

**FORT WORTH TRANSPORTATION AUTHORITY**

**FINANCIAL REPORT**

**SEPTEMBER 30, 2012**

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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, 2012 and 2011, 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, 2012 and 2011, 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 February 22, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and

To the Board of Directors of the  
Fort Worth Transportation Authority

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comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements. The accompanying schedules of expenditures of federal awards and expenditures of state awards are 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 Uniform Grant Management Standards issued by the Governor's Office of Budget and Planning, respectively, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
February 22, 2013

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2012

*(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, 2012. The information presented herein should be read in conjunction with the accompanying financial statements and notes to the financial statements.

### **Financial Highlights**

At September 30, 2012, the Authority's assets exceeded its liabilities by approximately \$422,262,000. Of this amount, approximately \$133,959,000 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 228.4% of the fiscal 2012 operating expenses before depreciation. The Authority's original and final budgeted increase in net assets for the year was \$12,735,000. Actual increase in net assets was \$24,546,000.

### **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; 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 \$439,204,000 at September 30, 2012 represented an increase of approximately \$26,821,000 or 6.5% from September 30, 2011. Capital assets at September 30, 2012 were approximately \$290,582,000, representing an increase of approximately \$1,680,000 or 0.6% from September 2011.

The Authority's total liabilities of approximately \$16,942,000 at September 30, 2012 represented an increase of approximately \$2,275,000 or 15.5% from September 30, 2011. Total current and non-current portions of long-term liabilities were approximately \$5,113,000 at September 30,

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2012

*(unaudited)*

2012, a decrease of approximately \$218,000 or 4.1% from September 30, 2011. This decrease is due to the scheduled repayment of existing long-term debt. Total current liabilities increased approximately \$2,527,000 or 26.3%. This increase is primarily due to timing of payments to vendors at the end of the fiscal year and year-end accruals related to the TexRail project.

The Authority's net assets increased in fiscal 2012 by approximately \$24,546,000 or 6.2%, compared to an increase of approximately \$13,999,000 or 3.6% in fiscal 2011. The increase in the change in net assets as compared to fiscal 2011 of approximately \$10,547,000 is primarily due to the following:

- An increase in sales tax revenues of approximately \$7,930,000;
- An increase in oil and gas revenues of approximately \$2,680,000;
- An increase in capital grant revenue of approximately \$2,450,000; and

These increases to net assets were partially offset by:

- A decrease in Federal preventative maintenance and operating grants of approximately \$1,274,000, and
- An increase in operating expenses, before depreciation of approximately \$2,386,000.

The Authority's total assets of approximately \$412,383,000 at September 30, 2011 represent 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 30, 2010.

The Authority's total liabilities of approximately \$14,667,000 at September 30, 2011 represent an increase of approximately \$2,339,000, or 19.0% from September 30, 2010. Total current and non-current portions of long-term liabilities were approximately \$5,331,000 at September 30, 2011, increasing from \$2,789,000 at September 30, 2010. Total current liabilities decreased approximately \$289,000. 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 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 grants revenues 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:

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2012

(unaudited)

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

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, Expenses and Changes in Net Assets**

Operating revenues for fiscal 2012 decreased approximately \$159,000 or 2.0%. Fare revenue decreased \$105,000 or 1.4% due primarily to a decrease in special event ridership on the Authority's commuter rail service, Trinity Railway Express. Economy worries put a strain on advertising revenue for the fiscal year causing bus and bus bench advertising revenues to decrease \$44,000 or 12.2%. Other revenues decreased \$10,000 or 5.1%.

Operating expenses before depreciation increased approximately \$2,386,000 or 4.2% in fiscal 2012 as compared to fiscal 2011. This increase in operating expenses is primarily due to the following:

- Wages and benefits expense increased approximately \$681,000 or 2.3% primarily due wage increases for both the bargaining unit and staff employees;
- Materials and supplies expense increased approximately \$472,000 or 7.0% primarily due to increased maintenance parts usage on an aging revenue vehicle fleet;
- Professional services and utilities increased \$495,000 or 8.8% primarily due to increased legal services and other professional services, such as benefits broker fees;
- Purchased transportation services expense increased approximately \$313,000 or 2.4% due to an increase in contract para-transit trips and increased costs associated with the Authority's vanpool service;
- Casualty and liability insurance expense increased approximately \$225,000 or 156.4% due to an increase in general liability claims;
- Other costs, which included travel and staff training, increased \$108,000 or 16.9% primarily due to non-capital miscellaneous costs related to the TexRail project; and
- Interest expense increased \$92,000 or 77.0% primarily due to a full year of interest expense recognized on the long-term due to state.

