	19,718,759	20,455,824
Net position		
Net investment in capital assets	1,081,903,324	1,102,803,379
Restricted	2,000,000	2,000,000
Unrestricted	66,193,573	28,613,902
Total net position	\$ 1,150,096,897	\$ 1,133,417,281

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

Operating revenues for fiscal 2023 increased by \$1,420,745 or 18%. Fare revenue increased \$1,417,727 or 22% due to increased ridership on the Authority's core transportation services, fixed route bus, paratransit and commuter rail, during the year.

Operating expenses before depreciation increased \$12,481,215 or 10% in fiscal 2023 as compared to fiscal 2022. This increase in operating expenses is primarily due to the following:

- Salaries, wages and fringe benefits increased by \$4,749,903 or 10%;
- Purchased transportation increased by \$4,811,937 or 11%;
- An increase in professional services expenses of \$2,121,654 or 13%;

Non-operating revenue increased by \$57,939,668 or 47% in fiscal 2023 as compared to fiscal 2022. This increase is primarily due to the following:

- An increase in sales tax revenue of \$3,211,328 or 3%;
- An increase in contributions from partners of \$979,403;
- Operating assistance grants of \$32,877,934;
- Preventative maintenance reimbursements of \$18,804,307;
- An increase in investment income of \$1,726,919;
- An increase in other non-departmental revenue of \$545,231.

Changes in Net Position

	2023	2022
Operating revenue		
Fare revenue	\$ 7,742,553	\$ 6,324,826
Advertising	588,391	573,618
Other	804,756	816,511
Operating revenue	9,135,700	7,714,955
Operating expenses	182,914,400	174,600,931
Operating loss	(173,778,700)	(166,885,976)
Nonoperating revenue		
Sales Tax	110,293,490	107,082,162
Operating assistance grants	34,119,240	1,241,306
Preventive maintenance reimbursement	18,804,307	-
Contributions from partners	15,241,123	14,261,720
Other non-operating revenue	2,435,356	913,891
Other non-departmental revenues	910,037	364,806
Net non-operating revenue	181,803,553	123,863,885
Grants for Capital Improvements	8,654,763	6,808,507
Change in net position	16,679,616	(36,213,584)
Net position, beginning of year	1,133,417,281	1,169,630,865
Net position, end of year	\$ 1,150,096,897	\$ 1,133,417,281

Capital Assets

During fiscal 2023, the Authority's net investment in capital assets decreased by \$20,900,555. The Authority added \$25,727,723 in acquisitions and construction of capital assets, \$5,496,820 or 27% more than in fiscal 2022. Some of the more significant capital expenditures include:

- Commuter rail capital improvements including:
 - TRE capital maintenance of \$3,098,725;
 - TEXRail Southside extension of \$2,281,947;
 - Trinity Lakes Station Project of \$8,307,557; and
- Fixed route bus service and para-transit service improvements including:
 - Upgrade security cameras on entire fleet of \$5,031,428;
 - IT Improvements of \$312,683;
 - Facilities improvements of \$1,349,568.

Depreciation and amortization expense for fiscal 2023 was \$47,332,477. The following is a summary of the Authority's capital assets:

	2023	2022
Land	\$ 157,201,457	\$ 157,201,486
Buildings, net	91,326,797	94,367,573
Building improvements, net	7,195,177	7,977,893
Machinery and equipment, net	73,925,161	81,985,401
Rolling stock, net	141,996,316	154,399,802
Improvements other than buildings, net	566,934,328	589,348,412
Construction in progress	45,419,770	20,182,418
	\$ 1,083,999,006	\$ 1,105,462,985

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 2024 continues to recognize the importance of efficient service that meets the needs of our customers and community. Sales tax revenues increased in fiscal 2023, increasing approximately \$3.2 million or 3% compared to fiscal 2022 receipts. Sales tax revenues for fiscal 2024 are budgeted at \$119.2 million, an increase of approximately \$8.9 million or 8% as compared to fiscal 2023 actual revenue of \$110.3 million.

The overall employment picture in the Authority's service area has remained consistent since the recovery from the COVID-19 pandemic. According to the Department of Labor, the unemployment rate for Tarrant County for September 2023 was 3.9%. This is an increase of 0.4% over September 2022, which had a rate of 3.5%. The Fort Worth/Arlington region is 0.1% higher compared to the national unemployment rate of 3.8% in September 2023. Fort Worth, which is the Authority's largest member city, continues to experience population growth. According to the North Central Texas Council of Governments, Fort Worth's estimated population for 2023 was 974,846, which was a 2% increase compared to the 2022 estimate population of 955,903.

