

Fort Worth Transportation Authority

Financial Report

September 30, 2021



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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, 2021 and 2020, 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, 2021 and 2020, 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 7, 2022, 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 7, 2022

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, 2021. 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, 2021, the Authority's assets exceeded its liabilities by \$1,169,630,865. Of this amount, \$32,917,890 is unrestricted and may be used to meet the Authority's ongoing obligations in accordance with its fiscal policies. Unrestricted net position was approximately 28% of the fiscal 2021 operating expenses before depreciation.

Overview of the Financial Statements

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

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

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

Financial Analysis of the Authority's Net Assets

The Authority's total assets of \$1,218,504,084 at September 30, 2021 represented a decrease of \$21,937,275 or 2% from September 30, 2020. Capital assets, which includes land and construction in progress, at September 30, 2021 were \$1,136,865,151, representing decrease of \$29,418,669 or approximately 3% from September 2020.

The Authority's total liabilities of \$48,873,219 at September 30, 2021 represented a decrease of \$48,670,912 or 50% from September 30, 2020. Total current and non-current portions of long-term liabilities were \$3,428,050 at September 30, 2021, a decrease of \$62,944,840 or 95% from September 30, 2020. This decrease is due to regularly scheduled debt payments and payoff of amount due to State.

Total current liabilities increased by \$14,185,508 or 45%, primarily due to an increase related to funds received from Dallas Area Rapid Transit ("DART") for shared use of TEXRail facilities at DFW International Airport.

The Authority's net position increased in fiscal 2021 by \$26,733,637 or 2%, compared to an increase of \$45,544,081 or 4%, in fiscal 2020. The decrease in the change in net position as compared to fiscal 2020 of \$18,810,444 is primarily due to the following:

- An increase in operating assistance grants of \$3,642,498;
- A decrease in preventative maintenance reimbursement grants of \$21,511,716;
- An increase in grants for capital improvements of \$9,096,003;
- An increase in sales tax revenue of \$4,099,271;
- An increase in other non-departmental revenues of \$2,002,758;
- An increase in professional services expenses of \$5,172,925;
- An increase in purchased transportation expenses of \$5,634,422.

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.

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;

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

	2021	2020
Current assets	\$ 63,969,966	\$ 56,110,626
Non-current assets	1,154,534,118	1,184,330,733
Total assets	1,218,504,084	1,240,441,359
Current liabilities	45,609,468	31,423,960
Long-term liabilities	3,263,751	66,120,171
Total liabilities	48,873,219	97,544,131
Net position		
Net investment in capital assets	1,134,712,975	1,094,471,456
Restricted	2,000,000	2,000,000
Unrestricted	32,917,890	46,425,772
Total net position	\$ 1,169,630,865	\$ 1,142,897,228

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

Operating revenues for fiscal 2021 decreased by \$1,049,139 or 14%. Fare revenue decreased \$1,433,207 or 21% 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, increased by \$281,891 or 102%.

Operating expenses before depreciation increased \$9,941,042 or 9% in fiscal 2021 as compared to fiscal 2020. This increase in operating expenses is primarily due to the following:

- Professional services increased by \$5,172,925 or 49%;
- Purchased transportation increased by \$5,634,422 or 17%;
- Interest expense decreased by \$1,882,081 or 44%;
- Casualty and liability insurance increased by \$1,191,768 or 24%.

Non-operating revenue (expenses) decreased by \$14,346,241 or 9% in fiscal 2021 as compared to fiscal 2020. This increase is primarily due to the following:

- An increase in sales tax revenue of \$4,099,271 or 5%;
- An increase in operating assistance grants of \$3,642,498 or 8%;
- A decrease in preventative maintenance reimbursement grants of \$21,511,716 or 100%;
- A decrease in para-transit assistance grants of \$2,335,863 or 100%;
- An increase in other non-departmental revenue of \$2,002,758 or 394%.

