



**DALLAS AREA RAPID TRANSIT**  
**Annual Disclosure Statement (for the period ended September 30, 2023)**

*This Annual Disclosure Statement for the period ended September 30, 2023 replaces our Annual Disclosure Statement for the period ended September 30, 2022 and dated March 24, 2023. This Annual Disclosure Statement has been posted online at our website, [www.dart.org](http://www.dart.org), and has been voluntarily filed with the Municipal Securities Rulemaking Board (“MSRB”) and is available at [www.emma.msrb.org](http://www.emma.msrb.org). We intend to update this Annual Disclosure Statement after the first, second, and third quarters of our Fiscal Year and to replace it annually. We reserve the right to suspend or stop providing Annual Disclosure Statements and quarterly updates at any time. However, we remain obligated to provide the annual financial information and operating data as agreed to under our continuing disclosure undertakings pursuant to Rule 15c2-12, as amended, of the Securities Exchange Act of 1934 (the “Rule”).*

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**This Annual Disclosure Statement relates to the following securities that we have issued and intend to issue from time to time: Senior Lien Obligations, Senior Subordinate Lien Obligations, and other Bond Obligations (defined below), but it does not replace any official statement or offering documents prepared for a particular series of debt securities.**

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You should carefully consider the information under the caption “INVESTMENT CONSIDERATIONS” herein.

*DART is a subregional transportation authority created pursuant to Chapter 452 of the Texas Transportation Code, as amended (the “Act”). Our boundaries include the corporate limits of 13 North Texas cities and towns, and our headquarters are located in Dallas, Texas. Under the Act, we are authorized to provide public transportation and complementary services within such cities and towns.*

*Our Board (defined herein) has adopted a “Master Debt Resolution” that authorizes the issuance and execution of various types of debt instruments (“Bond Obligations”). Bond Obligations that are issued in the form of bonds, notes, or other securities (not including Credit Agreement Obligations) will be issued in multiple series, and each series will be classified as either “Senior Lien Obligations,” “Senior Subordinate Lien Obligations,” or “Junior Subordinate Lien Obligations.” The Senior Lien Obligations are secured by a first lien on Pledged Revenues; the Senior Subordinate Lien Obligations are secured by a second lien on Pledged Revenues; and the Junior Subordinate Lien Obligations are secured by a third lien on Pledged Revenues. These liens are senior to any other claim against the Pledged Revenues. Pursuant to the Master Debt Resolution, we have issued and have outstanding both Senior Lien Obligations and Senior Subordinate Lien Obligations (together, referred to herein as “Bond Obligations”). See, “OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS.”*

*Under the Master Debt Resolution, Pledged Revenues consist of: (i) the gross revenues that we receive from a 1% sales and use tax (the “Sales Tax”), and the investment earnings thereon while held by the Trustee in the Gross Sales Tax Revenue Fund; (ii) Pledged Farebox Revenues (as defined herein); (iii) with respect to Senior Lien Obligations, Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund; and (iv) any additional revenues of DART which by a Supplemental Resolution are expressly and specifically pledged to the payment of Bond Obligations. However, the Federal Interest Subsidy is not used to pay or secure the RRIF (defined herein) bond debt service. The Sales Tax is imposed on items and services that are sold, rented, or purchased, or acquired for use within our boundaries, and that are subject generally to the Texas sales and use tax. See, “DART’S FINANCIAL PRACTICES AND RESOURCES—Principal Source of Revenue—The Sales Tax.” Bond Obligations will be issued for any one or more of the following purposes: refunding outstanding indebtedness, obtaining capital funds for the expansion of our public transportation system, creating reserves, paying interest during limited periods, paying our costs of issuance, or for other purposes if permitted by Applicable Law.*

*Unless otherwise indicated, capitalized terms used herein have the meanings assigned to them in Appendix B – Summary of Certain Terms of the Master Debt Resolution as amended by the Supplemental Debt Resolutions.*

**This Annual Disclosure Statement may be used in connection with the offer and sell a series of Bond Obligations only if it is accompanied by an official statement or offering document for such series.**

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Dated Date: March 22, 2024

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## IMPORTANT NOTICES

We have included cross-references to captions and sub-captions in the Table of Contents where you can find further discussions of summarized information.

We do not represent that the information in this Annual Disclosure Statement is accurate as of any date other than the Dated Date stated on the cover page hereto, except for financial information which is accurate as of its stated date or stated otherwise. We will update this Annual Disclosure Statement as described on the cover page. In addition, the summary of the Master Debt Resolution presented in Appendix B is not intended to be comprehensive and reference is made to such document for further information. You may obtain copies of the Master Debt Resolution, or any updates to this Annual Disclosure Statement, from the Municipal Securities Rulemaking Board's ("MSRB") website at [www.emma.msrb.org](http://www.emma.msrb.org), from our website on the internet at [www.dart.org](http://www.dart.org), or by contacting our Chief Financial Officer at our corporate address or telephone number: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, 214-749-3148.

In this Annual Disclosure Statement, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

## FORWARD-LOOKING STATEMENTS

*We make "forward-looking statements" in this Annual Disclosure Statement by using forward-looking words such as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates," or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our Sales Tax revenues, our Pledged Farebox Revenues, receipt of federal grants, and various other factors which are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, the actual outcomes may be different from what we include in forward-looking statements.*

## OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS

As of September 30, 2023, we have fourteen series of Senior Lien Obligations outstanding totaling \$3,469,312,975 in principal amount, including our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), outstanding in the aggregate principal amount of \$118,395,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "Series 2009B Bonds"), outstanding in the aggregate principal amount of \$466,970,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the "Series 2010B Bonds"), outstanding in the aggregate principal amount of \$729,390,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), outstanding in the aggregate principal amount of \$45,940,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds"), outstanding in the aggregate principal amount of \$57,745,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016B (the "Series 2016B Bonds"), outstanding in the aggregate principal amount of \$148,045,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2019 (the "Series 2019 Bonds"), outstanding in the aggregate principal amount of \$301,095,000; our Senior Lien Sales Tax Revenue Improvement and Refunding Bonds, Series 2020A (the "Series 2020A Bonds"), outstanding in the aggregate principal amount of \$127,150,000; our Senior Lien Sales Tax Revenue Refunding Bonds, (Forward Delivery) Series 2020B (the "Series 2020B Bonds"), outstanding in the aggregate principal amount of \$22,410,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Taxable Series 2020C (the "Series 2020C Bond"), outstanding in the aggregate principal amount of \$110,585,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2020D (the "Series 2020D Bonds"), outstanding in the aggregate principal amount of \$266,055,000; our Senior Lien Sales Tax Revenue Bond, Taxable Series 2021 (the "Series 2021 RRIF Bond") issued to evidence a Railroad Rehabilitation and Improvement Financing Loan outstanding in the aggregate principal amount of \$53,927,975; our Senior Lien Sales Tax Revenue Refunding, Series 2021A, outstanding in the aggregate principal amount of \$572,640,000; our Senior Lien Sales Tax Revenue Improvement and Refunding, Series 2021B, outstanding in the aggregate principal amount \$448,965,000.

In addition to the Senior Lien Obligations described above, as of September 30, 2023, zero dollars in principal amount of our Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity) were outstanding, zero dollars in principal amount of Series IIA Commercial Paper Notes were outstanding and zero dollars in principal amount of Series IIB Commercial Paper Notes (defined below) were outstanding, and zero dollars in principal amount of our Series III Commercial Paper Notes (Extendible Program defined below) were outstanding. See “INFORMATION ABOUT DART’S TRANSPORTATION SYSTEM – Capital Program.”

## **OBLIGATIONS ISSUED SINCE SEPTEMBER 30, 2023 AND OBLIGATIONS WE EXPECT TO ISSUE**

For purposes of providing interim financing with respect to the Cotton Belt/Silver Line Project and other projects, the Board has authorized two series of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, being the Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIA (the “Series IIA Commercial Paper Notes”) and the Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, IIB (the “Series IIB Commercial Paper Notes”) and together with the Series IIA Commercial Paper Notes, the “Series IIA and IIB Commercial Paper Notes”) in the maximum principal amount outstanding from time to time of \$125,000,000 and the Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series III in the maximum principal amount outstanding from time to time of \$125,000,000 (the “Series III Commercial Paper Notes”).

### **Preconditions to Issuance of Bond Obligations — Financial Coverage Tests**

#### Conditions to Issuance of Additional Senior Lien Obligations

Under the Master Debt Resolution, we cannot issue Additional Senior Lien Obligations unless:

(1) A written report by an independent professional economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of three consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Additional Senior Lien Obligations, are equal at least to 200% of the Debt Service that will be due on all Senior Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; or

(2) A certificate executed by the Chief Financial Officer of the Authority showing that during either our most recent complete Fiscal Year or during any consecutive 12 out of the most recent 18 months, our Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service that will be due on all outstanding Senior Lien Obligations (exclusive of the amounts payable on Credit Agreement Obligations) and the proposed Additional Senior Lien Obligations during any of the current or any future Fiscal Year; and

(3) Our Chief Financial Officer, certifies that we will receive Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Additional Senior Lien Obligations, which will be equal to at least 100% (or such higher percentage as shall be required by a Supplemental Resolution) of the Debt Service on both Senior Lien Obligations and all Subordinate Lien Obligations during such three Fiscal Years; and

(4) We satisfy any additional financial tests, or requirements, that may be contained in a Supplemental Resolution or Credit Agreement.

#### Conditions to Issuance of Subordinate Lien Obligations

We cannot issue Additional Senior Subordinate Lien Obligations unless:

(1) Our Chief Financial Officer, certifies that we will receive Gross Sales Tax Revenues, in addition to any pledged Special Revenues, during each of the three consecutive Fiscal years beginning with the first Fiscal Year in which Debt Service is due on the proposed Additional Senior

Subordinate Lien Obligations, will be equal to at least (A) 100% (or such higher percentage as shall be required by a Supplemental Resolution) of the Debt Service on the Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on both outstanding Senior Lien Obligations and Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during such three Fiscal Years; and

(2) A certificate of an Authorized Officer certifying that DART has complied with such other and additional standards, financial tests, and other preconditions to the issuance of Bond Obligations as Senior Subordinate Lien Obligations as may be contained in a Supplemental Resolution or Credit Agreement.

We cannot issue Junior Subordinate Lien Obligations unless:

(1) Our Chief Financial Officer, certifies that we will receive Gross Sales Tax Revenues, in addition to any pledged Special Revenues, during each of the three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Junior Subordinate Lien Obligations, which will be equal to at least (A) 100% (or such higher percentage as shall be required by a Supplemental Resolution) of the Debt Service on the Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on both outstanding Senior Lien Obligations and Senior Subordinate Lien Obligations during such three Fiscal Years (exclusive of amounts payable on Credit Agreement Obligations); and

(2) A certificate of an Authorized Officer certifying that DART has complied with such other and additional standards, financial tests, and other preconditions to the issuance of Bond Obligations as Senior Subordinate Lien Obligations as may be contained in a Supplemental Resolution or Credit Agreement.

Credit Providers and general market requirements may, from time to time, impose different or additional financial tests as preconditions to the issuance of additional Bond Obligations. Any such additional requirements will be contained in a Supplemental Resolution or in a Credit Agreement. See, Appendix B, SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION AS AMENDED BY SUPPLEMENTAL DEBT RESOLUTIONS-Permitted DART Indebtedness.

### **Method of Issuing Bond Obligations**

To issue any series of Bond Obligations, the Master Debt Resolution requires our Board to adopt a Supplemental Resolution establishing the specific terms of the series to be issued. When DART issues Bond Obligations, they should be purchased on the basis of the offering document relating to the series of Bond Obligations being considered.

### **Security for the Obligations—Flow of Funds**

Our Gross Sales Tax Revenues consist of the money we are entitled to receive under the Act and other state law from the levy and collection of the voter-approved Sales Tax that is levied on taxable items and services that are sold or used within our boundaries. That revenue and the investments thereof, if any, while held by the Trustee in the Gross Sales Tax Revenue Fund are Pledged Revenues that secure all of the Bond Obligations. Additionally, pursuant to the provisions of the Seventh Supplemental Debt Resolution, we pledged the “Pledged Farebox Revenues” as security for all of the Obligations. The amount of the Pledged Farebox Revenues varies each year based on an established formula with the amount constituting Pledged Farebox Revenues ranging from \$22.9 million in 2023 to \$71.4 million in 2038 and thereafter so long as there are outstanding Obligations. In addition, Federal Interest Subsidy Payments that are deposited to the Senior Lien Debt Service Fund are pledged to the payment of Series 2009B and Series 2010B Senior Lien Obligations. We reserve the right (1) to pledge the other farebox revenues as security for the payment of Obligations or any other obligations of DART and (2) to exclude any specified portion of farebox revenues from Pledged Farebox Revenues (including Special Revenues) by Supplemental Resolution, provided that Pledged Farebox Revenues in the amount set forth above cannot be reduced as a result.

State law requires the sellers and suppliers of taxable items and services to collect the Sales Tax from consumers and to pay collected taxes to the Texas Comptroller of Public Accounts (the “Comptroller”). The Comptroller receives and collects all such taxes that are imposed throughout the state and pays them over to the entities, such as DART, that levy them, net of a 2% collection fee and reserves for possible refunds due to overpayments to DART.

The Master Debt Resolution establishes (1) the procedure for handling the Gross Sales Tax Revenues from the point of release of the revenues by the Comptroller to the Trustee to the point they are released by the Trustee to us; (2) the priorities of the liens that are created for the benefit of the Senior Lien Obligations, the Senior Subordinate Lien Obligations, and the Junior Subordinate Lien Obligations; and (3) the permissible investments thereof at our direction.

The law requires the Comptroller to deliver the net amount of the collected taxes to us or for our benefit not less frequently than quarterly. Under current practice, the Comptroller delivers net tax collections monthly directly to the Trustee for the benefit of the Holders of Bond Obligations under the Master Debt Resolution.

The Trustee is required to deposit money received from the Comptroller to the Gross Sales Tax Revenue Fund. On the day of receipt, the Trustee is required to withdraw that money and to make deposits to three debt service funds (the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, and the Junior Subordinate Lien Debt Service Fund, collectively referred to herein as “Debt Service Fund(s)”) in amounts equal to the Accrued Aggregate Debt Service on the Bond Obligations of each lien ranking, beginning first with the Senior Lien Debt Service Fund, then the Senior Subordinate Lien Debt Service Fund, and finally the Junior Subordinate Lien Debt Service Fund, before any monies are released to us for other uses.

Money actually on deposit in a Debt Service Fund is pledged exclusively and irrevocably to the Bond Obligations of the applicable lien ranking.

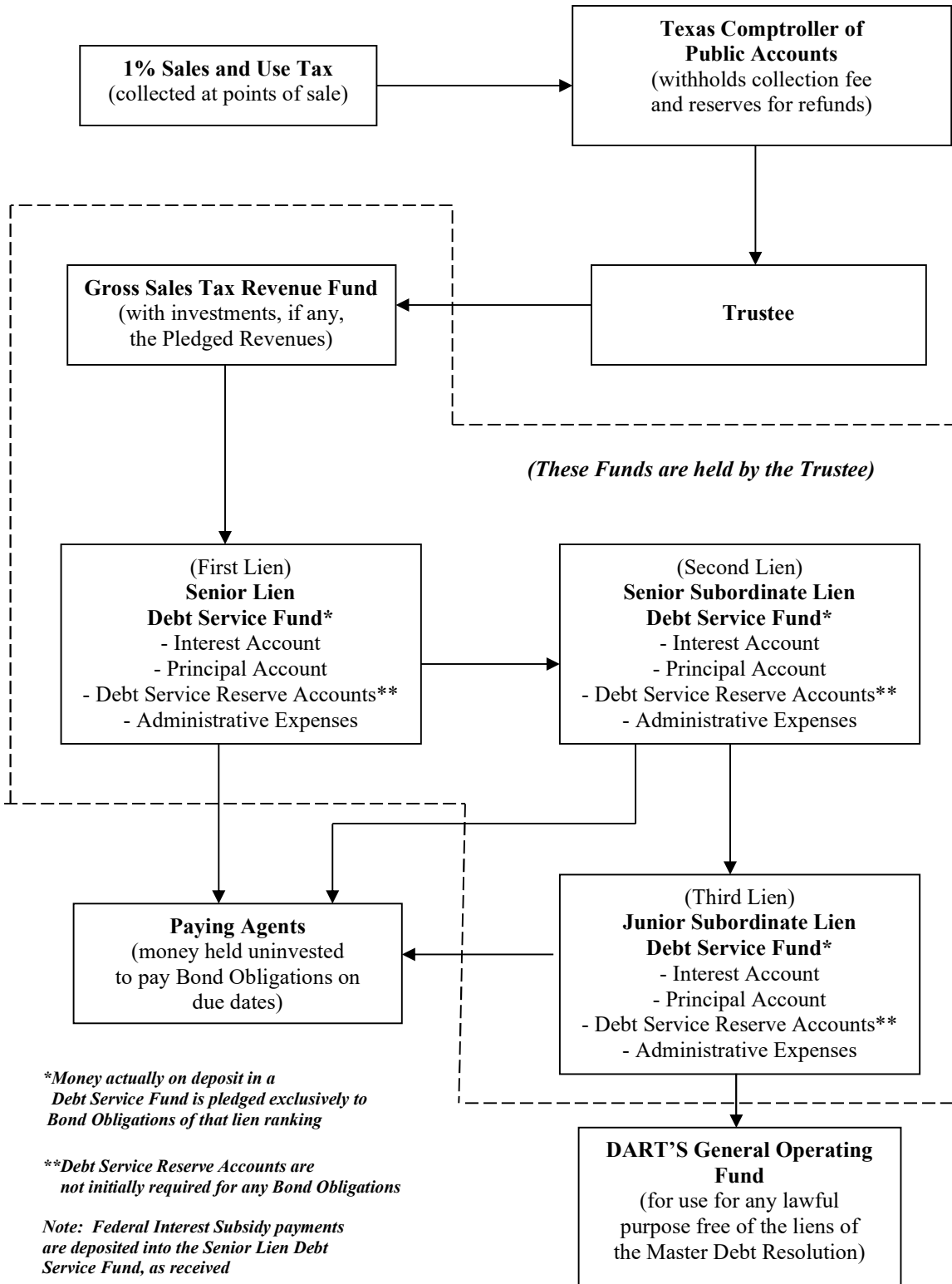
If the monies received from the Comptroller are not sufficient to fill all three of the Debt Service Funds to the level of current requirements, they are filled in the order of lien ranking and any deficiencies are restored with the next available Gross Sales Tax Revenues. If amounts on deposit in any Debt Service Fund are not sufficient on any Interest Payment Date, mandatory redemption date or Stated Maturity Date, the Trustee is also required to deposit all the Pledged Farebox Revenues to the Debt Service Funds in the same order of priority as Gross Sales Tax Revenues.

If there is an excess of money over the amounts needed to make the required deposits to all three Debt Service Funds, and after restoring deficiencies, if any, the Trustee is required to deliver the excess revenue to DART, free and clear of the liens of the Master Debt Resolution.

When payments are due on Bond Obligations, the Trustee sends the required amounts from the applicable Debt Service Fund to the Paying Agent(s) for the maturing Bond Obligations, as shown in the following chart of the flow of funds:

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**Flow of Funds (cont'd)**



*\*Money actually on deposit in a Debt Service Fund is pledged exclusively to Bond Obligations of that lien ranking*

*\*\*Debt Service Reserve Accounts are not initially required for any Bond Obligations*

*Note: Federal Interest Subsidy payments are deposited into the Senior Lien Debt Service Fund, as received*

*Note: Pledged Farebox Revenues are held in the General Operating Fund and are only required to be transferred to the Senior Lien Debt Service Fund if the amounts therein are insufficient to pay debt service on the Bond Obligations.*



## **INFORMATION ABOUT DART**

DART is a subregional transportation authority of the State of Texas, created and confirmed by a referendum passed on August 13, 1983, pursuant to Article 1118y of Vernon's Annotated Texas Civil Statutes, as amended and recodified into the Act, effective September 1, 1995. The Act authorizes us to provide public transportation and complementary services within the corporate limits of those cities and towns in which the voters thereof have confirmed the creation of or joinder with DART and approved the imposition of the Sales Tax under the Act.

### **DART's Boundaries, Additions, Withdrawal Rights**

Our current boundaries include the following Participating Municipalities: 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, Texas. Our boundaries encompass approximately 700 square miles and contains an estimated 2023 population of 2.57 million persons, according to information obtained from the North Central Texas Council of Governments.

If a municipality that we do not currently serve is located at least in part in a county that we serve, the municipality may become a Participating Municipality by holding an election in accordance with the Act at which its joinder with DART and the imposition of the Sales Tax is approved by its voters.

Under the Act, a Participating Municipality has the right to call an election at which its voters may vote to withdraw as a Participating Municipality every sixth calendar year. This process can be initiated by either official action of the Participating Municipality's governing body or by citizen petition. The next year in which withdrawal elections may be held is 2026.

If a withdrawal election is held and voters approve withdrawal from DART, all of our public transportation services to and within the withdrawing municipality must cease on the day following the canvass of the election returns. The Comptroller must continue to collect the Sales Tax within that municipality, however, until we have collected an amount equal to the withdrawing municipality's pro-rata share of our financial obligations that existed at the time of withdrawal. Accordingly, the Act limits the impact a municipality's withdrawal might have on our ability to repay our indebtedness, including any Bond Obligations.

Under the Act, our Board must calculate a withdrawing municipality's financial obligation to us as of the date of withdrawal. This financial obligation shall equal such municipality's portion of the total amount of the following:

- DART's outstanding obligations under contract and authorized in our current budget;
- DART's outstanding contractual obligations for capital and other expenditures payable from sources other than proceeds of notes, bonds, or other obligations;
- Payments due or to become due in all subsequent years on notes, bonds, or other securities or obligations for debt issued by us;
- DART's required reserves for all years to comply with financial covenants made with lenders, note or Holders, or other creditors or contractors; and
- The amount necessary for the full and timely payment of our existing obligations, to avoid a default or impairment of those obligations, including contingent liabilities.

Any of our financial obligations that specifically relate to such withdrawing municipality will be allocated completely to it.

### **DART's General Powers and Purposes**

We exercise public and essential governmental functions under the Act, and the Act grants us certain powers to carry out these functions. The Act authorizes us to acquire, construct, develop, plan, own, operate, and maintain all real and

personal property needed by us for public transportation or complementary transportation purposes. Complementary transportation services include the following services:

- Special transportation services for elderly or disabled persons;
- Medical transportation services;
- Assistance in street modifications to accommodate our public transportation system;
- The purchase, construction, or renovation of general aviation facilities that are not served by certificated air carriers in order to relieve air traffic congestion at existing facilities; and
- Any other service that complements our public transportation system, such as parking garages.

The Act grants to us the right to acquire property by eminent domain for our public transportation system, so long as the governing body (in a city or town) or the commissioners court of the county (in unincorporated areas) having jurisdiction over the property approves the acquisition. The Act also authorizes us to lease to or contract with a private operator to operate a public transportation system or any part thereof, and to contract with any non-participating city, county, or other political subdivision to provide public transportation services to any area outside our boundaries.

### **The Board of Directors**

We are governed by a 15-member subregional board of directors (the “Board”). The governing bodies of the Participating Municipalities appoint members to our Board according to the ratio of the population of each Participating Municipality to the total population within our boundaries. A Participating Municipality having a population which entitles it to make a fraction of an appointment may combine that fraction with one or more other Participating Municipalities to make one appointment, but no Participating Municipality may appoint more than 65% of the members of the Board. The Board is restructured whenever there is a change in the member municipalities or every fifth year after the date census data or population estimates become available.

Each Board member serves at the pleasure of the governing municipal unit that appoints the member. Board members serve staggered two-year terms. Eight of the member terms begin on July 1 of odd-numbered years and seven of the member terms begin July 1 of even-numbered years. Each member is entitled to receive \$50 for each Board meeting attended and is reimbursed for necessary and reasonable expenses incurred in the discharge of the member’s duties.

The following table sets forth information regarding DART’s current Board. The Board appoints from its members a chair, vice chair, secretary, and assistant secretary as shown in the table.

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CURRENT MEMBERS AND OFFICERS OF THE BOARD OF DIRECTORS			
NAME	REPRESENTS	YEAR OF APPOINTMENT TO BOARD	OCCUPATION
Michele Wong Krause, <i>Chair</i>	Dallas	2014	Attorney
Gary Slagel, <i>Vice Chair</i>	Richardson, University Park, Addison, and Highland Park	2011	Technology Executive
Rodney Schlosser, <i>Secretary</i>	Dallas	2020	Technology Insurance
M. Nathan Barbera	Plano and Farmers Branch	2022	Attorney
Doug Hrbacek, Assistant Secretary	Carrollton and Irving	2019	Business Development
D’Andrala Alexander <sup>(1)</sup>	Dallas	2023	Mental Health Professional
Patrick Kennedy	Dallas	2016	Urban Planner
Jon-Bertrell Killen	Dallas	2017	Architect
Flora M. Hernandez	Dallas	2021	Community Organizer
Enrique MacGregor <sup>(2)</sup>	Dallas and Cockrell Hill	2023	Consultant
Carmen R. Garcia	Dallas	2022	Retired Transit Executive
Mark C. Enoch	Garland, Rowlett, and Glenn Heights	1997	Attorney
Richard H. Stopfer	Irving	2013	Retired Automotive Consultant and Mayor, City of Irving
Marc Abraham <sup>(3)</sup>	Garland	2023	Corporate Executive
Paul N. Wageman	Plano	2012	Attorney

(1) D’Andrala Alexander replaced Hosanna Yemiru July 2023

(2) Enrique MacGregor replaced Eliseo Ruiz III July 2023

(3) Marc Abraham replaced Jonathan R. Kelly July 2023.

### Significant Board Policies and Planning Documents

Our Board has adopted a mission statement, strategic priorities, goals, financial and business planning policies, and general policies that provide management a framework within which DART must operate. The Board has also adopted bylaws and rules of procedure to ensure that it acts in a consistent and orderly manner. Each year, for planning purposes, DART issues an annual business plan (the “Business Plan”) which includes components of the following:

— The Strategic Plan – The Strategic Plan provides a foundation for all other management actions. Beginning with DART’s mission statement and vision, the Strategic Plan includes priorities, goals, objectives, and performance measures that guide decision-making throughout DART. The other plans and documents described in this section are also considered to be part of DART’s Strategic Plan because they provide significant guidance for authority activities and require alignment of processes and activities to achieve their full functionality and value. Elements of the Strategic Plan are periodically reviewed and updated to reflect the current environment. The mission statement and vision are the most constant elements of the Strategic Plan while individual project plans and employee performance plans are reviewed and revised at least once each year.

— Service Plan and Transit System Plan – The Service Plan, required by the Act, specifically describes the service provided including the locations of major transit facilities and fixed guideways. The Transit System Plan, which is not required by law, is the financially constrained long-range planning tool that is updated to incorporate changes in the service area. It provides the vision and direction for DART’s future capital projects and operating programs that will be needed to improve regional mobility. The Transit System Plan is closely coordinated with development of the North Central Texas Council of Governments’ Metropolitan Transportation Plan (MTP) and is

revised periodically. The most recent update to the Transit System Plan was completed in Fiscal Year 2007 and focused on transit needs and opportunities within the context of a 2030 horizon. DART completed the update to the 2030 Transit System Plan through the horizon year of 2045. The final 2045 Transit System Plan was approved by DART Board January 25, 2022.

— Annual Budget – The Act requires the Board to develop, recommend, and approve an annual budget (the “Annual Budget”). The Board must make its proposed Annual Budget available to the Participating Municipalities for review and comment at least 30 days prior to its final adoption. The Annual Budget, which corresponds to the first year of the Twenty-Year Financial Plan (defined below), enumerates the amounts authorized for operating expenses, capital and non-operating costs, and debt service.

— Twenty-Year Financial Plan – The Twenty-Year Financial Plan addresses the affordability of the Transit System Plan and the timing of service and capital expansion projects. The Twenty-Year Financial Plan details projected sources and uses of cash for twenty years. The approved Annual Budget is used as the first year of the plan. The final 15 years of the plan validate the affordability of our long-range Transit System Plan and include our commitments for future system expansion and the issuance and repayment of debt.

— Business Plan – The first five years of the Twenty-Year Financial Plan is considered the “Business Plan.” DART’s Business Plan provides a comprehensive summary of its plans and commitments and outlines how DART will employ projected resources to achieve its goals and strategic priorities.

— Financial Standards – The Board’s Financial Standards establish limits for capital expansion, the issuance of debt, and the maintenance of emergency reserves. These standards are the basis for our Financial Plan projections. The Board has also approved Business Planning Parameters that establish operating service levels, management performance objectives, and policy limitations for projecting major sources and uses of cash.

— Key Performance Indicators – The Business Plan provides a detailed outline of our performance projections and commitments for each mode of service and DART as a whole. The Business Plan includes "scorecards" addressing key operating, financial, and quality measures (called “Key Performance Indicators”) and identifying initiatives necessary to improve performance. The Business Plan defines how management will achieve the key initiatives presented in the Strategic Plan.

— Five-Year Action Plan – The Five-Year Action Plan provides detailed discussions of our plans to increase bus and rail ridership through service improvements for a five-year period.

## **DART’s Management**

The Board appoints our President & Chief Executive Officer. The Chief Executive Officer’s duties include:

- Administering our daily operations, including the hiring, compensation, and removal of employees;
- Awarding contracts for services, supplies, capital acquisitions, real estate, and construction without Board approval if the amount of any such contract does not exceed \$100,000; and
- Awarding contracts of up to \$250,000 without Board approval for standard off-the-shelf commercial products.

Additional staff positions that report directly to the Board include the General Counsel, a Chief Audit Officer, and a Director of the Office of Board Support.

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A summary of our executive management team is shown in the following table:

<b>DART'S EXECUTIVE MANAGEMENT</b>		
<b>NAME</b>	<b>POSITION</b>	<b>JOINED DART</b>
Nadine S. Lee	President & Chief Executive Officer	2021
Vacant	Chief of Staff to President & Chief Executive Officer	N/A
Bernard Jackson	Senior Executive Vice President, Chief Operations Officer	2022
Deanna Leggett	Executive Vice President, Chief Development Officer	2022
Chris Koloc	Chief Audit Officer	2007
Elizabeth Reich	Executive Vice President, Chief Financial Officer	2022
Gene Gamez	General Counsel	2002
Vacant	Vice President, Chief Innovation Officer	N/A
Doug Douglas	Vice President, Mobility Management Services	1990
Donna Johnson	Vice President, Chief Safety Officer	2004
Vacant	Vice President, Chief Marketing Officer	N/A
Daryl Brown	Vice President, Rail Operations and Administration	2022
Josefina Chavira	Interim Board Administrator	2011
Vacant	Vice President, Government and Community Relations	N/A
Anthony Fuller <sup>(1)</sup>	Vice President, Commuter Rail Services TRE & Silver Line Operation & Maintenance	2018
Rosa Medina	Vice President, Human Resources	2020
Rob Smith	Vice President, Service Planning & Scheduling	2006
Kathy Bridwell <sup>(8)</sup>	Interim Vice President, Business Services, Procurement	2022
Darryl Spencer <sup>(2)</sup>	Vice President, Engineering and Technical Services	1993
Kay Shelton	Vice President, Capital Planning	2000
Charles Cato	Vice President, DART Chief of Police & Emergency Management	2022
Julius Smith	Vice President, Chief Information Officer	2016
Trey Walker <sup>(3)</sup>	Vice President, Capital Design & Construction	2023
Jaime Aleman	Vice President, Maintenance, Infrastructure and Capital Projects	2007
Amina Wolf <sup>(4)</sup>	Vice President, Bus Operations	2023
Joni Honor <sup>(5)</sup>	Vice President, Communication Strategy	2022
Jeamy Molina <sup>(6)</sup>	Executive Vice President & Chief Communication Officer	2023
Caitlin Holland <sup>(7)</sup>	Vice President Real estate & Economic Development	2021
Jamie Alderman <sup>(9)</sup>	Vice President of Finance	2023

<b>DART'S EXECUTIVE MANAGEMENT</b>		
Michael Collins <sup>(10)</sup>	Vice President, Equal Employee Opportunity & Culture Engagement	2023

- (1) Hired as of 2018 and promoted as of September 25, 2023
- (2) As of January 19, 2023
- (3) As of April 17, 2023
- (4) As of January 3, 2023
- (5) As of December 27, 2022
- (6) As of June 26, 2023
- (7) Hired as of November 29, 2021, and promoted as of June 1, 2023
- (8) As of September 15, 2023
- (9) As of December 11, 2023
- (10) As of November 27, 2023

**Employees and Employee Relations**

DART currently has 3,868 budgeted positions for full-time salaried and hourly employees. Bus operators, mechanics, and call center personnel are represented by The Amalgamated Transit Union, Local 1338. As a Texas governmental agency, we do not collectively bargain or sign labor contracts with these employee representatives. We do, however, meet and confer with these representatives on hourly employee issues, compensation, and benefits.