Non-operating revenue (expenses) increased approximately \$10,330,000 or 15.3% in fiscal 2012 as compared to fiscal 2011. This increase is primarily due to the following:

- Sales tax revenue increased approximately \$7,930,000 or 17.0% due to an improved economy during fiscal 2012;
- Fiscal 2012 oil and gas revenue was approximately \$2,729,000, an increase of \$2,680,000 or 5442.6% due to the reauthorization of federal tax credits that encouraged the use of alternative fuels. This tax credit expired on December 31, 2009. This tax

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2012

*(unaudited)*

credit was subsequently extended to December 31, 2011. Income from this credit extension was recorded in fiscal 2012 when the amounts are determinable and received;

- Non-departmental expense decreased \$807,000 in fiscal 2012. Past funding reported in this expense category represented the Authority's participation in local capital improvements which benefited the Authority, but for which the Authority was not the contracting party or the ultimate owner of the asset; and
- Contributions from Partners increased approximately \$328,000 or 4.0% due to increased sales tax collections by the City of Grapevine. The City of Grapevine has contracted with the Authority and makes monthly contributions based on its sales tax revenues for the development of commuter rail service to Grapevine.

These increases were partially offset by the following decreases:

- Income from operating grants and preventative maintenance decreased \$1,274,000 or 10.2% primarily due to general reductions in federal grant programs for all transit agency's during fiscal 2012; and
- Investment income decreased \$170,000 or 30.8% as many of the higher yielding certificates of deposit investments held by the Authority matured during the fiscal year and investments yielding an equal rate of return were not obtainable.

Operating revenues for fiscal 2011 increased approximately \$1,228,000 or 18.6%, primarily due to an increase in fare revenue. Fare revenues increased approximately \$987,000 or 15.7% in 2011 due to a fare increase on the Authority's commuter rail service, Trinity Railway Express. A stronger economy in fiscal 2011 pushed advertising revenues to their highest level in several years, increasing \$116,000 or 47.6% over the fiscal 2010 levels. Miscellaneous revenues increased \$125,000 or 157.9% primarily due to reimbursements received from the Super Bowl XLV Committee to offset the cost of additional downtown Fort Worth circulator service 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



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## Management's Discussion and Analysis

For the Year Ended September 30, 2012

*(unaudited)*

- 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;
- 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 was 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 area's 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.

# Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2012

(unaudited)

## Capital Assets

The Authority added approximately \$16,717,000 in acquisitions and construction of capital assets during fiscal 2012. This was approximately \$4.3 million less than in fiscal 2011. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
  - Commuter rail expansion of approximately \$8,331,000;
  - Revenue vehicle rehabilitation of approximately \$2,710,000;
  - Capital maintenance of the existing rail corridor of approximately \$1,741,000; and
  - Passenger station and park n' ride facility improvement of approximately \$1,072,000.
- Fixed route bus service and para-transit service improvements include:
  - Passenger amenities and bus stop improvements of approximately \$1,639,000;
  - Operations facility improvements and other capital maintenance of approximately \$1,012,000;
  - Information technology software and hardware improvements, and communications equipment of approximately \$941,000;
  - Development of transfer centers and park n' ride facilities of approximately \$284,000; and
  - Staff and maintenance vehicles approximately \$179,000.

The cost of these improvements was offset by approximately \$14,928,000 in depreciation expense. The following is a summary of the Authority's capital assets.

Capital Assets, net of Accumulated Depreciation <i>as of September 30, 2012 and 2011</i>		
	2012	2011
Land	\$41,256,637	\$39,308,362
Buildings	96,273,548	98,833,990
Building Improvements	1,356,562	1,201,328
Machinery and Equipment	5,010,236	5,683,214
Rolling Stock	24,430,329	28,147,500
Improvements other than buildings	80,375,573	82,638,064
Construction in Progress	41,878,998	33,089,721
	<u>\$290,581,883</u>	<u>\$288,902,179</u>

# Fort Worth Transportation Authority

## Management's Discussion and Analysis

For the Year Ended September 30, 2012

(unaudited)

The Authority added approximately \$21,011,000 in acquisitions and construction of capital assets during fiscal 2011. This was approximately \$2,500,000 less than in fiscal 2010. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
  - Commuter rail expansion of approximately \$2,683,000;
  - Revenue vehicle acquisition and rehabilitation of approximately \$2,462,000;
  - Capital maintenance of the existing rail corridor of approximately \$1,883,000;
  - Purchase of land for expansion of the rail equipment maintenance facility of approximately \$1,246,000; and
  - Passenger station and park n' ride facility improvement of 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 of approximately \$5,930,000;
  - Passenger station improvements and land acquisition for future transfer centers and bus park n' rides of approximately \$3,730,000;
  - Information technology improvements and ERP system upgrade of approximately \$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.

	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>

# Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2012

*(unaudited)*

## **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 facilities. 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, 2012 and 2011 was approximately \$2,279,000 and \$2,427,000, respectively. During 2012, the Authority refinanced this capital lease arrangement with Sun Trust Capital Group decreasing the interest rate on this capital lease from 4.24% to 2.55% 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 erroneously remitted approximately \$4.6 million in sales tax collections to the Authority. The Comptroller and the Authority have agreed to interest free monthly repayment terms, which will be deducted from the monthly sales tax remittance from the Comptroller through June 2036.

