



January 24, 2014

To the Board of Directors and Management
Fort Worth Transportation Authority

We have audited the financial statements of the Fort Worth Transportation Authority (the Authority) for the year ended September 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 6, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. The Authority adopted GASB Statement No. 63 during the year, which changed some terminology on the financial statements, but had no other impact on previously presented financials. The application of existing policies was not changed during the year ended September 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was management's estimate of the liability for worker's compensation and vehicle and general liability claims, including claims reported as well as incurred but not reported, which is based on historical claims rates provided by the third party administrator, consultation with legal counsel, and prior experience. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of vehicle, general liability, and worker's compensation claims liabilities and

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Fort Worth Transportation Authority
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contingencies in Note 8 to the financial statements which provides information to the readers related to the Authority's liability for claims and actions against the Authority.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, an adjustment to debit accounts receivable and credit grant revenue for approximately \$2.0 million was detected as a result of audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 24, 2014.

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, 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, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Fort Worth Transportation Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

ACM:plh

**FORT WORTH TRANSPORTATION AUTHORITY
UNCORRECTED MISSTATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

	DR	CR	EFFECT (Debits / (Credits))			
			Assets	Liabilities	Fund Balance	Revenues / Expenditures
Proposed JE# 3001						
To pass on adjusting entry to accrue for additional VRIDE invoice.						
010200005099900	BUS OPER G MISC	164,604.13				164,604
2010120	ACCRUED APAYABLE			164,604.13	(164,604)	
Total	164,604.13	164,604.13				
Proposed JE# 3002						
Passed adjustment to correct PY and CY over/understatements of vehicle and general liability insurance accruals and expenses.						
0001450005060500	GEN RISK MGMT G LOSS PROV	110,878.00				110,878
2310200	EST UNSURED LOSS	167,064.00		167,064		
3010000	FUND BAL UNRESTRICT			277,942.00	(277,942)	
Total	277,942.00	277,942.00				
Proposed JE# 3003						
To adjust for FTW Sales Tax						
1020104	AR SALES TAX	5,395,509.00	5,395,509			
0001000004080200	GEN MODE ADM G SALES TAX		421,764.00			(421,764)
3010000	FUND BAL UNRESTRICT		4,973,745.00		(4,973,745)	
Total	5,395,509.00	5,395,509.00				
Proposed JE# 3004						
To adjust for Grapevine Sales Tax						
1020104	AR SALES TAX	725,843.00	725,843			
0001000004080250	GEN MODE ADM G SALES TAX		81,169.00			(81,169)
3010000	FUND BAL UNRESTRICT		644,674.00		(644,674)	
Total	725,843.00	725,843.00				
Proposed JE# 3005						
To pass on adjustment between WC Insurance Accrual/Expense and Actual Incurred WC Expense and Accrual Reserve reported by TPA.						
0001100005020800	GEN EXEC G WK COMP IN	21,524.00				21,524
0001100005020800	GEN EXEC G WK COMP IN	372,708.00				372,708
2026200	ACCR WK COMP INS		21,524.00	(21,524)		
2026200	ACCR WK COMP INS		53,523.00	(53,523)		
3010000	FUND BAL UNRESTRICT		319,185.00		(319,185)	
Total	394,232.00	394,232.00				
Aggregate Effect of Prior Year Passed Entries						
Close out of entries affecting change in net assets						
Total Passed Adjustments	6,958,130	6,958,130			290,230	
Financial Statement Balances			6,121,352	(72,587)	(6,048,765)	290,230
Effect on Financial Statements			465,787,535	(15,512,813)	(450,274,722)	(28,013,072)
			1.31%	0.47%	1.34%	-1.04%

FORT WORTH TRANSPORTATION AUTHORITY

FINANCIAL REPORT

SEPTEMBER 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Fort Worth Transportation Authority

Report on the Financial Statements

We have audited the accompanying statements of net position of the Fort Worth Transportation Authority (the Authority) as of September 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 33 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 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.

Other Information

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, 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* in considering the Authority's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 24, 2014

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2013

(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, 2013. 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, 2013, the Authority's assets exceeded its liabilities by approximately \$450,275,000. Of this amount, approximately \$159,091,000 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. The unrestricted net position balance was approximately 265.6% of the fiscal 2013 operating expenses before depreciation.

Overview of the Financial Statements

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

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

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

Financial Analysis of the Authority's Net Position

The Authority's total assets of approximately \$465,788,000 at September 30, 2013 represented an increase of approximately \$26,584,000 or 6.1% from September 30, 2012. Capital assets at September 30, 2013 were approximately \$293,226,000, representing an increase of approximately \$2,644,000 or 0.9% from September 30, 2012.

