

Fort Worth Transportation Authority

Financial Report

September 30, 2020

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Independent Auditor's Report

To the Board of Directors of the
Fort Worth Transportation Authority

Report on the Financial Statements

We have audited the accompanying statements of net position of the Fort Worth Transportation Authority (the Authority) as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, 2020 and 2019, 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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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.

Supplementary 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, and the Schedule of Expenditures of Federal Awards 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 (Uniform Guidance), 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 and the 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 and the Schedule of Revenues and Expenses – Budget and Actual is 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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, 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
January 15, 2021

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, 2020. 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, 2020, the Authority's assets exceeded its liabilities by \$1,142,897,228. Of this amount, \$46,425,772 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. Unrestricted net position was approximately 44% of the fiscal 2020 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 and do not include separate fund presentation of debt service transactions.

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

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

Financial Analysis of the Authority's Net Assets

The Authority's total assets of \$1,240,441,359 at September 30, 2020 represented a decrease of \$263,408,590 or 18% from September 30, 2019. Capital assets, which includes land and construction in progress, at September 30, 2020 were \$1,166,283,820, representing an increase of \$1,664,888 or less than one percent from September 2019.

The Authority's total liabilities of \$97,544,131 at September 30, 2020 represented a decrease of \$308,952,671 or 76% from September 30, 2019. Total current and non-current portions of long-term liabilities were \$66,372,890 at September 30, 2020, a decrease of \$280,213,358 or 81% from September 30, 2019. This decrease is due to regularly scheduled debt payments.

Total current liabilities decreased by \$248,780,740 or 89%, primarily due to completion of the Texrail project and debt payments on the revenue note payable. This note payable is on a rapid repayment plan, with full liquidation of the debt expected in 2022.

The Authority's net position increased in fiscal 2020 by \$45,544,081 or 4%, compared to an increase of \$147,546,749 or 16%, in fiscal 2019. The decrease in the change in net position as compared to fiscal 2019 of \$102,002,668 is primarily due to the following:

- An increase in operating assistance grants of \$45,567,041;
- An increase in preventative maintenance grants of \$21,511,716;
- A decrease in grants for capital improvements of \$148,264,369;
- An increase in purchased transportation expenses of \$5,240,715;
- An increase in depreciation and amortization expenses of \$8,592,358

The Authority's total assets of \$1,503,849,949 at September 30, 2019 represented an increase of \$114,658,102, or 8% from September 30, 2018. Capital assets, which includes land and construction in progress, at September 30, 2019, were \$1,164,618,932, representing an increase of \$150,355,280 or 15% from September 2018.

The Authority's total liabilities of \$406,496,802 at September 30, 2019 represented a decrease of \$32,888,647, or 7% from September 30, 2018. Total current and non-current portions of long-term liabilities were \$346,586,248 at September 30, 2019, a decrease of \$519,415 or less than 1% from September 30, 2018. This decrease is due to scheduled debt payments.

Total current liabilities increased by \$172,250,713 or 160%, primarily due to the completion of the Texrail project. This note payable is on a rapid repayment plan, as the repayments commence in fiscal 2020 with full liquidation of the debt in 2022. \$205,000,000 was moved to the current portion of the note payable to be paid in fiscal 2020. Debt payments constitute non-capital financing activities for the Authority and, while considered in cash flow, are not expenses of the Authority.

The Authority's net position increased in fiscal 2019 by \$147,546,749 or 16%, compared to an increase of \$237,543,857 or 33%, in fiscal 2018. The decrease in the change in net position as compared to fiscal 2018 of \$89,997,108 is primarily due to the following:

- A decrease in preventative maintenance reimbursement grants of \$24,631,402;
- A decrease in the contribution from partners of \$14,142,132;
- An increase in depreciation expenses by \$20,153,143 due to the completion of the Texrail project;
- An increase in purchased transportation expenses of \$8,802,784;
- An increase in interest expense of \$7,745,871 due to the completion of the Texrail Project;
- An increase in other operating expenses of \$5,101,859 due primarily to interest on the Texrail loan & the imputed interest on the long-term payable due to the City of Grapevine

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

Condensed Summary of Assets, Liabilities, and Net Position

	2020	2019
Current assets	\$ 56,110,626	\$ 320,806,158
Non-current assets	1,184,330,733	1,183,043,791
Total assets	1,240,441,359	1,503,849,949
Current liabilities	31,423,960	280,204,700
Long-term liabilities	66,120,171	126,292,102
Total liabilities	97,544,131	406,496,802
Net position		
Net investment in capital assets	1,094,471,456	796,153,431
Restricted	2,000,000	2,000,000
Unrestricted	46,425,772	299,199,716
Total net position	\$ 1,142,897,228	\$ 1,097,353,147

Operating revenues for fiscal 2020 decreased by \$3,159,725 or 30%. Fare revenue decreased \$2,996,709 or 31% due to decreased ridership on the Authority's core transportation services, fixed route bus, paratransit and commuter rail, during the year. Other revenues, which include items such as natural gas royalties, the sale of pass covers, identification cards and subrogation revenue, decreased \$15,797 or 5%.

