Dallas Area Rapid Transit
Dallas, Texas

Financial Statements and Supplemental Information
Years Ended September 30, 2020 and 2019 and
Independent Auditor’s Report

DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Dallas Area Rapid Transit
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Area Rapid Transit ("DART"), as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise DART's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to DART'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 DART'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 DART, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Net Pension Liability, the Schedule of Employer Contributions – Defined Benefit Pension Plan, Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Schedule of Employer Contributions – OPEB as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2021 on our consideration of DART's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DART's 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 DART's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Dallas, Texas
February 5, 2021

The management of Dallas Area Rapid Transit (DART) offers the users of DART's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2020 and 2019. This discussion and analysis is designed to assist the reader to focus on significant financial activities and identify any significant changes in the financial position of DART. It should be read in conjunction with the financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

As of September 30, 2020 and 2019, total assets and deferred outflows of resources of DART exceeded total liabilities by $1,340,980 and $1,202,501, respectively. The amount of unrestricted net position as of September 30, 2020, was $466,826 compared to $343,465 as of September 30, 2019.

The net position of DART increased by $138,479 during fiscal year 2020 compared to a decrease of $101,877 last year. The increase in 2020 was a result of higher revenues than expenses while the decrease in 2019 was a result of higher expenses than revenues.

DART's total debt decreased by $67,618 (2%) during fiscal year 2020 compared to a decrease of $71,715 (2%) in fiscal year 2019. The decline in 2020 was due to principal pay down of commercial paper notes. The decline in 2019 was due to principal payments on bonds. Debt information is summarized on page 12 of this management discussion and analysis.

Sales and use tax revenue was $616,220 in 2020 compared to $621,129 in 2019. Sales and use tax revenue decreased by 1% ($4,909) in 2020 compared to a 4% ($24,729) increase in 2019.

Capital contributions from federal, state and local governments were $119,259 in 2020 and $82,025 in 2019. Such contributions were used to finance DART's transit system expansion projects and acquisition of light rail vehicles, buses, and equipment.

Other federal grants were $294,136 in 2020 compared to $54,932 in 2019. The increase in 2020 was due to an additional assistance provided by the federal government in the form of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 in response to the COVID-19 pandemic.

For fiscal year 2020, total revenues exceeded total expenses resulting in a gain before capital contributions of $19,220 compared to a loss of $183,902 for 2019. The gain in 2020 was due to an increase in other federal grant revenue as shown on page 5.

BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to DART's basic financial statements. DART's basic financial statements are comprised of four components: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and Notes to the Financial Statements.

The Statements of Net Position present information on all of DART's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources equals net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of DART. The Statements of Net Position are shown on page 14 of this report.

The Statements of Revenues, Expenses, and Changes in Net Position present information on revenues, expenses, capital contributions, and how DART's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the changes occur, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements for some items that result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of DART's current year operations on its financial position. The Statements of Revenues, Expenses, and Changes in Net Position are shown on page 15 of this report.

The Statements of Cash Flows summarize all of DART's cash flows into four categories: cash flows from operating activities; cash flows from non-capital financing activities; cash flows from investing activities; and cash flows from capital and related financing activities. The Statements of Cash Flows, along with related notes and information in other financial statements, can be used to assess the following: DART's ability to generate positive cash flows and pay its debt as the debt matures; the reasons for differences between DART's operating cash flows and operating income (loss); and the effect of cash and non-cash investing, capital, and financing activities on DART's financial position. The Statements of Cash Flows are shown on pages 16-17 of this report.

Notes to the Financial Statements provide additional information that is essential to fully understand the data provided in the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Notes to the Financial Statements are shown on pages 18-49 of this report.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

DART's activities are accounted for as a proprietary fund and are presented in the financial statements of DART as business type activities. The activities of DART are supported by a 1% sales and use tax within the member jurisdictions, passenger revenues, federal, state, and local financial assistance, and other receipts such as advertising and rental income.

The financial statements of DART include the accounts and operations of blended component units Regional Rail Right-of-Way Corporation and Dallas Area Rapid Transit Mobility Service, LGC.

FINANCIAL ANALYSIS

Statements of Net Position – DART's total assets and deferred outflows of resources exceeded total liabilities by $1,340,980 and $1,202,501 as of September 30, 2020 and 2019, respectively. The largest portion of this excess (59% in 2020 and 65% in 2019) was net investment in capital assets (capital assets less related outstanding debt). DART uses these capital assets to provide public transportation services to customers and member jurisdictions; consequently, these assets are not available for future spending. Although DART's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be obtained from other sources such as sales and use tax and farebox revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Summary of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

	2020	2019	2018
Current assets	$841,716	$734,622	$840,148
Other non-current assets	183,246	191,971	125,472
Capital assets (net of accumulated depreciation)	4,171,958	4,189,759	4,237,296
Total assets	5,196,920	5,116,352	5,202,916
Deferred outflows of resources	92,195	80,679	89,210
Total assets and deferred outflows of resources	5,289,115	5,197,031	5,292,126
Current liabilities	414,423	496,041	426,580
Non-current liabilities	3,514,503	3,482,861	3,556,505
Total liabilities	3,928,926	3,978,902	3,983,085
Deferred inflows of resources	19,209	15,628	4,663
Total liabilities and deferred inflows of resources	3,948,135	3,994,530	3,987,748
Net position			
Net investment in capital assets	796,675	784,924	764,341
Restricted for:			
Debt service	72,863	68,370	59,026
Security for lease/leaseback liabilities	4,616	5,742	6,796
Unrestricted	466,826	343,465	474,215
Total net position	$1,340,980	$1,202,501	$1,304,378

Current assets increased by $107,094 in 2020 compared to a decrease of $105,526 in 2019. The increase in 2020 were due to additional grants received compared to the year before. The decrease in 2019 was due to use of cash for debt service payments and more spending on capital projects than the prior year.

Other non-current assets decreased by $8,725 in 2020 compared to an increase of $66,499 in 2019. The decrease in 2020 is due to spending on capital projects. The increase in 2019 is due to restricted investments (proceeds from the sale of commercial paper notes payable) held to pay for capital projects.

As of September 30, 2020, $4,616 of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to $5,742 as of September 30, 2019. The unrestricted portion of net position, $466,826 in 2020 and $343,465 in 2019 represent resources available to meet DART's ongoing obligations. The DART Board committed $89,962 in 2020 and $87,919 in 2019 of the unrestricted net position for Insurance, Financial Reserve, and Mobility Assistance and Innovation funds (see note 3). The increase in unrestricted net position of $123,361 (36%) in 2020 was due to a net gain offset by spending on capital projects and the decrease of $130,750 (28%) in 2019 was due to net losses and increase spending on capital projects.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Statements of Revenues, Expenses, and Changes in Net Position – During fiscal year 2020, DART's activities resulted in an increase in net position of $138,479 compared to a decrease in net position of $101,877 in 2019. The increase in 2020 was due to additional grant revenues. The decrease during 2019 was due to higher expenses than revenues. The key elements of the changes in net position for the fiscal years ended September 30, 2020 and 2019 with comparative information for 2018 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Position

	2020	2019	2018
Operating revenues			
Passenger revenues	$42,119	$63,941	$62,845
Advertising, rent and other	13,023	13,532	13,241
Total operating revenues	55,142	77,473	76,086
Operating expenses			
Labor	268,436	259,186	249,894
Benefits	108,341	118,592	98,581
Services	55,943	53,282	48,331
Materials and supplies	55,753	51,017	47,531
Purchased transportation	57,079	58,537	55,978
Depreciation	249,778	248,064	250,210
Utilities	16,717	16,619	19,673
Taxes, leases, and other	3,492	6,679	4,029
Casualty and liability	6,266	7,156	4,925
Total operating expenses	821,805	819,132	779,152
Net Operating loss	(766,663)	(741,659)	(703,066)
Non-operating revenues (expenses)			
Sales and use tax revenue	616,220	621,129	596,400
Investment income	15,479	23,482	14,810
Build America Bonds tax credit	21,390	25,021	28,443
Other federal grants	294,136	54,932	69,445
Other non-operating revenues	15,156	15,463	19,375
Interest expense	(151,317)	(157,452)	(162,568)
Gain (loss) on HOV lane investments	-	-	(11,100)
Street improvements	(14,566)	(11,301)	(3,644)
Other non-operating expenses	(10,615)	(13,517)	(1,969)
Total net non-operating revenues	785,883	557,757	549,192
Gain (loss) before capital contributions and grants	19,220	(183,902)	(153,874)
Capital contributions	119,259	82,025	24,251
Change in net position	138,479	(101,877)	(129,623)
Net position, beginning of the year	1,202,501	1,304,378	1,445,038
Cumulative effect of change in accounting principle	-	-	(11,037)
Net position, end of the year	$1,340,980	$1,202,501	$1,304,378

Significant changes in revenues and expenses are shown and explained on the following pages.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

REVENUES

The following table summarizes revenues for fiscal years 2020 and 2019 with comparative information for 2018:

REVENUES AND CAPITAL CONTRIBUTIONS

Revenues	2020	2019	2018
Passenger revenues	$42,119	$63,941	$62,845
Advertising, rent and other	13,023	13,532	13,241
Sales and use tax revenue	616,220	621,129	596,400
Other federal grants	294,136	54,932	69,445
Investment income	15,479	23,482	14,810
Capital contributions	119,259	82,025	24,251
Build America Bonds tax credit	21,390	25,021	28,443
Other revenues	15,156	15,463	19,375
Total	$1,136,782	$899,525	$828,810

Passenger revenue – Passenger revenue includes farebox receipts, monthly and annual pass revenue, paratransit revenue, and special event fares. Passenger revenue decreased by $21,822 (34%) in 2020 compared to an increase of $1,096 (2%) in 2019. The decrease in 2020 was due to a decrease in ridership as a result of the COVID-19 pandemic. The increase in 2019 is due to fare increases that became effective in during fiscal year 2019.

Advertising, rent, and other – Advertising income includes revenue from advertisement at transit stations, on DART buses, and light rail vehicles. Rental income includes revenue from leases on land along the rail corridor and other properties. Advertising, rent, and other income decreased by 4% ($509) in 2020 compared to an increase of 2% ($291) in 2019. In 2020 the decrease in revenue is due to a decline in advertising market as a result of the COVID-19 pandemic. The increase during 2019 is due to an increase in advertising revenue and marketing promotions.

Sales and use tax revenue – Sales and use tax revenue is a dedicated 1% tax imposed on certain items within DART's member jurisdictions or service area. Sales and use tax revenue decreased by 1% ($4,909) in 2020 compared to an increase of 4% ($24,729) in 2019. The decrease in 2020 was due to a slowdown in the economy as a result of the COVID-19 pandemic. The increase in 2019 was due to a relative improvement in the local economy resulting in better than previous years' retail sales. Sales and use tax revenue constituted approximately 54% of DART's total revenues and capital contributions in 2020 compared to 69% in 2019.

Other federal grants – Other federal grant revenue increased by 435% ($239,204) in 2020 compared to a decrease of 21% ($14,513) in 2019. The increase in 2020 was due to an additional assistance provided by the federal government in the form of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 in response to the COVID-19 pandemic. The decrease in 2019 is due to a delay in approval of grant agreements.

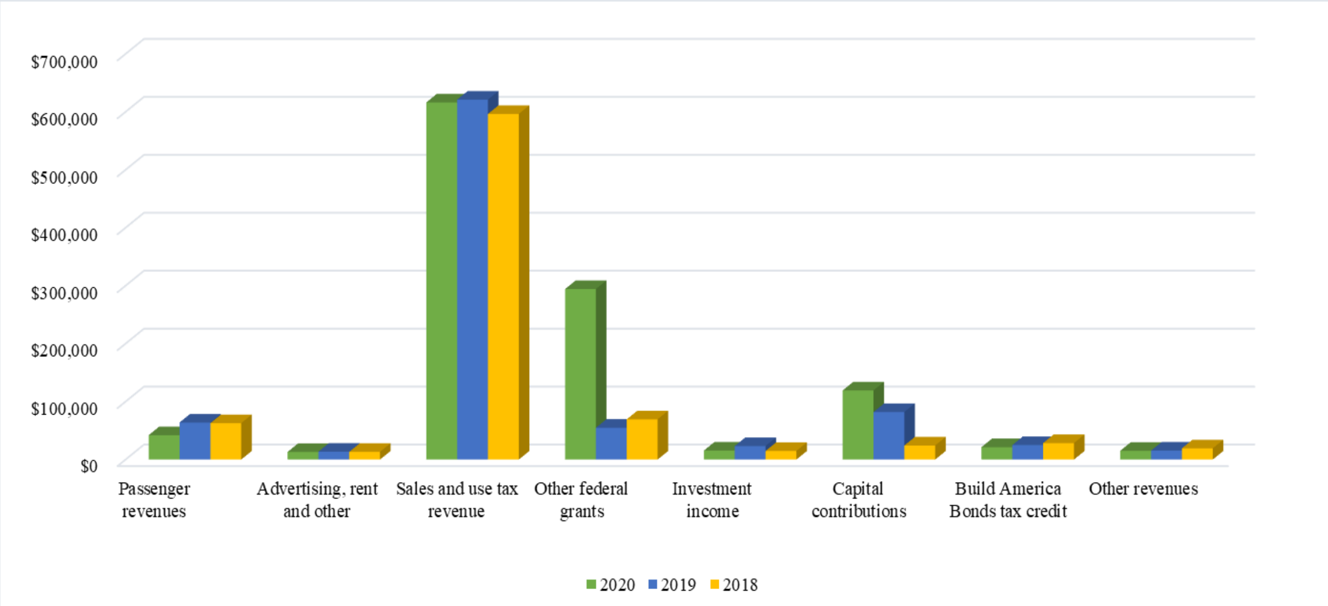
Capital contributions – Capital contributions include federal, state and local grants and contributions. Capital contributions increased by 45% ($37,234) in 2020 compared to an increase of 238% ($57,774) in 2019. The increase in 2020 and 2019 were due to receipt of previously delayed federal funding and federally funded projects that are moving forward.

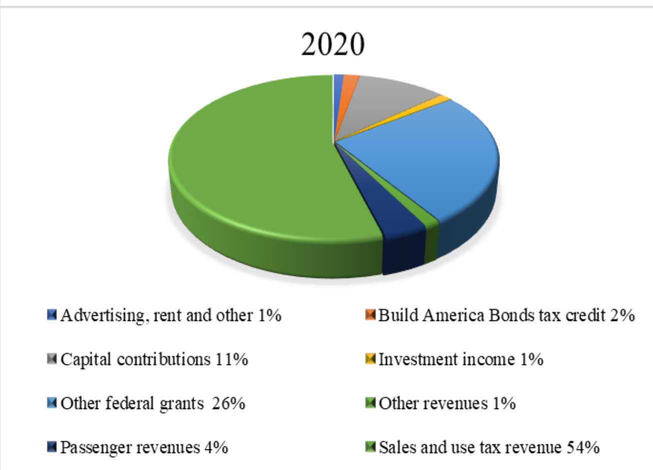
Investment income – Investment income decreased by 34% ($8,003) in 2020 compared to an increase of 59% ($8,672) in 2019. The decrease in 2020 was due to a decrease in the average yield to maturity compared to the prior year. The increase in 2019 was due to an increase in interest rate that resulted in better yield on investments held by DART during the year.

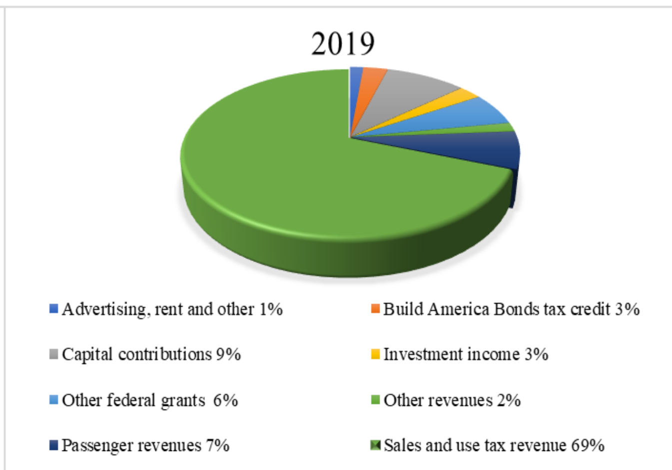
Build America Bonds tax credit – The Build America Bonds (BABs) tax credit decreased by 15% ($3,631) in 2020 compared to a decrease of 12% ($3,422) in 2019. The decrease in both 2020 and 2019 was due to partial refunding of the Series 2009B BABs.

Other revenues – Other revenues decreased by 2% ($307) in 2020 compared to a decrease of 20% ($3,912) in 2019. Other revenues include: revenues from billings to Trinity Metro transit agency for their share of the Trinity Railway Express (TRE) commuter rail service; billings to the University of Texas at Dallas (UTD) for their share of the UTD shuttle service; gain/loss on disposal of assets and an alternative fuel tax credit. Other revenues decreased during 2020 due to lower gain on disposal of assets compared to the prior year. The decrease during 2019 was due to discontinuation of the alternative fuel tax credit offered by the federal government.

The following charts summarize revenues for fiscal years 2018 through 2020:







FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

EXPENSES

The following table summarizes expenses for fiscal year 2020 and 2019 with comparative information for 2018:

EXPENSES BY OBJECT CLASS

Expenses	2020	2019	2018
Labor	$268,436	$259,186	$249,894
Benefits	108,341	118,592	98,581
Services	55,943	53,282	48,331
Materials and supplies	55,753	51,017	47,531
Purchased transportation	57,079	58,537	55,978
Depreciation and amortization	249,778	248,064	250,210
Utilities	16,717	16,619	19,673
Taxes, leases and other	3,492	6,679	4,029
Casualty and liability	6,266	7,156	4,925
Street improvements	14,566	11,301	3,644
Interest and financing expenses	151,317	157,452	162,568
Other non-operating expense	10,615	13,517	1,969
Loss on HOV lane investments	-	-	11,100
Total	$998,303	$1,001,402	$958,433

Labor – Labor expense increased by 4% ($9,250) in 2020 compared to an increase of 4% ($9,292) in 2019. The increases in both 2020 and 2019 were due to annual merit and wage increases, and filling of vacant positions. During 2020, in response to the COVID-19 pandemic and expected negative impact on the economy, DART offered a voluntary retirement incentive program to eligible employees to reduce operating expenses. The increase in labor expense during 2020 includes some costs associated with retirement incentives for employees that accepted the offer before the end of fiscal year 2020.

