Fort Worth Transportation Authority

Financial Report
September 30, 2018

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CONTENTS

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 statement of net position of the Fort Worth Transportation Authority (the Authority) as of September 30, 2018, and the related statement of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Authority 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 audit. 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. 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 Authority'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 Authority'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.

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, 2018, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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The Board of Directors of the
Fort Worth Transportation Authority

Emphasis of Matter

The financial statements of the Fort Worth Transportation Authority for the year ended September 30, 2017, before the restatement described in Note 10, were audited by another auditor who expressed an unmodified opinion on those statements on September 11, 2018.

As part of our audit of the 2018 financial statements, we also audited the adjustments described in Note 10 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2017 financial statements of the Authority other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues and Expenses – Budget and Actual, the Schedule of Expenditures of Federal Awards as required by as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Expenditures of State Awards, as required by the Texas Governor's Office of Budget and Planning Uniform Grant Management Standards, which includes the State of Texas Single Audit Circular (UGMS) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of State Awards and Schedule of Revenues and Expenses – Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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, the Schedule of Expenditures of State Awards, and Schedule of Revenues and Expenses – Budget and Actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board of Directors of the
Fort Worth Transportation Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the Fort Worth Transportation 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
December 16, 2019

Management's Discussion and Analysis

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, 2018. 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, 2018, the Authority's assets exceeded its liabilities by approximately $949,806,398. Of this amount, approximately $335,339,927 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. Unrestricted net position was approximately 463% of the fiscal 2018 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 $1,389,191,847 at September 30, 2018 represented an increase of approximately $253,121,876 or 22% from September 30, 2017. Capital assets, which includes land and construction in progress, at September 30, 2018 were approximately $1,014,263,652, representing an increase of approximately $370,878,686 or 58% from September 2017.

The Authority's total liabilities of approximately $439,385,449 at September 30, 2018 represented an increase of approximately $15,578,019 or 4% from September 30, 2017. Total current and non-current portions of long-term liabilities were approximately $347,105,663 at September 30, 2018, an increase of approximately $18,375,658 or less than 6% from September 30, 2017. This increase is due to the addition of long-term liabilities related to the City of Grapevine.

Total current liabilities increased approximately $12,355,206 or 13%, primarily due to the timing of payments to vendors at the end of the fiscal year and accrued payables related to a construction project offset by the new liability related to the City of Grapevine.

The Authority's net position increased in fiscal 2018 by approximately $237,543,857 or 33%, compared to an increase of approximately $124,528,127 or 21%, in fiscal 2017. The increase in the change in net position as compared to fiscal 2017 of approximately $113,015,730 is primarily due to the following:

- An increase in operating revenues of approximately $1,140,641;
- An increase in sales tax revenue of approximately $4,170,216;
- An increase in preventative maintenance grants of approximately $15,135,895;
- An increase in contribution from partners of approximately $15,172,590;
- An increase in investment income of approximately $1,892,463; and
- An increase in grants for capital improvements of approximately $78,868,080;

The Authority's total assets of approximately $1,136,069,971 at September 30, 2017 represent an increase of approximately $498,496,867, or 78% from September 30, 2016. Capital assets at September 30, 2017 were approximately $643,384,966, representing an increase of approximately $244,451,870 or 61% from September 30, 2016.

The Authority's total liabilities of approximately $423,807,430 at September 30, 2017 represent an increase of approximately $366,430,641, or 639% from September 30, 2016. Total current and non-current portions of long-term liabilities were approximately $328,208,649 at September 30, 2017, a increase of approximately $324,429,291 or 8,584% from September 30, 2016. This increase is due to the issuance of debt for the Tex Rail Project.

Total current liabilities increased approximately $42,001,350 or 78%, due primarily to the timing of payments to vendors at the end of the fiscal year and accrued payables related to a construction project.

The Authority's net position increased in fiscal 2017 by approximately $124,528,127 or 21%, compared to an increase of approximately $42,910,000 or 7.9%, in fiscal 2016. The increase in the change in net position as compared to fiscal 2016 of approximately $81,618,127 is primarily due to the following:

- An increase in operating revenues of approximately $429,247;
- An increase in Sales Tax Revenues of approximately $5,902,367
- An increase in operating assistance grants revenue of approximately $1,403,000
- An increase in grants for Capital projects of approximately $143,817,000;
- An increase in investment income of approximately $2,582,000;
- An increase in contributions from partners of approximately $2,531,815.

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.

Condensed Summary of Assets, Liabilities, and Net Position

	2018	2017 (As Restated)
Current assets	$ 356,030,904	$ 492,685,005
Non-current assets	1,033,160,943	643,384,966
Total assets	1,389,191,847	1,136,069,971
Current liabiltities	107,953,987	95,598,781
Long-term liabilities	331,431,462	328,208,649
Total liabilities	439,385,449	423,807,430
Net position		
Net investment in capital assets	612,466,471	498,383,909
Restricted	2,000,000	2,000,000
Unrestricted	335,339,927	211,878,632
Total net position	$ 949,806,398	$ 712,262,541

Operating revenues for fiscal 2018 increased approximately $1,140,641 or 13%. Fare revenue increased $1,129,875 or 14% 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 and identification cards, decreased $54,475 or 22%. These changes were partially offset by an increase in bus and bus bench advertising revenues of approximately $65,241 or 13%.

Operating expenses before depreciation increased approximately $3,537,823 or 5% in fiscal 2018 as compared to fiscal 2017. This increase in operating expenses is primarily due to the following:

- Salaries, wages and fringe benefits increased by approximately $2,281,965 or 6%.
- Purchased transportation increased by approximately $2,508,522 or 16%

Non-operating revenue increased approximately $37,200,663 or 35% in fiscal 2018 as compared to fiscal 2017. This increase is primarily due to the following:

- Sales tax revenue increased approximately $4,170,216 or 6% due to increased sales tax collections as a result of a strong economy during fiscal 2018;
- Preventative maintenance reimbursement increased approximately $15,135,895 or 159% due to an increase in pass through related grants; and
- Contributions from partners increased approximately $15,172,590 or 114%;

Operating revenues for fiscal 2017 increased approximately $429,247 or 5%. Fare revenue increased $242,956 or 3% due to increased ridership on the Authority's core transportation services, fixed route bus, paratransit and commuter rail. Other revenues, which include items such as natural gas royalties, the sale of pass covers, identification cards and subrogation revenue, increased $119,002 or 90%. Bus and bus bench advertising revenues increased $67,289 or 16%.

