

FORT WORTH TRANSPORTATION AUTHORITY

FINANCIAL REPORT

SEPTEMBER 30, 2015

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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, 2015 and 2014, 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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Fort Worth Transportation Authority

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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, 2015 and 2014, 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 13 and 34 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.

To the Board of Directors of the
Fort Worth Transportation Authority

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, 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
March 25, 2016

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2015

(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, 2015. 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, 2015, the Authority's assets exceeded its liabilities by approximately \$537,287,000. Of this amount, approximately \$195,297,000 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. Unrestricted net position was approximately 309.6% of the fiscal 2015 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 assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net 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 Assets

The Authority's total assets of approximately \$586,427,000 at September 30, 2015 represented an increase of approximately \$92,173,000 or 18.6% from September 30, 2014. Capital assets which includes, land and construction in progress, at September 30, 2015 were approximately \$343,514,000, representing an increase of approximately \$51,108,000 or 17.5% from September 2014.

The Authority's total liabilities of approximately \$49,141,000 at September 30, 2015 represented an increase of approximately \$31,868,000 or 184.5% from September 30, 2014. Total current and non-current portions of long-term liabilities were approximately \$6,225,000 at September 30, 2015, an increase of approximately \$955,000 or 18.1% from September 30, 2014. This increase is due to a payable to the state comptroller's office and is explained in detail below.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2015

(unaudited)

Total current liabilities increased approximately \$31,252,000 or 252.2%, primarily due to unearned transit and grant revenue and timing of payments to vendors at the end of the fiscal year.

The Authority's net position increased in fiscal 2015 by approximately \$60,305,000 or 12.6%, compared to an increase of approximately \$26,707,000 or 5.9% in fiscal 2014. The increase in the change in net position as compared to fiscal 2014 of approximately \$33,598,000 is primarily due to the following:

- An increase in grants for capital improvements of approximately \$25,949,000;
- An increase in gain on disposal of capital assets of approximately \$3,467,000;
- An increase in sales tax revenues of approximately \$1,918,000;
- A decrease in non-department expenses of approximately \$1,614,000;
- A decrease in operating expenses, before depreciation of approximately \$931,000; and
- An increase in contributions from partners of approximately \$685,000.

These increases to net position were partially offset by:

- A decrease in Federal Preventative maintenance revenues of approximately \$621,000.

The Authority's total assets of approximately \$494,254,000 at September 30, 2014 represent an increase of approximately \$28,466,000, or 6.1% from September 30, 2013. Capital assets at September 30, 2014 were approximately \$292,406,000, representing a decrease of approximately \$820,000 or 0.3% from September 30, 2013.

The Authority's total liabilities of approximately \$17,272,000 at September 30, 2014 represent an increase of approximately \$1,759,000, or 11.3% from September 30, 2013. Total current and non-current portions of long-term liabilities were approximately \$5,270,000 at September 30, 2014, increasing from approximately \$4,803,000 at September 30, 2013, due to the increased amount due to state liability of approximately \$1,342,000 and scheduled repayment of existing long-term debt. Total current liabilities increased at September 30, 2014 as compared to September 30, 2013 by approximately \$1,351,000, due to an increase in general accounts payable at the end of the fiscal year.

The Authority's net position increased in fiscal 2014 by approximately \$26,707,000 or 5.9%, compared to an increase of approximately \$28,013,000 or 6.6% in fiscal 2013. The decrease in the change in net position as compared to fiscal 2013 of approximately \$1,306,000 is primarily due to the following:

- An increase in operating expenses, before depreciation of approximately \$4,099,000; and
- An increase in non-department expenses of approximately \$1,614,000.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2015

(unaudited)

These decreases to net position were partially offset by:

- An increase in sales tax revenues of approximately \$3,228,000;
- An increase in Federal Preventative maintenance revenues of approximately \$621,000;
- An increase in contributions from partners of approximately \$245,000;
- An increase in investment income of approximately \$192,000; and
- An increase in operating revenues of approximately \$139,000.

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 2015 increased approximately \$129,000 or 1.5%. Fare revenue increased \$63,000 or 0.8% due to increased ridership on the Authority's core transportation services, fixed route bus, paratransit and commuter rail, during the year. Other revenues, which include items such as natural gas royalties, the sale of pass covers, identification cards and subrogation revenue, increased \$173,000 or 111.2%. These increases were partially offset by a reduction in bus and bus bench advertising revenues of approximately \$107,000 or 25.8%.

Operating expenses before depreciation decreased approximately \$931,000 or 1.5% in fiscal 2015 as compared to fiscal 2014. This decrease in operating expenses is primarily due to the following:

- Purchased transportation services expense decreased approximately \$847,000 or 5.7% due to fewer vanpool vans in service and a fuel hedge put in place mid-year;
- A decrease in fuel and lubricant expense of approximately \$506,000 or 17.8% due to lower fuel costs and fewer vanpools being operated than budgeted;
- Maintenance materials expense decreased approximately \$400,000 or 11.4% due to new para-transit fleet reducing; and
- Casualty and liability insurance expense decreased approximately \$274,000 or 18.3% due to the reduction in cost of rail liability insurance policy.

These decreases in operating expenses were partially offset by:

- Wages and benefits expense increased approximately \$742,000 or 2.2% due to wage increases for both the bargaining unit and staff employees and increases in group health insurance costs;
- Professional services increased \$259,000 or 4.6% due to:
 - An increase in legal fees of approximately \$206,000; and
- Other costs, which include travel and staff training, increased \$89,000 or 17.9% primarily due to non-capital miscellaneous costs related to hosting the APTA conference.

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For the Year Ended September 30, 2015

(unaudited)

Non-operating revenue (expenses) increased approximately \$6,991,000 or 8.1% in fiscal 2015 as compared to fiscal 2014. This increase is primarily due to the following:

- Gain on disposal of capital assets increased approximately \$3,468,000 or 175.6% due to a sale of property to Dallas Area Rapid Transit, and loss on the disposal of capital assets (buses, machinery & equipment);
- Sales tax revenue increased approximately \$1,918,000 or 3.1% due to increased sales tax collections as a result of a strong economy during fiscal 2015;
- Other non-departmental expenses decreased approximately \$1,614,000 due to -0- expense being incurred in fiscal 2015 as compared to those expenses incurred in fiscal 2014 for the Authority's participation in local capital improvements which benefit the Authority, but for which the Authority was not the contracting party or ultimate owner of the asset;
- Contributions from partners increased approximately \$685,000 or 7.1% 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
- Investment income increased \$291,000 or 59.4% primarily due to an increase in cash available for investment.