**Pension, Retirement, Deferred Compensation Plans, and Other Post-Employment Benefits**

We operate three employee benefit plans. Information about the plans, post-retirement health care and life insurance benefits in accordance with DART policy to certain employees are contained in Note 4 to the Audited Financial Statements attached hereto as Appendix A. We have implemented GASB Statement No. 75 “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.”

**Significant Contract Services**

We use contracted services extensively, including the following:

- MV Transportation, Inc., for Mobility Management Services (ADA Paratransit operations and On-Call Services);
- Herzog Transit Services, Inc. for our commuter rail services;
- Echo T&C for University of Texas at Dallas shuttle services;
- Metropolitan Security Services for armed security guard services;
- Triad Commercial Services for janitorial services (rail and bus facilities) and property management;
- Blue Cross Blue Shield as the third-party administrator over the Authority’s health benefits;
- Clean Energy for CNG fuel station maintenance;
- BrightView Landscapes LLC, and Eden Touch Diversified LLC for system-wide landscape management; and
- Stadler Inc. for maintenance services of commuter rail vehicles;
- Landmark Earth Services for weed spraying services;

We also utilize contracts for a major portion of the planning, design, and construction of major capital programs.

**Insurance**

We maintain a comprehensive insurance program, including the following:

- We self-insure for auto liability, general liability, and workers’ compensation claims arising out of transit operations. Segregated cash reserves are maintained for these programs.
- We carry all-risk property insurance for full repair or replacement in the event of loss with a \$500 million limit for any one loss or any one location subject to a \$1,000,000 deductible per occurrence.
- We carry \$323 million rail liability insurance that provides coverage for DART’s light rail system, and the Trinity Railway Express (the “TRE”), TEXRail, Denton County Transportation Authority,

and Grapevine Vintage Railroad (the “GVRR”) commuter rail operations, with a \$3 million self-insured retention per loss [TEXRail and GVRR have a \$1 million self-insured retention per loss]. This policy also covers Herzog Transit Services, Inc. the company that operates the TRE trains.

As a member of the Texas Municipal League (TML) DART has purchased \$10 million of liability coverage for leased premises to comply with the terms of our lease agreements with third parties. DART also purchased insurance through TML to cover non-owned and hired automobile liability, errors and omissions liability, cyber liability, forgery, theft, disappearance and destruction, computer fraud, and employee dishonesty.

DART has implemented an Owner Controlled Insurance Program (OCIP) for construction projects including the Red and Blue Line Platform Extensions project, the Cotton Belt Regional Rail Corridor, Equipment Maintenance Facility, Hidden Ridge rail station, and other construction projects. Some of these projects have been completed, and other projects may be included in the future OCIP. The OCIP will provide all eligible enrolled contractors with statutory workers’ compensation coverage, general and excess liability insurance, pollution liability, railroad protective liability and builders’ risk insurance.

As a public entity, DART is protected in many instances by governmental immunity. In cases where our governmental immunity does not apply, our liability is often limited by the Texas Tort Claims Act to \$100,000 per person or \$300,000 per occurrence for bodily injury and \$100,000 per occurrence for property damage. Workers’ compensation payments are statutory and regulated by the United States Department of Labor and the Texas Department of Insurance’s Division of Workers’ Compensation.

## **DART’S FINANCIAL PRACTICES AND RESOURCES**

### **Audits of Financial Information**

DART’s Fiscal Year is from October 1 through September 30. We maintain our records of accounts in accordance with generally accepted accounting principles. Our financial accounts and records are audited at the close of each Fiscal Year by an independent, outside auditing and accounting firm approved by the Board. The Independent Auditors’ Report, with our audited annual financial statements for the Fiscal Years ended September 30, 2023 and 2022, is presented as a part of this Annual Disclosure Statement as Appendix A. Each subsequent Annual Disclosure Statement will include our most recent audited annual financial statements.

### **Principal Source of Revenue—The Sales Tax**

Our principal revenue source is the Sales Tax that is levied on taxable items and services that are sold, rented, or purchased, or acquired for use, within the boundaries of our Participating Municipalities. The Act and the Limited Sales, Use, and Excise Tax Act, Chapter 151, Texas Tax Code, as amended, contain a full description of the items and services subject to and exempted from a sales and use tax.

The Texas Legislature has modified the sales and use tax base from time to time to add or subtract certain items to or from our taxable base, and even to exempt from taxes certain items purchased during a defined time window. In 1999, the Legislature created an annual three-day “sales tax holiday” just prior to the opening of each new school year, which exempts from State and local sales taxes the purchase of certain clothing, school supplies, and footwear. The sales tax holiday exempts these purchases from the Sales Tax as well. While the law establishing the sales tax holiday currently permits us to repeal the temporary exemption from our Sales Tax, we do not intend to repeal this exemption unless it will adversely impact our ability to repay any outstanding Bond Obligations.

The following table shows our net Sales Tax revenues for each of the most recent 10 Fiscal Years. The net Sales Tax revenues show actual receipts in a given Fiscal Year and may differ from the Sales Tax revenues shown on our financial statements. When DART is notified of an overpayment of Sales Tax, by the Comptroller an accounting adjustment is made to reflect the reduction in Sales Tax revenues in that same Fiscal Year. In three cases where sizeable overpayments were determined to have been made, DART entered into a repayment plan. The table below shows Sales Tax receipts less any repayment installments. Since the financial statements reflect a reduction in net Sales Tax revenues for the Fiscal Year in which an overpayment is determined to have been made, rather than in the Fiscal Years over which an overpayment is repaid, the Sales Tax revenues shown on the financial statements may

differ from the net Sales Tax revenues shown below. As of August 12, 2022, all agreed to repayment plans were paid off.

**Table 1 – Net Sales Tax Revenues**

<b>Net Sales Tax Revenues*</b> <b>(in millions)</b>	
<b>Fiscal Year ended 9/30</b>	<b>Receipts</b>
2014	\$485.7
2015	\$518.6
2016	\$545.1
2017	\$566.6
2018	\$595.6
2019	\$624.4
2020	\$615.8
2021	\$681.5
2022	\$783.8
2023	\$834.4

\* The net Sales Tax revenues shown above represent actual receipts received by DART in given Fiscal Years and may differ from the Sales Tax revenues shown in DART's financial statements. The amounts shown above are net of the Comptroller's service fee and audit collections. See "DART's OPERATIONS AND PERFORMANCE RESULTS – Sales Tax Revenues and the Net Operating Subsidy" and "INVESTMENT CONSIDERATIONS - The State Comptroller May Offset Current Distributions for Overpayments or Remit Sales and Use Tax Revenue Less Frequently."

**Secondary Revenues — Farebox Collections**

We collect fares from our bus, rail, and paratransit users. The Act permits us to set fares based upon a zone system or by another classification that we determine to be reasonable and nondiscriminatory.

We receive other miscellaneous revenues, primarily from advertising and leases. We refer to these and the farebox revenues as "Operating Revenues." The following table lists our Operating Revenues and expenses for the past 10 fiscal years.

**Table 2 – Operating Revenue & Expenses**

<b>Operating Revenues &amp; Expenses</b> <b>(in millions)</b>		
<b>Fiscal Year ended 9/30</b>	<b>Operating Revenues<sup>(1)</sup></b>	<b>Operating Expenses<sup>(2)</sup></b>
2014	\$84.5	\$704.5
2015	\$85.4	\$705.3
2016	\$81.9	\$739.3
2017	\$79.6	\$745.5
2018	\$76.1	\$779.2
2019	\$77.5	\$819.1
2020	\$55.7 <sup>(3)</sup>	\$821.8
2021	\$41.1 <sup>(3)</sup>	\$808.5 <sup>(3)</sup>
2022	\$46.8 <sup>(3)</sup>	\$830.0 <sup>(3)</sup>
2023	\$52.0	\$926.8

(1) As provided in DART's annual financial statements Operating Revenues includes "Passenger Revenues" which are included in the calculation of "Pledge Farebox Revenues" in the Master Debt Resolution. See "APPENDIX C – Pledged Farebox Revenue."

(2) Includes depreciation expense.

(3) Restated



## Federal Grant Funds

We receive federal grant funds primarily from the Federal Transit Administration (“FTA”). We utilize these proceeds to fund a portion of our eligible capitalized maintenance expenses and capital programs. Congress allocates transit funds on both a formula basis and a discretionary basis. We are eligible to receive both types of funds.

Federal grants are on a reimbursement basis, so receipts will not match annual appropriation. The following table reflects actual federal and state cash receipts of DART for the past 10 fiscal years. For a discussion of funding received by DART under the federal ARP Act (defined herein) during Fiscal Year 2023 in connection with COVID-19, see “IMPACT OF COVID-19 PANDEMIC ON DART – Summary of DART Actions Taken in Response to COVID-19.”

**Table 3 – Federal/State Receipts**

<b>Federal/State Receipts (in millions)</b>		
<b>Fiscal Year</b>	<b>Federal Receipts<sup>(1)</sup></b>	<b>State Receipts</b>
2014	\$128.3	\$1.6
2015	\$104.9	\$10.9
2016	\$47.4	\$1.2
2017	\$78.5	\$0.9
2018	\$93.6	\$0.1
2019	\$135.4	\$1.6
2020 <sup>(2)</sup>	\$393.1	\$19.8
2021 <sup>(3)</sup>	\$273.1 <sup>(5)</sup>	\$19.9
2022 <sup>(4)</sup>	\$401.6	\$8.6
2023	\$102.6	\$0.8

- (1) Build America Bonds are included in the Authority’s federal receipts and are subject to federal subsidy changes. See “INVESTMENT CONSIDERATIONS – Sequestration of Obligations designated as Build America Bonds.”
- (2) Federal receipts included \$229 million of CARES Act funds. See “IMPACT OF COVID-19 PANDEMIC ON DART – Summary of DART Actions Taken in Response to COVID-19
- (3) Federal receipts included \$128.5 million of CRRSAA Act funds. See “IMPACT OF COVID-19 PANDEMIC ON DART – Summary of DART Actions Taken in Response to COVID-19.”
- (4) Federal receipts included \$300.0 million of ARP Act funds. See “IMPACT OF COVID-19 PANDEMIC ON DART – Summary of DART Actions Taken in Response to COVID-19.”
- (5) Restated

## Lease/Leaseback Transactions

As authorized by the Act, DART has previously entered into economically defeased lease transactions which, in general, involved its lease and leaseback of specified, depreciable property to various trustee entities, acting on behalf of private investors. At a specified date on or before the end of the sublease term, DART has the right to purchase the trustee’s interest in the lease. The Authority retains legal title to the, previously, leased property, the transaction was structured so as to result in a sale of the leased property to the private investors for federal income tax purposes. The rent due for the full term of the leases was prepaid to DART, and the private investors have no further obligation to pay DART any rent under the lease. The private investors subleased the property back to DART for a sublease term that is shorter than the term of the lease. At a specified date on or before the end of the sublease term, DART has the right to purchase the trustee’s interest in the lease.

As of September 30, 2023, one lease/leaseback transaction was active and was in full compliance with the operative documents, as amended. The liability for the lease/leaseback obligation was approximately \$8,524,000. See Note 3 and Note 14 to the Audited Financial Statements attached hereto as Appendix A. As of the date hereof, no such transaction is still outstanding that involves the lease and leaseback of light rail cars used as a part of DART’s transit system.

## DART OPERATIONS AND PERFORMANCE RESULTS

The Independent Auditors' Report on DART's financial statements for the Fiscal Year ended September 30, 2023, is attached as Appendix A. The information contained under this heading presents the comments, observations, and interpretations of financial and other facts and practices by our management and its opinions as to those facts, practices, and circumstances affecting DART. We do not warrant or guarantee that the conclusions we have drawn therefrom are accurate or complete or provide any assurances as to future financial and/or operating results of DART. The financial information discussed in this section is derived from the financial statements attached as Appendix A and other identified sources. See "FORWARD-LOOKING STATEMENTS".

### Sales Tax Revenues and the Net Operating Subsidy

Our principal revenue source is the Sales Tax revenues. Sales Tax revenues contributed 77.8% of total revenues (which includes capital contributions and grants) in Fiscal Year 2023 and 60.8% in Fiscal Year 2022. Net Sales Tax revenues in Fiscal Year 2023 were \$834.4 million, a \$42.5 million (5.4%) increase over Fiscal Year 2022. Net Sales Tax Revenues were \$834.4 million for Fiscal Year 2023 compared to a budgeted Net Sales Tax Revenues of \$818.9 million. Our Sales Tax receipts highly correlate with personal income and retail sales in the region. Sales Tax revenues received by us from the Comptroller reflect sales transactions that occur approximately two months prior to receipt by us. The Sales Tax revenues discussed in this section are derived from our annual financial statements which reflect accounting adjustments made as a result of overpayments of Sales Taxes to DART. As a result of these accounting adjustments, Sales Tax revenues shown on our financial statements may differ from the Net Sales Tax Revenues (which represent actual receipts in a Fiscal Year) shown in the table on page 13.

The Fiscal Year 2024 Annual Budget projects Sales Tax revenues of \$870.8 million compared to \$818.9 million for Fiscal Year 2023 Annual Budget. Since 2016 DART has incorporated periodic zero-growth in seven-year cycles, which was anticipated in Fiscal Year 2019; however, economic performance in Fiscal Year 2018 led to the postponement of the zero-growth strategy to Fiscal Year 2019 and again in Fiscal Year 2020 due to the COVID-19. DART continues to project the next 0.0% increase in 2027 from the Fiscal Year 2024 Annual Budget and a 4.4% increase over the 2023 Actual Sales Tax Receipts. For the first three-months of Fiscal Year 2024, Sales Tax receipts are 7.2% above the first three-months of Fiscal Year 2023 and 3.4% above our Fiscal Year 2024 Sales Tax budget for the first three-months.

Reserve Accounts. We maintain various cash reserves including a Financial Reserve Fund that is funded with Sales Tax collections, if any, that exceed budget during a given year (the "Financial Reserve Fund"). In addition, in 2019 the Board renamed the Capital Project Reserve Account as the Mobility Assistance and Innovation Fund (MAIF). If the Financial Reserve Fund exceeds \$50 million, excess funds are placed in the MAIF Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve Fund and MAIF and the funds may be used for any purpose approved by the Board. As of September 30, 2023, the balance in the Financial Reserve Fund was \$50.0 million and the balance in the MAIF Account was \$117.0 million. For Fiscal Year 2023, our Sales Tax receipts were more than our Sales Tax budget by \$15.4 million or 6.5%. DART has entered into an Equity Security Agreement on our existing lease/leaseback obligation that requires us to set aside certain investments as security. As of September 30, 2023, DART has \$2.1 million set aside in the Financial Reserve Fund for this purpose. See Note 5 to the Audited Financial Statements attached hereto as Appendix A. See "Lease/Leaseback Transactions".

Cash and Liquidity. In addition, we are required by our Financial Standards to maintain a working cash balance in the general operating fund equal to at least one month of expenses that are projected to be paid from Sales Tax collections. As of September 30, 2023, the balance in the general operating fund was \$366.6 million which equals approximately 6.7 months of expenditures.

Net Position. The Net Position for Fiscal Year 2023 reflect a loss before capital contribution and grants of \$72.0 million compared to \$242.8 million for 2022. This loss in 2023 is greater than that of 2022 due to a decrease in federal grant support.

Net Operating Subsidy. Net operating subsidy measures the amount of sales tax dollars required to subsidize the operating costs of our public transit system. We calculate "net operating subsidy" in the following manner: operating expenses minus extraordinary items and depreciation minus operating revenues. Our goal is for the Sales Tax revenues to increase by a higher percentage than net operating subsidy. In Fiscal Year 2023, net operating subsidy increased as compared to 2022 due to increase in operating expenses because of higher service and transportation costs.

## **Sales Tax Revenues for Operating Expenses**

Sales Tax revenues for operating expenses measures the percentage of Sales Tax revenues required to subsidize net operating costs. Conversely, this ratio also measures the amount of funding available for debt service and future capital expenditures. The Sales Tax revenues for operations calculation is as follows: net operating subsidy (defined above) less interest income divided by Sales Tax revenues. This ratio moves lower if Sales Tax revenues grow by a higher percentage than net operating subsidy. The ratio increased from 65.4% in Fiscal Year 2022 to 68.5% in Fiscal Year 2023 due primarily to Sales Tax increasing faster than operating costs.

## **Subsidy Per Passenger**

Subsidy per passenger measures the efficiency of our services. Specifically, it measures the amount of tax subsidy required each time a passenger uses our services. It is calculated as follows: operating expenses minus depreciation minus extraordinary items minus operating revenues divided by passenger boardings. Our goal is to minimize subsidy per passenger each year. For this to happen, ridership must grow at a higher percentage than net subsidy. Total system subsidy per passenger in Fiscal Year 2023 was \$11.56, a \$0.11 (1.2%) decrease from Fiscal Year 2022. Fixed-route subsidy per passenger in Fiscal Year 2023 was \$10.85, a \$0.02 (0.2%) decrease from Fiscal Year 2022. Subsidy per passenger for Fiscal Year 2023 ranged from a high of \$45.49 for paratransit service to a low of \$8.78 for vanpool service.

## **IMPACT OF COVID-19 PANDEMIC ON DART**

In March 2020, the World Health Organization (the “WHO”) and the President of the United States (the “President”) separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On April 10, 2023, the President signed into law a bill that ended the national emergency declaration resulting from COVID-19, and on May 5, 2023, the WHO declared the outbreak of COVID-19 over as a global health emergency. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. The Governor retains the right to impose future restrictions on activities if needed in order to mitigate the effects of COVID-19.

DART has been affected by changes in the economic activity and conditions of the DART service area, which includes a decrease in the receipt of Sales Tax revenues (for Fiscal Year 2020 only), and operating revenues caused by COVID-19. See “DART’S FINANCIAL PRACTICES AND RESOURCES”, “DART OPERATIONS AND PERFORMANCES RESULTS.” and “Summary of DART Actions Taken in Response to COVID-19” below for a discussion of the impact of COVID-19 on DART’s financial and operating condition. Some of the financial and operating data contained herein are as of dates and for periods prior to the economic impact of COVID-19 and measures instituted to mitigate it. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of DART.

## **Summary of DART Actions Taken in Response to COVID-19**

In response to the effects of COVID-19 in Fiscal Year 2020, DART implemented the following: reduced transit services, cost-saving organizational efficiencies, a hiring freeze, and a voluntary retirement incentive program (VRIP) to further reduce the number of employees and save on salary and benefit costs. 370 eligible employees accepted the VRIP offer. To date, DART has made no salary decreases or layoffs.

DART’s reduced transit service included reduced frequency of bus and rail transit, modified bus routes, and eliminating bus routes with low ridership.

To date, the above-measures previously taken to mitigate COVID-19’s impact on DART’s financial condition and operations are no longer in effect. Due to a favorable continued recovery in Sales Tax receipts, COVID-19 did not materially impact the Fiscal Year 2023 Annual Budget.

At this time DART has not delayed nor expects to delay any major capital projects as a result of budgetary constraints; however, an infectious disease outbreak may cause a disruption in DART’s major capital projects due to delays in the labor market, related supply chains, and projected ridership associated with such major capital projects.

DART continues its normal operating expenses in the Fiscal Year 2023 Annual Budget. The Fiscal Year 2024 Annual Budget of \$687.3 million of Operating expenses was approved by the Board on September 26, 2023. See “Annual Budget”.

Federal Relief for the COVID-19 Pandemic. The FTA announced a total of \$25 billion in federal funding allocations to help the nation’s public transportation systems respond to COVID-19. Funding was provided through the Coronavirus Aid, Relief, and Economic Security (the “CARES Act”), signed by the President of the United States on March 27, 2020. The CARES Act established the Coronavirus Relief Fund, which was to be used to cover costs that were necessary expenditures incurred by states and certain local governments due to the public health emergency with respect to COVID-19. DART was allocated \$229.6 million in CARES Act funding and has received such amount for expenses incurred between January 2020 through August 2020.

The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (the “2021 Coronavirus Act” or “CRRSAA”), was passed by Congress and signed into law on December 27, 2020, provided additional federal relief for public transportation. Federal relief funds were provided to DART and were allocated in the same manner as funds distributed under the CARES Act, DART received approximately \$128.5 million in additional federal relief under the 2021 Coronavirus Act.

The American Rescue Plan Act of 2021 (the “ARP Act”) was passed by Congress and signed into law on March 11, 2021, which in addition to other amounts and purposes, includes \$30.5 billion in federal funding to support the nation’s public transportation systems efforts to respond to COVID-19 and support the President’s call to vaccinate the U.S. population. ARP Act funding was authorized to be used to assist with operating costs, payroll and personal protective equipment, in addition to pay expenses related to public transportation services to vaccination sites. DART was allocated and has received approximately \$300.0 million in ARP Act funding (at a 100% federal share).

## **INFORMATION ABOUT DART’S TRANSPORTATION SYSTEM**

### **The Current System**

Our current mass transit services include:

- Bus Transit service;
- DART Mobility Management services including ADA Complementary Paratransit services;
- Light rail transit service; (or LRT)
- Commuter rail service;
- Transportation Demand Management (TDM) rebranded as GoLink; and
- Special events service provided through the modes listed above.

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During Fiscal Year 2023, we moved 49.7 million passengers. The following table highlights total system ridership by mode for the last ten Fiscal Years.

(millions)							
Fiscal Year	Bus	LRT <sup>(1)</sup>	Commuter Rail	HOV <sup>(2)</sup>	Paratransit	TDM	Total <sup>(2)</sup>
2014	37.4	29.4	2.3	21.4	0.7	0.9	92.1
2015	36.5	29.9	2.2	22.3	0.8	0.9	92.5
2016	33.7	29.7	2.1	N/A	0.8	0.8	67.1
2017	32.1	30.1	2.1	N/A	0.8	0.7	65.8
2018	30.2	29.0	2.0	N/A	0.8	0.7	62.7
2019	38.7	28.6	2.0	N/A	0.9	0.6	70.8
2020	27.8	20.3	1.3	N/A	0.6	0.3	50.3
2021	20.1	14.6	0.8	N/A	0.6	0.0	36.1
2022	23.0	18.4	1.1	N/A	0.7	0.0	43.2
2023	25.8	21.0	1.1	N/A	0.9	0.9	49.7

(1) Streetcar ridership is included in the LRT totals.

(2) Reporting of high occupancy vehicle (“HOV”) ridership was discontinued effective 10/01/2015. Totals may not sum due to rounding.

Note: DART implemented the Automatic Passenger Counter (APC) system with its LRT service beginning in 2012, bus and commuter rail began APC in 2019. These counters have proven to be considerably more accurate than our previously used manual ridership counting methodology. The APCs show that we have been underreporting ridership by approximately 23%.

The total system ridership and fixed-route ridership numbers are highlighted in the analysis given above. Fixed-route service includes bus, light rail, and commuter rail operations. Total system ridership includes fixed-route, paratransit, and vanpools. Ridership figures are based on the number of unlinked passenger boardings (each passenger boarding is counted as one trip). Total system ridership in Fiscal Year 2023 was 49.7 million, an increase of 6.5 million (15.0%) from Fiscal Year 2022.

We contract for all of our paratransit and commuter rail services. While we remain responsible for these programs, our contracts establish operating performance standards which the contractors are expected to meet. We maintain an aggressive program to monitor and audit contractor compliance.

— ***Bus Transit (51.9% of total system ridership in Fiscal Year 2023)***

DART implemented phase 1 of the new bus network redesign branded DARTzoom, January 24, 2022. For the past year, DART has been working on Phase 2 of the bus network redesign, which will expand and improve on the 2022 DARTzoom service changes. Our new bus network provides frequent local coverage, express, and shuttles. Frequent routes serve high-ridership corridors that are integral to the DART service network in the largest and densest concentration of employment in the service area. The routes are characterized by higher service frequencies, wider span of operating hours, and broader stops spacing. Service is provided six to seven days a week.

— ***Light Rail Transit (42.3% of total system ridership in Fiscal Year 2023)***

Light Rail Transit is an electrically powered rail system that primarily operates at grade level. A 20-mile “Starter System,” opened in phases from June 1996 through May 1997, connects South and West Oak Cliff, downtown Dallas, and the North Central Expressway corridor as far north as Park Lane in Dallas. In 2002, DART’s light rail was extended to North Dallas, Garland, Richardson, and Plano. In 2009, the first phase of the Green Line opened southeast of downtown Dallas with the remainder opening in 2010. In July 2012, the first segment of the Orange Line to Irving opened for service. In December 2012, Irving-2 and the Rowlett extension of the Blue Line opened for service. In August 2014, light rail service opened at the Dallas-Fort Worth International Airport. A Blue Line extension to the University of North Texas – Dallas opened in October 2016, bringing the total light rail system to 93 miles. The newest infill station, Hidden Ridge Station, is DART’s 65<sup>th</sup> Station in the network. Hidden Ridge Station opened in April 2021.

— ***Commuter Rail (2.2% of total system ridership in Fiscal Year 2023)***

Our commuter rail system, commonly referred to as the TRE (Trinity Rail Express), provides diesel powered commuter railroad services on the TRE Corridor between Dallas and Fort Worth, in mixed traffic with freight railroad operations. The 34-mile corridor is jointly owned by DART and Trinity Metro. TRE service is provided pursuant to

an interlocal agreement between DART and Trinity Metro. This agreement was originally entered into in 1994 and was restated and adopted by the Board and the Trinity Metro board of directors from time to time, as necessary, and most recently in 2021.

Pursuant to Trackage Rights Agreements, the Burlington Northern Santa Fe, the Dallas Garland and Northeastern, Amtrak and the Union Pacific railroads pay a fee for the right to operate freight services on the TRE corridor. TRE, through its contractor, Herzog Transit Services, Inc., dispatches and maintains the corridor as well as operates the service and maintains the rolling stock used in the service.

— ***Paratransit (1.8% of total system ridership in Fiscal Year 2023)***

We are responsible for providing complementary paratransit service in accordance with the Americans with Disabilities Act of 1990 (“ADA”). In Fiscal Year 2019, we renewed contract with MV Transportation, Inc. (MV), to provide paratransit service. MV provides, operates, and maintains a fleet of 80 Starcraft vehicles in dedicated service. MV also oversees and manages a fleet of approximately 116 Dodge Entervans outfitted by Braun, which are taxi vehicles provided and operated by Irving Holdings.

— ***Transportation Demand Management - GoLink (1.8% of total system ridership in Fiscal Year 2023)***

We work with area employers to develop strategies for reducing employee trips, by personalizing curb-to-curb service anywhere within 31 predefined zones covering an area of 232 square miles using a variety of vehicles and service providers. Each Zone is anchored at a DART rail station or Transit Center, affording customers connections to and from a transit facility. GoLink customers may book a trip via DART’s GoPass phone application or by calling the GoLink reservation call center.

## **Annual Budget**

The DART Board develops, recommends, and approves an Annual Budget. The Board must make its proposed annual budget available to the governing bodies of the Participating Municipalities for a review and comment at least 30 days prior to its final adoption. The Annual Budget, which corresponds to the first year of DART’s financial plan for the next twenty fiscal years (the “Twenty-Year Financial Plan”), enumerates the amounts authorized for operating expenses, capital and non-operating costs, and debt service.

On September 26, 2023, the Board formally adopted the Fiscal Year 2024 Annual Budget by Resolution number 230131 . The Fiscal Year 2024 Annual Budget totals approximately \$1,803.3 million which is comprised of \$687.3 million in operating expenses; \$894.4 million in capital and non-operating costs; and \$221.7 million in debt service costs. The increase in the capital expenditure budget was authorized under Resolution number 230130, which reduced the MAIF by \$114.8 million for the purposes of equity based enhanced security, cleanliness, and system reliability improvements.

The Twenty-Year Financial Plan addresses the affordability of DART’s transit system plan (the “Transit System Plan”) and the timing of the service and capital expansion projects. The Twenty-Year Financial Plan details projected sources and uses of cash for twenty years. The approved annual budget is used as the first year of the Transit System Plan. DART’s annual business plan (the “Business Plan”) is reflected in the first five year of the Transit System Plan. The final 15 years of the plan validate the affordability of DART’s long-rang Transit System Plan and include DART’s commitment for future System expansion and the issuance and repayment of debt.

**Substantial risks that could cause variance between actual budgeted expenses include possible increases in pension and other employee benefit funding requirements, possible increase in unhedged energy costs or failures of hedges, increased cost from possible severe weather damage and other risks that cannot be predicted or avoided. DART’s budgets do not employ generally accepted accounting principles since they are prepared to manage, rather than to fairly present, the financial condition and performance of DART. Accordingly, the information included in the budgets may differ from the financial information and operating data in the Official Statement.**

## **Capital Programs**

### Silver Line Project

The Silver Line Project (formerly known as the Cotton Belt Regional Rail Project) is a 26-mile regional rail project through seven cities and connecting to DFW Airport. The final environmental impact statement/record of decision (FEIS/ROD) from both FTA and FAA was received in November 2018. A design build contract was awarded in January 2019 and construction is anticipated to be completed in 2026. The Silver Line Project has a current total budget of \$2.1 billion and is expected to be funded with federal grants, local funds, and debt obligations which includes RRIF Financing (defined below). On May 25, 2021, the Board approved a financial plan amendment for the Silver Line Project increasing the total budget by \$633 million to address cost of scope changes resulting from Participating Municipalities' requests; risk contingency for the anticipated outcome of agreements with other agencies and railroads; anticipated costs to resolve challenges associated with real estate acquisitions; and risk contingency to address contractor's delays claims, including price escalation. The construction status for the Silver Line Project as of September 30, 2023 includes ongoing utility relocations, bridge foundations, and station site work. The project is approximately 49.3% complete.

The Twenty-Year Financial Plan also includes anticipated revenue service along the Silver Line corridor in 2026. This service will connect with DART's Green Line in Carrollton, the Red Line in Richardson and Plano, the Orange Line in DFW Airport (Terminal B). On February 24, 2021, DART authorized its Senior Lien Sales Tax Revenue Bonds, Taxable Series 2021 (the "Series 2021 RRIF Bonds") in the principal amount of \$908,000,000 in connection with its USDOT Railroad Rehabilitation Improvement Financing loan (the "RRIF Financing") related to the Silver Line Project. The Series 2021 RRIF Bonds refunded and restructured DART's Senior Lien Sales Tax Revenue Bonds, Taxable Series 2018 (the "Series 2018 RRIF Bonds") and reduce the borrowing interest rate to 2.26%. The total allowable principal amount of the Series 2021 RRIF Bonds is \$908,000,000 of which \$169,370,758 has been drawn down as of February 29, 2024. Currently, \$360.8 million is anticipated to be drawn down in installments in Fiscal Year 2024, and then draws are expected to be made in installments in Fiscal Year 2025. Similar to the Series 2018 RRIF Bonds, the Series 2021 RRIF Bonds are Senior Lien Obligations. Several regional sources of funds and scope modifications are detailed in the Fiscal Year 2024 Business Plan (rebranded as the Fiscal Year 2024 Annual Budget and Twenty-Year Financial Plan) posted on the DART's website at [www.dart.org](http://www.dart.org).

For purposes of providing interim financing with respect to the Silver Line Project and other projects, the Board has authorized two series of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, being the Series IIA and Series IIB Commercial Paper Notes in the combined maximum principal amount outstanding from time to time of \$125,000,000 and the Series III Commercial Paper Notes in the maximum principal amount outstanding from time to time of \$125,000,000. As of February 28, 2024, there is a zero outstanding balance on the Series IIA, IIB and Series III Commercial Paper Notes. DART is authorized also to use the Series I Commercial Paper Notes for the Silver Line Project in an amount up to \$125,000,000; however, there is a 14,150,000 outstanding balance as of February 29, 2024.

### Other Capital Projects

In addition to the above, DART's annual capital and non-operating expenditures include construction of a deferred LRT station at Loop 12 in Irving; construction of a new Consolidated Dispatch and Command Center; support for the City of Dallas to advance the Central Link streetcar project through downtown Dallas; bus fleet replacements; TRE fleet replacement and track work; vehicle and facility capital maintenance programs, and a variety of other infrastructure and agency-wide projects.