Operating expenses before depreciation increased approximately $1,313,489 or 2% in fiscal 2017 as compared to fiscal 2016. This increase in operating expenses is primarily due to the following:

- Salaries, wages and fringe benefits expenses increased approximately $2,576,716 or 8% due to new positions to support increase of services;
- Utilities expenses increased $129,860 or 18% due to increases in usage to support increase of services; and
- Supplies and materials expenses increased approximately $129,255 or 36% due to increase in usage to support increase of services.

These increases in operating expenses were partial offset by:

- Fuels and lubricants expenses decreased by approximately $399,267 or 19% due to a fuel hedge in place for the purchase of compressed natural gas;
- Professional services expenses decreased approximately $313,287 or 4% due to decreased legal fees and other professional services;
- Maintenance materials expenses decreased $257,436 or 9% due to the replacement of aging revenue vehicles resulting in a reduced overall need for maintenance parts.
- Other expenses decreased approximately $275,915 or 21% due to decreases in miscellaneous type items such as temporary help, furniture and equipment,

Non-operating revenue (expenses) increased approximately $9,229,203 or 9% in fiscal 2017 as compared to fiscal 2016. This increase is primarily due to the following:

- Sales tax revenue increased approximately $5,902,367 or 9% due to increased sales tax collections as a result of a strong economy during fiscal 2017;
- Contributions from partners increased approximately $2,531,815 or 24% 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 approximately $2,581,922 or 431% due to interest earned from the TEXRail loan proceeds.
- Operating assistance grant revenues increased approximately $1,403,271 or 70% due to increases in pass through related grants;

These increases in non-operating income were partially offset by:

- Preventative maintenance reimbursement revenues decreased approximately $1,763,769 or 16% due to a decrease in preventative maintenance expenses due to replacement of aging revenue vehicles;

Gain on disposal of capital assets revenues decreased approximately by $1,336,578 or 99% due to less disposals of assets compared to the prior year.

Changes in Net Position

	2018	2017 (As Restated)
Operating revenue		
Fare revenue	$ 9,116,481	$ 7,986,606
Advertising	550,194	484,953
Other	196,559	251,034
Operating revenue	9,863,234	8,722,593
Operating expenses	90,886,781	86,693,127
Operating loss	(81,023,547)	(77,970,534)
Nonoperating revenue (expenses)		
Sales Tax	78,683,684	74,513,468
Operating assistance grants	3,317,961	3,406,788
Preventive Maintenance reimbusement	24,631,402	9,495,507
Para-transit assistance	2,400,000	1,200,000
Contributions from partners	28,425,161	13,252,571
Other non-operating revenue	7,032,966	5,422,177
Net non-operating revenue (expenses)	144,491,174	107,290,511
Grants for Capital Improvements	174,076,230	95,208,150
Change in net position	237,543,857	124,528,127
Net position, beginning of year, as restated	712,262,541	587,734,414
Net position, end of year	$ 949,806,398	$ 712,262,541

Capital Assets

During fiscal 2018 the Authority's net investment in capital assets increased by approximately $114,082,562. The Authority added approximately $389,311,168 in acquisitions and construction of capital assets, approximately $171,368,981 or 78% more than in fiscal 2017. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
  - Commuter rail expansion of approximately $366,225,596; and
- Fixed route bus service and para-transit service improvements include:
  - Replacement of aging para-transit and fixed route vehicles of approximately $10,149,756;
  - Technology improvements of approximately $4,032,769; and
  - Facilities improvements and other capital maintenance of approximately $5,552,734.

Depreciation expense for fiscal 2018 was approximately $18,432,000. The following is a summary of the Authority's capital assets:

	2018	2017
Land	$ 45,089,218	$ 45,089,218
Buildings	80,724,988	83,275,474
Building improvements	868,915	944,599
Machinery and equipment	8,104,651	4,525,392
Rolling stock	43,125,092	49,769,603
Improvements other than buildings	58,751,774	63,758,003
Construction in Progress	777,599,017	396,022,677
	$ 1,014,263,655	$ 643,384,966

During fiscal 2017 the Authority added approximately $262,246,000 in acquisitions and construction of capital assets, approximately $188,877,000 or 257.4% more than in fiscal 2016. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
  - Commuter rail expansion of approximately $197,187,000; and
  - Capital maintenance of the existing rail corridor and environmental assessment of Trinity River Bridge of approximately $2,402,000;
- Fixed route bus service and para-transit service improvements include:
  - Replacement of aging para-transit and fixed route vehicles of approximately $15,896,000;
  - Bus stop improvements including ADA accessibility improvements of approximately $264,000;
  - Technology improvements of approximately $3,656,000; and
  - Facilities improvements and other capital maintenance of approximately $19,505,000.

Depreciation expense for fiscal 2017 was approximately $17,777,000. The following is a summary of the Authority's capital assets:

Capital Assets, Net of Accumulated Depreciation
as of December 30, 2017 and 2016

	2017	2016
Land	$ 45,089,218	$ 45,089,218
Buildings	83,275,474	85,826,745
Building improvements	944,599	1,028,012
Machinery and equipment	4,525,392	4,935,565
Rolling stock	49,769,603	37,172,033
Improvements other than buildings	63,758,003	71,879,328
Construction in Progress	396,022,677	153,002,195
	$ 643,384,966	$ 398,933,096

Debt Administration

TEX Rail Loan

With the current financial structure of the TEX Rail project, long term debt financing is not necessary. With New Starts FFGA payments beginning in FY2017, there is a cash flow deficit for project CAPEX from FY2017 through FY2019. This cash flow deficit is met by short-term borrowing with rapid repayment. With the current project schedule, the maximum projected amount of the short term debt was reached in quarter 2 of 2017 in an amount of $325.0 million. Repayments on the loan commence in fiscal 2020 with full liquidation of the debt in fiscal 2022. The projected net proceeds of the short-term borrowing are $325.0 million. The total payments on the short-term borrowing are estimated at $351.9 million, which includes interest of $23.3 million. For the baseline financial structure, interest on the short-term debt has been assumed at 5% (APR) of the outstanding amount borrowed accrued and capitalized quarterly. In addition, there is an estimated $3.7 million in costs related to the issuance of the debt. Currently, FWTA has never issued any debt, except a $2.5 million 10-year capital lease that financed new energy efficient air-conditioning and lighting systems. This short-term debt will be secured by lawfully available funds of FWTA.

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.

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, 2018 and 2017 was approximately $3,208,000 and $3,730,000, respectively.

Due to The City of Grapevine

During the year ended September 30, 2018, the Authority and the City of Grapevine agreed upon a one-time payment of $15,000,000 and annual payments of $250,000 over 20 years for certain rights to use. The annual payments will be made through a reduction in the monthly sales tax remittances to the Authority.