Fort Worth Transportation Authority

Management's Discussion and Analysis

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(unaudited)

The Authority's total liabilities of approximately \$15,513,000 at September 30, 2013 represented a decrease of approximately \$1,429,000 or 8.4% from September 30, 2012. Total current and non-current portions of long-term liabilities were approximately \$4,803,000 at September 30, 2013, a decrease of approximately \$310,000 or 6.1% from September 30, 2012. This decrease is due to the scheduled repayment of existing long-term debt. Total current liabilities decreased approximately \$1,101,000 or 9.1%, primarily due to timing of payments to vendors at the end of the fiscal year.

The Authority's net position increased in fiscal 2013 by approximately \$28,013,000 or 6.6%, compared to an increase of approximately \$24,546,000 or 6.2% in fiscal 2012. The increase in the change in net position as compared to fiscal 2012 of approximately \$3,467,000 is primarily due to the following:

- An increase in sales tax revenues of approximately \$4,187,000;
- An increase in Federal Preventative maintenance revenues of approximately \$1,217,000; and
- An increase in contributions from partners of approximately \$884,000.

These increases to net position were partially offset by:

- An increase in operating expenses, before depreciation of approximately \$1,261,000; and
- A decrease in Federal grants for capital improvements of approximately \$1,060,000.

The Authority's total assets of approximately \$439,204,000 at September 30, 2012 represent an increase of approximately \$26,820,000, 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 30, 2011.

The Authority's total liabilities of approximately \$16,942,000 at September 30, 2012 represent 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, 2012, decreasing from \$5,331,000 at September 30, 2011, due to the scheduled repayment of existing long-term debt. Total current liabilities increased approximately \$2,527,000. This increase is primarily due to an increase in general accounts payable at the end of the fiscal year.

The Authority's net position increased in fiscal 2012 by approximately \$24,546,000 or 6.2%, compared to an increase of approximately \$13,999,000 or 3.4% in fiscal 2011. The increase in the change in net position 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; and
- An increase in capital grants revenues of approximately \$2,450,000.

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(unaudited)

These increases to net position 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.

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 Position section of this document.

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

Operating revenues for fiscal 2013 increased approximately \$699,000 or 9.1%. Fare revenue increase \$661,000 or 9.2% due to an increase in bus fare rates that was effective December 2, 2012. The improving economy helped to boost advertising revenue for the fiscal year, bus and bus bench advertising revenues increased \$17,000 or 5.5%. Other revenues increased \$21,000 or 10.7%.

Operating expenses before depreciation increased approximately \$1,261,000 or 2.1% in fiscal 2013 as compared to fiscal 2012. This increase in operating expenses is primarily due to the following:

- Wages and benefits expense increased approximately \$1,132,000 or 3.7% primarily due to wage increases for both the bargaining unit and staff employees;
- Materials and supplies expense decreased approximately \$245,000 or 3.4%, increases in maintenance materials expense were offset by lower fuel expense resulting in a net saving;
- Professional services and utilities decreased \$124,000 or 2.0% primarily due to a decrease in electrical utility costs;
- Purchased transportation services expense increased approximately \$31,000 or 0.2% due to an increase in fuel cost for commuter rail operations;
- Casualty and liability insurance expense increased approximately \$350,000 or 95.0% due to the purchase of rail liability insurance policy;
- Other costs, which included travel and staff training, increased \$128,000 or 17.1% primarily due to non-capital miscellaneous costs related to the ERP system upgrade; and
- Interest expense decreased \$11,000 or 5.2% primarily due to the refinancing of the capital lease liability in late 2012, reducing the interest rate on this debt by 2.0%.

Non-operating revenue (expenses) increased approximately \$6,128,000 or 7.9% in fiscal 2013 as compared to fiscal 2012. This increase is primarily due to the following:

- Sales tax revenue increased approximately \$4,187,000 or 7.7% due to a strong economy during fiscal 2013;

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- Fiscal 2013 Federal preventive maintenance reimbursement was approximately \$11,203,000, an increase of \$1,217,000 or 12.2% due to an increase in formula funds;
- Non-departmental expense decreased \$1,193,000 in fiscal 2013. 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;
- Contributions from Partners increased approximately \$884,000 or 10.4% 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; and
- Gain or loss on disposal of capital assets increased approximately \$112,000 or 401.4% due to the sale of fixed route buses that were beyond their useful life.