### **DART Transit System Plan**

The Board periodically updates our Transit System Plan, which documents a range of capital and operating programs for future implementation. The DART Board approved the 2045 Transit System Plan in January 2022. This Transit System Plan provides a strategic guide to shape DART's future and online opportunities under five themes – Rider Experience, Service and Expansion, Mobility and Innovation, Land Use and Economic Development and Collaboration. Also in January 2022, DART launched a major bus network redesign called DARTzoom. DARTzoom

was a budget-neutral plan that combined ridership-oriented features, including frequency improvement, wider service span, and more weekend service with improved coverage via on-demand GoLink zone service expansion.

Several projects in prior Transit System Plans have been completed or are under construction including the 26-mile Silver Line Project (anticipated to open by 2026) and the Red and Blue Line Platform Extensions Project (completed in April 2022). Planning for the D2 Subway, a second light rail transit alignment in downtown Dallas, was completed in 2022 but additional development efforts are paused at this time as ridership monitoring continues and other key initiatives outlined below are advanced.

### Mobility+ Program

DART is advancing a series of initiatives under a new Mobility+ Program that will enhance mobility while creating opportunities for increased value, growth, and investment in our most disadvantaged communities. Key elements include:

- Bus Network Redesign Phase 2 of its bus corridor improvement program, CORE (Corridor Optimization and Rider Experience) will outline short- and long-term service improvements for bus, as well as rail and on-demand services.
- Bus Amenity Expansion including the next generation bus shelter as well as other stop amenities to expand improved amenities to more people that need them.
- Transit Facilities Review to assess the need for additional transit facilities to support the new bus network and mobility hub guidelines to identify and prioritize facility improvements
- Bus Corridor Investment Program and Design Guidelines to identify needs, opportunities, and an investment strategy to enhance speed, reliability and safety in partnership with our city partners.
- Comprehensive Fare Study to evaluate the current fare policy and structure
- Fleet Transition Strategy including a Zero Emission Bus Fleet Transition Plan to outline a phased approach to further support clean energy and climate goals
- Bus Operating Facilities Master Plan to optimize the use of our assets while improving efficiency, safety, and productivity of facilities in a sustainable manner.

### LRT Systemwide Modernization Program

DART LRT service in 1996 and now has a 93-mile system consisting of the Red, Blue, Green and Orange Lines, and a fleet of 163 light rail vehicles (LRV). DART is undertaking a comprehensive LRT Systemwide Modernization Program intended to enhance safety, reliability, accessibility, and the customer experience for the riders that rely on DART LRT every day to get to jobs, services, and education.

Key elements include:

- Vehicles - Replace the 95 oldest LRVs with state-of-the-art low floor vehicles to improve the customer experience
- Passenger Stations and Platforms - Raise the remaining 23 Red and Blue Line platforms to support universal level boarding, along with additional station improvements
- Operating Facilities Modifications - Modify Central and Northwest rail operating facilities to support new vehicle maintenance activities and build state-of-the-art communications center (CDCC) that consolidates bus, rail, and police dispatch and emergency operations for full network functionality
- Unified Signal System - Modernize signal systems on the oldest lines to maximize safety, communications, reliability, and network capacity
- Weatherization - Enhance resiliency of LRT operations during extreme weather events



## LITIGATION

### **In Ordinary Course of Business**

Typically, a number of claims, administrative appeals, and/or lawsuits arise from individuals and businesses in the ordinary course of our business that seek compensation for additional construction costs, labor, and employment claims, personal injuries, death, and/or property damage resulting from routine operation and development of our public transportation system. We do not believe that the outcome of these claims, administrative appeals, and/or lawsuits will have a material adverse effect on our financial condition. DART's estimate of losses on such matters are included in accounts payable and accrued liabilities in our consolidated balance sheets. DART makes no prediction with respect to the liability of DART for such claims, administrative appeals or the final outcome of such lawsuits.

## INVESTMENT CONSIDERATIONS

**THE PURCHASE OF DART BONDS OBLIGATIONS ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BOND OBLIGATIONS IS ENCOURAGED TO READ THE RESPECTIVE OFFICIAL STATEMENT OR OFFERING DOCUMENT IN ITS ENTIRETY, INCLUDING ALL APPENDICES. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW, WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BOND OBLIGATIONS AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF BOND OBLIGATIONS TO AN EXTENT THAT CANNOT BE DETERMINED.**

### **Source of Payment is Limited**

The Bond Obligations are special obligations of DART and are secured by a lien on the Pledged Revenues.

The Bond Obligations are not debts or obligations of the State of Texas; nor are they the debt or obligation of any Participating Municipalities. The Holders of Bond Obligations will never have the right to demand payment out of any of DART's funds other than the Pledged Revenues, unless we expressly and specifically pledge Special Revenues to such payment. DART does have the right, however, but is not obligated, to enter into Credit Agreements with respect to any issue of Bond Obligations having any lien ranking as to Pledged Revenues. If DART does so, the Holders of the issue of Bond Obligations to which a Credit Agreement relates will have such additional security as the Credit Agreement may provide, such as municipal bond insurance policies, bank-issued letters of credit, or other forms of credit enhancement.

### **Issuance of Additional Senior Lien Obligations**

The Master Debt Resolution permits DART to issue Additional Senior Lien Obligations without notice to Holders and without their consent, if the Authority can satisfy the financial tests and limitations contained in the Master Debt Resolution. DART must also satisfy any limitations contained in Supplemental Resolutions and in Credit Agreements in order to issue any Senior Lien Obligations. The financial tests that apply to future issues of Additional Senior Lien Obligations require the Authority to demonstrate an ability to pay such future Bond Obligations based on economic forecasts of future economic conditions. Those forecasts do not and cannot guarantee that DART will receive Gross Sales Tax Revenues, and other Pledged Revenue, at the times and in the amounts required to pay all of its Bond Obligations, when and as due and payable.

### **The Authority's Ability to Make Payments on Bond Obligations is Dependent Upon the Amount of Gross Sales Tax Revenues and Pledged Farebox Revenues Actually Generated**

Except for Bond Obligations that may be supported by a Credit Agreement, as discussed above, the primary sources of security for the Bond Obligations will be the Gross Sales Tax Revenues collected by the Comptroller and remitted to the Trustee and the investments thereof, and the Pledged Farebox Revenues. DART's receipt of Gross Sales Tax Revenues and Pledged Farebox Revenues may be impacted by a number of factors, including but not limited to changes in the economic activity and conditions of a municipality or geographic area, changes in the preferred method of transportation of DART customers, and the introduction and development of new modes of transportation and

business communications. The amount of Gross Sales Tax Revenues or Pledged Farebox Revenues generated in any future year is not certain.

### **The Collection of the Sales Tax is Beyond Our Control**

Generally, the seller of taxable items and services collects the Sales Tax from the consumer at the point of a taxable transaction and remits these taxes to the Comptroller. DART does not control the Comptroller's collection efforts, and the Comptroller's collection efforts against a private seller of goods and services are subject to applicable State law and to federal bankruptcy code provisions with respect to the protection of debtors.

### **The State Comptroller May Offset Current Distributions for Overpayments or Remit Sales and Use Tax Revenue Less Frequently**

The Comptroller periodically identifies underpayments and overpayments of Gross Sales Tax Revenues and responds to claims by taxpayers. In the event that the Comptroller determines that DART received an overpayment, its Gross Sales Tax Revenues for future periods are subject to reduction or the Authority may be required to make a repayment in order to reimburse the overpayment. Under State law, DART has no legal standing or ability to intervene or appeal the Comptroller's determination. DART has previously entered into three repayment agreements with the Comptroller regarding overpayments, approximately \$20.9 million (identified in 2006, 2008, and 2019) that will result in a reduction of its Gross Sales Tax Revenues in equal quarterly amounts of \$206,000, which increased to \$602,408 beginning 2002 until 2022 and then returned to equal amounts of \$206,000 through December 2026 with a final payment of \$128,519 in March 2027. As of August 12, 2022 DART has paid off all amounts owed on repayment plans to the Comptroller.

### **The Authority May Receive Payment of Gross Sales Tax Revenues Less Frequently**

State law requires the Comptroller to remit Gross Sales Tax Revenues to us only on a quarterly basis. As a matter of convenience and accommodation to local taxing entities, the Comptroller remits Gross Sales Tax Revenues to the Authority and other taxing entities on a monthly basis. While the Authority has no reason to believe that the Comptroller's current practice will be discontinued, there is no assurance that the Comptroller will continue to remit Gross Sales Tax Revenues to the Authority on a monthly basis. Thus, temporary cash flow irregularities could occur.

### **The Authority May Experience Variations in our Gross Sales Tax Revenues**

Variations in the amount of receipts can be adversely affected by a number of variables, including (1) changes in State laws and administrative practices governing the remittance and allocation of Sales Tax receipts, (2) changes in the tax base against which the Sales Tax is assessed, (3) further migration of commerce to internet sales that are not taxed or taxes from which cannot be effectively collected, (4) changes in the economic activity and conditions of a municipality or geographic area, and (5) the withdrawal from DART of one or more of the Participating Municipalities. See, "DART'S FINANCIAL PRACTICES AND RESOURCES."

The increasing use of the Internet to conduct electronic commerce may affect the collection of the Sales Tax. To the extent that transactions subject to the Sales Tax imposed by the Authority avoid normal collection and remittance procedures because they occur over the Internet, the Authority's receipt of Sales Tax may be adversely affected. At this time, the Authority is unable to predict how internet sales may affect the amount of Sales Tax collected in the future. If, due to increases in Internet or other tax-exempt sales, the Authority's Sales Tax revenue decreases or increases more slowly than operating expenses and debt service requirements, the Authority's ability to pay Bond Obligations and maintain operations could be adversely affected to an extent that cannot be predicted.

### **Ratings of the Bond Obligations Do Not Assure Their Payment**

The Bond Obligations may be rated by one or more nationally recognized rating agencies. Each respective official statement or offering document will describe any rating(s) that may be applicable to a series of Bond Obligations. A rating reflects the rating agency's assessment of how likely it is that holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating

agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price of the securities or the suitability of the securities for any particular investor.

### **Cybersecurity Risk**

The Authority, relies on a large and complex environment to conduct its operation and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, software viruses, malware, and other cyber-attacks, on its computing and other digital networks and systems (the “Systems Technology”). As a recipient and provider of sensitive information, the Authority may be the target of cybersecurity incidents that could result in adverse consequences to the Authority and its System Technology, requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Authority’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Authority invests in multiple forms of cybersecurity and operational safeguards. While the Authority’s cybersecurity and operational safeguards are periodically tested, no assurances can be given by the Authority that such measures will ensure against cybersecurity threats and attacks, and a breach could damage the Authority’s Systems Technology and, in certain instances, possibly cause material disruption to the Authority’s finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial.

### **Sequestration of the Bond Obligations designated as Build America Bonds**

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending included a reduction to refundable credits under section 6431 of the Internal Revenue Code (the “Code”) applicable to certain qualified bonds, including “Build America Bonds” issued pursuant to section 54AA of the Code for which an issuer elected to receive a direct credit subsidy payment pursuant to section 6431 of the Code.

The Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the “Series 2009B Bonds”) and the Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B Bonds (Build America Bonds – Direct Payment to Issuer) (the “Series 2010B Bonds”) are designated as “Build America Bonds”, for such qualified bonds eligible for the direct credit subsidy payment, the Office of Management and Budget (“OMB”) set a sequester percentage (i.e. reduction) of 6.6% for fiscal year 2018, and 6.2% for fiscal year 2019, and 5.9% for federal fiscal year 2020. For federal fiscal year 2021, the OMB set the sequester percentage at 5.7%, which applies to any payment processed on or after October 1, 2021, and on or before September 30, 2030, unless and until a law is enacted that cancels or otherwise impacts the sequester.

### **Risks Associated with Federal Funding**

The receipt of capital grants from the FTA is not assured and is subject to approval by the FTA, Secretary of Transportation and Office Management and Budget as well as appropriation by the U.S. Congress, to the allocation and delivery procedures of the U.S. Department of Transportation (“USDOT”) and the FTA, and to compliance by the Authority with conditions to the grants. By August 15 of each year, the Congressional Budget Office (the “CBO”) issues a report that provides estimates of the caps on discretionary budget authority in effect for each fiscal year. If federal funding for transit programs is delayed, reduced, or cancelled, whether as a result of sequestration or for other reasons, DART’s receipt of FTA grant funding, as well as DART’s substantial recurring revenue from the FTA, could be delayed, reduced or cancelled. See” DART’S FINANCIAL PRACTICES AND RESOURCES – Federal Grant Funds.”

### **The Master Debt Resolution Provides for Cross-Defaults**

The Master Debt Resolution provides that an “Event of Default” occurs thereunder if, under certain circumstances, DART defaults in the due and punctual performance of any covenant, condition, agreement or provision contained in

any Obligation (including any Credit Agreement) or any Outstanding Resolution. See “APPENDIX B – Summary of Certain Terms of the Master Debt Resolution as Amended by Supplemental Debt Resolutions.”

### **Nonpayment Events of Default**

If DART defaults in the performance of any nonpayment related covenants, conditions, agreements, and provisions contained in the Bond Obligations or in any of the Outstanding Supplemental Resolutions, notice of default may be initiated by the Holders of not less than 10% in aggregate principal amount of Outstanding Bond Obligations, a Credit Provider, or a Bondholder Representative. It may be difficult for the Holders of the Bond Obligations to initiate a nonpayment Event of Default, unless such Holders are successful in obtaining the cooperation of a significant number of Holders of Outstanding Bond Obligations. Although the Master Debt Resolution permits a Supplemental Resolution authorizing a series of Bond Obligations to designate a Bondholder Representative to represent the Holders of a series of Bonds at a time when there is no Credit Agreement in effect, such designation has not been made in the most recent supplemental debt resolution (i.e. Twenty-Fifth Supplemental Debt Resolution).

### **Limitation and Enforceability of Remedies**

The remedies available to the Holders of the Bond Obligations upon an Event of Default under the Master Debt Resolution are limited to the seeking of specific performance or a writ of mandamus or other suit, action, or proceeding compelling and requiring the Authority and its officers to observe and perform any covenant, condition, or obligation prescribed in the Master Debt Resolution. **NO ACCELERATION REMEDY IS AVAILABLE TO HOLDERS OF THE BOND OBLIGATIONS.** A Credit Provider, a Bondholder Representative, or a trustee selected by and representing not less than 25% in principal amount of the Outstanding Bond Obligations may initiate an action against DART, but only if the Holders of at least 25% in principal amount of the Outstanding Senior Lien Obligations have joined in or consented to such action or each Holder of a Senior Lien Obligation has been provided prior notice of such action. It may be difficult for the Holders of the Bond Obligations to cause a trustee, a Credit Provider, or a Bondholder Representative to take action in the Event of Default without the cooperation of a significant number of Holders of the Outstanding Senior Lien Obligations.

After an Event of Default, the Trustee will transfer funds in the same order as if no Event of Default had occurred with the exception that Administrative Expenses will be paid prior to the payment of interest and principal installments from the Senior Lien Debt Service Fund and the funds securing any Subordinate Lien Obligations.

The remedies available under the Master Debt Resolution are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion and (ii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect. The various legal opinions to be delivered concurrently with the delivery of the Bond Obligations are qualified to the extent that the enforceability of certain legal rights related to the Bond Obligations are subject to limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Further, under current State law, DART is prohibited from waiving sovereign immunity from suit or liability with respect to their obligations relating to the Bond Obligations and, therefore, Holders of the Bond Obligations are prevented from bringing a suit against DART to adjudicate a claim to enforce its obligations under the Master Debt Resolution or for damages for breach of its obligations under the Master Debt Resolution. However, State courts have held that mandamus proceedings against a governmental unit, such as DART, are not prohibited by sovereign immunity.

### **Changes in Transit Behavior and Economic Outlook**

While recovery from COVID-19 pandemic continues and notwithstanding expiration of the public health emergency in May 2023, risks are present due to the resulting change in transit behavior due to new norms created by hybrid

work. Furthermore, with the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economic conditions, trade balances, currency exchange rates, political relationships, and hostilities are important influences on the economic outlook in the U.S., including Texas. It is uncertain the extent to which the COVID-19 pandemic (or other outbreak), changes in transit behavior or international events may disrupt the local or global economy and adversely impact Texas, the Dallas-Fort Worth metroplex, DART or its operations. See “IMPACT OF COVID-19 PANDEMIC ON DART” above for risks associated with the Obligations resulting from COVID-19 pandemic.

## **CONTINUING DISCLOSURE OF INFORMATION**

In connection with the issuance of each series of our outstanding Bond Obligations DART has generally made the following continuing disclosure agreement for the benefit of the holders and beneficial owners of each series of Bond Obligations. DART will observe this agreement for so long as the Bond Obligations are outstanding. Under the agreement, DART will provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). Access to such information will be made available to the public without charge by the MSRB on its Electronic Municipal Market Access (“EMMA”) website at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The information to be updated includes all quantitative financial information and operating data with respect to DART of the general type included in Tables 1 through 3 herein and Appendix.

DART may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by United States Securities and Exchange Commission’s (the “SEC”) Rule 15c2-12, as amended (the “Rule”). The updated information will include audited financial statements, if DART commissions and audit and it is completed by the required time. If audited financial statements are not available by the required time, DART will provide unaudited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as DART may be required to employ from time to time pursuant to state law or regulation.

DART’s current Fiscal Year ends on September 30. Accordingly, it must provide updated information by March 31 in each year, unless DART changes its fiscal year. If DART changes its Fiscal Year, it will notify the MSRB of the change and such updated information will be due six (6) months from the date of the revised fiscal year end.

### **Certain Event Notices**

DART will notify the MSRB in a timely manner not in excess of ten (10) Business Days after the occurrence of the event, of any of the following events with respect to the Bond Obligations, to the extent applicable:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related default, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of Obligations, or other material events affecting the tax status of Obligations;

- (7) Modifications to rights of Holders of Bond Obligations, if material;
- (8) Bond Obligation calls, if material and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of Bond Obligations, if material; or
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of DART, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving DART or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional paying agent/registrars or change in the name of the Paying Agent/Registrar, if material.
- (15) Incurrence of a financial obligation of DART, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of DART, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of DART, any of which reflect financial difficulties.

For these purposes (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for DART in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of DART, or if such jurisdiction has been assumed by leaving the existing governing body, and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court of governmental authority having supervision or jurisdiction over substantially all of the assets or business of DART (B) the events described in preceding clauses (15) and (16) above and the definition of financial obligation in such clauses, the Authority intends the words used to have the same meaning as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

In addition, we will provide timely notice of any failure by us to provide information, data, or financial statements in accordance with our agreements pursuant to the Rule.

#### **Availability of Information From MSRB**

The information will be available to Holders of Bond Obligations free of charge through the MSRB's EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Compliance with Prior Undertakings**

Certain annual filings were inadvertently not linked to certain CUSIPs for outstanding bonds. DART has updated its annual filings through EMMA and remedied any incorrect or missing CUSIP linkages for any outstanding bonds for which it is aware.

## **BOND RATINGS**

The current underlying ratings for all the outstanding Senior Lien Obligations are “Aa2” by Moody’s Investors Service, Inc., “AA+” by Standard & Poor’s Global Ratings and “AAA” by Kroll Bond Rating Agency. The Series 2007 Bonds are rated “AA-” by Fitch Ratings.

## **OBLIGATIONS AS LEGAL INVESTMENTS**

Under the Act, the Bond Obligations are authorized investments for banks, savings banks, trust companies, savings and loan associations, and insurance companies, and are eligible to secure the deposit of public funds of the State, a political subdivision of the State and any other political corporation of the State. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, a rating of “A” or better as to investment quality of the Bond Obligations by a national rating agency may be required before such obligations are eligible for investments for sinking funds and other public funds. We have not reviewed the laws in other states to determine whether our obligations are legal investments for various institutions in those states.

## **TRUSTEE AND PAYING AGENTS**

The Trustee under the Master Debt Resolution is Zion Bancorporation, National Association, Amegy Bank Division. A Paying Agent for each series of Bond Obligations issued under the Master Debt Resolution will be specified in the Supplemental Resolution creating such series.

## **LEGAL COUNSEL**

DART is represented by the law firms of Bracewell LLP, 1445 Ross Avenue, Suite 3800, Dallas, Texas 75202, West & Associates L.L.P., 320 S. R.L. Thornton Freeway, Suite 300, Dallas, Texas 75203, and McCall Parkhurst & Horton, LLP, 717 N. Harwood Street, Suite 900, Dallas, Texas 75201, serve as our Co-Finance Counsel and as our Co-Bond Counsel with respect to the Bond Obligations and other financial matters.

**APPENDIX A**  
**Independent Auditors' Report with Audited Financial Statements**  
**for the Fiscal Years ended September 30, 2023 and 2022**





## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the Dallas Area Rapid Transit (DART), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of DART as of September 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DART and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2023, DART implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

DART's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DART's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Weaver and Tidwell, L.L.P.  
2300 North Field Street, Suite 1000 | Dallas, Texas 75201  
Main: 972.490.1970

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DART's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, the Schedule of Net Pension Liability - Defined Benefit Pension Plan, the Schedule of Employer Contributions - Defined Benefit Pension Plan, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Employer Contributions - OPEB Plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 GAAS, 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.

Members of the Board of Directors  
Dallas Area Rapid Transit

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DART's basic financial statements. The accompanying supplementary information, such as the Combining Statements of Fiduciary Net Position and Combining Statements of Changes in Fiduciary Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statements of Fiduciary Net Position and Combining Statements of Changes in Fiduciary Net Position are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining Statements of Fiduciary Net Position and Combining Statements of Changes in Fiduciary Net Position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2024 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 solely 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.

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

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 4, 2024

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

The management of Dallas Area Rapid Transit (DART) offers this narrative overview of DART's financial statements and analysis of the financial activities for the fiscal years ended September 30, 2023 and 2022. This discussion and analysis is designed to help the reader focus on significant financial activities and identify any significant changes in DART's financial position. It should be read in conjunction with the financial statements that are after this section. All amounts are expressed in thousands of dollars, unless otherwise indicated.

**FINANCIAL HIGHLIGHTS**

As of September 30, 2023 and 2022, DART's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1,652,976 and \$1,719,889, respectively. The unrestricted net position as of September 30, 2023, was \$835,760 compared to \$877,408 as of September 30, 2022.

DART's net position decreased by (\$66,913) during fiscal year (FY) 2023 compared to an increase of \$268,056 in FY 2022.

DART's total debt decreased by four percent (\$146,770) in FY 2023 compared to an increase of nine percent (\$293,075) in FY 2022. The decrease in FY 2023 was due to principal payments for capital lease/leaseback principal payments and senior lien revenue bonds. The increase in FY 2022 was due to additional borrowing for capital project costs. Debt information is summarized on page 13 of this management discussion and analysis.

Sales and use tax revenue was \$834,358 in FY 2023, compared to \$791,839 in FY 2022. Sales and use tax revenue increased by 5 percent (\$42,519) in FY 2023, compared to a 16 percent (\$108,668) increase in FY 2022.

Capital contributions from federal, state, and local governments were \$13,178 in FY 2023 and \$27,690 in FY 2022. Such contributions financed DART's transit system expansion projects and the acquisition of light rail vehicles, buses, and equipment.

Other federal grants were \$68,240 in FY 2023, compared to \$366,818 in FY 2022. The decrease in FY 2023 was due to less federal COVID-19 relief money than the year before.

For FY 2023, total expenses exceeded total revenue, resulting in a loss before capital contributions of \$71,302, compared to an income of \$270,477 for FY 2022. The loss in FY 2023 was due to a decrease in other federal grants. The gain in FY 2022 was due to increases in sales tax revenue and other federal grants, partially offset by a decrease in capital contributions.

**BASIC FINANCIAL STATEMENTS**

Management's Discussion and Analysis serves as an introduction to DART's basic financial statements, which are described below.

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 equal net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in DART's financial position. The Statements of Net Position are shown on pages 15-16 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 occurs, 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 17 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: (1) DART's ability to generate positive cash flows and pay its debt as the debt matures; (2) the reasons for differences between DART's operating cash flows and operating income (loss); and (3) 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 18-19 of this report.

The Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position show how the fiduciary funds' net position changed during the years presented. These statements are shown on page 20.

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 21-60 of this report.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

DART's activities are accounted for as a proprietary fund and are presented in DART's financial statements as business-type activities. DART's activities are supported by a one percent 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.

DART's financial statements include the accounts and operations of blended component units Regional Rail Right-of-Way Corporation, Dallas Area Rapid Transit Mobility Service, LGC, DART Employees' Defined Benefit Retirement Plan and Trust, Other Post-Employment Benefits (OPEB) Plan, DART Capital Accumulation Plan and Trust, and DART Retirement Plan and Trust.

**FINANCIAL ANALYSIS**

Statements of Net Position – DART's total assets and deferred outflows of resources exceeded total liabilities by \$1,652,976 and \$1,719,889 as of September 30, 2023 and 2022, respectively. The largest portion of this excess in FY 2023 and FY2022 was unrestricted net assets (51 percent in both years). 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 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

	FY 2023	FY 2022 (Restated*)	FY 2021 (Restated*)
Current assets	\$1,173,262	1,329,662	\$867,125
Other noncurrent assets	95,938	313,001	188,708
Capital assets (net of accumulated depreciation)	<u>4,469,346</u>	<u>4,251,987</u>	<u>4,205,687</u>
Total assets	5,738,546	5,894,650	5,261,520
Deferred outflows of resources	<u>113,119</u>	<u>66,877</u>	<u>98,137</u>
Total assets and deferred outflows of resources	<u>5,851,665</u>	<u>5,961,527</u>	<u>5,359,657</u>
Current liabilities	430,481	461,558	434,793
Noncurrent liabilities	<u>3,711,379</u>	<u>3,713,076</u>	<u>3,426,646</u>
Total liabilities	4,141,860	4,174,634	3,861,439
Deferred inflows of resources	<u>56,829</u>	<u>67,004</u>	<u>46,385</u>
Total liabilities and deferred inflows of resources	<u>4,198,689</u>	<u>4,241,638</u>	<u>3,907,824</u>
Net position			
Net investment in capital assets	742,715	746,665	839,550
Restricted for:			
Debt service	74,501	93,683	81,923
Security for lease/leaseback liabilities	-	2,133	3,415
Unrestricted	<u>835,760</u>	<u>877,408</u>	<u>526,945</u>
Total net position	<u>\$1,652,976</u>	<u>\$1,719,889</u>	<u>\$1,451,833</u>

\*FY 2022 and 2021 amounts are restated due to implementation of new financial reporting requirements – GASB Statement 87 - *Leases* and GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*.

Current assets decreased by (\$156,400) in FY 2023 compared to an increase of \$462,537 in FY 2022. The decrease in FY 2023 was due to lower investment balance due to spending on capital projects and payment of capital lease obligations. The increase in FY 2022 was due to increased sales tax revenue, more federal COVID-19 relief, and investments held to pay capital lease obligations.

Other noncurrent assets decreased by \$217,063 in FY 2023 compared to an increase of \$124,293 in FY 2022. The decrease in FY 2023 was due to bond proceeds spent on capital projects. The increase in FY 2022 was mainly due to an unspent portion of bond proceeds pending spending on capital projects.

As of September 30, 2023, none of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to \$2,133 as of September 30, 2022. The unrestricted portion of net position, \$835,760 in FY 2023 and \$877,408 in FY 2022, represents resources available to meet DART's ongoing obligations. The Board committed \$214,921 in FY 2023 and \$204,617 in FY 2022 of the unrestricted net position for Insurance, Financial Reserve, Silver Line Project, and Mobility Assistance and Innovation funds (see note 3).

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Statements of Revenues, Expenses, and Changes in Net Position – During FY 2023, DART's activities resulted in a decrease in net position of \$71,302, compared to an increase in net position of \$270,477 in FY 2022. The decrease in FY 2023 was due to reduced grants and increased non-operating expenses. The increase in FY 2022 was due to additional grants and increased sales tax revenues. The key elements of the changes in net position for the fiscal years ended September 30, 2023 and 2022, are shown in the table below with comparative information for FY 2021.

Summary of Revenues, Expenses, and Changes in Net Position

	FY 2023	FY 2022 (Restated*)	FY 2021 (Restated*)
Operating revenues			
Passenger revenues	\$37,886	\$33,305	\$28,975
Advertising, rent, and other	14,079	13,526	12,090
Total operating revenues	<u>51,965</u>	<u>46,831</u>	<u>41,065</u>
Operating expenses			
Labor	294,653	258,348	256,170
Benefits	119,000	108,482	116,517
Services	98,967	64,014	55,230
Materials and supplies	57,667	47,123	47,344
Purchased transportation	78,116	67,206	57,044
Depreciation	245,886	253,190	249,078
Utilities	18,896	17,702	16,034
Taxes, leases, and other	5,861	5,319	5,649
Casualty and liability	7,750	8,584	5,444
Total operating expenses	<u>926,796</u>	<u>829,968</u>	<u>808,510</u>
Net operating loss	<u>(874,831)</u>	<u>(783,137)</u>	<u>(767,445)</u>
Non-operating revenues (expenses)			
Sales and use tax revenue	834,358	791,839	683,171
Investment income	57,601	12,207	9,704
Build America Bonds tax credit	21,246	21,238	21,286
Other federal grants	68,240	366,818	197,655
Other non-operating revenues	28,367	34,475	37,275
Interest expense	(140,494)	(189,919)	(143,052)
Street improvements	(3,364)	(6,187)	(5,361)
Other non-operating expenses	<u>(75,603)</u>	<u>(4,547)</u>	<u>(418)</u>
Total net non-operating revenues	<u>790,351</u>	<u>1,025,924</u>	<u>800,260</u>
Income (loss) before capital contributions and grants	<u>(84,480)</u>	<u>242,787</u>	<u>32,815</u>
Capital contributions	13,178	27,690	78,508
Change in net position	<u>(71,302)</u>	<u>270,477</u>	<u>111,323</u>
Net position, beginning of the year	1,719,889	1,451,833	1,341,555
Cumulative effect of change in accounting principle	4,389	(2,421)	(1,045)
Net position, end of the year	<u>\$1,652,976</u>	<u>\$1,719,889</u>	<u>\$1,451,833</u>

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

\*FY 2022 and 2021 amounts are restated due to implementation of new financial reporting requirements – GASB Statement 87 - *Leases* and GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements*.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

REVENUES

The table below summarizes revenues and capital contributions for FY 2023 and 2022 with comparative information for FY 2021:

Revenue and Capital Contributions

Revenues	FY 2023	FY 2022	FY 2021
Passenger revenues	\$37,886	\$33,305	\$28,975
Advertising, rent, and other	14,079	13,526	12,090
Sales and use tax revenue	834,358	791,839	683,171
Other federal grants	68,240	366,818	197,655
Investment income	57,601	12,207	9,704
Capital contributions	13,178	27,690	78,508
Build America Bonds tax credit	21,246	21,238	21,286
Other revenues	28,367	34,475	37,275
Total	\$1,074,955	\$1,301,098	\$1,068,664

Passenger revenue – Passenger revenue includes farebox receipts, monthly and annual pass revenue, paratransit revenue, and special event fares. Passenger revenue increased by 14 percent (\$4,581) in FY 2023, compared to an increase of 15 percent (\$4,330) in FY 2022. The increase in both years was due to an increase in ridership.

Advertising, rent, and other – Advertising income includes revenue from advertisements 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 increased by four percent (\$553) in FY 2023, compared to an increase of 12 percent (\$1,436) in FY 2022. The increase in FY 2023 was due to an improvement in the advertising market and increased rental income. The increase in FY 2022 was due to an improvement in the advertising market.

Sales and use tax revenue – Sales and use tax revenue is a dedicated one percent tax imposed on certain items within DART's member jurisdictions or service area. Sales and use tax revenue increased by five percent (\$42,519) in FY 2023, compared to an increase of 16 percent (\$108,668) in FY 2022. The increases in both years were due to an improvement in the local economy. Sales and use tax revenue constituted approximately 78 percent of DART's total revenues and capital contributions in FY 2023, compared to 61 percent in FY 2022.

Other federal grants – Other federal grant revenue decreased by 81 percent (\$298,578) in FY 2023, compared to an increase of 86 percent (\$169,163) in FY 2022. The decrease in FY 2023 was due to no assistance from the federal government in the form of COVID-19 relief grant because DART received this grant in the previous years. The increase in FY 2022 was due to more COVID-19 federal COVID-19 relief money received than in FY 2021.

Capital contributions – Capital contributions include federal, state, and local grants and contributions. Capital contributions decreased by 52 percent (\$14,512) in FY 2023, compared to a decrease of 65 percent (\$50,818) in FY 2022. The decrease in FY 2023 was due to the completion of certain grant-funded projects and fewer grants available. The decrease in FY 2022 was due to the Silver Line grant being fully drawn down.

