

**FORT WORTH TRANSPORTATION AUTHORITY**

**FINANCIAL REPORT**

**SEPTEMBER 30, 2010**

# CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets.....	8
Statements of Revenues, Expenses and Changes in Net Assets.....	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	12
SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenses - Budget and Actual.....	25
Schedule of Expenditures of Federal Awards.....	26
Notes to Schedule of Expenditures of Federal Awards.....	28
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 <i>Government Auditing Standards</i> .....	29
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	31
Schedule of Audit Findings and Questioned Costs.....	33
Summary Schedule of Prior Year Audit Findings.....	35



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Fort Worth Transportation Authority

We have audited the accompanying statements of net assets of the Fort Worth Transportation Authority (the Authority) as of September 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the schedule of revenues and expenses - budget and actual for the year ended September 30, 2010, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Directors of the  
Fort Worth Transportation Authority

Page 2

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

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
March 11, 2011

# Fort Worth Transportation Authority

Management's Discussion and Analysis  
For the Year Ended September 30, 2010  
(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, 2010. The information presented herein should be read in conjunction with the accompanying financial statements and notes thereto.

## Financial Highlights

At September 30, 2010, the Authority's assets exceeded its liabilities by approximately \$383,717,000. Of this amount, approximately \$101,836,000 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. The unrestricted net assets balance was approximately 176.0% of the fiscal 2010 operating expenses before depreciation.

## Overview of the Financial Statements

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

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

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

## Financial Analysis of the Authority's Net Assets

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

The Authority's total liabilities of approximately \$12,328,000 at September 30, 2010 represent an increase of approximately \$1,500,000, or 13.9% from September 30, 2009. Total current and non-current portions of long-term liabilities were approximately \$2,541,000 at September 30, 2010, increasing from \$0 at September 30, 2009. Total current liabilities decreased

# Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2010

(unaudited)

approximately \$927,000. This decrease is primarily due to a decrease in general accounts payable at the end of the fiscal year.

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

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

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

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

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

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

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

# Fort Worth Transportation Authority

Management's Discussion and Analysis  
For the Year Ended September 30, 2010  
(unaudited)

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

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

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

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

Fiscal 2010 oil and gas revenue was approximately \$477,000, a decrease of \$965,000 or 66.9% due to the expiration of federal tax credits that encouraged the use of alternative fuels. This tax credit expired on December 31, 2009.

## Capital Assets

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

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

# Fort Worth Transportation Authority

Management's Discussion and Analysis

For the Year Ended September 30, 2010

(unaudited)

These improvements were offset by approximately \$15,710,000 in depreciation expense. The following is a summary of the Authority's capital assets.

## Capital Assets, net of Accumulated Depreciation as of September 30, 2010 and 2009

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

## Debt Administration

During the year ending September 30, 2010, the Authority entered into a capital lease arrangement with All American Investments, LLC for the installation of energy efficient improvements at some of the Authority's locations. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. Under the terms of the lease, an escrow account was established in the Authority's name to fund the capital improvements. The lease calls for the Authority to make quarterly payments to All American Investments, LLC starting in March 2011 and ending December 1, 2021. As of September 30, 2010, the capital improvements were in process and funds were in escrow restricted for the project. Since the project was still in process on September 30, 2010, no amortization has been recognized. When completed, the asset will be amortized over the lower of its lease term or its estimated useful life.

The capital lease amount at September 30, 2010 is approximately \$2,541,000. The interest rate on this capital lease is 4.24% per annum.

## Economic Factors and Next Year's Budget

The operating budget for fiscal 2011 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 declined in fiscal 2010, decreasing approximately \$2.3 million or 4.9% over fiscal 2009 receipts. Sales tax receipts for fiscal 2011 are budgeted at \$45.5 million, an increase of approximately \$318,000 or 0.7% as compared to fiscal 2010 actual receipts of \$45.2 million.