Benefits – Benefits decreased by 9% ($10,251) in 2020 compared to an increase of 20% ($20,011) in 2019. The decrease in 2020 was due to lower defined benefit pension, healthcare, and other post-employment benefit costs compared to the year before. The increase in 2019 was due to increases in the defined benefit pension expense and healthcare claims. The increase in the DART Defined Benefit Pension Plan expense was as a result of a change in the mortality table used for actuarial valuations resulting in an assumption of longer lives for retirees

Services – Services include contracted services such as: security, vehicles, equipment and right-of-way maintenance, advertising, marketing, computing, communication, legal, government, and environmental services. Services increased by 5% ($2,661) in 2020 compared to an increase of 10% ($4,951) in 2019. The increase in 2020 was due to increased vehicle and facility cleaning and disinfecting services to protect DART customers and employees from COVID-19. The increase in 2019 was due to continued focus on safety and security, and increases in software licenses/maintenance, cloud and managed computing services, as well as TRE right-of-way maintenance.

Materials and supplies – Materials and supplies include the cost of fuel, parts, and supplies used to operate and maintain vehicles, equipment, and facilities. Materials and supplies expense increased by 9% ($4,736) in 2020 compared to an increase of 7% ($3,486) in 2019. The increase in 2020 was due to the cost of disinfectant products and cleaning supplies needed for vehicles and facilities to protect DART customers and employees from COVID-19. The increase in 2019 was attributable to increased consumption of CNG fuel and parts needed to maintain aging buses and light rail vehicles.

Purchased transportation – Purchased transportation represents the costs of contracted transportation services such as commuter rail, paratransit, DART on-call, and shuttle services. Purchased transportation expenses decreased by 2% ($1,458) in 2020 compared to an increase of 5% ($2,559) in 2019. The decrease in 2020 was due to a decline in demand for shuttle and paratransit services as a result of the COVID-19 pandemic and related stay home orders. The increase in 2019 was due to an increase in Go-Link and paratransit services.

Depreciation and amortization – Depreciation and amortization expenses increased by 1% ($1,714) in 2020 compared to a decrease of 1% ($2,146) in 2019. The increase in 2020 was due to additional assets placed in service. The decrease in 2019 was due to some assets that became fully depreciated.

Utilities – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities increased by 1% ($98) in 2020 compared to an increase of 16% ($3,054) in 2019. The slight increase in 2020 is due to rate increase for local telephone calls/lines. The decrease in 2019 is due to savings from a new electricity contract.

Taxes, leases, and other – Taxes, leases, and other includes fuel and lube taxes, equipment rentals, leases of operating and passenger facilities, training, travel, business meetings, membership dues, subscriptions, employee programs and allowance for uncollectible receivables. Taxes, leases, and other expenses decreased by 48% ($3,187) in 2020 compared to an increase of 66% ($2,650) in 2019. The decrease in 2020 was due to a decrease in employee programs, less business travel, meetings and training due to the COVID-19 pandemic. Some of the increases in 2019 were due to training related to the new buses, and costs associated with implementation of a new accounting rule related to retiree benefits or OPEB plans. The new rule requires State and Local governments to recognize net OPEB liability and expense on their financial statements.

Casualty and liability – Casualty and liability expenses decreased by 12% ($890) in 2020 and increased by 45% ($2,231) in 2019. The decrease in 2020 was due to favorable claim experience compared to last year. The increase in 2019 was due to changes in estimated claim losses.

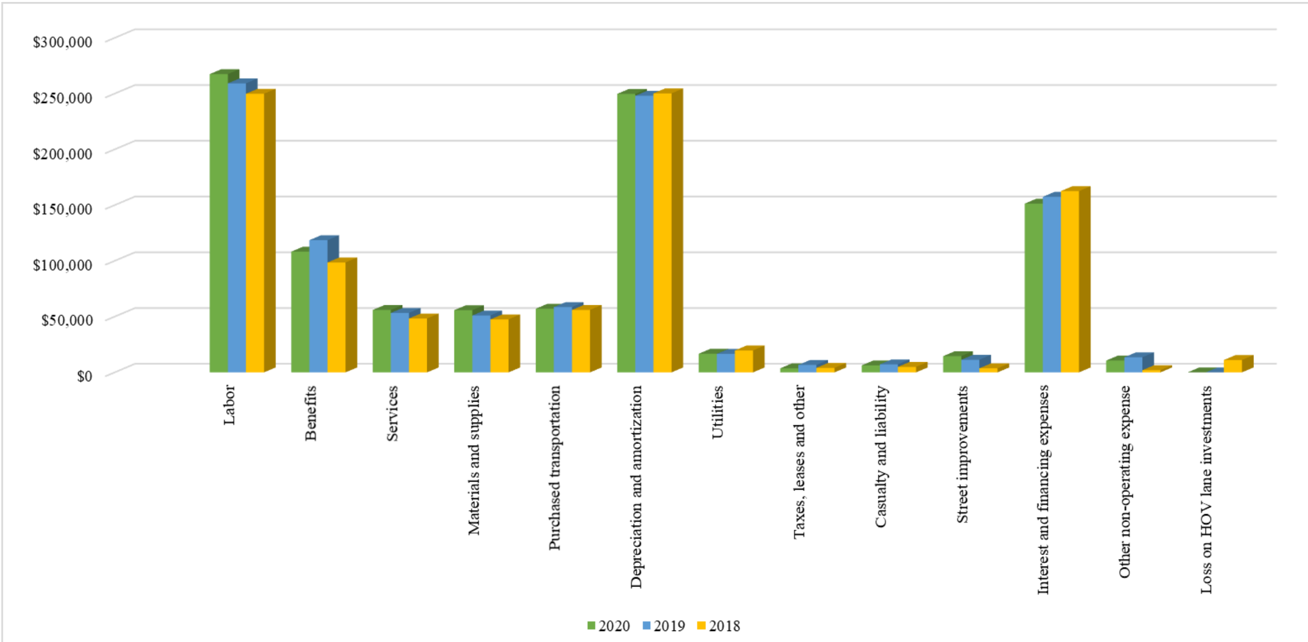
Street improvements – Local assistance is provided to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. Street improvement program costs increased by 29% ($3,265) in 2020 compared to an increase of 210% ($7,657) in 2019. The increase in both 2020 and 2019 were due to street improvement project costs and transit related improvements program (TRIP) project costs for DART municipalities that do not have existing or planned and funded rail stations.

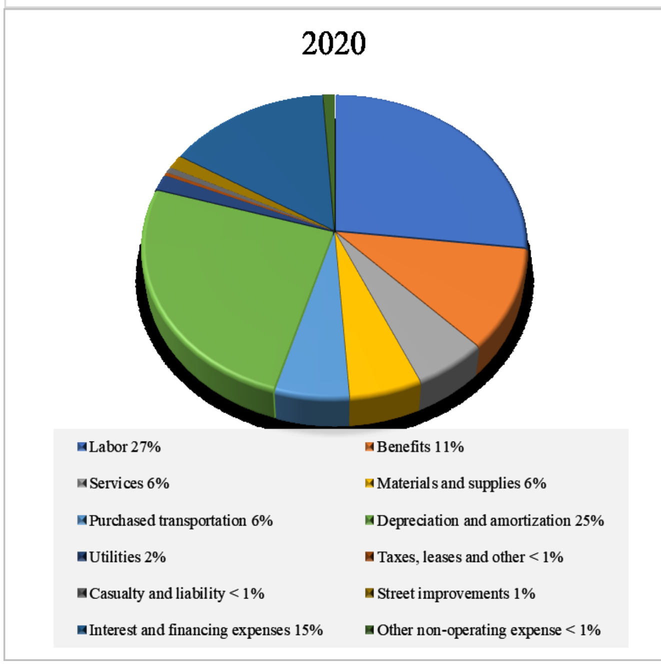
Interest and financing expenses – Interest expense decreased by 4% ($6,135) in 2020 and 3% ($5,116) in 2019. The decreases in both 2020 and 2019 were due to lower outstanding debt because of principal payments. Refunding of some of the existing bonds to lower interest rate bonds during 2020 and 2019 also resulted in savings in interest expense.

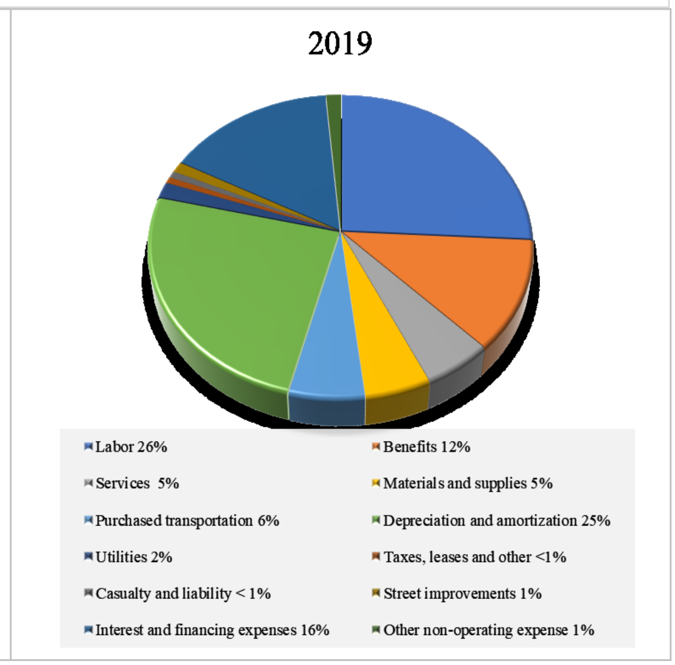
Other non-operating expenses – Other non-operating expenses decreased by 21% ($2,902) in 2020 compared to an increase of 586% ($11,548) in 2019. The decrease in 2020 was due to lower spending on transit-oriented development and transit planning work. The increase in 2019 was due to a payment made to the North Central Texas Council of Governments for the transit improvement program. Transit planning costs also contributed to the 2019 increase.

Loss on HOV lane investments –In 2018, an independent financial analysis determined the likelihood that DART would be able to recognize any return on HOV lane investments was unlikely. Since the value of those investments was based on projected toll revenue streams, DART's investment in managed HOV lane projects of $11,100 was written-off and a loss was recognized during fiscal year 2018.

The following charts summarize expenses for fiscal years 2018 through 2020:





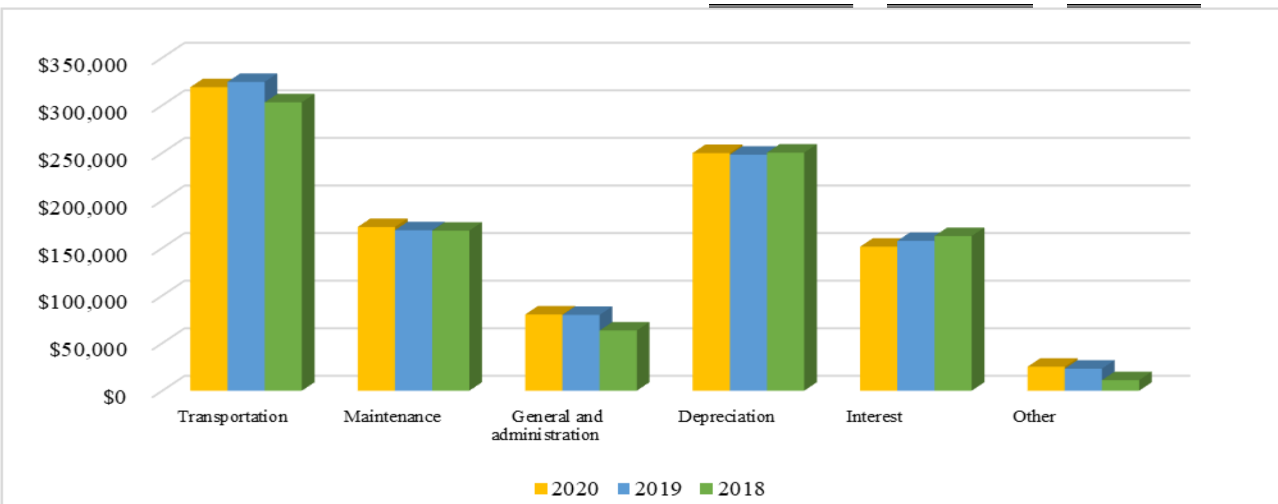


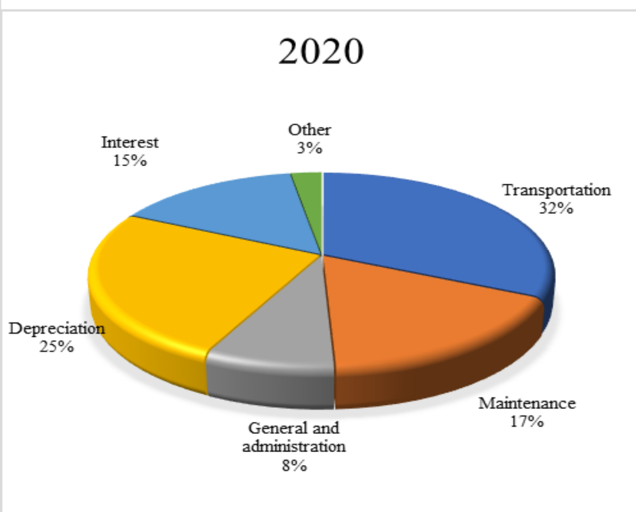
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

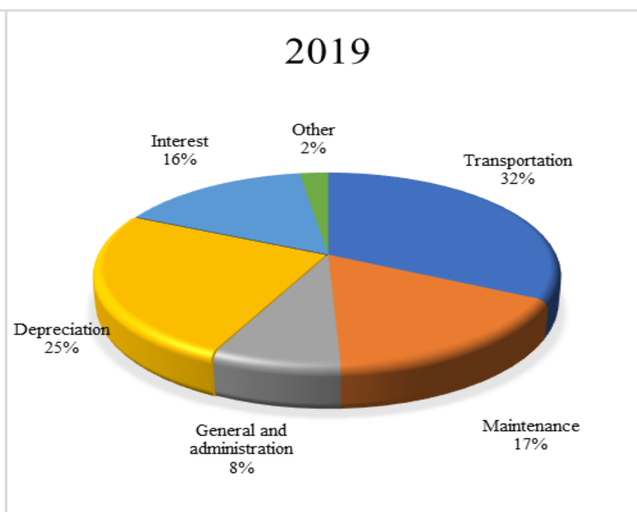
Expenses by function – *Transportation* – includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, and DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, transit center service employees, transportation supervisors and managers, DART police, cost of fuel, tires and tubes, propulsion power, purchased transportation, customer service, revenue collection, and other related costs. *Maintenance* – includes labor costs and benefits for vehicle and facility maintenance, personnel materials and supplies, utilities, and all other costs incurred for maintenance purposes. *General and administration* – includes administrative personnel costs, benefits, accident, general liability and contract claims, street improvements, and other related costs. *Depreciation* – includes depreciation expense on all depreciable capital assets. *Interest* – includes interest expense incurred on debt net of capitalized interest. *Other* – other expenses include non-operating items such as payments for transit related improvement programs (TRIP) and loss on transfer of HOV operations.

EXPENSES BY FUNCTION

	2020	2019	2018
Transportation	$319,463	$324,552	$303,082
Maintenance	172,309	168,579	168,222
General and administration	80,255	79,624	63,251
Depreciation and amortization	249,778	248,064	250,210
Interest	151,317	157,452	162,568
Other	25,181	23,131	11,100
Total	$998,303	$1,001,402	$958,433







FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – Investment in capital assets includes: land and rights-of-way; transitways; buildings and improvements; revenue and non-revenue vehicles and equipment; and furniture, fixtures, and leasehold improvements. DART's investment in capital assets as of September 30, 2020, is $4,171,958 compared to $4,189,759 in 2019. The net decrease in capital assets during 2020 is $17,801 (less than 1%) compared to a decrease of $47,537 (1%) in 2019.

The following table summarizes capital assets net of depreciation as of September 30, 2020 and 2019 with comparative information for 2018.

Capital Assets (Net of Depreciation)

	2020	2019	2018
Land and rights-of-way	$618,572	$618,596	$619,043
Projects in progress	405,380	227,111	93,435
Transitways	2,324,469	2,456,894	2,589,537
Buildings and improvements	292,622	313,084	334,346
Revenue and non-revenue vehicles and equipment	488,167	551,784	590,001
Furniture, fixtures, and leasehold improvements	42,748	22,290	10,934
Total	$4,171,958	$4,189,759	$4,237,296

The net decreases in both 2020 and 2019 are due to depreciation. Additional information on DART's capital assets is shown in note 7.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, senior lien revenue bonds, TIFIA bonds payable, and capital lease/leaseback liabilities. As of September 30, 2020, DART had total outstanding debt of $3,310,456 compared to $3,378,074 as of September 30, 2019. Outstanding debt decreased by 2% ($67,618) in 2020 compared to a decrease of 2% ($71,715) in 2019.

The following table summarizes DART's total outstanding debt.

	2020	2019	2018
Sales tax revenue commercial paper notes	$74,100	$159,100	$125,000
Senior lien revenue bonds payable	3,074,810	2,992,355	3,110,045
TIFIA bonds payable	31,124	98,726	100,878
RRIF bonds Payable	11,706	11,706	-
Capital lease/leaseback liabilities	118,716	116,187	113,866
Total debt	$3,310,456	$3,378,074	$3,449,789

The sales tax revenue commercial paper notes outstanding balance was $74,100 as of September 30, 2020, compared to $159,100 as of September 30, 2019. Commercial paper notes are issued as a senior subordinate lien to sales and use tax revenues and are payable from the 1% sales and use tax receipts and farebox revenues (pledged revenues). The decrease during 2020 was due to payment made on commercial paper notes of $85,000, while the increase during 2019 was due to additional borrowing to pay for capital projects.

Senior lien revenue bonds outstanding are $3,074,810 as of September 30, 2020, and $2,992,355 as of September 30, 2019. These senior lien bonds are secured by and payable from the 1% sales and use tax receipts and farebox revenues (pledged revenues). The increase of 82,455 in 2020 are due to additional borrowing while the decrease of $117,690 in 2019 was a due to principal payments and bond refunding during 2019. The senior lien revenue bonds shown above are at face value. The amounts shown in the Statements of Net Position include the unamortized balance of original issuance premium of $235,571 and $226,612 as of September 30, 2020 and 2019, respectively.