These increases were partially offset by the following decreases:

- Income from operating grants decreased \$117,000 or 9.9% primarily due to continued reductions in the number of vanpools operated by the Authority during fiscal 2013; and
- Investment income decreased \$82,000 or 21.6% as 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 2012 decreased approximately \$159,000 or 2.0%. Fare revenue decreased \$105,000 or 1.4% primarily due to a decrease in special event ridership on the Authority's commuter rail service, Trinity Railway Express. Economic worries put a strain on advertising revenues for the fiscal year resulting in a decrease in bus and bus bench advertising revenues of approximately \$44,000 or 12.2%. Other revenues also fell, decreasing \$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 to a wage increase for both 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% 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;

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- Other costs, which included travel and staff training, increased \$108,000 or 16.9% primarily due to con-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 debt due to the 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 encourage the use of alternative fuels. This tax credit expired on December 31, 2009 and was subsequently extended to December 31, 2011. Income from this credit extension was recorded in fiscal 2012 when the amounts became determinable and received;
- Non-departmental expense decreased approximately \$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 ultimate owner of the asset; and
- Contributions from partners increased approximately \$328,000 or 4.0% due to increased sales tax collection 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 agencies 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.

Capital Assets

The Authority added approximately \$18,635,000 in acquisitions and construction of capital assets during fiscal 2013. This was approximately \$1.9 million more than in fiscal 2012. Some of the more significant capital expenditures are as follows:

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Management's Discussion and Analysis

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(unaudited)

- Commuter rail capital improvements include:
 - Commuter rail expansion of approximately \$11,208,000;
 - Capital maintenance of the existing rail corridor of approximately \$2,276,000; and
 - Positive train control, passenger information system and station improvements of approximately \$391,000.
- Fixed route bus service and para-transit service improvements include:
 - Communication system and other information technology software and hardware improvements \$1,764,000;
 - Installation of bike share stations and other passenger amenities and improvements of approximately \$1,289,000;
 - Development of transfer centers and park n' ride facilities of approximately \$839,000;
 - Operations facilities improvements and other capital maintenance of approximately \$747,000
 - Staff and maintenance vehicles approximately \$121,000.

The cost of these improvements was offset by approximately \$15,967,000 in depreciation expense. The following is a summary of the Authority's capital assets.

	2013	2012
Land	\$45,723,026	\$41,256,637
Buildings	93,713,106	96,273,548
Building Improvements	1,278,252	1,356,562
Machinery and Equipment	4,145,203	5,010,236
Rolling Stock	21,149,532	24,430,329
Improvements other than buildings	80,256,829	80,375,573
Construction in Progress	46,959,693	41,878,998
	<u>\$293,225,641</u>	<u>\$290,581,883</u>

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;

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- 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>

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

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(unaudited)

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, 2013 and 2012 was approximately \$2,042,000 and \$2,279,000, 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, 2013 and 2012 was approximately \$2,761,000 and \$2,834,000, respectively.

Economic Factors and Next Year's Budget

The operating budget for fiscal 2014 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 continued to be strong in fiscal 2013, increasing approximately \$4.2 million or 7.7% over fiscal 2012 receipts. Sales tax revenue for fiscal 2014 are budgeted at \$61.2 million, an increase of approximately \$2.6 million or 4.4% as compared to fiscal 2013 actual revenue of \$58.6 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 shown significant improvement over the past twelve months. According to the Department of Labor the unemployment rate for the Fort Worth area for August 2013 was 6.0%. This is a decrease of 1.1% over August 2012, and the Fort Worth/Arlington region remains below the national unemployment rate of 7.3% in August 2013. Fort Worth, which is Authority's largest member city, continues to experience population growth. Fort Worth's estimated population in September 2013 was 777,992 and is expected to exceed 800,000 by 2015.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2013

(unaudited)

The adopted fiscal 2014 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2014 budgeted operating expenses before depreciation increased approximately \$4.6 million or 7.6% over actual fiscal 2013 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 \$1.4 million or 4.5%, as compared to fiscal 2013 actual results. This increase is primarily due to wage increases for both bargaining unit and staff, which averaged 2.25% and an increase in health care premiums of 12.0% effective January 1, 2014; and
- A budgeted increase in service type expenses which included purchased transportation expenses of approximately \$2,900,000 or 15.0% as compared to fiscal 2013 actual results. This increase is primarily due to an anticipated increase in fuel costs for the Authority's commuter rail service, Trinity Railway Express, due to the expiration of the fuel hedge during fiscal 2013.