# Fort Worth Transportation Authority

Management's Discussion and Analysis  
For the Year Ended September 30, 2010  
(unaudited)

Budgeted sales tax receipts are based on a number of local economic and demographic trends, including the unemployment and population growth. The overall employment picture in Authority's service area has improved slightly over the past twelve months. Unemployment has improved slightly over the past twelve months, decreasing 1.3% from 9.6% in August 2009 to 8.3% in August 2010. The local unemployment rate remains below the national unemployment rate of 9.6%. Fort Worth, which is the Authority's largest member city, continues to experience population growth. Fort Worth is expected to reach a total population of approximately 736,200 by the end of 2010.

The adopted fiscal 2011 operating budget meets key financial standards established by the Authority's Board of Directors in 2002 to ensure a sound financial future. The fiscal 2011 budgeted operating expenses before depreciation increased approximately \$2.5 million or 4.4% over actual fiscal 2010 total expenses before depreciation. This budgeted increase in operating costs is primarily due to the following:

- A budgeted increase in salaries, wages and fringe benefits of \$1.4 million or 4.5%, as compared to fiscal 2010 actual results. This increase is primarily due to wage increases as a result of negotiations with the Teamsters Union and higher health care premiums which will be shared between the Authority and employees;
- A budgeted increase in purchased transportation expenses of approximately \$753,000 or 5.7% as compared to fiscal 2010 actual results. This increased is due to an increase in the number of budgeted para-transit trips performed by contractors during the year; and
- A budgeted increase in professional services and utilities of approximately \$441,000 or 8.5% as compared to fiscal 2010 actual results. This change is primarily due to an increase in the maintenance contracts and legal services for fiscal 2011.

The Authority enters fiscal 2011 recognizing the importance of efficient public transportation services that meet the needs of our customers and the community. Our number one goal continues focus on increasing system wide ridership. Realizing that demand for public transportation services is highly dependent on the retail price of fuel, the Authority has made a conscious decision to change its focus from increasing ridership to improving ridership productivity. Ridership productivity is defined by passengers per service hour and passengers per service mile. This reflects our vision to provide excellent public transportation services throughout our service area that will contribute to our region's goals for mobility, clean air and economic prosperity.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents reserved for operations and insurance claims	\$ 7,000,000	\$ 7,000,000
Cash reserved for SW to NE rail project	28,324,111	29,243,107
Cash reserved for capital reinvestment	9,058,477	17,101,594
<b>Total cash and cash equivalents</b>	44,382,588	53,344,701
Investments	39,242,591	34,042,415
Receivables, net	25,025,424	15,851,403
Inventory	2,240,281	2,515,926
Prepaid expenses	345,200	439,458
<b>Total current assets</b>	111,236,084	106,193,903
<b>CAPITAL ASSETS</b>		
Land and construction in progress	62,421,882	60,620,463
Other capital assets, net of accumulated depreciation	220,811,682	214,968,952
	283,233,564	275,589,415
<b>RESTRICTED CASH</b>	1,575,543	-
<b>Total assets</b>	396,045,191	381,783,318
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	6,348,814	7,610,496
Accrued payroll and payroll related taxes	1,877,308	2,126,063
Other accrued liabilities	1,217,502	807,843
Current portion of capital lease liability	114,432	-
Deferred transit revenue	343,230	283,534
<b>Total current liabilities</b>	9,901,286	10,827,936
<b>CAPITAL LEASE LIABILITY, LONG-TERM PORTION</b>	2,426,911	-
<b>Total liabilities</b>	12,328,197	10,827,936
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	281,881,289	275,589,415
Unrestricted	101,835,705	95,365,967
<b>TOTAL NET ASSETS</b>	<b>\$ 383,716,994</b>	<b>\$ 370,955,382</b>