During 2020, DART maintained an AA+ credit rating from Standard & Poor's, AAA from Kroll Bond Rating Agency, and Aa2 from Moody's Investors Service on outstanding long-term debt. In addition, Fitch Ratings maintains an AA- on DART's Series 2007 bonds.

TIFIA bonds payable are $31,124 as of September 30, 2020, compared to $98,726 as of September 30, 2019. The decrease in TIFIA bonds during 2020 was due to partial refunding. On December 13, 2012, DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S. Department of Transportation (DOT). Under this loan agreement, DART issued a Senior Lien Obligation bond to borrow up to $105,000 from the DOT. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extends DART's light rail service from Irving to the Dallas Fort Worth International Airport. The TIFIA financing agreement is reimbursement-based and DART requested the money after paying for the capital project costs. The TIFIA bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations.

RRIF bonds payable are $11,706 as of September 30, 2020 and 2019. On December 20, 2018 DART entered into the Railroad Rehabilitation and Improvement Financing (RRIF) loan agreement with the U.S Department of Transportation. Under this loan agreement, DART will issue a Senior Lien Obligation bond to borrow up to $908 million from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the 26-mile Silver Line commuter rail line extending from Terminal B of Dallas/Fort Worth International Airport to a terminus on Shiloh Road in the City of Plano, with 10 stations and 8 vehicles. The current estimate of eligible project costs for the project is approximately $1.24 billion. The RRIF financing agreement is reimbursement-based and DART will request (draw down) the money after paying for the capital project costs. Additional information on the RRIF loan is shown in note 14.

Capital lease/leaseback liabilities are $118,716 and $116,187 as of September 30, 2020 and 2019, respectively. The increase during both 2020 and 2019 are due to accrued interest.

Additional information on DART's outstanding debt is shown in notes 10-16.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 54% of total revenues in 2020 and compared to 69% in 2019. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2019, DART's sales and use tax revenues showed a 4.1% increase compared to the previous year. Actual sales and use tax revenues in 2020 are $616,220 compared to $621,129 in 2019. The sales and use tax budget for 2021 is $583,765 compared to $616,220 actual for 2020. The budget for 2021 represents a 5.6% decrease from the 2020 actual sales and use tax revenues due to COVID-19. In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. It has impacted economic activity and financial markets globally and locally and has resulted in a decrease in passenger fare and sales tax revenues. The extent to which COVID-19 impacts DART will depend on future developments, which are still highly uncertain and cannot be predicted.

REQUESTS FOR INFORMATION

This financial report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of DART's finances. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET POSITION

SEPTEMBER 30, 2020 AND 2019 (Dollars in Thousands)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$384,038	$98,979
Investments	108,028	258,921
Sales and use tax receivable	101,988	105,250
Transit revenue receivable, net	4,835	7,472
Due from federal and other governments	20,050	25,460
Materials and supplies inventory, net	36,870	37,724
Prepaid transit expense and other	4,217	5,399
Restricted investments held by trustee for debt service	123,111	119,603
Restricted investments held for advance funding agreements	52,205	69,440
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	841,716	734,622
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	4,616	5,742
Restricted investments for system expansion and acquisition	57,931	66,924
Investment in joint venture	7,821	8,924
Capital assets		
Land and rights-of-way	618,572	618,596
Projects in progress	405,380	227,111
Depreciable capital assets, net of depreciation	3,148,006	3,344,052
Restricted investments held to pay capital lease/leaseback liabilities	112,342	109,813
Unamortized bond insurance premium and other	536	568
TOTAL NONCURRENT ASSETS	4,355,204	4,381,730
TOTAL ASSETS	5,196,920	5,116,352
DEFERRED OUTFLOWS OF RESOURCES	92,195	80,679
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,289,115	5,197,031
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	103,363	89,687
Commercial paper notes payable	74,100	159,100
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	1,393	824
Local Assistance Program payable	5,622	3,193
Retainage payable	17,669	11,520
Unearned revenue and other liabilities	92,965	114,136
Accrued interest payable from restricted assets	50,248	51,233
Current portion of bonds payable	62,689	59,974
TOTAL CURRENT LIABILITIES	414,423	496,041
NONCURRENT LIABILITIES		
Accrued liabilities	40,172	41,066
Net pension liability	51,025	47,330
Net other post-employment benefits (OPEB) liability	5,048	9,948
Repayment due to State Comptroller	8,394	5,279
Senior lien revenue bonds payable	3,261,677	3,172,913
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	35,845	96,512
Capital lease/leaseback liabilities	112,342	109,813
NET TOTAL NONCURRENT LIABILITIES	3,514,503	3,482,861
TOTAL LIABILITIES	3,928,926	3,978,902
DEFERRED INFLOWS OF RESOURCES	19,209	15,628
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,948,135	3,994,530
NET POSITION		
Net investment in capital assets	796,675	784,924
Restricted for debt service	72,863	68,370
Restricted as security for capital lease/leaseback liabilities	4,616	5,742
Unrestricted	466,826	343,465
TOTAL NET POSITION	$1,340,980	$1,202,501

The accompanying notes are an integral part of these financial statements.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (Dollars in Thousands)

	2020	2019
OPERATING REVENUES		
Passenger revenues	$42,119	$63,941
Advertising, rent, and other	13,023	13,532
TOTAL OPERATING REVENUES	55,142	77,473
OPERATING EXPENSES		
Labor	268,436	259,186
Benefits	108,341	118,592
Services	55,943	53,282
Materials and supplies	55,753	51,017
Purchased transportation	57,079	58,537
Depreciation and amortization	249,778	248,064
Utilities	16,717	16,619
Taxes, leases, and other	3,492	6,679
Casualty and liability	6,266	7,156
TOTAL OPERATING EXPENSES	821,805	819,132
NET OPERATING LOSS	(766,663)	(741,659)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	616,220	621,129
Investment income	6,575	14,787
Interest income from investments held to pay capital lease/leaseback	8,904	8,695
Interest expense on capital lease/leaseback	(8,904)	(8,695)
Street improvements	(14,566)	(11,301)
Interest and financing expenses	(142,413)	(148,757)
Build America Bonds tax credit	21,390	25,021
Other federal grants	294,136	54,932
Other non-operating revenues	15,156	15,463
Other non-operating expenses	(10,615)	(13,517)
NET NON-OPERATING REVENUES	785,883	557,757
GAIN(LOSS) BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	19,220	(183,902)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	98,924	80,426
State capital contributions	19,843	1,599
Local Capital Contribution	492	-
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	119,259	82,025
CHANGE IN NET POSITION	138,479	(101,877)
TOTAL NET POSITION – BEGINNING OF YEAR	1,202,501	1,304,378
TOTAL NET POSITION – END OF YEAR	$1,340,980	$1,202,501

The accompanying notes are an integral part of these financial statements.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (Dollars in Thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$56,001	$77,540
Cash flows from other sources	19,572	9,997
Payments to suppliers of goods and services	(150,467)	(139,665)
Payments to purchased transportation service providers	(57,821)	(57,685)
Payments to employees	(261,199)	(259,186)
Benefit payments on behalf of employees	(114,391)	(115,541)
NET CASH USED BY OPERATING ACTIVITIES	(511,305)	(484,540)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	623,165	613,005
Other federal grants	294,168	53,490
Build America Bonds tax credit	21,314	27,490
Local Assistance Program and street improvements	(12,137)	(9,638)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	926,510	684,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	5,413	8,705
Proceeds from sales and maturity of investments	1,195,401	392,489
Purchase of investments	(1,042,921)	(254,882)
Increase in restricted assets	23,847	(76,519)
NET CASH PROVIDED BY INVESTING ACTIVITIES	181,740	69,793
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(214,591)	(176,590)
Proceeds from the issuance of commercial paper notes	466,000	754,100
Payment on commercial paper notes	(551,000)	(720,000)
Proceeds from the issuance of revenue bonds	100,000	-
Proceeds from the Railroad Rehabilitation and Improvement Financing Bonds	-	11,706
Principal payment on revenue bonds	(59,974)	(58,291)
Interest and financing expenses	(151,667)	(160,818)
Payment of debt issuance costs	(1,915)	(2,954)
Federal capital contributions	98,845	79,889
State and local capital contributions	2,376	3,359
Proceeds from the sale of capital assets	40	617
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(311,886)	(268,982)
NET DECREASE IN CASH AND CASH EQUIVALENTS	285,059	618
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	98,979	98,361
CASH AND CASH EQUIVALENTS, END OF YEAR	$384,038	$98,979

(Continued)

The accompanying notes are an integral part of these financial statements.

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (Dollars in Thousands)

	2020	2019
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(766,663)	$(741,659)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	249,778	248,064
Miscellaneous non-operating income	15,117	14,847
Miscellaneous non-operating expenses	(10,615)	(13,517)
Changes in assets and liabilities:		
(Increase) decrease in transit receivable	2,637	(455)
Decrease in due from federal & other governments	5,359	(3,814)
Decrease (increase) in materials and supplies inventory	854	(1,809)
Decrease (increase) in prepaid expenses and other current assets	777	(1,413)
Increase (decrease) in net pension liability	3,694	2,432
Increase (decrease) in accounts payable and accrued liabilities	2,240	10,739
Increase (decrease) in unearned revenue and other liabilities	(14,483)	2,045
NET CASH USED BY OPERATING ACTIVITIES	$(511,305)	$(484,540)

NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$8,904	$8,695
Interest expense on capital lease/leaseback	(8,904)	(8,695)
Increase in capital lease/leaseback obligations	2,530	2,321
Increase in investments held to pay capital lease/leaseback	(2,530)	(2,321)
Increase (decrease) in fair value of investments	(34)	4,286
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(23,153)	(15,968)
Purchases of capital assets in accounts payable at year-end	43,160	32,650
Decrease in deferred outflows of resources – derivative instrument	398	1,457
Change in due from federal governments – capital contributions	161	537
Change in advance payments received from the State – capital contributions	17,960	1,760
Proceeds from the issuance of sales tax revenue bonds	209,689	365,655
Payment for advance refunding of sales tax revenue bonds	(209,689)	(365,655)

(Concluded)

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Dallas Area Rapid Transit (DART) is a regional transportation authority of the State of Texas, created and confirmed by passage of a referendum on August 13, 1983, pursuant to Article 1118y of the Vernon's Annotated Texas Civil Statutes, as amended, and recodified into Section 452 of the Texas Transportation Code (the Code) effective September 1, 1995. DART is organized to provide public and general transportation services to 13-member jurisdictions in five counties: Dallas, Collin, Ellis, Denton, and Rockwall. The member jurisdictions in which the voters elected to be included in DART consist of the cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett, and University Park, and the towns of Addison and Highland Park. Fifteen Board members represent the 13-member jurisdictions. Board members are appointed according to the ratio of the population of a member jurisdiction to the total population of the service area. One Board member may represent multiple jurisdictions.

Amendments to DART's enabling legislation require approval of the Texas State Legislature, which holds its regular session every two years. Past legislative changes allowed the issuance of lease/leaseback transactions (see Note 10), changed the collection period of sales taxes from quarterly to monthly, and allowed a joint pledge of sales and use tax and farebox revenues as security for long-term debt. Future changes to DART's enabling legislation could have a material impact on DART's financial position. The next session of the State Legislature is scheduled to begin in January 2021.

On August 12, 2000, the voters of the DART Service Area passed a referendum that allows DART to issue up to $2.9 billion of bonds or notes that are solely payable from and secured by the DART sales and use tax revenue, have maturities beyond five years, and are issued pursuant to the authority granted at the election. A change to DART's enabling legislation was enacted during the 2009 Texas Legislative Session allowing DART to pledge multiple revenue sources as a first lien on Senior Lien Long-Term Bonds. This legislative change allowed DART to issue more than $2.9 billion in long-term debt, provided that DART issues multi-revenue bonds. On July 23, 2012, DART filed a Bond Validation Petition in District Court 160 in Dallas County. DART sought a judicial ruling clarifying whether a $2.9 billion limitation on "solely" pledged Sales Tax Revenue Bonds applies to "combined" Pledged Revenue Bonds. The hearing was conducted on August 13, 2012, and the Court concurred with DART's position. As a result, DART is no longer limited to $2.9 billion in long-term debt so long as the debt is backed by a combined pledge of revenues (sales taxes plus another revenue source). Based on voters' authorization and changes in its enabling legislation, DART issued and sold varies bonds shown in notes 12, 13 and 14.

Basis of Accounting – The activities of DART are accounted for as proprietary funds and therefore are reported as an enterprise fund in accordance with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB). Accordingly, DART uses the accrual basis of accounting.

Reporting Entity – DART has two component units, Regional Rail Right-Of-Way Corporation (RRROW) and Dallas Area Rapid Transit Mobility Service, LGC (LGC).

Regional Rail Right of Way – The RRROW is a not-for-profit Corporation formed under Article 1396-1.01 of the Texas Non-Profit Corporation Act on October 9, 1990 to facilitate the acquisition of certain properties and right-of-way for DART. On July 9, 2002, The DART Board of Directors authorized the transfer to DART of real estate interest for certain railroad right of way held by RRROW and granted easement rights to RRROW to continue freight rail operations on all of DART active freight rail corridors. DART retains all real estate interests in the active freight rail corridors and RRROW is the common carrier authority under the freight operating easement. RRROW discharges the common carrier obligations through existing trackage rights agreements that are managed by DART personnel on behalf of RRROW. RRROW collects all trackage rights fees from freight operations on active DART owned railroad corridors. At the end of each fiscal year DART receives income earned by the Corporation that is not needed to pay the Corporation's expenses or obligations. DART retains the right to use the railroad corridors for reasonable purposes provided such uses do not materially interfere with common carrier freight service on the railroad corridors.

All powers of the RRROW corporation are vested in a Board of Directors, each member of which is appointed by the DART Board. The RRROW Board of Directors consist of not fewer than three nor more than five directors of which DART is the sole corporate member. Any director may be removed from office at any time, with or without cause, by the DART Board. The DART Board may review and revise the structure, organization, and activities of the Corporation. The property and affairs of RRROW are subject to the restrictions imposed by the DART Board. In the event of dissolution all assets will be turned over to DART.

Dallas Area Rapid Transit Mobility Service – The LGC is a not-for-profit Corporation formed on March 6, 2012 under Subchapter D of Chapter 431, Texas Transportation Code, to aide and act on behalf of DART in performance of its governmental purpose of providing a public transportation system by bus primarily outside the DART service area. The Corporation can issue bonds, notes or other obligations and it can also acquire real property, all subject to prior approval of the DART Board of Directors. The LGC must comply with all DART policies and, when applicable, with all Federal Transit Administration requirements in performance of its duties.

There are five members on the LGC Board: Chairman of the DART Board of Directors; one other DART Board member that is appointed by the DART Board of Directors; and three DART employees recommended by the President/Executive Director of DART and subject to the approval from the DART Board of Directors. DART is the sole corporate member of the LGC. The DART Board of Directors may remove any member from the LGC board, with or without cause. Any vacancy on the Board shall be filled by a majority vote of the DART Board of Directors. Staff functions for the Corporation are performed by DART employees, as directed by the DART President/Executive Director. The DART Board of Directors may at any time consider and approve a resolution directing the LGC Board of Directors to proceed with the dissolution of the Corporation in which case, all assets will be turned over to DART. At the end of each fiscal year, DART receives income earned by the Corporation that is not needed to pay the Corporation's expenses or obligations.

Both RRROW and LGC meet the criteria of a blended component unit for the following reasons: They are both non-profit corporations in which the agency is the sole corporate member. DART Board appoints/approves the voting majority of each Board. The DART Board can impose its will on the corporations and may at any time consider and approve a resolution directing their Boards to proceed with the dissolution of the Corporation in which case, all assets will be turned over to DART. Also, the DART Board may remove any member from the LGC or RRROW Board at any time, with or without cause. In the case of RRROW, the corporation provides services that benefit the primary government (DART) by discharging the common carrier obligations through DARTs existing trackage rights agreements and collecting the related trackage rights fees. DART is legally entitled to or can otherwise access the organizations resources as it retains the right to use the railroad corridors and at the end of each fiscal year receives income earned by RRROW via the trackage right fees received. In the case of LGC, the LGC benefits DART by aiding and acting on behalf of DART in performance of its governmental purpose of providing a public transportation system. The LGC also provides a financial benefit to DART. At the end of each fiscal year DART receives the income earned by the LGC that is not needed to pay the Corporation's expenses or obligations.

The financial information of the RRROW and LGC are included in the accompanying financial statements of DART as blended component units in accordance with GASB Statement No. 61 and GASB Statement No. 80.

Internally prepared financial statements for either RRROW or LGC may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

New Accounting Pronouncements – In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of Construction Period.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. DART elected for early implementation of this standard beginning fiscal year 2020.

Cash and Cash Equivalents – DART considers investments in unrestricted funds with original maturities of less than 90 days at the date of purchase to be cash equivalents. Cash and cash equivalents were $384,038 and $98,979 as of September 30, 2020, and 2019, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), on September 30, 2020, and 2019 are stated at fair value except for money market funds which are valued at amortized cost. Fair value is the amount at which an investment may be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. DART utilizes quoted market prices or other measurements on September 30, 2020, and 2019, as the equivalent of the fair value of investments. When both restricted and unrestricted funds are available, it is DART's policy to spend restricted funds first on eligible expenditures.

Material and Supplies Inventory – An inventory of supplies and parts is maintained at different DART warehouses for use in the operation and is recorded as an expense when consumed or placed in service. Inventory is stated at average cost.

Capital Assets – Capital assets are assets with an initial individual cost of more than five thousand dollars ($5,000) and an estimated useful life in excess of one year. Such assets are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as indicated in Note 6. Major improvements to buildings and equipment are capitalized. Maintenance and repairs are charged to expense as incurred. Improvements and betterments that extend the useful lives of capital assets or add new functionality are capitalized. Transit system development costs for services such as project-related design, construction, construction management, and project management costs are capitalized when incurred. In 2020, total interest and financing expense of $142,413 was incurred, and none of this total was capitalized due to early implementation of GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of Construction Period.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. In 2019, total interest and financing expense of $151,892 was incurred, and $3,135 of this total was capitalized. Donated assets are capitalized at estimated acquisition value on the date of donation.