The Authority 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 borrowings of the Authority. Monthly payments consist of a reduction of the principal balance, as well as recognizing the imputed interest for the period.

The balance due the State of Texas at September 30, 2012 and 2011 was approximately \$2,884,000 and \$2,904,000, respectively.

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

The operating budget for fiscal 2013 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 2012, increasing approximately \$7.9 million or 17.0% over fiscal 2011 receipts. Sales tax revenue for fiscal 2013 are budgeted at \$57.2 million, an

# Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2012

*(unaudited)*

increase of approximately \$2.8 million or 5.1% as compared to fiscal 2012 actual revenue of \$54.5 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 Department of Labor the unemployment rate for the Fort Worth area for August 2012 was 7.1%. This is a decrease of 1.3% over August 2011, and the Fort Worth/Arlington region remains below the national unemployment rate of 8.1% in August 2012. Fort Worth, which is Authority's largest member city, continues to experience population growth. Fort Worth's estimated population in April 2012 was 757,810 and is expected to exceed 775,000 by the end of 2013.

The adopted fiscal 2013 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2013 budgeted operating expenses before depreciation increased approximately \$4.0 million or 6.8% over actual fiscal 2012 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 6.6%, as compared to fiscal 2012 actual results. This increase is primarily due to wage increases for both bargaining unit and staff, which averaged 3.0% and 2.8%, respectively, additional operators for the Authority's para-transit service and increased health care costs; and,
- A budgeted increase in service type expenses which included purchased transportation expenses of approximately \$1,900,000 or 10.3% as compared to fiscal 2012 actual results. This increase is due to an anticipated increase in the number of budgeted para-transit trips performed by contractors during the year and a full year contract expense for the maintenance and operation of the Authority's natural gas fueling station.

The Authority enters fiscal 2013 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.

## **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).

## **FINANCIAL STATEMENTS**

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Reserved for operations and insurance claims	\$ 11,000,000	\$ 9,000,000
Reserved for rail expansion	51,709,802	37,906,402
Reserved for capital reinvestment	29,557,460	21,563,207
<b>Total cash and cash equivalents</b>	<b>92,267,262</b>	<b>68,469,609</b>
Investments	31,157,595	33,348,280
Receivables, net	22,154,642	18,899,012
Inventory	2,476,205	2,308,387
Prepaid expenses	565,934	455,632
<b>Total current assets</b>	<b>148,621,638</b>	<b>123,480,920</b>
<b>CAPITAL ASSETS</b>		
Land and construction in progress	83,135,635	72,398,083
Other capital assets, net of accumulated depreciation	207,446,248	216,504,096
<b>Total assets</b>	<b>439,203,521</b>	<b>412,383,099</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	7,690,833	6,310,714
Accrued payroll and payroll related taxes	3,047,363	2,273,679
Other accrued liabilities	901,713	543,416
Current portion of capital lease liability	237,115	206,083
Current portion of due to state	72,998	70,141
Deferred transit revenue	189,191	208,649
<b>Total current liabilities</b>	<b>12,139,213</b>	<b>9,612,682</b>
<b>LONG-TERM LIABILITIES</b>		
Capital lease liability, net of current portion	2,041,793	2,220,688
Due to state, net of current portion	2,760,865	2,833,863
<b>Total long-term liabilities</b>	<b>4,802,658</b>	<b>5,054,551</b>
<b>Total liabilities</b>	<b>16,941,871</b>	<b>14,667,233</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	288,302,975	286,475,408
Unrestricted	133,958,675	111,240,458
<b>TOTAL NET ASSETS</b>	<b>\$ 422,261,650</b>	<b>\$ 397,715,866</b>

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

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>OPERATING REVENUES</b>		
Fare revenue	\$ 7,154,167	\$ 7,258,833
Advertising	315,032	358,805
Other	193,656	204,059
	7,662,855	7,821,697
<b>OPERATING EXPENSES</b>		
Salaries, wages and fringe benefits	30,562,248	29,881,415
Materials and supplies	7,218,014	6,745,521
Professional services and utilities	6,131,086	5,635,762
Casualty and liability insurance	368,249	143,647
Purchased transportation	13,401,258	13,088,663
Interest expense	211,828	119,680
Other	750,293	642,087
	58,642,976	56,256,775
Depreciation	14,928,060	15,240,713
	73,571,036	71,497,488
<b>Operating loss</b>	(65,908,181)	(63,675,791)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax	54,458,520	46,528,654
Operating assistance grants	1,176,793	1,373,551
Preventive maintenance reimbursement	9,986,347	11,064,070
Para-transit assistance	1,200,000	1,200,000
Contributions from partners	8,505,533	8,177,111
Rental income	574,073	578,184
Investment income	380,877	550,752
Oil and gas revenue	2,729,246	49,241
Gain (loss) on disposal of capital assets	27,830	(5,149)
Street improvements	(125,052)	(124,658)
Other non-departmental	(1,192,654)	(2,000,000)
<b>Total non-operating revenue (expenses)</b>	77,721,513	67,391,756
<b>INCOME BEFORE CAPITAL GRANTS</b>	11,813,332	3,715,965
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	12,732,452	10,282,907
<b>Change in net assets</b>	24,545,784	13,998,872
<b>NET ASSETS, beginning of year</b>	397,715,866	383,716,994
<b>NET ASSETS, end of year</b>	\$ 422,261,650	\$ 397,715,866