Operating expenses before depreciation increased \$3,073,611 or 3% in fiscal 2020 as compared to fiscal 2019. This increase in operating expenses is primarily due to the following:

- Salaries and wages expense increased by \$4,993,638 or 12%;
- Purchased transportation increased by \$5,240,715 or 19%;
- Interest expense decreased by \$3,501,096 or 45%;
- Other expenses decreased by \$5,456,080;
- Fuels and lubricants decreased by \$1,080,925 or 43%;
- Professional services increased by \$1,640,409 or 18%.

Non-operating revenue (expenses) increased \$61,087,395 or 59% in fiscal 2020 as compared to fiscal 2019. This increase is primarily due to the following:

- An increase in operating assistance grants of \$45,567,041 or 3736%, including \$44,115,126 from reimbursements under the CARES Act due to COVID-19 pandemic
- An increase in preventative maintenance grants of \$21,511,716 or 100%
- An increase in para-transit assistance grants of \$2,335,863 or 100%
- A decrease in contributions from partners of \$3,158,929 or 22%
- A decrease in investment income of \$4,922,590 or 87%

Operating revenues for fiscal 2019 increased \$710,953 or 7%. Fare revenue increased \$560,048 or 6% due to increased ridership on the Authority's core transportation services, fixed route bus, paratransit and commuter rail, during the year. Other revenues, which include items such as natural gas royalties, the sale of pass covers, identification cards and subrogation revenue, increased \$95,543 or 49%.

Operating expenses before depreciation increased approximately \$31,244,670 or 43% in fiscal 2019 as compared to fiscal 2018. This increase in operating expenses is primarily due to the following:

- Purchased transportation increased by \$8,802,784 or 47%;
- Interest expense increased by \$7,745,871 or 8,699%;
- Other expenses increased by \$ 5,101,859 or 591%;
- Professional services increased by \$2,737,549 or 44%; and
- Casualty and liability insurance expenses increased by \$2,664,847 or 164%;
- Salaries and wages expense increased by \$2,205,940 or 6%;

Non-operating revenue (expenses) decreased \$40,479,209 or 28% in fiscal 2019 as compared to fiscal 2018. This decrease is primarily due to the following:

- A decrease in operating assistance grants of \$2,098,367 or 63%
- A decrease in preventative maintenance grants of \$24,631,402 or 100%,
- A decrease in para-transit assistance grants of \$2,400,000 or 100%;
- A decrease in the contribution from partners of \$14,142,132 or 50%;
- Sales tax revenue increased \$3,433,678 or 4%

Changes in Net Position (Summarized)

	2020	2019
Operating revenue		
Fare revenue	\$ 6,679,820	\$ 9,676,529
Advertising	458,337	605,556
Other	276,305	292,102
Operating revenue	7,414,462	10,574,187
Operating expenses	153,874,261	142,208,292
Operating loss	(146,459,799)	(131,634,105)
Nonoperating revenue (expenses)		
Sales Tax	81,273,922	82,117,362
Operating assistance grants	46,786,635	1,219,594
Preventive maintenance reimbursement	21,511,716	-
Para-transit assistance	2,335,863	-
Contributions from partners	11,124,100	14,283,029
Other non-operating revenue (expense)	1,990,822	6,315,678
Net non-operating revenue (expenses)	165,023,058	103,935,663
Grants for Capital Improvements	26,980,822	175,245,191
Change in net position	45,544,081	147,546,749
Net position, beginning of year	1,097,353,147	949,806,398
Net position, end of year	\$ 1,142,897,228	\$ 1,097,353,147

Capital Assets

During fiscal 2020 the Authority's net investment in capital assets increased by \$298,318,025. The Authority added \$48,641,741 in acquisitions and construction of capital assets, 143,142,998 or 75% less than in fiscal 2019. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
 - Trinity River Bridge Project of \$31,289,028
 - Commuter rail improvements of \$11,056,191

Depreciation expense for fiscal 2020 was \$46,800,036. The following is a summary of the Authority's capital assets:

	2020	2019
Land	\$ 156,763,218	\$ 154,714,132
Buildings	100,448,564	103,451,225
Building improvements	2,138,964	1,834,370
Machinery and equipment	91,646,020	79,032,439
Rolling stock	159,724,513	162,717,879
Improvements other than buildings	624,447,684	602,780,877
Construction in Progress	31,114,857	60,088,010
	\$ 1,166,283,820	\$ 1,164,618,932

During fiscal 2019 the Authority's net investment in capital assets increased by \$183,686,960. The Authority added \$191,784,739 in acquisitions and construction of capital assets, \$197,526,429 or 51% less than in fiscal 2018. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
 - Commuter rail expansion of \$165,015,217; and
- Fixed route bus service and para-transit service improvements include:
 - Replacement of aging para-transit and fixed route vehicles of \$4,059,494;
 - Technology improvements of \$3,327,500; and
 - Facilities improvements and other capital maintenance of \$19,382,528.

Depreciation expense for fiscal 2019 was \$38,207,682. The following is a summary of the Authority's capital assets:

**Capital Assets, Net of Accumulated Depreciation
as of December 30, 2019 and 2018**

	2019	2018
Land	\$ 154,714,132	\$ 45,089,218
Buildings	103,451,225	80,724,990
Building improvements	1,834,370	868,915
Machinery and equipment	79,032,439	8,104,646
Rolling stock	162,717,879	43,125,092
Improvements other than buildings	602,780,877	58,751,774
Construction in Progress	60,088,010	777,599,017
	\$ 1,164,618,932	\$ 1,014,263,652

Debt Administration

TEXRail Loan

With the current financial structure of the TEXRail project, long term debt financing is not necessary. 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 million. Repayments on the loan commenced in fiscal 2020 with full liquidation of the debt in fiscal 2022. The projected net proceeds of the short-term borrowing are \$325 million. The total payments on the short-term borrowing are estimated at \$355.3 million, which includes interest of \$30.3 million. For the baseline financial structure, interest on the short-term debt ranges from 2.4% to 3.0% and is payable semi-annually each April 1 and October 1. In addition, there is an estimated \$3.7 million in costs related to the issuance of the debt.

