

**FORT WORTH TRANSPORTATION AUTHORITY**

**FINANCIAL REPORT**

**SEPTEMBER 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Fort Worth Transportation Authority

We have audited the accompanying statements of net assets of the Fort Worth Transportation Authority (the Authority) as of September 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the schedule of revenues and expenses - budget and actual for the year ended September 30, 2011, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Directors of the  
Fort Worth Transportation Authority

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
March 22, 2012

# Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2011

*(unaudited)*

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, 2011. The information presented herein should be read in conjunction with the accompanying financial statements and notes thereto and the additional information furnished in the letter of transmittal.

## **Financial Highlights**

At September 30, 2011, the Authority's assets exceeded its liabilities by approximately \$397,716,000. Of this amount, approximately \$108,814,000 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. The unrestricted net assets balance was approximately 193.4% of the fiscal 2011 operating expenses before depreciation.

## **Overview of the Financial Statements**

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

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

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

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

The Authority's total assets of approximately \$412,383,000 at September 30, 2011 represented an increase of approximately \$16,338,000 or 4.1% from September 30, 2010. Capital assets at September 30, 2011 were approximately \$288,902,000, representing an increase of approximately \$5,669,000 or 2.0% from September 2010.

The Authority's total liabilities of approximately \$14,667,000 at September 30, 2011 represented an increase of approximately \$2,339,000 or 18.9% from September 30, 2010. Total current and non-current portions of long-term liabilities were approximately \$5,331,000 at September 30, 2011, increasing approximately \$2,790,000 or 109.8% from September 30, 2010. This increase

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2011

*(unaudited)*

is due to a payable to the state comptroller's office and is explained in detail below. Total current liabilities decreased approximately \$289,000. This decrease is primarily due to a decrease in estimated workers' compensation and casualty claims payable at the end of the fiscal year.

The Authority's net assets increased in fiscal 2011 by approximately \$13,999,000 or 3.6%, compared to an increase of approximately \$12,762,000 or 3.4% in fiscal 2010. The increase in the change in net assets as compared to fiscal 2010 of approximately \$1,237,000 is primarily due to the following:

- An increase in sales tax revenues of approximately \$1,347,000;
- An increase in operating revenues of approximately \$1,228,000; and
- An increase in capital grant revenue of approximately \$1,046,000.

These increases to net assets were partially offset by a decrease in Federal preventative maintenance and operating grant revenue of approximately \$4,085,000, as well as:

- A decrease in operating expenses, before depreciation, of approximately \$1,487,000; and
- A decrease in depreciation expense of approximately \$469,000.

The Authority's total assets of approximately \$396,045,000 at September 30, 2010 represent an increase of approximately \$14,262,000, or 3.7% from September 30, 2009. Capital assets at September 30, 2010 were approximately \$283,234,000, representing an increase of approximately \$7,645,000, or 2.8% from September 30, 2009.

The Authority's total liabilities of approximately \$12,328,000 at September 30, 2010 represent an increase of approximately \$1,500,000, or 13.9% from September 30, 2009. Total current and non-current portions of long-term liabilities were approximately \$2,541,000 at September 30, 2010, increasing from \$0 at September 30, 2009. Total current liabilities decreased approximately \$927,000. This decrease is primarily due to a decrease in general accounts payable at the end of the fiscal year.

The Authority's net assets increased in fiscal 2010 by approximately \$12,762,000 or 3.4%, compared to an increase of approximately \$23,155,000 or 6.7% in fiscal 2009. The decrease in the change in net assets as compared to fiscal 2009 of approximately \$10,394,000 is primarily due to the following:

- a decrease in Federal preventative maintenance revenue of approximately \$3,272,000;
- a decrease in sales tax revenues of \$2,344,000;
- a decrease in insurance proceeds of \$1,734,000;
- a decrease in oil and gas revenues of \$965,000;
- an increase in non-operating expenses of \$2,500,000; and
- an increase in depreciation expense of approximately \$465,000.

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2011

(unaudited)

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

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

Operating revenues for fiscal 2011 increased approximately \$1,228,000 or 18.6%. Fare revenue increased \$987,000 or 15.7% due primarily to a fare increase on the Authority's commuter rail service, Trinity Railway Express. A stronger economy helped to increase advertising revenue for the fiscal year. Bus and bus bench advertising revenues increased \$116,000 or 47.6%. Miscellaneous revenues increased \$125,000 or 157.9% primarily due to reimbursements received from the Super Bowl XLV Committee for additional circulator service in downtown Fort Worth during the week of the Super Bowl.

Operating expenses before depreciation decreased approximately \$1,487,000 or 2.5% in fiscal 2011 as compared to fiscal 2010. This decrease in operating expenses is primarily due to the following:

- Wages and benefits expense decreased approximately \$432,000 or 1.4% primarily due to a decrease in workers' compensation claims for the year;
- Materials and supplies expense decreased approximately \$1,037,000 or 13.3% due to lower average fuel cost and less maintenance parts costs;
- Casualty and liability insurance expense decreased approximately \$237,000 or 62.2% due to a reduction in liability claims;
- Purchased transportation services expense decreased approximately \$187,000 or 1.4% due primarily to reduced contract cost associated with commuter rail operations in fiscal 2011; and
- Other costs, which included travel and staff training, decreased \$82,000 or 11.4% primarily as a result of reductions in travel and due and membership type expenses.

These operating expense decreases were partially offset by the following increases in operating expenses:

- Professional services and utilities expense increased approximately \$418,000 or 8.0% due to increases in advertising and promotional costs; and
- Interest expense increased \$72,000 or 148.5% primarily due to a full year of interest expense on the energy improvement capital lease.

Non-operating revenue (expenses) decreased approximately \$2,992,000 or 4.3% in fiscal 2011 as compared to fiscal 2010. This increase is primarily due to the following:

- Income from operating and preventive maintenance reimbursement grants decreased approximately \$4,085,000 or 24.7% due a reduction in the federal funding available for preventative maintenance reimbursement for fiscal 2011;

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2011

(unaudited)

- Rental income decreased approximately \$438,000 or 43.1%, due to an adjustment in the monthly rate for one of the tenants;
- Investment income decreased approximately \$155,000 or 21.9%, due to record low interest rates paid on investment balances during the year; and
- Fiscal 2011 oil and gas revenue was approximately \$49,000, a decrease of \$428,000 or 89.7% due to the expiration of federal tax credits that encouraged the use of alternative fuels. This tax credit expired on December 31, 2009. This tax credit was subsequently extended to December 31, 2011. Income from this credit extension will be recorded in fiscal 2012 when the amounts are determinable and received.

These decreases from fiscal 2010 were partially offset by the following increases:

- Sales tax revenues increased approximately \$1,347,000 or 3.0% in fiscal 2011 as compared to 2010, primarily due to stronger retail sales and a general improvement in the areas overall economy; and
- Income from capital expenditure reimbursement grants increased approximately \$1,046,000 or 11.3% due to the reimbursement of capital expenditures associated with the expansion of commuter rail.

Operating revenues for fiscal 2010 increased approximately \$243,000 or 3.8%, primarily due to an increase in fare revenue. Fare revenues increased approximately \$288,000 or 4.8% in 2010 due to a fare increase on the Authority's commuter rail service, Trinity Railway Express. The increased fare revenue, coupled with an increase in advertising revenues of approximately \$82,000 or 51.2% was partially offset by decrease in other miscellaneous revenues of approximately \$128,000 or 61.7%.