These increases in non-operating income were partially offset by a decrease in federal preventative maintenance reimbursement of approximately \$621,000.

Operating expenses before depreciation increased approximately \$4,099,000 or 6.8% in fiscal 2014 as compared to fiscal 2013. This increase in operating expenses is primarily due to the following:

- Wages and benefits expense increased approximately \$1,687,000 or 5.3% primarily due wage increases for both the bargaining unit and staff employees and group health insurance costs;
- Purchased transportation services expense increased approximately \$1,424,000 or 10.6% primarily due to increases in the base escalation fee and maintenance cost for commuter rail operations;
- Casualty and liability insurance expense increased approximately \$777,000 or 108.2% due to the purchase of rail liability insurance policy;
- Professional services increased \$513,000 or 9.9% due to:
 - An increase in Information Technology maintenance contracts of approximately \$217,000;
 - An increase in legal fees of approximately \$150,000;
 - An increase in other services of approximately \$149,000. These service agreements are for a new digital communications system for fixed route and paratransit bus service; and
 - An increase in other professional expense of approximately \$114,000 for a management performance audit.

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Management's Discussion and Analysis

For the Year Ended September 30, 2015

(unaudited)

These increases were partially offset by decreases in:

- A decrease in banking services of approximately \$69,000 due to a change in credit card processors; and
- A decrease in promotional costs of approximately \$54,000.

- Maintenance materials expense increased approximately \$290,000 or 9.0%, increases in maintenance materials expense primarily due to an unexpected level of major fleet repairs.

These increases in operating expenses were partial offset by:

- A decrease in other expenses, which includes items such as dues and memberships and travel, training expenses and contributions to partners for projects of \$405,000; and
- A decrease in fuel and lubricant expense of approximately \$184,000 primarily due to fewer vanpools being operated that budgeted.

Non-operating revenue (expenses) increased approximately \$2,735,000 or 3.3% in fiscal 2014 as compared to fiscal 2013. This increase is primarily due to the following:

- Sales tax revenue increased approximately \$3,228,000 or 5.5% due to increased sales tax collections as a result of a strong economy during fiscal 2014;
- Federal preventive maintenance reimbursement increased approximately \$621,000 or 5.5% due to receipt of 2011 Unallocated Formula Funds during the fiscal year;
- Contributions from partners increased approximately \$245,000 or 2.6% 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;
- Investment income increased \$192,000 or 64.5% primarily due to an increase in cash available for investment; and
- Operating Assistance grants increased approximately \$163,000 or 15.4% due to an increase in the number of trips provided by Northeast Transportation Service (NETS) and Tarrant County Transportation Service (TCTS). NETS and TCTS are operated by the Authority on behalf of the other governmental entities to provide transportation services to the elderly and disabled who do not reside in the Authority's service area. Other local governmental entities are financially responsible for the costs of these programs not funded by the Federal grant.

These increases in non-operating income were partially offset by an increase in non-departmental expense of approximately \$1,614,000, for the Authority's participation in local capital improvements which benefit the Authority, but for which the Authority was not the contracting party or ultimate owner of the asset.

Fort Worth Transportation Authority
Management's Discussion and Analysis
For the Year Ended September 30, 2015
(unaudited)

Capital Assets

Fiscal 2015

During fiscal 2015 the Authority's net investment in capital assets increased by approximately \$51,108,000. The Authority added approximately \$69,536,000 in acquisitions and construction of capital asset, approximately \$53,657,000 or 337.9% more than in fiscal 2014. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
 - Commuter rail expansion of approximately \$61,972,000;
 - Capital maintenance of the existing rail corridor and environmental assessment of Trinity River Bridge of approximately \$1,092,000; and
 - Positive train control, passenger information system and station improvements of approximately \$848,000.

- Fixed route bus service and para-transit service improvements include:
 - Bus stop improvements including ADA accessibility improvements of approximately \$397,000;
 - Technology improvements of approximately \$751,000; and
 - Facilities improvements and other capital maintenance of approximately \$1,313,000.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2015

(unaudited)

Depreciation expense for fiscal 2015 was approximately \$16,696,000. The following is a summary of the Authority's capital assets.

| | 2015 | 2014 |
|-----------------------------------|----------------------|----------------------|
| Land | \$45,707,409 | \$45,767,747 |
| Buildings | 88,592,223 | 91,152,665 |
| Building Improvements | 1,111,425 | 1,194,839 |
| Machinery and Equipment | 6,085,116 | 4,147,906 |
| Rolling Stock | 30,794,265 | 24,100,115 |
| Improvements other than buildings | 76,468,955 | 79,610,831 |
| Construction in Progress | 94,754,444 | 46,432,035 |
| | <u>\$343,513,837</u> | <u>\$292,406,138</u> |

During fiscal 2014 the Authority added approximately \$15,879,000 in acquisitions and construction of capital assets. This was approximately \$2,757,000 million less than in fiscal 2013.

Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
 - Commuter rail expansion of approximately \$6,377,000;
 - Capital maintenance of the existing rail corridor and placement of Walker's Creek Bridge of approximately \$4,575,000; and
 - Positive train control, passenger information system and station improvements of approximately \$375,000.

- Fixed route bus service and para-transit service improvements include:
 - Purchase of 13 new paratransit vehicles of approximately \$1,708,000;
 - Construction of new park and ride facility in far North Fort Worth and other bus stop improvements including ADA accessibility improvements of approximately \$1,640,000;
 - Fueling station upgrades and improvements of approximately \$517,000;
 - Technology improvements, including next bus for downtown circulator service of approximately \$425,000; and
 - Facilities improvements and other capital maintenance of approximately \$227,000.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2015

(unaudited)

The cost of these improvements was offset by approximately \$16,294,000 in depreciation expense. The following is a summary of the Authority's capital assets.

| | 2014 | 2013 |
|-----------------------------------|-----------------------|-----------------------|
| Land | \$ 45,767,747 | \$ 45,723,026 |
| Buildings | 91,152,665 | 93,713,106 |
| Building Improvements | 1,194,839 | 1,278,252 |
| Machinery and Equipment | 4,147,906 | 4,145,203 |
| Rolling Stock | 24,100,115 | 21,149,532 |
| Improvements other than buildings | 79,610,831 | 80,256,829 |
| Construction in Progress | 46,432,035 | 46,959,693 |
| | <u>\$ 292,406,138</u> | <u>\$ 293,225,641</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 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, 2015 and 2014 was approximately \$1,524,000 and \$1,790,000, 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.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2015

(unaudited)

During fiscal 2014, the Authority was notified by the Comptroller that an additional \$517,000 had been erroneously remitted. This additional amount payable to the State of Texas was added to the outstanding balance due to the State of Texas as of July 31, 2014. The Authority calculated and recorded the present value of the overpayment from the state as a long-term liability, using a 2.55% 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.