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

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>OPERATING REVENUES</b>		
Fare revenue	\$ 6,271,883	\$ 5,983,880
Advertising	243,021	160,753
Other	79,132	206,789
	6,594,036	6,351,422
<b>OPERATING EXPENSES</b>		
Salaries, wages and fringe benefits	30,313,755	29,358,598
Materials and supplies	7,782,313	8,083,491
Professional services and utilities	5,218,156	5,835,268
Casualty and liability insurance	380,518	373,685
Purchased transportation	13,275,609	12,837,637
Interest expense	48,169	-
Other	724,805	992,434
	57,743,325	57,481,113
Depreciation	15,709,513	15,245,026
	73,452,838	72,726,139
<b>Operating loss</b>	(66,858,802)	(66,374,717)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales tax	45,181,788	47,525,746
Operating assistance grants	1,752,259	1,552,787
Preventive maintenance reimbursement	14,770,560	18,042,714
Para-transit assistance	1,200,000	1,200,000
Contributions from partners	7,803,578	8,156,491
Rental income	1,016,168	1,012,230
Investment income	705,284	1,045,360
Oil and gas revenue	477,370	1,441,913
Gain on disposal of capital assets	105,262	20,029
Gain on insurance proceeds	-	1,734,203
Street improvements	(128,508)	(121,050)
Other non-departmental	(2,500,000)	-
	70,383,761	81,610,423
<b>Total non-operating revenue (expenses)</b>	70,383,761	81,610,423
<b>INCOME BEFORE CAPITAL GRANTS</b>	3,524,959	15,235,706
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	9,236,653	7,919,776
	12,761,612	23,155,482
<b>Change in net assets</b>	12,761,612	23,155,482
<b>NET ASSETS, beginning of year</b>	370,955,382	347,799,900
<b>NET ASSETS, end of year</b>	\$ 383,716,994	\$ 370,955,382

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

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 6,777,613	\$ 6,396,569
Payments to suppliers	(27,911,690)	(33,483,175)
Payments to employees	(30,562,510)	(29,296,574)
	<b>(51,696,587)</b>	<b>(56,383,180)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales tax received	45,060,402	48,552,814
Street improvement payments	(128,508)	(121,050)
Preventive maintenance reimbursement	5,619,343	11,292,272
Para-transit assistance	1,200,000	1,200,000
Contributions from partners	8,355,832	8,434,236
Rental income	1,016,168	1,012,230
Operating grant reimbursements	594,302	994,430
Oil and gas revenue	477,370	1,441,913
Other non-departmental	(2,500,000)	-
	<b>59,694,909</b>	<b>72,806,845</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions and grants for capital improvements	9,715,611	11,446,991
Acquisition and construction of capital assets	(23,510,070)	(18,779,883)
Proceeds from sale of capital improvements and land	261,670	274,055
Insurance proceeds	-	1,193,326
Proceeds from issuance of debt	2,541,343	-
	<b>(10,991,446)</b>	<b>(5,865,511)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	764,805	1,206,363
Purchase of investments	(72,014,705)	(36,013,270)
Proceeds from sale of investments	66,856,454	27,000,000
	<b>(4,393,446)</b>	<b>(7,806,907)</b>
<b>Net change in cash and cash equivalents</b>	<b>(7,386,570)</b>	<b>2,751,247</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>53,344,701</b>	<b>50,593,454</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 45,958,131</b>	<b>\$ 53,344,701</b>

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

**FORT WORTH TRANSPORTATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009  
(CONTINUED)**

	2010	2009
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (66,858,802)	\$ (66,374,717)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	15,709,513	15,245,026
Change in operating assets and liabilities		
Operating accounts receivable	123,881	153,253
Inventory	275,645	25,372
Prepaid expenses	94,258	143,940
Operating accounts payable	(1,261,682)	(5,714,387)
Accrued payroll and payroll related taxes	(248,755)	62,024
Other accrued liabilities	409,659	184,415
Deferred revenue	59,696	(108,106)
	<u>\$ (51,696,587)</u>	<u>\$ (56,383,180)</u>
<b>NONCASH INVESTING ACTIVITY</b>		
Change in fair value of investments	<u>\$ 41,925</u>	<u>\$ (3,075)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS</b>		
Cash and cash equivalents	\$ 44,382,588	\$ 53,344,701
Restricted cash	1,575,543	-
	<u>\$ 45,958,131</u>	<u>\$ 53,344,701</u>

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

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

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

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

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

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

The accounting policies of the Authority, as reflected in the accompanying financial statements as of and for the years ended September 30, 2010 and 2009, conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board and include applicable standards of the Financial Accounting Standards Board. Management uses estimates and assumptions in preparing financial statements in conformity with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used. A summary of the Authority's significant accounting policies applied in the preparation of the accompanying financial statements follows.