Operating expenses before depreciation increased approximately \$262,000 or 0.5% in fiscal 2010 as compared to fiscal 2009. This increase in operating expenses is primarily due to the following:

- Wages and benefits expense increased approximately \$955,000 or 3.3% primarily due to increased health insurance costs employees;
- Materials and supplies decreased approximately \$301,000 or 3.7% due to lower average fuel cost and less maintenance parts costs;
- Professional services and utilities decreased approximately \$617,000 or 10.6% due to a reduction in advertising and promotion costs;
- Purchased transportation services increased approximately \$438,000 or 3.4% due primarily to more contracted para-transit trips compared to fiscal 2009; and
- Other costs, which included travel and staff training, decreased \$268,000 or 27.0% primarily as a result of reductions in travel and dues and membership type expenses.

Sales tax revenues decreased approximately \$2,344,000 or 4.9% in fiscal 2010 as compared to 2009, due to weak economic conditions and lack of new construction projects in the area.



# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2011

*(unaudited)*

Income from operating and preventive maintenance reimbursement grants decreased approximately \$3,073,000 or 15.7%. During fiscal 2009 the Authority received additional preventative maintenance reimbursement funds under the American Recovery and Reinvestment Act (ARRA or stimulus funds). This funding was not made available again during fiscal 2010.

Investment income decreased approximately \$340,000 or 32.5%, due to record low interest rates paid on investment balances during the year.

Income from capital expenditure reimbursement grants increased approximately \$1,317,000 or 16.6% due to the completion of capital projects funded under ARRA. A summary of major capital project expenditures during the fiscal year is presented below.

Fiscal 2010 oil and gas revenue was approximately \$477,000, a decrease of \$965,000 or 66.9% due to the expiration of federal tax credits that encouraged the use of alternative fuels.

### Capital Assets

The Authority added approximately \$21,011,000 in acquisitions and construction of capital assets during fiscal 2011. This was approximately \$2.5 million less than in fiscal 2010. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
  - Commuter rail expansion \$2,683,000;
  - Revenue vehicle acquisition and rehabilitation approximately \$2,462,000;
  - Capital maintenance of the existing rail corridor approximately \$1,883,000;
  - Purchase of land for expansion of the rail equipment maintenance facility \$1,246,000; and
  - Passenger station and park n' ride facility improvement approximately \$1,020,000.
- Fixed route bus service and para-transit service improvements include:
  - Purchase of eight 60 foot articulated buses for use on the Authority's enhanced bus corridor marketed as the SPUR for approximately \$5,930,000;
  - Passenger station improvements and land acquisition for future transfer centers and bus park and rides of approximately \$3,730,000;
  - Information technology improvements and ERP system upgrade \$1,138,000;
  - Maintenance facility improvements and expansion of approximately \$676,000; and,
  - Service vehicles of approximately \$240,000.

The cost of these improvements was offset by approximately \$15,241,000 in depreciation expense. The following is a summary of the Authority's capital assets.

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2011

(unaudited)

### Capital Assets, net of Accumulated Depreciation as of September 30, 2011 and 2010

|                                   | 2011                 | 2010                 |
|-----------------------------------|----------------------|----------------------|
| Land                              | \$39,308,362         | \$39,308,362         |
| Buildings                         | 98,833,990           | 101,394,431          |
| Building Improvements             | 1,201,328            | 1,283,409            |
| Machinery and Equipment           | 5,683,214            | 6,278,850            |
| Rolling Stock                     | 28,147,500           | 26,692,376           |
| Improvements other than buildings | 82,638,064           | 85,162,616           |
| Construction in Progress          | 33,089,721           | 23,113,520           |
|                                   | <u>\$288,902,179</u> | <u>\$283,233,564</u> |

The Authority added approximately \$23,510,000 in acquisitions and construction of capital assets during fiscal 2010. This was approximately \$4.7 million more than in fiscal 2009. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
  - Expansion and capital maintenance to the rail corridor of approximately \$5,583,000,
  - improvements and expansion of passenger stations and other facilities of approximately \$2,226,000,
  - revenue vehicle acquisition and overall of approximately \$1,727,000, and
  - replacement of fare collection equipment of approximately \$828,000.
- Fixed route bus service and para-transit service improvements include:
  - Replacement of ten fixed route buses of approximately \$4,399,000;
  - land acquisition for future transfer centers and bus park and rides of approximately \$4,058,000;
  - maintenance facility improvements and expansion of approximately \$3,470,000;
  - replacement of five para-transit buses of approximately \$769,000;
  - communications equipment upgrades of approximately \$362,000; and
  - replacement of service vehicles of approximately \$87,000.

These improvements were offset by approximately \$15,710,000 in depreciation expense.

Fort Worth Transportation Authority  
 Management's Discussion and Analysis  
 For the Year Ended September 30, 2011  
 (unaudited)

as of September 30, 2010 and 2009

|                                   | <u>2010</u>          | <u>2009</u>          |
|-----------------------------------|----------------------|----------------------|
| Land                              | \$39,308,362         | \$39,361,378         |
| Buildings                         | 101,394,431          | 103,993,502          |
| Building Improvements             | 1,283,409            | 1,365,942            |
| Machinery and Equipment           | 6,278,850            | 5,830,722            |
| Rolling Stock                     | 26,692,376           | 22,335,992           |
| Improvements other than Buildings | 85,162,616           | 81,442,794           |
| Construction in Progress          | 23,113,520           | 21,259,085           |
|                                   | <u>\$283,233,564</u> | <u>\$275,589,415</u> |

**Debt Administration**

**Capital Lease**

During the year ending September 30, 2010, the Authority entered into a capital lease arrangement with All American Investments, LLC and Bank of America for the installation of energy efficient improvements at some of the Authority's locations. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. Under the terms of the lease, an escrow account was established in the Authority's name to fund the capital improvements. The lease called for the Authority to begin quarterly payments to Bank of America in March 2011 and ending December 1, 2021. As of September 30, 2011, the project was complete and the funds in escrow were expended. The assets under the capital lease will be amortized over the lower of their lease term or their estimated useful lives.

The capital lease balance at September 30, 2011 and 2010 was \$2,426,771 and \$2,541,000, respectively. The interest rate on this capital lease is 4.24% per annum.

**Due to State of Texas**

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

The Authority has calculated and recorded the present value of the overpayment from the state as a long-term liability, using a 4.0% discount rate, consistent with other borrowing of the Authority. Monthly payments will consist of a reduction of the principal balance, as well as recognizing the imputed interest for the period.

# Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2011

*(unaudited)*

## **Economic Factors and Next Year's Budget**

The operating budget for fiscal 2012 continues to recognize the importance of efficient service that meets the needs of our customers and community while maintaining a balanced budget. Sales tax revenues rebounded in fiscal 2011, increasing approximately \$1.3 million or 3.0% over fiscal 2010 receipts. Sales tax revenue for fiscal 2012 are budgeted at \$50.9 million, an increase of approximately \$4.4 million or 9.4% as compared to fiscal 2011 actual revenue of \$46.5 million.

Budgeted sales tax receipts are based on a number of local economic and demographic trends, including the unemployment and population growth. The overall employment picture in Authority's service area has improved slightly over the past twelve months. According to the Bureau of Labor Statistic the unemployment rate for the Fort Worth area for August 2011 was 8.4%. This is an increase of 0.1% over August 2010, but the Fort Worth/Arlington region remains below the national unemployment rate of 9.1% in August 2011. Fort Worth, which is Authority's largest member city, continues to experience population growth. Fort Worth's population is expected to exceed 750,000 by the end of 2012.