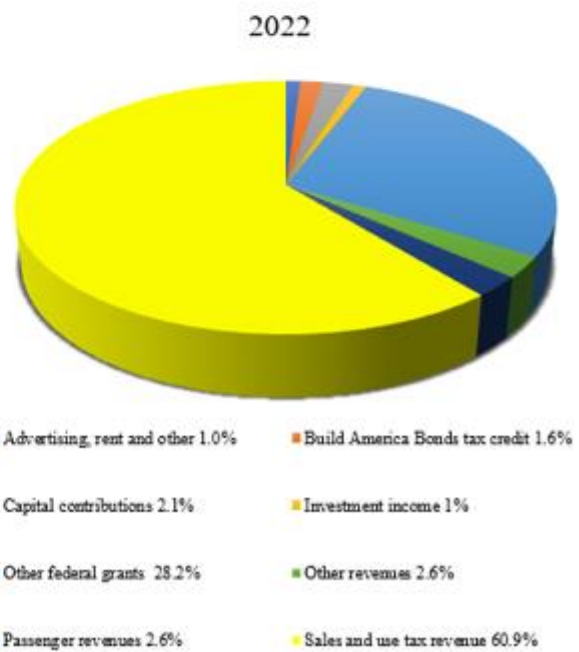
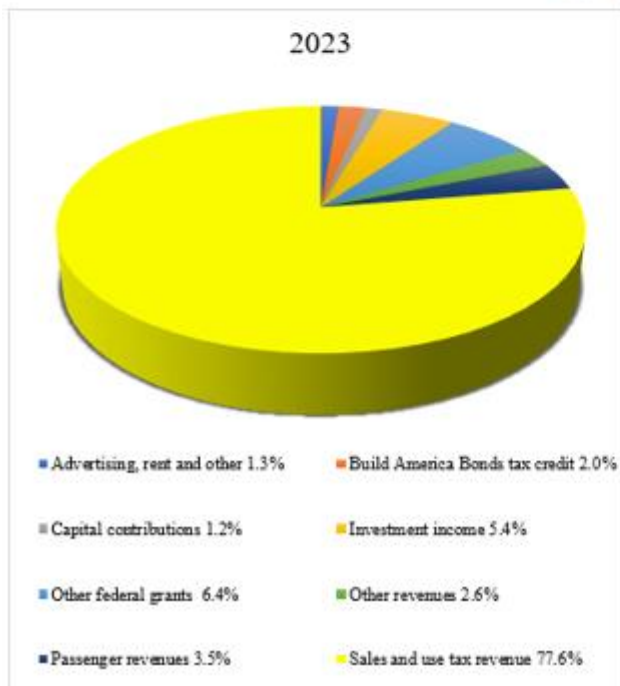
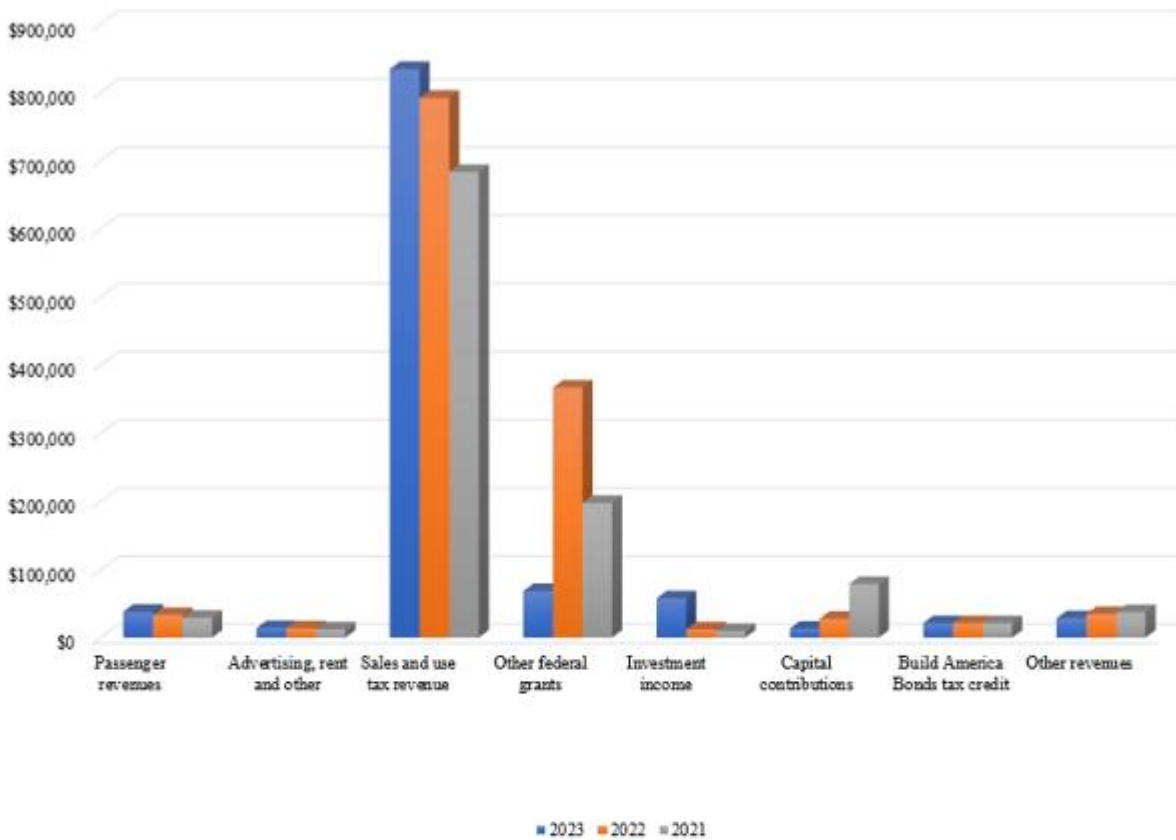
Investment income – Investment income increased by 372 percent (\$45,394) in FY 2023, compared to an increase of 26 percent (\$2,503) in FY 2022. The increases in both FY 2023 and FY 2022 were due to an increase in interest rates and market value of investments.

Build America Bonds tax credit – The Build America Bonds (BABs) tax credit increased slightly by (\$8) in FY 2023, compared to a decrease of 0.2 percent (\$48) in FY 2022. The changes in both years were due to partial refunding of bonds that were eligible for the credit.

Other revenues – Other revenues decreased by 18 percent (\$6,108) in FY 2023 compared to a decrease of eight percent (\$2,800) in FY 2022. Other revenues include revenues from billings to Fort Worth Transportation Authority (Trinity Metro) for their share of the Trinity Railway Express (TRE) commuter rail service; billings to the City of Dallas for the streetcar system; 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 in FY 2023 due to lower adjustments related to the other postemployment benefits (OPEB) plan, partially offset by higher alternative fuel tax credits, and gain on the disposal of assets. Other revenues decreased during FY 2022 due to a lower alternative fuel tax credit compared to FY 2021, which included prior years' amounts due to retroactive credit allowed by legislation.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

The charts below summarize revenues for FY 2021 through 2023:





**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

**EXPENSES**

The table below summarizes expenses for FY 2023 and 2022, with comparative information for FY 2021:

Expenses by Object Class

Expenses	FY 2023	FY 2022	FY 2021
Labor	\$294,653	\$258,348	\$256,170
Benefits	119,000	108,482	116,517
Services	98,967	64,014	55,230
Materials and supplies	57,667	47,123	47,344
Purchased transportation	78,116	67,206	57,044
Depreciation and amortization	245,886	253,190	249,078
Utilities	18,896	17,702	16,034
Taxes, leases and other	5,861	5,319	5,649
Casualty and liability	7,750	8,584	5,444
Street improvements	3,364	6,187	5,361
Interest and financing expenses	140,494	189,919	143,052
Other non-operating expense	75,603	4,547	418
Total	\$1,146,257	\$1,030,621	\$957,341

**Labor** – Labor expense increased by 14 percent (\$36,305) in FY 2023, compared to an increase of one percent (\$2,178) in FY 2022. The increase in FY 2023 was due to annual merit and wage increases and significant progress in filling vacant positions. The slight increase in FY 2022 was due to annual merit and wage increases, retention bonuses, and filling vacant positions.

**Benefits** – Benefits increased by 10 percent (\$10,518) in FY 2023, compared to a decrease of seven percent (\$8,035) in FY 2022. The increase in FY 2023 was due to higher pension expenses, and health care costs. The decrease in FY 2022 was due to lower workers’ compensation claims and health care costs, partially offset by an increase in the defined benefit pension expense due to voluntary retirement during FY 2021.

**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 55 percent (\$34,953) in FY 2023, compared to an increase of 16 percent (\$8,784) in FY 2022. The increase in FY 2023 was due to increased spending on software licensing and computing services, facilities maintenance and cleaning services, vehicle and equipment maintenance services, consulting services, security services, engineering services, and healthcare administrative fees. An accounting adjustment due to a change in accounting principle related to subscription-based information technology arrangements (SBITAs) also contributed to the increase. The increase in FY 2022 was due to increased spending related to the promotion of the new DART bus network, facilities maintenance and cleaning services, software license and computing services, and consulting services.

**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 expenses increased by 22 percent (\$10,544) in FY 2023, compared to a decrease of less than one percent (\$221) in FY 2022. The increase in FY 2023 was due to an accounting adjustment related to expiration of the Compressed Natural Gas (CNG) fuel hedge contract, fewer CNG fuel hedge payments received in FY 2023, and additional parts needed for bus and light rail vehicle maintenance. An accounting adjustment related to the expiration of the CNG hedge also contributed to the increase. The slight decrease in FY 2022 was due to the compressed natural gas (CNG) fuel hedge program that partially offset increases in the market price for CNG fuel.

**Purchased transportation** – Purchased transportation represents the cost of contracted transportation services such as commuter rail, paratransit, GoLink, and shuttle services. Purchased transportation expenses increased by 16 percent (\$10,910) in FY 2023, compared to an increase of 18 percent (\$10,162) in FY 2022. The increase in FY 2023 and FY 2022 was due to an increase demand for GoLink and paratransit service. FY2023 also saw an increase in site-specific shuttle services.

**Depreciation and amortization** – Depreciation and amortization expenses decreased by three percent (\$7,304) in FY 2023, compared to an increase of two percent (\$4,112) in FY 2022. The decrease in FY 2023 was due to a change in accounting principle that resulted in reclassifying assets as subscription-based information technology arrangements (SBITAs). The increase in FY 2022 was due to additional assets placed in service.

**Utilities** – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities increased by seven percent (\$1,994) in FY 2023, compared to an increase of 10 percent (\$1,668) in FY 2022. The increase in both years was due to more electricity usage for light rail vehicles due to an increase in hours and miles of service.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

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 increased by 10 percent (\$542) in FY 2023, compared to a six percent decrease (\$330) in FY 2022. The increase in FY 2023 was due to higher spending on business travel and meetings, in-house training, and employee relocation. The decrease in FY 2022 was due to lower employee program-related expenses.

Casualty and liability – Casualty and liability expenses decreased by 10 percent (\$834) in FY 2023 and increased by 58 percent (\$3,140) in FY 2022. The decrease in FY 2023 was due to a favorable general liability claims experience and a decrease in insurance costs for property and rail liability premiums. The increase in FY 2022 was due to unfavorable general liability claims experience and an increase in insurance costs for property and rail liability.

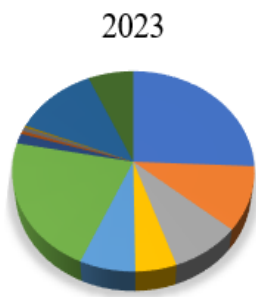
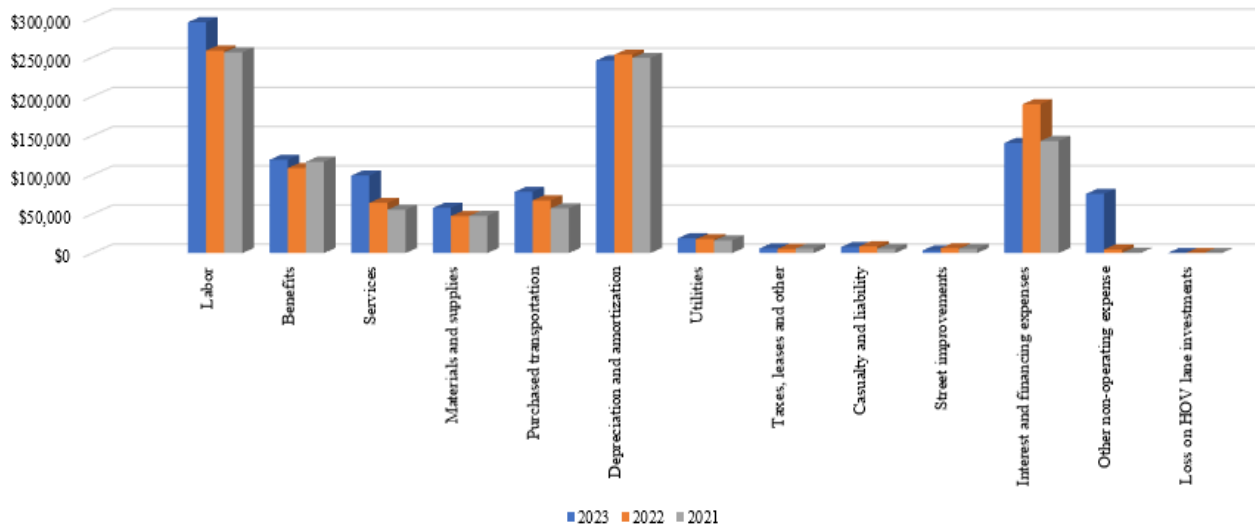
Street improvements – DART provides local assistance to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. Street improvement program costs decreased by 46 percent (\$2,823) in FY 2023, compared to an increase of 15 percent (\$826) in FY 2022. The decrease in FY2023 was due to fewer Transit-Related Improvement Programs (TRIP) reimbursement requests from DART service area municipalities that do not have rail service within their municipal boundaries, while the increase in FY 2023 was due to more such requests.

Interest and financing expenses – Interest expenses decreased by 26 percent (\$49,425) in FY 2023 and increased by 33 percent (\$46,867) in FY 2022. The increase in FY 2022 was due to a write-off of an unamortized refunding difference related to refunded bonds and additional borrowing. There was no similar refunding and resulting write-off during FY 2023.

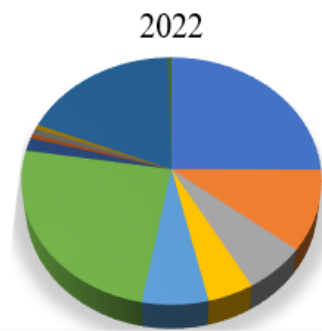
Other non-operating expenses – Other non-operating expenses increased by 1,563 percent (\$71,056) in FY 2023, compared to an increase of 988 percent (\$4,129) in FY 2022. The increase in FY 2023 was due to disbursements of unallocated sales tax revenue to DART Service Area municipalities for transportation-related projects. The increase in FY 2022 was due to a pass-through grant reimbursement payment to Trinity Metro from the Federal Railroad Administration Consolidated Rail Infrastructure and Safety Improvement Program for positive train control deployment.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

The charts below summarize expenses for FY 2021 through 2023:



Labor	25.7%
Benefits	10.4%
Services	8.6%
Materials and supplies	5.0%
Purchased transportation	6.8%
Depreciation and amortization	21.5%
Utilities	1.6%
Taxes, leases and other	0.5%
Casualty and liability	0.7%
Street improvements	0.3%
Interest and financing expenses	12.3%
Other non-operating expense	6.6%



Labor	25.1%
Benefits	10.5%
Services	6.2%
Materials and supplies	4.6%
Purchased transportation	6.5%
Depreciation and amortization	24.6%
Utilities	1.7%
Taxes, leases and other	0.5%
Casualty and liability	0.8%
Street improvements	0.6%
Interest and financing expenses	18.4%
Other non-operating expense	0.5%

**Expenses by function**

Transportation includes expenses directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, and DART on-call and shuttle services. These expenses include items such as wages and benefits for operators, transit center service employees, transportation supervisors and managers, and DART police, as well as the 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 and amortization includes depreciation expense on all depreciable capital assets.

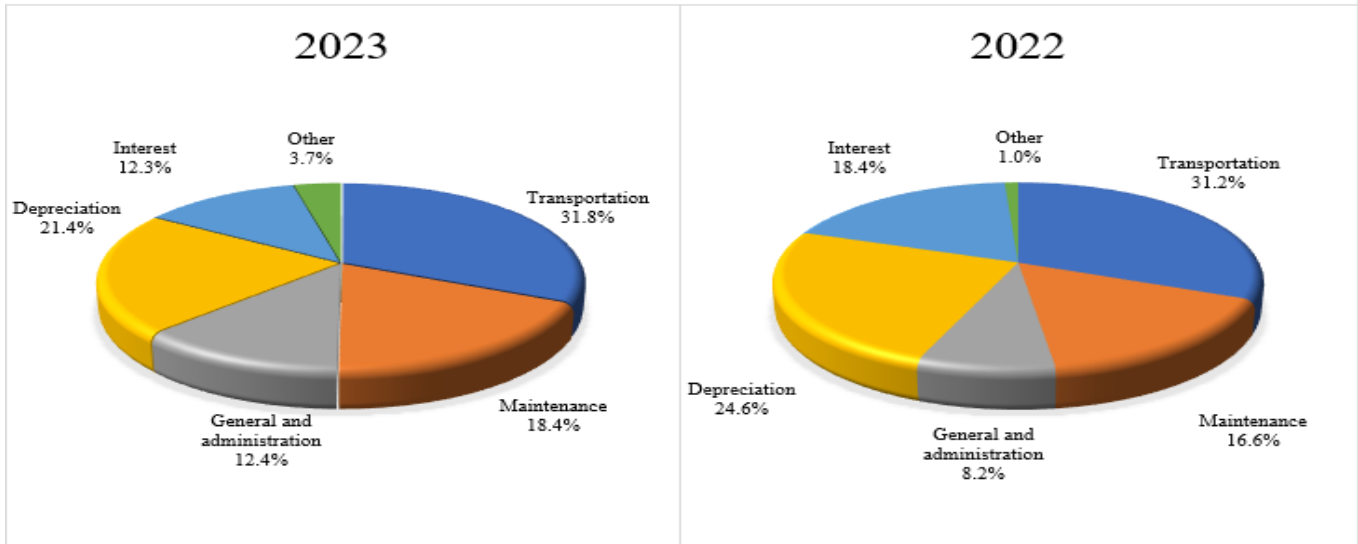
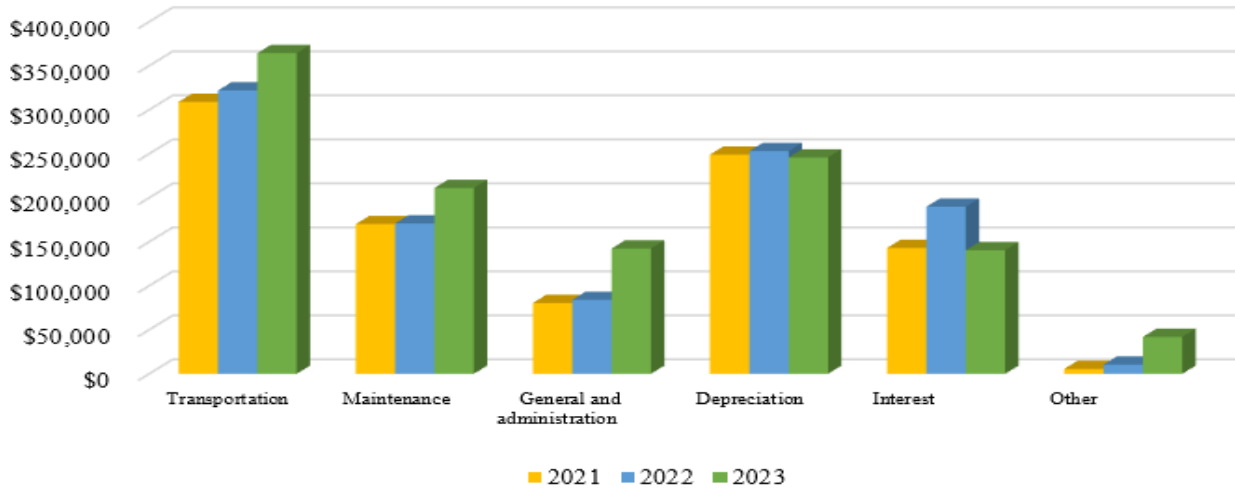
Interest includes interest expense incurred on debt net of capitalized interest.

Other includes non-operating items such as payments for street improvements, transit related improvement programs, and pass-through grants.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Expenses by Functions

	FY 2023	FY 2022	FY 2021
Transportation	\$364,401	\$321,977	\$309,042
Maintenance	211,198	170,945	170,126
General and administration	142,354	84,042	80,494
Depreciation and amortization	245,886	253,190	249,078
Interest	140,494	189,919	143,052
Other	41,924	10,548	5,549
<b>Total</b>	<b>\$1,146,257</b>	<b>\$1,030,621</b>	<b>\$957,341</b>



**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, 2023, is \$4,469,346, compared to \$4,251,987 in FY 2022. The net increase in capital assets during FY 2023 is five percent (\$217,359), compared to a one percent increase (\$46,300) in FY 2022. The table below summarizes capital assets net of depreciation as of September 30, 2023 and 2022, with comparative information for FY 2021.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

	Capital Assets (Net of Depreciation)		
	FY 2023	FY 2022	FY 2021
Land and rights-of-way	\$616,220	\$618,739	\$618,572
Projects in progress	1,272,508	813,844	644,386
Transitways	1,951,233	2,085,122	2,220,215
Buildings and improvements	316,627	355,779	269,783
Revenue and non-revenue vehicles and equipment	292,426	344,125	417,957
Furniture, fixtures, and leasehold improvements	20,332	34,378	34,774
Total	<u>\$4,469,346</u>	<u>\$4,251,987</u>	<u>\$4,205,687</u>

The net increase in both years was due to additional work and spending on capital projects. 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 payable, Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable, Railroad Rehabilitation and Improvement Financing (RRIF) bonds payable, and capital lease/leaseback liabilities. As of September 30, 2023, DART had a total outstanding debt of \$3,477,837, compared to \$3,624,607 as of September 30, 2022. Outstanding debt decreased by four percent (\$146,770) in FY 2023, compared to an increase of nine percent (\$293,075) in FY 2022. The table below summarizes DART's total outstanding debt as of September 30, 2023, 2022 and 2021:

	9/30/2023	9/30/2022	9/30/2021
Sales tax revenue commercial paper notes	\$-	\$100	\$119,100
Senior lien revenue bonds payable	3,415,385	3,493,375	3,055,360
TIFIA bonds payable	-	-	35,845
RRIF bonds payable	53,928	50	50
Capital lease/leaseback liabilities	8,524	131,082	121,177
Total debt	<u>\$3,477,837</u>	<u>\$3,624,607</u>	<u>\$3,331,532</u>

The sales tax revenue commercial paper notes outstanding balance is zero as of September 30, 2023, compared to \$100 as of September 30, 2022. Commercial paper notes are issued as a senior subordinate lien to sales and use tax revenues and are payable from the one percent sales and use tax receipts and farebox revenues (pledged revenues). The decrease during FY 2023 was due to DART paying off the \$100 commercial paper notes payable. The decrease during FY 2022 was due to the payment of \$119,000 on commercial paper notes payable.

Senior lien revenue bonds payable are \$3,415,385 as of September 30, 2023, and \$3,493,375 as of September 30, 2022. These senior lien bonds are secured by and payable from pledged revenues. The decrease of \$77,990 in FY 2023 was due to principal payments. The increase of \$438,015 in FY 2022 was due to additional borrowing. 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 the original issuance premium of \$200,922 and \$216,578 as of September 30, 2023 and 2022, respectively.

During FY 2023, DART maintained an AA+ credit rating from Standard and Poor's (S&P), AAA from Kroll Bond Rating Agency (Kroll), and Aa2 from Moody's Investors Service (Moody's) on outstanding long-term debt. In addition, Fitch Ratings (Fitch) maintains an AA- on DART's Series 2007 bonds.

There were no TIFIA bonds payable as of both September 30, 2023 and 2022, compared to \$35,845 as of September 30, 2021. There was no activity in FY 2023 because DART refunded the remaining \$35,845 balance of the TIFIA bonds in FY 2022.

RRIF bonds payable are \$53,928 as of September 30, 2023, and \$50 as of September 30, 2022. The increase of \$53,878 in FY 2023 was due to borrowing for the Silver Line Regional Rail Project. There was no activity in FY 2022 because DART paid off the \$11,706 balance and executed a new RRIF loan agreement to lower the interest rate in FY 2021. Additional information on the RRIF loan is shown in note 18.

Capital lease/leaseback liabilities are \$8,524 and \$131,082 as of September 30, 2023 and 2022, respectively. The decrease of \$122,558 during FY 2023 was due to principal payments, partially offset by accrued interest. The increase of \$9,905 during FY 2022 was due to accrued interest.

Additional information on DART's outstanding debt is shown in notes 14-20.

**DALLAS AREA RAPID TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

**ECONOMIC OUTLOOK**

Ridership continues to improve since the COVID-19 pandemic but is still below pre-pandemic levels. During FY 2023, ridership increased by 18 percent (7.5 million trips), and passenger revenues increased by 14 percent (\$4.6 million) from FY 2022. Despite the challenges caused by the pandemic, DART is in a strong financial position and is working to increase bus and light rail service hours and frequency while expanding access to on-demand service.

The extent to which the aftermath of COVID-19 will continue to impact DART will depend on future developments. As a result, DART has not yet determined how this disruption will affect its financial statements for the year ending September 30, 2024.

Sales and use tax is the largest source of revenue for DART, representing 78 percent of total revenues in FY 2023 and 61 percent in FY 2022. Sales and use tax revenues are affected by changes in the local economy. During FY 2023, DART's sales and use tax revenues increased five percent compared to the previous year. Actual sales and use tax revenues in FY 2023 are \$834,358, compared to \$791,839 in FY 2022. The sales and use tax budget for FY 2024 is \$870,753, a four percent increase from the \$834,358 in actual sales and use tax revenues for FY 2023.

**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, 2023 AND 2022 (Dollars in Thousands)**

	<u>9/30/2023</u>	<u>9/30/2022 (Restated)</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$135,133	\$507,089
Investments	642,726	327,116
Sales and use tax receivable	140,559	137,462
Transit revenue receivable, net	7,899	8,195
Short-term lease receivable	774	755
Due from federal and other governments	37,320	24,587
Materials and supplies inventory, net	41,325	34,339
Prepaid transit expense and other	11,247	5,827
Restricted investments held by trustee for debt service	123,435	143,497
Restricted investments held for advance funding agreements	24,320	18,236
Restricted investments held to pay capital lease/leaseback liabilities	8,524	122,559
<b>TOTAL CURRENT ASSETS</b>	<u>1,173,262</u>	<u>1,329,662</u>
<b>NONCURRENT ASSETS</b>		
Restricted investments held as security for capital lease/leaseback liabilities	-	2,133
Restricted investments for system expansion and acquisition	22,995	228,047
Long-term lease receivable	18,801	19,575
Right-of-use asset, net of amortization	5,197	2,276
Subscription asset, net of amortization	25,047	25,792
Investment in joint venture	8,266	6,986
Capital assets		
Land and rights-of-way	616,220	618,739
Projects in progress	1,272,508	813,844
Depreciable capital assets, net of depreciation	2,580,618	2,819,404
Restricted investments held to pay capital lease/leaseback liabilities	-	8,523
Net other post-employment benefit (OPEB) asset	15,223	19,217
Unamortized bond insurance premium and other	409	452
<b>TOTAL NONCURRENT ASSETS</b>	<u>4,565,284</u>	<u>4,564,988</u>
<b>TOTAL ASSETS</b>	<u>5,738,546</u>	<u>5,894,650</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>113,119</u>	<u>66,877</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>5,851,665</u>	<u>5,961,527</u>

(Continued)

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF NET POSITION**

**SEPTEMBER 30, 2023 AND 2022 (Dollars in Thousands)**

	<u>9/30/2023</u>	<u>9/30/2022 (Restated)</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	186,435	118,729
Short-term lease payable	595	1,188
Short-term subscription payable	2,194	2,926
Commercial paper notes payable	-	100
Current portion of capital lease/leaseback liabilities	8,524	122,559
Local Assistance Program payable	6,847	9,545
Retainage payable	38,726	26,180
Unearned revenue and other liabilities	62,196	52,527
Accrued interest payable from restricted assets	48,934	49,814
Current portion of bonds payable	76,030	77,990
<b>TOTAL CURRENT LIABILITIES</b>	<u>430,481</u>	<u>461,558</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	45,854	43,179
Long-term lease payable	4,590	1,544
Long-term subscription payable	7,739	8,109
Net pension liability	58,991	19,708
Senior lien revenue bonds payable	3,594,205	3,632,013
Capital lease/leaseback liabilities	-	8,523
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>3,711,379</u>	<u>3,713,076</u>
<b>TOTAL LIABILITIES</b>	4,141,860	4,174,634
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>56,829</u>	<u>67,004</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>4,198,689</u>	<u>4,241,638</u>
<b>NET POSITION</b>		
Net investment in capital assets	742,715	746,665
Restricted for debt service	74,501	93,683
Restricted as security for capital lease/leaseback liabilities	-	2,133
Unrestricted	835,760	877,408
<b>TOTAL NET POSITION</b>	<u>\$1,652,976</u>	<u>\$1,719,889</u>

*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, 2023 AND 2022 (Dollars in Thousands)**

	FY 2023	FY 2022 (Restated)
OPERATING REVENUES		
Passenger revenues	\$37,886	\$33,305
Advertising, rent, and other	14,079	13,526
TOTAL OPERATING REVENUES	<u>51,965</u>	<u>46,831</u>
OPERATING EXPENSES		
Labor	294,653	258,348
Benefits	119,000	108,482
Services	98,967	64,014
Materials and supplies	57,667	47,123
Purchased transportation	78,116	67,206
Depreciation and amortization	245,886	253,190
Utilities	18,896	17,702
Taxes, leases, and other	5,861	5,319
Casualty and liability	7,750	8,584
TOTAL OPERATING EXPENSES	<u>926,796</u>	<u>829,968</u>
OPERATING LOSS	<u>(874,831)</u>	<u>(783,137)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	834,358	791,839
Investment income	53,530	2,284
Interest income from investments held to pay capital lease/leaseback	4,071	9,923
Interest expense on capital lease/leaseback	(4,071)	(9,923)
Street improvements	(3,364)	(6,187)
Interest and financing expenses	(136,423)	(179,996)
Build America Bonds tax credit	21,246	21,238
Other federal grants	68,240	366,818
Other non-operating revenues	28,367	34,475
Other non-operating expenses	(75,603)	(4,547)
NET NON-OPERATING REVENUES	<u>790,351</u>	<u>1,025,924</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(84,480)</u>	<u>242,787</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	13,096	13,551
State capital contributions	82	8,552
Local capital contribution	-	5,587
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>13,178</u>	<u>27,690</u>
CHANGE IN NET POSITION	(71,302)	270,477
TOTAL NET POSITION – BEGINNING OF YEAR	1,719,889	1,451,833
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	4,389	(2,421)
TOTAL NET POSITION – END OF YEAR	<u>\$1,652,976</u>	<u>\$1,719,889</u>

*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, 2023 AND 2022 (Dollars in Thousands)**

	<u>FY 2023</u>	<u>FY 2022 (Restated)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$50,779	\$41,069
Payments to suppliers of goods and services	(177,746)	(149,505)
Payments to purchased transportation service providers	(77,758)	(63,214)
Payments to employees	(292,429)	(256,903)
Benefit payments on behalf of employees	(133,891)	(120,244)
NET CASH USED BY OPERATING ACTIVITIES	<u>(631,045)</u>	<u>(548,797)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales and use tax receipts	831,262	767,405
Other federal grants	67,674	366,806
Build America Bonds tax credit	15,246	25,861
Other non-operating receipts	23,665	35,381
Public transportation improvement funds	(34,788)	-
Local Assistance Program and street improvements	(6,061)	(3,166)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>896,998</u>	<u>1,192,287</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	29,121	5,672
Proceeds from sales and maturity of investments	734,388	957,726
Purchase of investments	(805,141)	(1,316,134)
NET CASH USED BY INVESTING ACTIVITIES	<u>(41,632)</u>	<u>(352,736)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(439,297)	(275,387)
Proceeds from the issuance of commercial paper notes	-	141,400
Payment on commercial paper notes	(100)	(260,400)
Proceeds from the issuance of sales tax revenue bonds	-	500,000
Proceeds from the issuance of RRIF bonds	53,878	-
Lease principal payments received	755	2,206
Lease interest payments received	406	1,057
Lease principal payments disbursed	(648)	(547)
Lease interest payments disbursed	(187)	(17)
Subscription asset principal payments disbursed	(2,921)	-
Subscription asset interest payments disbursed	(44)	-
Principal payment on revenue bonds	(77,990)	(71,355)
Interest and financing expenses	(148,659)	(152,266)
Federal capital contributions	13,096	16,498
State and local capital contributions	3,335	165
Proceeds from the sale of capital assets	2,099	237
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(596,277)</u>	<u>(98,409)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(371,956)</u>	<u>192,345</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>507,089</u>	<u>314,744</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$135,133</u>	<u>\$507,089</u>