Federal, State and Local Capital Contributions, and Grants – Grant funds used for the acquisition of property and equipment are recorded as capital contribution revenues when the related grant eligibility requirements are met, and qualified expenditures are incurred. DART received $119,259 in federal, state and local capital contributions during 2020 compared to $82,025 during 2019. None of the total capital contributions received during 2020 were based on capital expenditures made during the previous years. In addition to capital contributions, DART also received $294,136 in 2020 compared to $54,932 in 2019 in the form of other federal grants. Included in these amounts are grants that are substantially related to capital maintenance grants from the federal government. The 2020 amount includes $229,628 from the CARES Act grant.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Paid Time Off, Vacation and Sick Leave – Salaried exempt and non-exempt employees are eligible for a "Paid Time Off" (PTO) benefits program. Accumulated PTO hours have no cash value unless the employee has five or more years of service. Upon termination of employment, a percentage of unused PTO hours will be paid in a lump sum based on number of years of continued service with DART. Hourly employees earn vacation and sick leave, which may be taken or accumulated up to certain levels, until paid upon retirement or termination. The liability for PTO, vacation, and sick leave has been calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* and is included in the accounts payable and accrued liabilities line item in the accompanying Statements of Net Position.

Operating Revenues and Expenses – Operating revenues are generated from activities related to providing public transportation services such as bus, light rail, commuter rail, paratransit, and vanpool to DART customers. DART's operating revenues include passenger fare revenues, advertising revenues, and certain rental income. Non-operating revenues are revenues not directly related to the operations of DART's transit service. Sales and use tax revenues, BABs tax credit, and investment income are classified as non-operating revenues.

Operating expenses are incurred for activities directly related to providing public transportation services to DART customers. Such activities include transportation, maintenance, transit police, and general and administrative functions. Non-operating expenses include interest and financing costs, general planning and consulting work not related to current service, and the local assistance provided to eligible member jurisdictions.

Revenue Recognition – Operating revenues are recognized when transit service is provided. Monthly tickets and annual passes are sold for revenue service, including bus and rail operations. An estimate of unused tickets and passes is recorded as unearned transit revenue and is included in the unearned revenue and other liabilities line item in the accompanying Statements of Net Position.

Sales and Use Tax Revenues – Sales and use tax revenues are recognized when the underlying transactions occur. Sales and use tax revenues are subject to audits by the State Comptroller, which sometimes results in refunds to the State.

Self-Insurance Liabilities – DART administers and maintains self-insured reserves for employee medical, operational workers' compensation, auto, and general liability (including bus/rail accidents), directors' and officers' liability, and light rail construction workers' compensation and general liability claims. These programs are administered by DART, or in some instances, a third party. DART accrues the estimated cost of self-insurance liabilities based on actuarial review and the estimate is included in the accounts payable and accrued liabilities line item in the accompanying Statements of Net Position. These estimates include incurred but not reported (IBNR) claims

Changes in the liabilities in 2020 and 2019 for DART's self-insured programs are as follows:

	Injury, Damage and Personal Liabilities	Workers' Compensation Liabilities	Employee Medical, Dental, and Vision Liabilities*	Total Self-Insurance Liabilities
Beginning Balance, 10/01/2017	**$4,243**	**$7,460**	**$6,267**	**$17,970**
Add: Claims and changes in estimates	1,361	2,562	49,628	53,551
Less: Payments	(1,369)	(2,752)	(48,601)	(52,722)
Ending balance, 09/30/2018	**$4,235**	**$7,270**	**$7,294**	**$18,799**
Add: Claims and changes in estimates	2,410	2,568	60,500	65,478
Less: Payments	(2,280)	(3,950)	(57,509)	(63,739)
Ending balance, 09/30/2019	**4,365**	**5,888**	**10,285**	**20,538**
Add:Claims and changes in estimates	3,018	5,591	56,239	64,848
Less: Payments	(3,059)	(5,138)	(56,225)	(64,422)
Ending balance, 09/30/2020	**$4,324**	**$6,341**	**$10,299**	**$20,964**

*DART employees pay their share of medical, dental, and vision claims through bi-weekly payroll deductions. Employees' share of medical, dental, and vision claims was $9,697 during 2020, $9,711 during 2019, and $9,760 during 2018. Payment amounts shown in the table above are gross amounts and not netted against employee contributions.

DART purchases liability insurance coverage for all-risk property, commuter rail, leased premises, crime, directors and officers and light rail project-specific professional liability and light rail build-out workers' compensation and general liability. Coverage is evaluated annually and adjusted as necessary based upon exposure and claim payments. There was no significant reduction in insurance coverage from the previous year, and the settlement amounts did not exceed insurance coverage for each of the past three fiscal years.

Premium and Discounts on Revenue Bonds – Premiums and discounts on Senior Lien Revenue Bonds are amortized using the effective interest method. Bond insurance premiums and gains/losses on refunding are also amortized using the effective interest method over the life of the bonds.

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Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) and additions to/deductions from the DB Plan's fiduciary net position have been determined on the same basis as they are reported by the DB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position – *Net Investment in Capital Assets*, includes capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. *Restricted* consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is DART's policy to use restricted resources first, and then unrestricted resources when they are needed. *Unrestricted* resources consist of net position that does not meet the definition of "restricted" or "net investment in capital assets."

2. SERVICE AGREEMENTS

DART has entered into several long-term agreements with contractors to provide paratransit, commuter rail, DART on-call and shuttle services. Payments to service providers are recorded as purchased transportation in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

Summary of major services rendered in 2020 and 2019 and the current contract terms, including option periods is shown as follows:

		Annual Payments		Contract Terms	
Contractor's Name	Service Type	2020	2019	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail Service	$21,313	$20,940	10/1/2015	9/30/2025
MV Transportation, Inc.	Paratransit, and mobility services	31,011	31,807	10/1/2012	9/30/2022
Others	Various	4,755	5,790	Various	Various
Total		$57,079	$58,537		

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and investments, excluding investments held for lease/leaseback liabilities, as of September 30 are classified in the Statements of Net Position as follows:

	9/30/2020	9/30/2019
Cash and cash equivalents	$384,038	$98,979
Investments	108,028	258,921
Restricted investments held by trustee for debt service	123,111	119,603
Restricted investments held for advance funding agreements	52,205	69,440
Restricted investments held for system expansion and acquisition	57,931	66,924
Restricted investments held as security for capital lease/leaseback liabilities	4,616	5,742
Total cash and investments	$729,929	$619,609

Cash and investments as of September 30 consist of the following:

	9/30/2020	9/30/2019
Cash	$2,530	$2,368
Cash equivalents	381,508	96,611
Investments	345,891	520,630
Total cash and investments	$729,929	$619,609

Deposits
State statutes authorize DART's cash to be deposited in demand deposits, time deposits, or certificates of deposit and require that all deposits be fully collateralized or insured.

On September 30, 2020, the carrying amount of DART's deposits was $2,530 compared to $2,368 at September 30, 2019. Bank balances at September 30, 2020 and 2019 were entirely covered either by Federal Depository Insurance or by collateral held by DART's agent in DART's name.

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Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, DART will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. DART's policy requires that all deposits with financial institutions must be collateralized to the extent not protected by F.D.I.C. insurance. Securities that can be accepted as collateral are limited to U.S. Government Securities, Federal Agency Securities, and Municipal Securities.

Investments

In accordance with the Texas Public Funds Investment Act and DART's investment policy, DART invests in, among others, obligations of the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities, and other state political subdivisions with ratings from a nationally recognized investment rating firm of not less than "A" or its equivalent and commercial paper with ratings of not less than "A1" or "P1." In addition, State statutes authorize DART to invest funds in other cash equivalents such as money market mutual funds among other things. All DART investments are subject to the Texas Public Funds Investment Act. The following table identifies the investment types that are authorized by DART's Investment Policy. The table also identifies certain provisions of DART Investment Policy that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer at the Time of Purchase
U.S. Government Securities	None	None	None
Federal Agency Securities	None	None	25%
Municipal Securities	None	None	10%
Repurchase and Reverse Repurchase Agreements	90 days	50%	5%
Money Market Mutual Funds	10 years	None	None
Commercial Paper	270 days	None	5%
Banker's Acceptance	270 days	None	5%
Certificate of Deposit	10 years	None	None

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that DART manages exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of it matures evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of DART investments to market interest rate fluctuations as of September 30 is provided in the following tables, which show the distribution of DART investments by maturity.

		Remaining Maturity (in months) as of September 30, 2020		
Investment Type	Total Amount	12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$23,043	$ -	$13,042	$10,001
Federal Home Loan Bank	25,889	-	5,026	20,863
Federal Home Loan Mortgage Corporation	21,990	-	-	21,990
Money Market Funds:				
Logic*	319,528	319,528	-	-
TexPool **	179,333	179,333	-	-
TexasClass***	105,824	105,824	-	-
TexasDaily ****	30,018	30,018	-	-
Other Money Market Funds	21,774	21,774	-	-
Total	$727,399	$656,477	$18,068	$52,854

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		Remaining Maturity (in months) as of September 30, 2019		
Investment Type	Total Amount	12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Agricultural Mortgage Corporation	$20,092	$10,064	$ -	$ 10,028
Federal Farm Credit Banks	34,496	31,494	3,002	-
Federal Home Loan Bank	97,554	47,249	40,047	10,258
Federal Home Loan Mortgage Corporation	43,630	9,990	4,115	29,525
Federal National Mortgage Association	42,332	42,332	-	-
Money Market Funds:				
Logic*	252,783	252,783	-	-
TexPool**	93,473	93,473	-	-
Other Money Market Funds	32,881	32,881	-	-
Total	$617,241	$520,266	$47,164	$49,811

*Logic (Local Government Investment Cooperative) is an AAAm rated investment pool tailored to the investment needs of Texas local governments. The Portfolio invests only in A1/P1 commercial paper and government back securities (treasuries/agencies and repurchase agreements) which are in compliance with the Public Fund Investment Act. LOGIC is overseen by a Governing Board consisting of individuals from participating Government Entities in the pool. The Portfolio will maintain a dollar-weighted average portfolio maturity that does not exceed 60 days calculated in accordance with the 2a-7 or 90 days based on stated maturity of fund investments. The fair value of LOGIC portfolio is determined using amortized cost.

**TexPool is the largest and oldest local government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. It operates according to Government Code 2256 (Public Funds Investment Act) requirements. The weighted average maturities of the pool cannot exceed 60 days. TexPool invests only in investments authorized under the Public Funds Investment Act.
The fair value of TexPool portfolio is also determined using amortized cost.

***TexasClass is a Texas Cooperative Liquid Assets Securities System Trust ("the Trust"). It is a Participant controlled trust created in accordance with the Texas Public Funds Investment Act. Texas Class investments are AAAm by Standard and Poor's.

****TexasDaily is one of the investment options offered by the Texas Term Investment Pool which is a professionally managed portfolios that are available to government entities in the State of Texas. TexasDaily is a money market portfolio with daily liquidity that is rated AAAm by Standard & Poor's. Average maturity is 52 days.

<u>Credit Risk</u> - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating agency. The following tables show actual ratings as of September 30 for each investment type. Money market funds listed are SEC regulated 2a.7 funds.

Rating as of September 30, 2020				
Investment Type	Total Amount	AA+/ Aaa	AAAm	Not Rated
Federal Farm Credit Banks	$23,043	$23,043	$ -	$ -
Federal Home Loan Bank	25,889	25,889	-	-
Federal Home Loan Mortgage Corporation	21,990	21,990	-	-
Money Market Funds:			-	-
Logic	319,528	-	319,528	-
TexPool	179,333	-	179,333	
TexasClass	105,824	-	105,824	-
TexasDaily	30,018	-	30,018	-
Other Money Market Funds	21,774	-	1,759	20,015
Total	$727,399	$70,922	$636,462	$20,015

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Rating as of September 30, 2019			
Investment Type	Total Amount	AA+/ Aaa	AAAm
Federal Agricultural Mortgage Corporation	$20,092	$ -	$20,092-
Federal Farm Credit Banks	34,496	34,496	-
Federal Home Loan Bank	97,554	97,554	-
Federal Home Loan Mortgage Corporation	43,630	43,630	-
Federal National Mortgage Association	42,332	42,332	-
Money Market Funds:			
Logic	252,783	-	252,783
TexPool	93,473	-	93,473
Other Money Market Funds	32,881	-	32,881
Total	$617,241	$218,012	$399,229

On August 5, 2011, Standard and Poor's, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term United States sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists. DART's investment portfolio includes $70,922 as of September 30, 2020 compared to $218,012 as of September 30, 2019 with credit ratings of AA+ by Standard and Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of DART's investment in a single issuer. DART's Investment Policy contains limitations on the amount that can be invested in any one issuer as shown in the table on page 22. Investments in any one issuer that represent 5% or more of total investment portfolio of DART as of September 30 are as shown below:

September 30, 2020		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Logic	$319,528	44%
TexPool	179,333	25%
TexasClass	105,824	15%

September 30, 2019		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Logic	$252,783	41%
Federal Home Loan Bank	97,554	16%
TexPool**	93,473	15%
Federal Home Loan Mortgage Corporation	43,630	7%
Federal National Mortgage Association	42,332	7%
Federal Farm Credit Banks	34,496	6%

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, DART will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of DART's investments except for money market mutual funds, which by design provide ownership of shares within the fund, are registered in DART's name as of September 30, 2020 and 2019 and are not exposed to custodial credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. None of DART's investment are in foreign currency-denominated investments.

DART categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs.

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DART has the following fair value measurements as of September 30, 2020 and 2019.

Fair Value Measurements as of September 30, 2020

Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Farm Credit Banks	$23,043	$ -	$23,043	$ -
Federal Home Loan Bank	25,889	-	25,889	-
Federal Home Loan Mortgage Corporation	21,990	-	21,990	-
Total	$70,922	$ -	$70,922	$ -

Fair Value Measurements as of September 30, 2019

Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Agricultural Mortgage Corporation	$20,092	$ -	$20,092	$ -
Federal Home Loan Bank	97,554	-	97,554	-
Federal Farm Credit Banks	34,496	-	34,496	-
Federal Home Loan Mortgage Corporation	43,630	-	43,630	-
Federal National Mortgage Association	42,332	-	42,332	-
Total	$238,104	$ -	$238,104	$ -

Restricted investments held to pay capital lease/leaseback liabilities – As of September 30, 2020, DART had one outstanding lease/leaseback obligation. When DART entered into the capital lease/leaseback transactions it received advance rental payments. A portion of the advance rental payment received by DART was used to purchase contractual undertakings from certain financial institutions. These institutions assumed and agreed to pay the sublease rental payments due through the purchase option date, together with the purchase option price owed if DART were to exercise the purchase option rights. For other leases, DART deposited a portion of the advance rental payment with a trustee, who was to purchase direct obligations of the US government and other securities that would mature on the dates in the amounts required to pay sublease rental payments and the respective purchase option price. These investments are held by the trustee in the name of DART and are invested in U.S. Treasury strips, U.S. government sponsored enterprise obligations, and guaranteed investment contracts. They include a combination of investments with short-term and long-term maturities which minimizes the exposure to interest rate risk. Because these investments are insured by a third party and are held in U.S. Treasuries and government investment contracts, they are not recorded at fair value but are recorded at amortized cost in the Statements of Net Position.

Assigned assets – The DART Board has assigned certain cash and investment balances to be maintained for self-insurance and financial reserve. These amounts are shown as unrestricted investments in the accompanying financial statements. The assets for self-insurance include amounts assigned by the Board to fund future claims and workers' compensation liabilities. The Board established a financial reserve to accumulate sales and use taxes in years when sales and use tax revenues exceed the budgeted amount. Sales and use tax revenues, net of annual repayments to the State Comptroller, were $11,891 lower than budget for fiscal year 2020 compared to $7,806 more than budget for fiscal year 2019. In addition, the Board of Directors authorized the establishment of Mobility Assistance and Innovation Fund. Should the Financial Reserve exceed $50 million, excess funds are placed in the Mobility Assistance and Innovation Fund.

An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve and Mobility Assistance and Innovation Fund. The funds may be used for any purpose approved by the Board. During 2011, the DART Board approved a request to set aside a portion of the financial reserve investments for potential collateral as required by an amendment to one of the lease/leaseback agreements. The amount set aside for this purpose is $4,616 as of September 30, 2020, compared to $5,742 as of September 30, 2019. These amounts are shown as restricted investments held as security for capital lease/leaseback liabilities in the Statements of Net Position and are excluded from the financial reserve amount of September 30, 2020 and 2019 shown as follows:

Assigned for	2020	2019
Self-Insurance	$12,247	$12,281
Financial Reserve*	45,277	44,517
Silver Line Project Fund**	20,110	20,100
Mobility Assistance and Innovation Fund***	12,328	11,021
Total	$ 89,962	$ 87,919

*The financial reserve amounts shown here are net of $4,616 as of September 30, 2020, and $5,742 as of September 30, 2019. These amounts are set aside as collateral security for a certain lease/leaseback obligation.

** On October 25, 2016, the DART Board approved the Fiscal Year 2017 Twenty-Year Financial Plan which included an authorization to move $20.1 million from Mobility Assistance and Innovation Fund (formerly Capital Reserve) to the Silver Line Project Fund to pay for the Silver Line commuter rail capital project costs.

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*** On May 14, 2019 the DART Board renamed the Capital Reserve Fund as the Mobility Assistance and Innovation Fund by Resolution No. 190053.

4. RESTRICTED ASSETS

As security for the Senior Lien Obligations (Bonds) and Senior Subordinate Lien Obligations (Commercial Paper Notes), DART is required to maintain a certain amount of money in trust accounts created for this purpose. The money maintained in the trust accounts is reported as *Investments held by trustee for debt service* in the Statements of Net Position. The trustee uses all the monies and investments in the account for payment of principal, interest for bonds and commercial paper notes, and administrative expenses. Restricted assets shown in the Statements of Net Position also include debt proceeds which will be used to fund capital expenditures.
DART entered into three advance funding agreements with the Texas Department of Transportation and received money for construction of three parking lots. DART also entered into an inter-local agreement with the City of Dallas to plan and design a modern streetcar system for the City of Dallas and received money for this purpose. The remaining balances of these monies are shown as *restricted investments held for advance funding agreements* in the Statements of Net Position as of September 30, 2020 and 2019.

DART also entered into an additional Equity Security Agreement that requires it to set aside certain investments as security for a certain lease/leaseback obligation. As of September 30, 2020, DART has set aside $4,616 compared to $5,742 as of September 30, 2019, for this purpose. These amounts are shown as *investments restricted as security for lease/leaseback liabilities* in the Statements of Net Position.