The Authority has calculated and recorded the present value of the payments, noted above, as a long-term liability, using a 2.5% discount rate, consistent with other borrowings of the Authority. Annual payments will consist of a reduction of the principal balance as well as recognition of the imputed interest for the period.

Economic Factors and Next Year's Budget

The operating budget for fiscal 2019 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 2018, increasing approximately $4,2 million or 6% over fiscal 2017 receipts. Sales tax revenue for fiscal 2019 are budgeted at $81.4 million, an increase of approximately $2.7 million or 3% as compared to fiscal 2018 actual revenue of $78.7 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. 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 steady improvement over the past twelve months. According to the Department of Labor the unemployment rate for the Fort Worth area for August 2018 was 3.4%. This is a decrease of 0.2% over August 2017, and the Fort Worth/Arlington region remains below the national unemployment rate of 3.8% in August 2018. Fort Worth, which is the Authority's largest member city, continues to experience population growth. Fort Worth's estimated population in September 2018 was 895,008. With an annual population growth rate of 3.4%, the population of Fort Worth is expected to exceed 915,000 next year.

The adopted fiscal 2019 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2019 budgeted operating expenses before depreciation totaled approximately $92.8 million dollars, an increase of approximately $20.4 million or 28% over actual fiscal 2018 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 $6.0 million or 15%, as compared to fiscal 2018 actual results. The largest contributor to this increase is wage increases for bargaining unit staff;
- A budgeted increase in service type expenses, which included purchased transportation expenses, of approximately $14.8 million or 60% as compared to fiscal 2018 actual results. This increase is due to TEXRail revenue service, which is set to begin on January 2019, as well as an increase in projected trips, fuel rate and contract increases.

The Authority enters fiscal 2019 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, the 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 complete construction, 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 Burnett Plaza 801 Cherry St, Suite 850, Fort Worth, Texas 76102 or by e-mail at tmweb@ridetm.org

Financial Statements

Fort Worth Transportation Authority

Statements of Net Position

September 30, 2018 and 2017

	2018	2017 (As Restated)
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	-	168,650,117
Restricted for capital reinvestment/rail expansion	-	179,998,943
Restricted for rail vehicles	3,334,407	20,751,811
Unrestricted cash and cash equivalents	244,617,537	-
Total cash and cash equivalents	258,951,944	380,400,871
Investments	60,000,000	60,000,000
Receivables, net	33,190,814	48,654,469
Notes receivable	-	64,222
Inventory	2,028,631	2,056,652
Prepaid expenses	1,859,515	1,508,791
Total current assets	356,030,904	492,685,005
LONG-TERM ASSETS		
Right to use asset, net	18,897,291	-
Land and construction in progress	822,688,235	441,111,895
Other capital assets, net of accumulated depreciation	191,575,417	202,273,071
Total long-term assets	1,033,160,943	643,384,966
Total assets	1,389,191,847	1,136,069,971
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	83,340,369	70,759,575
Accrued payroll and payroll related taxes	2,545,867	1,446,763
Other accrued liabilities	2,775,739	1,960,807
Current portion of due to state	521,633	521,356
Current portion of due to municipality	15,152,568	-
Unearned transit revenue	3,617,811	20,910,280
Total current liabilities	107,953,987	95,598,781
LONG-TERM LIABILITIES		
Due to state, net of current portion	2,686,739	3,208,649
Due to municipality, net of current portion	3,744,723	-
Revenue note payable	325,000,000	325,000,000
Total long-term liabilities	331,431,462	328,208,649
Total liabilities	439,385,449	423,807,430
NET POSITION		
Net investment in capital assets	612,466,471	498,383,909
Restricted	2,000,000	2,000,000
Unrestricted	335,339,927	211,878,632
TOTAL NET POSITION	$ 949,806,398	$ 712,262,541

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, 2018 and 2017

	2018	2017 (As Restated)
OPERATING REVENUES		
Fare revenue	$ 9,116,481	$ 7,986,606
Advertising	550,194	484,953
Other	196,559	251,034
Total operating revenues	9,863,234	8,722,593
OPERATING EXPENSES		
Salaries, wages and fringe benefits	39,154,820	36,872,855
Professional services	6,261,175	6,999,524
Purchased transportation	18,532,557	16,024,035
Fuels and lubricants	2,074,574	1,691,230
Tires and tubes	432,021	432,151
Maintenance materials	2,299,028	2,635,603
Supplies and materials	343,232	488,465
Utilities	759,763	845,097
Casualty and liability insurance	1,629,569	1,759,863
Taxes and fees	15,044	8,134
Interest expense	89,047	102,166
Other	863,469	1,057,353
Depreciation	18,432,482	17,776,651
Total operating expenses	90,886,781	86,693,127
Operating loss	(81,023,547)	(77,970,534)
NON-OPERATING REVENUES		
Sales tax	78,683,684	74,513,468
Operating assistance grants	3,317,961	3,406,788
Preventative maintenance reimbursement	24,631,402	9,495,507
Para-transit assistance	2,400,000	1,200,000
Contributions from partners	28,425,161	13,252,571
Rental income	741,352	920,742
Investment income	5,074,085	3,181,622
Oil and gas revenue	45,536	42,090
Gain on disposal of capital assets	11,769	7,457
Other non-operating revenue	1,160,224	1,270,266
Total non-operating revenue	144,491,174	107,290,511
INCOME BEFORE CAPITAL GRANTS	63,467,627	29,319,977
GRANTS FOR CAPITAL IMPROVEMENTS	174,076,230	95,208,150
Change in net position	237,543,857	124,528,127
NET POSITION, beginning of year, as previously reported	712,262,541	580,196,315
Prior period adjustment	-	7,538,099
NET POSITION, beginning of year, as restated	712,262,541	587,734,414
NET POSITION, end of year	$ 949,806,398	$ 712,262,541

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

Fort Worth Transportation Authority

Statements of Cash Flows

Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 11,293,398	$ 5,586,874
Payments to suppliers	(20,226,456)	(32,639,308)
Payments to employees	(38,055,716)	(35,990,183)
Net cash used in operating activities	(46,988,774)	(63,042,617)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax received	77,948,747	73,793,771
Preventive maintenance reimbursement	21,248,502	9,495,507
Para-transit assistance	2,400,000	1,200,000
Contributions from partners	28,425,161	13,392,053
Rental income	741,352	920,742
Operating grant reimbursements	3,317,961	3,406,788
Oil and gas revenue	45,536	42,090
Other non-departmental receipts	1,160,224	1,270,266
Other non-departmental payments	-	(102,166)
Payment of due to state	(521,633)	(508,514)
Net cash provided by non-capital financing activities	134,765,850	102,910,537
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions and grants for capital improvements	175,331,430	117,281,884
Acquisition and construction of capital assets	(389,311,168)	(217,942,187)
Proceeds from sale of capital improvements and land	11,769	7,457
Loan proceeds received	-	325,000,000
Net cash provided by (used in) capital and related financing activities	(213,967,969)	224,347,154
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	4,741,966	3,014,204
Purchase of investments	(60,000,000)	(60,000,000)
Proceeds from sale and maturity of investments	60,000,000	12,748,357
Net cash provided by (used in) investing activities	4,741,966	(44,237,439)
Net change in cash and cash equivalents	(121,448,927)	219,977,635
CASH AND CASH EQUIVALENTS, beginning of year	380,400,871	160,423,236
CASH AND CASH EQUIVALENTS, end of year	$ 258,951,944	$ 380,400,871