The adopted fiscal 2024 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2024 budgeted operating expenses before depreciation totaled approximately \$154.7 million dollars, an increase of approximately \$19.1 million or 14% over actual fiscal 2023 total expenses before depreciation of \$135.6 million.

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

- A budgeted increase in salaries, wages and fringe benefits of \$1.3 million or 2%, as compared to fiscal 2023 actual results due to budgeted salary increases of 4%, bargaining unit contract increases and new positions.
- A budgeted increase in purchased transportation expenses, of approximately \$9.3 million or 19%, as compared to fiscal 2023 actual results due to a 3% contract rate increase for rail services, and expansions in the ZIPZONE service areas.
- A budgeted increase in Professional Services and Utility expenses of approximately \$8.8 million or 45%, as compared to fiscal 2023 actual results due to multiple Information Technology initiatives such as Wi-Fi on trains and busses, enhanced project management software, Geographic Information System (GIS) software, increases in software license and maintenance, as well as contract increases across all other departments.

The Authority enters fiscal 2024 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.

Financial Statements

Fort Worth Transportation Authority

Statements of Net Position September 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Board reserves	\$ 7,116,932	\$ 4,975,289
Restricted for rail vehicles	668,551	641,063
Unrestricted	31,164,965	18,954,178
Total cash and cash equivalents	38,950,448	24,570,530
Receivables, net	48,901,005	25,001,582
Inventory	8,685,885	7,766,920
Prepaid expenses	2,379,544	3,404,699
Total current assets	98,916,882	60,743,731
LONG-TERM ASSETS		
Right to use asset, net	16,913,075	17,291,021
Land and construction in progress	202,621,227	177,383,904
Other capital assets, net of accumulated depreciation	881,377,779	928,079,081
Total long-term assets	1,100,912,081	1,122,754,006
Total assets	1,199,828,963	1,183,497,737
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable	17,444,787	20,805,227
Accrued payroll and payroll related taxes	2,881,127	2,578,401
Other accrued liabilities	3,308,514	1,585,375
Current portion of due to municipality	172,616	168,406
Current portion of due to state	570,504	-
Unearned revenue	1,286,769	1,391,879
Total current liabilities	25,664,317	26,529,288
LONG-TERM LIABILITIES		
Due to state, net of current portion	1,426,262	-
Due to municipality, net of current portion	2,922,728	3,095,344
Total long-term liabilities	4,348,990	3,095,344
Total liabilities	30,013,307	29,624,632
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	19,718,759	20,455,824
Total deferred inflows of resources	19,718,759	20,455,824
NET POSITION		
Net investment in capital assets	1,081,903,324	1,102,803,379
Restricted	2,000,000	2,000,000
Unrestricted	66,193,573	28,613,902
TOTAL NET POSITION	\$ 1,150,096,897	\$ 1,133,417,281