(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, 2023 AND 2022 (Dollars in Thousands)**

	<u>FY 2023</u>	<u>FY 2022 (Restated)</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(874,831)	\$(783,137)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	245,886	253,190
Changes in assets and liabilities:		
(Increase) decrease in transit receivable	(333)	(3,508)
Decrease (increase) in due from federal and other governments	(155)	(188)
Decrease (increase) in materials and supplies inventory	(6,986)	1,115
Decrease (increase) in prepaid expenses and other current assets	(4,028)	343
Increase (decrease) in net pension liability	3,058	(18,575)
Increase (decrease) in defined benefit pension plan deferred inflows of resources	(17,898)	17,542
Increase (decrease) in lease deferred inflows of resources	(927)	19,788
(Increase) decrease in lease receivable	(3,378)	(28,075)
Increase (decrease) in lease liability	2,687	3,859
(Increase) decrease in subscription asset	745	2,807
Increase (decrease) in subscription liability	1,864	(2,937)
Increase (decrease) in OPEB deferred inflows of resources	8,650	4,004
Increase (decrease) in net OPEB asset	3,994	(12,564)
Increase (decrease) in OPEB deferred outflows of resources	(14,329)	(2,678)
Increase (decrease) in accounts payable and accrued liabilities	25,008	3,610
Increase (decrease) in unearned revenue and other liabilities	(72)	(3,393)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(631,045)</u>	<u>\$(548,797)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$4,071	\$9,923
Interest expense on capital lease/leaseback	(4,071)	(9,923)
Increase in capital lease/leaseback obligations	122,558	9,905
Increase in investments held to pay capital lease/leaseback	(122,558)	(9,905)
Increase (decrease) in fair value of investments	2,187	(6,334)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	15,655	16,454
Purchases of capital assets in accounts payable at year-end	94,022	53,930
Change in OPEB deferred outflows of resources	(14,329)	(2,678)
Change in advance payments received from the state – capital contributions	(3,253)	8,415
Proceeds from the issuance of sales tax revenue bonds	-	637,322
Payment for advance refunding of sales tax revenue bonds	-	(637,322)

(Concluded)

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

**DALLAS AREA RAPID TRANSIT**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (Dollars in Thousands)**

	<u>9/30/2023</u>	<u>9/30/2022</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$8,539	\$7,996
Receivables:		
Notes receivables from participants	12,619	12,071
Other receivables	55	2,737
Employer contribution	767	679
Total receivables	<u>13,441</u>	<u>15,487</u>
Investments:		
Investments at contract value	82,747	76,666
Investments at fair value		
Equity	434,350	504,363
Fixed income	203,808	198,256
Real estate	47,988	46,719
Total investments	<u>768,893</u>	<u>826,004</u>
<b>TOTAL ASSETS</b>	<u><b>790,873</b></u>	<u><b>849,487</b></u>
<b><u>LIABILITIES</u></b>		
Accounts payable, investment management, accrued benefits, and administrative	535	1,031
Accounts payable, investments in-transit	<u>275</u>	<u>1,377</u>
<b>TOTAL LIABILITIES</b>	<u><b>810</b></u>	<u><b>2,408</b></u>
<b>NET POSITION RESTRICTED FOR:</b>		
Pensions	728,771	790,060
Other post-retirement benefits	<u>61,292</u>	<u>57,019</u>
<b>TOTAL NET POSITION</b>	<u><b>\$790,063</b></u>	<u><b>\$847,079</b></u>

**DALLAS AREA RAPID TRANSIT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (Dollars in Thousands)**

	<u>FY 2023</u>	<u>FY 2022</u>
<b>ADDITIONS:</b>		
Investment income:		
Net investment gain (loss)	\$(84,133)	\$1,132
Interest and dividends	22,660	26,137
Investment manager fees	(635)	(710)
Total investment income, net	<u>(62,108)</u>	<u>26,559</u>
Contributions:		
Employer	51,998	33,791
Employee/participant	20,116	16,293
Other	15	30
Total contributions	<u>72,129</u>	<u>50,114</u>
Total additions	<u>10,021</u>	<u>76,673</u>
<b>DEDUCTIONS:</b>		
Benefit payments	66,431	110,989
Administrative expenses	606	881
Total deductions	<u>67,037</u>	<u>111,870</u>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	<b>(57,016)</b>	<b>(35,197)</b>
<b>NET POSITION:</b>		
<b>BEGINNING OF YEAR</b>	<u><b>847,079</b></u>	<u><b>882,276</b></u>
<b>END OF YEAR</b>	<u><b>\$790,063</b></u>	<u><b>\$847,079</b></u>

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

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

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 are 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 conducts its regular session every two years. Past legislative changes allowed the issuance of lease/leaseback transactions (see note 14), 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 2025.

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 solely payable from and secured by the DART sales and use tax revenue, with maturities beyond five years, and 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 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 if 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 various bonds shown in notes 15-18.

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. DART’s fiduciary activities are also presented on an accrual basis.

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 rights-of-way for DART. On July 9, 2002, the DART Board authorized the transfer of real estate interest to DART for certain railroad rights-of-way held by RRROW and granted easement rights to RRROW to continue freight rail operations on all of DART’s 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 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 are vested in a board of directors, each member of which is appointed by the DART Board. The RRROW Board consists of three to five directors, of which DART is the sole corporate member. The DART Board may remove any director from the RRROW Board at any time, with or without cause. 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, LGC – The LGC is a not-for-profit corporation formed on March 6, 2012, under Subchapter D of Chapter 431, Texas Transportation Code, to aid 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. The LGC must comply with all DART policies and, when applicable, all FTA requirements in performance of its duties.

There are five members on the LGC Board including DART Board Chair; one other DART Board member appointed by the DART Board; and three DART employees recommended by the DART President & Chief Executive Officer and subject to approval from the DART Board. DART is the sole corporate member of the LGC. The DART Board may remove any member from the LGC Board at any time, with or without cause. Any vacancy on the LGC Board shall be filled by a majority vote of the DART Board. Staff functions for the Corporation are performed by DART employees, as directed by the DART President & Chief Executive Officer. The DART Board may at any time consider and approve

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

a resolution directing the LGC Board 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 the RRROW and LGC meet the criteria of a blended component unit for the reasons outlined in this paragraph. They are both nonprofit corporations in which the agency is the sole corporate member. The 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 DART's existing trackage rights agreements and collecting the related trackage rights fees. DART is legally entitled to or can otherwise access the corporation's 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 the 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.

Fiduciary Activities – DART implemented GASB Statement No. 84, *Fiduciary Activities*, during FY 2021. This Statement established the criteria for identifying fiduciary activities of state and local governments, and for fiduciary funds that meet the criteria, it requires governments to present the statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary financial statements include four fiduciary funds: DART Employees' Defined Benefit Retirement Plan and Trust (DB Plan), DART Other Post-Employment Benefits Plan (OPEB Plan), DART Capital Accumulation Retirement Plan and Trust, and DART Retirement Plan and Trust. These four plans are administered by DART, which may amend plan provisions and is also responsible for the management of plan assets. Each of these four plans is a single-employer plan and each plan's assets are held in trust. The DB Plan is a closed plan. New employees participate in the DART Retirement Plan and Trust and may participate in the Capital Accumulation Retirement Plan and Trust, the balances of which are as of December 31, 2022 and 2021, since these plans are reported on a calendar-year basis.

New Accounting Pronouncements – In FY 2023, DART adopted new statements of financial accounting standards issued by GASB:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99, *Omnibus 2022*

**Statement No. 91**, 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 and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves required note disclosures. This Statement did not have an impact on DART's financial statements.

**Statement No. 94**, provides new definitions and guidance for accounting and financial reporting for public-private and public-public arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period, in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which is a PPP arrangement between a transferor and an operator in which all of the following criteria are met: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating and underlying nonfinancial asset for a period in an exchange or exchange-like transaction. The Statement did not have an impact on DART's financial statements.

**Statement No. 96**, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. 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. As a result of

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**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

implementing this Statement, DART has recognized an additional \$975 in operating expenses. To present comparative numbers with this Statement, prior years' amounts have been restated. The Statements of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows shown on pages 15, 16, 17, 18, and 19 and note 27 reflect such restatements.

**Statement No. 99** focuses on practice issues identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including the clarification of provisions in (1) Statement No. 87, *Leases*, as amended, (2) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (3) Statement No. 96, *Subscription-Based Information Technology Arrangements*. These requirements are effective for the fiscal year that ends June 30, 2023, and have no impact on DART's financial statements.

**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 \$135,133 and \$507,089 as of September 30, 2023 and 2022, respectively.

**Investments** – The investment balances, other than investments held to pay lease/leaseback obligations (see note 3), on September 30, 2023 and 2022, 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 uses quoted market prices or other measurements on September 30, 2023 and 2022, as the equivalent of the fair value of investments.

**Material and Supplies Inventory** – An inventory of supplies and parts is maintained at different DART warehouses for use in operations 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 \$5,000 and an estimated useful life of more than 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 7. 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 are capitalized when incurred. Donated assets are capitalized at estimated acquisition value on the date of donation. There were no donated capital assets during FY 2023 or 2022.

**Current/Noncurrent Classification** – Liability balances due within one year are classified as current, and balances due after a year are classified as noncurrent. Asset balances reasonably expected to be realized in cash or sold or consumed within a year are classified as current. Asset balances that are restricted as to withdrawal or use for other than current operations, designated for disbursement in the acquisition or construction of noncurrent assets, or segregated for the liquidation of long-term debts are classified as noncurrent.

**Deferred Outflow and Inflow of Resources** –Deferred outflow of resources represents a consumption of net assets that applies to future periods, while deferred inflow of resources represents a consumption of net position that applies to future periods.

Amounts that make up the balances of deferred outflows and inflows of resources reported in the statements of net position as of September 30, 2023 and 2022, are shown below.

Deferred Outflow of Resources	<u>9/30/2023</u>	<u>9/30/2022</u>
Debt Refunding Difference	\$38,230	\$42,542
DB Plan	46,225	10,000
OPEB Plan	28,664	14,335
Total Deferred Outflow of Resources	<u>\$113,119</u>	<u>\$66,877</u>
 Deferred Inflow of Resources		
DB Plan	\$ -	\$17,898
OPEB Plan	37,968	29,318
Leases – Lessors	18,861	19,788
Total Deferred Inflow of Resources	<u>\$56,829</u>	<u>\$67,004</u>

**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 \$13,178 in federal, state, and local capital contributions during FY 2023, compared to \$27,690 during FY 2022. None of the capital contributions received in either year were based on capital expenditures made during the previous years. In addition to capital contributions, DART also received \$68,240 in FY 2023 in the form of other federal grants, compared to \$366,818 in FY 2022. Included in these amounts are grants substantially related to capital maintenance grants from the federal government. The FY 2022 amount includes \$200,035 from the federal government in the form of a COVID-19 relief grant, compared to none during FY 2023.

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (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 operation of DART’s transit service. Sales and use tax revenues, BABs tax credits, 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 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, 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 liabilities in FY 2023 and 2022 for DART’s self-insured programs are:

	Injury, Damage and Personal Liabilities	Workers’ Compensation Liabilities	Employee Medical, Dental, and Vision Liabilities*	Total Self- Insurance Liabilities
<b>Beginning Balance, 10/01/2020</b>	<b>\$4,324</b>	<b>\$6,341</b>	<b>\$10,299</b>	<b>\$20,964</b>
Add: Claims and changes in estimates	457	20,397	53,962	74,816
Less: Payments	<u>(1,559)</u>	<u>(9,158)</u>	<u>(53,770)</u>	<u>(64,487)</u>
<b>Ending balance, 09/30/2021</b>	<b>3,222</b>	<b>17,580</b>	<b>10,491</b>	<b>31,293</b>
Add: Claims and changes in estimates	1,970	14,223	47,936	64,129
Less: Payments	<u>(2,097)</u>	<u>(9,683)</u>	<u>(53,078)</u>	<u>(64,858)</u>
<b>Ending balance, 09/30/2022</b>	<b>3,095</b>	<b>22,120</b>	<b>5,349</b>	<b>30,564</b>
Add: Claims and changes in estimates	1,152	8,615	60,150	69,917
Less: Payments	<u>(1,731)</u>	<u>(6,494)</u>	<u>(61,119)</u>	<u>(69,344)</u>
<b>Ending balance, 09/30/2023</b>	<b>2,516</b>	<b>24,241</b>	<b>4,380</b>	<b>31,137</b>
Noncurrent	<u>1,084</u>	<u>19,061</u>	<u>-</u>	<u>20,145</u>
<b>Current portion</b>	<b><u>\$1,432</u></b>	<b><u>\$5,180</u></b>	<b><u>\$4,380</u></b>	<b><u>\$10,992</u></b>

\*DART employees pay their share of medical, dental, and vision claims through biweekly payroll deductions. Employees’ share of medical, dental, and vision claims was \$8,854 during FY 2023, \$8,638 during FY 2022, and \$8,682 during FY 2021. 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



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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.

Premiums 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.

Pensions – For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of 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.

Other Post-Employment Benefits (OPEB) – For purposes of measuring the net OPEB liability/asset, deferred outflows and inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the OPEB Plan, and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of retiree 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 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 several agreements with contractors to provide paratransit, commuter rail, GoLink, and shuttle services. Payments to service providers are recorded as purchased transportation in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

A summary of major services rendered in FY 2023 and 2022 and the current contract terms, including option periods, is shown below:

Contractor’s Name	Service Type	Annual Payments		Contract Terms	
		FY 2023	FY 2022	Began	Expires
Herzog Transit Services, Inc.	Commuter rail service	\$27,192	\$28,496	10/1/2015	9/30/2025
MV Transportation, Inc.	Paratransit and mobility services	36,651	28,946	10/1/2012	9/30/2024
Others	Various	14,273	9,764	Various	Various
Total		<u>\$78,116</u>	<u>\$67,206</u>		

**3. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and investments, including investments held for lease/leaseback liabilities, as of September 30, 2023 and 2022, are classified in the Statements of Net Position below:

	9/30/2023	9/30/2022
Cash and cash equivalents	\$135,133	\$507,089
Investments	642,726	327,116
Restricted investments held by trustee for debt service	123,435	143,497
Restricted investments held for advance funding agreements	24,320	18,236
Restricted investments held for system expansion and acquisition	22,995	228,047
Restricted investments held as security for capital lease/leaseback liabilities	-	2,133
Total cash and investments	<u>\$948,609</u>	<u>\$1,226,118</u>

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NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

The table below summarizes cash and investments as of September 30, 2023 and 2022:

	<u>9/30/2023</u>	<u>9/30/2022</u>
Cash	\$2,849	\$2,207
Cash equivalents	132,284	504,882
Investments	813,476	719,029
Total cash and investments	<u>\$948,609</u>	<u>\$1,226,118</u>

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

On September 30, 2023, the carrying amount of DART’s deposits was \$2,849, compared to \$2,207 on September 30, 2022. Bank balances on September 30, 2023 and 2022, were entirely covered either by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by DART’s agent in DART’s name.

Custodial Credit Risk for Deposits – 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 collateral securities in the possession of an outside party. DART’s policy requires that all deposits with financial institutions be collateralized to the extent not protected by the FDIC. 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 (PFIA) 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 PFIA. The table below identifies the investment types authorized by DART’s Investment Policy. The table also identifies certain provisions of DART’s Investment Policy that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer at the Time of Purchase</u>
U.S. government securities	None	None	None
Federal agency securities	None	None	25%
Municipal securities	None	None	25%
Repurchase and reverse repurchase agreements	90 days	50%	5%
Money market mutual funds	None	None	None
Commercial paper	365 days	None	10%
Banker’s acceptance	270 days	None	5%
Certificate of deposit	None	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 short-term and long-term investments and by timing cash flows from maturities so 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 tables below, which show the distribution of DART investments by maturity. Investment maturity is based on call dates when applicable.

<u>Investment Type</u>	<u>Total Amount</u>	<u>Remaining Maturity (in Months) as of 9/30/2023</u>		
		<u>12 Months or Less</u>	<u>12 to 24 Months</u>	<u>24 to 60 Months</u>
Federal Agriculture Mortgage Corporation	\$31,953	\$19,624	\$12,329	\$-
Federal Farm Credit Banks	88,679	25,027	43,891	19,761
Federal Home Loan Bank	98,435	71,850	26,585	-
Federal Home Loan Mortgage Corporation	46,332	13,842	22,543	9,947
Total	<u>\$265,399</u>	<u>\$130,343</u>	<u>\$105,348</u>	<u>\$29,708</u>

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Investment Type	Total Amount	Remaining Maturity (in Months) as of 9/30/2022		
		12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Agriculture Mortgage Corporation	\$51,079	\$-	\$ 38,986	\$12,093
Federal Farm Credit Banks	49,208	24,935	24,273	-
Federal Home Loan Bank	55,021	-	29,054	25,967
Federal Home Loan Mortgage Corporation	26,311	9,932	13,811	2,568
Commercial Papers	37,666	37,666	-	-
<b>Total</b>	<b>\$219,285</b>	<b>\$72,533</b>	<b>\$106,124</b>	<b>\$40,628</b>

**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 tables below show actual ratings as of September 30, 2023 and 2022, for each investment type. Money market funds listed are 2a.7 funds regulated by the Securities and Exchange Commission (SEC).

Investment Type	Rating as of 9/30/2023				
	Total Amount	AA+/ Aaa	AAAm	A-1	Not Rated
Federal Agriculture Mortgage Corporation	\$31,953	\$31,953	\$-	\$-	\$-
Federal Farm Credit Banks	88,679	88,679	-	-	-
Federal Home Loan Bank	98,435	98,435	-	-	-
Federal Home Loan Mortgage Corporation	46,332	46,332	-	-	-
Federally Insured Cash Account*	5,209	-	-	-	5,209
<b>Money Market Funds:</b>					
LOGIC**	532,117	-	532,117	-	-
TexPool***	79,992	-	79,992	-	-
TexasCLASS****	29,769	-	29,769	-	-
TexasTERM*****	30,729	-	30,729	-	-
Other Money Market Funds	2,186	-	2,186	-	-
<b>Total</b>	<b>\$945,401</b>	<b>\$265,399</b>	<b>\$674,793</b>	<b>\$-</b>	<b>\$5,209</b>

Investment Type	Rating as of 9/30/2022				
	Total Amount	AA+/ Aaa	AAAm	A-1	Not Rated
Federal Agriculture Mortgage Corporation	\$51,079	\$51,079	\$-	\$-	\$-
Federal Farm Credit Banks	49,208	49,208	-	-	-
Federal Home Loan Bank	55,021	55,021	-	-	-
Federal Home Loan Mortgage Corporation	26,311	26,311	-	-	-
Federally Insured Cash Account*	5,024	-	-	-	5,024
<b>Money Market Funds:</b>					
LOGIC**	592,169	-	592,169	-	-
TexPool***	237,689	-	237,689	-	-
TexasCLASS****	167,765	-	167,765	-	-
Other Money Market Funds	1,979	-	1,979	-	-
Commercial Papers	37,666	-	-	37,666	-
<b>Total</b>	<b>\$1,223,911</b>	<b>\$181,619</b>	<b>\$999,602</b>	<b>\$37,666</b>	<b>\$5,024</b>

\*Federally Insured Cash Account is offered by StoneCastle Cash Management, LLC, which maintains a full insurance balance of DART's deposit by the FDIC or the National Credit Union Administration (NCUA). DART is listed as the depositor and owner on the account. StoneCastle is a registered investment advisor with the SEC and is not a bank or broker-dealer.

\*\*LOGIC (Local Government Investment Cooperative) is an AAAM-rated investment pool tailored to the investment needs of local Texas governments. The Portfolio invests only in A1/P1 commercial paper and government-backed securities (Treasuries/agencies and repurchase agreements) that comply with the PFIA. LOGIC is overseen by a governing board of individuals from participating government entities in the pool. The Portfolio maintains a dollar-weighted average portfolio maturity that does not exceed 60 days calculated in accordance with 2a-7 or 90 days based on stated maturity of fund investments. The fair value of the LOGIC portfolio is determined using amortized cost.

\*\*\*TexPool is the largest and oldest local government investment pool in Texas. The State Comptroller oversees TexPool, which invests in only investments authorized under the PFIA. The weighted average maturities of the pool cannot exceed 60 days. The fair value of the TexPool portfolio is also determined using amortized cost.

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

\*\*\*\*TexasCLASS (Texas Cooperative Liquid Assets Securities System) is a participant-controlled trust created in accordance with the PFIA. TexasCLASS investments are rated AAAM by S&P and measured at net asset value (NAV).

\*\*\*\*\*TexasTERM is a local government investment pool created on behalf of entities whose investment objectives are the preservation and safety of principal, liquidity, and yield. TexasTERM investments are rated AAAM by S&P and measured at NAV.

On August 5, 2011, S&P, one of the nationally recognized raters of U.S. debt and securities, downgraded the rating of long-term U.S. sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. On August 1, 2023, Fitch Ratings downgraded the rating of long-term U.S. sovereign debt from AAA to AA+. Moody's continues to maintain an Aaa for the U.S. but has placed the rating on negative outlook. DART's investment portfolio includes \$265,399 as of September 30, 2023, compared to \$181,619 as of September 30, 2022, with credit ratings of AA+ by S&P.

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 limits the amount that can be invested in any one issuer as shown in the table on page 27. Investments in any one issuer that represent five percent or more of DART's total investment portfolio as of September 30, 2023 and 2022, are shown below:

Investment Portfolio as of 9/30/2023		
Investment Type/Issuer	Reported Amount	Percentage of Total Portfolio
LOGIC	\$532,117	79%
TexPool	79,992	12%
TexasCLASS	29,769	4%
TexasTERM	30,729	5%

Investment Portfolio as of 9/30/2022		
Investment Type/Issuer	Reported Amount	Percentage of Total Portfolio
LOGIC	\$592,169	48%
TexPool	237,689	16%
TexasCLASS	167,765	15%

Custodial Credit Risk for Investments – 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, 2023 and 2022, 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 investments are in foreign currency-denominated investments.

Fair Value – 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 the 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, 2023 and 2022.

Fair Value Measurements as of 9/30/2023				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Agriculture Mortgage Corporation	\$31,953	\$-	\$31,953	\$-
Federal Farm Credit Banks	88,679	-	88,679	-
Federal Home Loan Bank	98,435	-	98,435	-
Federal Home Loan Mortgage Corporation	46,332	-	46,332	-
Total	<u>\$265,399</u>	<u>\$-</u>	<u>\$265,399</u>	<u>\$-</u>

Fair Value Measurements as of 9/30/2022				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Agriculture Mortgage Corporation	\$51,079	\$-	\$51,079	\$-
Federal Farm Credit Banks	49,208	-	49,208	-
Federal Home Loan Bank	55,021	-	55,021	-
Federal Home Loan Mortgage Corporation	26,311	-	26,311	-
Total	<u>\$181,619</u>	<u>\$-</u>	<u>\$181,619</u>	<u>\$-</u>

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Restricted Investments Held to Pay Capital Lease/Leaseback Liabilities – As of September 30, 2023, DART had one outstanding lease/leaseback obligation. When DART entered the capital lease/leaseback transactions, it received advance rental payments. DART used a portion of the advance rental payment 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 U.S. 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 that 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. On August 17, 2022, DART exercised its purchase option rights by executing and delivering a Purchase Option Election Notice as allowed by the lease/leaseback agreement. On December 2, 2023, the trustee will transfer and pay the final sublease rent resulting in the closing of the liability and transfer of titles to DART.

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 \$15,422 more than budgeted for FY 2023, compared to \$110,483 more than budgeted for FY 2022. In addition, the Board authorized the establishment of the Mobility Assistance and Innovation Fund (MAIF). If the Financial Reserve exceeds \$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 MAIF. Per current financial standards, the MAIF has some limited restrictions. 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 \$0 as of September 30, 2023, compared to \$2,133 as of September 30, 2022.

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, 2023 and 2022, shown below:

Assigned for	FY 2023	FY 2022
Self-Insurance	\$27,339	\$23,137
Financial Reserve*	50,000	50,001
Silver Line Project Fund**	20,103	20,100
Mobility Assistance and Innovation Fund***	117,479	111,379
Total	\$214,921	\$204,617

\*The Financial Reserve amounts shown here are net of \$0 as of September 30, 2023, and \$2,133 as of September 30, 2022. These amounts are set aside as collateral security for a certain lease/leaseback obligation.

\*\*On October 25, 2016, the DART Board approved the FY 2017 20-Year Financial Plan, which included an authorization to move \$20.1 million from the MAIF (formerly Capital Reserve) to the Silver Line Project Fund to pay for the Silver Line commuter rail capital project costs.

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

**4. FIDUCIARY FUND INVESTMENTS**

*DART Employees’ Defined Benefit Retirement Plan and Trust (DB Plan)*

The DB Plan is a single-employer defined benefit pension plan designed to provide retirement, death, and disability benefits to certain DART employees. This is a closed plan, and new employees are not eligible to participate. The DB Plan is administered by a Plan Committee consisting of five members: two people appointed by the DART Board Chair, two elected by Plan participants, and one person appointed by the DART President & Chief Executive Officer.

DB Plan Investments – The DB Plan’s investments are stated at fair value. If available, quoted market prices are used to value investments. Shares of mutual funds are valued at the value of shares held by the DB Plan at year-end. The fair value of the common collective trust investments and the other investment funds is estimated by the issuer based on the fair value of the underlying investments.

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk is measured by the assignment of credit rating by nationally recognized rating agencies such as S&P and Moody’s. The tables below show the rating of the DB Plan’s investments as of September 30, 2023 and 2022.

Investment Type	Total Amount	Credit Rating as of 9/30/2023				
		AA+/AAA	AA	A	< BAA	Not Rated
<b>Fixed Income Investments:</b>						
Agency	\$ 1,352	\$ 12	\$ 22	\$ 197	\$ 1,010	\$ 111
Corporate Bonds and Notes	33,069	2,861	586	4,253	18,575	6,794
Mortgage-Backed Securities	20,428	35	63	572	2,926	16,832
U.S. Treasury Bonds and Notes	20,857	18,223	400	301	1,845	88
Non-U.S. Government Bonds	4,307	2,132	504	207	1,456	8
	80,013	23,263	1,575	5,530	25,812	23,833
Equity Investments	93,072	-	-	-	-	93,072
Real Estate Funds	24,940	-	-	-	-	24,940
<b>Total</b>	<b>\$ 198,025</b>	<b>\$ 23,263</b>	<b>\$ 1,575</b>	<b>\$5,530</b>	<b>\$25,812</b>	<b>\$141,845</b>

Investment Type	Total Amount	Credit Rating as of 9/30/2022				
		AA+/AAA	AA	A	< BAA	Not Rated
<b>Fixed Income Investments:</b>						
Agency	\$ 784	\$ 74	\$ 16	\$ 60	\$ 488	\$ 146
Corporate Bonds and Notes	28,767	2,279	455	5,263	16,241	4,529
Mortgage-Backed Securities	5,984	250	52	196	1,678	3,808
U.S. Treasury Bonds and Notes	27,407	22,688	1,155	300	3,188	76
Non-U.S. Government Bonds	5,866	2,935	868	215	1,819	29
	68,808	28,226	2,546	6,034	23,414	8,588
Equity Investments	79,268	-	-	-	-	79,268
Real Estate Funds	28,999	-	-	-	-	28,999
<b>Total</b>	<b>\$ 177,075</b>	<b>\$ 28,226</b>	<b>\$ 2,546</b>	<b>\$ 6,034</b>	<b>\$23,414</b>	<b>\$116,855</b>

**Custodial Credit Risk for Investments** – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the DB Plan will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Approximately 70.6 percent (\$129,938) of the DB Plan’s net position represents investments in external investment pools and open-ended mutual funds for FY 2022, compared to 69.4 percent (\$122,967) for FY 2022. The existence of these investments is not evidenced by securities that exist in physical form, and therefore, they are not exposed to custodial credit risk. The investments managed by Garcia Hamilton & Associates, Jo Hambro, Earnest Partners, and Seizert Capital Partners, which represent approximately 29.4 percent (\$54,109) of the total net position of the DB Plan for FY 2022, compared to approximately 30.6 percent (\$54,108) for FY 2022, are registered in the name of the DB Plan, and therefore, are not exposed to custodial credit risk.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the DB Plan’s investments in a single issuer. In the investment portfolios managed separately, TEXAS Class is the only individual investment in any one issuer that represents less than five percent of the DB Plan’s net position as of September 30, 2023 or 2022.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturities date of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of September 30, 2023, the DB Plan’s portfolio consisted of 47 percent (\$93,072) equity investments, 12.6 percent (\$24,940) real estate funds, and 40.4 percent (\$80,013) debt securities. As of September 30, 2022, the DB Plan’s portfolio consisted of 44.8 percent (\$79,268) equity investments, 16.3 percent (\$28,999) real estate funds, and 38.9 percent (\$68,808) debt securities. Information about the sensitivity of the fair values of the DB Plan’s investments to market interest rate fluctuation as of September 30, 2023 and 2022, are shown below:

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Investment Type	Total Amount	Maturity (in Months) as of 9/30/2023				
		12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Not Applicable
<b>Fixed Income Investments:</b>						
Agency	\$1,352	\$392	\$-	\$-	\$960	\$-
Corporate Bonds and Notes	33,069	2,633	1,732	10,337	16,649	1,718
Mortgage-Backed Securities	20,428	34	2	373	20,019	-
U.S. Treasury Bonds and Notes	20,857	551	103	35	19,868	300
Non-U.S. Government Bonds	4,307	-	-	-	4,307	-
	80,013	3,610	1,837	10,745	61,803	2,018
Equity Investments	93,072	-	-	-	-	93,072
Real Estate Funds	24,940	-	-	-	-	24,940
<b>Total</b>	<b>\$198,025</b>	<b>\$3,610</b>	<b>\$1,837</b>	<b>\$10,745</b>	<b>\$61,803</b>	<b>\$120,030</b>

Investment Type	Total Amount	Maturity (in Months) as of 9/30/2022				
		12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Not Applicable
<b>Fixed Income Investments:</b>						
Agency	\$784	\$1	\$-	\$-	\$783	\$-
Corporate Bonds and Notes	28,767	639	1,863	7,520	17,830	915
Mortgage-Backed Securities	5,984	53	23	216	5,692	-
U.S. Treasury Bonds and Notes	27,407	44	5,320	2,047	19,919	77
Non-U.S. Government Bonds	5,866	481	242	293	4,850	-
	68,808	1,218	7,448	10,076	49,074	992
Equity Investments	79,268	-	-	-	-	79,268
Real Estate Funds	28,999	-	-	-	-	28,999
<b>Total</b>	<b>\$177,075</b>	<b>\$1,218</b>	<b>\$7,448</b>	<b>\$10,076</b>	<b>\$49,074</b>	<b>\$109,259</b>

**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. Some of the DB Plan’s investments were in international mutual funds, but the mutual funds are denominated in U.S. dollars and are not exposed to foreign currency risk.