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.

During fiscal 2020, the Authority was notified by the Comptroller that sales tax payback payments had been suspended from April 2020 through January 2021, due to COVID-19 and its negative impact on the economy.

The balance due the State of Texas at September 30, 2020 and 2019 was \$2,784,550 and \$2,841,525, 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 to share in the construction cost of TEXRail station enhancements. 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 2021 continues to recognize the importance of efficient service that meets the needs of our customers and community. Sales tax revenues decreased slightly in fiscal 2020, decreasing approximately \$843 thousand or 1% compared to fiscal 2019 receipts. Sales tax revenues for fiscal 2021 are budgeted at \$57.1 million, a decrease of approximately \$24.2 million or 30% as compared to fiscal 2020 actual revenue of \$81.3 million in order to provide a conservative foundation for the development of the fiscal 2021 budget, in light of the fluidity of the economic impact of the COVID-19 pandemic on the Authority.

The overall employment picture in Authority's service area has decreased due to the pandemic. According to the Department of Labor the unemployment rate for the Fort Worth area for August 2020 was 6.6%. This is an increase of 3.1% over August 2019 which was a rate of 3.5%, and the Fort Worth/Arlington region remains below the national unemployment rate of 8.4% in August 2020. Fort Worth, which is the Authority's largest member city, continues to experience population growth. According to the North Central Texas Council of Governments Fort Worth's estimated population in 2020 was 873,130. With an annual population growth rate of 2.86%, the population of Fort Worth is expected to exceed 898,094 in 2021.

The adopted fiscal 2021 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2021 budgeted operating expenses before depreciation totaled approximately \$125.8 million dollars, an increase of approximately \$19.6 million or 18% over actual fiscal 2020 total expenses before depreciation.

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

- A budgeted increase in salaries, wages and fringe benefits of \$1.8 million or 4%, as compared to fiscal 2020 actual results. The largest contributor to this increase is filling in vacancies and an anticipated return to normal service;
- A budgeted increase in service type expenses, which included purchased transportation expenses, of approximately \$15.8 million or 36%, as compared to fiscal 2020 actual results. This increase is due to Positive Train Control operations starting in fiscal 2021 as well as full years of revenue services for purchased transportation such as Trinity Metro ZIPZONE in the Near Southside and Crowley areas.

The Authority enters fiscal 2021 recognizing the importance of efficient public transportation services that meets the needs of our customers and the community. As always, our number one goal continues to be focusing on increasing system wide ridership, balancing the demands of existing public transportation modes, while making certain that funds are available in the future to operate and maintain new and innovative modes of 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, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Board reserves	\$ 1,642,347	\$ 11,000,000
Restricted for rail vehicles	794,450	800,682
Unrestricted	29,479,566	251,503,704
Total cash and cash equivalents	31,916,363	263,304,386
Investments	-	10,000,000
Receivables, net	19,827,078	44,554,041
Inventory	2,196,303	1,727,468
Prepaid expenses	2,170,882	1,220,263
Total current assets	56,110,626	320,806,158
LONG-TERM ASSETS		
Right to use asset, net	18,046,913	18,424,859
Land and construction in progress	187,878,075	214,802,142
Other capital assets, net of accumulated depreciation	978,405,745	949,816,790
Total long-term assets	1,184,330,733	1,183,043,791
Total assets	1,240,441,359	1,503,849,949
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	23,047,485	53,693,220
Accrued payroll and payroll related taxes	3,963,325	2,649,454
Other accrued liabilities	2,257,067	1,921,938
Current portion of due to state	92,428	137,764
Current portion of due to municipality	160,291	15,156,382
Current portion of revenue note payable	-	205,000,000
Unearned transit revenue	1,903,364	1,645,942
Total current liabilities	31,423,960	280,204,700
LONG-TERM LIABILITIES		
Due to state, net of current portion	2,692,122	2,703,761
Due to municipality, net of current portion	3,428,049	3,588,341
Revenue note payable	60,000,000	120,000,000
Total long-term liabilities	66,120,171	126,292,102
Total liabilities	97,544,131	406,496,802
NET POSITION		
Net investment in capital assets	1,094,471,456	796,153,431
Restricted	2,000,000	2,000,000
Unrestricted	46,425,772	299,199,716
TOTAL NET POSITION	\$ 1,142,897,228	\$ 1,097,353,147