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

Fort Worth Transportation Authority

Statements of Cash Flows – Continued
Years Ended September 30, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (81,023,547)	$ (77,970,534)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	18,432,482	17,776,651
Change in operating assets and liabilities		
Receivables	1,365,942	(570,526)
Inventory	28,021	(61,783)
Prepaid expenses	(350,724)	63,819
Note receivable	64,222	66,935
Accounts payable	12,580,794	(597,723)
Accrued payroll and payroll related taxes	1,099,104	1,167,228
Other accrued liabilities	814,932	(284,556)
Unearned transit revenue	-	(2,632,128)
Net cash used in operating activities	$ (46,988,774)	$ (63,042,617)
NONCASH INVESTING ACTIVITY		
Accrual for Tex Rail construction expenditures	$ -	$ (44,286,334)
Right-to-use asset financed through long-term payable	$ 18,897,291	$ -

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

During the year ended September 30, 2018, the Authority and the City of Grapevine agreed upon a one-time payment of $15,000,000 and annual payments of $250,000 over 20 years to share in the construction cost of TexRail station enhancements.

The accounting policies of the Authority, as reflected in the accompanying financial statements as of and for the years ended September 30, 2018 and 2017, 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.

Estimates

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.

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 have been met.

Investments

The 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, 2018 and 2017, 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, absent of Investment pools. TexPool is recorded at amortized cost, and TexStar is at net asset value (NAV).

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 acquisition 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.

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, contributions 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 or state 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.

Net Position

Net Position is displayed in three components as follows:

Net Investment in Capital Assets: This consists of capital assets, net of accumulated depreciation and related debt.

Restricted: This consists of $2,000,000 externally restricted for spending due to external agreements.

Unrestricted: This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Note 2. Operating and Service Agreements

Effective January 1, 2005, the contract with McDonald Transit Associates, Inc. (MTA) and McDonald Transit, Inc. (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 $240,384 and $292,505 in the years ended September 30, 2018 and 2017, respectively, for transit management services.

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 $3,149,849 and $3,508,632 for services in the years ended September 30, 2018 and 2017, respectively.

Note 3. Cash and Investments

All investments and cash equivalents during the year were certificates of deposit or investments in investment pools 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. TexPool uses amortized investment costs rather than market values to compute participant share values. Accordingly, the fair value of the Authority’s position in TexPool is substantially the same as the value of the shares in each of the pools.

TexStar uses net asset value to report net assets to compute share prices. Accordingly, the fair value of the Authority’s position in TexStar is the same as the value of TexStar shares.

At September 30, 2018 and 2017 the Authority had the following investments:

	2018		2017	
	Investment Value	Weighted Avg Years to Maturity	Investment Value	Weighted Avg Years to Maturity
Certificates of deposit	$ 60,000,000	1.39	$ 60,000,000	1.39
Total investments	60,000,000		60,000,000	
TexPool-cash equivalent	565,508	1	31,100,795	1.15
TexStar-cash equivalent	67,385	1	38,705,626	1.38
Total portfolio	$ 60,632,893	1.21	$ 129,806,421	1.21

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair market value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.

Level 2: Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.

Level 3: Significant unobservable inputs for an asset, as they trade infrequently or not at all. (The Authority does not value any investments using Level 3 inputs.)

The Authority does not have any investments requiring this valuation level disclosure at this time.

	2018	2017
Cash and cash equivalents		
Cash deposits	$ 2,370,060	$ 5,857,908
Money market accounts - cash equivalent	255,948,991	304,736,542
TexPool - cash equivalent	565,508	31,100,795
TexStar - cash equivalent	67,385	38,705,626
Total cash and cash equivalents	$ 258,951,944	$ 380,400,871

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, 2018 and 2017, the Authority's investments in TexPool and TexStar were rated AAAm and AAm, respectively, by Standard & Poor's. The Authority's investments in certificates of deposit were unrated both years.

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, 2018 and 2017, the Authority held deposits in excess of the FDIC limit of $189,134,804 and $198,848,318, respectively. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2018 and 2017.

Restricted and Reserved Cash

The Board of Directors has designated the use of certain assets to fund the self-insurance program 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, 2018 and 2017, the designated assets of cash and investments consisted of $1,000,000 for the self-insurance program and $10,000,000 for operations. No other designated funds existed as of September 30, 2018.

In 2017, the Authority had 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 $168,650,117 at September 30, 2017. At September 30, 2017, the Authority has restricted funds of $179,998,943, for capital reinvestment which were proceeds from the TexRail loan as described in footnote 6.

The Authority has restricted funds, which were provided through a grant from Regional Toll Revenues, to be used for the purchase of rail vehicles. These restricted funds totaled $3,334,407 and $20,751,811 at September 30, 2018 and 2017, respectively.

Note 4. Receivables

Receivables at September 30, 2018 and 2017 consisted of the following:

	2018	2017 (As Restated)
Ticket, token and miscellaneous receivable	$ 3,538,781	$ 4,819,723
Sales tax	15,689,235	15,039,298
Grants receivable	13,419,713	28,584,482
Accrued interest receivable	543,085	210,966
Total	$ 33,190,814	$ 48,654,469

Note 5. Capital Assets

The following table summarizes the changes in capital assets for the year ended September 30, 2018:

	Balance Beginning of Year	Increases	Decreases	Reclassifications	Balance End of Year
Capital assets, not being depreciated					
Land	$ 45,089,218	$ -	$ -	$ -	45,089,218
Construction in progress	396,022,677	382,059,251	(482,911)	-	777,599,017
Total capital assets not being depreciated	441,111,895	382,059,251	(482,911)	-	822,688,235
Capital assets, being depreciated					
Buildings	126,583,579	-	-	-	126,583,579
Building improvements	2,152,658	-	-	-	2,152,658
Machinery and equipment	23,498,545	5,235,409	(2,251,325)	-	26,482,629
Rolling stock	126,430,957	-	(12,035,833)	-	114,395,124
Improvements other than buildings	147,857,056	2,499,416	-	-	150,356,472
Total capital assets being depreciated	426,522,795	7,734,825	(14,287,158)	-	419,970,462
Less accumulated depreciation for					
Buildings	43,308,105	2,550,484		-	45,858,589
Building improvements	1,208,059	75,684		-	1,283,743
Machinery and equipment	18,973,153	1,656,155	(2,251,325)		18,377,983
Rolling stock	76,661,354	6,644,511	(12,035,833)	-	71,270,032
Improvements other than buildings	84,099,053	7,505,645	-	-	91,604,698
Total accumulated depreciation	224,249,724	18,432,479	(14,287,158)	-	228,395,045
Total capital assets, being depreciated, net	202,273,071	(10,697,654)	-	-	191,575,417
Capital assets, net	$ 643,384,966	$ 371,361,597	$ (482,911)	$ -	$ 1,014,263,652

Revenue note interest costs of $8,346,000 was incurred during the year ended September 30, 2018, all of which was capitalized.

Fort Worth Transportation Authority

Notes to Financial Statements

The following table summarizes the changes in capital assets for the year ended September 30, 2017:

	Balance Beginning of Year	Increases	Decreases	Reclassifications	Balance End of Year
Capital assets, not being depreciated					
Land	$ 45,089,218	$ -	$ -	$ -	$ 45,089,218
Construction in progress	153,002,195	262,245,968	-	(19,225,486)	396,022,677
Total capital assets not being depreciated	198,091,413	262,245,968	-	(19,225,486)	441,111,895
Capital assets, being depreciated					
Buildings	126,583,579	-	-	-	126,583,579
Building improvements	2,152,658	-	-	-	2,152,658
Machinery and equipment	22,929,708	-	(116,196)	685,033	23,498,545
Rolling stock	121,321,329	-	(12,988,272)	18,097,900	126,430,957
Improvements other than buildings	147,414,503	-	-	442,553	147,857,056
Total capital assets being depreciated	420,401,777	-	(13,104,468)	19,225,486	426,522,795
Less accumulated depreciation for					
Buildings	40,756,834	2,551,271	-	-	43,308,105
Building improvements	1,124,646	83,413	-	-	1,208,059
Machinery and equipment	17,994,143	1,093,932	(114,922)	-	18,973,153
Rolling stock	84,149,296	5,484,157	(12,972,099)	-	76,661,354
Improvements other than buildings	75,535,175	8,563,878	-	-	84,099,053
Total accumulated depreciation	219,560,094	17,776,651	(13,087,021)	-	224,249,724
Total capital assets being deprecated, net	200,841,683	(17,776,651)	(17,447)	19,225,486	202,273,071
Capital assets, net	$ 398,933,096	$ 244,469,317	$ (17,447)	$ -	$ 643,384,966

Revenue note interest costs of $2,318,333 was incurred during the year ended September 30, 2017, all of which was capitalized.

During year ended September 30, 2016, the Authority entered into an agreement with an entity which would provide for approximately $40,000,000 in-kind design and construction costs related to a new station to be used by the Authority related to TexRail. The entity retains full rights and ownership to the station, and, therefore, this is not recorded in the financial statements for year ended September 30, 2018.

Note 6. Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2018:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to state	$ 3,730,005	$ -	$ (521,633)	$ 3,208,372	$ 521,633
Due to municipality	-	18,897,291	-	18,897,291	15,152,568
Revenue note payable	325,000,000	-	-	325,000,000	-
Total	$ 328,730,005	$ 18,897,291	$ (521,633)	$ 347,105,663	$ 15,674,201

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2017:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to state	$ 4,238,519	$ -	$ (508,514)	$ 3,730,005	$ 521,356
Revenue note payable	-	325,000,000	-	325,000,000	-
Total	$ 4,238,519	$ 325,000,000	$ (508,514)	$ 328,730,005	$ 521,356

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. Payments are $5,964 per month.

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. Payments are $11,421 per month.

During the year ended September 30, 2015, the Authority was notified by the Texas Comptroller of Public Accounts 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. Payments are $33,505 per month.

Total due to state as of September 30, 2018 and 2017 are $3,208,372 and $3,730,005, respectively.

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, 2018 were scheduled as follows:

Year Ending September 30,		
2019	$	443,149
2020		208,620
2021		208,620
2022		208,620
2023		208,620
2024-2028		1,043,100
2029-2033		1,043,100
2034-2036		573,736
Total minimum payments		3,937,565
Less amount representing interest		(729,193)
Recorded value of minimum payments	$	3,208,372

The imputed interest totaled $89,047 and $102,166 for the years ended September 30, 2018 and 2017, respectively, and is included in interest expense.

Due to Municipality

During the year ended September 30, 2018, the Authority and a local municipality agreed that the Authority would pay, through a one-time payment of $15,000,000 and annual payments of $250,000 over 20 years, for certain rights to use. The municipality and the Authority have agreed to repayment terms, which provide for no interest and monthly payments reduced from the monthly remittances to the Authority.

The Authority has calculated and recorded the present value of the payments, noted above, as a long-term liability, using a 2.5% 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 remittances to the Authority for repayment of the amount due to municipality at September 30, 2018 were scheduled as follows:

Year Ending September 30,		
2019	$	15,250,000
2020		250,000
2021		250,000
2022		250,000
2023		250,000
2024-2028		1,250,000
2029-2033		1,250,000
2034-2038		1,250,000
Total minimum payments		20,000,000
Less amount representing interest		(1,102,709)
Recorded value of minimum payments	$	18,897,291

TEX Rail Loan

On December 21, 2016, the Authority issued $325,000,000 in Revenue Notes, Series 2016 to finance the Tex Rail Project. The Full Funding Grant Agreement is pledged as security. Principal will be paid in the amounts of $205,000,000, $60,000,000, and $60,000,000 on October 1, 2019, 2020, and 2021, respectively. Interest ranges from 2.4% to 3.0% and is payable semi-annually each April 1 and October 1.

Principal and interest payments are scheduled as follows:

Year Ending September 30,	Principal		Interest	
2019	$	-	$	8,346,000
2020		205,000,000		5,886,000
2021		60,000,000		2,613,000
2022		60,000,000		900,000
	$	325,000,000	$	17,745,000

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, 2018 and 2017, the employee contributions to the 401(k) Plan were $1,106,988 (4.76% of covered payroll) and $1,080,116 (4.76% of covered payroll), respectively. The Authority's contributions to the 401(k) Plan for those years were $1,199,148 and $1,199,642, 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, 2018 and 2017, the employee contributions to the 457(b) Plan were $316,331 (6.43% of covered payroll) and $333,472 (6.43% of covered payroll), respectively. The Authority's contributions to the 457(b) Plan for those years were $311,238 and $327,382, respectively.