**Fair Value** – The plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the 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 and are valued using future projected cash flows. DART has the following fair value measurements as of September 30, 2023 and 2022:

Fair Value Measurements as of 9/30/2023				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Agency	\$1,352	\$-	\$1,352	\$-
Corporate Bonds and Notes	26,871	-	26,871	-
Mortgage-Backed Securities	20,428	-	20,428	-
U.S. Treasury Bonds and Notes	20,856	-	20,856	-
Non-U.S. Government Bonds	4,307	-	4,307	-
Equity Investments	68,898	68,898	-	-
<b>Total</b>	<b>142,712</b>	<b>\$68,898</b>	<b>\$73,814</b>	<b>\$-</b>

Investments Measured at Net Asset Value	
Domestic Equity and Collective Trust	19,371
<b>Alternative Investments:</b>	
Private Equity	11,002
Real Estate	24,940
<b>Total Alternative Investments</b>	<b>35,942</b>
<b>Total Investment Measured at Net Asset Value</b>	<b>55,313</b>
<b>Total Investments Measured at Fair Value</b>	<b>\$198,025</b>

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Fair Value Measurements as of 9/30/2022

Investment Type	Total			
	Amount	Level 1	Level 2	Level 3
Agency	\$784	\$-	\$784	\$-
Corporate Bonds and Notes	25,606	-	25,606	-
Mortgage-Backed Securities	5,984	-	5,984	-
U.S. Treasury Bonds and Notes	27,407	-	27,407	-
Non-U.S. Government Bonds	5,866	-	5,866	-
Equity Investments	58,484	58,484	-	-
Total	124,131	\$58,484	\$65,647	\$

Investments Measured at Net Asset Value

Domestic Equity and Collective Trust	15,931
Alternative Investments:	
Private Equity	8,014
Real Estate	28,999
Total Alternative Investments	37,013
Total Investment Measured at Net Asset Value	52,944
Total Investments Measured at Fair Value	\$177,075

*Other Post-Employment Benefits (OPEB) Plan*

The OPEB Plan is a single-employer defined benefit plan that provides health care and life insurance to 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 10 years of service to DART. Participants of the defined contribution pension plan will be eligible at age 60 with a minimum of 10 years of service to DART. The OPEB Plan is administered by DART and does not issue stand-alone financial reports.

OPEB Plan Investments – In accordance with the OPEB 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 investments. DART established the OPEB Plan investment policy and can amend it as needed. There was no amendment of the OPEB investment policy during FY 2023.

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. All the OPEB Plan's investments were invested in mutual funds, which by design provide ownership of shares within the fund and are not exposed to interest rate risk.

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 tables below show actual ratings as of September 30, 2023 and 2022, for each investment type.

Credit Ratings as of 9/30/2023

Investment Type	Total Amount	Credit Ratings as of 9/30/2023						Cash or Not Rated
		AAA/m	AAA/Aaa	AA/Aa	A	BBB/Baa	< BBB/Baa	
Cash and cash equivalent	\$535	\$535	\$-	\$-	\$-	\$-	\$-	\$-
Equity	37,478	-	11	458	51	65	38	36,855
Fixed income	23,601	-	7,842	5,407	2,823	4,877	985	1,667
	\$61,614	\$535	\$7,853	\$5,865	\$2,874	\$4,942	\$1,023	\$38,522

Credit Ratings as of 9/30/2022

Investment Type	Total Amount	Credit Ratings as of 9/30/2022						Cash or Not Rated
		AAA/m	AAA/Aaa	AA/Aa	A	BBB/Baa	< BBB/Baa	
Cash and cash equivalent	\$3,587	\$3,587	\$-	\$-	\$-	\$-	\$-	\$-
Equity	33,844	-	-	-	-	-	-	33,844
Fixed income	20,441	-	8,717	769	2,026	4,314	1,530	3,085
	\$57,872	\$3,587	\$8,717	\$769	\$2,026	\$4,314	\$1,530	\$36,929



**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

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Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the OPEB Plan’s investment in a single issuer. All the OPEB Plan’s investments were invested in mutual funds, which by design provide ownership of shares within the fund and are not exposed to concentration of credit risk.

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 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. Some of the OPEB Plan’s investments were invested in international mutual funds, but the mutual funds are denominated in U.S. dollars and are not exposed to foreign currency risk.

Fair Value – 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 the 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, 2023 and 2022:

Fair Value Measurements as of 9/30/2023				
Investment Type	Total	Level 1	Level 2	Level 3
	Amount			
Cash and cash equivalent	\$535	\$535	\$-	\$-
Mutual Funds – Equity	37,478	37,478	-	-
Mutual Funds – Fixed Income	23,601	23,601	-	-
Total	<u>\$61,614</u>	<u>\$61,614</u>	<u>\$-</u>	<u>\$-</u>

Fair Value Measurements as of 9/30/2022				
Investment Type	Total	Level 1	Level 2	Level 3
	Amount			
Cash and cash equivalent	\$3,587	\$3,587	\$-	\$-
Mutual Funds – Equity	33,844	33,844	-	-
Mutual Funds – Fixed Income	20,441	20,441	-	-
Total	<u>\$57,872</u>	<u>\$57,872</u>	<u>\$-</u>	<u>\$-</u>

*DART Capital Accumulation Plan and Trust (the Plan)*

The Plan is a single-employer defined contribution retirement plan designed to provide retirement benefits to all full-time DART employees. Participants should refer to the Plan Document for more detailed information.

The Plan is administered by a retirement committee of at least five members appointed by DART’s President & Chief Executive Officer. DART has an agreement whereby the Trustee receives Plan contributions and allocates such contributions to the appropriate fund managers, as directed by the Plan participants. Investment income of each fund is credited to each participant’s account at the end of each day based on the account’s relative percentage in each fund to total net position available for Plan benefits in each fund prior to credit for such income.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized rating agencies such as S&P and Moody’s. The tables below show the ratings of the underlying investments of the investment funds held by the plan as of December 31, 2022 and 2021.

Investment Type	Total Amount	Credit Rating as of 12/31/2022				
		Aa+/Aaa	Aa	A	Baa	Not Rated
		Short-Term Investments and Bonds	\$56,948	\$36,436	\$3,576	\$12,157
Balanced (Bonds and Stocks)	92,211	-	-	-	-	92,211
Domestic Equity (Stocks)	79,301	-	-	-	-	79,301
International Equity (Stocks)	19,746	-	-	-	-	19,746
Total Investments	<u>\$248,206</u>	<u>\$36,436</u>	<u>\$3,576</u>	<u>\$12,157</u>	<u>\$3,053</u>	<u>\$192,984</u>

**DALLAS AREA RAPID TRANSIT  
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**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Investment Type	Total Amount	Credit Rating as of 12/31/2021					Not Rated
		Aa+/ Aaa	Aa	A	Baa		
Short-Term Investments and Bonds	\$58,076	\$37,056	\$3,574	\$12,027	\$3,779	\$1,640	
Balanced (Bonds and Stocks)	105,024	-	-	-	-	105,024	
Domestic Equity (Stocks)	105,351	-	-	-	-	105,351	
International Equity (Stocks)	22,970	-	-	-	-	22,970	
<b>Total Investments</b>	<b>\$291,421</b>	<b>\$37,056</b>	<b>\$3,574</b>	<b>\$12,027</b>	<b>\$3,779</b>	<b>\$234,985</b>	

**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 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 Plan’s investments are in open-ended mutual funds and a common collective trust fund. The existence of these investments is not evidenced by securities that exist in physical book entry form and therefore, they are not exposed to custodial credit risk.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan’s investments in a single issuer. All the investments held for the Plan are in mutual funds or a common collective trust fund.

**Interest Rate Risk** – Interest rate risk is the risk that changes in 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. The Plan’s balanced and equity investments portfolio was 77.1 percent (\$191,258) as of December 31, 2022, compared to 80.1 percent (\$233,345) as of December 31, 2021. Short-term investments and bonds were 22.9 percent (\$56,948) in 2022, compared to 19.9 percent (\$58,076) in 2021. Information about the sensitivity of the fair values of the Plan’s investments to market interest rate fluctuation as of December 31, 2022 and 2021, is shown below.

Investment Type	Total Amount	Maturity in Years as of 12/31/2022						N/A
		<1 Year	1-5 Years	5-10 Years	10-20 Years	20-30 Years	>30 Years	
Short-Term Investments and Bonds	\$56,948	\$4,783	\$29,248	\$16,944	\$3,452	\$958	\$1,563	\$-
Balanced (Bonds and Stocks)	92,211	-	-	-	-	-	-	92,211
Domestic Equity (Stocks)	79,301	-	-	-	-	-	-	79,301
International Equity (Stocks)	19,746	-	-	-	-	-	-	19,746
<b>Total</b>	<b>\$248,206</b>	<b>\$4,783</b>	<b>\$29,248</b>	<b>\$16,944</b>	<b>\$3,452</b>	<b>\$958</b>	<b>\$1,563</b>	<b>\$191,258</b>

Investment Type	Total Amount	Maturity in Years as of 12/31/2021						N/A
		<1 Year	1-5 Years	5-10 Years	10-20 Years	20-30 Years	>30 Years	
Short-Term Investments and Bonds	\$58,076	\$4,947	\$34,122	\$13,794	\$1,662	\$3,551	\$-	\$-
Balanced (Bonds and Stocks)	105,024	-	-	-	-	-	-	105,024
Domestic Equity (Stocks)	105,351	-	-	-	-	-	-	105,351
International Equity (Stocks)	22,970	-	-	-	-	-	-	22,970
<b>Total</b>	<b>\$291,421</b>	<b>\$4,947</b>	<b>\$34,122</b>	<b>\$13,794</b>	<b>\$1,662</b>	<b>\$3,551</b>	<b>\$-</b>	<b>\$233,345</b>

**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. Some of the Plan’s investments were invested in international mutual funds, but the mutual funds are denominated in U.S. dollars and are not exposed to foreign currency risk.

**Fair Value** – The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the 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. Level 3 inputs are significant unobservable inputs. The tables below show the fair value measurements of the underlying investments of the investment funds held by the plan as of December 31, 2022 and 2021.

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Fair Value Measurements as of 12/31/2022				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Short-Term Investments and Bonds	\$21,999	\$21,999	-	-
Balanced (Bonds and Stocks)	92,211	92,211	-	-
Domestic Equity (Stocks)	79,301	79,301	-	-
International Equity (Stocks)	19,746	19,746	-	-
Total	<u>\$213,257</u>	<u>\$213,257</u>	<u>\$ -</u>	<u>\$ -</u>

Investments Measured at Net Asset Value (NAV)	Total Amount	Redemption Frequency	Redemption Notice Period
Short-term Investments and Bonds	<u>\$34,949</u>	Not limited	None
Total Investments	<u>\$248,206</u>		

Fair Value Measurements as of 12/31/2021				
Investment Type	Total Amount	Level 1	Level 2	Level 3
Short-Term Investments and Bonds	\$24,904	\$24,904	\$-	\$-
Balanced (Bonds and Stocks)	105,024	105,024	-	-
Domestic Equity (Stocks)	105,351	105,351	-	-
International Equity (Stocks)	22,970	22,970	-	-
Total	<u>\$258,249</u>	<u>\$258,249</u>	<u>\$-</u>	<u>\$-</u>

Investments Measured at Net Asset Value (NAV)	Total Amount	Redemption Frequency	Redemption Notice Period
Short-term Investments and Bonds	<u>\$33,172</u>	Not limited	None
Total Investments	<u>\$291,421</u>		

*DART Retirement Plan and Trust (the Plan)*

The Plan is a single-employer defined contribution retirement plan designed to provide retirement benefits to all full-time DART employees. Participants should refer to the Plan Document for more detailed information.

The Plan is administered by a retirement committee of eight members appointed by DART's President & Chief Executive Officer. DART has the right to amend this Plan to the extent it may deem advisable, provided that no such amendment shall impair or adversely affect the right of any participant that has matured, and no such amendment shall increase the duties or responsibilities of the Trustee without its consent given in writing. Although the employer has not expressed any intent to discontinue the Plan, it reserves the right in its sole discretion to do so. In such an event, each participant shall have a non-forfeitable right in 100 percent of their account balance.

The assets of the Plan are held in the DART Retirement Plan and Trust. Except for the Vanguard Retirement Savings Trust, which is held at contract value, the Plan's investments are stated at fair value.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized rating agencies such as S&P and Moody's. The tables below show the ratings of the underlying investments of the investment funds held by the plan as of December 31, 2022 and 2021.

Investment Type	Total Amount	Credit Rating as of 12/31/2022				
		Aa+/Aaa	Aa	A	Baa	Not Rated
Short-Term Investments and Bonds	\$132,191	\$91,568	\$6,115	\$22,097	\$9,541	\$2,870
Domestic Equity (Stocks)	74,366	-	-	-	-	74,366
International Equity (Stocks)	42,980	-	-	-	-	42,980
Real Estate Funds	12,045	-	-	-	-	12,045
Total Investments	<u>\$261,582</u>	<u>\$91,568</u>	<u>\$6,115</u>	<u>\$22,097</u>	<u>\$9,541</u>	<u>\$132,261</u>

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Investment Type	Total Amount	Credit Rating as of 12/31/2021				
		Aa+/ Aaa	Aa	A	Baa	Not Rated
Short-Term Investments and Bonds	\$127,597	\$89,198	\$5,870	\$20,435	\$9,896	\$2,198
Domestic Equity (Stocks)	108,671	-	-	-	-	108,671
International Equity (Stocks)	49,235	-	-	-	-	49,235
Real Estate Funds	17,720	-	-	-	-	17,720
<b>Total Investments</b>	<b>\$303,223</b>	<b>\$89,198</b>	<b>\$5,870</b>	<b>\$20,435</b>	<b>\$9,896</b>	<b>\$177,824</b>

**Custodial Credit Risk** – 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 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 Plan’s investments are in open-ended mutual funds and a common collective trust fund. The existence of these investments is not evidenced by securities that exist in physical book entry form and therefore, they are not exposed to custodial credit risk.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan’s investments in a single issuer. All the investments held for the Plan are in mutual funds or a common collective trust fund.

**Interest Rate Risk** – Interest rate risk is the risk that changes in 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. The Plan’s equity and real estate investments portfolio was 49.5 percent (\$129,391) as of December 31, 2022, compared to 57.9 percent (\$175,626) as of December 31, 2021. Debt securities were 50.5 percent (\$132,191) as of December 31, 2022, compared to 42.1 percent (\$127,597) as of December 31, 2021. Information about the sensitivity of the fair values of the Plan’s investments to market interest rate fluctuation as of December 31, 2022 and 2021, is shown below:

Investment Type	Total Amount	Maturity in Years as of 12/31/2022						N/A
		<1 Year	1-5 Years	5-10 Years	10-20 Years	20-30 Years	>30 Years	
Short-Term Investments and Bonds	\$132,191	\$7,171	\$81,030	\$31,352	\$6,736	\$3,033	\$2,869	\$-
Domestic Equity (Stocks)	74,366	-	-	-	-	-	-	74,366
International Equity (Stocks)	42,980	-	-	-	-	-	-	42,980
Real Estate Funds	12,045	-	-	-	-	-	-	12,045
<b>Total</b>	<b>\$261,582</b>	<b>\$7,171</b>	<b>\$81,030</b>	<b>\$31,352</b>	<b>\$6,736</b>	<b>\$3,033</b>	<b>\$2,869</b>	<b>\$129,391</b>

Investment Type	Total Amount	Maturity in Years as of 12/31/2021						N/A
		<1 Year	1-5 Years	5-10 Years	10-20 Years	20-30 Years	>30 Years	
Short-Term Investments and Bonds	\$127,597	\$6,801	\$83,709	\$25,982	\$3,142	\$7,963	\$-	\$-
Domestic Equity (Stocks)	108,671	-	-	-	-	-	-	108,671
International Equity (Stocks)	49,235	-	-	-	-	-	-	49,235
Real Estate Funds	17,720	-	-	-	-	-	-	17,720
<b>Total</b>	<b>\$303,223</b>	<b>\$6,801</b>	<b>\$83,709</b>	<b>\$25,982</b>	<b>\$3,142</b>	<b>\$7,963</b>	<b>\$-</b>	<b>\$175,626</b>

**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. Some of the Plan’s investments were invested in international mutual funds, but the mutual funds are denominated in U.S. dollars and are not exposed to foreign currency risk.

**Fair Value** – The plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the 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. Level 3 inputs are significant unobservable inputs. DART has the following fair value measurements as of December 31, 2022 and 2021:

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Fair Value Measurement as of 12/31/2022				
	<u>Total Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-Term Investments and Bonds	\$84,393	\$84,393	\$-	\$-
Domestic Equity (Stocks)	74,366	74,366	-	-
International Equity (Stocks)	42,980	42,980	-	-
Real Estate Funds	12,045	12,045	-	-
Total	<u>\$213,784</u>	<u>\$213,784</u>	<u>\$-</u>	<u>\$-</u>

Investments Measured at Net Asset Value (NAV)	<u>Total Amount</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Short-term Investments and Bonds	<u>\$47,798</u>	Not limited	None
Total Investments	<u>\$261,582</u>		

Fair Value Measurement as of 12/31/2021				
	<u>Total Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-Term Investments and Bonds	\$84,103	\$84,103	\$-	\$-
Domestic Equity (Stocks)	108,671	108,671	-	-
International Equity (Stocks)	49,235	49,235	-	-
Real Estate Funds	17,720	17,720	-	-
Total	<u>\$259,729</u>	<u>\$259,729</u>	<u>\$-</u>	<u>\$-</u>

Investments Measured at Net Asset Value (NAV)	<u>Total Amount</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Short-term Investments and Bonds	<u>\$43,494</u>	Not limited	None
Total Investments	<u>\$303,223</u>		

**5. RESTRICTED ASSETS**

As security for its 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 *Restricted 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 three advance funding agreements with the Texas Department of Transportation and received money for construction of three parking lots. DART also entered into an interlocal agreement with the City of Dallas to plan and design a modern streetcar system for the City 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.

DART issues short-term debt (commercial paper notes) and long-term debt (bonds) as needed to pay for capital project costs. Due to unavoidable timing differences between the time when debt is issued and when the capital project cost is paid, unspent debt proceeds are held in investments. Such amounts are shown as *Restricted investments held for system expansion and acquisition* in the Statements of Net Position.

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, 2023, DART has set aside \$0, compared to \$2,133 as of September 30, 2022, for this purpose. These amounts are shown as *Restricted investments held as security for capital lease/leaseback liabilities* in the Statements of Net Position.

**6. 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 linear single-track 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, 10 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.

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

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**7. CAPITAL ASSETS**

Changes in capital assets for the year ended September 30, 2023 are shown as follows:

	Beginning 10/1/2022	Additions	Disposals	Net Transfers/ Adjustments	Ending 9/30/2023
Non-Depreciable Assets					
Land and right-of-way	\$ 618,739	\$-	\$(2,519)	\$-	\$ 616,220
Capital projects in progress	813,844	484,498	-	(25,834)	1,272,508
Total non-depreciable assets	1,432,583	484,498	(2,519)	(25,834)	1,888,728
Depreciable Assets					
Transitways	4,097,428	-	-	4,598	4,102,026
Buildings and improvements	873,527	-	(1,079)	2,567	875,015
Revenue and non-revenue vehicles and equipment	1,295,083	550	(25,377)	7,889	1,278,145
Furniture, fixtures, and leasehold improvements	140,695	-	(25,656)	10,780	125,819
Total depreciable assets	6,406,733	550	(52,112)	25,834	6,381,005
Less accumulated depreciation					
Transitways	2,012,306	138,487	-	-	2,150,793
Buildings and improvements	517,748	41,706	(1,066)	-	558,388
Revenue and non-revenue vehicles and equipment	950,958	60,664	(25,903)	-	985,719
Furniture, fixtures, and leasehold improvements	106,317	5,029	(5,859)	-	105,487
Total accumulated depreciation	3,587,329	245,886	(32,828)	-	3,800,387
Depreciable assets, net	2,819,404	(245,336)	(19,284)	25,834	2,580,618
Total capital assets	\$4,251,987	\$239,162	\$(21,803)	\$-	\$4,469,346

Changes in capital assets for the year ended September 30, 2022 are shown as follows:

	Beginning 10/1/2021 (Restated)*	Additions	Disposals	Net Transfers/ Adjustments	Ending 9/30/2022 (Restated)*
Non-Depreciable Assets					
Land and right-of-way	\$618,572	\$ -	\$(32)	\$199	\$618,739
Capital projects in progress	644,386	301,022	-	(131,564)	813,844
Total non-depreciable assets	1,262,958	301,022	(32)	(131,365)	1,432,583
Depreciable Assets					
Transitways	4,094,332	-	-	3,096	4,097,428
Buildings and improvements	757,095	-	(687)	117,119	873,527
Revenue and non-revenue vehicles and equipment	1,308,483	-	(7,503)	(5,897)	1,295,083
Furniture, fixtures, and leasehold improvements	132,584	-	(8,936)	17,047	140,695
Total depreciable assets	6,292,494	-	(17,126)	131,365	6,406,733
Less accumulated depreciation					
Transitways	1,874,117	138,189	-	-	2,012,306
Buildings and improvements	487,312	31,123	(687)	-	517,748
Revenue and non-revenue vehicles and equipment	890,526	68,886	(8,454)	-	950,958
Furniture, fixtures, and leasehold improvements	97,810	14,992	(6,485)	-	106,317
Total accumulated depreciation	3,349,765	253,190	(15,626)	-	3,587,329
Depreciable assets, net	2,942,729	(253,190)	(1,500)	131,365	2,819,404
Total capital assets	\$4,205,687	\$47,832	\$(1,532)	\$ -	\$4,251,987

\*\*The 10/1/2021 and 9/30/2022 amounts are restated due to implementation of new financial reporting requirements – GASB Statement No. 96 - Subscription-Based Information Technology Arrangements.

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**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

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

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

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AND REPAYMENT DUE TO STATE COMPTROLLER**

Accounts payable and accrued liabilities as of September 30, 2023 and 2022, are as follows:

Description	FY 2023	FY 2022
Accounts payable and accrued liabilities		
Payroll	\$16,957	\$11,108
Accrued paid time off (PTO), vacation, and sick leave	28,387	27,717
Self-insurance liabilities	31,137	30,564
Other operating liabilities	61,787	38,560
Total operating expense related	138,268	107,949
Non-operating expense and capital related	94,021	53,959
Total accounts payable and accrued liabilities	232,289	161,908
Noncurrent	45,854	43,179
Current	\$186,435	\$118,729

The State Comptroller collects the one percent 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 as of September 30, 2023 and 2022, are as follows:

Description	FY 2023	FY 2022
Beginning balance	\$-	\$8,112
Additions	-	-
Payments	-	(8,112)
Ending balance	-	-
Noncurrent	-	-
Current	\$-	\$-

DART has paid off the outstanding repayments due in FY 2022.

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

Changes in accrued PTO, vacation, and sick leave as of September 30, 2023 and 2022, are as follows:

Description	FY 2023	FY 2022
Beginning balance	\$27,717	\$26,491
Additions	1,624	2,779
Payments	(954)	(1,553)
Ending balance	28,387	27,717
Noncurrent	25,709	24,830
Amounts due in one year	\$2,678	\$2,887

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10. LOCAL ASSISTANCE PROGRAMS

In 1989, DART created a Local Assistance Program (LAP) to provide technical and financial assistance to cities for projects to reduce traffic congestion and complement bus and public transit operations. Eligible member jurisdictions were responsible for developing and submitting projects to DART for approval to receive distribution of these funds. According to the terms of interlocal agreements, DART allocated a percentage of its annual sales and use tax collections for LAP. Eligible member jurisdictions received 15 percent of the estimated sales and use taxes collected within that jurisdiction, except Irving, which received 7.5 percent. Dallas, University Park, and Highland Park were not eligible. LAP 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, 2023 and 2022 are below:

Description	2023	2022
Beginning balance	\$-	\$24
Payments	-	(24)
Ending balance	\$-	\$-

In January 2017, DART created the Transit-Related Improvement Program (TRIP). This program provides 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 percent 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. DART gives consideration and weight 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. TRIP will end on September 30, 2025. Under TRIP, DART paid \$8,620 to eligible non-rail cities during FY 2023, compared to \$2,425 paid during FY 2022.

11. LEASES – LESSOR

DART as a lessor enters various lease contracts related to land, buildings, and equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. At the commencement of a lease, DART initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements related to leases include how DART determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts. DART uses its incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives payable to the lessee. Lease information where DART acts as a lessor is below. DART did not incur any inflows related to its lease activities related to residual value guarantees or lease termination penalties.

The table below shows the inflows of resources recognized during FY 2023.

Leased Asset	Inflows of Resources	Interest Revenue	Total
Land	\$168	\$50	\$218
Building	7	12	19
Equipment	752	353	1,105
Total Leased Assets	\$927	\$415	\$1,342



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The table below shows the minimum principal and interest lease receivable requirements for DART's leasing activities with a remaining term of more than one year as of September 30, 2023.

Year Ended 9/30	Beginning Receivable Balance	Principal	Interest	Total Minimum Payments	Ending Receivable Balance
2023	\$20,330	\$755	\$406	\$1,161	\$19,575
2024	\$19,575	\$774	\$409	\$1,183	\$18,801
2025	18,801	768	395	1,163	18,033
2026	18,033	776	380	1,156	17,257
2027	17,257	790	365	1,155	16,467
2028	16,467	806	349	1,155	15,661
2029 - 2033	15,661	3,900	1,510	5,410	11,761
2034 - 2038	11,761	3,352	1,127	4,479	8,409
2039 - 2043	8,409	2,343	824	3,167	6,066
2044 - 2048	6,066	2,549	559	3,108	3,517
2049 - 2053	3,517	2,724	267	2,991	793
2054 - 2058	793	378	67	445	415
2059 - 2063	415	31	44	75	384
2064 - 2068	384	34	41	75	350
2069 - 2073	350	38	37	75	312
2074 - 2078	312	43	32	75	269
2079 - 2083	269	48	27	75	221
2084 - 2088	221	53	22	75	168
2089 - 2093	168	59	16	75	109
2094 - 2098	109	66	9	75	43
2099 - 2101	43	43	2	45	-
<b>TOTAL</b>		<u>\$19,575</u>	<u>\$6,482</u>	<u>\$26,057</u>	

Certain lease agreements contain terms of variable payments that depend on percentage rent based on revenue or on a price index. As a result, the lease receivable is modified during the term of the lease. Possible future increases in variable lease payments are not considered as part of the lease receivable until effective. At that time, the lease receivable is reassessed, and the deferred inflows of resources are adjusted. The inflow of resources not previously included in the measurement of future minimum lease payments was \$362 as of September 30, 2023.

**12. LEASES – LESSEE**

DART as a lessee enters non-cancelable lease contracts related to buildings and equipment. DART recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, DART measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life. Key estimates and judgements related to leases include how DART determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments. DART uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, the purchase option price DART is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments reasonably certain of being required based on an assessment of all relevant factors. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Lease information where DART acts as a lessee is below. DART did not incur any outflows related to its lease activities related to residual value guarantees, lease termination penalties, or losses due to impairment.

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The table below shows changes in finance lease assets by major classes of underlying assets for the year ended September 30, 2023:

	Beginning 10/1/2022	Additions	Disposals	Ending 9/30/2023
Right-of-use assets				
Buildings	\$2,546	\$4,395	\$(884)	\$6,057
Equipment	330	-	-	330
Total right-of-use assets	<u>2,876</u>	<u>4,395</u>	<u>(884)</u>	<u>6,387</u>
Less accumulated amortization				
Buildings	559	700	(166)	1,093
Equipment	41	56	-	97
Total accumulated amortization	<u>600</u>	<u>756</u>	<u>(166)</u>	<u>1,190</u>
Total right-of-use assets, net	<u>\$2,276</u>	<u>\$3,639</u>	<u>\$(718)</u>	<u>\$5,197</u>

The table below shows the minimum principal and interest lease payment requirements for its leasing activities with a remaining of more than one year as of September 30, 2023.

Year Ended 9/30	Beginning Liability Balance	Additions	Disposals	Principal	Interest	Total Minimum Payments	Changes in Accrued Interest	Ending Liability Balance
2023	\$2,132	\$4,371	\$668	\$648	\$187	\$835	\$16	\$5,185
2024	\$5,185	\$-	\$-	\$578	\$191	\$769	\$(1)	\$4,606
2025	4,606	-	-	483	183	666	(1)	4,122
2026	4,122	-	-	136	176	312	-	3,986
2027	3,986	-	-	141	171	312	-	3,844
2028	3,844	-	-	178	164	342	(1)	3,665
2029 – 2042	3,665	-	-	3,652	1,262	4,914	(13)	-
TOTAL				<u>\$5,168</u>	<u>\$2,147</u>	<u>\$7,315</u>		

Certain lease agreements contain terms of variable payments that depend on a price index, fees, utilities, usage, and miscellaneous expenses. As a result, the lease payable is modified during the term of the lease. Possible future increases in variable lease payments are considered as part of the lease payable until effective. At that time, the lease payable is reassessed, and the right-of-use asset is adjusted. The outflow of resources not previously included in the measurement of future minimum lease payments was \$96 as of September 30, 2023.

**13. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)**

DART has entered into various contractual agreements that convey control of the right to use a third-party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

DART uses various SBITA assets that it contracts through cloud computing arrangements, such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the present value of subscription payments, payable during the remaining SBITA term. DART has a variety of variable payment clauses, within its SBITA arrangements, including variable payments based on future performance and usage of the underlying asset. DART did not incur any expenses related to its SBITA activities, such as termination penalties, not previously included in the measurement of the SBITA liability, or losses due to impairment. There are no commitments related to SBITA terms that did not commence as of September 30, 2023.

The table below shows changes in SBITA assets for the two years ended September 30, 2023 and 2022:

Description	FY 2023	FY 2022
Beginning balance	\$25,792	\$27,770
Additions	5,290	828
Retirements	(202)	(238)
Accumulated amortization	<u>(5,833)</u>	<u>(2,568)</u>
Ending balance	<u>\$25,047</u>	<u>\$25,792</u>

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The table below shows the minimum principal and interest lease payment requirements for its SBITA activities with a remaining term of more than one year as of September 30, 2023.

Year Ended 9/30	Beginning Liability Balance	Additions	Principal	Interest	Total Minimum Payments	Changes in Accrued Interest	Ending Liability Balance
2023	\$11,035	\$1,803	\$2,921	\$44	\$2,965	\$16	\$9,933
2024	\$9,933	\$-	\$2,173	\$71	\$2,244	\$(7)	\$7,753
2025	7,753	-	2,128	46	2,174	(6)	5,619
2026	5,619	-	1,382	23	1,405	(3)	4,234
2027	4,234	-	1,384	15	1,399	(2)	2,848
2028	2,848	-	1,368	7	1,375	(3)	1,477
2029 – 2031	1,477	-	1,477	2	1,479	-	-
<b>TOTAL</b>			<b>\$9,912</b>	<b>\$164</b>	<b>\$10,076</b>		

**14. FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK**

DART has entered lease transactions in which certain capital assets are leased to investors (headlease) and simultaneously leased back (sublease). As of September 30, 2023 and 2022, DART has only one outstanding lease/leaseback 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 have been recorded as a capital lease/leaseback for accounting purposes. The table below shows the DART capital lease/leaseback transaction outstanding as of September 30, 2023.

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
09/28/2000	28 light rail cars	\$91,000	\$91,000	\$84,000	\$7,000	01/02/2023	12/15/2023

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. For 9/28/2000 shown above, DART has exercised the repurchase option and reflected this option in the amortization.

The table below shows the net book value of the light rail cars under the lease/leaseback agreement as of September 30, 2023 and 2022.

Lease Date	Property	Net book value as of 9/30/2023	Net book value as of 9/30/2022
09/28/2000	28 light rail cars	\$3,698	\$6,748

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:

	<u>FY 2023</u>	<u>FY 2022</u>
Amounts due within one year	\$8,524	\$122,559
Amounts due in more than one year	-	8,523
<b>Total</b>	<b>\$8,524</b>	<b>\$131,082</b>

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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 FY 2010, the 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 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, 2023, DART is not required to set aside funds for this purpose, compared to \$2,133 as of September 30, 2022. These amounts are shown as *Restricted investments held as security for capital lease/leaseback liabilities* in the Statements of Net Position. As of September 30, 2023, DART has only one outstanding lease/leaseback obligation. Changes in the capital lease/leaseback obligations for the two years ended September 30, 2023 and 2022, are shown below:

Description	FY 2023	FY 2022
Beginning balance	\$131,082	\$121,177
Accrued interest	4,071	9,923
Payments	(126,629)	(18)
Ending balance	\$8,524	\$131,082

The table below shows future minimum sublease payments as of September 30, 2023, for the outstanding lease capital lease/leaseback transaction.

<u>Year Ending</u> <u>September 30</u>	<u>Minimum Sublease</u> <u>Payments</u>
2024	\$8,663
Less: amount representing interest	(139)
Present value of minimum sublease payments	\$8,524

**15. 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 (CPSL) Program – In June 2014, the DART Board approved a new CPSL 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 plus 90 days interest calculated at an interest rate of 12 percent 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 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 CPSL Program from \$200 million to \$125 million to reduce the coverage requirement. During FY 2023 and 2022, DART complied with the requirements of the self-liquidity program.