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



**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 7,205,500	\$ 7,827,914
Payments to suppliers	(26,620,432)	(27,266,084)
Payments to employees	(29,788,564)	(29,485,044)
<b>Net cash used in operating activities</b>	<b>(49,203,496)</b>	<b>(48,923,214)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax received	53,859,162	46,162,337
Overpayment from state	-	2,921,518
Street improvement payments	(125,052)	(124,658)
Preventive maintenance reimbursement	11,064,067	15,942,436
Para-transit assistance	1,200,000	1,200,000
Contributions from partners	8,505,533	8,236,718
Rental income	574,073	578,184
Operating grant reimbursements	1,197,553	2,278,562
Oil and gas revenue	2,729,246	49,241
Other non-departmental	(1,192,654)	(2,000,000)
Payment of due to state	(70,141)	(17,514)
<b>Net cash provided by non-capital financing activities</b>	<b>77,741,787</b>	<b>75,226,824</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions and grants for capital improvements	9,445,217	10,764,927
Acquisition and construction of capital assets	(16,717,264)	(21,010,983)
Proceeds from sale of capital improvements and land	137,330	96,506
Payments on capital lease liability	(147,863)	(114,572)
<b>Net cash used in capital and related financing activities</b>	<b>(7,282,580)</b>	<b>(10,264,122)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	344,782	589,929
Purchase of investments	(33,845,050)	(60,284,950)
Proceeds from sale and maturity of investments	36,042,210	66,167,011
<b>Net cash provided by investing activities</b>	<b>2,541,942</b>	<b>6,471,990</b>
<b>Net change in cash and cash equivalents</b>	<b>23,797,653</b>	<b>22,511,478</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>68,469,609</b>	<b>45,958,131</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 92,267,262</b>	<b>\$ 68,469,609</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, 2012 AND 2011  
(CONTINUED)**

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (65,908,181)	\$ (63,675,791)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	14,928,060	15,240,713
Change in operating assets and liabilities		
Operating accounts receivable	(437,897)	140,798
Inventory	(167,818)	(68,106)
Prepaid expenses	(110,302)	(110,432)
Accounts payable	1,380,119	(38,100)
Accrued payroll and payroll related taxes	773,684	396,371
Other accrued liabilities	358,297	(674,086)
Deferred transit revenue	(19,458)	(134,581)
<b>Net cash used in operating activities</b>	<u><u>\$ (49,203,496)</u></u>	<u><u>\$ (48,923,214)</u></u>
<b>NONCASH INVESTING ACTIVITY</b>		
Change in fair value of investments	<u><u>\$ 6,475</u></u>	<u><u>\$ (12,250)</u></u>

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, 2012 and 2011, 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, 2012 and 2011, 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 \$214,903 and \$198,873 in the years ended September 30, 2012 and 2011, 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, 2012 and 2011 were as follows:

	2012	2011
City of Richland Hills	\$ 113,539	\$ 115,579
City of Blue Mound	11,513	9,079
	\$ 125,052	\$ 124,658

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 \$2,868,190 and \$2,759,790 for services in the years ended September 30, 2012 and 2011, 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, 2012 and 2011, the Authority had the following investments:

	2012		2011	
	Fair Value	Weighted Avg Years to Maturity	Fair Value	Weighted Avg Years to Maturity
Federal National Mortgage Association	\$ 6,036,370	0.10	\$ 10,040,140	0.29
Federal Home Loan Bank	3,000,155	0.06	4,007,140	0.12
Federal Home Loan Mortgage Corp.	7,013,020	0.18	4,004,440	0.13
Certificates of deposit	15,108,050	0.05	15,296,560	0.07
Total investments	31,157,595		33,348,280	
TexPool-cash equivalent	84,516,211	0.11	58,531,158	0.12
TexStar-cash equivalent	3,018,476	0.13	3,015,039	0.11
Total portfolio	\$ 118,692,282		\$ 94,894,477	

All bonds are callable.