Note 8. Commitments and Contingencies

Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2018. The Authority has spent $554,801,377 on these projects and has remaining commitments of $204,126,796 at September 30, 2018.

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, 2018 and 2017, 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 $689,341 and $812,394 reported at September 30, 2018 and 2017, 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.

Changes in the reported liabilities, which are included in other accrued liabilities, for the years ended September 30, 2018 and 2017 are as follows:

	Beginning of Year Liability	Incurred Claims and Adjustments	Claim Payments	End of Year Liability
Vehicle and general liability				
Fiscal year 2018	$ 454,161	$ 137,012	$ -	$ 591,173
Fiscal year 2017	433,669	291,127	(270,635)	454,161
Fiscal year 2016	373,286	727,040	(666,657)	433,669
Workers' compensation				
Fiscal year 2018	$ 358,233	$ 54,273	$ (330,022)	$ 82,484
Fiscal year 2017	675,129	84,447	(401,343)	358,233
Fiscal year 2016	711,981	183,676	(220,528)	675,129

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 at September 30, 2018 and 2017.

Lease Commitments

The Authority leases tires under operating leases. The tire lease includes maintenance of approximately $7,000 per month. Total lease payments approximated $359,000 and $386,000 for the years ended September 30, 2018 and 2017, respectively.

State and Federal Grants

The Authority participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectability of any related receivables at September 30, 2018 and 2017 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 $591,173, which is included in other accrued liabilities on the statement of net position.

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.

Note 10. Prior Period Adjustment

The Authority receives sales tax revenue from the Texas Comptroller of Public Accounts and from the City of Grapevine, Texas. During the year ended September 30, 2018, Authority management reviewed the revenue recognition policies related to sales tax revenue, and determined that the revenue had been incorrectly recorded, as amounts were not properly accrued that related to the fiscal year. As a result, the Authority recorded a prior period adjustment of approximately $7,595,000.

Also, during the year ended September 30, 2018, Authority management reviewed revenue recognition policies related to grant revenues and determined that revenue had been incorrectly recorded as a receivable and revenue prior to allotment. As a result, the Authority recorded a prior period adjustment.

See below for details of the prior period adjustments to correct errors identified:

Statement of Net Position	As previously reported	Sales Tax	Grant revenue	As restated
Receivables, net	$ 110,953,018	$ 7,594,622	$ (69,893,171)	$ 48,654,469
Total current assets	554,983,554	7,594,622	(69,893,171)	492,685,005
Total assets	1,198,368,520	7,594,622	(69,893,171)	1,136,069,971
Unrestricted net position	274,177,181	7,594,622	(69,893,171)	211,878,632
Total net position	774,561,090	7,594,622	(69,893,171)	712,262,541
Statements of Revenues, Expenses and Changes in Net Position				
Sales tax	$ 74,317,463	$ 196,005	$ -	$ 74,513,468
Contributions from partners	13,392,053	-	(139,482)	13,252,571
Total non-operating revenue (expenses)	107,233,988	196,005	(139,482)	107,290,511
Income before Capital Grants	29,263,454	196,005	(139,482)	29,319,977
Grants for Capital Improvement	165,101,321	-	(69,893,171)	95,208,150
Net position, beginning of year	580,196,315	7,398,617	139,482	587,734,414
Net position, end of year	774,561,090	7,594,622	(69,893,171)	712,262,541

Supplementary Information

Fort Worth Transportation Authority

Schedule of Revenues and Expenses – Budget and Actual
Year Ended September 30, 2018
With Comparative Actuals for the Year Ended September 30, 2017

	2018				2017
	Original Budget	Final Budget	Actual	Variance Over (Under)	Actual (As Restated)
OPERATING REVENUES					
Fare revenue	$ 9,275,000	$ 9,275,000	$ 9,116,481	$ (158,519)	$ 7,986,606
Advertising	505,000	505,000	550,194	45,194	484,953
Other	150,000	150,000	196,559	46,559	251,034
Total operating revenues	9,930,000	9,930,000	9,863,234	(66,766)	8,722,593
OPERATING EXPENSES					
Salaries, wages and fringe benefits	41,475,000	41,475,000	39,154,820	(2,320,180)	36,872,855
Professional services	26,376,000	26,376,000	6,261,175	(20,114,825)	6,999,524
Purchased transportation	-	-	18,532,557	18,532,557	16,024,035
Fuels and lubricants	1,714,000	1,714,000	2,074,574	360,574	1,691,230
Tires and tubes	416,000	416,000	432,021	16,021	432,151
Maintenance materials	2,673,000	2,673,000	2,299,028	(373,972)	2,635,603
Supplies and materials	496,000	496,000	343,232	(152,768)	488,465
Utilities	855,000	855,000	759,763	(95,237)	845,097
Casualty and liability insurance	444,000	444,000	1,629,569	1,185,569	1,759,863
Taxes and fees	19,000	19,000	15,044	(3,956)	8,134
Interest expense	-	-	89,047	89,047	102,166
Depreciation	-	-	18,432,482	18,432,482	17,776,651
Other	1,089,000	1,089,000	863,469	(225,531)	1,057,353
Total operating expenses	75,557,000	75,557,000	90,886,781	15,329,781	86,693,127
Operating loss	(65,627,000)	(65,627,000)	(81,023,547)	(15,396,547)	(77,970,534)
NON-OPERATING REVENUES (EXPENSES)					
Sales tax	77,431,000	77,431,000	78,683,684	1,252,684	74,513,468
Operating assistance grants	12,395,000	12,395,000	3,317,961	(9,077,039)	3,406,788
Preventive maintenance reimbursement	-	-	24,631,402	24,631,402	9,495,507
Para-transit assistance	-	-	2,400,000	2,400,000	1,200,000
Contributions from partners	12,388,000	12,388,000	28,425,161	16,037,161	13,252,571
Rental income	850,000	850,000	741,352	(108,648)	920,742
Investment income	2,000,000	2,000,000	5,074,085	3,074,085	3,181,622
Oil and gas revenue	-	-	45,536	45,536	42,090
Gain (loss) on disposal of capital assets	-	-	11,769	11,769	7,457
Other non-operating expense	(2,955,000)	(2,955,000)	-	2,955,000	-
Other non-operating revenue	1,450,000	1,450,000	1,160,224	(289,776)	1,270,266
Total non-operating revenues (expenses)	103,559,000	103,559,000	144,491,174	40,932,174	107,290,511
Income before capital grants	37,932,000	37,932,000	63,467,627	25,535,627	29,319,977
Grants for capital improvements	363,499,000	363,499,000	174,076,230	(189,422,770)	95,208,150
CHANGE IN NET POSITION	$ 401,431,000	$ 401,431,000	$ 237,543,857	$ (163,887,143)	$ 124,528,127