As of September 30, 2023 and 2022, DART had no outstanding commercial paper notes payable and a \$125 million unused line of credit under the CPSL Program.

Bank-Backed Commercial Paper Program – In November 2018, the DART Board authorized the establishment of a Bank-Backed Commercial Paper Program in the amount of \$125 million for interim financing of capital projects. DART entered a revolving credit agreement with JPMorgan Chase Bank, N.A. that allows DART to issue up to \$125 million in bank-backed commercial paper notes. Under this program, the Bank provides a liquidity facility that constitutes 270 days of interest at 10 percent on the maximum available principal of \$125 million, calculated based on actual number of days and a 365-day year. As of September 30, 2023 and 2022, DART has an unused line of credit of \$125 million under this bank-backed program.

Commercial Paper Extendable Program – In November 2018, the DART Board approved a Commercial Paper Extendable 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, 2023 and 2022, DART had an unused line of credit of \$125 million and zero outstanding commercial paper notes under the extendable program.

Commercial paper notes are from direct placements and are issued in blocks for terms from 1-270 days and recorded as current liabilities on the Statements of Net Position. There was no outstanding commercial paper as of September 30, 2023. The average interest rate on outstanding commercial paper was 0.1 percent as of September 30, 2022.

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Changes in the commercial paper notes for the years ended September 30, 2023 and 2022, are shown below.

Description	FY 2023	FY 2022
Beginning balance	\$100	\$119,100
Additions	-	141,400
Retirement	(100)	(260,400)
Ending balance	\$-	\$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 has matured as of September 30, 2022. The Master Debt Resolution, which can be found in its entirety at [www.dart.org](http://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 the event of a 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 Master Debt Resolution. In the event of a 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.

**16. 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 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		Maturity Date Range		Optional Redemption	
				From	To	From	To	Bonds Maturing After	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
2009B	May 2009	829,615	06/25/09	6.00%	6.30%	12/1/23	12/1/44	12/1/34	5/31/19
2010B	Sep. 2010	729,390	10/07/10	4.90%	5.00%	12/1/37	12/1/48	Not applicable	
2014A (b)	Oct. 2014	379,480	12/11/14	2.00%	5.00%	12/1/17	12/1/36	12/1/25	12/1/24
2015 (c)	Nov. 2015	117,470	12/15/15	2.06%	2.30%	12/1/16	12/1/27	Not applicable	
2016B (d)	Mar. 2016	228,900	09/21/16	3.00%	5.00%	12/1/19	12/1/38	12/1/27	12/1/26
2019 (e)	Feb. 2019	301,095	04/08/19	5.00%	5.00%	12/1/24	12/1/35	12/1/30	12/1/29
2020A (f)	Dec. 2019	130,470	03/26/20	1.25%	5.00%	12/1/21	12/1/50	Not applicable	
2020B (g)	Dec. 2019	32,060	09/02/20	5.00%	5.00%	12/1/21	12/1/23	Not applicable	
2020C (h)	Dec. 2019	115,220	03/26/20	0.895%	2.816%	12/1/20	12/1/42	Not applicable	
2020D (i)	Nov. 2020	281,090	11/18/20	0.0247%	3.039%	06/1/21	12/1/42	Not applicable	
2021A (j)	Dec. 2021	576,355	12/01/21	2.034%	4.00%	06/1/22	12/1/48	Not applicable	
2021B (k)	Dec. 2021	448,965	12/01/21	3.00%	5.00%	12/1/40	12/1/51	Not applicable	

(a) The Series 2007 bond issuance included \$328,235 to partially refund Series 2001 and 2002 bonds.

(b) The Series 2014A bonds were issued to refund Series 2007 and 2008 bonds totaling \$403,125.

(c) The Series 2015 bonds 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 a tax-exempt rate of 2.06% on 12/01/2016.

(d) The Series 2016B bonds were issued to refund a portion of Series 2007, 2008, and 2009A bonds totaling \$252,440.

(e) The Series 2019 bonds were issued to refund a portion of Series 2009B bonds totaling \$362,645.

(f) The Series 2020A bonds were issued to refund a portion of TIFIA bonds totaling \$58,389 and to finance capital projects.

(g) The Series 2020B bonds were issued to refund a portion of Series 2010A bonds totaling \$34,700.

(h) The Series 2020C bonds were issued to refund a portion of Series 2012 bonds totaling \$105,835.

(i) The Series 2020D bonds were issued to refund a portion of Series 2014A and 2014B bonds with total face value of \$235,435.

(j) The Series 2021A bonds were issued to refund a portion of Series 2014A and 2014B bonds with a total face value of \$515,950.

(k) The Series 2021B bonds were issued to refund a portion of TIFIA bonds totaling \$35,845.

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 (BAB) program of the American Recovery and Reinvestment Act of 2009 (ARRA).

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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 ARRA BAB program.

In accordance with ARRA, DART receives a tax credit from the U.S. Treasury equal to 35 percent of the interest payable amount on the Series 2009B and 2010B bonds. However, during FY 2023 and 2022, this tax credit was reduced by 5.7 percent for both years due to budget cuts or “sequestration” by the federal government. During FY 2023, DART recorded tax credits of \$21,246 as BABs tax credit (for Series 2009B and 2010B bonds combined) in the Statements of Revenues, Expenses and Changes in Net Position, compared to \$21,238 for FY 2022.

DART may not issue additional bonds unless gross sales and use tax revenues exceed maximum debt service by at least 200 percent for 12 of the last 18 months.

Changes in revenue bonds (shown at par) for the years ended September 30, 2023 and 2022, are shown below:

Bond Series	Balance, 10/1/2021	Additions	Retirement	Balance, 9/30/2022	Retirement	Balance, 9/30/2023	Amounts Due in One Year
2007	\$118,395	\$-	\$-	\$118,395	\$-	\$118,395	\$-
2009B	466,970	-	-	466,970	-	466,970	-
2010B	729,390	-	-	729,390	-	729,390	-
2012	5,795	-	(2,840)	2,955	(2,955)	-	-
2014A	127,830	-	(57,065)	70,765	(24,825)	45,940	16,060
2015	78,770	-	(10,400)	68,370	(10,625)	57,745	3,760
2016A	482,530	-	(482,530)	-	-	-	-
2016B	190,440	-	(20,680)	169,760	(21,715)	148,045	-
2019	301,095	-	-	301,095	-	301,095	19,215
2020A	130,470	-	(1,620)	128,850	(1,700)	127,150	1,755
2020B	32,060	-	(4,700)	27,360	(4,950)	22,410	22,410
2020C	113,690	-	(1,545)	112,145	(1,560)	110,585	4,625
2020D	277,925	-	(5,925)	272,000	(5,945)	266,055	4,340
2021A	-	576,355	-	576,355	(3,715)	572,640	3,865
2021B	-	448,965	-	448,965	-	448,965	-
<b>Total</b>	<b>\$3,055,360</b>	<b>\$1,025,320</b>	<b>\$(587,305)</b>	<b>\$3,493,375</b>	<b>\$(77,990)</b>	<b>\$3,415,385</b>	<b>\$76,030</b>

The revenue bonds shown above are at face value. The amounts shown in the Statements of Net Position include the unamortized balance of the original issuance premium of \$200,922 and \$216,578 as of September 30, 2023 and 2022, respectively. Below is a summary of debt service requirements of the senior lien revenue bonds outstanding as of September 30, 2023:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds Tax Credit	Net Debt Service
2024	76,030	144,663	220,693	(21,246)	199,447
2025	79,125	141,537	220,662	(21,246)	199,416
2026	82,155	138,504	220,659	(21,246)	199,413
2027	84,145	135,709	219,854	(21,246)	198,608
2028	86,810	133,048	219,858	(21,246)	198,612
2029 – 2033	493,710	606,193	1,099,903	(110,085)	989,818
2034 – 2038	606,615	498,442	1,105,057	(108,457)	996,600
2039 – 2043	720,995	348,401	1,069,396	(71,772)	997,624
2044 – 2048	809,575	168,154	977,729	(23,420)	954,309
2049 – 2052	376,225	23,684	399,909	(634)	399,275
<b>TOTAL</b>	<b>\$3,415,385</b>	<b>\$2,338,335</b>	<b>\$5,753,720</b>	<b>\$(420,598)</b>	<b>\$5,333,122</b>

DART has 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 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 \$123,435 as of September 30, 2023, and \$143,497 as of September 30, 2022.

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**17. TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) BONDS**

On December 13, 2012, DART entered a TIFIA financing agreement with the U.S. Department of Transportation (USDOT). Under this agreement, DART issued a senior lien obligation bond to borrow up to \$119,972 from USDOT at an interest rate of 2.91 percent. The proceeds from the bond were used to pay for the third phase of DART’s Orange Line extension project, which extended DART’s light rail service from Irving to DFW International Airport. DART received \$45,000 during FY 2013, \$55,000 during FY 2014, and \$5,000 during FY 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, and the remaining balance of \$35,845 was refunded on December 1, 2021. With the most recent refunding, the debt service requirement of the TIFIA bonds as of September 30, 2022, has been fulfilled.

**18. RAILROAD REHABILITATION AND IMPROVEMENT FINANCING (RRIF) BONDS**

RRIF bonds payable are \$53,928 as of September 30, 2023 and \$50 as of September 30, 2022. On December 20, 2018, DART entered the RRIF loan agreement with USDOT to borrow up to \$908 million at an annual interest rate of 2.98 percent. However, on February 24, 2021, DART and USDOT terminated the 2018 loan agreement and entered a new loan agreement to borrow up to \$908 million at an annual interest rate of 2.26 percent. This new loan agreement is a senior lien obligation bond, and proceeds from the bond will be used for the 26-mile Silver Line commuter rail line extending from Terminal B of DFW International Airport to a terminus on Shiloh Road in the City of Plano, with 10 stations and eight vehicles. The current estimate of eligible project costs is approximately \$1.899 billion. The RRIF financing agreement is reimbursement-based, and DART will request (draw down) the money after paying the capital project costs. Debt service for RRIF bonds payable depends on future drawdowns since the loan is reimbursement-based.

Changes in the RRIF bonds for the years ended September 30, 2023 and 2022, are shown below.

<u>Description</u>	<u>FY 2023</u>	<u>FY 2022</u>
Beginning balance	\$50	\$50
Addition	53,878	-
Retirement	-	-
Ending balance	<u>\$53,928</u>	<u>\$50</u>

For the \$53,928 outstanding RRIF bonds payable on September 30, 2023, the debt service schedule is as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$-	\$352	\$352
2025	-	1,219	1,219
2026	-	1,219	1,219
2027	-	1,219	1,219
2028	-	1,219	1,219
2029 – 2033	594	6,087	6,681
2034 – 2038	3,698	5,941	9,639
2039 – 2043	9,823	5,178	15,001
2044 – 2048	11,377	3,999	15,376
2049 – 2053	13,176	2,635	15,811
2053 – 2058	15,260	1,054	16,314
TOTAL	<u>\$53,928</u>	<u>\$30,122</u>	<u>\$84,050</u>

The annual debt service requirements for the outstanding RRIF bonds as of September 30, 2023, range from \$352 during the first five fiscal years to \$16,314 during the last five fiscal years.

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**19. 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, 2023, is \$5.75 billion before BABs tax credits of \$421 million, and \$5.33 billion net of BABs tax credits (see last table in note 16 above). As of September 30, 2022, total principal and interest remaining on the revenue bonds was \$5.98 billion before BABs tax credits of \$442 million, and \$5.54 billion net of BABs tax credits. The annual debt service requirements for these bonds, net of BABs tax credits, range from \$3 in FY 2053 to \$201,933 in FY 2037. Debt service on the bonds (including principal and interest net of BABs tax credits) was \$204,590 as of September 30, 2023, and \$196,241 as of September 30, 2022. Bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

There was no outstanding principal and interest remaining on TIFIA bonds as of September 30, 2023 and 2022. The TIFIA bonds were refunded on December 1, 2021, and fully paid off by this date. TIFIA bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest outstanding on RRIF bonds was \$53,928 as of September 30, 2023, compared to \$50 as of September 30, 2022. The annual debt service requirements for the outstanding RRIF bonds as of September 30, 2023, range from \$352 during the first five fiscal years to \$16,314 in FY 2058. For FY 2023, debt service on RRIF bonds was \$352 (interest only). The FY 2023 annual debt service amount increased because DART drew down on the new RRIF loan on four occasions in FY 2023 subsequently increasing the outstanding principal and the interest rate on the loan. RRIF bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

There was no outstanding principal and interest remaining on commercial paper as of September 30, 2023 compared to \$100 as of September 30, 2022. Interest payments on commercial paper notes were \$45 during FY 2022. Commercial paper notes have a subordinate senior lien on pledged revenues.

**20. DEBT REFUNDINGS**

In November 2020, DART issued the Series 2020D bonds to refund a portion of Series 2014A and 2014B bonds. As a result, bonds totaling \$235,435 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 \$22,487, a reduction in debt service of \$32,632, and an economic gain of \$24,046.

In December 2021, DART issued the Series 2021A bonds to refund a portion of Series 2014A and 2016A bonds. As a result, bonds totaling \$515,950 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 \$44,062, a reduction in debt service of \$130,227, and an economic gain of \$96,175.

As of September 30, 2023, \$751,385 of the refunded DART bonds remains outstanding, compared to \$854,220 as of September 30, 2022. The unamortized portions of the book loss of \$38,230 and \$42,542, respectively, are in the Statements of Net Position included in deferred outflows of resources as of September 30, 2023 and 2022.

**21. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS**

DART operates several employee benefit plans. The plans include the DART Employees' Defined Benefit Retirement Plan and Trust (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.

*DART Employees' Defined Benefit Retirement Plan and Trust (DB Plan)*

Plan Description – The DB Plan is a single-employer defined benefit pension plan 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 on 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 DB Plan were subject to Section 412. An actuary determines the contribution amount DART pays to the plan each year. Participants who were in the DB Plan on September 30, 1995, are required to contribute three percent



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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, 2023 and 2022, are as follows:

	<u>FY 2023</u>	<u>FY 2022</u>
Employer contributions	\$27,000	\$10,000
Employee contributions	-	-
	<u>\$27,000</u>	<u>\$10,000</u>

**Benefit Terms** – Participants under the provisions of 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 two percent times the years of credited service times the participant's final average monthly compensation. Participants in the DB Plan are entitled to monthly benefits equal to: (1) two percent times the number of years of credited service up to October 1, 1983; (2) plus 1.5 percent times the number of years of credited service after October 1, 1983; (3) 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 Plan A). Monthly income under this election will equal normal retirement benefits reduced by 5/12 of one percent for each full month by which the participant's early retirement date precedes the normal retirement date.

**Cost-of-Living Adjustments** – Monthly retirement payments made to or on behalf of a retired participant, or a beneficiary, shall be subject to a cost-of-living adjustment each year. 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 adjustments occurring after the date such settlement is made. The adjustment up or down for any year shall result in a percentage change in the base benefit.

The table below summarizes the number of participants covered by the benefit terms as of October 1, 2022 and 2021:

	<u>10/1/2022</u>	<u>10/1/2021</u>
Inactive employees or beneficiaries currently receiving benefits	899	925
Inactive employee entitled to but not yet receiving benefits	101	113
Active employees	<u>51</u>	<u>52</u>
	<u>1,051</u>	<u>1,090</u>

**Actuarial Assumptions** – The total pension liability in the September 30, 2022 and 2021, actuarial valuation was determined using the actuarial assumptions below, applied to the periods included in the measurement.

<u>Valuation Dates</u>	<u>October 1, 2022</u>
Inflation	2.5 percent per annum
Salary Increases	3.00 percent per annum
Investment Return	6.64 percent compounded annually, net of expenses
Measurement Date	September 30, 2022
Early Retirement Age	55 and 10 years of credited service. Members are assumed to retire at varying rates with 6.0 percent retiring at age 55 and 100 percent retiring at age 70.
Normal Retirement Age	60
Actuarial Cost Method	Entry Age Normal (level percent of pay)
Termination Rate	1.33 percent per year for all ages, 1.50 percent per year prior to age 54, and 1.00 percent per year on and after attainment of age 54
Disability Rate	Members are assumed to become disabled prior to retirement at varying rates based on age. Sample rates are as follows: 0.06 percent at age 45, 0.12 percent at age 50, 0.21 percent at age 55, 0.30 percent at age 60
Marital status	85 percent of male participants and 65 percent of female participants are assumed to be married. Additionally, male spouses are assumed to be three years older than female spouses.
<i>Mortality Rate:</i>	
Active Lives	PubG-2010 (Below-median, amount-weighted) employee rates with mortality improvement projections to the valuation date using Scale MP-2021
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-2021
Contingent Survivor Lives	PubG-2010 (Below-median, amount-weighted) contingent survivor rates with mortality improvement projections to the valuation date using Scale MP-2021
Disabled Lives	PubG-2010 (amount-weighted) disabled retiree rates with mortality improvement projections to the valuation date using Scale MP-2021

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Valuation Dates	October 1, 2021
Inflation	2.5 percent per annum
Salary Increases	3.00 percent per annum
Investment Return	6.75 percent compounded annually, net of expenses
Measurement Date	September 30, 2021
Early Retirement Age	55 and 10 years of credited service. Members are assumed to retire at varying rates with 7.5 percent retiring at age 55 and 100 percent retiring at age 70.
Normal Retirement Age	60
Actuarial Cost Method	Entry Age Normal (level percent of pay)
Termination Rate	1.50 percent per year prior to age 54, and 1.00 percent per year on and after attainment of age 54
Disability Rate	Members are assumed to become disabled prior to retirement at varying rates based on age. Sample rates are as follows: 0.06 percent at age 45, 0.12 percent at age 50, 0.21 percent at age 55, 0.30 percent at age 60
Marital status	85 percent of male participants and 65 percent of female participants are assumed to be married. Additionally, male spouses are assumed to be three years older than female spouses.
<i>Mortality Rate:</i>	
Active Lives	PubG-2010 (Below-median, amount-weighted) employee rates with mortality improvement projections to the valuation date using Scale MP-2021
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-2021
Contingent Survivor Lives	PubG-2010 (Below-median, amount-weighted) contingent survivor rates with mortality improvement projections to the valuation date using Scale MP-2021
Disabled Lives	PubG-2010 (amount-weighted) disabled retiree rates with mortality improvement projections to the valuation date using Scale MP-2021

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, 2022 and 2021, are summarized in the table below (note the rates shown below include the inflation components):

	9/30/2022 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities		39%	7.8%
Global Bonds		40%	4.1%
International Equities		10%	9.4%
Real Estate		10%	6.5%
Cash		1%	3.5%
	9/30/2021 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities		39%	6.0%
Global Bonds		40%	3.0%
International Equities		10%	7.5%
Real Estate		10%	8.0%
Cash		1%	-0.5%

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 adding expected inflation.

Changes in Assumptions – The valuation as of September 30, 2022, reflects retirement and termination rate updates in accordance with an experience study dated January 21, 2022. The impact is amortized over 15 years due to the maturity of the plan. Previously, such changes were amortized over 30 years.

Discount Rate – The discount rate used to measure the total pension liability was 6.64 percent as of September 30, 2022, compared to 6.75 percent as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed that DB Plan member and sponsor contributions will be made at the current contribution rate. Based on those assumptions, the DB Plan's fiduciary net position was projected to provide future benefit payments for 32 years.

For this valuation, these payments were discounted using a discount rate of 6.75 percent. Future benefit payments beyond 32 years were discounted using the S&P Municipal Bond 20 Year High Grade Rate index rate of 4.77 percent. The single equivalent discount rate is 6.64 percent. The next table summarizes changes in net pension liability.

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)*	Net Pension Liability (a-b)
Balance at 9/30/2021	\$236,587	\$196,938	\$39,649
Service cost	806	-	806
Interest	15,204	-	15,204
Differences between expected and actual experience	10,381	-	10,381
Benefit payments	(24,308)	(24,308)	-
Contributions-employer	-	10,000	(10,000)
Net investment income, net of expenses	-	35,066	(35,066)
Administrative expenses	-	(109)	109
Balance at 9/30/2022	<u>\$238,670</u>	<u>\$217,587</u>	<u>\$21,083</u>
Service cost	259	-	259
Interest	15,494	-	15,494
Differences between expected and actual experience	3,999	-	3,999
Changes of assumptions	2,015	-	2,015
Benefit payments	(18,780)	(18,780)	-
Contributions – employer	-	10,000	(10,000)
Net investment loss, net of expenses	-	(25,851)	25,851
Administrative expenses	-	(290)	290
Net changes	<u>2,987</u>	<u>(34,921)</u>	<u>37,908</u>
Balance at 9/30/2023	<u>\$241,657</u>	<u>\$182,666</u>	<u>\$58,991</u>

\*During the plan year ended September 30, 2022, it was discovered that the Plan’s previously issued financial statements contained an error as a result of an incorrect statement that double counted an investment held by the Plan. The effect of the error was an overstatement of the Plan’s beginning Net Position at September 30, 2021 by \$1,375, which would have decreased the Plan’s previously reported Net Increase in Plan Net Position by \$1,375.

Sensitivity of Net Pension Liability to Changes in Discount Rate – The table below presents the net pension liability of DART, calculated using the discount rate of 6.64 percent as of September 30, 2023, compared to 6.75 percent as of September 30, 2022, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate.

	1% Decrease (5.64%)	Current Discount Rate (6.64%)	1% Increase (7.64%)
	DART’s net pension liability, 9/30/2023	\$81,610	\$58,991
	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	DART’s net pension liability, 9/30/2022	\$42,291	\$19,708

Pension Plan Fiduciary Net Position – Detailed information about the DB 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 and Inflows of Resources Related to Pensions – For FY 2023, DART recognized pension expenses of \$12,160, compared to \$8,967 for FY 2022. As of September 30, 2023, DART reported deferred inflows/outflows of resources related to pensions from the sources below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$19,225	\$-
Employer contribution made after measurement date	27,000	-
Total	<u>\$46,225</u>	<u>\$-</u>

The \$27,000 reported as deferred outflows of resources resulting from DART pension contributions after the measurement date of September 30, 2022, will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in the pension expense as follows:

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Year ended September 30:	Amount
2024	\$4,306
2025	2,674
2026	3,905
2027	8,340
2028	-
Thereafter	-

As of September 30, 2022, DART reported deferred inflows/outflows of resources related to pensions from the sources below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$-	\$17,898
Employer contribution made after measurement date	10,000	-
Total	<u>\$10,000</u>	<u>\$17,898</u>

The \$10,000 reported as deferred outflows of resources resulting from DART pension contributions after the measurement date of September 30, 2021, will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in the pension expense as follows:

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

Year ended September 30:	Amount
2023	\$(3,763)
2024	(4,034)
2025	(5,666)
2026	(4,435)
2027	-
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 percent of each participant's annual compensation to the plan. Participants hired before January 1, 2006, are vested in 25 percent of DART's contributions after two years of service, graduating to 100 percent vesting after five years. Participants hired after December 31, 2005, become 100 percent vested in DART's contributions to the Plan only after five years of service. Total expense to DART to fully fund this plan was approximately \$20,047 and \$17,460 for the years ended September 30, 2023 and 2022, respectively.

*DART Capital Accumulation Plan – 401(k)*

DART has adopted a deferred compensation plan in accordance with Internal Revenue Code Section 401(k), which allows employees to contribute up to 50 percent of their annual compensation to the plan, subject to the annual contribution limits of the Internal Revenue Service. DART matches 50 percent of the employee's contribution up to a maximum of three percent of the employee's annual compensation. Participants hired before January 1, 2006, are vested in 25 percent of DART's contributions after two years of service, graduating to 100 percent vesting after five years. Participants hired after December 31, 2005, become 100 percent vested in DART's contributions to the Plan only after five years of service. Total expense to DART to fully fund this plan was approximately \$6,802 and \$6,161 for the years ended September 30, 2023 and 2022, 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.

**22. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description** – DART administers a single-employer defined benefit called the Other Post-Employment Benefits (OPEB) Plan. The OPEB Plan provides health care 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

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are as follows: Participants of the DB Plan will be eligible at age 55 with a minimum of 10 years of service to DART. Participants of the defined contribution pension plan will be eligible at age 60 with a minimum of 10 years of service to DART. The plan does not issue stand-alone financial reports.

Covered Participants – As of the September 30, 2022 and 2021, actuarial valuation, the active and inactive participants below were covered by the benefit terms under the plan:

	<u>Number of Covered Participants</u>	
	<u>9/30/2022</u>	<u>9/30/2021</u>
Active employees	3,058	3,308
Retirees, beneficiaries, disabled members, and covered spouses	608	946
Total	<u>3,666</u>	<u>4,254</u>

Contributions – DART contributions are based on annual actuarial valuations and are designed to fund the OPEB Plan on a level cost basis, cover normal costs each year, and cover amortization of any unfunded actuarial liabilities. Retirees also make monthly contributions to the health care plan. Such contributions are determined annually by the plan administrator based on expected annual cost. DART contributed \$0 to the plan during FY 2023 and \$2,000 during FY 2022

Net OPEB Liability – DART’s net OPEB liability was measured as of September 30, 2022 and 2021, 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 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.

Actuarial valuations were performed for the OPEB Plan as of September 30, 2022 and 2021. The tables below show a summary of significant actuarial assumptions.

<u>Valuation Date</u>	<u>September 30, 2022</u>
Discount Rate	6.00 percent
Inflation	3.00 percent included in health care cost trend
Salary Increases	Varies
Investment Rate of Return	6.00 percent per year, compounded annually, net of investment-related expenses
Health Care Cost Trend Rate	Starts with 7.50 percent in 2023; ultimate trend rate is 4.00 percent in 2075 and the future
Mortality Rate – Non-Special Risk	<i>Active Lives:</i> PubG-2010 Employee mortality, projected 5 years past the valuation date with Scale MP-2021 <i>Healthy Inactive Lives:</i> PubG-2010 Healthy Retiree mortality, projected 5 years past the valuation date with Scale MP-2021 <i>Beneficiaries:</i> PubG-2010 Survivor mortality, projected 5 years past the valuation date with Scale MP-2021 <i>Disabled Lives:</i> PubG-2010 Disabled mortality, projected 5 years past the valuation date with Scale MP-2021
Mortality Rate – Special Risk	<i>Active Lives:</i> PubS-2010 Employee mortality, projected 5 years past the valuation date with Scale MP-2021 <i>Healthy Inactive Lives:</i> PubS-2010 Healthy Retiree mortality, projected 5 years past the valuation date with Scale MP-2021 <i>Beneficiaries:</i> Pub-2010 Survivor mortality, projected 5 years past the valuation date with Scale MP-2021 <i>Disabled Lives:</i> PubS-2010 Disabled mortality, projected 5 years past the valuation date with Scale MP-2021
Future Participation Eligibility for Coverage	For future eligible retirees, 45 percent are assumed to elect medical coverage, while 25 percent are assumed to elect life coverage <i>Defined Benefit Pension Plan participants:</i> Age 55 and 10 years of service <i>Defined Contribution Pension Plan participants:</i> Age 60 and 10 years of service
Dependent Coverage	For active employees, 80 percent are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four years younger than their husbands. One hundred percent of future retirees with coverage are assumed to elect coverage on spouse. Any potential costs for children have not been considered for valuation purposes.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Measurement Date	September 30, 2022

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Valuation Date	September 30, 2021
Discount Rate	7.00 percent
Inflation	3.00 percent included in health care cost trend
Salary Increases	3.25 percent per annum
Investment Rate of Return	7.00 percent per year, compounded annually, net of investment-related expenses
Health Care Cost Trend Rate	Starts with 7.50 percent in 2022; ultimate trend rate is 4.00 percent in 2075 and the future
Mortality Rate – Non-Special Risk	<i>Active Lives:</i> PubG-2010 Employee mortality, projected 5 years past the valuation date with Scale MP-2020 <i>Healthy Inactive Lives:</i> PubG-2010 Healthy Retiree mortality, projected 5 years past the valuation date with Scale MP-2020 <i>Beneficiaries:</i> PubG-2010 Survivor mortality, projected 5 years past the valuation date with Scale MP-2020 <i>Disabled Lives:</i> PubG-2010 Disabled mortality, projected 5 years past the valuation date with Scale MP-2020
Mortality Rate – Special Risk	<i>Active Lives:</i> PubS-2010 Employee mortality, projected 5 years past the valuation date with Scale MP-2020 <i>Healthy Inactive Lives:</i> PubS-2010 Healthy Retiree mortality, projected 5 years past the valuation date with Scale MP-2020 <i>Beneficiaries:</i> Pub-2010 Survivor mortality, projected 5 years past the valuation date with Scale MP-2020 <i>Disabled Lives:</i> PubS-2010 Disabled mortality, projected 5 years past the valuation date with Scale MP-2020
Future Participation	For future eligible retirees, 45 percent are assumed to elect medical coverage, while 25 percent are assumed to elect life coverage
Eligibility for Coverage	<i>Defined Benefit Pension Plan participants:</i> Age 55 and 10 years of service <i>Defined Contribution Pension Plan participants:</i> Age 60 and 10 years of service
Dependent Coverage	For active employees, 80 percent are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four years younger than their husbands. One hundred percent of future retirees with coverage are assumed to elect coverage on spouse. Any potential costs for children have not been considered for valuation purposes.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Measurement Date	September 30, 2021

An actuarial experience study for the OPEB Plan was also performed during FY 2021.

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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below for September 30, 2023 and 2022, valuations:

	<u>Target Allocation</u>	<u>Estimate of Expected Long- Term Rates of Return</u>
Domestic Equity	39%	6.28%
International Equity	15%	6.55%
Emerging Markets Equity	6%	7.40%
Core Fixed	20%	1.43%
Investment Grade Corporate Debt	10%	1.95%
Emerging Markets debt	5%	4.10%
High Yield	5%	3.91%

Money-Weighted Rate of Return – The money-weighted rate of return was 17.98 percent for FY 2023, compared to -18.04 percent for FY 2022.

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

Discount Rate – The discount rate used to measure the total OPEB liability was 6.00 percent. 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 Net OPEB Liability to Changes in Discount Rate – The table below presents DART’s net OPEB liability, as well as what DART’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current discount rate.

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
DART’s Net OPEB Liability (Asset), 9/30/2023	\$(9,072)	\$(15,223)	\$(20,262)
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
DART’s Net OPEB Liability (Asset), 9/30/2022	\$(13,110)	\$(19,217)	\$(24,336)

Sensitivity of Net OPEB Liability to Changes in Health Care Cost Trend Rates – The table below presents DART’s net OPEB liability, as well as what DART’s net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or higher than the current health care cost trend rates.

DART’s Net OPEB Liability (Asset)	1% Decrease	Health Care Cost Trend Rates	1% Increase
As of 9/30/2023	3.00% decreasing to 6.50%	4.00% decreasing to 7.50%	5.00% decreasing to 8.50%
	\$(20,560)	\$(15,223)	\$(8,640)
As of 9/30/2022	3.00% decreasing to 6.50%	4.00% decreasing to 7.50%	5.00% decreasing to 8.50%
	\$(24,528)	\$(19,217)	\$(12,846)

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 (Asset) (a-b)
Balance as of 9/30/2021	\$58,949	\$65,602	\$(6,653)
Service cost	2,142	-	2,142
Interest	4,094	-	4,094
Differences between expected and actual experience	4,488	-	4,488
Changes in assumptions or other inputs	(2,647)	-	(2,647)
Changes of benefit terms	(6,746)	-	(6,746)
Contributions – employer	-	1,655	(1,655)
Contributions – participant	-	903	(903)
Net investment income, net of expenses	-	11,570	(11,570)
Benefit payments	(5,301)	(5,301)	-
Administrative expenses	-	(233)	233
Net changes	(3,970)	8,594	(12,564)
Balance as of 9/30/2022	54,979	74,196	(19,217)
Service cost	1,334	-	1,334
Interest	3,739	-	3,739
Differences between expected and actual experience	(16,429)	-	(16,429)
Changes in assumptions or other inputs	4,922	-	4,922
Contributions – employer	-	2,000	(2,000)
Contributions – participant	-	280	(280)
Net investment loss, net of expenses	-	(12,655)	12,655
Benefit payments	(5,896)	(5,896)	-
Administrative expenses	-	(53)	53
Net changes	(12,330)	(16,324)	3,994
Balance at 9/30/2023	\$42,649	\$57,872	\$(15,223)

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

OPEB Expense – For FY 2023 and FY 2022, DART’s OPEB expense was zero.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – As of September 30, 2023, DART reported deferred inflows/outflows of resources related to OPEB from the sources below:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$23,340	\$17,689
Changes in assumptions	5,324	15,192
Net difference between projected and actual earnings on OPEB Plan investments	-	5,087
Total	<u>\$28,664</u>	<u>\$37,968</u>

There are no reported deferred outflows of resources related to OPEB resulting from DART contributions after the measurement date to be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

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

<u>Year Ended September 30</u>	<u>Amount</u>
2024	\$(1,416)
2025	(1,681)
2026	(1,130)
2027	(54)
2028	(2,376)
Thereafter	(2,647)

On September 30, 2022, DART reported deferred inflows/outflows of resources related to OPEB from the sources below:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$11,034	\$ 4,086
Changes in assumptions	1,301	18,392
Net difference between projected and actual earnings on OPEB Plan investments	-	6,840
Employer contribution made after measurement date	2,000	-
Total	<u>\$14,335</u>	<u>\$29,318</u>

The \$2,000 reported as deferred outflows of resources related to OPEB resulting from DART contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2023	\$(3,572)
2024	(3,522)
2025	(3,787)
2026	(3,235)
2027	(2,159)
Thereafter	(708)

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 after 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.