5. INVESTMENT IN JOINT VENTURE

DART and Trinity Metro jointly provide commuter rail service between downtown Dallas and downtown Fort Worth. The authorities have adopted the name *Trinity Railway Express* ("TRE") to provide this service. The operation and maintenance of commuter rail service is contracted to Herzog Transit Services, Inc. The cost of operating TRE, net of operating revenues, is shared between DART and Trinity Metro based on revenue seat miles operated in Dallas County and Tarrant County, respectively. The transit authorities separately contributed the capital for the passenger stations and track storage areas in their respective counties, including fixtures and fare collection equipment at those stations. DART and Trinity Metro have jointly contributed the capital for seven rehabilitated locomotives, two new locomotives, ten rehabilitated bi-level coaches, five new bi-level coaches, two rehabilitated bi-level cab cars, and five new bi-level cab cars. The book value of DART's share of these capital assets jointly owned with Trinity Metro is recorded as Investment in Joint Venture in the Statements of Net Position in accordance with GASB Statement No. 61. There are no separate financial statements for the TRE. Each authority includes its share of revenues, operating costs and capital assets in its own financial statements.

6. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2020 are shown as follows:

	Beginning Oct. 1, 2019	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2020
Non-Depreciable Assets					
Land and right-of-way	$ 618,596	$ -	$ (309)	$ 285	$ 618,572
Capital projects in progress	227,111	231,184	-	(52,915)	405,380
Total non-depreciable assets	845,707	231,184	(309)	(52,630)	1,023,952
Depreciable Assets					
Transitways	4,054,449	-	-	5,332	4,059,781
Buildings and improvements	753,648	-	(3,805)	5,471	755,314
Revenue and non-revenue vehicles and equipment	1,327,613	-	(26,808)	9,681	1,310,486
Furniture, fixtures, and Leasehold improvements	97,110	-	(1,247)	32,146	128,009
Total depreciable assets	6,232,820	-	(31,860)	52,630	6,253,590
Less accumulated depreciation					
Transitways	1,597,555	137,757	-	-	1,735,312
Buildings and improvements	440,564	25,933	(3,805)	-	462,692
Revenue and non-revenue vehicles and equipment	775,829	73,298	(26,808)	-	822,319
Furniture, fixtures, and Leasehold improvements	74,820	11,688	(1,247)	-	85,261
Total accumulated depreciation	2,888,768	248,676	(31,860)	-	3105,584
Depreciable assets, net	3,344,052	(248,676)	-	52,630	3,148,006
Total capital assets	$4,189,759	$(17,492)	$ (309)	$ -	$4,171,958

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Changes in capital assets for the years ended September 30, 2019 are shown as follows:

	Beginning Oct. 1, 2018	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2019
Non-Depreciable Assets					
Land and right-of-way	$ 619,043	$ -	$ (447)	$ -	$ 618,596
Capital projects in progress	93,435	200,117	-	(66,441)	227,111
Total non-depreciable assets	712,478	200,117	(447)	(66,441)	845,707
Depreciable Assets					
Transitways	4,050,153	-	-	4,296	4,054,449
Buildings and improvements	750,296	-	-	3,352	753,648
Revenue and non-revenue vehicles and equipment	1,302,474	-	(13,675)	38,814	1,327,613
Furniture, fixtures, and Leasehold improvements	77,131	-	-	19,979	97,110
Total depreciable assets	6,180,054	-	(13,675)	66,441	6,232,820
Less accumulated depreciation					
Transitways	1,460,616	136,939	-	-	1,597,555
Buildings and improvements	415,950	24,614	-	-	440,564
Revenue and non-revenue vehicles and equipment	712,473	76,951	(13,595)	-	775,829
Furniture, fixtures, and Leasehold improvements	66,197	8,623	-	-	74,820
Total accumulated depreciation	2,655,236	247,127	(13,595)	-	2,888,768
Depreciable assets, net	3,524,818	(247,127)	(80)	66,441	3,344,052
Total capital assets	$4,237,296	$ (47,010)	$ (527)	$ -	$4,189,759

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Years
Buildings and improvements	20-30
Buses and equipment	4-12
Furniture, fixtures, and leasehold improvements	3-10
Facilities and transitways (LRT System and HOV lanes)	20-30
Light rail transit vehicles and commuter rail vehicles	25
Rebuilt/Remanufactured rail cars	10

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND REPAYMENT DUE TO STATE COMPTROLLER

Accounts payable and accrued liabilities at September 30 are as follows:

Description	2020	2019
Accounts payable and accrued liabilities		
Payroll	$ 15,287	$ 11,050
Accrued paid time off, vacation and sick leave	29,906	27,304
Self-insurance liabilities	20,964	20,538
Other operating liabilities	34,167	39,192
Total operating expense related	100,324	98,084
Non-operating expense and capital related	43,211	32,669
Total accounts payable and accrued liabilities	143,535	130,753
Non-current	40,172	41,066
Current	$103,363	$ 89,687

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The Texas State Comptroller collects the 1% sales and use tax from taxpayers for DART. Sales and use tax revenues are subject to audits by the State Comptroller, which sometimes results in repayments to the State. Outstanding repayments and changes in the repayments due to the State Comptroller at September 30 are as follows:

Description	2020	2019
Beginning balance	$6,103	$6,927
Additions	4,096	-
Payments	(412)	(824)
Ending balance	9,787	6,103
Non-current	8,394	5,279
Current	$1,393	$ 824

8. ACCRUED PAID TIME OFF (PTO) VACATION AND SICK LEAVE

Changes in accrued PTO, vacation, and sick leave for the years ended September 30 are shown in the following table.

Description	2020	2019
Beginning balance	$27,304	$27,234
Additions	4,183	1,757
Payments	(1,581)	(1,687)
Ending balance	$29,906	$27,304
Amounts due in one year	$ 4,520	$ 1,599

9. LOCAL ASSISTANCE PROGRAMS

i. In 1989, DART created a Local Assistance Program (LAP) to provide technical and financial assistance to cities for the implementation of projects to reduce traffic congestion and complement bus and public transit operations. Eligible member jurisdictions are responsible for developing and submitting projects to DART for approval in order to receive distribution of these funds. According to the terms of inter-local agreements, DART allocated a percentage of its annual sales and use tax collections for the LAP program. Eligible member jurisdictions received 15% of the estimated sales and use taxes collected within that jurisdiction, except Irving, which received 7.5%. Dallas, University Park, and Highland Park were not eligible. The LAP program ended in 2004. Accrued but unpaid funds were carried over to succeeding years and were recorded as a liability on the accompanying Statements of Net Position.

Changes in Local Assistance Program Payable for the two years ended September 30, 2020 and 2019 are as follows:

Description	2020	2019
Beginning balance	$583	$583
Payments	-	-
Ending balance	$583	$583

ii. Transit Related Improvement Program – In January 2017, DART created a Transit Related Improvement Program (TRIP). This program will provide alternative mobility benefits to eligible non-rail cities by funding transit related improvement projects. Eligible municipalities are Cockrell Hill, Glenn Heights, Highland Park, and University Park. The maximum amount of annual DART funding for any municipal project is 21% of the annual projected DART sales tax revenue from such city. To be eligible for reimbursement, a project must be authorized under and consistent with the provisions of Chapter 452 of the Texas Transportation Code. Particular consideration and weight are given to projects that enhance transportation modes provided by DART, public transit safety, ridership or efficiency anywhere in the DART service area, and innovative approaches to public transportation. The TRIP program will end on September 30, 2025. Under the TRIP program, DART paid $2,551 to eligible non-rail cities during fiscal year 2020 compared to $5,484 paid during 2019.

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10. FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

DART has entered into lease transactions in which certain capital assets are leased to investors (headlease) and simultaneously leased back (sublease). As of September 30, 2020, DART has only one outstanding lease/lease back obligation. Under this transaction, DART maintains the right to continued use and control of the assets through the end of the lease term and is required to insure and maintain the assets. The headlease and sublease has been recorded as a capital lease/leaseback for accounting purposes. The following table shows the DART capital lease/leaseback transaction that is outstanding as of September 30, 2020.

Lease Date	Property	Fair Value at Closing Date	Prepayment Received on Head Lease	Amount Invested to Satisfy Sublease Obligation	Cash Benefit	Repurchase Option Date	Sublease Termination Date
9/28/2000	28 Light rail cars	$91,000	$91,000	$84,000	$7,000	01/02/23	12/15/23

The sublease provides DART with an opportunity, at its sole discretion, to repurchase equipment on specified dates. As these dates approach, DART will complete a financial analysis to determine if it is financially beneficial to repurchase the equipment. At this point in time, DART anticipates that it will exercise the repurchase option at the specified date and has reflected this option in the amortization.

The following table shows the book value of the light rail cars under the lease/lease back agreement as of September 30, 2020 and 2019.

Lease Date	Property	Book value as of 9/30/2020	Book value as of 9/30/2019
9/28/2000	28 Light rail cars	$12,849	$15,908

The net present value of the future sublease payments has been recorded as both a short-term and long-term liability in the accompanying Statements of Net Position. Prepayments received from the headlease were invested to satisfy the sublease obligations. Since the investments have been structured to meet all future obligations under the sublease when due, the investment balances have been recorded to equal the sublease liabilities on the accompanying Statements of Net Position. The benefits from these transactions, net of transaction costs, were recorded as non-operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position in the fiscal year each transaction occurred.

The capital lease/leaseback liabilities are reported as follows on the Statements of Net Position:

	2020	2019
Amounts due within one year	$6,374	$6,374
Amounts due in more than one year	112,342	109,813
Total	$118,716	$116,187

The lease/leaseback transaction has specific performance requirements for DART when the financial rating of the Payment Undertaker insurer falls below a specified level. During fiscal year 2010, credit rating of the financial institution insuring DART's lease/leaseback transaction was downgraded below levels specified in the lease/leaseback agreement. As a result, DART entered into an amended agreement to reset the acceptable credit rating to be maintained at or above BBB. DART also entered into an additional Equity Security Agreement that requires it to set aside certain investments as security. As of September 30, 2020, DART has set aside $4,616 compared to $5,742 as of September 30, 2019 for this purpose. These amounts are shown as restricted investments held as security for lease/lease back liabilities in the Statements of Net Position.

As of September 30, 2020, DART has only one outstanding lease/lease back obligation. Changes in the capital lease/lease back obligations for the years ended September 30 are shown below:

Description	2020	2019
Beginning balance	$116,187	$113,866
Accrued interest	8,903	8,695
Payments	(6,374)	(6,374)
Ending Balance	$118,716	$116,187

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The following schedule shows future minimum sublease payments as of September 30, 2020 for the outstanding lease capital lease/leaseback transaction.

Year Ending September 30	Minimum Sublease Payments
2021	$ 6,374
2022	18
2023	126,629
2024	8,663
Total minimum sublease payments due under capital lease/leaseback	141,684
Less: amount representing interest	(22,968)
Present value of minimum sublease payments	$118,716

11. SENIOR SUBORDINATE LIEN SALES TAX REVENUE COMMERCIAL PAPER NOTES PAYABLE

In January 2001, the DART Board approved the issuance of up to $650 million of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes under the provisions of the Master Debt Resolution.

Commercial Paper Self-Liquidity Program – in June 2014, the DART Board approved a new Commercial Paper Self-Liquidity Program that allowed DART to issue up to $200 million in commercial paper notes backed by self-liquidity. Under this program, DART provides self-liquidity in an aggregate principal amount of $200 million and 90 days interest calculated at an interest rate 12% of the outstanding commercial paper debt. DART also maintains at least 2.0 times the debt service coverage amount for the self-liquidity commercial paper notes and ensures that no more than $35 million of the commercial paper notes mature within five days. In September 2018, the DART Board authorized the reduction of the self-liquidity backed commercial paper program from $200 million to $125 million for the purpose of reducing the coverage requirement. During fiscal year 2020 and 2019, DART has complied with these requirements of the self-liquidity program.

As of September 30, 2020, DART had $50 million in outstanding commercial paper notes payable and $45 million unused line of credit under the Commercial Paper Self-Liquidity Program compared to $80 million outstanding as of September 30, 2019.

Bank-backed Commercial Paper Program – in November 2018, the DART Board authorized the establishment of bank-backed commercial paper program in the amount of $125 million for the purpose of interim financing of capital projects. DART entered into a revolving credit agreement with JPMorgan Chase Bank N.A that allows it to issue up to $125 million in bank backed commercial paper notes. Under this program, the Bank provides a liquidity facility which constitutes 270 days of interest at 10% on the maximum available principal of $125 million calculated based on actual number of days and a 365-day year. As of September 30, 2020, DART has an unused line of credit of $101 million and $24 million in outstanding commercial paper notes issued under this bank-backed program.

Commercial Paper Extendible Program – the DART Board approved a Commercial Paper Extendible Program that allows DART to issue up to $125 million in commercial paper notes not to exceed 270 days outstanding and backed by the faith and credit of DART. As of September 30, 2020, DART has an unused line of credit of $125 million and zero outstanding commercial paper notes issued under the extendible program.

Commercial paper notes are from direct placements and are issued in blocks for terms from 1 to 270 days and recorded as current liabilities on the Statements of Net Position. The average interest rate on outstanding commercial paper was 0.90% at September 30, 2020, and 1.31% at September 30, 2019. Changes in the Commercial Paper Notes for the years ended September 30, 2020 and 2019 are shown below.

Description	2020	2019
Beginning balance	$159,100	$125,000
Additions	466,000	754,100
Retirement	(551,000)	(720,000)
Ending Balance	$74,100	$159,100

DART has pledged sales and use tax and farebox revenues (pledged revenue) as security for commercial paper notes. The amount of the pledge is equal to the remaining debt service requirements for these obligations. Commercial paper notes have subordinate liens to pledged revenue. Senior Lien Revenue bonds, TIFIA bonds, and RRIF bonds have senior liens to pledged revenues. No assets have been pledged as collateral to secure commercial paper notes except for money accumulated in the Subordinate Lien Debt Service Fund which was $198 as of September 30, 2020 and $246 as of September 30, 2019. The Master Debt Resolution, which can be found in its entirety at www.dart.org or by contacting our Chief Financial Officer at our corporate address, establishes the provisions, terms, and conditions of, and the security for, DART's bonds, notes, and credit agreements. The Master Debt Resolution contains a provision that in an event of default, the trustee shall transfer all future gross sales tax revenues and apply them to debt service payments based on the times, order and priority set forth in The

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Master Debt Resolution. In the event of default, The Master Debt Resolution also contains a provision that no right of acceleration shall be granted unless that right is extended to holders and payees of all outstanding bond and credit agreement obligations.

12. SENIOR LIEN REVENUE BONDS

The DART Board has approved several issuances in accordance with the Master Debt Resolution. These bonds are Senior Lien Revenue Bonds that are secured by, and payable from pledged revenues. Pertinent information related to each bond outstanding is shown below:

Bond Series	Board Approval Date	Original Issue Amount	Date issued	Interest rate (Yields) range From	Interest rate (Yields) range To	Maturity date range From	Maturity date range To	Optional Redemption: Bonds maturing after	Optional Redemption: Earliest call date
2007 (a)	Jan. 2007	$770,270	03/08/07	4.00%	5.30%	12/1/07	12/1/36	12/1/17	12/1/16
2008 (b)	Apr. 2008	731,415	06/23/08	4.50%	5.30%	12/1/09	12/1/48	12/1/18	12/1/17
2009A	May 2009	170,385	06/25/09	2.80%	4.30%	12/1/14	12/1/22	12/1/19	6/1/19
2009B	May 2009	829,615	06/25/09	6.00%	6.30%	12/1/23	12/1/44	12/1/34	5/31/19
2010A	Sep. 2010	95,235	10/07/10	2.00%	5.00%	12/1/13	12/1/23	12/1/21	12/1/20
2010B	Sep. 2010	729,390	10/07/10	4.90%	5.00%	12/1/37	12/1/48	Not applicable	
2012	April 2012	127,775	11/15/12	1.00%	5.00%	12/1/13	12/1/42	12/1/22	12/1/22
2014A (c)	Oct. 2014	379,480	12/11/14	2.00%	5.00%	12/1/17	12/1/36	12/1/25	12/1/24
2014B (c)	Nov. 2014	46,555	12/11/14	5.00%	5.30%	12/1/33	12/1/43	12/1/36 & 12/1/43	12/1/33 & 12/1/39
2015 (d)	Nov. 2015	117,470	12/15/15	2.06%	2.30%	12/1/16	12/1/27	Not applicable	
2016A (e)	Nov. 2015	482,530	02/18/16	5.00%	5.00%	12/1/26	12/1/48	12/1/25	12/1/25
2016B (f)	Mar. 2016	228,900	09/21/16	3.00%	5.00%	12/1/19	12/1/38	12/1/27	12/1/26
2019 (g)	Feb. 2019	301,095	04/08/19	5.00%	5.00%	12/1/24	12/1/35	12/1/30	12/1/29
2020A (h)	Dec. 2019	130,470	03/26/20	1.25%	5.00%	12/1/21	12/1/50	Not applicable	
2020B (i)	Dec. 2019	32,060	09/02/20	5.00%	5.00%	12/1/21	12/1/23	Not applicable	
2020C (j)	Dec. 2019	115,220	03/26/20	0.895%	2.816%	12/1/20	12/1/42	Not applicable	

a) The series 2007 bond issuance included $328,235 to partially refund Series 2001 and 2002 bonds.
b) The Series 2008 bonds maturing after December 1, 2018 are subject to optional redemption.
(c) The series 2014A and 2014B were issued to refund series 2007 and 2008 bonds totaling $453,125.
(d) The series 2015 were issued to refund a portion of series 2007 bonds totaling $112,720. The Series 2015 bonds were issued with an initial taxable rate of $2.30% converting to tax-exempt rate of 2.06% on 12/01/2016.
(e) The series 2016A were issued to refund a portion of series 2008 bonds totaling $512,370.
(f) The series 2016B were issued to refund a portion of series 2007, 2008, and 2009A bonds totaling $252,440.
(g) The series 2019 were issued to refund a portion of series 2009B bonds totaling $362,645.
(h) The series 2020A were issued to refund a portion of TIFIA bonds totaling $58,389 and to finance capital projects.
(i) The series 2020B were issued to refund a portion of series 2010A bonds totaling $34,700.
(j) The series 2020C were issued to refund a portion of series 2012 bonds totaling $105,835.

In June 2009, DART issued and sold $170,385 in tax exempt Senior Lien Sales Tax Revenue Bonds (Series 2009A Bonds), and $829,615 in taxable Senior Lien Sales Tax Revenue Bonds (Series 2009B Bonds) to finance capital expenditures for DART's system expansion and acquisition. The Series 2009B bonds are taxable bonds issued under the Build America Bond program of the American Recovery and Reinvestment Act of 2009 (ARRA).