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.
- 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%

Changes in Net Position (Summarized)

	2021	2020
Operating revenue		
Fare revenue	\$ 5,246,613	\$ 6,679,820
Advertising	560,514	458,337
Other	558,196	276,305
Operating revenue	6,365,323	7,414,462
Operating expenses	166,385,328	153,874,261
Operating loss	(160,020,005)	(146,459,799)
Nonoperating revenue (expenses)		
Sales Tax	85,373,193	81,273,922
Operating assistance grants	50,429,133	46,786,635
Preventive maintenance reimbursement	-	21,511,716
Para-transit assistance	-	2,335,863
Contributions from partners	11,674,989	11,124,100
Other non-operating revenue	688,807	1,482,885
Other non-departmental revenues (expenses)	2,510,695	507,937
Net non-operating revenue (expenses)	150,676,817	165,023,058
Grants for Capital Improvements	36,076,825	26,980,822
Change in net position	26,733,637	45,544,081
Net position, beginning of year	1,142,897,228	1,097,353,147
Net position, end of year	\$ 1,169,630,865	\$ 1,142,897,228

Capital Assets

During fiscal 2021 the Authority's net investment in capital assets increased by \$40,241,519. The Authority added \$21,332,984 in acquisitions and construction of capital assets, \$27,308,757 or 56% less than in fiscal 2020. Some of the more significant capital expenditures include:

- Commuter rail capital improvements include:
 - TRE capital maintenance of \$4,160,638;
 - Automated fare collection system of \$4,239,386;
 - TEXRail fencing design and construction of \$2,005,406; and
- Fixed route bus service and para-transit service improvements include:
 - Replacement of aging para-transit and fixed route vehicles of \$2,724,330;
 - Facilities improvements of \$4,523,704.

Depreciation expense for fiscal 2021 was \$49,351,040. The following is a summary of the Authority's capital assets:

	2021	2020
Land	\$ 157,188,800	\$ 156,763,218
Buildings, net	97,408,350	100,448,564
Building improvements, net	1,926,074	2,138,964
Machinery and equipment, net	86,503,422	91,646,020
Rolling stock, net	162,518,202	159,724,513
Improvements other than buildings, net	607,042,602	624,447,684
Construction in progress, net	24,277,701	31,114,857
	\$ 1,136,865,151	\$ 1,166,283,820

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

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 2021. The projected net proceeds of the short-term borrowing are \$325.0 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.

During fiscal 2021, the Authority was notified by the Comptroller that an additional \$6,207,000 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 May 4, 2021.

In September 2021, the Authority repaid in full the balance due to the State.

The balance due the State of Texas at September 30, 2020 was \$2,784,550.

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 2022 continues to recognize the importance of efficient service that meets the needs of our customers and community. Sales tax revenues increased in fiscal 2021, increasing approximately \$4.1 million or 5% compared to fiscal 2020 receipts. Sales tax revenues for fiscal 2022 are budgeted at \$88.6 million, an increase of approximately \$3.2 million or 4% as compared to fiscal 2021 actual revenue of \$85.4 million.

The overall employment picture in the Authority's service area has decreased due to the pandemic. According to the Department of Labor, the unemployment rate for Tarrant County for September 2020 was 7.4%. This is an increase of 4.1% over September 2019, which had a rate of 3.3%. The Fort Worth/Arlington region remains below the national unemployment rate of 8.1% in September 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 for 2021 was 890,050. With an annual population growth rate of 1.9%, the population of Fort Worth is expected to exceed 906,961 in 2022.

The adopted fiscal 2022 operating budget meets key financial standards established by the Authority's Board of Directors to ensure a sound financial future. The fiscal 2022 budgeted operating expenses before depreciation totaled approximately \$129.1 million dollars, an increase of approximately \$12.4 million or 11% over actual fiscal 2021 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 \$3.1 million or 7%, as compared to fiscal 2021 actual results. The largest contributor to this increase is a new bargaining unit contract and the filling of vacancies throughout fiscal 2021.
- A budgeted increase in service type expenses, which included purchased transportation expenses, of approximately \$7.9 million or 15%, as compared to fiscal 2021 actual results. This increase is due to contracting out routes 30 and 31, plans to switch to a new contractor for the Alliance ZIPZONE service, and contract rate increases.
- A budgeted increase in insurance expenses of approximately \$3.6 million or 59%, as compared to fiscal 2021 actual results. This increase is due to increases in rail liability premiums.