During fiscal 2015, the Authority was notified by the Comptroller that an additional \$1,342,000 had been erroneously remitted. This additional amount payable to the State of Texas was added to the outstanding balance due to the State of Texas as of September 30, 2015. The Authority calculated and recorded the present value of the overpayment from the state as a long-term liability, using a 2.55% 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, 2015 and 2014 was approximately \$4,701,000 and \$3,480,000, respectively.

Economic Factors and Next Year's Budget

The operating budget for fiscal 2015 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 2015, increasing approximately \$1.9 million or 3.1% over fiscal 2014 receipts. Sales tax revenue for fiscal 2016 are budgeted at \$67.9 million, an increase of approximately \$4.1 million or 6.4% as compared to fiscal 2015 actual revenue of \$63.8 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 2015 was 3.9%. This is a decrease of 1.6% over August 2014, and the Fort Worth/Arlington region remains below the national unemployment rate of 5.1% in August 2015. Fort Worth, which is the Authority's largest member city, continues to experience population growth. Fort Worth's estimated population in September 2015 was 812,000. With an annual population growth rate of 3.9%, the population of Fort Worth is expected to exceed 840,000 next year.

The adopted fiscal 2016 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2016 budgeted operating expenses before depreciation totaled approximately \$67.9 million dollars, an increased approximately \$4.8 million or 7.6% over actual fiscal 2015 total expenses before depreciation.

Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2015

(unaudited)

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

- A budgeted increase in salaries, wages and fringe benefits of \$2.4 million or 7.1%, as compared to fiscal 2015 actual results. This increase is primarily due to wage increases for both bargaining unit and staff, which averaged 3.00% and an increase in health care premiums of 12.0% effective January 1, 2016; and
- A budgeted increase in service type expenses, which included purchased transportation expenses, of approximately \$2,788,000 or 13.8% as compared to fiscal 2015 actual results. This increase is due to increase in commuter rail purchased transportation services, an increase in projected paratransit contractor trips, anticipated increases in fuel rates and maintenance contracts increases.

The Authority enters fiscal 2016 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 capital 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, 2015 AND 2014**

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | | |
| Reserved for operations and insurance claims | \$ 11,000,000 | \$ 11,000,000 |
| Reserved for capital reinvestment/rail expansion | 113,569,531 | 83,584,876 |
| Total cash and cash equivalents | 124,569,531 | 94,584,876 |
| Investments | 80,315,565 | 78,500,805 |
| Receivables, net | 34,128,813 | 24,999,125 |
| Notes receivable | 200,806 | 267,742 |
| Inventory | 2,368,629 | 2,499,835 |
| Prepaid expenses | 1,329,978 | 995,185 |
| Total current assets | 242,913,322 | 201,847,568 |
| CAPITAL ASSETS | | |
| Land and construction in progress | 140,461,853 | 92,199,782 |
| Other capital assets, net of accumulated depreciation | 203,051,984 | 200,206,356 |
| Total assets | 586,427,159 | 494,253,706 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 13,843,017 | 7,878,894 |
| Accrued payroll and payroll related taxes | 1,561,891 | 1,932,626 |
| Other accrued liabilities | 2,200,937 | 1,970,302 |
| Current portion of capital lease liability | 266,037 | 266,037 |
| Current portion of due to state | 459,161 | 121,289 |
| Unearned transit revenue | 25,309,850 | 220,101 |
| Total current liabilities | 43,640,893 | 12,389,249 |
| LONG-TERM LIABILITIES | | |
| Capital lease liability, net of current portion | 1,258,062 | 1,524,099 |
| Due to state, net of current portion | 4,241,648 | 3,358,792 |
| Total long-term liabilities | 5,499,710 | 4,882,891 |
| Total liabilities | 49,140,603 | 17,272,140 |
| NET POSITION | | |
| Net investment in capital assets | 341,989,738 | 290,616,002 |
| Unrestricted | 195,296,818 | 186,365,564 |
| TOTAL NET POSITION | \$ 537,286,556 | \$ 476,981,566 |

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
SEPTEMBER 30, 2015 AND 2014

| | 2015 | 2014 |
|---|----------------|----------------|
| OPERATING REVENUES | | |
| Fare revenue | \$ 7,994,329 | \$ 7,931,428 |
| Advertising | 307,201 | 413,861 |
| Other | 328,104 | 155,348 |
| | 8,629,634 | 8,500,637 |
| OPERATING EXPENSES | | |
| Salaries, wages and fringe benefits | 34,123,137 | 33,381,199 |
| Professional services | 5,922,805 | 5,663,988 |
| Purchased transportation | 14,008,664 | 14,855,384 |
| Fuels and lubricants | 2,334,588 | 2,840,455 |
| Tires and tubes | 421,160 | 351,514 |
| Maintenance materials | 3,107,822 | 3,507,692 |
| Supplies and materials | 314,301 | 272,490 |
| Utilities | 778,607 | 852,277 |
| Casualty and liability insurance | 1,220,995 | 1,494,999 |
| Taxes and fees | 71,938 | 103,712 |
| Interest expense | 183,294 | 183,307 |
| Other | 584,008 | 495,482 |
| | 63,071,319 | 64,002,499 |
| Depreciation | 16,696,216 | 16,294,173 |
| | 79,767,535 | 80,296,672 |
| Operating loss | (71,137,901) | (71,796,035) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Sales tax | 63,791,099 | 61,873,443 |
| Operating assistance grants | 668,939 | 1,223,338 |
| Preventive maintenance reimbursement | 11,203,260 | 11,823,968 |
| Para-transit assistance | 1,200,000 | 1,200,000 |
| Contributions from partners | 10,318,794 | 9,634,133 |
| Rental income | 792,416 | 625,422 |
| Investment income | 782,411 | 490,936 |
| Oil and gas revenue | 60,414 | 102,448 |
| Gain on disposal of capital assets | 3,487,285 | 19,752 |
| Street improvements | (146,158) | (172,011) |
| Other non-operating revenue | 1,418,069 | 1,378,149 |
| Other non-departmental expenses | - | (1,614,500) |
| Total non-operating revenue (expenses) | 93,576,529 | 86,585,078 |
| INCOME BEFORE CAPITAL GRANTS | 22,438,628 | 14,789,043 |
| GRANTS FOR CAPITAL IMPROVEMENTS | 37,866,362 | 11,917,801 |
| Change in net position | 60,304,990 | 26,706,844 |
| NET POSITION, beginning of year | 476,981,566 | 450,274,722 |
| NET POSITION, end of year | \$ 537,286,556 | \$ 476,981,566 |