The Authority enters fiscal 2014 recognizing the importance of efficient public transportation services that meet the needs of our customers and the community. This is particularly true during a time when the Authority is undertaking a significant project to grow its commuter rail system. As always, our number one goal continues to be focusing on increasing system wide ridership, balancing the demands of existing public transportation modes, while making certain that funds are available in the future to build, operate and maintain expanded commuter rail service. 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.

FINANCIAL STATEMENTS

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2013 AND 2012**

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Reserved for operations and insurance claims	\$ 11,000,000	\$ 11,000,000
Reserved for rail expansion	62,843,265	51,709,802
Reserved for capital reinvestment	14,792,716	29,557,460
Total cash and cash equivalents	88,635,981	92,267,262
Investments	55,222,974	31,157,595
Receivables, net	23,890,820	22,154,642
Notes receivable	334,677	-
Inventory	2,227,767	2,476,205
Prepaid expenses	2,249,675	565,934
Total current assets	172,561,894	148,621,638
CAPITAL ASSETS		
Land and construction in progress	92,682,719	83,135,635
Other capital assets, net of accumulated depreciation	200,542,922	207,446,248
Total assets	465,787,535	439,203,521
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	6,962,916	7,690,833
Accrued payroll and payroll related taxes	1,871,365	3,047,363
Other accrued liabilities	1,641,759	901,713
Current portion of capital lease liability	251,658	237,115
Current portion of due to state	75,972	72,998
Unearned transit revenue	234,114	189,191
Total current liabilities	11,037,784	12,139,213
LONG-TERM LIABILITIES		
Capital lease liability, net of current portion	1,790,136	2,041,793
Due to state, net of current portion	2,684,893	2,760,865
Total long-term liabilities	4,475,029	4,802,658
Total liabilities	15,512,813	16,941,871
NET POSITION		
Net investment in capital assets	291,183,847	288,302,975
Unrestricted	159,090,875	133,958,675
TOTAL NET POSITION	\$ 450,274,722	\$ 422,261,650

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

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	2012
OPERATING REVENUES		
Fare revenue	\$ 7,814,944	\$ 7,154,167
Advertising	332,270	315,032
Other	214,351	193,656
	8,361,565	7,662,855
OPERATING EXPENSES		
Salaries, wages and fringe benefits	31,693,873	30,562,248
Materials and supplies	6,973,396	7,218,014
Professional services and utilities	6,007,500	6,131,086
Casualty and liability insurance	718,195	368,249
Purchased transportation	13,431,858	13,401,258
Interest expense	200,750	211,828
Other	878,294	750,293
	59,903,866	58,642,976
Depreciation	15,966,812	14,928,060
	75,870,678	73,571,036
Operating loss	(67,509,113)	(65,908,181)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax	58,645,367	54,458,520
Operating assistance grants	1,059,965	1,176,793
Preventive maintenance reimbursement	11,203,269	9,986,347
Para-transit assistance	1,200,000	1,200,000
Contributions from partners	9,389,611	8,505,533
Rental income	614,299	574,073
Investment income	298,523	380,877
Oil and gas revenue	1,442,139	2,729,246
Gain on disposal of capital assets	139,531	27,830
Street improvements	(143,018)	(125,052)
Other non-departmental	-	(1,192,654)
	83,849,686	77,721,513
Total non-operating revenue (expenses)		
INCOME BEFORE CAPITAL GRANTS	16,340,573	11,813,332
GRANTS FOR CAPITAL IMPROVEMENTS	11,672,499	12,732,452
	28,013,072	24,545,784
Change in net position		
NET POSITION, beginning of year	422,261,650	397,715,866
NET POSITION, end of year	\$ 450,274,722	\$ 422,261,650