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

Fort Worth Transportation Authority
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended September 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Fare revenue	\$ 6,679,820	\$ 9,676,529
Advertising	458,337	605,556
Other	276,305	292,102
	7,414,462	10,574,187
OPERATING EXPENSES		
Salaries, wages and fringe benefits	46,354,398	41,360,760
Professional services	10,639,133	8,998,724
Purchased transportation	32,576,056	27,335,341
Fuels and lubricants	1,420,916	2,501,841
Tires and tubes	343,729	352,105
Maintenance materials	3,364,976	3,144,493
Supplies and materials	814,120	682,354
Utilities	1,327,176	1,224,675
Casualty and liability insurance	4,982,480	4,294,416
Taxes and fees	106,526	4,014
Interest expense	4,257,520	7,758,616
Other	509,248	5,965,328
Depreciation and amortization	47,177,983	38,585,625
	153,874,261	142,208,292
Operating loss	(146,459,799)	(131,634,105)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax	81,273,922	82,117,362
Operating assistance grants	46,786,635	1,219,594
Preventative maintenance reimbursement	21,511,716	-
Para-transit assistance	2,335,863	-
Contributions from partners	11,124,100	14,283,029
Rental income	740,787	812,937
Investment income	742,155	5,664,745
Oil and gas revenue	22,814	39,296
Gain (loss) on disposal of capital assets	(22,871)	(124,998)
Other non-departmental revenues (expenses)	507,937	(76,302)
	165,023,058	103,935,663
INCOME (LOSS) BEFORE CAPITAL GRANTS	18,563,259	(27,698,442)
GRANTS FOR CAPITAL IMPROVEMENTS	26,980,822	175,245,191
Change in net position	45,544,081	147,546,749
NET POSITION, beginning of year	1,097,353,147	949,806,398
NET POSITION, end of year	\$ 1,142,897,228	\$ 1,097,353,147

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

Fort Worth Transportation Authority
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 14,889,101	\$ 2,604,063
Payments to suppliers	(91,564,004)	(91,898,744)
Payments to employees	(45,040,527)	(41,257,173)
	(121,715,430)	(130,551,854)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax received	81,275,496	81,868,086
Preventive maintenance reimbursement	21,511,716	3,465,936
Para-transit assistance	2,335,863	-
Contributions from partners	11,936,943	14,412,317
Rental income	740,787	812,937
Operating assistance grants	44,253,897	1,219,594
Oil and gas revenue	22,814	39,296
Payment of due to municipality	(15,156,382)	-
Payment of revenue note payable	(265,000,000)	-
Payment of due to state	(56,976)	(519,415)
	(118,135,842)	101,298,751
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants for capital improvements	46,208,889	165,835,789
Acquisition and construction of capital assets	(48,641,739)	(188,620,706)
Proceeds from sale of capital improvements and land	153,944	27,235
	(2,278,906)	(22,757,682)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	742,155	6,363,227
Proceeds from sale and maturity of investments	10,000,000	50,000,000
	10,742,155	56,363,227
Net change in cash and cash equivalents	(231,388,023)	4,352,442
CASH AND CASH EQUIVALENTS, beginning of year	263,304,386	258,951,944
CASH AND CASH EQUIVALENTS, end of year	\$ 31,916,363	\$ 263,304,386

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, 2020 and 2019

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (146,459,799)	\$ (131,634,105)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	46,800,036	38,207,682
Amortization expense	377,946	377,943
Change in operating assets and liabilities		
Receivables	7,217,217	(5,998,255)
Inventory	(468,835)	301,163
Prepaid expenses	(950,619)	639,252
Accounts payable	(30,645,735)	(29,647,149)
Accrued payroll and payroll related taxes	1,313,871	103,587
Other accrued liabilities	843,066	(930,103)
Unearned transit revenue	257,422	(1,971,869)
	<u>\$ (121,715,430)</u>	<u>\$ (130,551,854)</u>

Fort Worth Transportation Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

The Board adopted resolutions on June 18, 1992, to include the City of Blue Mound (Blue Mound) in the Authority's service area. On May 8, 1992, the citizens of Blue Mound approved referendums authorizing a one-half of one percent sales tax increase. Collection of Blue Mound sales tax began October 1, 1992.

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

The accounting policies of the Authority, as reflected in the accompanying financial statements as of and for the years ended September 30, 2020 and 2019, 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. A summary of the Authority's significant accounting policies applied in the preparation of the accompanying financial statements follows.

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.

Fort Worth Transportation Authority

Notes to Financial Statements

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 changes in net position, 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 cash, cash equivalents and investment policies of the Authority are governed by state statute. Statutes authorize the Authority to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act. During the years ended September 30, 2020 and 2019, the Authority did not own any type of securities other than those permitted by statute. 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.

Prepaid Expenses

Prepaid expenses consist of certain payments to vendors reflecting costs applicable to future accounting periods, and are recorded as expenses in the related future period.

Capital Assets

Assets purchased with an original cost of \$5,000 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

Fort Worth Transportation Authority

Notes to Financial Statements

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.

Right-to-Use Asset

Right-to-use assets are recorded at the present value of the required payments to the municipality using a discount rate, and is amortized over the life of the asset.

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 from partners, rental income, oil and gas revenues, and investment income are classified as non-operating revenues.

Operating expenses are incurred for activities related to providing public transportation services to the Authority's customers. Such activities include transportation, maintenance, and general and administration functions. Non-operating expenses include primarily contributions for other public projects. When both restricted and unrestricted resources are available for a specific expenditure, it is management's policy to first use restricted resources.

Grants and Contributions

Governmental grants (including federal grants in year ended September 30, 2020 and federal and state grants in year ended September 30, 2019) are made available to the Authority for the acquisition of public transit facilities, buses and other transit equipment, and to subsidize certain operating expenses. Grants are recorded as federal operating and formula assistance in the period in which the assistance expense is incurred, unless grants allow "pre-award" costs. In these instances, the revenues are often recognized in a period subsequent to that of the related expenses.