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

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

Cash and cash equivalents	2012	2011
Cash in bank	\$ 4,732,575	\$ 6,923,412
TexPool - cash equivalent	84,516,211	58,531,158
TexStar - cash equivalent	3,018,476	3,015,039
Total cash and cash equivalents	\$ 92,267,262	\$ 68,469,609

**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, 2012, 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, 2012, the Authority did not hold deposits in excess of the FDIC limit.

**Reserved Cash**

The Board of Directors has designated the use of certain assets to fund the self-insurance program (see Note 8) and to cover at least one month's budgeted operating expense. These funds are to be continually invested until required for self-insured claims. At September 30, 2012 and 2011, the designated assets of cash and investments consisted of \$1,000,000 for the self-insurance program and \$10,000,000 and \$8,000,000, respectively, for operations. The Authority has also designated funds for the TexRail project and capital reinvestment. Funds designated for the TexRail project consist of money received from partner cities and grants that are to be used for the TexRail project and totaled \$51,709,802 and \$37,906,402 at September 30, 2012 and 2011, respectively. Funds designated for capital reinvestment are to be used for ongoing capital projects as budgeted by the Authority and totaled \$29,557,460 and \$21,563,207 at September 30, 2012 and 2011, respectively.

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

**NOTE 4. RECEIVABLES**

Receivables at September 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Ticket, token and miscellaneous receivable	\$ 1,050,932	\$ 613,035
Sales tax	5,181,242	4,581,884
Grants receivable	15,845,025	13,656,270
Accrued interest receivable	<u>77,443</u>	<u>47,823</u>
Total	<u>\$ 22,154,642</u>	<u>\$ 18,899,012</u>

**NOTE 5. CAPITAL ASSETS**

The following table summarizes the changes in capital assets for the year ended September 30, 2012.

	Balance Beginning of Year	Increases	Decreases	Reclass- ifications	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 39,308,362	\$ 2,057,775	\$ (109,500)	\$ -	\$ 41,256,637
Construction in progress	33,089,721	13,268,122	-	(4,478,845)	41,878,998
Totals, capital assets not being depreciated	72,398,083	15,325,897	(109,500)	(4,478,845)	83,135,635
Capital assets, being depreciated					
Buildings	127,042,204	-	-	-	127,042,204
Building improvements	1,912,844	234,814	-	-	2,147,658
Machinery and equipment	19,080,160	516,437	(160,036)	108,059	19,544,620
Rolling stock	102,273,844	104,913	(310,463)	27,515	102,095,809
Improvements other than buildings	117,211,590	535,203	-	4,343,271	122,090,064
Totals, capital assets being depreciated	367,520,642	1,391,367	(470,499)	4,478,845	372,920,355
Less accumulated depreciation for					
Buildings	28,208,214	2,560,442	-	-	30,768,656
Building improvements	711,516	79,580	-	-	791,096
Machinery and equipment	13,396,946	1,297,474	(160,036)	-	14,534,384
Rolling stock	74,126,344	3,849,599	(310,463)	-	77,665,480
Improvements other than buildings	34,573,526	7,140,965	-	-	41,714,491
Total accumulated depreciation	151,016,546	14,928,060	(470,499)	-	165,474,107
Total capital assets, being depreciated, net	216,504,096	(13,536,693)	-	4,478,845	207,446,248
Capital assets, net	<u>\$ 288,902,179</u>	<u>\$ 1,789,204</u>	<u>\$ (109,500)</u>	<u>\$ -</u>	<u>\$ 290,581,883</u>

**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, 2011.

	Balance Beginning of Year	Increases	Decreases	Reclass- ifications	Balance End of Year
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	<u>\$ 283,233,564</u>	<u>\$ 5,770,270</u>	<u>\$ (101,655)</u>	<u>\$ -</u>	<u>\$ 288,902,179</u>

**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, 2012:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Capital lease liability	\$ 2,426,771	\$ -	\$ (147,863)	\$ 2,278,908	\$ 237,115
Due to state	2,904,004	-	(70,141)	2,833,863	72,998
<b>Total</b>	<b>\$ 5,330,775</b>	<b>\$ -</b>	<b>\$ (218,004)</b>	<b>\$ 5,112,771</b>	<b>\$ 310,113</b>

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

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within 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>

**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 at acquisition. The initial lease called 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 was 4.24% per annum. Effective September 1, 2012, the Authority refinanced the lease with Sun Trust Equipment Finance and Leasing Corp. The refinanced lease calls for quarterly payments starting September 1, 2012 and ending December 1, 2020 with interest at 2.55% per annum. The lease is secured by all assets purchased under the lease. As of September 30, 2012, the project was complete; however, the assets held under capital lease are included in construction in progress at September 30, 2012 and 2011 totaled \$2,555,062 and \$2,554,573, 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:

2013	\$ 293,155
2014	301,349
2015	309,173
2016	311,093
2017	311,093
2018-2021	<u>1,011,054</u>
 Total minimum payments	 2,536,917
Less: amount representing interest	<u>(258,009)</u>
 Recorded value of minimum lease payments	 <u><u>\$ 2,278,908</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, 2012 were scheduled as follows:

<u>Year ending September 30:</u>	
2013	\$ 185,024
2014	185,024
2015	185,024
2016	185,024
2017	185,024
2018 - 2022	925,120
2023 - 2027	925,120
2028 - 2032	925,120
2033 - 2036	<u>701,213</u>
 Total payments	 4,401,693
Less: amount representing imputed interest	<u>(1,567,830)</u>
 Present value of due to state	 <u>\$ 2,833,863</u>

The imputed interest totaled \$114,884 and \$19,417 for the years ended September 30, 2012 and 2011, respectively, 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 as a Percent of Compensation	The Authority's Contribution
0%	3%
1.00-1.99%	4%
2.00-3.99%	5%
4.00% or greater	6%

During fiscal years ended September 30, 2012 and 2011, the employee contributions to the 401(k) Plan were \$841,456 (4.69% of covered payroll) and \$672,835 (3.85% of covered payroll), respectively. The Authority's contributions to the 401(k) Plan for those years were \$869,678 and \$853,248, 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, 2012 and 2011, the employee contributions to the 457(b) Plan were \$337,443 (6.44% of covered payroll) and \$298,566 (5.92% of covered payroll), respectively. The Authority's contributions to the 457(b) Plan for those years were \$276,330 and \$276,008, 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, 2012. The Authority has spent \$6,601,701 on these projects and has remaining commitments of \$44,178,560 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, 2012 and 2011, 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 \$869,651 and \$510,971 reported at September 30, 2012 and 2011, 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, 2012 and 2011 are as follows:

	<u>Beginning of Year Liability</u>	<u>Incurred Claims and Adjustments</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
Vehicle and General Liability				
Fiscal Year 2012	\$ 220,000	\$ 324,450	\$ 124,008	\$ 420,442
Fiscal Year 2011	597,982	(94,466)	283,516	220,000
Workers' Compensation				
Fiscal Year 2012	\$ 290,971	\$ 505,168	\$ 346,930	\$ 449,209
Fiscal Year 2011	567,100	(110,568)	165,561	290,971

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, 2012 and 2011.

**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:

2013	\$ 346,251
2014	361,937
2015	380,317
2016	<u>96,245</u>
	<u>\$ 1,184,750</u>

Total lease payments approximated \$341,000 and \$343,000 for the years ended September 30, 2012 and 2011, 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, 2012 and 2011 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 \$869,651.

**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, 2012  
WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
<b>Operating revenues</b>					
Fare revenue	\$ 7,330,428	\$ 7,330,428	\$ 7,154,167	\$ (176,261)	\$ 7,258,833
Advertising	340,008	340,008	315,032	(24,976)	358,805
Other	333,996	333,996	193,656	(140,340)	204,059
	<u>8,004,432</u>	<u>8,004,432</u>	<u>7,662,855</u>	<u>(341,577)</u>	<u>7,821,697</u>
<b>Operating expenses</b>					
Salaries, wages and fringe benefits	31,933,887	31,933,887	30,562,248	(1,371,639)	29,881,415
Materials and supplies	7,182,877	7,182,877	7,218,014	35,137	6,745,521
Professional services and utilities	6,348,638	6,348,638	6,131,086	(217,552)	5,635,762
Casualty and liability insurance	383,448	383,448	368,249	(15,199)	143,647
Purchased transportation	14,343,792	14,343,792	13,401,258	(942,534)	13,088,663
Interest expense	-	-	211,828	211,828	119,680
Other	835,832	835,832	750,293	(85,539)	642,087
	<u>61,028,474</u>	<u>61,028,474</u>	<u>58,642,976</u>	<u>(2,385,498)</u>	<u>56,256,775</u>
Depreciation	16,947,000	16,947,000	14,928,060	(2,018,940)	15,240,713
	<u>77,975,474</u>	<u>77,975,474</u>	<u>73,571,036</u>	<u>(4,404,438)</u>	<u>71,497,488</u>
Operating loss	(69,971,042)	(69,971,042)	(65,908,181)	4,062,861	(63,675,791)
<b>Non-operating revenues (expenses)</b>					
Sales tax	50,882,072	50,882,072	54,458,520	3,576,448	46,528,654
Operating assistance grants	1,401,792	1,401,792	1,176,793	(224,999)	1,373,551
Preventive maintenance reimbursement	10,848,072	10,848,072	9,986,347	(861,725)	11,064,070
Para-transit assistance	1,200,000	1,200,000	1,200,000	-	1,200,000
Contributions from partners	8,377,528	8,377,528	8,505,533	128,005	8,177,111
Rental income	600,000	600,000	574,073	(25,927)	578,184
Investment income	600,000	600,000	380,877	(219,123)	550,752
Oil and gas revenue	45,000	45,000	2,729,246	2,684,246	49,241
Gain (loss) on disposal of capital assets	-	-	27,830	27,830	(5,149)
Street improvements	(125,052)	(125,052)	(125,052)	-	(124,658)
Other non-departmental	(97,000)	(97,000)	(1,192,654)	(1,095,654)	(2,000,000)
Total non-operating revenue (expenses)	<u>73,732,412</u>	<u>73,732,412</u>	<u>77,721,513</u>	<u>3,989,101</u>	<u>67,391,756</u>
Income before capital grants	3,761,370	3,761,370	11,813,332	8,051,962	3,715,965
Grants for capital improvements	8,974,000	8,974,000	12,732,452	3,758,452	10,282,907
Change in net assets	<u>\$ 12,735,370</u>	<u>\$ 12,735,370</u>	<u>\$ 24,545,784</u>	<u>\$ 11,810,414</u>	<u>\$ 13,998,872</u>