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

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 7,601,695	\$ 7,205,500
Payments to suppliers	(29,633,167)	(26,620,432)
Payments to employees	(32,869,871)	(29,788,564)
	(54,901,343)	(49,203,496)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax received	57,338,212	53,859,162
Street improvement payments	(143,018)	(125,052)
Preventive maintenance reimbursement	11,690,843	11,064,067
Para-transit assistance	1,200,000	1,200,000
Contributions from partners	9,389,611	8,505,533
Rental income	614,299	574,073
Operating grant reimbursements	1,126,130	1,197,553
Oil and gas revenue	1,442,139	2,729,246
Other non-departmental	-	(1,192,654)
Payment of due to state	(72,998)	(70,141)
	82,585,218	77,741,787
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions and grants for capital improvements	11,133,375	9,445,217
Acquisition and construction of capital assets	(18,635,481)	(16,717,264)
Proceeds from sale of capital improvements and land	164,442	137,330
Payments on capital lease liability	(237,114)	(147,863)
	(7,574,778)	(7,282,580)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	385,963	344,782
Purchase of investments	(53,243,234)	(33,845,050)
Proceeds from sale and maturity of investments	29,116,893	36,042,210
	(23,740,378)	2,541,942
Net cash provided by (used in) investing activities	(23,740,378)	2,541,942
Net change in cash and cash equivalents	(3,631,281)	23,797,653
CASH AND CASH EQUIVALENTS, beginning of year	92,267,262	68,469,609
CASH AND CASH EQUIVALENTS, end of year	\$ 88,635,981	\$ 92,267,262

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

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(CONTINUED)**

	2013	2012
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (67,509,113)	\$ (65,908,181)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	15,966,812	14,928,060
Change in operating assets and liabilities		
Operating accounts receivable	(470,116)	(437,897)
Inventory	248,438	(167,818)
Prepaid expenses	(1,683,741)	(110,302)
Operating notes receivable	(334,677)	-
Accounts payable	(727,917)	1,380,119
Accrued payroll and payroll related taxes	(1,175,998)	773,684
Other accrued liabilities	740,046	358,297
Unearned transit revenue	44,923	(19,458)
	\$ (54,901,343)	\$ (49,203,496)
NONCASH INVESTING ACTIVITY		
Change in fair value of investments	\$ (60,962)	\$ 6,475

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

The accounting policies of the Authority, as reflected in the accompanying financial statements as of and for the years ended September 30, 2013 and 2012, conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards. 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

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, 2013 and 2012, 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

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Unearned Transit Revenue

Monthly tickets and passes are sold for bus operations. Unearned 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.

New Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Authority has implemented this reporting for the year ended September 30, 2013. The components of net position were renamed to reflect the requirements of this statement.

**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 \$241,504 and \$214,903 in the years ended September 30, 2013 and 2012, 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, 2013 and 2012 were as follows:

	2013	2012
City of Richland Hills	\$ 131,140	\$ 113,539
City of Blue Mound	11,878	11,513
	\$ 143,018	\$ 125,052

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 \$2,834,095 and \$2,868,190 for services in the years ended September 30, 2013 and 2012, 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 they will, and do, 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, 2013 and 2012, the Authority had the following investments:

	2013		2012	
	Fair Value	Weighted Avg Years to Maturity	Fair Value	Weighted Avg Years to Maturity
Federal National Mortgage Association	\$ 2,001,583	2.08	\$ 6,036,370	1.76
Federal Home Loan Bank	-		3,000,155	2.4
Federal Home Loan Mortgage Corp.	-		7,013,020	3.56
Certificates of deposit	53,221,391	1.06	15,108,050	0.39
Total investments	55,222,974		31,157,595	
TexPool-cash equivalent	25,073,163	0.16	84,516,211	0.11
TexStar-cash equivalent	3,021,514	0.15	3,018,476	0.13
Total portfolio	\$ 83,317,651	1.04	\$ 118,692,282	0.49

All bonds are callable.

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

NOTE 3. CASH AND INVESTMENTS – CONTINUED

Cash and cash equivalents	2013	2012
Cash deposits	\$ 5,179,691	\$ 4,484,462
Money market accounts - cash equivalent	55,361,613	248,113
TexPool - cash equivalent	25,073,163	84,516,211
TexStar - cash equivalent	3,021,514	3,018,476
Total cash and cash equivalents	\$ 88,635,981	\$ 92,267,262

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, 2013, the Authority's investments in TexPool and TexStar were rated AAAM by Standard & Poor's and the government agency securities were rated 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, 2013, the Authority held deposits in excess of the FDIC limit of \$5,262,993. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2013.

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, 2013 and 2012, the designated assets of cash and investments consisted of \$1,000,000 for the self-insurance program and \$10,000,000 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 \$62,843,265 and \$51,709,802 at September 30, 2013 and 2012, respectively. Funds designated for capital reinvestment are to be used for ongoing capital projects as budgeted by the Authority and totaled \$14,792,716 and \$29,557,460 at September 30, 2013 and 2012, respectively.