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, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Fare revenue	\$ 7,742,553	\$ 6,324,826
Advertising	588,391	573,618
Other	804,756	816,511
Total operating revenues	9,135,700	7,714,955
OPERATING EXPENSES		
Salaries, wages and fringe benefits	53,699,602	48,949,699
Professional services	17,879,016	15,757,362
Purchased transportation	47,975,296	43,163,359
Fuels and lubricants	1,759,178	2,322,469
Tires and tubes	464,711	470,219
Maintenance materials	4,386,041	3,703,978
Supplies and materials	970,901	1,125,852
Utilities	1,646,448	1,272,897
Casualty and liability insurance	5,580,398	5,525,173
Interest expense	81,594	85,701
Other	1,138,738	723,999
Depreciation and amortization	47,332,477	51,500,223
Total operating expenses	182,914,400	174,600,931
Operating loss	(173,778,700)	(166,885,976)
NON-OPERATING REVENUES		
Sales tax	110,293,490	107,082,162
Operating assistance grants	34,119,240	1,241,306
Preventative maintenance reimbursement	18,804,307	-
Contributions from partners	15,241,123	14,261,720
Rental income	601,764	615,144
Investment income	1,935,833	208,914
Oil and gas revenue	133,612	144,784
Loss on disposal of capital assets	(235,853)	(54,951)
Other non-departmental revenues	910,037	364,806
Total non-operating revenue	181,803,553	123,863,885
INCOME (LOSS) BEFORE CAPITAL GRANTS	8,024,853	(43,022,091)
GRANTS FOR CAPITAL IMPROVEMENTS	8,654,763	6,808,507
Change in net position	16,679,616	(36,213,584)
NET POSITION, beginning of year	1,133,417,281	1,169,630,865
NET POSITION, end of year	<u>\$ 1,150,096,897</u>	<u>\$ 1,133,417,281</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, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 6,849,315	\$ 6,590,520
Payments to suppliers	(83,413,433)	(73,045,422)
Payments to employees	(53,396,876)	(47,423,863)
	(129,960,994)	(113,878,765)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax received	109,564,071	107,592,896
Preventive maintenance reimbursement	18,804,307	-
Contributions from partners	14,543,974	12,880,634
Rental income	601,764	615,144
Operating assistance grants	13,090,595	397,127
Oil and gas revenue	133,612	144,784
Payment of due to municipality	(168,406)	(164,300)
Proceeds from due to state	1,996,766	-
Other departmental revenue	910,037	364,806
	159,476,720	121,831,091
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants for capital improvements	8,654,763	6,808,507
Acquisition and construction of capital assets	(25,727,723)	(20,230,903)
Proceeds from sale of capital improvements and land	1,319	455,842
	(17,071,641)	(12,966,554)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,935,833	208,914
	1,935,833	208,914
Net cash provided by investing activities		
	14,379,918	(4,805,314)
CASH AND CASH EQUIVALENTS, beginning of year	24,570,530	29,375,844
CASH AND CASH EQUIVALENTS, end of year	\$ 38,950,448	\$ 24,570,530

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, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (173,778,700)	\$ (166,885,976)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	46,954,530	51,122,276
Amortization expense	377,946	377,946
Change in operating assets and liabilities		
Receivables	(1,444,210)	(337,613)
Inventory	(918,965)	375,688
Prepaid expenses	1,025,155	97,377
Accounts payable	(3,360,440)	845,735
Accrued payroll and payroll related taxes	302,726	1,525,836
Other accrued liabilities	1,723,139	(213,212)
Unearned revenue	(105,110)	(49,757)
Deferred inflows of resources	(737,065)	(737,065)
Net cash used in operating activities	\$ (129,960,994)	\$ (113,878,765)

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022) 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, 2023 and 2022, unearned transit revenue was \$618,218 and \$750,816, respectively. Unearned revenue also includes grant funds received, but not yet earned of \$668,551 and \$641,063 as of September 30, 2023 and 2022, respectively.

Deferred Inflows of Resources

Deferred inflows of resources consist of amounts received in advance of earning period related to right-to-use assets granted of \$19,718,759 and \$20,455,824 as of September 30, 2023 and 2022, 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.

Fort Worth Transportation Authority

Notes to Financial Statements

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.

GASB Pronouncements implemented by the Authority

GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2020; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 91 to reporting periods beginning after December 15, 2021, with earlier application encouraged. GASB 91 was implemented in the Authority's fiscal year 2023 financial statements with no impact to amounts previously reported.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 94 was implemented in the Authority's fiscal year 2023 financial statements which resulted in \$20,455,824 of amounts received in advance being reclassified from unearned revenue to deferred inflows of resources as of September 30, 2022 to be consistent with the implementation of this standard. This reclassification has no impact on change in net position or net position for the year ended September 30, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 was evaluated for the Authority's 2023 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 \$271,815 and \$288,269 in the years ended September 30, 2023 and 2022, respectively, for transit management services.

Fort Worth Transportation Authority

Notes to Financial Statements

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 \$5,146,367 and \$4,450,124 for services in the years ended September 30, 2023 and 2022, respectively.

Note 3. Cash and Cash Equivalents

All cash equivalents during the year were money market funds, or investments in investment 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.

At September 30, 2023 and 2022, the Authority had the following investments:

	2023		2022	
	Fair Value	Weighted Avg Years to Maturity	Fair Value	Weighted Avg Years to Maturity
TexPool-cash equivalent	\$ 15,037,387	1.11	\$ 1,795,462	1.11
TexStar-cash equivalent	22,874	1.15	81,543	1.15
Total portfolio	<u>\$ 15,060,261</u>		<u>\$ 1,877,005</u>	

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.