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
<b>U. S. Department of Transportation</b>			
<i>Federal Transit Cluster</i>			
FTA/Earmark FY04 Vehicle Replacements	TX-030-277	20.500	\$ 1,194
FTA/Earmark TexRail New Starts	TX-030-305	20.500	2,833,156
ARRA	TX-96-X023	20.500	882,456
Fixed Guideway Modernization	TX-05-0143	20.500	2,390,139
FTA/Formula (and flex funds)	TX-90-X534	20.507	34,994
FTA/Formula (and flex funds)	TX-90-0725	20.507	239,600
FTA/Formula (and flex funds)	TX-90-0735	20.507	473,525
FTA/Formula (and flex funds)	TX-95-X007	20.507	1,093,965
FTA/Formula (and flex funds)	TX-90-X798	20.507	145,076
FTA/Formula (and flex funds)	TX-90-X842	20.507	39,894
FTA/Formula (and flex funds)	TX-90-X984	20.507	10,454,774
FTA/CMAQ and STP-MM	TX-95-0019	20.507	889,139
FTA/CMAQ and STP-MM	TX-95-0024	20.507	376,484
FTA/CMAQ and STP-MM	TX-95-0039	20.507	787,254
FTA/CMAQ	TX-95-0045	20.507	241,922
FTA/CMAQ and STP-MM	TX-95-0046	20.507	166
FTA/Formula (and flex funds)	TX-90-4955	20.507	394,595
FTA/Formula (and flex funds)	TX-90-4974	20.507	10,371
Total Federal Transit Cluster			21,288,704
Highway Planning and Construction *	TX-95-X013	20.205	1,952,075
Total U.S. Department of Transportation direct programs			23,240,779
<i>Passed through Texas Department of Transportation</i>			
Elderly and Persons w/Disabilities (Sec 5310)	ED 10102 (02) 06	20.513	96,980
Total passed through Texas Department of Transportation			96,980
<i>Passed through North Central Texas Council of Governments</i>			
RTDM Funding *		20.205	85,568
JARC Vanpool **	TX-37-X-070	20.516	104,938
New Freedom Funds-Bus Stop Access **	TX-57-X-011	20.521	7,280
New Freedom Funds **	TX-57-X019	20.521	5,151
Northeast Tarrant County Jobs Access **	TX-37-X-041	20.516	80,858
Total passed through North Central Texas Council of Governments			283,795
* Highway Planning and Construction Cluster			\$ 23,621,554
** Transit Services Programs Cluster			

See notes to schedule.

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

**NOTE 1. BASIS OF PRESENTATION**

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

**NOTE 2. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, Fort Worth Transportation Authority provided \$452,190 to subrecipients.

**NOTE 3. NON-CASH ASSISTANCE**

The Fort Worth Transportation Authority did not receive any non-cash assistance from federal awards for the year ended September 30, 2012.

**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 of the  
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, 2012, and have issued our report thereon dated February 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Authority is responsible for establishing and maintaining effective 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 previously. 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 2012-01. *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 of the  
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 finding 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 and others within the entity and the U.S. and Texas 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  
February 22, 2013





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 of the  
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, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

### **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 of the  
Fort Worth Transportation Authority

Page 2

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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Authority's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Authority's compliance but not to provide an opinion on the effectiveness of the Authority's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
February 22, 2013

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2012**

**Section I. Summary of the Auditor’s Results:**

Financial Statements

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

Major Programs

- d. Internal control over major programs
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(s) identified that are not considered a material weakness \_\_\_\_\_ Yes   X   None reported
- e. An unqualified opinion was issued on compliance for major programs
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133 \_\_\_\_\_ Yes   X   No
- g. Identification of major programs:
- |                   |   |
|-------------------|---|
| 20.500 and 20.507 | Federal Transit Cluster                   |
| 20.205            | Highway Planning and Construction Cluster |
- h. The dollar threshold used to distinguish between Type A and Type B programs \$ 708,647
- i. Auditee qualified as a low-risk auditee. \_\_\_\_\_   X   Yes \_\_\_\_\_ No

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND  
QUESTIONED COSTS – FEDERAL AWARDS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2012**

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

**2012-01**      **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 that had already cleared the cash accounts 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 – FEDERAL AWARDS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2012**

**Section III. Findings and Questioned Costs for Federal Awards:**

None

**FORT WORTH TRANSPORTATION AUTHORITY  
CORRECTIVE ACTION PLAN – FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2012**

**Audit Findings**

**Corrective Action**

2012-01

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 March 31, 2013.