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

NOTE 4. RECEIVABLES

Receivables at September 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Ticket, token and miscellaneous receivable	\$ 1,521,048	\$ 1,050,932
Sales tax	6,488,397	5,181,242
Grants receivable	15,830,410	15,845,025
Accrued interest receivable	<u>50,965</u>	<u>77,443</u>
Total	<u><u>\$ 23,890,820</u></u>	<u><u>\$ 22,154,642</u></u>

NOTE 5. CAPITAL ASSETS

The following table summarizes the changes in capital assets for the year ended September 30, 2013.

	Balance Beginning of Year	Increases	Decreases	Reclass- ifications	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 41,256,637	\$ 436,659	\$ (24,911)	\$ 4,054,641	\$ 45,723,026
Construction in progress	41,878,998	16,454,662	-	(11,373,967)	46,959,693
Totals, capital assets not being depreciated	83,135,635	16,891,321	(24,911)	(7,319,326)	92,682,719
Capital assets, being depreciated					
Buildings	127,042,204	-	-	-	127,042,204
Building improvements	2,147,658	5,000	-	-	2,152,658
Machinery and equipment	19,544,620	121,129	(83,609)	360,545	19,942,685
Rolling stock	102,095,809	523,574	(4,464,734)	404,656	98,559,305
Improvements other than buildings	<u>122,090,064</u>	<u>1,094,457</u>	<u>-</u>	<u>6,554,125</u>	<u>129,738,646</u>
Totals, capital assets being depreciated	372,920,355	1,744,160	(4,548,343)	7,319,326	377,435,498
Less accumulated depreciation for					
Buildings	30,768,656	2,560,442	-	-	33,329,098
Building improvements	791,096	83,310	-	-	874,406
Machinery and equipment	14,534,384	1,346,707	(83,609)	-	15,797,482
Rolling stock	77,665,480	4,209,027	(4,464,734)	-	77,409,773
Improvements other than buildings	<u>41,714,491</u>	<u>7,767,326</u>	<u>-</u>	<u>-</u>	<u>49,481,817</u>
Total accumulated depreciation	165,474,107	15,966,812	(4,548,343)	-	176,892,576
Total capital assets, being depreciated, net	<u>207,446,248</u>	<u>(14,222,652)</u>	<u>-</u>	<u>7,319,326</u>	<u>200,542,922</u>
Capital assets, net	<u><u>\$ 290,581,883</u></u>	<u><u>\$ 2,668,669</u></u>	<u><u>\$ (24,911)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 293,225,641</u></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, 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 6. LONG-TERM LIABILITIES

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2013:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Capital lease liability	\$ 2,278,908	\$ -	\$ (237,114)	\$ 2,041,794	\$ 251,658
Due to state	2,833,863	-	(72,998)	2,760,865	75,972
Total	\$ 5,112,771	\$ -	\$ (310,112)	\$ 4,802,659	\$ 327,630

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
Total	\$ 5,330,775	\$ -	\$ (218,004)	\$ 5,112,771	\$ 310,113

Capital Lease

During the year ended September 30, 2011, 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, 2013, the project was completed and transferred out of construction in progress and into improvements other than buildings. The total amount capitalized for this project was \$2,610,786 and \$2,555,062 with accumulated depreciation of \$87,026 and \$0 as of September 30, 2013 and 2012, respectively.

**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:

2014	\$ 301,349
2015	309,173
2016	311,093
2017	311,093
2018	311,094
2019-2021	<u>699,960</u>
Total minimum payments	2,243,762
Less amount representing interest	<u>(201,968)</u>
Recorded value of minimum lease payments	<u><u>\$ 2,041,794</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, 2013 were scheduled as follows:

Year ending September 30:

2014	\$ 185,024
2015	185,024
2016	185,024
2017	185,024
2018	185,024
2019-2023	925,120
2024-2028	925,120
2029-2033	925,120
2034-2036	<u>515,946</u>
Total minimum payments	4,216,426
Less amount representing interest	<u>(1,455,561)</u>
Recorded value of minimum lease payments	<u>\$ 2,760,865</u>

The imputed interest totaled \$112,026 and \$114,884 for the years ended September 30, 2013 and 2012, 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, 2013 and 2012, the employee contributions to the 401(k) Plan were \$832,832 (4.38% of covered payroll) and \$841,456 (4.69% of covered payroll), respectively. The Authority's contributions to the 401(k) Plan for those years were \$960,752 and \$869,678, 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, 2013 and 2012, the employee contributions to the 457(b) Plan were \$367,925 (6.57% of covered payroll) and \$337,443 (6.44% of covered payroll), respectively. The Authority's contributions to the 457(b) Plan for those years were \$322,138 and \$276,330, respectively.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2013. The Authority has spent \$31,589,021 on these projects and has remaining commitments of \$39,115,683 at September 30, 2013.