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

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 32,627,103 | \$ 8,503,129 |
| Payments to suppliers | (22,957,011) | (28,394,357) |
| Payments to employees | (34,493,872) | (33,319,938) |
| | <hr/> | <hr/> |
| Net cash used in operating activities | (24,823,780) | (53,211,166) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Sales tax received | 65,133,116 | 62,510,534 |
| Street improvement payments | (146,158) | (172,011) |
| Preventive maintenance reimbursement | 12,021,740 | 10,471,478 |
| Para-transit assistance | 1,200,000 | 1,200,000 |
| Contributions from partners | 9,474,184 | 10,518,632 |
| Rental income | 792,416 | 625,422 |
| Operating grant reimbursements | 344,023 | 936,191 |
| Oil and gas revenue | 60,414 | 102,448 |
| Other non-departmental receipts | 1,418,069 | 1,378,149 |
| Other non-departmental payments | - | (1,210,631) |
| Payment of due to state | (121,289) | (86,047) |
| | <hr/> | <hr/> |
| Net cash provided by non-capital financing activities | 90,176,515 | 86,274,165 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Contributions and grants for capital improvements | 30,233,141 | 11,776,190 |
| Acquisition and construction of capital assets | (69,540,046) | (15,878,539) |
| Proceeds from sale of capital improvements and land | 5,223,416 | 19,752 |
| Payments on capital lease liability | (266,037) | (251,658) |
| | <hr/> | <hr/> |
| Net cash used in capital and related financing activities | (34,349,526) | (4,334,255) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received on investments | 796,206 | 499,565 |
| Purchase of investments | (71,747,391) | (55,500,805) |
| Proceeds from sale and maturity of investments | 69,932,631 | 32,221,391 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (1,018,554) | (22,779,849) |
| Net change in cash and cash equivalents | 29,984,655 | 5,948,895 |
| CASH AND CASH EQUIVALENTS, beginning of year | 94,584,876 | 88,635,981 |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 124,569,531</u> | <u>\$ 94,584,876</u> |

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

**FORT WORTH TRANSPORTATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(CONTINUED)**

| | 2015 | 2014 |
|--|------------------------|------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES | | |
| Operating loss | \$ (71,137,901) | \$ (71,796,035) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation expense | 16,696,216 | 16,294,173 |
| Change in operating assets and liabilities | | |
| Operating accounts receivable | (1,159,216) | (50,430) |
| Inventory | 131,206 | (272,068) |
| Prepaid expenses | (334,793) | 1,254,490 |
| Operating notes receivable | 66,936 | 66,935 |
| Accounts payable | 5,964,123 | 915,978 |
| Accrued payroll and payroll related taxes | (370,735) | 61,261 |
| Other accrued liabilities | 230,635 | 328,534 |
| Unearned revenue | 25,089,749 | (14,013) |
| | \$ (24,823,780) | \$ (53,211,175) |
| NONCASH INVESTING ACTIVITY | | |
| Change in fair value of investments | \$ - | \$ (1,583) |
| Record due to state for sales tax overpayment | 1,342,017 | 805,263 |

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fort Worth Transportation Authority (the Authority) is a local transportation authority of the State of Texas providing public transportation to certain cities in Tarrant County, Texas, created pursuant to Chapter 452 of the Texas Transportation Code, and confirmed by a public referendum on November 8, 1983. Texas state law provides that the control and operation of a regional transportation authority and its property shall be vested in a Board of Directors (the Board) comprised of eleven members. Eight Board of Directors members are appointed by the City of Fort Worth (Fort Worth) City Council and three by the Tarrant County Commissioners' Court. The Board's purpose is to oversee public and general transportation services in the Authority's service area. In November 1983, the voters in the Authority's service area approved a one-quarter of one percent sales tax to fund the Authority's operations. In January 1989, the sales tax was increased to one-half of one percent as permitted by State Law.

The Board adopted resolutions on 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, 2015 and 2014, conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board. 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/Chief Executive Officer 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/Chief Executive Officer. 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, 2015 and 2014, 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 is 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 Revenue

Monthly tickets and passes are sold for bus operations. Unearned transit revenue is an estimate of these unused tickets and passes. Unearned revenue also includes grant funds received, but not yet earned.

Statement of Cash Flows

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

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

NOTE 2. OPERATING AND SERVICE AGREEMENTS

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

Effective January 1, 2005, the contract with MTA and MTI was renegotiated to provide only transportation services. MTI employs all operations and maintenance staff necessary to operate the fixed route and para-transit services for the Authority. Under this agreement, the Authority continued to be responsible for MTI costs and also paid MTA \$233,325 and \$227,988 in the years ended September 30, 2015 and 2014, 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, 2015 and 2014 were as follows:

| | 2015 | 2014 |
|------------------------|------------|------------|
| City of Richland Hills | \$ 133,480 | \$ 160,551 |
| City of Blue Mound | 12,678 | 11,460 |
| | \$ 146,158 | \$ 172,011 |

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 \$3,303,994 and \$2,896,432 for services in the years ended September 30, 2015 and 2014, 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, 2015 and 2014, the Authority had the following investments:

| | 2015 | | 2014 | |
|-------------------------|-----------------------------|--------------------------------------|-----------------------------|--------------------------------------|
| | Fair Value | Weighted Avg Years to Maturity | Fair Value | Weighted Avg Years to Maturity |
| Certificates of deposit | <u>\$ 80,315,565</u> | 0.49 | <u>\$ 78,500,805</u> | 0.66 |
| Total investments | 80,315,565 | | 78,500,805 | |
| TexPool-cash equivalent | 1,636,147 | 0.11 | 5,579,121 | 0.13 |
| TexStar-cash equivalent | <u>3,026,174</u> | 0.15 | <u>3,022,567</u> | 0.14 |
| Total portfolio | <u><u>\$ 84,977,886</u></u> | 0.73 | <u><u>\$ 87,102,493</u></u> | 0.87 |