The Authority enters fiscal 2022 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.

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 801 Grove St, Fort Worth, Texas 76102 or by e-mail at tmweb@ridetm.org

Financial Statements

Fort Worth Transportation Authority

Statements of Net Position September 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Board reserves	\$ 3,267,825	\$ 1,642,347
Restricted for rail vehicles	636,337	794,450
Unrestricted	25,471,682	29,479,566
Total cash and cash equivalents	29,375,844	31,916,363
Receivables, net	22,949,438	19,827,078
Inventory	8,142,608	2,196,303
Prepaid expenses	3,502,076	2,170,882
Total current assets	63,969,966	56,110,626
LONG-TERM ASSETS		
Right to use asset, net	17,668,967	18,046,913
Land and construction in progress	181,466,501	187,878,075
Other capital assets, net of accumulated depreciation	955,398,650	978,405,745
Total long-term assets	1,154,534,118	1,184,330,733
Total assets	1,218,504,084	1,240,441,359
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	19,959,492	23,047,485
Accrued payroll and payroll related taxes	1,052,565	3,963,325
Other accrued liabilities	1,798,587	2,257,067
Current portion of due to state	-	92,428
Current portion of due to municipality	164,299	160,291
Unearned revenue	22,634,525	1,903,364
Total current liabilities	45,609,468	31,423,960
LONG-TERM LIABILITIES		
Due to state, net of current portion	-	2,692,122
Due to municipality, net of current portion	3,263,751	3,428,049
Revenue note payable	-	60,000,000
Total long-term liabilities	3,263,751	66,120,171
Total liabilities	48,873,219	97,544,131
NET POSITION		
Net investment in capital assets	1,134,712,975	1,094,471,456
Restricted	2,000,000	2,000,000
Unrestricted	32,917,890	46,425,772
TOTAL NET POSITION	\$ 1,169,630,865	\$ 1,142,897,228

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, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Fare revenue	\$ 5,246,613	\$ 6,679,820
Advertising	560,514	458,337
Other	558,196	276,305
Total operating revenues	6,365,323	7,414,462
OPERATING EXPENSES		
Salaries, wages and fringe benefits	45,441,746	46,350,675
Professional services	15,838,705	10,665,780
Purchased transportation	38,210,478	32,576,056
Fuels and lubricants	1,765,431	1,382,388
Tires and tubes	406,609	388,237
Maintenance materials	3,712,243	3,364,487
Supplies and materials	1,041,278	819,984
Utilities	1,288,277	1,327,265
Casualty and liability insurance	6,145,949	4,954,181
Taxes and fees	-	106,526
Interest expense	2,375,439	4,257,520
Other	411,165	503,179
Depreciation and amortization	49,748,008	47,177,983
Total operating expenses	166,385,328	153,874,261
Operating loss	(160,020,005)	(146,459,799)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax	85,373,193	81,273,922
Operating assistance grants	50,429,133	46,786,635
Preventative maintenance reimbursement	-	21,511,716
Para-transit assistance	-	2,335,863
Contributions from partners	11,674,989	11,124,100
Rental income	588,661	740,787
Investment income	84,627	742,155
Oil and gas revenue	43,124	22,814
Loss on disposal of capital assets	(27,605)	(22,871)
Other non-departmental revenues	2,510,695	507,937
Total non-operating revenue (expenses)	150,676,817	165,023,058
INCOME (LOSS) BEFORE CAPITAL GRANTS	(9,343,188)	18,563,259
GRANTS FOR CAPITAL IMPROVEMENTS	36,076,825	26,980,822
Change in net position	26,733,637	45,544,081
NET POSITION, beginning of year	1,142,897,228	1,097,353,147
NET POSITION, end of year	\$ 1,169,630,865	\$ 1,142,897,228