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

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

**Reporting Entity**

The financial statements of the Authority include all activities of the primary government, organizations and functions as required by accounting principles generally accepted in the United States of America. The Authority does not have any component units and does not meet the requirements to be included as a component unit in other governmental entities.

**Basis of Accounting**

The activities of the Authority are similar to those of enterprise funds of local jurisdictions and, therefore, are reported as an enterprise fund. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Budgetary Data**

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

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

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

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



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

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

**Financial Reporting**

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

**Investments**

The cash and investment policies of the Authority are governed by state statute. Statutes authorize the Authority to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act. During the years ended September 30, 2010 and 2009, the Authority did not own any type of securities other than those permitted by statute. Major provisions of the Authority's cash and investment policies include: depositories must be FDIC insured by Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits and repurchase agreements; repurchase agreements are made only through the designated central depository or primary dealers; securities collateralizing repurchase agreements and time deposits are held by independent third party trustees. Investments are stated at fair value.

**Inventory**

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

**Capital Assets**

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

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

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

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

**Capital Assets – Continued**

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

**Operating 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.

**Grants and Contributions**

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

**Deferred Transit Revenue**

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

**Statement of Cash Flows**

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

**Reclassifications**

Reclassifications have been made to the 2009 financial statements to conform to the presentation of the 2010 financial statements. The reclassifications had no effect on previously reported change in net assets.

**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 \$196,372 in 2010 and 2009 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 street modifications and improvements on bus routes. Street improvement payments for the years ended September 30, 2010 and 2009 were as follows:

	2010	2009
City of Richland Hills	\$ 120,660	\$ 113,320
City of Blue Mound	7,848	7,730
	\$ 128,508	\$ 121,050

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

The Authority has also entered into service agreements with several contractors to provide demand responsive para-transit service to qualified customers. These organizations were paid \$2,590,829 and \$2,371,111 for services in the years ended September 30, 2010 and 2009, 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 fair value of the position in TexPool and TexStar is the same as the value of the pool shares.

The Authority is a voluntary participant in two external investment pools, TexPool and TexStar. The pools are 2a7-like pools, which are not registered with the Securities and Exchange Commission (SEC) as an investment company, but have a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of pool uses amortized investment costs rather than market values to compute participant share values. Furthermore, the pools in which the Authority is currently participating seek to maintain a stable \$1 net asset value per share or unit. Accordingly, the fair value 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, 2010 and 2009, the Authority had the following investments:

	2010		2009	
	Fair Value	Weighted Avg Years to Maturity	Fair Value	Weighted Avg Years to Maturity
Federal National Mortgage Association	\$ 14,030,640	0.30	\$ 2,006,260	0.06
Federal Home Loan Bank Bond	10,035,680	0.47	14,020,135	0.50
Certificates of deposit	15,176,271	0.04	18,016,020	0.06
Total investments	39,242,591	0.81	34,042,415	0.62
TexPool-cash equivalent	38,672,772	0.09	47,391,763	0.12
TexStar-cash equivalent	3,011,131	0.13	3,005,545	0.14
Total portfolio	<u>\$ 80,926,494</u>	<u>1.03</u>	<u>\$ 84,439,723</u>	<u>0.88</u>

All bonds are callable.

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

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

Cash and cash equivalents	2010	2009
Cash in bank	\$ 4,274,228	\$ 2,947,393
TexPool - cash equivalent	38,672,772	47,391,763
TexStar - cash equivalent	3,011,131	3,005,545
Total cash and cash equivalents	\$ 45,958,131	\$ 53,344,701

**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, 2010, the Authority's investments in TexPool and TexStar were rated AAAM by Standard & Poor's and the government agency securities' rating ranged from unrated to AAA. 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, 2010, the Authority held deposits in excess of the FDIC limit of \$2,915,938. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2010.