Contributions from Partners

Amounts noted as contributions from partners consist primarily of sales tax revenue levied by certain municipalities and paid to the Authority, along with state grant revenue and other local contributions.

Unearned Revenue

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

Statement of Cash Flows

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

Fort Worth Transportation Authority

Notes to Financial Statements

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 operating agreements.

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

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. Such reclassifications had no effect on net position or change in net position.

Note 2. Operating and Service Agreements

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

Effective January 1, 2005, the contract with MTA and MTI was renegotiated to provide only transportation services. MTI employs all operations and maintenance staff necessary to operate the fixed route and para-transit services for the Authority. Under this agreement, the Authority continued to be responsible for MTI costs and also paid MTA \$248,543 and \$285,976 in the years ended September 30, 2020 and 2019, 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 \$4,395,747 and \$3,084,547 for services in the years ended September 30, 2020 and 2019, respectively.

Note 3. Cash, Cash Equivalents and Investments

All investments and cash equivalents during the year were money market funds, certificates of deposit or investments in investments 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.

Fort Worth Transportation Authority

Notes to Financial Statements

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, 2020 and 2019, the Authority had the following investments:

	2020		2019	
	Fair Value	Weighted Avg Years to Maturity	Fair Value	Weighted Avg Years to Maturity
Certificates of deposit	\$ -	1.23	\$ 10,000,000	1.23
Total investments	-		10,000,000	
TexPool-cash equivalent	4,510,597	1.11	7,798,321	1.11
TexStar-cash equivalent	80,984	1.15	81,373	1.15
Total portfolio	\$ 4,591,581		\$ 17,879,694	

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.)

Fort Worth Transportation Authority

Notes to Financial Statements

Certificates of deposit and the two external investment pools are excluded from the hierarchy.

	2020	2019
Cash and cash equivalents		
Cash deposits	\$ 560,002	\$ 520,479
Money market accounts	26,764,780	254,904,213
TexPool	4,510,597	7,798,321
TexStar	80,984	81,373
Total cash and cash equivalents	\$ 31,916,363	\$ 263,304,386

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, 2020 and 2019, the Authority's investments in TexPool and TexStar were rated AAAM and AAAM, 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, 2020 and 2019, the Authority held deposits in excess of the FDIC limit of \$10,287,270 and \$26,277,940, respectively. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2020 and 2019.

Restricted Cash and Board Reserves

As of September 30, 2019, the Board of Directors had designated the use of certain assets to fund the self-insurance program (see Note 8) and to cover at least three months' budgeted operating expense. During the year ended September 30, 2020, the Board of Directors adopted new general financial policies regarding cash reserves. In doing so, the Board of Directors updated the methodology in which reserves were calculated, which required cash reserves to be based on annual sales tax revenue in the prior year. These funds are to be continually invested until required for use. At September 30, 2019, the designated assets of cash and investments consisted of \$1,000,000 for the self-insurance program and \$10,000,000 for operations. At September 30, 2020, the designated assets of cash and investments consisted of \$1,642,347 for operations. The Authority also 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 \$794,450 and \$800,682 at September 30, 2020 and 2019, respectively.

Fort Worth Transportation Authority

Notes to Financial Statements

Note 4. Receivables

Receivables at September 30, 2020 and 2019 consisted of the following:

	2020	2019
Ticket, token and miscellaneous receivable	\$ 2,249,422	\$ 9,466,639
Sales tax	14,994,806	15,809,223
Grants receivable	2,667,850	19,363,179
Less: allowance	(85,000)	(85,000)
Total	\$ 19,827,078	\$ 44,554,041

Note 5. Capital Assets

The following table summarizes the changes in capital assets for the year ended September 30, 2020:

	Balance Beginning of Year	Increases	Decreases	Transfers	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 154,714,132	\$ -	\$ -	\$ 2,049,086	\$ 156,763,218
Construction in progress	60,088,010	48,641,741	(148,729)	(77,466,165)	31,114,857
Total capital assets not being depreciated	214,802,142	48,641,741	(148,729)	(75,417,079)	187,878,075
Capital assets, being depreciated					
Buildings	152,189,930	-	-	84,026	152,273,956
Building improvements	3,392,521	-	-	740,083	4,132,604
Machinery and equipment	102,205,778	-	-	19,811,570	122,017,348
Rolling stock	240,743,915	-	(3,996,092)	9,801,374	246,549,197
Improvements other than buildings	712,912,817	-	-	44,980,026	757,892,843
Total capital assets being depreciated	1,211,444,961	-	(3,996,092)	75,417,079	1,282,865,948
Less accumulated depreciation for					
Buildings	48,738,705	3,086,687	-	-	51,825,392
Building improvements	1,558,151	435,489	-	-	1,993,640
Machinery and equipment	23,173,339	7,197,989	-	-	30,371,328
Rolling stock	78,026,036	12,766,652	(3,968,004)	-	86,824,684
Improvements other than buildings	110,131,940	23,313,219	-	-	133,445,159
Total accumulated depreciation	261,628,171	46,800,036	(3,968,004)	-	304,460,203
Total capital assets, being depreciated, net	949,816,790	(46,800,036)	(28,088)	75,417,079	978,405,745
Capital assets, net	\$ 1,164,618,932	\$ 1,841,705	\$ (176,817)	\$ -	\$ 1,166,283,820