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

Fort Worth Transportation Authority
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 25,952,011	\$ 14,889,101
Payments to suppliers	(82,019,547)	(91,564,004)
Payments to employees	(48,352,506)	(45,040,527)
	(104,420,042)	(121,715,430)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax received	82,199,826	81,275,496
Preventive maintenance reimbursement	-	21,511,716
Para-transit assistance	-	2,335,863
Contributions from partners	10,293,903	11,936,943
Rental income	588,661	740,787
Operating assistance grants	53,005,699	44,253,897
Oil and gas revenue	43,124	22,814
Payment of due to municipality	(160,291)	(15,156,382)
Payment of revenue note payable	(60,000,000)	(265,000,000)
Payment of due to state	(2,784,549)	(56,976)
Other departmental revenue	3,679,579	-
	86,865,952	(118,135,842)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants for capital improvements	36,076,825	46,208,889
Acquisition and construction of capital assets	(21,332,986)	(48,641,739)
Proceeds from sale of capital improvements and land	185,105	153,944
	14,928,944	(2,278,906)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	84,627	742,155
Proceeds from sale and maturity of investments	-	10,000,000
	84,627	10,742,155
Net change in cash and cash equivalents	(2,540,519)	(231,388,023)
CASH AND CASH EQUIVALENTS, beginning of year	31,916,363	263,304,386
CASH AND CASH EQUIVALENTS, end of year	\$ 29,375,844	\$ 31,916,363

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, 2021 and 2020

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (160,020,005)	\$ (146,459,799)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	49,370,061	46,800,036
Amortization expense	377,946	377,947
Change in operating assets and liabilities		
Receivables	(1,144,473)	7,217,217
Inventory	(5,946,305)	(468,835)
Prepaid expenses	(1,331,194)	(950,619)
Accounts payable	(3,087,993)	(30,645,735)
Accrued payroll and payroll related taxes	(2,910,760)	1,313,871
Other accrued liabilities	(458,480)	843,065
Unearned transit revenue	20,731,161	257,422
Net cash used in operating activities	\$ (104,420,042)	\$ (121,715,430)

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

Fort Worth Transportation Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

The Board adopted resolutions on 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, 2021 and 2020, 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.

Cash and Cash Equivalents

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, 2021 and 2020, 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 years ended September 30, 2021 and 2020) 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. As of September 30, 2021 and 2020, unearned transit revenue of \$805,299 and \$1,108,914. Unearned revenue also includes grant funds received, but not yet earned of \$636,337 and \$794,450 as of September 30, 2021 and 2020, respectively. and amounts received in advance of earning period related to right-to-use assets granted of \$21,192,889 as of September 30, 2021.

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 by 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 2020 financial statements to conform to the 2021 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 \$249,529 and \$248,543 in the years ended September 30, 2021 and 2020, respectively, for transit management services.

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 \$4,333,148 and \$4,395,747 for services in the years ended September 30, 2021 and 2020, respectively.

Note 3. Cash and Cash Equivalents

All cash equivalents during the year were money market funds, 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.

Fort Worth Transportation Authority

Notes to Financial Statements

TexStar uses net asset value 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, 2021 and 2020, the Authority had the following investments:

	2021		2020	
	Fair Value	Weighted Avg Years to Maturity	Fair Value	Weighted Avg Years to Maturity
TexPool-cash equivalent	\$ 9,018,875	1.11	\$ 4,510,597	1.11
TexStar-cash equivalent	81,016	1.15	80,984	1.15
Total portfolio	\$ 9,099,891		\$ 4,591,581	

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Certificates of deposit and the two external investment pools are excluded from the fair value hierarchy.

	2021	2020
Cash and cash equivalents		
Cash deposits	\$ 1,387,626	\$ 560,002
Money market accounts	18,888,327	26,764,780
TexPool	9,018,875	4,510,597
TexStar	81,016	80,984
Total cash and cash equivalents	\$ 29,375,844	\$ 31,916,363

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.