	2023	2022
Cash and cash equivalents		
Cash deposits	\$ 911,298	\$ 518,271
Money market accounts	22,978,889	22,175,254
TexPool	15,037,387	1,795,462
TexStar	22,874	81,543
Total cash and cash equivalents	<u>\$ 38,950,448</u>	<u>\$ 24,570,530</u>

Fort Worth Transportation Authority

Notes to Financial Statements

Interest Rate Risk

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

Credit Risk

At September 30, 2023 and 2022, 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, 2023 and 2022, the Authority held deposits in excess of the FDIC limit of \$11,374,086 and \$7,680,954, respectively. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2023 and 2022.

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, 2023 and 2022, the amounts on the accompanying statements of net position as board reserves consisted of \$7,116,932 and \$4,975,289, 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 \$668,551 and \$641,063 at September 30, 2023 and 2022, respectively.

Note 4. Receivables

Receivables at September 30, 2023 and 2022 consisted of the following:

	2023	2022
Ticket, token and miscellaneous receivables	\$ 5,175,718	\$ 3,731,508
Sales tax	21,846,179	20,419,611
Grants receivable	21,964,108	935,463
Less: allowance	(85,000)	(85,000)
Total	\$ 48,901,005	\$ 25,001,582

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, 2023 and 2022, 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, 2023:

	Balance Beginning of Year	Increases	Decreases	Transfers	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 157,201,486	\$ -	\$ -	\$ (29)	\$ 157,201,457
Construction in progress	20,182,418	25,237,323	-	29	45,419,770
Total capital assets not being depreciated	177,383,904	25,237,323	-	-	202,621,227
Capital assets, being depreciated					
Buildings	152,275,513	-	(64,625)	-	152,210,888
Building improvements	10,919,970	344,880	-	-	11,264,850
Machinery and equipment	127,339,074	29,053	(7,212,386)	-	120,155,741
Rolling stock	248,507,796	116,461	(1,000,130)	-	247,624,127
Improvements other than buildings	771,567,694	6	(3,984,317)	-	767,583,383
Total capital assets being depreciated	1,310,610,047	490,400	(12,261,458)	-	1,298,838,989
Less accumulated depreciation for					
Buildings	57,907,940	3,040,775	(64,624)	-	60,884,091
Building improvements	2,942,077	1,127,596	-	-	4,069,673
Machinery and equipment	45,353,673	8,037,559	(7,160,652)	-	46,230,580
Rolling stock	94,107,994	12,334,510	(814,693)	-	105,627,811
Improvements other than buildings	182,219,282	22,414,090	(3,984,317)	-	200,649,055
Total accumulated depreciation	382,530,966	46,954,530	(12,024,286)	-	417,461,210
Total capital assets, being depreciated, net	928,079,081	(46,464,130)	(237,172)	-	881,377,779
Capital assets, net	<u>\$ 1,105,462,985</u>	<u>\$ (21,226,807)</u>	<u>\$ (237,172)</u>	<u>\$ -</u>	<u>\$ 1,083,999,006</u>

The following table summarizes the changes in capital assets for the year ended September 30, 2022:

	Balance Beginning of Year	Increases	Decreases	Reclassifications	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>

Fort Worth Transportation Authority

Notes to Financial Statements

No interest was capitalized during the years ended September 30, 2023 and 2022, respectively.

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, 2023.

Note 6. Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2023:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to municipality	\$ 3,263,750	\$ -	\$ (168,406)	\$ 3,095,344	\$ 172,616
Due to state	-	1,996,766	-	1,996,766	570,504
Total	\$ 3,263,750	\$ 1,996,766	\$ (168,406)	\$ 5,092,110	\$ 743,120

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
Total	\$ 3,428,050	\$ -	\$ (164,300)	\$ 3,263,750	\$ 168,406

Due to Municipality

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

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

Fort Worth Transportation Authority

Notes to Financial Statements

Reductions of future remittances to the Authority for repayment of the amount due to municipality at September 30, 2023 were scheduled as follows:

Year Ending September 30,	
2024	\$ 250,000
2025	250,000
2026	250,000
2027	250,000
2028	250,000
2029-2033	1,250,000
2034-2038	1,250,000
Total minimum payments	3,750,000
Less amount representing interest	(654,656)
Recorded value of minimum payments	\$ 3,095,344

The imputed interest totaled \$89,709 and \$93,618 for the years ended September 30, 2023 and 2022, and is included in interest expense.