Fort Worth Transportation Authority

Notes to Financial Statements

The following table summarizes the changes in capital assets for the year ended September 30, 2019:

	Balance Beginning of Year	Increases	Decreases	Reclassifications	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 45,089,218	\$ -	\$ -	\$ 109,624,914	\$ 154,714,132
Construction in progress	777,599,017	191,784,739	(3,069,544)	(906,226,202)	60,088,010
Total capital assets not being depreciated	822,688,235	191,784,739	(3,069,544)	(796,601,288)	214,802,142
Capital assets, being depreciated					
Buildings	126,583,579	-	-	25,606,351	152,189,930
Building improvements	2,152,658	-	-	1,239,863	3,392,521
Machinery and equipment	26,482,629	-	(493,638)	76,216,787	102,205,778
Rolling stock	114,395,124	-	(4,633,151)	130,981,942	240,743,915
Improvements other than buildings	150,356,472	-	-	562,556,345	712,912,817
Total capital assets being depreciated	419,970,462	-	(5,126,789)	796,601,288	1,211,444,961
Less accumulated depreciation for					
Buildings	45,858,589	2,880,116	-	-	48,738,705
Building improvements	1,283,743	274,408	-	-	1,558,151
Machinery and equipment	18,377,983	9,769,912	(4,974,556)	-	23,173,339
Rolling stock	71,270,032	6,756,004	-	-	78,026,036
Improvements other than buildings	91,604,698	18,527,242	-	-	110,131,940
Total accumulated depreciation	228,395,045	38,207,682	(4,974,556)	-	261,628,171
Total capital assets being depreciated, net	191,575,417	(38,207,682)	(152,233)	796,601,288	949,816,790
Capital assets, net	<u>\$ 1,014,263,652</u>	<u>\$ 153,577,057</u>	<u>\$ (3,221,777)</u>	<u>\$ -</u>	<u>\$ 1,164,618,932</u>

Interest of \$2,806,856 was capitalized during the year ended September 30, 2019. No interest was capitalized during the year ended September 30, 2020.

During year ended September 30, 2016, the Authority entered into an agreement with an entity which would provide for approximately \$40,000,000 in 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, 2020.

Fort Worth Transportation Authority

Notes to Financial Statements

Note 6. Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2020:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to state	\$ 2,841,525	\$ -	(56,975)	\$ 2,784,550	\$ 92,428
Due to municipality	18,744,723	-	(15,156,383)	3,588,340	160,291
Revenue note payable	325,000,000	-	(265,000,000)	60,000,000	-
Total	\$ 346,586,248	\$ -	\$ (280,213,358)	\$ 66,372,890	\$ 252,719

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2019:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to state	\$ 3,208,372	\$ -	\$ (366,847)	\$ 2,841,525	\$ 137,764
Due to municipality	18,897,291	-	(152,568)	18,744,723	15,156,382
Revenue note payable	325,000,000	-	-	325,000,000	205,000,000
Total	\$ 347,105,663	\$ -	\$ (519,415)	\$ 346,586,248	\$ 220,294,146

Due to State

During the year ended September 30, 2011, the Authority was notified by the Texas Comptroller of Public Accounts (the Comptroller) that the Comptroller had erroneously remitted approximately \$4.6 million in sales tax collections to the Authority. The Comptroller and the Authority have agreed to repayment terms, which provide for no interest and monthly payments reduced from the regular sales tax monthly remittance from the Comptroller through June 2036.

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

During the year ended September 30, 2015, the Authority was notified by the Texas Comptroller of Public Accounts 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. 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.

Total due to state as of September 30, 2020 and 2019 are \$2,784,550 and \$2,841,525 respectively.

Fort Worth Transportation Authority

Notes to Financial Statements

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, 2020 were scheduled as follows:

Year Ending September 30,		
2021	\$	208,620
2022		208,620
2023		208,620
2024		208,620
2025		208,620
2026-2030		1,043,100
2031-2035		1,043,100
2036		156,496
Total minimum payments		3,285,796
Less amount representing interest		(501,246)
Recorded value of minimum payments	\$	2,784,550

The imputed interest totaled \$29,950 and \$76,302 for the years ended September 30, 2020 and 2019, respectively, and is included in other non-departmental (revenues) expenses.

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.

Fort Worth Transportation Authority

Notes to Financial Statements

Reductions of future remittances to the Authority for repayment of the amount due to municipality at September 30, 2020 were scheduled as follows:

Year Ending September 30,	
2021	250,000
2022	250,000
2023	250,000
2024	250,000
2025	250,000
2026-2030	1,250,000
2031-2035	1,250,000
2036-2038	750,000
Total minimum payments	4,500,000
Less amount representing interest	(911,660)
Recorded value of minimum payments	\$ 3,588,340

The imputed interest totaled \$93,618 and \$97,432 for the years ended September 30, 2020 and 2019, and is included in interest expense.

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. 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
2022	\$ 60,000,000	\$ 1,074,106
	\$ 60,000,000	\$ 1,074,106

For years ended September 30, 2020 and 2019, \$4,163,902 and \$10,468,040 of interest was charged on the revenue notes, with \$4,163,902 and \$7,661,184 recorded as interest expense. Interest capitalized related to borrowing during year ended September 30, 2019 totaled \$2,806,856. No interest was capitalized during the year ended September 30, 2020.