Fort Worth Transportation Authority

Notes to Financial Statements

Credit Risk

At September 30, 2021 and 2020, 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, 2021 and 2020, the Authority held deposits in excess of the FDIC limit of \$3,119,759 and \$10,287,270, respectively. These uninsured deposits were fully collateralized by securities held by the pledging financial institution at September 30, 2021 and 2020.

Restricted Cash and Board Reserves

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, 2021 and 2020, the amounts on the accompanying statements of net position as board reserves consisted of \$3,267,825 and \$1,642,347, respectively, for operations. The Authority also has funds restricted by a grant from Regional Toll Revenues, to be used for the purchase of rail vehicles. These restricted funds totaled \$636,337 and \$794,450 at September 30, 2021 and 2020, respectively.

Note 4. Receivables

Receivables at September 30, 2021 and 2020 consisted of the following:

	2021	2020
Ticket, token and miscellaneous receivables	\$ 3,393,895	\$ 2,249,422
Sales tax	19,549,259	14,994,806
Grants receivable	91,284	2,667,850
Less: allowance	(85,000)	(85,000)
Total	\$ 22,949,438	\$ 19,827,078

Receivables are reduced, as necessary, by an allowance for estimated uncollectible amounts. Management evaluates the adequacy of the allowance based on a review of individual accounts. The primary factors considered in determining the amount of the allowance are collection history, the aging of the accounts, and other specific information known to management that may affect collectability. The allowance for doubtful accounts was \$85,000 as of September 30, 2021 and 2020, respectively, all of which is associated with ticket, token and miscellaneous receivables. Management writes off receivables against the allowance when accounts are deemed uncollectable. Management does not believe an allowance is necessary on grants or sales tax receivables.

Fort Worth Transportation Authority

Notes to Financial Statements

Note 5. Capital Assets

The following table summarizes the changes in capital assets for the year ended September 30, 2021:

	Balance Beginning of Year	Increases	Decreases	Transfers	Balance End of Year
Capital assets, not being depreciated					
Land	\$ 156,763,218	\$ -	\$ -	\$ 425,582	\$ 157,188,800
Construction in progress	31,114,857	21,270,268	(1,160,298)	(26,947,126)	24,277,701
Total capital assets not being depreciated	187,878,075	21,270,268	(1,160,298)	(26,521,544)	181,466,501
Capital assets, being depreciated					
Buildings	152,273,956	-	-	1,558	152,275,514
Building improvements	4,132,604	-	(506,579)	221,568	3,847,593
Machinery and equipment	122,017,348	62,716	(1,675,904)	2,472,582	122,876,742
Rolling stock	246,549,197	-	(8,706,794)	16,224,971	254,067,374
Improvements other than buildings	757,892,843	-	(444,895)	7,600,865	765,048,813
Total capital assets being depreciated	1,282,865,948	62,716	(11,334,172)	26,521,544	1,298,116,036
Less accumulated depreciation for					
Buildings	51,825,392	3,041,772	-	-	54,867,164
Building improvements	1,993,640	434,458	(506,579)	-	1,921,519
Machinery and equipment	30,371,328	7,529,273	(1,527,281)	-	36,373,320
Rolling stock	86,824,684	13,339,590	(8,615,102)	-	91,549,172
Improvements other than buildings	133,445,159	25,005,947	(444,895)	-	158,006,211
Total accumulated depreciation	304,460,203	49,351,040	(11,093,857)	-	342,717,386
Total capital assets, being depreciated, net	978,405,745	(49,288,324)	(240,315)	26,521,544	955,398,650
Capital assets, net	<u>\$ 1,166,283,820</u>	<u>\$ (28,018,056)</u>	<u>\$ (1,400,613)</u>	<u>\$ -</u>	<u>\$ 1,136,865,151</u>

Fort Worth Transportation Authority

Notes to Financial Statements

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

	Balance Beginning of Year	Increases	Decreases	Reclassifications	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	<u>\$ 1,164,618,932</u>	<u>\$ 1,841,705</u>	<u>\$ (176,817)</u>	<u>\$ -</u>	<u>\$ 1,166,283,820</u>

No interest was capitalized during the years ended September 30, 2021 and 2020, respectively.