**Restricted and Reserved Cash**

The Board of Directors designated the use of certain assets to fund the self-insurance program (see Note 8). These funds are to be continually invested until required for self-insured claims. At September 30, 2010 and 2009, the designated assets of cash and investments consisted of \$1,000,000 for the self-insurance program.

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

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

**NOTE 4. RECEIVABLES**

Receivables at September 30, 2010 and 2009 consisted of the following:

	2010	2009
Operating		
Ticket, token and miscellaneous receivable	\$ 753,833	\$ 877,714
DART receivable	59,607	611,861
Sales tax	4,215,567	4,094,181
Grants receivable from federal government	19,921,667	10,091,451
Accrued interest receivable	74,750	176,196
Total	\$ 25,025,424	\$ 15,851,403

**NOTE 5. CAPITAL ASSETS**

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

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

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

**NOTE 6. CAPITAL LEASES**

During the year ended September 30, 2010, the Authority entered into a capital lease arrangement with All American Investment, LLC for the installation of energy efficient improvements at some of the Authority's locations. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. Under the terms of the lease, an escrow account was established in the Authority's name to fund the capital improvements. As work is completed funds are transferred from the escrow account to pay the contractor. The lease calls for the Authority to make quarterly payments to All American Investment, LLC starting in March 2011 and ending December 31, 2021. The debt is secured by the escrow account and all assets purchased there under. Since the capital improvements are in progress, the capital lease is made up of construction in progress and funds in escrow restricted for the project. No amortization has been recognized. When completed, the assets will be amortized over the lower of their lease terms or their estimated useful lives. The interest rate on the capital lease is 4.24% per annum. Assets held under capital lease included in construction in progress at September 30, 2010, was \$1,352,275.

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

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

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

<u>Year Ending September 30:</u>	
2011	\$ 263,006
2012	303,027
2013	293,155
2014	301,349
2015	309,790
2016-2020	1,671,910
2021	<u>85,342</u>
Total minimum payments	3,227,579
Less: amount representing interest	<u>(686,236)</u>
Present value of minimum lease payments	<u><u>\$ 2,541,343</u></u>

**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 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, 2010 and 2009, the employee contributions to the 401(k) Plan were \$708,686 (4.07% of covered payroll) and \$682,018 (3.89% of covered payroll), respectively. The Authority's contributions to the 401(k) Plan for those years were \$870,086 and \$867,409, 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, 2010 and 2009, the employee contributions to the 457(b) Plan were \$262,772 (5.40% of covered payroll) and \$276,267 (5.72% of covered payroll), respectively. The Authority's contribution to the 457(b) Plan was \$256,132 and \$256,304, 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, 2010. The Authority has spent \$8,084,451 on these projects, and has remaining commitments of \$12,968,738.

**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, 2010 and 2009, the Risk Pool was self-sustaining based on premiums charged, so that total contributions plus compounded earnings on these contributions will be sufficient to satisfy claims and liabilities and other expenses. Premiums are assessed based on the rates set by the Texas State Board of Insurance and may be adjusted, on an annual basis, by the Risk Pool's Board of Trustees for each participating political subdivision's experience.

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

The Authority is fully self-insured for vehicle and general liability damage claims and for the first \$750,000 of any worker's compensation claims and carries excess worker's compensation insurance for claims that exceed \$750,000 per claim up to the statutory limit. Estimated losses on claims, including incurred but not reported claims, are charged to expense in the period the loss is determinable.

The claims liability for vehicle, general liability and worker's compensation of \$1,165,082 and \$771,021 reported at September 30, 2010 and 2009 respectively, is based on the requirements of Government Accounting Standards Board Statement No. 10 (GASB No. 10), which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on experience.