In October 2010, DART issued and sold $95,235 in tax exempt Senior Lien Sales Tax Revenue Bonds (Series 2010A Bonds), and $729,390 in taxable Senior Lien Sales Tax Revenue Bonds (Series 2010B Bonds) to finance capital expenditures for DART's system expansion and acquisition. The Series 2010B bonds are taxable bonds issued under the Build America Bond program of the American Recovery and Reinvestment Act of 2009 (ARRA).

In accordance with ARRA, DART receives a tax credit from the United States Treasury in amounts equal to 35% of the interest payable amount on the Series 2009B and 2010B Bonds. However, during fiscal years 2020 and 2019, this tax credit was reduced by 5.9% and 6.2% due to budget cuts or "sequestration" by the federal government. During 2020, DART recorded tax credits of $21,390 compared to $25,021 for 2019 as Build America Bonds tax credit (for Series 2009B and 2010B bonds combined) in the Statements of Revenues, Expenses and Changes in Net Position.

Additional bonds may not be issued unless gross sales and use tax revenues exceed maximum debt service by at least 200% for 12 of the last 18 months.

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Changes in revenue bonds (shown at par) for the years ended September 30, 2020 and 2019 are shown below.

Bond Series	Balance, 9/30/2018	Additions	Retirement	Balance, 9/30/2019	Additions	Retirement	Balance, 9/30/2020	Amounts due in one year
2007	$118,395	$ -	$ -	$118,395	$ -	$ -	$118,395	$ -
2008	9,400	-	(9,400)	-	-		-	-
2009A	18,765	-	(18,765)	-	-		-	-
2009B	829,615	-	(362,645)	466,970	-		466,970	-
2010A	57,230	-	(1,535)	55,695	-	(50,420)	5,275	5,275
2010B	729,390	-	-	729,390	-	-	729,390	-
2012	116,490	-	(2,495)	113,995	-	(105,455)	8,540	2,745
2014A	367,370	-	(12,935)	354,435	-	(15,220)	339,215	22,505
2014B	46,555	-	-	46,555	-	-	46,555	-
2015	105,405	-	(11,010)	94,395	-	(5,440)	88,955	10,185
2016A	482,530	-	-	482,530	-	-	482,530	-
2016B	228,900	-	-	228,900	-	(18,760)	210,140	19,700
2019	-	301,095	-	301,095		-	301,095	-
2020A					130,470		130,470	-
2020B					32,060		32,060	-
2020C					115,220		115,220	1,530
Total	$3,110,045	$301,095	$(418,785)	$2,992,355	$277,750	$(195,295)	$3,074,810	$61,940

The revenue bonds shown above are at face value. The amounts shown in the Statements of Net Position include the unamortized balance of original issuance premium of $235,571 and $226,611 as of September 30, 2020 and 2019, respectively. Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2020:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2021	$61,940	$144,984	$206,924	$(21,201)	$185,723
2022	65,430	142,386	207,8156	(21,201)	186,615
2023	68,330	139,742	208,072	(21,201)	186,871
2024	48,610	137,932	186,542	(22,531)	164,011
2025	70,235	136,097	206,332	(22,531)	183,801
2026 – 2030	394,315	633,025	1,027,340	(112,654)	914,686
2031– 2035	499,290	529,200	1,028,490	(112,654)	915,836
2036 – 2040	675,345	385,030	1,060,375	(97,938)	962,437
2041 – 2045	739,400	210,440	949,840	(51,413)	898,427
2046 – 2050	446,970	46,108	493,078	(9,870)	483,208
2050	4,945	74	5,019	-	5,019
TOTAL	$3,074,810	$2,505,018	$5,579,828	$(493,194)	$5,086,634

DART has pledged sales and use tax and farebox revenues (pledged revenue) as security for Senior Lien Revenue bonds. The amount of the pledge is equal to the remaining debt service requirements for these obligations. Senior Lien Revenue bonds have senior lien to pledged revenue on parity with TIFIA bonds, and RRIF bonds. No assets have been pledged as collateral to secure the Senior Lien Revenue bonds except for money accumulated in the Senior Lien Debt Service Fund which was $123,111 as of September 30, 2020 and $119,357 as of September 30, 2019. The Master Debt Resolution, which can found in its entirety at www.dart.org or by contacting our Chief Financial Officer at our corporate address, establishes the provisions, terms, and conditions of, and the security for DART's bonds, notes, and credit agreements. The Master Debt Resolution contains a provision that in an event of default, the trustee shall transfer all future gross sales tax revenues and apply to them to debt service payments based on the times, order and priority set forth in The Master Debt Resolution. In the event of default, The Master Debt Resolution also contains a provision that no right of acceleration shall be granted unless that right is extended to holders and payees of all outstanding bond and credit agreement obligations.

13. TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) BONDS

On December 13, 2012, DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S Department of Transportation. Under this agreement, DART issued a Senior Lien Obligation bond to borrow up to $119,972 from the U.S Department of Transportation at an interest rate of 2.91%. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extended DART's light rail service from Irving to the Dallas Fort Worth International Airport. DART received $45,000 during fiscal year 2013, $55,000 during fiscal year 2014, and $5,000 during fiscal year 2015. Since the project cost is lower than budget, DART borrowed only $105,000 instead of the maximum amount of $119,972 allowed in the agreement. The TIFIA bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations. On March 26, 2020, DART refunded $58,389 of the outstanding TIFIA bonds.

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The table below summarizes debt service requirements of the TIFIA bonds as of September 30, 2020:

Year Ended September 30	Principal	Interest	Total TIFIA Bond Debt Service
2021	$2,279	$2,772	$5,051
2022	-	2,742	2,742
2023	-	2,742	2,742
2024	-	2,745	2,745
2025	-	2,739	2,739
2026 – 2030	-	13,711	13,711
2031 – 2035	-	13,711	13,711
2036 – 2040	-	13,714	13,714
2041 – 2045	21,431	12,134	33,565
2046 – 2048	14,414	4,882	19,296
TOTAL	$38,124	$71,892	$110,016

The annual debt service requirements for the TIFIA bond range from $6,716 in fiscal year 2047 to $2,729 in fiscal year 2025.

14. RAILROAD REHABILITATION AND IMPROVEMENT FINANCING (RRIF) BONDS

On December 20, 2018 DART entered into the Railroad Rehabilitation and Improvement Financing (RRIF) loan agreement with the U.S Department of Transportation. Under this loan agreement, DART will issue a Senior Lien Obligation bond to borrow up to $908 million from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the 26-mile Silver Line commuter rail line extending from Terminal B of Dallas/Fort Worth International Airport to a terminus in Shiloh Road in the City of Plano, with 10 stations and 8 vehicles. The current estimate of eligible project costs for the RRIF loan is approximately $1.24 billion. The RRIF financing agreement is reimbursement-based and DART will request reimbursement (draw down) after paying for the capital project costs. The expected draw down are as follows:

Year Ended September 30	Principal
2021	$168,654
2022	496,104
2023	231,536
Total	$896,294

The RRIF bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations. The interest rate on the RRIF bond is 2.98% and is fixed for the term of the loan. DART currently working with the FRA to reset the interest rate, drawdown and principal payment schedules. The following table summarizes estimated debt service requirements of the RRIF financing agreement executed on December 20, 2018 based on the $11,706 that is currently owed to FRA. The amounts and timing of the debt service for the RRIF Bond are subject to change depending on the amount and timing of the draw down.

Year Ended September 30	Principal	Interest	Total RRIF Bond Debt Service
2021	$ -	$303	$303
2022	-	8,712	8,712
2023	-	16,436	16,436
2024	-	18,185	18,185
2025	-	18,135	18,135
2026 – 2030	-	90,800	90,800
2031 – 2035	20,000	90,001	110,001
2036 – 2040	115,524	84,375	199,899
2041 – 2045	175,402	68,667	244,069
2046 – 2048	203,142	49,794	252,936
2049 – 2054	235,268	27,912	263,180
2055 - 2058	158,664	4,826	163,490
TOTAL	$908,000	$478,146	$1,386,146

The annual projected debt service requirements for the RRIF bond range from $303 in fiscal year 2021 to $55,994 in fiscal year 2058.

15. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for revenue bonds, TIFIA bonds, RRIF bonds, and commercial paper debts. The amount of the pledge is equal to the remaining debt service requirements for these obligations. These obligations were issued to pay for DART's system expansion and acquisition costs. The pledge continues for the remaining life of these obligations.

Total principal and interest remaining on the revenue bonds as of September 30, 2020 is $5.58 billion before BABs tax credits of $493 million and $5.09 billion net of BABs tax credits (see last table in note 12 above). As of September 30, 2019, total principal and interest remaining on the revenue bonds was $5.63 billion before BABs tax credits of $514 million and $5.12 billion net of BABs tax credits. The annual debt service requirements for these bonds, net of BABs tax credits, range from $5,019 in fiscal year 2051 to $221,445 in fiscal year 2036. Debt service on the bonds (including principal and interest net of BABs tax credits) was $189,493 as of September 30, 2020 and $186,515 as of September 30, 2019. Bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest remaining on TIFIA bonds as of September 30, 2020 is $110,016 and $145,890 as of September 30, 2019. The annual debt service requirements for the TIFIA bonds range from $2,739 in fiscal year 2039 to $6,716 in fiscal year 2047. For fiscal year 2020, debt service on the TIFIA bonds (including principal and interest) was $4,632. TIFIA bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest outstanding on the RRIF bonds as of September 30, 2020 is $11,823. The estimated annual debt service requirements for the RRIF bonds range from $303 in fiscal year 2021 to $54,489 in fiscal year 2057. For fiscal year 2020, debt service on the RRIF bonds was $350 (interest only). RRIF bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest remaining on commercial paper as of September 30, 2020 is $74,115 compared to $159,189 as of September 30, 2019. Interest payments on commercial paper notes were $2,137 in FY20 and $1,776 in FY19. Commercial Paper notes have a subordinate senior lien on pledged revenues.

16. DEBT REFUNDINGS

In December 2014, DART issued the Series 2014A and 2014B bonds to refund a portion of Series 2007 and 2008 bonds. As a result, the Series 2007 and 2008 bonds in the total amount of $453,125 are defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2014 refunding, DART recognized a book loss of $29,477, a reduction in debt service of $51,446 and an economic gain of $35,555.

In December 2015, DART issued the Series 2015 bonds to refund a portion of Series 2007 bonds. As a result, the Series 2007 bonds in the total amount of $112,720 are defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2015 refunding, DART recognized a book loss of $2,537, a reduction in debt service of $17,173 and an economic gain of $15,027.

In February 2016, DART issued the Series 2016A bonds to refund a portion of Series 2008 bonds. As a result, the Series 2008 bonds in the total amount of $512,370 are defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2016A refunding, DART recognized a book loss of $47,493, a reduction in debt service of $90,144 and an economic gain of $49,263.

In September 2016, DART issued the Series 2016B bonds to refund a portion of Series 2007, 2008 and 2009A bonds. As a result, a total amount of $252,440 are defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2016B refunding, DART recognized a book loss of $8,764, a reduction in debt service of $62,098 and an economic gain of $44,534.

In February 2019, DART issued the Series 2019 bonds to refund a portion of Series 2009B bonds. As a result, a total amount of $362,645 are defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of the 2019 refunding, DART recognized a book loss of $2,086, a reduction in debt service of $56,452 and an economic gain of $44,291.

In March 2020, DART issued the Series 2020A bonds to refund a portion of TIFIA bonds. As a result, a total amount of $58,389 are defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of this refunding, DART recognized a reduction in debt service of $6,119 and an economic gain of $4,986. There was no book loss with this refunding.

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In March 2020, DART issued the Series 2020C bonds to refund a portion of series 2012 bonds. As a result, a total amount of $10,835 are defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of this refunding, DART recognized a book loss of $11,571, a reduction in debt service of $25,119 and an economic gain of $19,066.

In September 2020, DART issued the Series 2020B bonds to refund a portion of series 2010A bonds. As a result, a total amount of $34,700 are defeased and the liability for those bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Position. As a result of this refunding, DART recognized a book gain of $390, a reduction in debt service of $3,379 and an economic gain of $3,313.

As of September 30, 2020, $137,535 of the refunded DART bonds remains outstanding compared to the bonds refunded in 2019 of which none remain outstanding as of September 30, 2019. The unamortized portion of the book loss of $61,926 and $60,911, respectively, are in the Statements of Net Position included in deferred outflows of resources as of September 30, 2020 and 2019.

17. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

DART operates several employee benefit plans. The plans include DART Employees' Defined Benefit Plan (formerly the Dallas Transit System [DTS] pension plan), DART Retirement Plan, and DART Capital Accumulation Plan and Trust. DART is the administrator of these retirement plans and has the authority to establish and amend the plans.

Defined Benefit Plan

Plan description. The DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) is a single-employer defined benefit pension plan that was designed to provide retirement, death, and disability benefits to certain employees of DART. On October 1, 1995, the DTS Employees Retirement Plan (Plan A) was amended to become the DB Plan. Participants of the DB Plan are those employees who were members of the former plan on September 30, 1995. Those employees who elected to be covered under Plan A have eligibility, vesting, and benefit provisions different from those who elected the DB Plan. The DB Plan is a closed Plan and is not open to new employees.

Contributions. Contributions to the DB Plan, as stipulated by the "Sale, Purchase, and Transfer Contract Between the City of Dallas and Dallas Area Rapid Transit," are based upon Dallas Area Rapid Transit's agreement to contribute an amount at least equal to the minimum funding standard under Section 412 of the Internal Revenue Code of 1986, as if the Plan were subject to Section 412. An actuary determines the contribution amount that DART pays to the plan each year. Participants who were in the Plan on September 30, 1995 are required to contribute 3% of their base monthly salaries to the Plan. Other participants are not required to contribute to the DB Plan. DART's contribution amount is actuarially determined on an annual basis. Actual contributions made to the DB Plan during the years ended September 30, 2020 and 2019 are as follows:

	2020	2019
Employer contributions	$10,000	$10,000
Employee contributions	1	2
	$10,001	$10,002

Benefit terms:
Participants under the provisions of Original Plan A may elect normal retirement at age 60 or at the date at which the sum of their credited service and age equals 90. Participants who elected to remain under the provisions of the original plan receive monthly benefits equal to 2% times the years of credited service multiplied by the participant's final average monthly compensation. Participants in Amended Plan A are entitled to monthly benefits equal to: 2% times the number of years of credited service up to October 1, 1983; plus 1.5% times the number of years of credited service after October 1, 1983; times the participant's final average monthly compensation. A participant may elect early retirement at age 55 with 10 years of service (30 years of service for participants under the Original Plan A). Monthly income under this election will equal normal retirement benefits reduced by 5/12 of 1% for each full month by which the participant's early retirement date precedes the normal retirement date.

Cost of living adjustments. Annually each monthly retirement payment made to or on behalf of a retired participant, or a beneficiary, shall be subject to a cost of living adjustment. Such adjustment in any year shall only be made with respect to the benefits of persons whose immediate entitlement to benefits commenced prior to such year. The adjustment, up or down, shall be applied to each benefit so payable, except that in the case of commuted amounts and/or lump sum settlements no account shall be taken of future changes in cost of living adjustment occurring after the date as of which such settlement is made. The adjustment, up or down, shall for any year result in a percentage change in the base benefit.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of October 1, 2019 and 2018:

	10/1/2019	10/1/2018
Inactive employees or beneficiaries currently receiving benefits	811	796
Inactive employee entitled to but not yet receiving benefits	137	141
Active employees	179	212
	1,127	1,149

Actuarial Assumptions – The total pension liability in the September 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to the periods included in the measurement:

Valuation Dates	September 30, 2019
Inflation	2.5% per annum
Salary Increases	3.00% per annum
Investment Return	6.75% compounded annually, net of expenses
Measurement Date	For the September 30, 2019 valuation, census data was collected as of October 1, 2018. Liabilities measured as of the census date were projected to September 30, 2019, assuming no demographic gains or losses.
Early Retirement Age	55 and 10 years of credited service
Normal Retirement Age	60
Actuarial Cost Method	Entry Age Normal (level percent of pay)
Mortality Rate:	
Active Lives	PubG-2010 (Below-median, amount-weighted) employee rates with mortality improvement projections to the valuation date using Scale MP-2019.
Retired and Vested Terminated Lives	PubG-2010 (Below-median, amount-weighted) healthy retiree rates with mortality improvement projections to the valuation date using Scale MP-2019.
Contingent Survivor Lives	PubG-2010 (Below-median, amount-weighted) contingent survivor rates with mortality improvement projections to the valuation date using Scale MP-2019.
Disabled Lives	PubG-2010 (amount-weighted) disabled retiree rates with mortality improvement projections to the valuation date using Scale MP-2019.

Valuation Dates	September 30, 2018
Inflation	2.5% per annum
Salary Increases	3.00% per annum
Investment Return	6.75 compounded annually, net of expenses
Measurement Date	For the September 30, 2018 valuation, census data was collected as of October 1, 2017. Liabilities measured as of the census date were projected to September 30, 2018, assuming no demographic gains or losses.
	For the September 30, 2018 valuation, census data was collected as of October 1, 2017. Liabilities measured as of the census date were projected to September 30, 2018, assuming no demographic gains or losses.
Mortality Rate Active Lives	PubG-2010 (Below-median, amount-weighted) employee rates with mortality improvement projections to the valuation date using Scale MP-2018.
Mortality Rate Retiree and Vested Terminated Lives	PubG-2010 (Below-median, amount-weighted) healthy retiree rates with mortality improvement projections to the valuation date using Scale MP-2018.
Mortality Rate Contingent Survivor Lives	PubG-2010 (Below-median, amount-weighted) contingent survivor rates with mortality improvement projections to the valuation date using Scale MP-2018.
Disability Mortality	PubG-2010 (amount-weighted) disabled retiree rates with mortality improvement projections to the valuation date using Scale MP-2018.
Early Retirement Age	55 and 10 years of credited service
Normal Retirement Age	60
Actuarial Cost Method	Entry Age Normal (level percent of pay)

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2019 and 2018 are summarized in the following table (note that the rates shown below include the inflation components):

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

September 30, 2019 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	39%	4.40%
Global Bonds	40%	1.40%
International Equities	10%	5.60%
Real Estate	10%	7.10%
Cash	1%	-0.10%

September 30, 2018 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	39%	3.60%
U.S. Market Fixed Income	40%	1.90%
International Equities	10%	5.30%
Real Estate	10%	6.10%
Cash	1%	0.30%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 6.75% at September 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.58% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Bond Buyer); and the resulting single discount rate is 6.75%. The next table summarizes changes in Net Pension Liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 9/30/2018	$225,253	$180,355	$44,898
Service cost	988	-	988
Interest	14,795	-	14,795
Differences between expected and actual experience	1,920	-	1,920
Changes in assumptions	5,326		5,326
Benefit payments	(14,107)	(14,107)	-
Contributions-employer	-	10,000	(10,000)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	10,679	(10,679)
Administrative expenses	-	(84)	84
Balance at 9/30/2019	$234,175	$186,845	$47,330
Service cost	859	-	859
Interest	15,350	-	15,350
Differences between expected and actual experience	1,480	-	1,480
Changes in assumptions	-		-
Benefit payments	(15,256)	(15,256)	-
Contributions-employer	-	10,000	(10,000)
Contributions-employee	-	1	(1)
Net investment income, net of expenses	-	4,267	(4,267)
Administrative expenses	-	(274)	274
Net Changes	2,433	(1,262)	3,695
Balance at 9/30/2020	$236,608	$185,583	$51,025

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Changes of assumptions:
For measurement date of 09/30/2019, the assumed rates of mortality have been amended to adopt the Pub-2010 Public Retirement Plan mortality Tables for General Employees (Below-Median, Amount-Weighted) which were released with an exposure draft based on a comprehensive review of recent mortality experience of public retirement plans in the United State as performed by The Society of Actuaries' Retirement Plans Experience Committee.