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

NOTE 3. CASH AND INVESTMENTS – CONTINUED

| | 2015 | 2014 |
|---|---------------|---------------|
| Cash and cash equivalents | | |
| Cash deposits | \$ 10,224,201 | \$ 5,434,792 |
| Money market accounts - cash equivalent | 109,683,009 | 80,548,396 |
| TexPool - cash equivalent | 1,636,147 | 5,579,121 |
| TexStar - cash equivalent | 3,026,174 | 3,022,567 |
| Total cash and cash equivalents | \$124,569,531 | \$ 94,584,876 |

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, 2015, the Authority's investments in TexPool and TexStar were rated AAAM by Standard & Poor's. 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, 2015, the Authority held deposits in excess of the FDIC limit of \$10,286,279. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2015.

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 three months' budgeted operating expense. These funds are to be continually invested until required for self-insured claims. At September 30, 2015 and 2014, 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. Funds designated for capital reinvestment are to be used for ongoing capital projects as budgeted by the Authority. Collectively, funds designated for TexRail and capital reinvestment totaled \$113,569,531 and \$83,584,876 at September 30, 2015 and 2014, respectively.

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

NOTE 4. RECEIVABLES

Receivables at September 30, 2015 and 2014 consisted of the following:

| | 2015 | 2014 |
|--|---------------|---------------|
| Ticket, token and miscellaneous receivable | \$ 2,730,694 | \$ 1,571,478 |
| Sales tax | 6,616,680 | 5,772,070 |
| Grants receivable | 24,751,315 | 17,611,658 |
| Accrued interest receivable | 30,124 | 43,919 |
| Total | \$ 34,128,813 | \$ 24,999,125 |

NOTE 5. CAPITAL ASSETS

The following table summarizes the changes in capital assets for the year ended September 30, 2015.

| | Balance Beginning of Year | Increases | Decreases | Reclass- ifications | Balance End of Year |
|--|---------------------------------|---------------|----------------|------------------------|---------------------------|
| Capital assets, not being depreciated | | | | | |
| Land | \$ 45,767,747 | \$ 1,185,208 | \$ (1,245,546) | \$ - | \$ 45,707,409 |
| Construction in progress | 46,432,035 | 68,350,440 | - | (20,028,031) | 94,754,444 |
| Totals, capital assets not being depreciated | 92,199,782 | 69,535,648 | (1,245,546) | (20,028,031) | 140,461,853 |
| Capital assets, being depreciated | | | | | |
| Buildings | 127,042,204 | - | - | - | 127,042,204 |
| Building improvements | 2,152,658 | - | - | - | 2,152,658 |
| Machinery and equipment | 21,216,575 | - | (1,399,825) | 3,014,115 | 22,830,865 |
| Rolling stock | 104,342,800 | - | (5,154,204) | 11,156,902 | 110,345,498 |
| Improvements other than buildings | 137,510,944 | - | - | 5,857,014 | 143,367,958 |
| Totals, capital assets being depreciated | 392,265,181 | - | (6,554,029) | 20,028,031 | 405,739,183 |
| Less accumulated depreciation for | | | | | |
| Buildings | 35,889,539 | 2,560,442 | - | - | 38,449,981 |
| Building improvements | 957,819 | 83,414 | - | - | 1,041,233 |
| Machinery and equipment | 17,068,669 | 1,076,905 | (1,399,825) | - | 16,745,749 |
| Rolling stock | 80,242,685 | 3,976,567 | (4,668,019) | - | 79,551,233 |
| Improvements other than buildings | 57,900,113 | 8,998,890 | - | - | 66,899,003 |
| Total accumulated depreciation | 192,058,825 | 16,696,218 | (6,067,844) | - | 202,687,199 |
| Total capital assets, being depreciated, net | 200,206,356 | (16,696,218) | (486,185) | 20,028,031 | 203,051,984 |
| Capital assets, net | \$ 292,406,138 | \$ 52,839,430 | \$ (1,731,731) | \$ - | \$ 343,513,837 |

**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, 2014.

| | Balance Beginning of Year | Increases | Decreases | Reclass- ifications | Balance End of Year |
|--|---------------------------------|--------------|--------------|------------------------|---------------------------|
| Capital assets, not being depreciated | | | | | |
| Land | \$ 45,723,026 | \$ - | \$ (403,869) | \$ 448,590 | \$ 45,767,747 |
| Construction in progress | 46,959,693 | 15,762,830 | - | (16,290,488) | 46,432,035 |
| Totals, capital assets not being depreciated | 92,682,719 | 15,762,830 | (403,869) | (15,841,898) | 92,199,782 |
| Capital assets, being depreciated | | | | | |
| Buildings | 127,042,204 | - | - | - | 127,042,204 |
| Building improvements | 2,152,658 | - | - | - | 2,152,658 |
| Machinery and equipment | 19,942,685 | - | - | 1,273,890 | 21,216,575 |
| Rolling stock | 98,559,305 | 115,709 | (1,127,924) | 6,795,710 | 104,342,800 |
| Improvements other than buildings | 129,738,646 | - | - | 7,772,298 | 137,510,944 |
| Totals, capital assets being depreciated | 377,435,498 | 115,709 | (1,127,924) | 15,841,898 | 392,265,181 |
| Less accumulated depreciation for | | | | | |
| Buildings | 33,329,098 | 2,560,441 | - | - | 35,889,539 |
| Building improvements | 874,406 | 83,413 | - | - | 957,819 |
| Machinery and equipment | 15,797,482 | 1,271,187 | - | - | 17,068,669 |
| Rolling stock | 77,409,773 | 3,960,836 | (1,127,924) | - | 80,242,685 |
| Improvements other than buildings | 49,481,817 | 8,418,296 | - | - | 57,900,113 |
| Total accumulated depreciation | 176,892,576 | 16,294,173 | (1,127,924) | - | 192,058,825 |
| Total capital assets, being depreciated, net | 200,542,922 | (16,178,464) | - | 15,841,898 | 200,206,356 |
| Capital assets, net | \$ 293,225,641 | \$ (415,634) | \$ (403,869) | \$ - | \$ 292,406,138 |