Due to State

During the year ended September 30, 2023, the Authority was notified by the Texas Comptroller of Public Accounts (the Comptroller) that the Comptroller had erroneously remitted approximately \$1.9 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 March 2027.

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

Reductions of future sales tax remittances from the Comptroller to the Authority for repayment of the amount due to state at September 30, 2023 were scheduled as follows:

Year Ending September 30,	
2024	\$ 570,504
2025	570,504
2026	570,504
2027	285,254
Total minimum payments	1,996,766
Less amount representing interest	-
Recorded value of minimum payments	\$ 1,996,766

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, 2023 and 2022, the employee contributions to the 401(k) Plan were \$2,227,179 and \$2,036,803, respectively. The Authority's contributions to the 401(k) Plan for those years were \$1,799,567 and \$1,649,924, 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, 2023 and 2022, the employee contributions to the 457(b) Plan were \$783,384 and \$647,858, respectively. The Authority's contributions to the 457(b) Plan for those years were \$549,036 and \$490,795, respectively.

Note 8. Commitments and Contingencies

Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2023. The Authority has spent \$10,401,548 on these projects and has remaining commitments of \$6,001,292 at September 30, 2023.

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, 2023 and 2022, 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.

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 \$722,699 and \$478,655 reported at September 30, 2023 and 2022, 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, 2023 and 2022.

Changes in the reported liability for the years ended September 30, 2023 and 2022 are as follows:

	Beginning of Year Liability	Incurred Claims and Adjustments	Claim Payments	End of Year Liability
Vehicle and general liability				
Fiscal year 2023	\$ 13,127	\$ 671,403	\$ 191,321	\$ 493,209
Fiscal year 2022	138,500	12,948	138,321	13,127
Fiscal year 2021	424,067	140,709	426,276	138,500
Workers' compensation				
Fiscal year 2023	\$ 465,528	\$ 403,613	\$ 639,651	\$ 229,490
Fiscal year 2022	496,128	670,610	701,210	465,528
Fiscal year 2021	146,225	922,424	572,521	496,128

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, 2023 and 2022 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 \$493,209, which is included in other accrued liabilities on the statements of financial position.

Deferred Inflows of Resources

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, 2023 and 2022, the Authority has recorded deferred inflows of resources of \$19,718,759 and \$20,455,824, respectively, related to this transaction, in accordance with GASB 94.

The Authority has calculated and recorded the present value of the payments, noted above, as deferred inflows of resources, 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, 2023
With Comparative Actuals for the Year Ended September 30, 2022