The adopted fiscal 2012 operating budget meets key financial standards established by the Authority's Board of Directors in 2002 to ensure a sound financial future. The fiscal 2012 budgeted operating expenses before depreciation increased approximately \$3.8 million or 6.7% over actual fiscal 2011 total expenses before depreciation. This budgeted increase in operating costs is primarily due to the following:

- A budgeted increase in salaries, wages and fringe benefits of \$2.0 million or 6.9%, as compared to fiscal 2011 actual results. This increase is primarily due to wage increases as a result of negotiations with the Teamsters Union;
- A budgeted increase in purchased transportation expenses of approximately \$358,000 or 2.7% as compared to fiscal 2011 actual results. This increase is due to an increase in the number of budgeted para-transit trips performed by contractors during the year;
- A budgeted increase in fuel expense of approximately \$327,000 or 10.3% as compared to fiscal 2011 actual results due to expected increases vanpool gasoline prices. Rates for compressed natural gas will remain steady during fiscal 2012; and
- A budgeted increase in professional services and utilities of approximately \$562,000 or 10.0% as compared to fiscal 2011 actual results. This change is primarily due to an increase in the maintenance contracts.

The Authority enters fiscal 2012 recognizing the importance of efficient public transportation services that meet the needs of our customers and the community. Our number one goal continues to be focusing on increasing system wide ridership. Some of the principal issues facing the Authority include the increasing costs and greater public demand for high quality public transportation services.

Fort Worth Transportation Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2011  
*(unaudited)*

**Requests for Information**

The financial report is designed to provide the citizens of our member cities, customers and other interested parties with a general overview of our finances. If you have any questions regarding this report or need any additional information, contact the Chief Financial Officer at 1600 East Lancaster Avenue, Fort Worth, Texas 76102 or by e-mail at [tweb@the-t.com](mailto:tweb@the-t.com).

## **BASIC FINANCIAL STATEMENTS**

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2011 AND 2010**

|   | <b>2011</b>    | <b>2010</b>    |
|---|----------------|----------------|
| <b>ASSETS</b>   |                |                |
| <b>CURRENT ASSETS</b>                                 |                |                |
| Cash and cash equivalents                             |                |                |
| Reserved for operations and insurance claims          | \$ 9,000,000   | \$ 7,000,000   |
| Reserved for rail expansion                           | 37,906,402     | 28,324,111     |
| Reserved for capital reinvestment                     | 21,563,207     | 9,058,477      |
| <b>Total cash and cash equivalents</b>                | 68,469,609     | 44,382,588     |
| Investments   | 33,348,280     | 39,242,591     |
| Receivables, net                                      | 18,899,012     | 25,025,424     |
| Inventory   | 2,308,387      | 2,240,281      |
| Prepaid expenses                                      | 455,632        | 345,200        |
| <b>Total current assets</b>                           | 123,480,920    | 111,236,084    |
| <b>CAPITAL ASSETS</b>                                 |                |                |
| Land and construction in progress                     | 72,398,083     | 62,421,882     |
| Other capital assets, net of accumulated depreciation | 216,504,096    | 220,811,682    |
|   | 288,902,179    | 283,233,564    |
| <b>RESTRICTED CASH</b>                                |                |                |
| <b>Total assets</b>                                   | -              | 1,575,543      |
|   | 412,383,099    | 396,045,191    |
| <b>LIABILITIES</b>                                    |                |                |
| <b>CURRENT LIABILITIES</b>                            |                |                |
| Accounts payable                                      | 6,310,714      | 6,348,814      |
| Accrued payroll and payroll related taxes             | 2,273,679      | 1,877,308      |
| Other accrued liabilities                             | 543,416        | 1,217,502      |
| Current portion of capital lease liability            | 206,083        | 114,432        |
| Current portion of due to state                       | 70,141         | -              |
| Deferred transit revenue                              | 208,649        | 343,230        |
| <b>Total current liabilities</b>                      | 9,612,682      | 9,901,286      |
| <b>LONG-TERM LIABILITIES</b>                          |                |                |
| Capital lease liability, net of current portion       | 2,220,688      | 2,426,911      |
| Due to state, net of current portion                  | 2,833,863      | -              |
| <b>Total long-term liabilities</b>                    | 5,054,551      | 2,426,911      |
| <b>Total liabilities</b>                              | 14,667,233     | 12,328,197     |
| <b>NET ASSETS</b>                                     |                |                |
| Invested in capital assets, net of related debt       | 288,902,179    | 281,881,289    |
| Unrestricted  | 108,813,687    | 101,835,705    |
| <b>TOTAL NET ASSETS</b>                               | \$ 397,715,866 | \$ 383,716,994 |

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

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

|   | <b>2011</b>    | <b>2010</b>    |
|---|----------------|----------------|
| <b>OPERATING REVENUES</b>                 |                |                |
| Fare revenue                              | \$ 7,258,833   | \$ 6,271,883   |
| Advertising                               | 358,805        | 243,021        |
| Other                                     | 204,059        | 79,132         |
|   | 7,821,697      | 6,594,036      |
| <b>OPERATING EXPENSES</b>                 |                |                |
| Salaries, wages and fringe benefits       | 29,881,415     | 30,313,755     |
| Materials and supplies                    | 6,745,521      | 7,782,313      |
| Professional services and utilities       | 5,635,762      | 5,218,156      |
| Casualty and liability insurance          | 143,647        | 380,518        |
| Purchased transportation                  | 13,088,663     | 13,275,609     |
| Interest expense                          | 119,680        | 48,169         |
| Other                                     | 642,087        | 724,805        |
|   | 56,256,775     | 57,743,325     |
| Depreciation                              | 15,240,713     | 15,709,513     |
|   | 71,497,488     | 73,452,838     |
| <b>Operating loss</b>                     | (63,675,791)   | (66,858,802)   |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>  |                |                |
| Sales tax                                 | 46,528,654     | 45,181,788     |
| Operating assistance grants               | 1,373,551      | 1,752,259      |
| Preventive maintenance reimbursement      | 11,064,070     | 14,770,560     |
| Para-transit assistance                   | 1,200,000      | 1,200,000      |
| Contributions from partners               | 8,177,111      | 7,803,578      |
| Rental income                             | 578,184        | 1,016,168      |
| Investment income                         | 550,752        | 705,284        |
| Oil and gas revenue                       | 49,241         | 477,370        |
| Gain (loss) on disposal of capital assets | (5,149)        | 105,262        |
| Street improvements                       | (124,658)      | (128,508)      |
| Other non-departmental                    | (2,000,000)    | (2,500,000)    |
|   | 67,391,756     | 70,383,761     |
| <b>INCOME BEFORE CAPITAL GRANTS</b>       | 3,715,965      | 3,524,959      |
| <b>GRANTS FOR CAPITAL IMPROVEMENTS</b>    | 10,282,907     | 9,236,653      |
|   | 13,998,872     | 12,761,612     |
| <b>Change in net assets</b>               | 13,998,872     | 12,761,612     |
| <b>NET ASSETS, beginning of year</b>      | 383,716,994    | 370,955,382    |
| <b>NET ASSETS, end of year</b>            | \$ 397,715,866 | \$ 383,716,994 |