**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, 2015:

| | Balance Beginning of Year | Increase | Decrease | Balance End of Year | Due Within One Year |
|-------------------------|---------------------------------|---------------------|---------------------|---------------------------|------------------------|
| Capital lease liability | \$ 1,790,136 | \$ - | \$ (266,037) | \$ 1,524,099 | \$ 266,037 |
| Due to state | 3,480,081 | 1,342,017 | (121,289) | 4,700,809 | 459,161 |
| Total | \$ 5,270,217 | \$ 1,342,017 | \$ (387,326) | \$ 6,224,908 | \$ 725,198 |

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2014:

| | Balance Beginning of Year | Increase | Decrease | Balance End of Year | Due Within One Year |
|-------------------------|---------------------------------|-------------------|---------------------|---------------------------|------------------------|
| Capital lease liability | \$ 2,041,794 | \$ - | \$ (251,658) | \$ 1,790,136 | \$ 266,037 |
| Due to state | 2,760,865 | 805,263 | (86,047) | 3,480,081 | 121,289 |
| Total | \$ 4,802,659 | \$ 805,263 | \$ (337,705) | \$ 5,270,217 | \$ 387,326 |

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.

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

NOTE 6. LONG-TERM LIABILITIES – CONTINUED

Capital Lease – Continued

The total amount capitalized for this project is \$2,610,786 with accumulated depreciation of \$1,136,243 and \$611,635 as of September 30, 2015 and 2014, respectively.

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:

| | | | |
|--|--|----|-------------------------|
| 2016 | | \$ | 311,093 |
| 2017 | | | 311,093 |
| 2018 | | | 311,093 |
| 2019 | | | 311,093 |
| 2020 | | | 311,093 |
| 2021 | | | <u>77,775</u> |
| Total minimum payments | | | 1,633,240 |
| Less amount representing interest | | | <u>(109,141)</u> |
| Recorded value of minimum lease payments | | \$ | <u><u>1,524,099</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.

During the year ended September 30, 2014, the Authority was notified by the Comptroller that an additional \$517,000 had been erroneously remitted. This additional amount payable to the State of Texas was added to the existing outstanding balance due to the State of Texas as of July 31, 2014. The Comptroller and the Authority have agreed to repayment terms, which provide for no interest and monthly payments reduced from the regular sales tax monthly remittance from the Comptroller through June 2036.

During the year ended September 30, 2015, the Authority was notified by the Texas Comptroller of Public Accounts (the Comptroller) that the Comptroller had erroneously remitted approximately \$1.3 million in sales tax collections to the Authority. This additional amount payable to the State of Texas was added to the existing outstanding balance due to the State of Texas as of September 30, 2015.

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

NOTE 6. LONG-TERM LIABILITIES – CONTINUED

Due to State – Continued

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 April 2019.

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

Reductions of future sales tax remittances from the Comptroller to the Authority for repayment of the amount due to state at September 30, 2015 were scheduled as follows:

Year ending September 30:

| | |
|------------------------------------|---------------------|
| 2016 | \$ 577,175 |
| 2017 | 610,680 |
| 2018 | 610,680 |
| 2019 | 443,149 |
| 2020 | 208,620 |
| 2021-2025 | 1,043,100 |
| 2026-2030 | 1,043,100 |
| 2031-2035 | 1,043,100 |
| 2036 | <u>156,496</u> |
| Total minimum payments | 5,736,100 |
| Less amount representing interest | <u>(1,035,291)</u> |
| Recorded value of minimum payments | <u>\$ 4,700,809</u> |

The imputed interest totaled \$87,331 and \$112,133 for the years ended September 30, 2015 and 2014, respectively, and is included in interest expense.

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

NOTE 7. RETIREMENT BENEFITS

The Authority has established the McDonald Transit, Inc. 401(k) Retirement Plan (the 401(k) Plan), which is a defined contribution plan under the Internal Revenue Code (the IRC). The 401(k) Plan has a calendar year end and is administered by an advisory committee. The provisions of the 401(k) Plan allow full time, part time and temporary employees of MTI who are age 18 or older and work at least one hour to be participants and to make voluntary contributions of up to 100% of their compensation or the IRC limitations.

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, 2015 and 2014, the employee contributions to the 401(k) Plan were \$1,022,158 (5.15% of covered payroll) and \$875,104 (4.58% of covered payroll), respectively. The Authority's contributions to the 401(k) Plan for those years were \$1,176,077 and \$1,043,421, 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, 2015 and 2014, the employee contributions to the 457(b) Plan were \$396,104 (6.63% of covered payroll) and \$365,130 (6.45% of covered payroll), respectively. The Authority's contributions to the 457(b) Plan for those years were \$348,743 and \$299,378, respectively.

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2015. The Authority has spent \$100,106,192 on these projects and has remaining commitments of \$169,837,883 at September 30, 2015.

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, 2015 and 2014, 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 \$1,085,267 and \$867,809 reported at September 30, 2015 and 2014, respectively, is based on the requirements of Government Accounting Standards Board Statement No. 10 (GASB No. 10), which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on the Authority's experience with similar claims.

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

NOTE 8. COMMITMENTS AND CONTINGENCIES – CONTINUED

Risk Management – Continued

Changes in the reported liability for the years ended September 30, 2015 and 2014 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 2015 | \$ 437,500 | \$ 324,456 | \$ 388,670 | \$ 373,286 |
| Fiscal year 2014 | 300,092 | 401,600 | 264,192 | 437,500 |
| Workers' compensation | | | | |
| Fiscal year 2015 | \$ 430,309 | \$ 547,201 | \$ 265,529 | \$ 711,981 |
| Fiscal year 2014 | 218,724 | 910,208 | 698,623 | 430,309 |

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, 2015 and 2014.

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:

| | |
|------|-------------------------|
| 2016 | <u>\$ 96,245</u> |
| | <u><u>\$ 96,245</u></u> |

Total lease payments approximated \$380,000 and \$362,000 for the years ended September 30, 2015 and 2014, respectively.

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

NOTE 8. COMMITMENTS AND CONTINGENCIES – CONTINUED

State and Federal Grants

The Authority participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivables at September 30, 2015 and 2014 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 \$1,085,267.