**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, 2010 and 2009 are as follows:

	Beginning of Year <u>Liability</u>	Incurred Claims <u>          </u>	Claim Payments <u>          </u>	End of Year <u>Liability</u>
Vehicle and General Liability				
Fiscal Year 2010	\$ 533,398	\$ 447,112	\$ 382,528	\$ 597,982
Fiscal Year 2009	298,258	426,719	191,579	533,398
Workers' Compensation				
Fiscal Year 2010	\$ 237,623	\$ 564,188	\$ 234,711	\$ 567,100
Fiscal Year 2009	290,285	376,865	429,527	237,623

There were no significant reductions in insurance coverage in prior years 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, 2010 and 2009, respectively.

**Lease Commitments**

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

2011	\$ 104,876
2012	13,282
2013	<u>1,368</u>
	<u>\$ 119,526</u>

Total rent under the leases approximated \$347,000 and \$327,000 for the years ended September 30, 2010 and 2009, 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, 2010 and 2009 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 \$567,100.

**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, 2010  
WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	2010			2009
	Original and Final Budget	Actual	Variance	Actual
Operating revenues				
Fare revenue	\$ 6,211,887	\$ 6,271,883	\$ 59,996	\$ 5,983,880
Advertising	350,000	243,021	(106,979)	160,753
Other	114,000	79,132	(34,868)	206,789
	<u>6,675,887</u>	<u>6,594,036</u>	<u>(81,851)</u>	<u>6,351,422</u>
Operating expenses				
Salaries, wages and fringe benefits	31,775,854	30,313,755	(1,462,099)	29,358,598
Materials and supplies	8,824,047	7,782,313	(1,041,734)	8,083,491
Professional services and utilities	6,000,267	5,218,156	(782,111)	5,835,268
Casualty and liability insurance	385,986	380,518	(5,468)	373,685
Purchased transportation	15,153,120	13,275,609	(1,877,511)	12,837,637
Interest expense	-	48,169	48,169	-
Other	957,544	724,805	(232,739)	992,434
	<u>63,096,818</u>	<u>57,743,325</u>	<u>(5,353,493)</u>	<u>57,481,113</u>
Depreciation	16,882,000	15,709,513	(1,172,487)	15,245,026
	<u>79,978,818</u>	<u>73,452,838</u>	<u>(6,525,980)</u>	<u>72,726,139</u>
Operating loss	(73,302,931)	(66,858,802)	6,444,129	(66,374,717)
Non-operating revenues (expenses)				
Sales tax	47,660,308	45,181,788	(2,478,520)	47,525,746
Operating assistance grants	1,656,269	1,752,259	95,990	1,552,787
Preventive maintenance reimbursement	12,938,833	14,770,560	1,831,727	18,042,714
Para-transit assistance	1,200,000	1,200,000	-	1,200,000
Contributions from partners	7,971,019	7,803,578	(167,441)	8,156,491
Rental income	826,000	1,016,168	190,168	1,012,230
Investment income	850,000	705,284	(144,716)	1,045,360
Oil and gas revenue	470,000	477,370	7,370	1,441,913
Gain on disposal of capital assets	-	105,262	105,262	20,029
Gain on insurance proceeds	-	-	-	1,734,203
Street improvements	(128,508)	(128,508)	-	(121,050)
Other non-departmental	-	(2,500,000)	(2,500,000)	-
	<u>73,443,921</u>	<u>70,383,761</u>	<u>(3,060,160)</u>	<u>81,610,423</u>
Income before capital grants	140,990	3,524,959	3,383,969	15,235,706
Grants for capital improvements	12,624,000	9,236,653	(3,387,347)	7,919,776
Change in net assets	<u>\$ 12,764,990</u>	<u>\$ 12,761,612</u>	<u>\$ (3,378)</u>	<u>\$ 23,155,482</u>