Federal and State Awards Section

Fort Worth Transportation Authority

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
FEDERAL AWARDS			
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Cluster			
Sec 5309 Bus Ladders-Lapsing funds	TX-2016-062-00	20.500	$ 5,033
New Starts -FFGA	TX-2017-001-00	20.500	135,062,806
FTA/Formula (and flex funds)	TX-90-X903-00	20.507	6,194
FTA/Formula (and flex funds)	TX-90-Y032-00	20.507	21,411
FTA/Formula (and flex funds)	TX-17-059-00	20.507	3,563,186
FTA/Formula (and flex funds)	TX-17-071-00	20.507	1,913,456
FTA/Formula (and flex funds)	TX-2018-004	20.507	28,860,729
Mid-Cities FY 2010 CMAQ Funds	TX-95-X065-01	20.507	98,272
FTA/CMAQ and STP-MM /TRE Grade Crossings	TX-95-X076-00	20.507	429,563
FTA/Formula (and flex funds)	TX-2018-017	20.525	2,916,614
FTA/Formula (and flex funds) FY2017	TX-2018-064	20.525	2,988,332
FTA/Formula (and flex funds)	TX-2018-015	20.526	1,543,902
Total Federal Transit Cluster			177,409,498
Highway Planning and Construction Cluster			
Passed through Texas Department of Transportation (TxDot)			
Texas Mobility Funds* Unassigned	DFWIA-TXDOT	20.205	26,687,540
Total Highway Planning and Construction Cluster			26,687,540
Passed through North Central Texas Council of Governments			
JARC Vanpool	TX-37-4070-00	20.516	9,542
JARC Reverse Commute	TX-37-X086-00	20.516	152,778
New Freedom Funds	TX-57-X-0045-00	20.521	319,970
Total passed through North Central Texas Council of Governments			482,290
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 204,579,328

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this statement

Fort Worth Transportation Authority

Schedule of Expenditures of State Awards

Year Ended September 30, 2018

State Grantor/Pass-Through Grantor Program Title	State Contract Number		State Expenditures
STATE AWARDS			
TEXAS DEPARTMENT OF TRANSPORTATION			
Passed through Regional Transportation Council and North Central Texas Council of Governments			
Regional Rail Vehicles	CSJ0902-90-002	$	17,593,310
Total passed through Texas Department of Transportation			17,593,310
TOTAL EXPENDITURES OF STATE AWARDS		$	17,593,310

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this statement

Fort Worth Transportation Authority

Notes to Schedule of Expenditures of Federal and State Awards

Note 1. Summary of Significant Accounting Policies

General: The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards present the activity of all federal and state award programs of Fort Worth Transportation Authority (the Authority). The Authority's reporting entity is defined in Note 1 to the Authority's financial statements.

Basis of Presentation: The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The accompanying schedule of expenditures of state awards (the SESA) includes the state award activity of the Authority under programs of the state for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Texas Governor's Office of Budget and Planning Uniform Grant Management Standards, which includes the State of Texas Single Audit Circular (UGMS).

Because the SEFA and SESA presents only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position, changes in net position, or cash flows of the Authority.

Basis of Accounting: Expenditures reported on the SEFA and SESA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

During the fiscal year ended September 30, 2018, the Authority was awarded grants under CFDA 20.500, 20.507, 20.513, 20.516, 20.525 and 20.526, which included reimbursement for expenditures incurred in previous fiscal years. The total amount of expenditures incurred in a prior year reported on the fiscal year SEFA under these grants is $131,010,356.

De Minimis Cost Rate: The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

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 2018-001 and 2018-002 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.

Compliance and Other Matters

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

The Board of Directors of the
Fort Worth Transportation Authority

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
December 16, 2019

**Independent Auditor's Report on Compliance for
Each Major Federal and State Program and
Report on Internal Control over Compliance in Accordance
with the Uniform Guidance and UGMS**

To the Board of Directors of the
Fort Worth Transportation Authority

Report on Compliance for Each Major Federal and State 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 and Texas Governor's Office of Budget and Planning, Uniform Grant Management Standards, which includes the State of Texas Single Audit Circular (UGMS) that could have a direct and material effect on the Authority's major federal and state programs for the year ended September 30, 2018. The Authority's major federal and state 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal and state 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and UGMS. Those standards, the Uniform Guidance and UGMS 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal and State 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 and state programs for the year ended September 30, 2018.

Weaver and Tidwell, L.L.P.
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CPAs AND ADVISORS | WEAVER.COM

The Board of Directors of the
Fort Worth Transportation Authority

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 requirements that could have a direct and material effect on the major federal and state programs as a basis for determining auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-003, which we consider to be a material weakness.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. 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
December 16, 2019

Fort Worth Transportation Authority
Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section I. Summary of the Auditor's Results:

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified?	X	Yes		No
Significant deficiency(s) identified that are not considered a material weakness		Yes	X	None reported
Noncompliance material to financial statements noted		Yes	X	No

Federal Awards

Internal control over major programs

Material weakness(es) identified?	X	Yes		No
Significant deficiency(s) identified that are not considered a material weakness		Yes	X	None reported

An unmodified opinion was issued on compliance for major programs

Any audit findings disclosed that were required to be reported in accordance with section 200.516 of the Uniform Guidance		Yes	X	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.500; 20.507; 20.525; 20.526	Federal Transit Cluster
20.205	Highway Planning and Construction Cluster

The dollar threshold used to distinguish between Type A and Type B programs: $ 3,000,000

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

Fort Worth Transportation Authority
Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2018

State Awards

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

An unmodified opinion was issued on compliance for major programs

Any audit findings disclosed that were required to be reported in accordance with UGMS	_____ Yes __X__ No

Identification of major programs:

Regional Rail Vehicles

The dollar threshold used to distinguish between Type A and Type B programs	$ 300,000
Auditee qualified as a low-risk auditee.	_____ Yes __X__ No

Section II. Financial Statement Findings

Finding 2018-001 – Account Reconciliation and Financial Reporting

Criteria: Internal controls over financial reporting should include sufficient segregation of duties that allow for review of account reconciliations to ensure amounts are accurately recorded in the Authority's financial statements in accordance with GAAP and in a timely manner.