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, 2015
WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| | 2015 | | | 2014 | |
|---|----------------------|----------------------|----------------------|--------------------------|----------------------|
| | Original Budget | Final Budget | Actual | Variance Over (Under) | Actual |
| Operating revenues | | | | | |
| Fare revenue | \$ 8,094,210 | \$ 8,094,210 | \$ 7,994,329 | \$ (99,881) | \$ 7,931,428 |
| Advertising | 360,000 | 360,000 | 307,201 | (52,799) | 413,861 |
| Other | 375,000 | 375,000 | 328,104 | (46,896) | 155,348 |
| | <u>8,829,210</u> | <u>8,829,210</u> | <u>8,629,634</u> | <u>(199,576)</u> | <u>8,500,637</u> |
| Operating expenses | | | | | |
| Salaries, wages and fringe benefits | 34,817,621 | 34,817,621 | 34,123,137 | (694,484) | 33,381,199 |
| Professional services | 5,876,186 | 5,876,186 | 5,922,805 | 46,619 | 5,663,988 |
| Purchased transportation | 16,373,701 | 16,373,701 | 14,008,664 | (2,365,037) | 14,855,384 |
| Fuels and lubricants | 3,214,589 | 3,214,589 | 2,334,588 | (880,001) | 2,840,455 |
| Tires and tubes | 398,954 | 398,954 | 421,160 | 22,206 | 351,514 |
| Maintenance materials | 3,188,382 | 3,188,382 | 3,107,822 | (80,560) | 3,507,692 |
| Supplies and materials | 339,785 | 339,785 | 314,301 | (25,484) | 272,490 |
| Utilities | 888,129 | 888,129 | 778,607 | (109,522) | 852,277 |
| Casualty and liability insurance | 1,689,676 | 1,689,676 | 1,220,995 | (468,681) | 1,494,999 |
| Taxes and fees | 110,507 | 110,507 | 71,938 | (38,569) | 103,712 |
| Interest expense | 190,500 | 190,500 | 183,294 | (7,206) | 183,307 |
| Other | 918,396 | 918,396 | 584,008 | (334,388) | 495,482 |
| | <u>68,006,426</u> | <u>68,006,426</u> | <u>63,071,319</u> | <u>(4,935,107)</u> | <u>64,002,499</u> |
| Depreciation | <u>14,544,000</u> | <u>14,544,000</u> | <u>16,696,216</u> | <u>2,152,216</u> | <u>16,294,173</u> |
| | <u>82,550,426</u> | <u>82,550,426</u> | <u>79,767,535</u> | <u>(2,782,891)</u> | <u>80,296,672</u> |
| Operating loss | (73,721,216) | (73,721,216) | (71,137,901) | 2,583,315 | (71,796,035) |
| Non-operating revenues (expenses) | | | | | |
| Sales tax | 64,761,746 | 64,761,746 | 63,791,099 | (970,647) | 61,873,443 |
| Operating assistance grants | 921,426 | 921,426 | 668,939 | (252,487) | 1,223,338 |
| Preventive maintenance reimbursement | 11,203,269 | 11,203,269 | 11,203,260 | (9) | 11,823,968 |
| Para-transit assistance | 1,200,000 | 1,200,000 | 1,200,000 | - | 1,200,000 |
| Contributions from partners | 9,850,962 | 9,850,962 | 10,318,794 | 467,832 | 9,634,133 |
| Rental income | 600,000 | 600,000 | 792,416 | 192,416 | 625,422 |
| Investment income | 200,000 | 200,000 | 782,411 | 582,411 | 490,936 |
| Oil and gas revenue | - | - | 60,414 | 60,414 | 102,448 |
| Gain (loss) on disposal of capital assets | - | - | 3,487,285 | 3,487,285 | 19,752 |
| Street improvements | (146,200) | (146,200) | (146,158) | 42 | (172,011) |
| Other non-operating revenue | - | - | 1,418,069 | 1,418,069 | 1,378,149 |
| Other non-departmental | - | - | - | - | (1,614,500) |
| Total non-operating revenue (expenses) | <u>88,591,203</u> | <u>88,591,203</u> | <u>93,576,529</u> | <u>4,985,326</u> | <u>86,585,078</u> |
| Income before capital grants | 14,869,987 | 14,869,987 | 22,438,628 | 7,568,641 | 14,789,043 |
| Grants for capital improvements | <u>58,999,457</u> | <u>58,999,457</u> | <u>37,866,362</u> | <u>(21,133,095)</u> | <u>11,917,801</u> |
| Change in net position | <u>\$ 73,869,444</u> | <u>\$ 73,869,444</u> | <u>\$ 60,304,990</u> | <u>\$ (13,564,454)</u> | <u>\$ 26,706,844</u> |

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015**

| 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> | | | |
| ARRA | TX-96-X023 | 20.500 | \$ 62,886 |
| Replacement Buses | TX-04-0070 | 20.500 | 2,310,400 |
| 2014 State of Good Repair | TX-54-0004 | 20.500 | 2,488,185 |
| FTA/Formula (and flex funds) | TX-95-0069 | 20.507 | 14,330,605 |
| FTA/Formula (and flex funds) | TX-90-X798 | 20.507 | 18,677 |
| FTA/Formula (and flex funds) | TX-90-X842 | 20.507 | 2,262,978 |
| FTA/Formula (and flex funds) | TX-90-X903 | 20.507 | 3,403,000 |
| FTA/Formula (and flex funds) | TX-90-X939 | 20.507 | 2,240,558 |
| FTA/Formula (and flex funds) | TX-90-X984 | 20.507 | 2,000,917 |
| FTA/Formula (and flex funds) | TX-90-Y032 | 20.507 | 3,216,597 |
| FTA/Formula (and flex funds) | TX-90-Y036 | 20.507 | 80,000 |
| FTA/Formula (and flex funds) | Unassigned | 20.507 | 11,203,260 |
| FTACMAQ and STP-MM | TX-95-0019 | 20.507 | 115,439 |
| FTACMAQ and STP-MM | TX-95-0024 | 20.507 | 1,871 |
| FTACMAQ and STP-MM | TX-95-0060 | 20.507 | 129,118 |
| FTACMAQ and STP-MM | TX-95-0068 | 20.507 | 275,178 |
| Total Federal Transit Cluster | | | 44,139,669 |
| <i>Passed through Texas Department of Transportation</i> | | | |
| Elderly and Persons w/Disabilities (Sec 5310) ** | TX-16-X014 | 20.513 | 107,768 |
| Total passed through Texas Department of Transportation | | | 107,768 |
| <i>Passed through North Central Texas Council of Governments</i> | | | |
| FW Bikeshare* | Unassigned | 20.205 | 147,036 |
| Texas Mobility Funds* | Unassigned | 20.205 | 3,767,385 |
| FTA/Formula (and flex funds)* | TX-95-0069 | 20.205 | 1,600,000 |
| JARC Vanpool ** | TX-37-X-4070 | 20.516 | 27,297 |
| JARC Reverse Commute ** | TX-37-X-4086 | 20.516 | 87,525 |
| New Freedom Funds-Bus Stop Access ** | TX-57-X-0011 | 20.521 | 40,266 |
| New Freedom Funds ** | TX-57-X-0045 | 20.521 | 42,570 |
| Northeast Tarrant County Jobs Access ** | TX-37-X-041 | 20.516 | 581,840 |
| Total passed through North Central Texas Council of Governments | | | 6,293,919 |
| Total expenditures of federal awards | | | \$ 50,541,356 |