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
<b>U. S. Department of Transportation</b>			
<i>Federal Transit Cluster</i>			
FTA/Shelter Design and Consturction	TX-030-270	20.500	\$ 272,137
FTA/Earmark FY04 Vehicle Replacements	TX-030-277	20.500	9,364
FTA/Earmark FY07 Vehicle Replacements	TX-04-0004	20.500	127,528
ARRA	TX-96-X023	20.500	365,564
Fixed Guideway Modernization	TX-05-0139	20.500	216,000
Fixed Guideway Modernization	TX-05-0141	20.500	<u>1,005,562</u>
			1,996,155
FTA/Formula (and flex funds) Captial	TX-90-0534	20.507	127,180
FTA/Formula (and flex funds)	TX-90-0674	20.507	60,642
FTA/Formula (and flex funds)	TX-90-0725	20.507	97,840
FTA/Formula (and flex funds)	TX-90-0735	20.507	141,469
FTA/Formula (and flex funds)	TX-90-0765	20.507	1,677,325
FTA/Formula (and flex funds)	TX-95-X007	20.507	522,598
FTA/Formula (and flex funds)	TX-90-X798	20.507	82,784
FTA/Formula (and flex funds)	TX-90-X842	20.507	6,188,294
FTA/Formula (and flex funds)	TX-90-X903	20.507	12,457,911
FTA/CMAQ and STP-MM	TX-95-0019	20.507	823,355
FTA/Jobs Access	TX-37-X062	20.507	288,919
FTA/CMAQ	TX-90-2860	20.507	<u>500,000</u>
Total Federal Transit Cluster			22,968,317
Highway Planning and Construction	TX-95-X013	20.205	<u>460,379</u>
Total U.S. Department of Transportation direct programs			25,424,851

See notes to schedule

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2010  
(CONTINUED)**

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
<i>Passed through Texas Department of Transportation</i>			
Elderly and Persons w/Disabilities (Sec 5310)	TX-16-0038/51802F7168	20.513	61,879
Elderly and Persons w/Disabilities (Sec 5310)	TX-16-0038/51902F7208	20.513	<u>52,118</u>
Total passed through Texas Department of Transportation			113,997
<i>Passed through North Central Texas Council of Governments</i>			
RTDM Funding		20.205	184,566
JARC Vanpool	TX-37-X-070	20.516	37,613
New Freedom Funds-Bus Stop Access	TX-57-X-011	20.521	41,446
New Freedom Funds	TX-57-X019	20.521	27,064
Northeast Tarrant County Jobs Access	TX-37-X-041	20.516	<u>215,259</u>
Total passed through North Central Texas Council of Governments			<u>505,948</u>
			<u><u>\$ 26,044,796</u></u>

See notes to schedule

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

**NOTE 1. BASIS OF PRESENTATION**

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

**NOTE 2. SUBRECIPIENTS**

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

**NOTE 3. NON-CASH ASSISTANCE**

The Fort Worth Transportation Authority did not receive any non-cash assistance from federal awards for the year ended September 30, 2010.

**NOTE 4. 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  
Fort Worth Transportation Authority  
Fort Worth, Texas

We have audited the financial statements of Fort Worth Transportation Authority (the Authority) as of and for the year ended September 30, 2010, and have issued our report thereon dated March 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

To the Board of Directors  
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*.

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

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
March 11, 2011



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

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

### **Compliance**

We have audited the compliance of Fort Worth Transportation Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

### **Internal Control Over Compliance**

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

To the Board of Directors  
Fort Worth Transportation Authority

Page 2

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

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

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

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

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
March 11, 2011

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2010**

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

Financial Statements

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

Major Programs

- d. Internal control over major programs
- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  - Significant deficiency(s) identified that are not considered a material weakness \_\_\_\_\_ Yes   X   None reported
- e. An unqualified opinion was issued on compliance for major programs
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133 \_\_\_\_\_ Yes   X   No
- g. Identification of major programs:
- |                   |                         |
|-------------------|-------------------------|
| 20.500 and 20.507 | Federal Transit Cluster |
|-------------------|-------------------------|
- h. The dollar threshold used to distinguish between Type A and Type B programs \$ 781,344
- i. Auditee qualified as a low-risk auditee.   X   Yes \_\_\_\_\_ No

**FORT WORTH TRANSPORTATION AUTHORITY  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS – CONTINUED  
YEAR ENDED SEPTEMBER 30, 2010**

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

None

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

None

**FORT WORTH TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2010**

**Audit Findings:** None

**Corrective Action:** N/A