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, 2021.

Note 6. Long-Term Liabilities

The following is a summary of the Authority's long-term liabilities for the year ended September 30, 2021:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Due Within One Year
Due to state	\$ 2,784,550	\$ 6,206,851	(8,991,401)	\$ -	\$ -
Due to municipality	3,588,340	-	(160,290)	3,428,050	164,299
Revenue note payable	60,000,000	-	(60,000,000)	-	-
Total	<u>\$ 66,372,890</u>	<u>\$ 6,206,851</u>	<u>\$ (69,151,691)</u>	<u>\$ 3,428,050</u>	<u>\$ 164,299</u>

Fort Worth Transportation Authority

Notes to Financial Statements

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

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, 2021, the Authority was notified by the Texas State Comptroller of Public Accounts that the Comptroller had erroneously remitted approximately \$6.2 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.

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 consisted of a reduction of the principal balance as well as recognition of the imputed interest for the period. The imputed interest totaled \$98,041 and \$29,950 for the years ended September 30, 2021 and 2020, respectively, and is included in other non-departmental (revenues) expenses.

As of September 30, 2021, the Authority repaid in full the outstanding balances, including imputed interest. Total due to state as of September 30, 2020 was \$2,784,550.

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, 2021 were scheduled as follows:

Year Ending September 30,		
2022	\$	250,000
2023		250,000
2024		250,000
2025		250,000
2026		250,000
2027-2031		1,250,000
2032-2036		1,250,000
2037-2038		500,000
Total minimum payments		4,250,000
Less amount representing interest		(821,950)
Recorded value of minimum payments	\$	3,428,050

The imputed interest totaled \$89,709 and \$93,618 for the years ended September 30, 2021 and 2020, 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.

As of September 30, 2021, the Authority repaid the full principal amount outstanding of \$60,000,000.

For years ended September 30, 2021 and 2020, \$2,187,689 and \$4,163,902 of interest was charged on the revenue notes, with \$2,187,689 and \$4,163,902 recorded as interest expense. No interest was capitalized during the years ended September 30, 2021 and 2020, respectively.

Note 7. Retirement Benefits

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

Fort Worth Transportation Authority

Notes to Financial Statements

From October 1, 2019 through December 31, 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, 2021 and 2020, the employee contributions to the 401(k) Plan were \$1,786,037 and \$1,859,331, respectively. The Authority's contributions to the 401(k) Plan for those years were \$1,498,942 and \$1,768,764, 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, 2021 and 2020, the employee contributions to the 457(b) Plan were \$584,258 and \$566,542, respectively. The Authority's contributions to the 457(b) Plan for those years were \$462,366 and \$567,442, respectively.

Note 8. Commitments and Contingencies

Capital Projects

The Authority has active commitments related to capital projects as of September 30, 2021. The Authority has spent \$47,746,753 on these projects and has remaining commitments of \$22,011,445 at September 30, 2021.

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, 2021 and 2020, 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.

Fort Worth Transportation Authority

Notes to Financial Statements

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, 2021.

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 \$634,628 and \$570,292 reported at September 30, 2021 and 2020, 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, 2021 and 2020.

Changes in the reported liability for the years ended September 30, 2021 and 2020 are as follows:

	Beginning of Year Liability	Incurred Claims and Adjustments	Claim Payments	End of Year Liability
Vehicle and general liability				
Fiscal year 2021	\$ 424,067	\$ 140,709	\$ 426,276	\$ 138,500
Fiscal year 2020	456,374	-	32,307	424,067
Fiscal year 2019	591,173	297,418	432,217	456,374
Workers' compensation				
Fiscal year 2021	\$ 146,225	\$ 922,424	\$ 572,521	\$ 496,128
Fiscal year 2020	113,816	213,260	180,851	146,225
Fiscal year 2019	82,484	180,998	149,666	113,816

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.