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



**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

|  | <b>2011</b>          | <b>2010</b>          |
|--|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                      |                      |
| Receipts from customers and users                                | \$ 7,827,914         | \$ 6,777,613         |
| Payments to suppliers  | (27,266,084)         | (27,911,690)         |
| Payments to employees  | (29,485,044)         | (30,562,510)         |
| <b>Net cash used in operating activities</b>                     | <b>(48,923,214)</b>  | <b>(51,696,587)</b>  |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>          |                      |                      |
| Sales tax received   | 46,162,337           | 45,060,402           |
| Overpayment from state   | 2,921,518            | -                    |
| Street improvement payments                                      | (124,658)            | (128,508)            |
| Preventive maintenance reimbursement                             | 15,942,436           | 5,619,343            |
| Para-transit assistance  | 1,200,000            | 1,200,000            |
| Contributions from partners                                      | 8,236,718            | 8,355,832            |
| Rental income  | 578,184              | 1,016,168            |
| Operating grant reimbursements                                   | 2,278,562            | 594,302              |
| Oil and gas revenue  | 49,241               | 477,370              |
| Other non-departmental   | (2,000,000)          | (2,500,000)          |
| Payment of due to state  | (17,514)             | -                    |
| <b>Net cash provided by non-capital financing activities</b>     | <b>75,226,824</b>    | <b>59,694,909</b>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                      |                      |
| Contributions and grants for capital improvements                | 10,764,927           | 9,715,611            |
| Acquisition and construction of capital assets                   | (21,010,983)         | (23,510,070)         |
| Proceeds from sale of capital improvements and land              | 96,506               | 261,670              |
| Proceeds from capital lease                                      | -                    | 2,541,343            |
| Payment on capital lease liability                               | (114,572)            | -                    |
| <b>Net cash used in capital and related financing activities</b> | <b>(10,264,122)</b>  | <b>(10,991,446)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                      |                      |
| Interest received on investments                                 | 589,929              | 764,805              |
| Purchase of investments  | (60,284,950)         | (72,014,705)         |
| Proceeds from sale of investments                                | 66,167,011           | 66,856,454           |
| <b>Net cash provided by (used in) investing activities</b>       | <b>6,471,990</b>     | <b>(4,393,446)</b>   |
| <b>Net change in cash and cash equivalents</b>                   | <b>22,511,478</b>    | <b>(7,386,570)</b>   |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>              | <b>45,958,131</b>    | <b>53,344,701</b>    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>                    | <b>\$ 68,469,609</b> | <b>\$ 45,958,131</b> |

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

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010  
(CONTINUED)**

|  | <b>2011</b>            | <b>2010</b>            |
|--|------------------------|------------------------|
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b> |                        |                        |
| Operating loss   | \$ (63,675,791)        | \$ (66,858,802)        |
| Adjustments to reconcile operating loss to net cash used in operating activities |                        |                        |
| Depreciation expense   | 15,240,713             | 15,709,513             |
| Change in operating assets and liabilities                                       |                        |                        |
| Operating accounts receivable  | 140,798                | 123,881                |
| Inventory  | (68,106)               | 275,645                |
| Prepaid expenses   | (110,432)              | 94,258                 |
| Accounts payable   | (38,100)               | (1,261,682)            |
| Accrued payroll and payroll related taxes  | 396,371                | (248,755)              |
| Other accrued liabilities  | (674,086)              | 409,659                |
| Deferred transit revenue   | (134,581)              | 59,696                 |
|  | <b>\$ (48,923,214)</b> | <b>\$ (51,696,587)</b> |
| <b>NONCASH INVESTING ACTIVITY</b>  |                        |                        |
| Change in fair value of investments  | \$ (12,250)            | \$ 41,925              |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS</b>   |                        |                        |
| Cash and cash equivalents  | \$ 68,469,609          | \$ 44,382,588          |
| Restricted cash  | -                      | 1,575,543              |
|  | <b>\$ 68,469,609</b>   | <b>\$ 45,958,131</b>   |

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 nine members. Eight Board of Directors members are appointed by the City of Fort Worth (Fort Worth) City Council and one by the Tarrant County Commissioners' Court. The Board's purpose is to oversee public and general transportation services in the Authority's service area. In November 1983, the voters in the Authority's service area approved a one-quarter of one percent sales tax to fund the Authority's operations. In January 1989, the sales tax was increased to one-half of one percent as permitted by State Law.

The Board adopted resolutions on December 19, 1992, to include the City of Lake Worth (Lake Worth) in the Authority's service area and, on June 18, 1992, to include the City of Richland Hills (Richland Hills) and the City of Blue Mound (Blue Mound) in the Authority's service area. On November 5, 1991, May 4, 1992 and May 8, 1992, the citizens of Lake Worth, Richland Hills and Blue Mound, respectively, approved referendums authorizing a one-half of one percent sales tax increase. Collection of Lake Worth sales tax began January 1, 1992. Collection of Blue Mound and Richland Hills sales tax began October 1, 1992. On September 13, 2003, Lake Worth voters elected to withdraw as a member of the Authority.

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

The accounting policies of the Authority, as reflected in the accompanying financial statements as of and for the years ended September 30, 2011 and 2010, conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board and include applicable standards of the Financial Accounting Standards Board. Management uses estimates and assumptions in preparing financial statements in conformity with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used. A summary of the Authority's significant accounting policies applied in the preparation of the accompanying financial statements follows.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Reporting Entity**

The financial statements of the Authority include all 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 net income, financial position, and cash flow. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Budgetary Data**

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

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

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

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

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Financial Reporting**

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

**Investments**

The cash and investment policies of the Authority are governed by state statute. Statutes authorize the Authority to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act. During the years ended September 30, 2011 and 2010, the Authority did not own any type of securities other than those permitted by statute. Major provisions of the Authority's cash and investment policies include: depositories must be FDIC insured by Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits and repurchase agreements; repurchase agreements are made only through the designated central depository or primary dealers; securities collateralizing repurchase agreements and time deposits are held by independent third party trustees. Investments are stated at fair value.

**Inventory**

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

**Capital Assets**

Assets purchased with an original cost of \$2,500 or more which have a useful life of one year or more are capitalized at cost. Donated assets are valued at their estimated fair value on the date received. Depreciation is charged as expense over the estimated useful lives of the related assets using the straight-line method. Useful lives of capital assets approximate the following:

|                          |             |                                    |          |
|--------------------------|-------------|------------------------------------|----------|
| Buildings                | 20-50 years | Rolling Stock:                     |          |
| Building Improvements    | 4-10 years  | Fixed Route Vehicles (Light Duty)  | 4 years  |
| Machinery and Equipment: |             | Fixed Route Vehicles (Medium Duty) | 7 years  |
| Communications Equipment | 10 years    | Fixed Route Vehicles (Heavy Duty)  | 12 years |
| Computer Equipment       | 4 years     | Commuter Rail Cars                 | 25 years |
| Revenue Equipment        | 8-10 years  | Improvements other than Buildings: |          |
| Maintenance Equipment    | 4-10 years  | Bus Shelters                       | 4 years  |
|                          |             | Rail Line Improvements             | 25 years |

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Capital Assets – Continued**

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

**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, and investment income are classified as non-operating revenues.

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

**Grants and Contributions**

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

**Deferred Transit Revenue**

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

**Statement of Cash Flows**

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

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

**NOTE 2. OPERATING AND SERVICE AGREEMENTS**

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

Effective January 1, 2005, the contract with MTA and MTI was renegotiated to provide only transportation services. MTI employs all operations and maintenance staff necessary to operate the fixed route and para-transit services for the Authority. Under this agreement, the Authority continued to be responsible for MTI costs and also paid MTA \$198,873 and \$196,372 in 2011 and 2010, respectively, for transit management services.