* Highway Planning and Construction Cluster

** Transit Services Programs Cluster

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

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Fort Worth Transportation Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Specifically, when the Authority is awarded funds which include certain “pre-award” costs reimbursing the Authority for amounts expended prior to the approval of the award, the schedule of expenditures of federal awards will include expenses that were recorded on the statement of revenue, expenses and changes in net 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, 2015.

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2016.

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.

Our consideration of internal control was for the limited purpose described in the previous paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, identified as 2015-001 and 2015-002, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors of the
Fort Worth Transportation Authority

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*.

Management's Response to Findings

The Authority's responses, prepared by management, to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
March 25, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of the
Fort Worth Transportation Authority

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 U.S Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. 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, 2015.

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 weaknesses 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
March 25, 2016

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015**

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 No
 - Significant deficiency(s) identified that are not considered a material weakness Yes None reported
- c. Noncompliance material to financial statements noted Yes No

Federal Awards

- d. Internal control over major programs
- Material weakness(es) identified? Yes No
 - Significant deficiency(s) identified that are not considered a material weakness Yes 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 No
- g. Identification of major programs:
- | | |
|-------------------|---|
| 20.500 and 20.507 | Federal Transit Cluster |
| 20.205 | Highway Planning and Construction Cluster |
- h. The dollar threshold used to distinguish between Type A and Type B programs \$ 1,516,241
- i. Auditee qualified as a low-risk auditee. Yes No

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND
QUESTIONED COSTS – FEDERAL AWARDS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2015**

Section II. Financial Statement Findings

Finding 2015-001

Criteria: Internal controls over financial reporting should include design and implementation of controls sufficient that management or employees, in the normal course of performing their assigned functions, are able to prevent, or detect and correct misstatements on a timely basis.

Condition and Context: At September 30, 2015, controls in place related to the reconciliation and review of various balance sheet accounts failed to prevent or detect overstatement of cash balances of approximately \$958,000 and understatement of accounts receivable balances of approximately \$5,573,000.

Cause: The above referenced overstatement of cash was a result of items which had already cleared the bank statement as of September 30, 2015 remaining on the bank reconciliation as reconciling items. The understatement of accounts receivable was a result of management's failure to reconcile federal expenditures recognized to the related revenues.

Effect or Potential Effect: The adjustment for the overstatement of cash resulted in an entry decreasing the Authority's cash balance and accounts payable. The adjustment to accounts receivable resulted in the recognition of approximately \$5,573,000 of additional federal revenue in the year ended September 30, 2015.

Recommendation: We recommend all reconciling items on the bank reconciliation be segregated into three categories; deposits in transit, outstanding checks (or ACH), and other. All items in the other category should be closely examined during the monthly review of the bank reconciliation, and cleared in a timely manner. These other items can quickly accumulate in an organization with a high volume of bank transactions. We recommend that management implement a policy to regularly (perhaps quarterly) reconcile federal revenues, expenditures, and the related balance sheet accounts, to ensure that all revenue and expense is appropriately accrued into the appropriate period.

Responsible Official's Response: Management did review the bank reconciliation as of September 31, 2015 in a timely manner; however, this review did not identify the improper reconciling items. Going forward, management will perform more detailed reviews, and investigate unusual reconciling items. Management was aware that grant receivables and revenues were not recorded, and intended to recognize these items once cash disbursements were made to relieve the liabilities incurred related to these expenditures. Management now understands that the revenues should be recognized consistently with the related expenditures for reimbursement grants.

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND
QUESTIONED COSTS – FEDERAL AWARDS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2015**

Section II. Financial Statement Findings (continued)

Finding 2015-002

Criteria: Internal controls over financial reporting should include design and implementation of controls sufficient that management or employees, in the normal course of performing their assigned functions, are able to prevent, or detect and correct misstatements on a timely basis.

Condition and Context: At September 30, 2015, controls in place related to the recognition of costs incurred but not yet billed for a significant project failed to appropriately identify additional costs that needed to be accrued of approximately \$3,289,000. Though management did make an attempt to estimate an accrual, this estimation did not sufficiently consider all activity through the balance sheet date.

Cause: Project managers did not provide appropriate information to the accounting department to facilitate recording accruals for work performed for the months of August and September 2015.

Effect or Potential Effect: Because the accounting department did not have all the appropriate information, construction in process and accounts payable were understated by approximately \$3,289,000.

Recommendation: We recommend that management implement a process to insure that the accounting department is aware of all significant open projects, and takes steps in advance to either obtain invoices from all major vendors and service providers, or obtain enough information to materially estimate liabilities for work done prior to the balance sheet date.

Responsible Official's Response: The accounting department did make an attempt to estimate liabilities for work performed prior to the balance sheet date, however, not enough information was provided by project managers to allow for a materially correct estimate. Going forward, specific efforts will be made to gather invoices related to each significant project in a timely manner, so that accruals for work performed prior to the balance sheet date can be recognized.

**FORT WORTH TRANSPORTATION AUTHORITY
SCHEDULE OF AUDIT FINDINGS AND
QUESTIONED COSTS – FEDERAL AWARDS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2015**

Section III. Findings and Questioned Costs for Federal Awards

None

**FORT WORTH TRANSPORTATION AUTHORITY
CORRECTIVE ACTION PLAN – FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015**

Corrective Action

No federal award 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, 2015**

Prior Year Audit Findings

None