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

NOTE 8. COMMITMENTS AND CONTINGENCIES – CONTINUED

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, 2013 and 2012, 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 workers' compensation claims and carries excess workers' compensation insurance for claims that exceed \$750,000 per claim up to the statutory limit.

The claims liability for vehicle, general liability and workers' compensation of \$518,816 and \$869,651 reported at September 30, 2013 and 2012, 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 to each claimant. The provision for claims incurred but not yet reported is estimated based on the Authority's experience with similar claims.

Changes in the reported liability for the years ended September 30, 2013 and 2012 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 2013	\$ 420,442	\$ 100,079	\$ 220,429	\$ 300,092
Fiscal year 2012	220,000	324,450	124,008	420,442
Workers' compensation				
Fiscal year 2013	\$ 449,209	\$ 402,529	\$ 633,014	\$ 218,724
Fiscal year 2012	290,971	505,168	346,930	449,209

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

NOTE 8. COMMITMENTS AND CONTINGENCIES – CONTINUED

Risk Management – Continued

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, 2013 and 2012.

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:

2014	\$	361,937
2015		380,317
2016		<u>96,245</u>
	\$	<u><u>838,499</u></u>

Total lease payments approximated \$346,000 and \$341,000 for the years ended September 30, 2013 and 2012, respectively.

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, 2013 and 2012 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 \$518,816.

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

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, 2013
WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	2013			2012	
	Original Budget	Final Budget	Actual	Variance Over (Under)	Actual
Operating revenues					
Fare revenue	\$ 7,342,139	\$ 7,342,139	\$ 7,814,944	\$ 472,805	\$ 7,154,167
Advertising	349,992	349,992	332,270	(17,722)	315,032
Other	120,000	120,000	214,351	94,351	193,656
	<u>7,812,131</u>	<u>7,812,131</u>	<u>8,361,565</u>	<u>549,434</u>	<u>7,662,855</u>
Operating expenses					
Salaries, wages and fringe benefits	32,558,915	32,558,915	31,693,873	(865,042)	30,562,248
Materials and supplies	6,829,320	6,829,320	6,973,396	144,076	7,218,014
Professional services and utilities	6,537,530	6,537,530	6,007,500	(530,030)	6,131,086
Casualty and liability insurance	383,448	383,448	718,195	334,747	368,249
Purchased transportation	15,022,032	15,022,032	13,431,858	(1,590,174)	13,401,258
Interest expense	-	-	200,750	200,750	211,828
Other	908,980	908,980	878,294	(30,686)	750,293
	<u>62,240,225</u>	<u>62,240,225</u>	<u>59,903,866</u>	<u>(2,336,359)</u>	<u>58,642,976</u>
Depreciation	<u>15,729,140</u>	<u>15,729,140</u>	<u>15,966,812</u>	<u>237,672</u>	<u>14,928,060</u>
	<u>77,969,365</u>	<u>77,969,365</u>	<u>75,870,678</u>	<u>(2,098,687)</u>	<u>73,571,036</u>
Operating loss	(70,157,234)	(70,157,234)	(67,509,113)	2,648,121	(65,908,181)
Non-operating revenues (expenses)					
Sales tax	57,217,467	57,217,467	58,645,367	1,427,900	54,458,520
Operating assistance grants	875,484	875,484	1,059,965	184,481	1,176,793
Preventive maintenance reimbursement	9,254,772	9,254,772	11,203,269	1,948,497	9,986,347
Para-transit assistance	1,200,000	1,200,000	1,200,000	-	1,200,000
Contributions from partners	8,782,987	8,782,987	9,389,611	606,624	8,505,533
Rental income	600,000	600,000	614,299	14,299	574,073
Investment income	425,004	425,004	298,523	(126,481)	380,877
Oil and gas revenue	-	-	1,442,139	1,442,139	2,729,246
Gain (loss) on disposal of capital assets	-	-	139,531	139,531	27,830
Street improvements	(143,018)	(143,018)	(143,018)	-	(125,052)
Other non-departmental	(203,385)	(203,385)	-	203,385	(1,192,654)
Total non-operating revenue (expenses)	<u>78,009,311</u>	<u>78,009,311</u>	<u>83,849,686</u>	<u>5,840,375</u>	<u>77,721,513</u>
Income before capital grants	7,852,077	7,852,077	16,340,573	8,488,496	11,813,332
Grants for capital improvements	<u>13,497,000</u>	<u>13,497,000</u>	<u>11,672,499</u>	<u>(1,824,501)</u>	<u>12,732,452</u>
Change in net position	<u>\$ 21,349,077</u>	<u>\$ 21,349,077</u>	<u>\$ 28,013,072</u>	<u>\$ 6,663,995</u>	<u>\$ 24,545,784</u>