	2023			2022	
	Original Budget	Final Budget	Actual	Variance Over (Under)	Actual
OPERATING REVENUES					
Fare revenue	\$ 8,247,000	\$ 8,247,000	\$ 7,742,553	\$ (504,447)	\$ 6,324,826
Advertising	550,000	550,000	588,391	38,391	573,618
Other	2,004,000	2,004,000	804,756	(1,199,244)	816,511
Total operating revenues	10,801,000	10,801,000	9,135,700	(1,665,300)	7,714,955
OPERATING EXPENSES					
Salaries, wages and fringe benefits	52,221,000	52,221,000	53,699,602	(1,478,602)	48,949,699
Professional services	68,594,000	68,594,000	17,879,016	50,714,984	15,757,362
Purchased transportation	-	-	47,975,296	(47,975,296)	43,163,359
Fuels and lubricants	2,608,000	2,608,000	1,759,178	848,822	2,322,469
Tires and tubes	375,000	375,000	464,711	(89,711)	470,219
Maintenance materials	4,120,000	4,120,000	4,386,041	(266,041)	3,703,978
Supplies and materials	975,000	975,000	970,901	4,099	1,125,852
Utilities	2,268,000	2,268,000	1,646,448	621,552	1,272,897
Casualty and liability insurance	5,773,000	5,773,000	5,580,398	192,602	5,525,173
Taxes and fees	44,000	44,000	-	44,000	-
Interest expense	-	-	81,594	(81,594)	85,701
Depreciation	50,201,000	50,201,000	47,332,477	2,868,523	51,500,223
Other	1,113,000	1,113,000	1,138,738	(25,738)	723,999
Total operating expenses	188,292,000	188,292,000	182,914,400	5,377,600	174,600,931
Operating loss	(177,491,000)	(177,491,000)	(173,778,700)	3,712,300	(166,885,976)
NON-OPERATING REVENUES (EXPENSES)					
Sales tax	102,792,000	102,792,000	110,293,490	7,501,490	107,082,162
Operating assistance grants	49,323,000	49,323,000	34,119,240	(15,203,760)	1,241,306
Preventive maintenance reimbursement	-	-	18,804,307	18,804,307	-
Contributions from partners	16,919,000	16,919,000	15,241,123	(1,677,877)	14,261,720
Rental income	722,000	722,000	601,764	(120,236)	615,144
Investment income	2,300,000	2,300,000	1,935,833	(364,167)	208,914
Oil and gas revenue	-	-	133,612	133,612	144,784
Gain (loss) on disposal of capital assets	-	-	(235,853)	(235,853)	(54,951)
Other non-operating revenue (expense)	-	-	910,037	910,037	364,806
Total non-operating revenue (expenses)	172,056,000	172,056,000	181,803,553	9,747,553	123,863,885
Income before capital grants	(5,435,000)	(5,435,000)	8,024,853	13,459,853	(43,022,091)
Grants for capital improvements	74,207,000	74,207,000	8,654,763	(65,552,237)	6,808,507
CHANGE IN NET POSITION	\$ 68,772,000	\$ 68,772,000	\$ 16,679,616	\$ (52,092,384)	\$ (36,213,584)

Federal Awards Section

Fort Worth Transportation Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

<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/Urbanized Area Formula (FY2013 & forward)	TX-2018-004	20.507	\$ 44,116
FTA/Urbanized Area Formula (FY2013 & forward)	TX-2018-032	20.507	199,957
FTA/Urbanized Area Formula (FY2013 & forward)	TX-2023-099-04-01	20.507	18,804,306
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2018-085	20.507	455,386
FTA/Urbanized Area Formula Grants (2013 & forward) FTA/ Urbanized Area Formula (FY2013 & forward)	TX-2020-159 TX-2020-163-04-02	20.507 20.507	335,820 3,000,000
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-163	20.507	182,935
FTA/TOD Planning Pilot Program	TX-2021-087-01-00	20.500	35,220
COVID-19: ARP Additional Assistance Section 5307 Trinity Metro Operating Assistance Grant/Security expenses	TX-2023-007-01	20.507	33,425,000
Trinity Lake Station/construction	TX-2023-048-01	20.507	4,500,000
Total Federal Transit Cluster			60,982,740
Passed through North Central Texas Council of Governments FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-137	20.513	105,814
Total Transit Services Program Cluster			105,814
Passed through Dallas Area Rapid Transit FRA CRISI Grant	N/A	20.325	192,098
Total Federal Assistance Listing Number 20.325			192,098
Total U.S. Department of Transportation			61,280,652
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed through Department of Homeland Security Transit Security Grant Program FEMA	EMS-2021-RA-0038 TSGP	97.075	164,616
Total Federal Assistance Listing Number 97.075			164,616
Total Federal Emergency Management Agency			164,616
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 61,445,268

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, 2023. 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, 2023, 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 \$57,178,360.

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, 2023 as follows:

Federal assistance per SEFA	\$	61,445,268
State grants		133,042
Reconciled revenue	\$	61,578,310
Operating assistance grants	\$	34,119,240
Preventative maintenance reimbursement		18,804,307
Grants for capital improvements		8,654,763
Total grant revenue - FY 2023	\$	61,578,310



**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, 2023, and the related notes to the financial statements, and have issued our report thereon dated February 1, 2024.

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*.

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
February 1, 2024



**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, 2023. 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, 2023.

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.

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
February 1, 2024

Fort Worth Transportation Authority
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2023

Section I. Summary of the Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted _____ Yes X No

Federal Awards

Internal control over major programs

Material weakness(es) identified? _____ Yes X No

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

An unmodified opinion was issued on compliance for major programs

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

Identification of major programs:

<u>Federal Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.500; 20.507	Federal Transit Cluster

The dollar threshold used to distinguish between Type A and Type B programs \$750,000

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

Fort Worth Transportation Authority
Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2023

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, 2023

None noted.