Letter of Credit

The Authority had a letter of credit approximating \$5,000,000 in the name of an entity related to an operating agreement as of September 30, 2019.

Fort Worth Transportation Authority

Notes to Financial Statements

Note 7. Retirement Benefits

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

During year ended September 30, 2019, the Authority made contributions to the 401(k) Plan for employees who work 1,000 hours or more during a calendar year based on their voluntary contribution. Effective January 1, 2020, the Authority makes contributions to the 401(k) Plan for employees who work at least one hour or more during a calendar year 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, 2020 and 2019, the employee contributions to the 401(k) Plan were \$1,859,331 and \$1,491,256, respectively. The Authority's contributions to the 401(k) Plan for those years were \$1,768,764 and \$569,009, 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, 2020 and 2019, the employee contributions to the 457(b) Plan were \$566,542 and \$569,009, respectively. The Authority's contributions to the 457(b) Plan for those years were \$567,442 and \$198,305, respectively.

Note 8. Commitments and Contingencies

Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2020. The Authority has spent \$54,277,224 on these projects and has remaining commitments of \$18,829,341 at September 30, 2020.

Fort Worth Transportation Authority

Notes to Financial Statements

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, 2020 and 2019, 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.

As of January 2019, the Authority also has a stand-alone liability policy related to TEXRail revenue service. The coverage amount is \$300 million and has self-retention of \$1 million. No changes were made to this coverage during year ended September 30, 2020.

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 \$570,292 and \$570,190 reported at September 30, 2020 and 2019, 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, and is included in other accrued liabilities as of September 30, 2020 and 2019.

Changes in the reported liability for the years ended September 30, 2020 and 2019 are as follows:

	Beginning of Year Liability	Incurred Claims and Adjustments	Claim Payments	End of Year Liability
Vehicle and general liability				
Fiscal year 2020	\$ 456,374	\$ -	\$ 32,307	\$ 424,067
Fiscal year 2019	591,173	297,418	432,217	456,374
Fiscal year 2018	454,161	137,012	-	591,173
Workers' compensation				
Fiscal year 2020	\$ 113,816	\$ 213,260	\$ 180,851	\$ 146,225
Fiscal year 2019	82,484	180,998	149,666	113,816
Fiscal year 2018	358,233	54,273	330,022	82,484

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.

Fort Worth Transportation Authority

Notes to Financial Statements

Cash and/or investments of \$1,000,000 were held for purposes of funding future claims liabilities (see Note 3) at September 30, 2019.

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, 2020 and 2019 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 \$424,067, which is included in other accrued liabilities on the statements of financial 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. Subsequent Events

The extent of the operational and financial impact the COVID-19 pandemic may have on the Authority has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. The Authority is unable to accurately predict how COVID-19 will affect the results of its operations because the virus's severity and the duration of the pandemic are uncertain. However, while it is premature to accurately predict its full impact, the Authority anticipates that sales tax collections will be reduced for the immediate future.

Supplementary Information

Fort Worth Transportation Authority
Schedule of Revenues and Expenses – Budget and Actual
Year Ended September 30, 2020
With Comparative Actuals for the Year Ended September 30, 2019

	2020			2019	
	Original Budget	Final Budget	Actual	Variance Over (Under)	Actual
OPERATING REVENUES					
Fare revenue	\$ 10,005,000	\$ 10,005,000	\$ 6,679,820	\$ (3,325,180)	\$ 9,676,529
Advertising	500,000	500,000	458,337	(41,663)	605,556
Other	548,000	548,000	276,305	(271,695)	292,102
Total operating revenues	11,053,000	11,053,000	7,414,462	(3,638,538)	10,574,187
OPERATING EXPENSES					
Salaries, wages and fringe benefits	46,410,000	46,410,000	46,354,398	55,602	41,360,760
Professional services	49,506,000	49,506,000	10,639,133	38,866,867	8,998,724
Purchased transportation	-	-	32,576,056	(32,576,056)	27,335,341
Fuels and lubricants	2,327,000	2,327,000	1,420,916	906,084	2,501,841
Tires and tubes	438,000	438,000	343,729	94,271	352,105
Maintenance materials	2,443,000	2,443,000	3,364,976	(921,976)	3,144,493
Supplies and materials	425,000	425,000	814,120	(389,120)	682,354
Utilities	1,641,000	1,641,000	1,327,176	313,824	1,224,675
Casualty and liability insurance	5,435,000	5,435,000	4,982,480	452,520	4,294,416
Taxes and fees	3,000	3,000	106,526	(103,526)	4,014
Interest expense	4,164,000	4,164,000	4,257,520	(93,520)	7,758,616
Depreciation	-	-	47,177,983	(47,177,983)	38,585,625
Other	1,062,000	1,062,000	509,248	552,752	5,965,328
Total operating expenses	113,854,000	113,854,000	153,874,261	(40,020,261)	142,208,292
Operating loss	(102,801,000)	(102,801,000)	(146,459,799)	(43,658,799)	(131,634,105)
NON-OPERATING REVENUES (EXPENSES)					
Sales tax	83,566,000	83,566,000	81,273,922	(2,292,078)	82,117,362
Operating assistance grants	13,052,000	13,052,000	46,786,635	33,734,635	1,219,594
Preventive maintenance reimbursement	-	-	21,511,716	21,511,716	-
Para-transit assistance	-	-	2,335,863	2,335,863	-
Contributions from partners	14,151,000	14,151,000	11,124,100	(3,026,900)	14,283,029
Rental income	748,000	748,000	740,787	(7,213)	812,937
Investment income	2,460,000	2,460,000	742,155	(1,717,845)	5,664,745
Oil and gas revenue	-	-	22,814	22,814	39,296
Gain (loss) on disposal of capital assets	-	-	(22,871)	(22,871)	(124,998)
Other non-operating revenue (expense)	(71,000)	(71,000)	507,937	578,937	(76,302)
Total non-operating revenue (expenses)	113,906,000	113,906,000	165,023,058	51,117,058	103,935,663
Income before capital grants	11,105,000	11,105,000	18,563,259	7,458,259	(27,698,442)
Grants for capital improvements	46,067,000	46,067,000	26,980,822	(19,086,178)	175,245,191
CHANGE IN NET POSITION	\$ 57,172,000	\$ 57,172,000	\$ 45,544,081	\$ (11,627,919)	\$ 147,546,749