Prior to the year ended September 30, 2008, the Authority made quarterly payments to the City of Fort Worth to a dedicated fund for improvements of bus route streets and its share of a state program for arterial street expansion. During 2006 an agreement was made with the City of Fort Worth to reduce the street maintenance program payments contingent on the Authority's implementation of a rail corridor project that will pass from the southwest through northeast sections of the City. Payments were eliminated October 1, 2007. Annual payments to the Cities of Richland Hills and Blue Mound are made for improvements on bus routes. Street improvement payments for the years ended September 30, 2011 and 2010 were as follows:

|                        | 2011       | 2010       |
|------------------------|------------|------------|
| City of Richland Hills | \$ 115,579 | \$ 120,660 |
| City of Blue Mound     | 9,079      | 7,848      |
|                        | \$ 124,658 | \$ 128,508 |

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

The Authority has also entered into service agreements with several contractors to provide demand responsive para-transit service to qualified customers. These organizations were paid \$2,759,790 and \$2,590,829 for services in the years ended September 30, 2011 and 2010, respectively.

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

**NOTE 3. CASH AND INVESTMENTS**

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

The Authority is a voluntary participant in two external investment pools, TexPool and TexStar. The pools are 2a7-like pools, which are not registered with the Securities and Exchange Commission (SEC) as an investment company, but have a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of pool uses amortized investment costs rather than market values to compute participant share values. Furthermore, the pools in which the Authority is currently participating seek to maintain a stable \$1 net asset value per share or unit. Accordingly, the cost of the Authority's position in these pools is substantially the same as the market value of the shares in each of the pools.

At September 30, 2011 and 2010, the Authority had the following investments:

|                                       | 2011                 |                                      | 2010                 |                                      |
|---------------------------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|
|                                       | Fair Value           | Weighted<br>Avg Years<br>to Maturity | Fair Value           | Weighted<br>Avg Years<br>to Maturity |
| Federal National Mortgage Association | \$ 10,040,140        | 0.29                                 | \$ 14,030,640        | 0.30                                 |
| Federal Home Loan Bank                | 4,007,140            | 0.12                                 | 10,035,680           | 0.47                                 |
| Federal Home Loan Mortgage Corp.      | 4,004,440            | 0.13                                 | -                    | -                                    |
| Certificates of deposit               | 15,296,560           | 0.07                                 | 15,176,271           | 0.04                                 |
| Total investments                     | 33,348,280           |                                      | 39,242,591           |                                      |
| TexPool-cash equivalent               | 58,531,158           | 0.12                                 | 38,672,772           | 0.09                                 |
| TexStar-cash equivalent               | 3,015,039            | 0.11                                 | 3,011,131            | 0.13                                 |
| Total portfolio                       | <u>\$ 94,894,477</u> |                                      | <u>\$ 80,926,494</u> |                                      |

All bonds are callable.



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

**NOTE 3. CASH AND INVESTMENTS – CONTINUED**

| Cash and cash equivalents       | 2011          | 2010          |
|---------------------------------|---------------|---------------|
| Cash in bank                    | \$ 6,923,412  | \$ 4,274,228  |
| TexPool - cash equivalent       | 58,531,158    | 38,672,772    |
| TexStar - cash equivalent       | 3,015,039     | 3,011,131     |
| Total cash and cash equivalents | \$ 68,469,609 | \$ 45,958,131 |

**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, 2011, the Authority's investments in TexPool and TexStar were rated AAAM by Standard & Poor's and the government agency securities were related AA. The Authority's investments in certificates of deposit were unrated.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority complies with the State of Texas custodial risk policy which states that all bank deposits in excess of the FDIC limit be collateralized. As of September 30, 2011, the Authority did not hold deposits in excess of the FDIC limit.

**Restricted and Reserved Cash**

The Board of Directors designated the use of certain assets to fund the self-insurance program (see Note 8). These funds are to be continually invested until required for self-insured claims. At September 30, 2011 and 2010, the designated assets of cash and investments consisted of \$1,000,000 for the self-insurance program.

Restricted cash as of September 30, 2010, consists of funds held in escrow to pay for the energy efficient improvements under capital leases described at Note 6.

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

**NOTE 4. RECEIVABLES**

Receivables at September 30, 2011 and 2010 consisted of the following:

|  | 2011          | 2010          |
|--|---------------|---------------|
| Ticket, token and miscellaneous receivable | \$ 613,035    | \$ 753,833    |
| DART receivable                            | -             | 59,607        |
| Sales tax                                  | 4,581,884     | 4,215,567     |
| Grants receivable from federal government  | 13,656,270    | 19,921,667    |
| Accrued interest receivable                | 47,823        | 74,750        |
| Total                                      | \$ 18,899,012 | \$ 25,025,424 |

**NOTE 5. CAPITAL ASSETS**

The following table summarizes the changes in capital assets for the year ended September 30, 2011.

|  | Beginning<br>Balance<br>9/30/2010 | Increases    | Decreases    | Reclass-<br>ifications | Ending<br>Balance<br>9/30/2011 |
|--|-----------------------------------|--------------|--------------|------------------------|--------------------------------|
| Capital assets, not being depreciated        |                                   |              |              |                        |                                |
| Land   | \$ 39,308,362                     | \$ -         | \$ -         | \$ -                   | \$ 39,308,362                  |
| Construction in progress                     | 23,113,520                        | 14,003,804   | -            | (4,027,603)            | 33,089,721                     |
| Totals, capital assets not being depreciated | 62,421,882                        | 14,003,804   | -            | (4,027,603)            | 72,398,083                     |
| Capital assets, being depreciated            |                                   |              |              |                        |                                |
| Buildings                                    | 127,042,204                       | -            | -            | -                      | 127,042,204                    |
| Building improvements                        | 1,912,844                         | -            | -            | -                      | 1,912,844                      |
| Machinery and equipment                      | 18,627,895                        | 512,973      | (418,328)    | 357,620                | 19,080,160                     |
| Rolling stock                                | 96,407,046                        | 6,061,082    | (221,798)    | 27,514                 | 102,273,844                    |
| Improvements other than buildings            | 113,135,997                       | 433,124      | -            | 3,642,469              | 117,211,590                    |
| Totals, capital assets being depreciated     | 357,125,986                       | 7,007,179    | (640,126)    | 4,027,603              | 367,520,642                    |
| Less accumulated depreciation for            |                                   |              |              |                        |                                |
| Buildings                                    | 25,647,773                        | 2,560,441    | -            | -                      | 28,208,214                     |
| Building improvements                        | 629,435                           | 82,081       | -            | -                      | 711,516                        |
| Machinery and equipment                      | 12,349,045                        | 1,466,229    | (418,328)    | -                      | 13,396,946                     |
| Rolling stock                                | 69,714,670                        | 4,531,817    | (120,143)    | -                      | 74,126,344                     |
| Improvements other than buildings            | 27,973,381                        | 6,600,145    | -            | -                      | 34,573,526                     |
| Total accumulated depreciation               | 136,314,304                       | 15,240,713   | (538,471)    | -                      | 151,016,546                    |
| Total capital assets, being depreciated, net | 220,811,682                       | (8,233,534)  | (101,655)    | 4,027,603              | 216,504,096                    |
| Capital assets, net                          | \$ 283,233,564                    | \$ 5,770,270 | \$ (101,655) | \$ -                   | \$ 288,902,179                 |