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, 2021 and 2020 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.

Fort Worth Transportation Authority

Notes to Financial Statements

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 \$138,500, which is included in other accrued liabilities on the statements of financial position.

Unearned Revenue

During the year ended September 30, 2021, the Authority and a local government agreed that the Authority would receive, through one-time payments of \$21,500,000 and \$6,000,000, payment for granting certain rights to use, which was deemed to be the fair value of the right to use provided. The government and the Authority have agreed to repayment terms, which provide for no interest. As of September 30, 2021, the Authority has recorded unearned revenue of \$21,192,889 related to this transaction.

The Authority has calculated and recorded the present value of the payments, noted above, as unearned revenue, using a 2.1% discount rate, consistent with other borrowings of the Authority. Revenue recognition will be recorded over the period of use, which approximates 36 years, and 8 months.

Note 9. Trinity Railway Express (TRE)

On July 7, 1983, the Cities of Dallas and Fort Worth, Texas (the Cities) acquired the Rock Island railroad right-of-way connecting the two Cities. In 1994, the Cities entered into an interlocal agreement (the Agreement) with the Authority and Dallas Area Rapid Transit (DART) providing access to the rail corridor for the two transit authorities. A separate agreement was also executed during the year between the Authority and DART to provide for operations of the Trinity Railway Express (TRE) commuter rail service on the corridor. On December 29, 1999, the Cities deeded the rail corridor to the Authority and DART for the development of passenger rail service between Fort Worth and Dallas. The Authority and DART each own an undivided joint interest in the rail corridor.

Supplementary Information

Fort Worth Transportation Authority
Schedule of Revenues and Expenses – Budget and Actual
Year Ended September 30, 2021
With Comparative Actuals for the Year Ended September 30, 2020

	2021			2020	
	Original Budget	Final Budget	Actual	Variance Over (Under)	Actual
OPERATING REVENUES					
Fare revenue	\$ 7,132,000	\$ 7,132,000	\$ 5,246,613	\$ (1,885,387)	\$ 6,679,820
Advertising	500,000	500,000	560,514	60,514	458,337
Other	459,000	459,000	558,196	99,196	276,305
Total operating revenues	8,091,000	8,091,000	6,365,323	(1,725,677)	7,414,462
OPERATING EXPENSES					
Salaries, wages and fringe benefits	48,329,000	48,329,000	45,441,746	2,887,254	46,350,675
Professional services	58,979,000	58,979,000	15,838,705	43,140,295	10,665,780
Purchased transportation	-	-	38,210,478	(38,210,478)	32,576,056
Fuels and lubricants	1,222,000	1,222,000	1,765,431	(543,431)	1,382,388
Tires and tubes	469,000	469,000	406,609	62,391	388,237
Maintenance materials	3,001,000	3,001,000	3,712,243	(711,243)	3,364,487
Supplies and materials	1,235,000	1,235,000	1,041,278	193,722	819,984
Utilities	1,690,000	1,690,000	1,288,277	401,723	1,327,265
Casualty and liability insurance	7,657,000	7,657,000	6,145,949	1,511,051	4,954,181
Taxes and fees	80,000	80,000	-	80,000	106,526
Interest expense	2,150,000	2,150,000	2,375,439	(225,439)	4,257,520
Depreciation	57,479,000	57,479,000	49,748,008	7,730,992	47,177,983
Other	886,000	886,000	411,165	474,835	503,179
Total operating expenses	183,177,000	183,177,000	166,385,328	16,791,672	153,874,261
Operating loss	(175,086,000)	(175,086,000)	(160,020,005)	15,065,995	(146,459,799)
NON-OPERATING REVENUES (EXPENSES)					
Sales tax	57,112,000	57,112,000	85,373,193	28,261,193	81,273,922
Operating assistance grants	42,506,000	42,506,000	50,429,133	7,923,133	46,786,635
Preventive maintenance reimbursement	-	-	-	-	21,511,716
Para-transit assistance	-	-	-	-	2,335,863
Contributions from partners	10,185,000	10,185,000	11,674,989	1,489,989	11,124,100
Rental income	712,000	712,000	588,661	(123,339)	740,787
Investment income	80,000	80,000	84,627	4,627	742,155
Oil and gas revenue	-	-	43,124	43,124	22,814
Gain (loss) on disposal of capital assets	-	-	(27,605)	(27,605)	(22,871)
Other non-operating revenue (expense)	350,000	350,000	2,510,695	2,160,695	507,937
Total non-operating revenue (expenses)	110,945,000	110,945,000	150,676,817	39,731,817	165,023,058
Income before capital grants	(64,141,000)	(64,141,000)	(9,343,188)	54,797,812	18,563,259
Grants for capital improvements	59,634,000	59,634,000	36,076,825	(23,557,175)	26,980,822
CHANGE IN NET POSITION	\$ (4,507,000)	\$ (4,507,000)	\$ 26,733,637	\$ 31,240,637	\$ 45,544,081