Federal Awards Section

Fort Worth Transportation Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Grantor ID Number	Catalog of Federal Domestic Assistance ID Number	Federal Expenditures
FEDERAL AWARDS			
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster			
Direct Award			
New Starts -FFGA	TX-2017-001-00	20.500	\$ 11,294,308
FTA/Formula (and flex funds)	TX-90-Y032-00	20.507	3,879
FTA/Formula (and flex funds)	TX-95-X065-01	20.507	85,058
FTA/Formula (and flex funds)	TX-95-X068-00	20.507	156,746
FTA/Formula (and flex funds)	TX-17-059-00	20.507	133,943
FTA/Formula (and flex funds)	TX-2018-004	20.507	18,900
FTA/Formula (and flex funds)	TX-2018-032	20.507	2,762,492
Mobility of Sr. & Indv. w/ Disabilities Formula	TX-2018-060	20.507	98,091
FTA/Formula (and flex funds)	TX-2018-085	20.507	1,006,513
FTA/Formula (and flex funds)	TX-2019-104	20.526	1,841,661
FTA/Formula (and flex funds)	TX-2020-014	20.525	3,534,023
Cares Act (Formula Funds)	TX-2020-066	20.507	44,115,126
State of Good Repair Grant	TX-2020-105	20.525	4,002,011
FTA/Formula (and flex funds)	TX-2020-137	20.507	389,064
FTA/Formula (and flex funds)	TX-2020-159-02-01	20.507	1,200,000
FTA/Formula (and flex funds)	TX-2020-159-04-01	20.507	11,342,938
FTA/Formula (and flex funds)	TX-2020-163-02-01	20.507	1,200,000
FTA/Formula (and flex funds)	TX-2020-163-03-01	20.507	10,070,687
FTA/Formula (and flex funds)	TX-2020-170-01	20.507	2,912,531
FTA/Formula (and flex funds)	TX-2020-170-02	20.507	789,986
FTA/Formula (and flex funds)	TX-2020-170-03	20.507	243,266
FTA/Formula (and flex funds)	TX-2020-170-04	20.507	94,852
			<hr/>
			97,296,075
Passed through North Central Texas Council of Governments			
TRE Link	NCTCOG - JARC	20.507	254,851
Denton Express - JARC	Denton Express JARC	20.507	290,934
NW Quadrant - JARC	NW Quadrant JARC	20.507	221,068
			<hr/>
			766,853
Total Federal Transit Cluster			
			98,062,928
Operation Lifesaver			
	VA-2019-004-00	20.514	20,000
Passed through North Central Texas Council of Governments			
JARC Vanpool	TX-37-4070-00	20.516	44,270
			<hr/>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 98,127,198

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

Fort Worth Transportation Authority

Notes to Schedule of Expenditures of Federal Awards

Note 1. Summary of Significant Accounting Policies

General: The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal 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, 2020. 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).

Because the SEFA presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Basis of Accounting: Expenditures reported on the SEFA 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

During the fiscal year ended September 30, 2020, the Authority was awarded grants under CFDA 20.500, 20.507, 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 \$47,559,721.

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

Reconciliation: Grant revenue per the accompanying SEFA is recorded the statement of revenue, expenses and changes in net position for year ended September 30, 2020 as follows:

Federal assistance per SEFA	\$ 98,127,198
State grants	288,086
Amounts included in contributions from partners	(64,136)
Other Adjustments	(736,112)
	\$ 97,615,036
Reconciled revenue	\$ 97,615,036
Operating assistance grants	\$ 46,786,635
Preventative maintenance reimbursement	21,511,716
Para-transit assistance	2,335,863
Grants for capital improvements	26,980,822
	\$ 97,615,036
Total grant revenue - FY 2020	\$ 97,615,036



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, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reporting

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

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

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

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*.

Weaver and Tidwell, L.L.P.
2821 West 7th Street, Suite 700 / Fort Worth, Texas 76107
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The Board of Directors of the
Fort Worth Transportation Authority

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 15, 2021



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

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 that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

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 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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
January 15, 2021

Fort Worth Transportation Authority
Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2020

Section II. Financial Statement Findings

There were no matters reported.

Section III. Financial Statement Findings

No findings reported.

Fort Worth Transportation Authority

Status of Prior Year Findings
Year Ended September 30, 2020

None noted.