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

**NOTE 5. CAPITAL ASSETS – CONTINUED**

The following table summarizes the changes in capital assets for the year ended September 30, 2010.

|  | Beginning<br>Balance<br>9/30/2009 | Increases    | Decreases    | Reclass-<br>ifications | Ending<br>Balance<br>9/30/2010 |
|--|-----------------------------------|--------------|--------------|------------------------|--------------------------------|
| Capital assets, not being depreciated        |                                   |              |              |                        |                                |
| Land   | \$ 39,361,378                     | \$ 65,284    | \$ (118,300) | \$ -                   | \$ 39,308,362                  |
| Construction in progress                     | 21,259,085                        | 14,565,799   | -            | (12,711,364)           | 23,113,520                     |
| Totals, capital assets not being depreciated | 60,620,463                        | 14,631,083   | (118,300)    | (12,711,364)           | 62,421,882                     |
| Capital assets, being depreciated            |                                   |              |              |                        |                                |
| Buildings                                    | 127,103,699                       | -            | (61,495)     | -                      | 127,042,204                    |
| Building improvements                        | 1,929,780                         | -            | (16,936)     | -                      | 1,912,844                      |
| Machinery and equipment                      | 17,531,618                        | 1,655,678    | (988,440)    | 429,039                | 18,627,895                     |
| Rolling stock                                | 91,150,369                        | 4,558,435    | (4,495,799)  | 5,194,041              | 96,407,046                     |
| Improvements other than buildings            | 103,382,839                       | 2,664,874    | -            | 7,088,284              | 113,135,997                    |
| Totals, capital assets being depreciated     | 341,098,305                       | 8,878,987    | (5,562,670)  | 12,711,364             | 357,125,986                    |
| Less accumulated depreciation for            |                                   |              |              |                        |                                |
| Buildings                                    | 23,110,197                        | 2,560,963    | (23,387)     | -                      | 25,647,773                     |
| Building improvements                        | 563,838                           | 82,533       | (16,936)     | -                      | 629,435                        |
| Machinery and equipment                      | 11,700,896                        | 1,636,589    | (988,440)    | -                      | 12,349,045                     |
| Rolling stock                                | 68,814,377                        | 5,396,092    | (4,495,799)  | -                      | 69,714,670                     |
| Improvements other than buildings            | 21,940,045                        | 6,033,336    | -            | -                      | 27,973,381                     |
| Total accumulated depreciation               | 126,129,353                       | 15,709,513   | (5,524,562)  | -                      | 136,314,304                    |
| Total capital assets, being depreciated, net | 214,968,952                       | (6,830,526)  | (38,108)     | 12,711,364             | 220,811,682                    |
| Capital assets, net                          | \$ 275,589,415                    | \$ 7,800,557 | \$ (156,408) | \$ -                   | \$ 283,233,564                 |

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

**NOTE 6. LONG-TERM LIABILITIES**

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2011:

|                         | Balance<br>Beginning<br>of Year | Increase            | Decrease            | Balance<br>End<br>of Year | Due Within<br>One Year |
|-------------------------|---------------------------------|---------------------|---------------------|---------------------------|------------------------|
| Capital lease liability | \$ 2,541,343                    | \$ -                | \$ (114,572)        | \$ 2,426,771              | \$ 206,083             |
| Due to state            | -                               | 2,921,518           | (17,514)            | 2,904,004                 | 70,141                 |
| <b>Total</b>            | <b>\$ 2,541,343</b>             | <b>\$ 2,921,518</b> | <b>\$ (132,086)</b> | <b>\$ 5,330,775</b>       | <b>\$ 276,224</b>      |

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2010:

|                         | Balance<br>Beginning<br>of Year | Increase     | Decrease | Balance<br>End<br>of Year | Due Within<br>One Year |
|-------------------------|---------------------------------|--------------|----------|---------------------------|------------------------|
| Capital lease Liability | \$ -                            | \$ 2,541,343 | \$ -     | \$ 2,541,343              | \$ 263,006             |

**Capital Lease**

During the year ended September 30, 2010, the Authority entered into a capital lease arrangement with All American Investment, LLC and Bank of America for the installation of energy efficient improvements at some of the Authority's locations. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. Under the terms of the lease, an escrow account was established in the Authority's name to fund the capital improvements. The lease calls for the Authority to make quarterly payments to Bank of America starting in March 2011 and ending December 31, 2021. This interest rate on the capital lease is 4.24% per annum. The lease is secured by all assets purchased under the lease. As of September 30, 2011, the project was complete and the funds in escrow were expended; however, the assets held under capital lease included in construction in progress at September 30, 2011 and 2010 totaled \$2,554,573 and \$1,352,275, respectively, pending final project approval for service.

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

**NOTE 6. LONG-TERM LIABILITIES – CONTINUED**

**Capital Lease – Continued**

Minimum future lease payments under capital leases for each of the next five years, in five year increments thereafter and in the aggregate are:

Year Ending September 30:

|   |                            |
|---|----------------------------|
| 2012                                    | \$ 303,027                 |
| 2013                                    | 293,155                    |
| 2014                                    | 301,349                    |
| 2015                                    | 309,790                    |
| 2016                                    | 318,484                    |
| 2017-2021                               | <u>1,438,768</u>           |
| Total minimum payments                  | 2,964,573                  |
| Less: amount representing interest      | <u>(537,802)</u>           |
| Present value of minimum lease payments | <u><u>\$ 2,426,771</u></u> |

**Due to State**

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

The Authority has calculated and recorded the present value of the overpayment from the state as a long-term liability, using a 4% 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**

**NOTE 6. LONG-TERM LIABILITIES – CONTINUED**

**Due to State – Continued**

Reductions of future sales tax remittances from the Comptroller to the Authority for repayment of the amount due to state at September 30, 2011 were scheduled as follows:

| <u>Year ending September 30:</u>           |                         |
|--|-------------------------|
| 2012                                       | \$ 185,024              |
| 2013                                       | 185,024                 |
| 2014                                       | 185,024                 |
| 2015                                       | 185,024                 |
| 2016                                       | 185,024                 |
| 2017 - 2021                                | 925,120                 |
| 2022 - 2026                                | 925,120                 |
| 2027 - 2031                                | 925,120                 |
| 2032 - 2036                                | <u>894,283</u>          |
| <br>Total payments                         | <br>4,594,763           |
| Less: amount representing imputed interest | <u>1,690,759</u>        |
| <br>Present value of due to state          | <br><u>\$ 2,904,004</u> |

The imputed interest totaled \$19,417 for the year ended September 30, 2011 and is included in interest expense.

**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.

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

**NOTE 7. RETIREMENT BENEFITS – CONTINUED**

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

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

During fiscal years ended September 30, 2011 and 2010, the employee contributions to the 401(k) Plan were \$672,835 (3.85% of covered payroll) and \$708,686 (4.07% of covered payroll), respectively. The Authority's contributions to the 401(k) Plan for those years were \$853,248 and \$870,086, 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, 2011 and 2010, the employee contributions to the 457(b) Plan were \$298,566 (5.92% of covered payroll) and \$262,772 (5.40% of covered payroll), respectively. The Authority's contributions to the 457(b) Plan for those years were \$276,008 and \$256,132, respectively.