Federal Awards Section

Fort Worth Transportation Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Grantor ID Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
FEDERAL AWARDS			
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster			
Direct Award			
New Starts -FFGA	TX-2017-001-00	20.500	\$ 22,638,975
FTA/Urbanized Area Formula (FY2013 & forward)	TX-2017-059-00	20.507	119,689
FTA/Urbanized Area Formula (FY2013 & forward)	TX-2018-004-04-01	20.507	514,686
FTA/Urbanized Area Formula (FY2013 & forward)	TX-2018-004-06-01	20.507	76,817
FTA/Urbanized Area Formula (FY2013 & forward)	TX-2018-032	20.507	237,508
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2018-085	20.507	278,386
FTA/Buses & Bus Facilities Formula	TX-2019-104	20.526	70,536
FTA/Buses & Bus Facilities Formula	TX-2019-110	20.526	2,136,964
COVID - 19- FTA/Urbanized Area Formula Grants	TX-2020-066	20.507	11,045,908
FTA/Urbanized Area Formula Grants (2013 & forward)	TX-2020-159-05-01	20.507	1,924,001
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-170-02	20.507	54,228
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-170-03	20.507	37,488
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-171	20.507	1,375,801
FTA/State of Good Repairs Grants	TX-2021-005	20.525	3,797,026
FTA/Buses & Bus Facilities Formula	TX-2021-006	20.526	1,000,000
COVID - 19 - FTA/Formula (and flex funds)	TX-2021-068-01	20.507	38,747,854
COVID - 19 - FTA/Formula (and flex funds)	TX-2021-068-02	20.507	407,792
FTA/TOD Planning Pilot Program	TX-2021-087-01-00	20.500	163,113
			<hr/>
			84,626,772
Passed through North Central Texas Council of Governments			
TRE Link	NCTCOG - JARC	20.507	360,882
TRE Link - FTA Replacement Bus (JARC)	NCTCOG FTA Replace	20.507	1,047,414
			<hr/>
			1,408,296
			<hr/>
Total Federal Transit Cluster			86,035,068
Passed through North Central Texas Council of Governments			
FTA/FHWA Transfer to 5307 Urbanized Area Formula Grants	TX-2020-137	20.513	183,036
			<hr/>
Total Transit Services Program Cluster			183,036
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 86,218,104

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, 2021. 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, 2021, the Authority was awarded grants under CFDA 20.500, 20.507, 20.513, 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 \$32,608,388.

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, 2021 as follows:

Federal assistance per SEFA	\$	86,218,104
State grants		287,854
Reconciled revenue	\$	86,505,958
Operating assistance grants	\$	50,429,133
Grants for capital improvements		36,076,825
Total grant revenue - FY 2021	\$	86,505,958



**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, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2022.

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 7, 2022



**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, 2021. 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, 2021.

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 7, 2022

Fort Worth Transportation Authority
Schedule of Findings and Questioned Costs – Continued
Year Ended September 30, 2021

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, 2021

None noted.