Condition: ( ) Compliance Finding ( ) Significant Deficiency (X) Material Weakness

Context/Cause: At September 30, 2018, controls in place related to the reconciliation and review of various balance sheet accounts failed to prevent or detect errors. Additionally, reconciliations were not completed in a timely manner, which led to inadequate cutoff and year-end closing procedures. As a result, significant audit adjustments were required, as follows:

1. Prior period adjustment related to improper cutoff of tax allocations and allocations from the City of Grapevine
2. Prior period adjustment related to improper revenue recognition of TexRail and Formula grant revenue and receivable
3. Material adjustment to accrue construction costs and retainage payable on construction in process
4. Significant reclassifying entries related to cash and investments as well as entries between investment accounts and accrued interest

Effect or Potential Effect: Material adjustments were required to the Authority's financial statements and if uncorrected further material misstatement could occur.

Recommendation: We recommend all Statement of Net Position accounts be fully reconciled each month followed by a detailed review by a member of management. Upon completion of the timely review, financial statements should be adjusted immediately to ensure complete and accurate records at year-end.

Responsible Official's Response: See the Corrective Action Plan

Finding 2018-002 – Schedule of Expenditures of Federal Awards

Criteria: Internal controls over financial reporting should include design and implementation of controls sufficient that management or employees are able to prevent, or detect and correct misstatements on a timely basis. These controls should also allow for accurate reporting of federal awards on the Schedule of Expenditures of Federal Awards so that major programs may be properly identified and so that management can facilitate grant compliance.

Condition: ( ) Compliance Finding ( ) Significant Deficiency (X) Material Weakness

Context/Cause: At September 30, 2018, internal controls did not detect or prevent errors in the Schedule of Expenditures of Federal Awards and as a result, the schedule did not properly reconcile to the general ledger without significant audit adjustments and/or revisions.

Effect or Potential Effect: The Schedule of Expenditures of Federal Awards required material adjustment. Without proper controls and procedures in place, errors could result in further material misstatement and could lead to material noncompliance over major programs.

Recommendation: We recommend that management implement a policy to regularly reconcile federal revenues, expenditures, and the related balance sheet accounts.

Responsible Official's Response: See the Corrective Action Plan

Section III. Federal Award Findings and Questioned Costs

Finding 2018-003 – Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Major Program: Federal Transit Cluster

Criteria: In accordance with the grant agreement and the *OMB Compliance Supplement*, procedures must be performed to assess appropriateness of costs and activities charged to the entity's Federal programs.

Condition: ( ) Compliance Finding ( ) Significant Deficiency (X) Material Weakness

Context/Cause: During year ended September 30, 2018, the Authority received grant awards that, in some instances, related to expenses incurred in prior years. During testing of these grant awards, payroll costs for fiscal years 2016 and 2017 were reviewed for specific departments of the Authority. For these fiscal years, documentation of supervisory approval was not retained or was not documented sufficiently and therefore did not allow for assessment/testing of internal controls over these costs.

Effect and Questioned Costs: Lack of documentation related to supervisory review could result in further inaccuracies and could result in questioned costs. Questioned costs are indeterminable.

Recommendation: We recommend that management implement a policy to ensure documentation of approval is maintained for periods that are subject to federal reimbursement.

Responsible Official's Response: See the Corrective Action Plan

Fort Worth Transportation Authority

Corrective Action Plan
Year Ended September 30, 2018

Finding 2018-001 – Account Reconciliation and Financial Reporting

Response: Procedures are currently in place which require timely preparation, review and approval of account reconciliations. The application of the accounting principle regarding revenue recognition has been adopted for financial reporting purposes.

Subsequent reconciliation of the accounts did not disclose an economic loss to the Authority or errant regulatory reporting.

Responsible Official: Fred Crosley, Chief Financial Officer

Date of Implementation: September 2019

Finding 2018-002 – Schedule of Expenditures of Federal Awards

Response: Procedures have been established to reconcile scheduled revenues from federal sources with the general ledger to facilitate the annual preparation of the Schedule of Expenditures of Federal Awards to be included in the annual Single Audit reporting.

There are no known instances of material noncompliance over major programs as a result of the circumstances in the cited finding.

Responsible Official: Fred Crosley, Chief Financial Officer

Date of Implementation: September 2019

Finding 2018-003 – Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Major Program: Federal Transit Cluster

Response: The comment addresses the lack of specific written documentation of supervisory review of the payroll for mechanics during fiscal years 2016-2018.

Procedures for time card approval in fiscal years 2016-2018 are identical to those historically used and include the following control features.

1) Employee time cards for each pay period were populated using a preset employee roster.
2) The employees submitted requests for leave which were subsequently approved by the supervisor and added to the time card.
3) The Authority uses Winpak as a security access system and all mechanics had to swipe their ID badge to enter or exit the maintenance facility.
4) Prior to each payroll, supervisors compared the employee timecard to the records in Winpak to ensure hours recorded reflected actual hours worked. The supervisor would update the timecard to resolve any variance.
5) After the supervisors reviewed and updated the time card, the maintenance administrator reviewed the timecards and Winpak records a second time to ensure accuracy.
6) Upon completion of secondary review, supervisors approved the employee time cards in Ellipse.

Concurrent with the implementation of the ERP system in September 2018, the Authority also implemented biometric time clocks which are now used by all hourly employees. The employee is required to clock in/out at the time clock installed in their designated work area. Each employee's supervisor reviews and approves the time cards electronically prior to every payroll being processed.

Fort Worth Transportation Authority

Corrective Action Plan – Continued
Year Ended September 30, 2018

Responsible Official: Fred Crosley, Chief Financial Officer

Date of Implementation: October 2018

Fort Worth Transportation Authority

Status of Prior Year Findings

Year Ended September 30, 2018

Finding 2017-001 – Financial Accounting and Reporting Environment

Condition: ( ) Compliance Finding ( ) Significant Deficiency (X) Material Weakness

Context: Significant audit adjustments were required to correct errors and improper presentation of financial information. Internal controls, policies, and procedures were either not in place.

Status: See Finding 2018-001.

Finding 2017-002 – Assignment and Restriction of Access Rights

Condition: ( ) Compliance Finding ( ) Significant Deficiency (X) Material Weakness

Context: Due to Ellipse system limitations, the ability to determine if access is appropriately assigned and authorized is not testable. These limitations also inhibit management's ability to verify that access has been appropriately provisioned and monitored.

Status: Corrected

Finding 2017-003 – Passwords

Condition: ( ) Compliance Finding ( ) Significant Deficiency (X) Material Weakness

Context: While a policy change to set passwords to expire every 60 days and to use complex passwords was made subsequent to year-end, during 2017, Ellipse passwords were set to expire every 9,999 days, or every 27 years. The network passwords also do not force use of complex passwords, such as the use of alphanumeric, numeric, upper/lowercase and/or special characters.

Status: Corrected