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
U. S. Department of Transportation			
<i>Federal Transit Cluster</i>			
FTA/Earmark FY04 Vehicle Replacements	TX-030-277	20.500	\$ 204,070
FTA/Earmark TexRail New Starts	TX-030-305	20.500	1,166,844
FTA/Earmark FY06 Vehicle Replacements	TX-04-0004	20.500	253,402
Fort Worth Bike Share	TX-04-0105	20.500	870,902
FTA/Fixed Guideway Modernization	TX-05-0144	20.500	1,868,947
FTA/Formula (and flex funds)	TX-90-X326	20.507	784
FTA/Formula (and flex funds)	TX-90-X645	20.507	1,600,000
FTA/Formula (and flex funds)	Unassigned	20.507	1,562,305
FTA/Formula (and flex funds)	TX-90-0735	20.507	40,376
FTA/Formula (and flex funds)	TX-90-X798	20.507	286,922
FTA/Formula (and flex funds)	TX-90-X842	20.507	67,772
FTA/Formula (and flex funds)	TX-90-X903	20.507	59,848
FTA/Formula (and flex funds)	TX-90-X939	20.507	53,131
FTA/Formula (and flex funds)	TX-90-Y032	20.507	12,403,269
FTA/CMAQ and STP-MM	TX-95-0019	20.507	36,249
FTA/CMAQ and STP-MM	TX-95-0024	20.507	68,970
FTA/CMAQ	TX-95-0045	20.507	600
FTA/CMAQ and STP-MM	TX-95-0046	20.507	633,014
FTA/CMAQ and STP-MM	TX-95-0047	20.507	31,020
FTA/CMAQ and STP-MM	TX-95-0057	20.507	3,446,860
Total Federal Transit Cluster			24,655,285
<i>Passed through Texas Department of Transportation</i>			
Elderly and Persons w/Disabilities (Sec 5310) *	ED 10102 (02) 06	20.513	151,215
Total passed through Texas Department of Transportation			151,215
<i>Passed through North Central Texas Council of Governments</i>			
RTDM Funding		20.205	71,132
JARC Vanpool *	TX-37-X-4070	20.516	50,132
New Freedom Funds-Bus Stop Access *	TX-57-X-0011	20.521	21,346
New Freedom Funds *	TX-57-X-0019	20.521	38,705
Northeast Tarrant County Jobs Access *	TX-37-X-041	20.516	79,441
Total passed through North Central Texas Council of Governments			260,756
Total expenditures of federal awards			\$ 25,067,256

* 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 position in a previous year.

NOTE 2. NON-CASH ASSISTANCE

The Fort Worth Transportation Authority did not receive any non-cash assistance from federal awards for the year ended September 30, 2013.

NOTE 3. LOANS

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

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

To the Board of Directors of the
Fort Worth Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fort Worth Transportation Authority (the Authority), as of and for the year ended September 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors of the
Fort Worth Transportation Authority

Page 2

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 24, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of the
Fort Worth Transportation Authority

Report on Compliance for Each Major Federal Program

We have audited the Fort Worth Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

To the Board of Directors of the
Fort Worth Transportation Authority

Page 2

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 24, 2014

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

Section I. Summary of the Auditor’s Results:

Financial Statements

- a. An unmodified 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 unmodified opinion was issued on compliance for major programs
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133 _____ Yes X No
- g. Identification of major programs:
- | | |
|-------------------|-------------------------|
| 20.500 and 20.507 | Federal Transit Cluster |
|-------------------|-------------------------|
- h. The dollar threshold used to distinguish between Type A and Type B programs \$ 752,018
- 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, 2013**

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

None

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND
QUESTIONED COSTS – FEDERAL AWARDS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2013**

Section III. Findings and Questioned Costs for Federal Awards

None

**FORT WORTH TRANSPORTATION AUTHORITY
CORRECTIVE ACTION PLAN – FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

Audit Findings Corrective Action

No findings were noted that require a corrective action plan.

**FORT WORTH TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS – FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

Prior Year Audit Findings

None