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

**NOTE 8. COMMITMENTS AND CONTINGENCIES**

**Capital Projects**

The Authority has active commitments related to capital projects as of September 30, 2011. The Authority has spent \$10,818,818 on these projects and has remaining commitments of \$2,423,260 at the date.

**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, 2011 and 2010, the Risk Pool was self-sustaining based on premiums charged, so that total contributions plus compounded earnings on these contributions will be sufficient to satisfy claims and liabilities and other expenses. Premiums are assessed based on the rates set by the Texas State Board of Insurance and may be adjusted, on an annual basis, by the Risk Pool's Board of Trustees for each participating political subdivision's experience.

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

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

The claims liability for vehicle, general liability and worker's compensation of \$510,971 and \$1,165,082 reported at September 30, 2011 and 2010, respectively, is based on the requirements of Government Accounting Standards Board Statement No. 10 (GASB No. 10), which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on the Authority's experience with similar claims.



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

**NOTE 8. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**Risk Management – Continued**

Changes in the reported liability for the years ended September 30, 2011 and 2010 are as follows:

|                               | Beginning<br>of Year<br><u>Liability</u> | Incurred<br>Claims and<br><u>Adjustments</u> | Claim<br><u>Payments</u> | End<br>of Year<br><u>Liability</u> |
|-------------------------------|--|--|--------------------------|------------------------------------|
| Vehicle and General Liability |  |  |                          |                                    |
| Fiscal Year 2011              | \$ 597,982                               | \$ (94,466)                                  | \$ 283,516               | \$ 220,000                         |
| Fiscal Year 2010              | 533,398                                  | 447,112                                      | 382,528                  | 597,982                            |
| Workers' Compensation         |  |  |                          |                                    |
| Fiscal Year 2011              | \$ 567,100                               | \$ (110,568)                                 | \$ 165,561               | \$ 290,971                         |
| Fiscal Year 2010              | 237,623                                  | 564,188                                      | 234,711                  | 567,100                            |

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

Cash and/or investments of \$1,000,000 were held for purposes of funding future claims liabilities (see Note 3) at September 30, 2011 and 2010, respectively.

**Lease Commitments**

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

|      |                            |
|------|----------------------------|
| 2012 | \$ 340,738                 |
| 2013 | 346,251                    |
| 2014 | 361,937                    |
| 2015 | 380,317                    |
| 2016 | <u>96,245</u>              |
|      | <u><u>\$ 1,525,488</u></u> |

Total lease payments approximated \$343,000 and \$347,000 for the years ended September 30, 2011 and 2010, respectively.

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

**NOTE 8. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**State and Federal Grants**

The Authority participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivables at September 30, 2011 and 2010 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 \$510,971.

**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, 2011  
WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED SEPTEMBER 30, 2010**

|   | 2011                |                     |                      |                     | 2010                 |
|---|---------------------|---------------------|----------------------|---------------------|----------------------|
|   | Original<br>Budget  | Final<br>Budget     | Actual               | Variance            | Actual               |
| Operating revenues                        |                     |                     |                      |                     |                      |
| Fare revenue                              | \$ 6,459,279        | \$ 6,459,279        | \$ 7,258,833         | \$ 799,554          | \$ 6,271,883         |
| Advertising                               | 300,000             | 300,000             | 358,805              | 58,805              | 243,021              |
| Other                                     | 60,000              | 60,000              | 204,059              | 144,059             | 79,132               |
|   | <u>6,819,279</u>    | <u>6,819,279</u>    | <u>7,821,697</u>     | <u>1,002,418</u>    | <u>6,594,036</u>     |
| Operating expenses                        |                     |                     |                      |                     |                      |
| Salaries, wages and fringe benefits       | 31,281,055          | 31,694,055          | 29,881,415           | (1,812,640)         | 30,313,755           |
| Materials and supplies                    | 7,452,946           | 7,452,946           | 6,745,521            | (707,425)           | 7,782,313            |
| Professional services and utilities       | 5,746,418           | 5,746,418           | 5,635,762            | (110,656)           | 5,218,156            |
| Casualty and liability insurance          | 383,444             | 383,444             | 143,647              | (239,797)           | 380,518              |
| Purchased transportation                  | 14,029,512          | 14,029,512          | 13,088,663           | (940,849)           | 13,275,609           |
| Interest expense                          | -                   | -                   | 119,680              | 119,680             | 48,169               |
| Other                                     | 719,442             | 719,442             | 642,087              | (77,355)            | 724,805              |
|   | <u>59,612,817</u>   | <u>60,025,817</u>   | <u>56,256,775</u>    | <u>(3,769,042)</u>  | <u>57,743,325</u>    |
| Depreciation                              | 16,748,000          | 16,748,000          | 15,240,713           | (1,507,287)         | 15,709,513           |
|   | <u>76,360,817</u>   | <u>76,773,817</u>   | <u>71,497,488</u>    | <u>(5,276,329)</u>  | <u>73,452,838</u>    |
| Operating loss                            | (69,541,538)        | (69,954,538)        | (63,675,791)         | 6,278,747           | (66,858,802)         |
| Non-operating revenues (expenses)         |                     |                     |                      |                     |                      |
| Sales tax                                 | 45,551,552          | 45,551,552          | 46,528,654           | 977,102             | 45,181,788           |
| Operating assistance grants               | 1,229,232           | 1,229,232           | 1,373,551            | 144,319             | 1,752,259            |
| Preventive maintenance reimbursement      | 10,946,813          | 10,946,813          | 11,064,070           | 117,257             | 14,770,560           |
| Para-transit assistance                   | 1,200,000           | 1,200,000           | 1,200,000            | -                   | 1,200,000            |
| Contributions from partners               | 7,749,602           | 7,749,602           | 8,177,111            | 427,509             | 7,803,578            |
| Rental income                             | 996,500             | 996,500             | 578,184              | (418,316)           | 1,016,168            |
| Investment income                         | 900,000             | 900,000             | 550,752              | (349,248)           | 705,284              |
| Oil and gas revenue                       | 60,000              | 60,000              | 49,241               | (10,759)            | 477,370              |
| Gain on disposal of capital assets        | -                   | -                   | (5,149)              | (5,149)             | 105,262              |
| Street improvements                       | (124,658)           | (124,658)           | (124,658)            | -                   | (128,508)            |
| Other non-departmental                    | (2,100,000)         | (2,100,000)         | (2,000,000)          | 100,000             | (2,500,000)          |
| Total non-operating<br>revenue (expenses) | <u>66,409,041</u>   | <u>66,409,041</u>   | <u>67,391,756</u>    | <u>982,715</u>      | <u>70,383,761</u>    |
| Income before capital grants              | (3,132,497)         | (3,545,497)         | 3,715,965            | 7,261,462           | 3,524,959            |
| Grants for capital improvements           | 13,062,072          | 13,062,072          | 10,282,907           | (2,779,165)         | 9,236,653            |
| Change in net assets                      | <u>\$ 9,929,575</u> | <u>\$ 9,516,575</u> | <u>\$ 13,998,872</u> | <u>\$ 4,482,297</u> | <u>\$ 12,761,612</u> |