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of DART, calculated using the discount rate of 6.75% at September 30, 2020 and 2019, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
DART's net pension liability, 9/30/2020	$74,440	$51,025	$30,912
DART's net pension liability, 9/30/2019	$70,952	$47,330	$27,056

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued DART Employees Defined Benefit Retirement Plan and Trust financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the year ended September 30, 2020, DART recognized pension expense of $7,574 compared to $12,310 for fiscal year 2019.

At September 30, 2020, DART reported deferred inflows/outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	4,535	-
Employer contribution made after measurement date	10,000	-
Total	$14,535	$ -

The $10,000 reported as deferred outflows of resources resulting from DART pension contributions subsequent to the measurement date of September 30, 2019 will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Year ended September 30:	
2021	$(33)
2022	1,033
2023	1,903
2024	1,632
2025	-
Thereafter	-

At September 30, 2019, DART reported deferred inflows/outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,586
Employer contribution made after measurement date	10,000	-
Total	$10,000	$1,586

The $10,000 reported as deferred outflows of resources resulting from DART pension contributions subsequent to the September 30, 2018 measurement date was recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension were recognized in the pension expense as follows:

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Year ended September 30:

2020	$407
2021	(1,665)
2022	(599)
2023	271
2024	-
Thereafter	-

Additional trend information for the DB Plan can be obtained by writing to the DB Plan, Dallas Area Rapid Transit, P.O. Box 660163, Dallas, Texas 75266-7240.

DART Retirement Plan

DART has adopted a defined contribution retirement plan for all employees not covered by the pension plans described above. DART contributes an amount equal to 7.7% of each participant's annual compensation to the plan. Participants hired before January 1, 2006 are vested in 25% of DART's contributions after two years of service, graduating to 100% vesting after five years. Participants hired after December 31, 2005 become 100% vested in DART's contributions to the Plan only after completing five years of service. Total expense to DART to fully fund this plan was approximately $18,514 and $18,582 for the years ended September 30, 2020 and 2019, respectively.

DART Capital Accumulation Plan – 401(k)

DART has adopted a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k), which allows employees to contribute up to 50% of their annual compensation to the plan subject to the annual contribution limits of the Internal Revenue Service. DART matches 50% of the employee's contribution up to a maximum of 3% of the employee's annual compensation. Participants hired before January 1, 2006 are vested in 25% of DART's contributions after two years of service, graduating to 100% vesting after five years. Participants hired after December 31, 2005 become 100% vested in DART's contributions to the Plan only after completing five years of service. Total expense to DART to fully fund this plan was approximately $6,561 and $6,063 for the years ended September 30, 2020 and 2019, respectively.

Annual financial statements for each of the three retirement plans discussed above may be obtained by contacting the Chief Financial Officer at Dallas Area Rapid Transit, 1401 Pacific Avenue, P.O. Box 660163, Dallas, TX 75266-7220.

18. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Description – DART administers a single-employer defined benefit of other post-employment benefits (OPEB) Plan. The plan provides healthcare and life insurance for eligible retirees and their spouses through DART's group health plan and group life plan, which covers both active employees and retired members. Eligibility criteria for the post-employment health care and life insurance benefits are as follows: Participants of the defined benefit pension plan will be eligible at age 55 with a minimum of ten years of service to DART. Participants of the defined contribution pension plan will be eligible at age 60 with a minimum of ten years of service to DART. The plan does not issue separate stand-alone financial reports.

Covered Participants – As of the September 30, 2019 and 2018 actuarial valuation, the following active and inactive participants were covered by the benefit terms under the plan:

	Number of Covered Participants	
	9/30/2019	9/30/2018
Active employees	3,789	3,670
Retirees, beneficiaries, and disabled members	443	336
Total	4,232	4,006

Contributions – DART contributions are made based on amounts required to be funded as determined by annual actuarial valuations and are designed to fund the OPEB Trust on a level cost basis, cover normal cost each year and cover amortization of any unfunded actuarial liabilities. DART's contribution rate was 3.38 percent of covered employee payroll for the year ended September 30, 2019. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost. DART contributed $3,229 to the plan during 2020.

Net OPEB Liability – DART's net OPEB liability was measured as of September 30, 2019 and 2018 and the total OPEB liability used to calculate the net OPEB liability was also determined by an actuarial valuation as of that date.

Actuarial Assumptions – Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Actuarial valuations were performed for the OPEB Plan as of September 30, 2019 and 2018. The following tables show a summary of significant actuarial assumptions:

Valuation Date	September 30, 2019
Discount Rate	7.00%
Inflation	2.5% included in health care cost trend
Salary Increases	3.25% per annum
Investment Rate of Return	7.00%
Health Care Cost Trend Rate	Starts with 7.50% and ultimate trend rate is 4.00%. Years to ultimate six (6).
Mortality Rate – Non-Special Risk	*Active Lives*: - PubG-2010 Employee mortality, projected 5 years past the valuation date with Scale MP-2019. *Healthy Inactive Lives:* - PubG-2010 Healthy Retiree mortality, projected 5 years past the valuation date with Scale MP-2019. *Beneficiaries:* - PubG-2010 Survivor mortality, projected 5 years past the valuation date with Scale MP-2019. *Disabled Lives:* - PubG-2010 Disabled mortality, projected 5 years past the valuation date with Scale MP-2019.
Mortality Rate – Special Risk	*Active Lives*: - PubS-2010 Employee mortality, projected 5 years past the valuation date with Scale MP-2019. *Healthy Inactive Lives*: - PubS-2010 Healthy Retiree mortality, projected 5 years past the valuation date with Scale MP-2019. *Beneficiaries*: - Pub-2010 Survivor mortality, projected 5 years past the valuation date with Scale MP-2019. *Disabled Lives*: - PubS-2010 Disabled mortality, projected 5 years past the valuation date with Scale MP-2019.
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage.
Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service
Dependent coverage	For active employees, 25% are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four (4) years younger than their husbands. Percent of future retirees with coverage who elect coverage on spouse is 100%. Any potential costs for children have not been considered for valuation purposes.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Measurement Date	September 30, 2019

Valuation Date	September 30, 2018
Discount Rate	7.00%
Inflation	3% included in health care cost trend
Salary Increases	3.25% per annum
Investment Rate of Return	7.00%
Health Care Cost Trend Rate	Starts with 6.50% and ultimate trend rate is 5.00%. Years to ultimate six (6).
Mortality Rate	RP-2014 Mortality Fully Generational using Projection Scale MP-2017
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage.
Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service
Dependent coverage	For active employees, 25% are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four (4) years younger than their husbands. Percent of future retirees with coverage who elect coverage on spouse is 100%. Any potential costs for children have not been considered for valuation purposes.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Measurement Date	September 30, 2018

An actuarial experience study for the OPEB plan was also performed during fiscal year 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for September 30, 2019 valuations:

	Target Allocation	Estimate of expected long-term rates of return
Domestic Equity	39%	6.18%
International Equity	15%	6.25%
Emerging Markets Equity	6%	6.90%
Core Fixed	20%	2.53%
Investment Grade Corporate Debt	5%	3.55%
Emerging Markets debt	5%	4.50%
High Yield	5%	4.31%

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for September 30, 2018 valuations:

	Target Allocation	Estimate of expected long-term rates of return
Domestic Equity	39%	7.50%
International Equity	21%	7.40%
Fixed Income	40%	5.90%

Discount rate. The discount rate used to measure the total OPEB liability was 7.%. The projection of cash flows used to determine the discount rate assumed that DART contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the net OPEB liability to changes in discount rate***.** The following presents the net OPEB liability of DART as well as what DART's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
DART's Net OPEB liability, 9/30/2020	$13,387	$5,048	$(1,861)
DART's Net OPEB liability, 9/30/2019	20,008	9,948	1,894

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the net OPEB liability of DART, as well as what the DART's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

DART's Net OPEB liability	1% Decrease	Health Care Cost Trend Rates	1% Increase
As of 9/30/2020	(6.50% decreasing to 3.00%)	(7.50% decreasing to 4%)	(8.50% decreasing to 5%)
	$2,380	$5,048	$14,113
As of 9/30/2019	(5.50% decreasing to 4.00%)	(6.50% decreasing to 5%)	(7.50% decreasing to 6%)
	$1,404	$9,948	$20,749

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Changes in Net OPEB Liability: The changes in the total OPEB liability for the plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at 9/30/2018	$70,691	$49,912	$20,779
Service cost	3,200	-	3,200
Interest	5,129	-	5,129
Differences between expected and actual experience	(4,931)	-	(4,931)
Changes of assumptions or other inputs	(10,289)	-	(10,289)
Contributions-employer	-	-	-
Contributions-participant	-	460	(460)
Net investment income, net of expenses	-	3,650	(3,650)
Benefit payments	(2,920)	(2,920)	-
Administrative expenses	-	(170)	170
Net Changes	(9,811)	1,020	(10,831)
Adjusted Balance at 9/30/2019	60,880	50,932	9,948
Service cost	2,559	-	2,559
Interest	4,338	-	4,338
Differences between expected and actual experience	7,047	-	7,047
Changes of assumptions or other inputs	(8,292)	-	(8,292)
Contributions-employer	-	7,489	(7,489)
Contributions-participant	-	806	(806)
Net investment income, net of expenses	-	2,421	(2,421)
Benefit payments	(3,002)	(3,002)	-
Administrative expenses	-	(164)	164
Net Changes	2,650	7,550	(4,900)
Balance at 9/30/2020	$63,530	$58,482	$5,048

OPEB Expense - For the year ended September 30, 2020, DART recognized OPEB expense of $2,512 compared to $4,167 for the ended September 30, 2019.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020, DART reported deferred inflows/outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,726	$3,836
Changes of assumptions	1,869	15,373
Net difference between Projected and Actual Earnings on OPEB Plan investments	911	-
Employer contribution made after measurement date	3,229	-
Total	$15,735	$19,209

The $3,229 reported as deferred outflows of resources related to OPEB resulting from DART contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending on September 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

Year ended September 30	
2021	$(804)
2022	(804)
2023	(804)
2024	(755)
2025	(1,099)
Thereafter	(2,517)

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

At September 30, 2019, DART reported deferred inflows/outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,988	$4,384
Changes of assumptions	2,153	9,146
Net difference between Projected and Actual Earnings on OPEB Plan	-	198
Employer contribution made after measurement date	7,489	-
Total	$13,630	$13,728

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

Year ended September 30:	
2020	$(931)
2021	(931)
2022	(931)
2023	(931)
2024	(881)
Thereafter	(2,983)

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

OPEB Plan Investments
In accordance with the OPEN Plan's investment policy, the trustee invests in, among others, obligations of the United States or its agencies and instrumentalities, domestic equity, international equity and fixed income investment.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of OPEB Plan investments to market interest rate fluctuations as of September 30 is provided in the following tables, which show the distribution of the Plan's investments by maturity.

		Remaining Maturity (in years) as of September 30, 2019			
Investment Type	Total Amount	Less 1 Year	1 to 5 Years	5 to 10 Years	Greater than 10 Years
Cash and cash equivalent	$3,106	$3,106	$ -	$ -	$ -
Mutual Funds – Equity	35,296	35,296	-	-	-
Mutual Funds – Fixed Income	20,079	2,289	10,133	6,272	1,385
Total	$58,481	$40,691	$10,133	$6,272	$1,385

		Remaining Maturity (in years) as of September 30, 2018			
Investment Type	Total Amount	Less 1 Year	1 to 5 Years	5 to 10 Years	Greater than 10 Years
Cash and cash equivalent	$388	$388	$ -	$ -	$ -
Mutual Funds – Equity	32,529	32,529	-	-	-
Mutual Funds – Fixed Income	18,015	2,334	7,326	5,927	2,428
Total	$50,932	$35,251	$7,326	$5,927	$2,428

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating agency. The following tables show actual ratings as of September 30 for each investment type.

September 30, 2019

Investment Type	Total Amount	AAAm	AAA/ Aaa	AA/ Aa	A	BBB/ Baa	< BBB/ Baa	Cash or Not Rated
Cash and cash equivalent	$3,106	$3,106	$ -	$ -	$ -	$ -	$ -	$ -
Mutual Funds – Equity	35,296	-	-	-	-	-	-	35,296
Mutual Funds – Fixed Income	20,079	-	6,254	770	4,719	4,918	2,530	889
Total	$58,481	$3,106	$6,254	$770	$4,719	$4,918	$2,530	$36,184

September 30, 2018

Investment Type	Total Amount	AAAm	AAA/ Aaa	AA/ Aa	A	BBB/ Baa	< BBB/ Baa	Cash or Not Rated
Cash and cash equivalent	$388	$388	$ -	$ -	$ -	$ -	$ -	$ -
Mutual Funds – Equity	32,529	-	-	-	-	-	-	32,529
Mutual Funds – Fixed Income	18,015	-	6,135	1,115	4,758	3,998	1,424	585
Total	$50,932	$388	$6,135	$1,115	$4,758	$3,998	$1,424	$33,114

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. Investments in any one issuer that represent 5% or more of total investment portfolio of OPEB Plan as of September 30 are as shown below:

September 30, 2019

Issuer	Reported Amount	Percentage of Total Portfolio
Vanguard	$27,648	47%
Prudential	6,031	10%
Baird Asset Management	6,030	10%
DoubleLine Capital	5,910	10%
Blackrock	4,966	8%
First American	3,111	5%

September 30, 2018

Issuer	Reported Amount	Percentage of Total Portfolio
Vanguard	$32,803	65%
Baird Asset Management	5,954	12%
J O Hambro Capital Management Group	2,782	6%
DoubleLine Capital	2,700	5%

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the OPEB Plan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All the OPEB Plan's investments were invested in mutual funds, which by design provide ownership of shares within the fund, are not exposed to custodial credit risk.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Foreign Currency Risk – Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The OPEB Plan's foreign currency net position (foreign currency denominated investments) were $8,168 (14%) as of September 30, 2019 compared to $9,233 (18%) as of September 30, 2018. The Plan's exposure to foreign currency risk is shown below. The amounts are shown in U.S. Dollars.

Investment Type	Currency	2019 FairValue (USD)	2018 Fair Value (USD)
International Equity	Australian Dollar	$ 195	$ 387
	Brazil Real	243	201
	British Pound	1,052	971
	Canadian Dollar	355	320
	Chilean Peso	8	7
	Chinese Yuan Renminbi	800	665
	Colombian Peso	4	3
	Danish Krone	113	241
	Egyptian Pound	4	3
	European Monetary Unit	1,583	1,925
	Hong Kong Dollar	165	148
	Hungarian Forint	29	23
	Indian Rupee	171	146
	Indonesian Rupiah	29	26
	Israeli New Shekel	80	145
	Japanese Yen	1,387	2,251
	Kuwait Dinar	8	7
	Malaysian Ringgit	23	20
	Mexican Peso	72	59
	New Zealand Dollar	12	10
	Norwegian Kroner	49	44
	Philippine Peso	12	10
	Poland Zloty	8	7
	Qatari Rial	8	7
	Russian Ruble	150	122
	Saudi Riyal	19	17
	Singapore Dollar	92	83
	South African Rand	84	71
	South Korean Won	398	335
	Swedish Krona	152	140
	Switzerland Franc	495	526
	Taiwan New Dollar	295	248
	Thai Baht	57	51
	Turkish Lira	8	7
	United Arab Emirates Dirham	8	7
Total		$8,168	$9,233

DART categorizes its fair value measurements of the OPEB Plan within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs.

DART has the following fair value measurements as of September 30, 2019 and 2018.

Fair Value Measurements as of September 30, 2019

Investment Type	Total Amount	Level 1	Level 2	Level 3
Cash and cash equivalent	$ 3,106	$ 3,106	$ ……-	$ -
Mutual Funds - Equity	35,296	35,296	-	-
Mutual Funds – Fixed Income	20,079	20,079	-	-
Total	$58,471	$58,471	$.......-1	$ -

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

Fair Value Measurements as of September 30, 2018

Investment Type	Total Amount	Level 1	Level 2	Level 3
Government Obligations	$ 388	$ 388	$ -	$ -
Mutual Funds – Equity	32,529	32,529	-	-
Mutual Funds – Fixed Income	18,015	18,015	-	-
Total	$50,932	$ 50,932	$ -	$ -

19. CLAIMS AND LITIGATION

In the ordinary course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, and/or property damage resulting from accidents occurring in the operation of the system. In addition, DART has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on DART's financial statements.

20. COMMITMENTS AND CONTINGENCIES

The Board-approved Transit System Plan includes the design and construction of the Silver Line for commuter rail service and the Dallas Central Business District (D2) Alignment for light rail service. The Silver Line is a 26-mile long, regional rail corridor that extends from DFW International Airport through the northern portion of the DART service area to the existing DART Red Line, passing through the cities of Grapevine, Coppell, Carrollton, Addison, Dallas, Richardson, and Plano, with ten proposed stations along the way. The second CBD alignment (D2) will double the downtown LRT capacity and connects Victory Station and the Green Line. The timing and completion of the Transit System Plan is based on economic assumptions made in DART's Twenty-Year Financial Plan and is subject to change based on changing economic conditions. The FY 2021 Twenty-Year Financial Plan includes $7.12 billion for capital and non-operating projects. DART has entered contract commitments for these and other capital developments in the amount of $1.3 billion and has spent approximately $334 million of the committed amount as of September 30, 2020.