**FORT WORTH TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS – FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2012**

**Prior Year Audit Findings**

None

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED SEPTEMBER 30, 2012**

State Grantor/Pass-Through Grantor Program Title	State Contract Number	State Expenditures
<b>Texas Commission on Environmental Quality</b>		
<i>Passed through Texas Department of Transportation</i>		
TERP - Emissions Reduction Incentive Grants	582-11-12395-2621	\$ 294,529
TERP - Emissions Reduction Incentive Grants	582-11-12400-2621	295,463
TERP - Emissions Reduction Incentive Grants	582-11-12401-2621	304,263
TERP - Emissions Reduction Incentive Grants	582-11-12402-2621	304,263
TERP - Emissions Reduction Incentive Grants	582-11-12403-2621	295,463
TERP - Emissions Reduction Incentive Grants	582-11-12404-2621	<u>295,000</u>
Total passed through Texas Department of Transportation		<u>1,788,981</u>
Total Commission on Environmental Quality		<u>1,788,981</u>
<b>Texas Department of Transportation</b>		
Northeast Transportation Services	URB 1202 (02)	<u>116,134</u>
Total Texas Department of Transportation		<u>116,134</u>
		<u>\$ 1,905,115</u>



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

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state awards includes the state 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 Uniform Grants Management Standards issued by the Governor's Office of Budget and Planning. 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 state 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 state expenditures presented in the schedule, Fort Worth Transportation Authority provided \$116,134 to subrecipients.

**NOTE 3. NON-CASH ASSISTANCE**

The Fort Worth Transportation Authority did not receive any non-cash assistance from state awards for the year ended September 30, 2012.

**NOTE 4. LOANS**

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



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 UNIFORM GRANT MANAGEMENT STANDARDS

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

### **Compliance**

We have audited the Fort Worth Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the Uniform Grants Management Standards issued by the Governor's Office of Budget and Planning that could have a direct and material effect on each of the Authority's major state programs for the year ended September 30, 2012. The Authority's major state 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 state 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 Uniform Grants Management Standards issued by the Governor's Office of Budget and Planning. Those standards 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 state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2012.

### **Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Authority's internal

To the Board of Directors of the  
Fort Worth Transportation Authority

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control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Grant Management Standards, 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 state 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 state 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Authority's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Authority's compliance but not to provide an opinion on the effectiveness of the Authority's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
February 22, 2013

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS – STATE AWARDS  
YEAR ENDED SEPTEMBER 30, 2012**

**Section I. Summary of the Auditor’s Results:**

Financial Statements

j. An unqualified opinion was issued on the financial statements.

k. 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

l. Noncompliance material to financial statements noted \_\_\_\_\_ Yes   X   No

Major Programs

m. 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

n. An unqualified opinion was issued on compliance for major programs

o. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133 \_\_\_\_\_ Yes   X   No

p. Identification of major programs:

582-11-12395-2621	TERP – Emissions Reduction Incentive Grant
582-11-12400-2621	TERP – Emissions Reduction Incentive Grant
582-11-12401-2621	TERP – Emissions Reduction Incentive Grant
582-11-12402-2621	TERP – Emissions Reduction Incentive Grant
582-11-12403-2621	TERP – Emissions Reduction Incentive Grant
582-11-12404-2621	TERP – Emissions Reduction Incentive Grant

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

r. Auditee qualified as a low-risk auditee. \_\_\_\_\_ Yes   X   No

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND  
QUESTIONED COSTS – STATE AWARDS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2012**

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

**2012-01**      **Condition:** The Authority's internal control over financial reporting surrounding cut-off of cash and the bank reconciliation process failed to prevent or detect 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 which had already cleared the cash accounts 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 – STATE AWARDS - CONTINUED  
YEAR ENDED SEPTEMBER 30, 2012**

**Section III. Findings and Questioned Costs for State Awards:**

None

**FORT WORTH TRANSPORTATION AUTHORITY  
CORRECTIVE ACTION PLAN – STATE AWARDS  
YEAR ENDED SEPTEMBER 30, 2012**

**Audit Findings**

**Corrective Action**

2012-01

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 March 31, 2013.

**FORT WORTH TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS – STATE AWARDS  
YEAR ENDED SEPTEMBER 30, 2012**

None