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2011**

| Federal Grantor/Pass-Through Grantor Program Title               | Grantor<br>ID<br>Number | Catalog of<br>Federal Domestic<br>Assistance ID Number | Federal<br>Expenditures |
|--|-------------------------|--|-------------------------|
| <b>U. S. Department of Transportation</b>                        |                         |  |                         |
| <i>Federal Transit Cluster</i>                                   |                         |  |                         |
| FTA/Earmark FY04 Vehicle Replacements                            | TX-030-277              | 20.500   | \$ 5,936                |
| ARRA   | TX-96-X023              | 20.500   | 6,232,972               |
| Fixed Guideway Modernization                                     | TX-05-0141              | 20.500   | 826,731                 |
| FTA/Formula (and flex funds)                                     | TX-90-0600              | 20.507   | 805,569                 |
| FTA/Formula (and flex funds)                                     | TX-90-0645              | 20.507   | 19,146                  |
| FTA/Formula (and flex funds)                                     | TX-90-0735              | 20.507   | 305,120                 |
| FTA/Formula (and flex funds)                                     | TX-95-X007              | 20.507   | 1,063,722               |
| FTA/Formula (and flex funds)                                     | TX-90-X798              | 20.507   | 172,874                 |
| FTA/Formula (and flex funds)                                     | TX-90-X842              | 20.507   | 46,816                  |
| FTA/Formula (and flex funds)                                     | TX-90-X939              | 20.507   | 12,264,071              |
| FTA/CMAQ and STP-MM  | TX-95-0019              | 20.507   | 220,992                 |
| FTA/CMAQ and STP-MM  | TX-95-0024              | 20.507   | 1,039,156               |
| FTA/CMAQ and STP-MM  | TX-95-0039              | 20.507   | 563,069                 |
| FTA/Jobs Access  | TX-37-X062              | 20.507   | <u>257,267</u>          |
| Total Federal Transit Cluster                                    |                         |  | 23,823,441              |
| Highway Planning and Construction *                              | TX-95-X013              | 20.205   | <u>452,134</u>          |
| Total U.S. Department of Transportation direct programs          |                         |  | 24,275,575              |
| <i>Passed through Texas Department of Transportation</i>         |                         |  |                         |
| Elderly and Persons w/Disabilities (Sec 5310)                    | ED 1003 (02) 05         | 20.513   | 92,313                  |
| Elderly and Persons w/Disabilities (Sec 5310)                    | ED 10102 (02) 06        | 20.513   | <u>61,290</u>           |
| Total passed through Texas Department of Transportation          |                         |  | 153,603                 |
| <i>Passed through North Central Texas Council of Governments</i> |                         |  |                         |
| RTDM Funding *   |                         | 20.205   | 146,610                 |
| JARC Vanpool **  | TX-37-X-070             | 20.516   | 54,171                  |
| New Freedom Funds-Bus Stop Access **                             | TX-57-X-011             | 20.521   | 31,067                  |
| New Freedom Funds **   | TX-57-X019              | 20.521   | <u>5,080</u>            |
| Total passed through North Central Texas Council of Governments  |                         |  | <u>236,928</u>          |
| * Highway Planning and Construction Cluster                      |                         |  | <u>\$ 24,666,106</u>    |
| ** Transit Services Programs Cluster                             |                         |  |                         |

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

**NOTE 1. BASIS OF PRESENTATION**

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

**NOTE 2. SUBRECIPIENTS**

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

**NOTE 3. NON-CASH ASSISTANCE**

The Fort Worth Transportation Authority did not receive any non-cash assistance from federal awards for the year ended September 30, 2011.

**NOTE 4. LOANS**

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



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Fort Worth Transportation Authority (the Authority) as of and for the year ended September 30, 2011, and have issued our report thereon dated March 22, 2012 generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting, described as 2011-01 and 2011-02. 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.

To the Board of Directors  
Fort Worth Transportation Authority

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### **Compliance and Other Matters**

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

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
March 22, 2012





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

**Compliance**

We have audited the compliance of Fort Worth Transportation Authority (the Authority) with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the 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, 2011.

**Internal Control Over Compliance**

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

To the Board of Directors  
Fort Worth Transportation Authority

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of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
March 22, 2012

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2011**

**I. Summary of the Auditor's Results:**

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(s) identified that are not considered a material weakness \_\_\_\_\_ Yes   X   None reported
- c. Noncompliance material to financial statements noted \_\_\_\_\_ Yes   X   No

Major Programs

- d. Internal control over major programs
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(s) identified that are not considered a material weakness \_\_\_\_\_ Yes   X   None reported
- e. An unqualified opinion was issued on compliance for major programs
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133 \_\_\_\_\_ Yes   X   No
- g. Identification of major programs:
- |                   |                         |
|-------------------|-------------------------|
| 20.500 and 20.507 | Federal Transit Cluster |
|-------------------|-------------------------|
- h. The dollar threshold used to distinguish between Type A and Type B programs \$ 739,983
- i. Auditee qualified as a low-risk auditee. \_\_\_\_\_   X   Yes \_\_\_\_\_ No

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2011**

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

**2011-01**      **Condition:** The Authority's internal control over financial reporting surrounding the completeness of costs accrued related to capital projects failed to ensure that capital project expenditures were recorded in the appropriate fiscal year.

**Criteria:** Accounting standards generally accepted in the United States of America require that expenses and obligations are recorded when incurred. This may require estimates by management if all invoices have not been received as of the balance sheet date.

**Cause:** Invoices and estimated costs incurred were not timely remitted to the accounting department.

**Effect:** Accrued liabilities, capital assets, accounts receivable, and grant revenue were all understated at the balance sheet date.

**Recommendation:** We recommend that procedures be designed and implemented which include no less than quarterly communication of estimates of project costs to date from the project directors to the accounting department.

**Views of Responsible Officials:** See corrective action plan.

**2011-02**      **Condition:** The Authority's internal control over financial reporting surrounding cut-off of cash and the bank reconciliation process failed to prevent or detect voided transactions which were improperly included on the bank reconciliation at the balance sheet date.

**Criteria:** Cash transactions should be recorded in the general ledger as they occur. The general ledger should be reconciled to the bank statement on a regular basis, and reconciling items investigated timely, to ensure that cash transactions are recorded in the appropriate period.

**Cause:** Various reconciling items dating back to December 2010 were inappropriately included on the bank reconciliation at the balance sheet date.

**Effect:** Cash and accrued liabilities were overstated at the balance sheet date.

**Recommendation:** We recommend that procedures be designed and implemented which include ensuring that unusual reconciling items included on the bank reconciliation at the balance sheet date are investigated and cleared on a regular basis.

**View of Responsible Officials:** See corrective action plan.

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2011**

**Section III. Findings and Questioned Costs for Federal Awards:**  
None

**FORT WORTH TRANSPORTATION AUTHORITY  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2011**

| <b>Audit Findings</b> | <b>Corrective Action</b>   |
|-----------------------|--|
| 2011-01               | Management will implement procedures to ensure that all estimated costs are appropriately accrued at future balance sheet dates.                                       |
| 2011-02               | Management will implement procedures to ensure that all unusual reconciling items included on the bank reconciliation are investigated and cleared on a regular basis. |

Mr. Rob Harmon, Chief Financial Officer of the Authority, is responsible for the corrective action plan. Corrective action items are planned to be implemented before June 30, 2012.

**FORT WORTH TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2011**

The prior year audit report disclosed no findings that were required to be reported.