DART participates in several federal and state grant programs that 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. In the opinion of management, no significant contingent liabilities exist relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DART has entered into certain operating lease agreements. Operating lease expenses were approximately $832 and $846 in 2020 and 2019, respectively.

Future minimum lease payments for all non-cancelable operating leases are as follows:

Fiscal Year	2021	2022	2023	2024	2025
Minimum Lease Payments	$528	$505	$458	$353	$282

DART owns and operates a number of facilities. It also acquires new properties for light rail expansion projects. In some of these properties DART has discovered contamination that may require pollution remediation activity. DART is working with relevant state and federal agencies on pollution remediation plans. Management does not believe that the outcome of these remediation activities will have a material adverse effect on DART's financial position. Management has accrued an estimate which is included in the accounts payable and accrued liabilities line item in the accompanying Statements of Net Position.

21. DERIVATIVE INSTRUMENTS

DART had fuel delivery contracts with suppliers for commuter rail vehicles (diesel fuel), DART buses (CNG) and service vehicles (gasoline). The price for fuel fluctuates depending on the market which exposes DART to significant risk in the amount it pays for fuel as well as uncertainty in budgeting for fuel costs. In order to minimize the impact of fluctuating fuel market prices on its cash flow, DART entered into diesel and gasoline fuel hedge contracts.

Diesel and Gasoline Fuel Hedge

The diesel and gasoline fuel hedge contract expired on September 30, 2020. The fair value of the derivative instrument associated with diesel and gasoline hedge contract was $314 as of September 30, 2019.

Objective and terms of the fuel hedge contracts –The objective of the derivative instruments (diesel fuel hedge contracts) was to hedge changes in cash flows due to market price fluctuations related to expected purchases of diesel and gasoline for DART buses, commuter rail cars, and service vehicles. The terms of the agreement included DART paying monthly fixed prices and receiving floating prices based on an average of the daily mean of Platts US Gulf Coast ultralow sulfur diesel (ULSD) and Gasoline-UNIL 87 Gulf Cost (Pipeline) – Platts U. S. for each month.

Credit risk – The derivative instrument for diesel fuel for fiscal year 2018 to 2020 and for gasoline from 2017 to 2019 was held by the same counterparty. As of the end of fiscal year 2019, DART's position in the derivative instrument was a receivable of $314. DART could have been exposed to credit risk if the counterparty to the transaction had become insolvent but that did not happen. Standard and Poor's credit rating for the counterparty was A3 during 2019.

Termination risk – DART or its counterparties could terminate the derivative instrument if the other party failed to perform under the terms of the contract. The effect of termination risk on DART was that it would have to pay market prices for diesel fuel purchased for its operations. No termination event occurred during fiscal year 2019 and the contract for the diesel fuel hedge expired on 9/30/2020 and the gasoline fuel hedge expired on 9/30/2019.

Contingencies – The fuel hedge contracts included provisions that required DART to post collateral in the event its credit rating fell below A- or A3 as issued by Standard & Poor's or Moody's and if the exposure exceeded threshold amounts specified in the derivative instruments (contracts). During 2019, DART maintained an AA+ credit rating from Standard & Poor's, AAA from Kroll Bond Rating Agency, and Aa2 from Moody's Investors Service on outstanding long-term debt. In addition, Fitch Ratings maintains an AA- on DART's Series 2007 bonds.

Compressed Natural Gas (CNG)

During fiscal year 2010, DART entered into a fixed price and indexed price CNG delivery contract for the CNG needed to operate DART buses and paratransit vehicles. The contract specified monthly volumes of CNG to be used by DART from October 1, 2012 to September 30, 2020 with 85% of the monthly volumes at a fixed price and 15% at an indexed price. When DART used lower volume than specified in the contract, the excess CNG had to be sold back to market at market price. The market price could have been lower or higher than the fixed price and indexed price specified in the contract. The difference between the contract and market price could have resulted in an exposure for DART. The amount of this exposure for DART was not material and no liability is included in the Statements of Net Position as of September 30, 2019 and as the contract expired on September 30, 2020, there is no liability going forward. However, a new delivery contract with a term of five years is in place starting from October 1, 2020.

Objective and terms of the CNG delivery contract – The objectives of the CNG delivery contract were: to ensure that DART had delivery of natural gas for its transit buses and contractor owned and operated paratransit vehicles, during the contract period; to fix the price for 85% of monthly volumes; and to minimize the fluctuations in cash flows caused by changes in market prices of CNG.

Early Termination – Subject to payment of early termination damages, either party to the delivery contract could terminate the CNG delivery contract by giving at least thirty (30) days written notice to the other party. The effect of termination risk on DART was that it would have to market prices for CNG purchased for its operations. No termination event occurred during fiscal years 2020 and 2019.

Natural Gas Hedge

The fixed price natural gas delivery contract expired on September 30, 2020. DART has entered a new natural gas delivery contract. This new delivery contract is based on the market price. In order to minimize the risk of exposure to fluctuations in the market prices, DART entered into a natural gas hedge contact for a three-year period, October 1, 2020 to September 30, 2023. The objective of the natural gas hedge contract is to limit DART's exposure to market price fluctuations related to expected purchase of natural gas for DART buses, and paratransit service vehicles. The terms of the agreement include DART paying monthly fixed prices and receiving floating prices based on the West Texas, Waha index.

Credit risk – As of the end of fiscal year 2020, DART's position in the derivative instrument (natural gas hedge) was a liability of $744. DART could have been exposed to credit risk if the counterparty to the transaction becomes insolvent but that did not happen. Standard and Poor's credit rating for the counterparty was A+ during 2020.

Termination risk – DART or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The effect of termination risk on DART is that it will pay market prices for natural gas purchased for its operations. No termination event has occurred during fiscal year 2020 and the last contract for natural gas hedge will expire on 9/30/2023.

Contingencies – The natural gas hedge contracts include provisions that require DART to post collateral in the event its credit rating falls below A- or A3 as issued by Standard & Poor's or Moody's and if the exposure exceeds threshold amounts specified in the derivative instruments (contracts). During 2020, DART maintained an AA+ credit rating from Standard & Poor's, AAA from Kroll Bond Rating Agency, and Aa2 from Moody's Investors Service on outstanding long-term debt. In addition, Fitch Ratings maintains an AA- on DART's Series 2007 bonds.

22. COVID-19 IMPACT ON DART

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has changed the landscape of just about every facet of the world, and DART is no exception. It has impacted economic activity and financial markets globally and locally and has resulted in a decrease in passenger fare and sales tax revenues. Ridership decreased by about 29% or 20.5 million trips and fare revenue also decreased by $22,331 or 29%. Sales tax revenue decreased by $4,909 or 1%. In response, DART reduced the level of service during the second half of fiscal year 2020. DART also offered a voluntary retirement incentive to eligible employees to resize it's staffing with the level of service. On the positive side, DART received Federal CARES Act funding and created health and safety guidelines to help mitigate the impact of the disruption in operations. The continued spread of the disease represents a significant risk. The extent to which COVID-19 impacts DART will depend on future developments, which are still highly uncertain and cannot be predicted. As a result, DART has not yet determined the impact this disruption may have on its financial statements for the year ending September 30, 2021.

23. NEW ACCOUNTING PRONOUNCEMENTS

In January 2017, GASB issued Statement No. 84 *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, GASB issued Statement No. 87 *Leases.* This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No.14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations.* This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; sets standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In February 2020, GASB issued Statement No. 92 *Omnibus 2020*. This Statement addresses a variety of topics including the effective date of Statement No. 87 and Implementation Guide (IG) No. 2019-3 for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements No. 73 and 74 to reporting assets accumulated for postemployment benefits (PEBs); the applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments. The requirements of this Statement related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and 74 are effective for fiscal years beginning after June 15, 2021. The requirements of this Statement related to the application of Statement No. 84 to PEBs, those related to nonrecurring fair value measurements of assets or liabilities, and those related to the measurement of liabilities (and assets, if any) associated with AROs are effective for reporting periods beginning after June 15, 2021. The requirements related to the effective date of Statement No. 87 and IG No. 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

In March 2020, GASB issued Statement No. 93 *Replacement of Interbank Offered Rates.* LIBOR is expected to cease to exist in its current form at the end of 2021. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. This Statement addresses those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2022.

FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

GASB Statement No. 95 postpones the effective date of paragraphs 13 and 14 by one year. DART adopted GASB Statement No. 95 which postponed the implementation of paragraphs 13 and 14 by one year.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The requirements of this Statement are effective immediately.
In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units when the component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements for (1) and (2) as outlined above are effective immediately. The requirements related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined the impact of these statements on the basic financial statements.

24. SUBSEQUENT EVENTS

On November 18, 2020, DART issued and sold $281,090 in Series 2020D Bonds to partially refund Series 2014A and 2014B bonds. As a result of this refunding, DART bonds debt service requirements shown on the last table in note 12will change. Updates to debt service requirement will be as follows:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2021	$65,105	$152,076	$217,181	$(21,201)	$195,980
2022	71,355	140,375	211,730	(21,201)	190,520
2023	74,275	137,354	211,729	(21,201)	190,528
2024	52,950	134,904	187,854	(22,531)	165,323
2025	74,605	132,428	207,033	(22,531)	184,502
2026 – 2030	412,150	617,656	1,029,809	(112,654)	917,156
2031– 2035	509,555	519,073	1,028,628	(112,654)	915,975
2036 – 2040	674,290	384,555	1,058,845	(97,938)	960,907
2041 – 2045	734,265	209,906	944,171	(51,413)	892,758
2046 – 2050	446,970	46,108	493,078	(9,870)	483,208
2050	4,945	74	5,019	-	5,019
TOTAL	$3,120,465	$2,474,509	$5,595,077	$(493,194)	$5,101,876

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF NET PENSION LIABILITY

SEPTEMBER 30, 2020 and 2019 (Dollars in Thousands)

The schedule of changes in the DART's Net Pension Liability and Related Ratios (Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$859	$988	$1,107	$1,281	$954	$502
Interest	15,350	14,795	14,501	14,969	14,644	14,674
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	1,480	1,920	2,655	(2,815)	(5,082)	-
Changes in assumptions	-	5,326	-	63	-	-
Benefit payments	(15,256)	(14,107)	(13,471)	(11,203)	(11,369)	(11,364)
Net change in total pension liability	2,433	8,922	4,792	2,295	(853)	3,812
Total pension liability – beginning	234,176	225,253	220,461	218,166	219,019	215,207
Total pension liability – ending (a)	236,609	234,175	225,253	220,461	218,166	219,019
Plan Fiduciary Net Position						
Contributions – employer	10,000	10,000	10,000	9,217	8,706	9,122
Contributions – employee	1	2	2	2	2	2
Net investment income, net of expenses	4,267	10,679	15,590	16,067	520	12,532
Benefit payments	(15,256)	(14,107)	(13,471)	(11,203)	(11,369)	(11,364)
Administrative expenses	(274)	(84)	(100)	(218)	(219)	(250)
Net change in plan fiduciary net position	(1,2261)	6,490	12,021	13,865	(2,360)	10,042
Plan fiduciary net position – beginning	186,845	180,355	168,334	154,469	156,829	146,787
Plan fiduciary net position - ending (b)	185,584	186,845	180,355	168,334	154,469	156,829
DART's net pension liability (a) – (b)	$51,025	$47,330	$44,898	$52,127	$63,697	$62,190
Plan fiduciary net position as a percentage of total pension liability	78.43%	79.79%	80.07%	76.36%	70.80%	71.61%
Covered payroll	$12,374	$14,333	$15,642	$18,914	$19,129	$19,438
DART's net pension liability as a percentage of covered payroll	412.36%	330.22%	287.04%	275.61%	332.99%	319.94%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

Note to Schedule: Starting from fiscal year 2017, the discount rate decreased from 7.00% to 6.75%. There were no significant changes in assumptions for other fiscal years.

Changes of assumptions:
Starting with measurement date 09/30/2018, the assumed rates of mortality were amended to adopt the Pub-2010 Public Retirement Plan Mortality Tables for General Employees.

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2020 (Dollars in Thousands)

The schedule of DART Contribution to DB Pension Plan (Dollar amounts in thousands)

	9/30/20	9/30/19	9/30/18	9/30/17	9/30/16	9/30/15	9/30/14	9/30/13	9/30/12	9/30/11
Contractually required contribution	$6,928	$7,235	$7,755	$9,217	$9,221	$8,706	$9,122	$9,074	$8,045	$6,266
Contribution in relation to the contractually required contribution	10,000	10,000	10,000	10,000	9,221	8,706	9,122	9,074	8,045	6,266
Contribution deficiency (excess)	$(3,072)	$(2,765)	$(2,245)	$(783)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	N/A	$12,374	$14,333	$15,642	$18,914	$19,129	$19,438	$19,467	$19,306	$23,727
Contribution as a percentage of covered payroll	N/A	80.81%	69.77%	63.93%	48.75%	45.51%	46.93%	46.61%	41.67%	26.41%

Notes to Schedule

Valuation date: Most recent valuation date is October 1, 2019.

Contractually required contribution rates are calculated by an actuary as of October 1, in the fiscal year in which contributions are reported. That is, the contribution calculated as of October 1, 2019 was made during the fiscal year ended September 30, 2020, and as of October 1, 2018 was made during the fiscal year ended September 30, 2019.

Significant actuarial assumption and methods used to determine contribution rates include the following:

Funding Method	The minimum required contribution is based upon DART's agreement to contribute an amount at least equal to the minimum funding standard under Section 412 of the Internal Revenue Code of 1986, as if the Plan were subject to Section 412, per the stipulation of the "Sale, Purchase and Transfer contract between the City of Dallas and Dallas Area Rapid Transit
Actuarial Cost Method	Entry Age Normal starting from 9/30/2017 measurement date. Before that it was Projected Unit Credit.
Asset valuation method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	2.5%.
Investment Return	6.75% per year compounded annually, net of all expenses starting from September 30, 2016 measurement dates. Before that it was 7.00%.
Retirement age	7.5% at age 55 reaching 100% at age 70.
Salary Increases	3% starting from September 30, 2016 measurement date. Before that it was 3.25%.
Mortality	*Active Lives:* PubG-2010 (Below-median, amount weighted) employee rates with mortality improvement projections to the valuation date using Scale MP-2019. *Retiree and Vested Terminated Lives:* PubG-2010 (Below median, amount-weighted) healthy retiree rates with mortality improvement projections to the valuation date using Scale MP-2019. *Contingent Survivor Lives: PubG-2010* (Below-median, amount-weighted) contingent survivor rates with mortality improvement projections to the valuation date using Scale MP-2019. *Disabled Lives:* PubG-2010 (amount-weighted) disabled retiree rates with mortality improvement projections to the valuation date using Scale MP-2019.
Marital Status	85% of male participants and 65% of female participants are assumed to be married. Additionally, male spouses are assumed to be three years older than female spouses.
Termination Rate	1.50% per year prior to age 54, and 1.00% per year on and after attainment of age 54.

The schedule of changes in the DART's Net OPEB Liability and Related Ratios (Dollar amounts in thousands)

	2020	2019	2018
Total OPEB Liability			
Service cost	$2,559	$3,200	$2,762
Interest	4,338	5,129	4,218
Changes of benefit terms	7,047	-	-
Difference between expected and actual experience with regard to economic or demographic assumptions	-	(4,931)	4,514
Changes in assumptions about future economic or demographic or other inputs	(8,292)	(10,289)	2,437
Benefit payments	(3,002)	(2,920)	(1,470)
Net change in total pension liability	2,650	(9,811)	12,461
Total OPEB liability – beginning	60,880	70,691	58,230
Total OPEB liability – ending (a)	63,530	60,880	70,691
Plan Fiduciary Net Position			
Contributions – participant	7,489	-	-
Contributions – employer	806	460	5,821
Net investment income, net of expenses	2,421	3,650	3,883
Benefit payments	(3,002)	(2,920)	(1,470)
Administrative expenses	(164)	(170)	-
Adjustment to reflect actual assets	-		306
Net change in plan fiduciary net position	7,550	1,020	8,540
Plan fiduciary net position – beginning	50,932	49,912	41,372
Plan fiduciary net position - ending (b)	58,482	50,932	49,912
DART's net OPEB liability* (a) – (b)	5,048	$9,948	$20,779
Plan fiduciary net position as a percentage of total OPEB liability	92.05%	83.66%	70.61%
Covered payroll	$229,824	$214,754	$205,345
DART's net OPEB liability as a percentage of covered payroll	2.20%	4.63%	11.12%

*For the fiscal year ended September 30, 2018 a net OPEB liability of $22,667 was reported since an estimated value of assets was used for actuarial valuation. Based on actual value of the OPEB Plan assets, the updated net OPEB liability is $20,779.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2019 (Dollars in Thousands)

The schedule of DART Contribution to OPEB Plan (Dollar amounts in thousands)

	9/30/20	9/30/19	9/30/18*	9/30/17	9/30/16	9/30/15	9/30/14	9/30/13	9/30/12	9/30/11*
Actuarially determined contribution	$3,229	$3,627	$3,862	$5,821	$4,625	$4,313	$5,141	$4,996	$5,024	$4,591
Contribution in relation to the actuarially determined contribution	3,229	7,489	$ -	5,821	4,625	4,313	5,141	4,996	9,615	$ -
Contribution deficiency (excess)	$ -	($3,862)	$3,862	$ -	$ -	$ -	$ -	$ -	($4,591)	$4,591
Covered payroll	N/A	$229,824	$221,734	$214,754	$205,345	$196,688	$185,181	$174,557	$174,557	$169,196
Contribution as a percentage of covered payroll	N/A	3.26%	0.00%	2.71%	2.25%	2.19%	2.78%	2.86%	5.51%	0.00%

* Contribution for fiscal year ended September 30, 2011 was made on October 13, 2011. Contribution for fiscal year ended September 30, 2018 was made on October 1, 2018.

Notes to Schedule

Actuarially determined contribution rates shown above are calculated as of September 30 for the plan/fiscal year in which contributions are reported.

Covered Payroll is reported as actual payroll for years prior to September 30, 2019. Covered payroll as of September 30, 2019 is projected from the September 30, 2018 payroll amount.

The contribution for the fiscal year ending September 30, 2018 was made during fiscal year ending September 30, 2019.

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