**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

The table below shows the Statement of Fiduciary Net Position for OPEB for the years ended September 30, 2023 and 2022:

	<u>9/30/2023</u>	<u>9/30/2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$533	\$3,584
Other receivables	2	3
Investments at fair value:		
Equity	37,478	33,844
Fixed income	<u>23,601</u>	<u>20,441</u>
Total investments	<u>61,079</u>	<u>54,285</u>
TOTAL ASSETS	<u>61,614</u>	<u>57,872</u>
 <u>LIABILITIES</u>		
Accounts payable, investment management, accrued benefits, and administrative fees	<u>322</u>	<u>853</u>
NET POSITION RESTRICTED FOR PENSIONS	<u>\$61,292</u>	<u>\$57,019</u>

The table below shows the Statement of Changes in Fiduciary Net Position for OPEB FY 2023 and 2022:

	<u>FY 2023</u>	<u>FY 2022</u>
<u>ADDITIONS</u>		
Investment income:		
Net investment gain (loss)	\$4,734	(\$14,525)
Interest and dividends	1,826	1,870
Investment manager fees	-	(35)
Total investment income, net	<u>\$6,560</u>	<u>(12,690)</u>
Contributions:		
Employer	-	2,000
Employee/participant	<u>621</u>	<u>280</u>
Total contributions	<u>621</u>	<u>2,280</u>
Total additions	<u>7,181</u>	<u>(10,410)</u>
 <u>DEDUCTIONS</u>		
Benefit payments	2,889	5,674
Administrative expenses	<u>19</u>	<u>19</u>
Total deductions	<u>2,908</u>	<u>5,693</u>
NET INCREASE/(DECREASE) IN NET POSITION	4,273	(16,103)
NET POSITION:		
BEGINNING OF YEAR	<u>57,019</u>	<u>73,122</u>
END OF YEAR	<u>\$61,292</u>	<u>\$57,019</u>

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

**23. CLAIMS AND LITIGATION**

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

**24. COMMITMENTS AND CONTINGENCIES**

The Board-approved Transit System Plan includes the design and construction of the Silver Line for commuter rail service and light rail system modernization. The Silver Line is a 26-mile 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 10 proposed stations along the way. The Dallas Central Business District (D2) Alignment for light rail service has been replaced by system modernization. The D2 alignment was supposed to double the downtown LRT capacity and connect Victory Station and the Green Line. However, the pandemic and subsequent changes in ridership and travel patterns have reduced ridership, especially during typical peak commute times. The system modernization program includes upgrading the original rail signal system, new state-of-the-art trains, and universal accessibility at all platforms. The timing and completion of the Transit System Plan is based on economic assumptions made in DART's 20-Year Financial Plan and the costs of these projects are subject to change based on changing economic conditions. The FY 2024 20-Year Financial Plan includes \$9 billion for capital and non-operating projects. DART has entered contract commitments for these and other capital developments in the amount of \$2.3 billion and has spent approximately \$1.5 billion of the committed amount as of September 30, 2023.

DART participates in several federal and state grant programs 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 owns and operates a number of facilities. It also acquires new properties for service 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 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.

**25. DERIVATIVE INSTRUMENTS**

DART has 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, and DART entered a CNG fuel hedge contract to minimize its exposure to risk.

Objective and Terms of the CNG Delivery Contract – The objectives of the CNG delivery contract were to ensure DART had delivery of natural gas for its transit buses and contractor-owned and operated paratransit vehicles during the contract period.

Early Termination – Subject to payment of early termination damages, either party could terminate the CNG delivery contract by giving at least 30 days written notice to the other party. The effect of termination risk on DART was paying market prices for CNG purchased for its operations. No termination event occurred during FY 2023 or 2022.

Credit Risk – As of September 30, 2023, DART had no asset position in the derivative instrument (natural gas hedge). DART could have been exposed to credit risk if the counterparty to the transaction became insolvent, but that did not happen. S&P's credit rating for the counterparty was A+ during FY 2023. The last natural gas hedge contract expired on September 30, 2023.

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 occurred during FY 2023, and the last natural gas hedge contract expired on September 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 S&P or Moody's and if the exposure exceeds threshold amounts specified in the derivative instruments (contracts). During FY 2022, DART maintained an AA+ credit rating from S&P, AAA from Kroll, and Aa2 from Moody's on outstanding long-term debt. In addition, Fitch maintains an AA- on DART's Series 2007 bonds.

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

**26. NEW ACCOUNTING PRONOUNCEMENTS**

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues identified during implementation of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement include (1) classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, (2) clarification of provisions in Statement No. 87, *Leases*, as amended, (3) clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (4) clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, (5) extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of an interest rate swap that hedges the interest rate risk of taxable debt, (6) accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), (7) disclosures related to nonmonetary transactions, (8) pledges of future revenues when resources are not received by the pledging government, (9) clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, (10) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (11) terminology used in Statement No. 53 to refer to resource flows statements. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 will take effect for financial statements starting with the fiscal year that ends on June 30, 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The requirements of this Statement will take effect for financial statements starting with the fiscal years that begin after June 30, 2024, which is FY 2025 for DART.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement better meets the needs of financial statement users by aligning the recognition and measurement guidance for compensated absences under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. The requirements of this Statement are effective for fiscal years beginning after December 31, 2024, which is FY 2026 for DART.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement provides users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflows of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for debt vulnerable to the risk of a substantial impact. Additionally, the Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in the notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of substantial impact. The disclosure should include descriptions of (1) the concentration or constraint, (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements, and (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, which is FY 2025 for DART.

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

**DALLAS AREA RAPID TRANSIT  
NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022 (Dollars in Thousands)**

27. RESTATEMENT – CHANGE IN ACCOUNTING PRINCIPLE

In FY 2023, DART adopted Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. To present comparative numbers with this Statement, DART has elected to restate the FY 2022 amounts. The effects from the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position are shown below:

Restated Statement of Net Position as of September 30, 2022

	<u>9/30/2022</u> <u>(Original)</u>	<u>9/30/2022</u> <u>(Adjustment)</u>	<u>9/30/2022</u> <u>(Restated)</u>
Current assets	\$1,329,662	\$-	\$1,329,662
Noncurrent assets	4,552,978	12,010	4,564,988
Total assets	5,882,640	12,010	5,894,650
Deferred outflows of resources	66,877	-	66,877
Total assets and deferred outflows of resources	5,949,517	12,010	5,961,527
Current liabilities	458,632	2,926	461,558
Noncurrent liabilities	3,704,967	8,109	3,713,076
Total liabilities	4,163,599	11,035	4,174,634
Deferred inflows of resources	67,004	-	67,004
Total liabilities and deferred inflows of resources	4,230,603	11,035	4,241,638
Net position			
Net investment in capital assets	746,146	519	746,665
Restricted for debt service	93,683	-	93,683
Restricted as security for capital lease/leaseback liabilities	2,133	-	2,133
Unrestricted	876,952	456	877,408
Total net position	<u>\$1,718,914</u>	<u>\$975</u>	<u>\$1,719,889</u>

Restated Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended September 30, 2022

	<u>FY 2022</u> <u>(Original)</u>	<u>FY 2022</u> <u>(Adjustment)</u>	<u>FY 2022</u> <u>(Restated)</u>
Operating revenues	\$46,831	\$-	\$46,831
Operating expenses	832,520	(2,552)	829,968
Operating loss	(785,689)	2,552	(783,137)
Net non-operating revenues	1,025,972	(48)	1,025,924
Income before capital contributions and grants	240,283	2,504	242,787
Capital contributions and grants	27,690	-	27,690
Change in net position	<u>\$267,973</u>	<u>\$2,504</u>	<u>\$270,477</u>

**DALLAS AREA RAPID TRANSIT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SEPTEMBER 30, 2023 (Dollars in Thousands)**

**DART EMPLOYEES' DEFINED BENEFIT PENSION PLAN AND TRUST  
SCHEDULE OF NET PENSION LIABILITY**

The schedule of changes in DART's net pension liability and related ratios (dollar amounts in thousands)

	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
<b><u>Total Pension Liability</u></b>							
Service cost	\$259	\$806	\$916	\$859	\$988	\$1,107	\$1,282
Interest	15,494	15,204	15,504	15,350	14,795	14,501	14,969
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	3,999	10,381	(781)	1,480	1,920	2,655	(2,815)
Changes in assumptions	2,015	-	-	-	5,326	-	63
Benefit payments	(18,780)	(24,308)	(15,661)	(15,256)	(14,107)	(13,471)	(11,203)
Net change in total pension liability	2,987	2,083	(22)	2,433	8,922	4,792	2,296
Total pension liability – beginning	238,670	236,587	236,609	234,176	225,254	220,462	218,166
Total pension liability – ending (a)	241,657	238,670	236,587	236,609	234,176	225,254	220,462
<b><u>Plan Fiduciary Net Position</u></b>							
Contributions – employer	10,000	10,000	10,000	10,000	10,000	10,000	9,217
Contributions – employee	-	-	-	2	2	2	2
Net investment income (loss), net of expenses	(27,226)	35,075	18,488	4,267	10,679	15,590	16,067
Benefit payments	(18,780)	(24,308)	(15,661)	(15,256)	(14,107)	(13,471)	(11,203)
Administrative expenses	(290)	(109)	(107)	(274)	(84)	(100)	(218)
Net change in plan fiduciary net position	(36,296)	20,658	12,720	(1,261)	6,490	12,021	13,865
Plan fiduciary net position – beginning	218,962	198,304	185,584	186,845	180,355	168,334	154,469
Plan fiduciary net position – ending (b)	182,666	218,962	198,304	185,584	186,845	180,355	168,334
DART's net pension liability (a-b)	\$58,991	\$19,708	\$38,283	\$51,025	\$47,331	\$44,899	\$52,128
Plan fiduciary net position as a percentage of total pension liability	75.59%	91.74%	83.82%	78.43%	79.79%	80.07%	76.36%
Covered payroll	\$4,090	\$3,752	\$11,104	\$12,374	\$14,333	\$15,642	\$18,914
DART's net pension liability as a percentage of covered payroll	1442.32%	525.27%	344.78%	412.36%	330.22%	287.04%	275.61%

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 are available. The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**Changes in Assumptions** – Starting with measurement date September 30, 2022, a depletion date projection as of that date was performed. The results of this projection decreased the discount rate from 6.75 to 6.64 percent. Starting with measurement date September 30, 2018, assumed rates of mortality were amended to adopt the Pub-2010 Public Retirement Plan Mortality Tables for General Employees. Starting from FY 2017, the discount rate decreased from 7.00 to 6.75 percent. There were no significant changes in assumptions for other fiscal years.

**DALLAS AREA RAPID TRANSIT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SEPTEMBER 30, 2023 (Dollars in Thousands)**

**DART EMPLOYEES' DEFINED BENEFIT PENSION PLAN AND TRUST  
SCHEDULE OF EMPLOYER CONTRIBUTION**

The schedule of DART's contributions to the DB Plan (dollar amounts in thousands)

	9/30/23	9/30/22	9/30/21	9/30/20	9/30/19	9/30/18	9/30/17	9/30/16	9/30/15	9/30/14
Contractually required contribution	\$5,470	\$5,133	\$5,540	\$6,624	\$6,928	\$7,235	\$7,755	\$9,217	\$8,706	\$9,122
Contribution in relation to the contractually required contribution	27,000	10,000	10,000	10,000	10,000	10,000	10,000	9,217	8,706	9,122
Contribution deficiency (excess)	<u>\$(21,530)</u>	<u>\$(4,867)</u>	<u>\$(4,460)</u>	<u>\$(3,376)</u>	<u>\$(3,072)</u>	<u>\$(2,765)</u>	<u>\$(2,245)</u>	\$ -	\$ -	\$ -
Covered payroll	N/A	\$4,090	\$3,752	\$11,104	\$12,374	\$14,333	\$15,642	\$18,914	\$19,129	\$19,438
Contribution as a percentage of covered payroll	N/A	244.50%	266.52%	90.06%	80.81%	69.77%	63.93%	48.73%	45.51%	46.93%

Valuation Date – The most recent valuation date is October 1, 2022.

Contribution Rates – 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, 2021, was made during the fiscal year ended September 30, 2022, and as of October 1, 2020, was made during the fiscal year ended September 30, 2021.

Actuarial Assumptions – 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 percent
Investment Return	6.75 percent per year compounded annually, net of all expenses starting from 9/30/2016 measurement dates; before that it was 7.00 percent
Retirement age	6.0 percent at age 55 (starting from 9/30/2023 measurement date), reaching 100 percent at age 70; before that for age 55, it was 7.5 percent
Salary Increases	3 percent starting from 9/30/2016 measurement date; before that, it was 3.25 percent
Mortality	<i>Active Lives:</i> PubG-2010 (Below-median, amount weighted) employee rates with mortality improvement projections to the valuation date using Scale MP-2021. <i>Retiree and Vested Terminated Lives:</i> PubG-2010 (Below median, amount-weighted) healthy retiree rates with mortality improvement projections to the valuation date using Scale MP-2021. <i>Contingent Survivor Lives:</i> PubG-2010 (Below-median, amount-weighted) contingent survivor rates with mortality improvement projections to the valuation date using Scale MP-2021. <i>Disabled Lives:</i> PubG-2010 (amount-weighted) disabled retiree rates with mortality improvement projections to the valuation date using Scale MP-2021.
Marital Status	85 percent of male participants and 65 percent of female participants are assumed to be married. Additionally, male spouses are assumed to be three years older than female spouses.
Termination Rate	1.33 percent per year for all ages, 1.50 percent per year prior to age 54, and 1.00 percent per year on and after attainment of age 54

**DALLAS AREA RAPID TRANSIT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SEPTEMBER 30, 2023 (Dollars in Thousands)**

**OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF NET OPEB LIABILITY**

The schedule of changes in DART's net OPEB liability and related ratios (dollar amounts in thousands)

	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>
<b><u>Total OPEB Liability</u></b>				
Service cost	\$1,334	\$2,142	\$2,436	\$2,559
Interest	3,739	4,094	4,505	4,338
Changes of benefit terms	-	(6,746)	-	7,047
Difference between expected and actual experience regarding economic or demographic assumptions	(16,429)	4,488	(1,795)	-
Changes in assumptions about future economic or demographic or other inputs	4,922	(2,647)	(6,443)	(8,292)
Benefit payments	(5,896)	(5,301)	(3,283)	(3,003)
Net change in total pension liability	(12,330)	(3,970)	(4,580)	2,649
Total OPEB liability – Beginning	54,979	58,949	63,529	60,880
Total OPEB liability – Ending (a)	42,649	54,979	58,949	63,529
<b><u>Plan Fiduciary Net Position</u></b>				
Contributions – employer	2,000	1,655	3,229	7,489
Contributions – participant	280	903	482	806
Net investment income, net of expenses	(12,655)	11,570	6,860	2,421
Benefit payments	(5,896)	(5,301)	(3,283)	(3,003)
Administrative expenses	(53)	(233)	(168)	(164)
Other income	-	-	1	-
Adjustment to reflect actual assets	-	-	-	-
Net change in plan fiduciary net position	(16,324)	8,594	7,121	7,549
Plan fiduciary net position – Beginning	74,196	65,602	58,481	50,932
Plan fiduciary net position – Ending (b)	57,872	74,196	65,602	58,481
DART's net OPEB liability(asset)* (a-b)	<u>\$(15,223)</u>	<u>\$(19,217)</u>	<u>\$(6,653)</u>	<u>\$5,048</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>135.69%</u>	<u>134.95%</u>	<u>111.29%</u>	<u>92.05%</u>
Covered employee payroll	\$238,997	\$230,915	\$227,484	\$229,824
DART's net OPEB liability (asset) as a percentage of covered employee payroll	(6.37%)	(8.32%)	(2.92%)	2.20%
Annual money-weighted rate of return for OPEB investments	17.98%	(18.04%)	18.37%	12.16%

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 are available. The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

Changes in Assumptions and Other Changes – The annual per capita claims costs have been updated based on plan experience during the 36 months preceding the valuation date. Premiums were updated to reflect those in effect for the 2023 calendar year for active health plans and the 2022 calendar year for the Aetna Medicare supplement plan. Health care inflation rates have been updated to reflect recent health care trend rate surveys, blended with the Getzen model published by the Society of Actuaries. Mortality improvement has been updated to reflect mortality improvement scale MP-2021.

**DALLAS AREA RAPID TRANSIT  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**SEPTEMBER 30, 2023 (Dollars in Thousands)**

**OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF EMPLOYER CONTRIBUTION**

The schedule of DART's contributions to the OPEB Plan (dollar amounts in thousands)

	9/30/23	9/30/22	9/30/21	9/30/20	9/30/19	9/30/18*	9/30/17	9/30/16	9/30/15	9/30/14
Actuarially determined contribution	\$-	\$2,000	\$1,655	\$3,229	\$3,627	\$3,862	\$5,821	\$4,625	\$4,313	\$5,141
Contribution in relation to the actuarially determined contribution	-	2,000	1,655	3,229	7,489	-	5,821	4,625	4,313	5,141
Contribution deficiency (excess)	\$-	\$-	\$-	\$-	(\$3,862)	\$3,862	\$-	\$-	\$-	\$-
Covered employee payroll	N/A	\$238,997	\$230,915	\$227,484	\$229,824	\$214,754	\$205,345	\$205,345	\$196,688	\$185,181
Contribution as a percentage of covered employee payroll	N/A	0.84%	0.72%	1.42%	3.26%	0.00%	2.83%	2.25%	2.19%	2.78%

\*Contribution for the fiscal year ended September 30, 2018, was made during the fiscal year ending September 30, 2019 (on October 1, 2018).

Contribution Rates – 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.



**DALLAS AREA RAPID TRANSIT  
OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2023 (Dollars in Thousands)**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
For the Year Ended September 30, 2023**

	DART Employees' Defined Benefit Pension Plan and Trust	Other Post- Employment Benefits Plan	DART Capital Accumulation Plan and Trust	DART Retirement Plan and Trust	Total
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$8,006	\$533	\$-	\$-	\$8,539
Receivables:					
Note receivable from participants	-	-	12,619	-	12,619
Other receivables	53	2	-	-	55
Employer contribution	-	-	-	767	767
Total receivables	53	2	12,619	767	13,441
Investments:					
Investments at contract value	-	-	34,949	47,798	82,747
Investments at fair value:					
Equity	88,268	37,478	191,258	117,346	434,350
Fixed income	73,815	23,601	21,999	84,393	203,808
Real estate	35,943	-	-	12,045	47,988
Total investments	198,026	61,079	248,206	261,582	768,893
<b>TOTAL ASSETS</b>	<b>206,085</b>	<b>61,614</b>	<b>260,825</b>	<b>262,349</b>	<b>790,873</b>
<b><u>LIABILITIES</u></b>					
Accounts payable, investment management, accrued benefits, and administrative fees	213	322	-	-	535
Accounts payable, investments in-transit	275	-	-	-	275
<b>TOTAL LIABILITIES</b>	<b>488</b>	<b>322</b>	<b>-</b>	<b>-</b>	<b>810</b>
<b>NET POSITION RESTRICTED FOR:</b>					
Pensions	205,597	-	260,825	262,349	728,771
Other post-employment benefits	-	61,292	-	-	61,292
<b>TOTAL NET POSITION</b>	<b>\$205,597</b>	<b>\$61,292</b>	<b>\$260,825</b>	<b>\$262,349</b>	<b>\$790,063</b>

**DALLAS AREA RAPID TRANSIT  
OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2023 (Dollars in Thousands)**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
For the Year Ended September 30, 2022**

	DART Employees' Defined Benefit Pension Plan and Trust	Other Post- Employment Benefits Plan	DART Capital Accumulation Plan and Trust	DART Retirement Plan and Trust	Total
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$4,412	\$3,584	\$-	\$-	\$7,996
Receivables:					
Note receivable from participants	-	-	12,071	-	12,071
Other receivables	2,734	3	-	-	2,737
Employer contribution	-	-	-	679	679
Total receivables	2,734	3	12,071	679	15,487
Investments:					
Investments at contract value	-	-	33,172	43,494	76,666
Investments at fair value:					
Equity	79,268	33,844	233,345	157,906	504,363
Fixed income	68,808	20,441	24,904	84,103	198,256
Real estate	28,999	-	-	17,720	46,719
Total investments	177,075	54,285	291,421	303,223	826,004
<b>TOTAL ASSETS</b>	<b>184,221</b>	<b>57,872</b>	<b>303,492</b>	<b>303,902</b>	<b>849,487</b>
<b><u>LIABILITIES</u></b>					
Accounts payable, investment management, accrued benefits, and administrative fees	178	853	-	-	1,031
Accounts payable, investments in-transit	1,377	-	-	-	1,377
<b>TOTAL LIABILITIES</b>	<b>1,555</b>	<b>853</b>	<b>-</b>	<b>-</b>	<b>2,408</b>
<b>NET POSITION RESTRICTED FOR:</b>					
Pensions	182,666	-	303,492	303,902	790,060
Other post-employment benefits	-	57,019	-	-	57,019
<b>TOTAL NET POSITION</b>	<b>\$182,666</b>	<b>\$57,019</b>	<b>\$303,492</b>	<b>\$303,902</b>	<b>\$847,079</b>

**DALLAS AREA RAPID TRANSIT  
OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2023 (Dollars in Thousands)**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Year Ended September 30, 2023**

	DART Employees' Defined Benefit Pension Plan and Trust	Other Post- Employment Benefits Plan	DART Capital Accumulation Plan and Trust	DART Retirement Plan and Trust	Total
<b>ADDITIONS:</b>					
Investment income:					
Net investment gain (loss)	\$10,851	\$4,734	\$(52,413)	\$(47,305)	\$(84,133)
Interest and dividends	4,987	1,826	8,852	6,995	22,660
Investment manager fees	(635)	-	-	-	(635)
Total investment income (loss), net	15,203	6,560	(43,561)	(40,310)	(62,108)
<b>Contributions:</b>					
Employer	27,000	-	6,507	18,491	51,998
Employee/participant	-	621	19,495	-	20,116
Other additions	-	-	-	15	15
Total contributions	27,000	621	26,002	18,506	72,129
Total additions	42,203	7,181	(17,559)	(21,804)	10,021
<b>DEDUCTIONS:</b>					
Benefit payments	19,124	2,889	24,689	19,729	66,431
Administrative expenses	148	19	419	20	606
Total deductions	19,272	2,908	25,108	19,749	67,037
NET INCREASE/(DECREASE) IN NET POSITION	22,931	4,273	(42,667)	(41,553)	(57,016)
<b>NET POSITION:</b>					
BEGINNING OF YEAR	182,666	57,019	303,492	303,902	847,079
END OF YEAR	\$205,597	\$61,292	\$260,825	\$262,349	\$790,063

**DALLAS AREA RAPID TRANSIT  
OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2023 (Dollars in Thousands)**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Year Ended September 30, 2022

	DART Employees' Defined Benefit Pension Plan and Trust	Other Post- Employment Benefits Plan	DART Capital Accumulation Plan and Trust	DART Retirement Plan and Trust	Total
<b>ADDITIONS:</b>					
Investment income:					
Net investment gain (loss)	\$(29,433)	\$(14,525)	\$21,817	\$23,273	\$1,132
Interest and dividends	4,257	1,870	11,461	8,549	26,137
Investment manager fees	(675)	(35)	-	-	(710)
Total investment income, net	(25,851)	(12,690)	33,278	31,822	26,559
<b>Contributions:</b>					
Employer	10,000	2,000	5,382	16,409	33,791
Employee/participant	-	280	16,013	-	16,293
Other additions	-	-	-	30	30
Total contributions	10,000	2,280	21,395	16,439	50,114
Total additions	(15,851)	(10,410)	54,673	48,261	76,673
<b>DEDUCTIONS:</b>					
Benefit payments	18,780	5,674	43,976	42,559	110,989
Administrative expenses	290	19	529	43	881
Total deductions	19,070	5,693	44,505	42,602	111,870
NET INCREASE/(DECREASE) IN NET POSITION	(34,921)	(16,103)	10,168	5,659	(35,197)
<b>NET POSITION:</b>					
BEGINNING OF YEAR	217,587	73,122	293,324	298,243	882,276
END OF YEAR	\$182,666	\$57,019	\$303,492	\$303,902	\$847,079

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**APPENDIX B**  
**SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION,**  
**AS AMENDED BY SUPPLEMENTAL DEBT RESOLUTIONS**

A Table of Contents and brief descriptions of certain provisions of the Master Debt Resolution, as amended, are included on the following pages of this Appendix B. The descriptions are not intended to be comprehensive or complete but are to be used as a guide to the full provisions of the Master Debt Resolution. The full and complete text of the Master Debt Resolution may be obtained directly from DART without cost at the address given in the text of this document, and it may be viewed on the Internet at DART's website, [www.dart.org](http://www.dart.org). Specific Article and Section numbers are identified in "*italics*" throughout this Summary.

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**SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION,  
AS AMENDED BY SUPPLEMENTAL DEBT RESOLUTIONS**

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**DEFINITIONS**

*{Article I}*

The following are definitions of certain terms used in this Summary.

**Accrued Aggregate Debt Service** - means, for any specified Debt Service Accrual Period, and with respect to a specified series of Obligations, an amount equal to the sum of the Debt Service accruing during that Debt Service Accrual Period with respect to all of such Obligations that are Outstanding at the beginning of such Debt Service Accrual Period.

**Accrued Aggregate Interest** - means, for any specified Debt Service Accrual Period, and with respect to a specified series of Obligations, that portion of Accrued Aggregate Debt Service that is attributable to interest on such Obligations for such Debt Service Accrual Period. Such term shall include amounts payable to the counterparty under a Swap Agreement to the extent such amounts exceed the applicable amount of interest on the other Obligations to which the Swap Agreement relates, but does not include termination fees or other similar charges with respect to Credit Agreement Obligations.

**Accrued Aggregate Principal** – means, for any Specified Debt Service Accrual Period and with respect to a specified series of Obligations, that portion of Accrued Aggregate Debt Service for such Debt Service Accrual Period that is attributable to Principal Installments of such Obligations.

**Act** - means Chapter 452, Texas Transportation Code, as amended.

**Additional Senior Lien Obligations** - means one or more series of bonds, notes, commercial paper, obligations, or other evidences of indebtedness permitted by Applicable Law and issued by DART on a parity as to the Pledged Revenues with the Initial Senior Lien Obligations for lawful purposes as permitted by pursuant to Section 3.2 of the Master Debt Resolution.

**Administrative Expenses** - means amounts owed to the Trustee under Section 8.4 of the Master Debt Resolution and, to the extent specified in a Supplemental Resolution, the fees, expenses, and indemnification liabilities payable to the Paying Agent, the Credit Providers, any Bondholder Representative, and others. Said term does not include Credit Agreement Obligations.

**Applicable Law** - means the Act and all other laws or statutes, rules or regulations, and any amendments thereto, of the State or of the United States by which DART and its powers, securities, bonds, notes, and other obligations, and its operations and procedures are, or may be, governed or from which such powers may be derived.

**Authorized Officer** - means the President and Executive Director, the Chief Financial Officer, the Treasurer, the Assistant Treasurer, and such other officers or employees of DART as may be authorized to perform duties under the Master Debt Resolution.

**Available Remaining Revenues** - means the amount of the Gross Sales Tax Revenues, plus the Special Revenues that are available to DART for spending for lawful purposes and the uses of which are not restricted by Applicable Law, grant condition, or contract (i) after complying with the requirements of Article V of the Master Debt Resolution, and (ii) after applying all of the revenues received from the operation of the System to the purpose of operating and maintaining the System, as required by Section 452.358 of the Act.



**Board** - means the governing subregional board of directors of DART as authorized and required by, and selected in the manner provided in, Section 452.573 of the Act.

**Bond Counsel** – means one or more firms of nationally recognized attorneys selected by the Board that are experienced in financing public infrastructure through the issuance of tax-exempt obligations under Section 103 of the Code and that may be specifically identified in a Supplemental Resolution.

**Bondholder Representative** - means each Person appointed pursuant to Section 11.8 of the Master Debt Resolution.

**Bond Obligation** - means any Obligation that is issued in the form of bonds, notes, or other securities or other forms of indebtedness other than a Credit Agreement Obligation.

**Business Day** - means, unless another definition is provided in a Supplemental Resolution with respect to a series of Obligations, any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the city where the designated payment/transfer office of the Paying Agent and/or Registrar is located, or where the principal office of the Trustee is located, are generally authorized or obligated by law or executive order to close.

**Certificate** – means a document signed by an Authorized Officer, either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Master Debt Resolution or a Supplemental Resolution.

**Code** - means the Internal Revenue Code of 1986, as amended, the regulations and published rulings promulgated or published pursuant thereto, and the provisions of any applicable section of a successor federal income tax law.

**Comptroller** - means the Constitutional Officer of the State of Texas known as the “Comptroller of Public Accounts” and any successor official or officer that may be charged by law with the duty of collecting the Sales Tax for the account of, and remitting Gross Sales Tax Revenues to, DART.

**Costs of Acquisition and Construction** - means all costs and expenses of planning, designing, acquiring, constructing, installing, extending, equipping, improving, repairing, replacing and financing any part or all of the System, placing the System in operation, and obtaining governmental approvals, certificates, permits and licenses with respect thereto. The Costs of Acquisition and Construction shall include, but shall not be limited to:

(i) all costs of land, rights-of-way and other interests in land, equipment, building and other structures, environmental remediation costs and facilities, engineering fees and costs, all fees and amounts owing for contractors, laborers, materials, equipment, utility services and supplies, legal fees and financing costs and fees;

(ii) costs of preliminary investigation and development, the performance or acquisition of feasibility and planning studies and the securing of regulatory approvals;

(iii) working capital and reserves during any period of acquisition or construction;

(iv) interest accruing in whole or in part on Obligations prior to and during construction or prior to and during land and equipment acquisition programs and for such additional period as the Board may determine to be necessary for the placing of the System or any facility or equipment in operation;

(v) the fees, costs or expenses incurred or agreed to be paid by DART in connection with any Credit Agreement; and

(vi) all other costs and expenses incurred by DART and properly and legally allocable to the acquisition, construction, extension, improvement and repair of all or any part of the System, expressly including, but not limited to, the costs or insurance that is properly allocable to the construction of expansions to the System, legal and professional fees, and financing costs and fees.

**Credit Agreement** – means any agreement of DART permitted by Applicable Law that is entered into with a Credit Provider for the purpose of enhancing or supporting the creditworthiness of all or a part of a series of Bond Obligations, and/or to assure DART’s financial ability to honor rights of tender of any such Bond Obligations and to hold, sell, market or remarket any of such Bond Obligations tendered according to the specific terms and features of a series of such Bond Obligations as contained and defined in a Supplemental Resolution, and/or to make deposits to any fund in lieu of cash deposits thereto, such as, for example only, municipal bond insurance policies, stand-by bond purchase agreements, Swap Agreements, revolving credit agreements, hedge agreements, and letters or lines of credit issued or provided by, and notes, surety bonds, reimbursement, purchase and other similar agreements with, banks, insurance companies or other commercial and financial institutions or by and with governmental agencies, entities or departments.

**Credit Agreement Obligations** - means any liability of DART to pay any amount of principal, interest, or other payment on any debt or liability created under a Credit Agreement in favor of a Credit Provider that is declared by the terms of the Master Debt Resolution or a Supplemental Resolution to be a Senior Lien Obligation, a Subordinate Lien Obligation or a Junior Subordinate Lien Obligation.

**Credit Provider** - means each party named in the Master Debt Resolution or a Supplemental Resolution that provides credit or liquidity support for or insurance insuring the payment of, any amounts due or owing on a series of Bond Obligations, or other financial undertakings in a Credit Agreement, including a counterparty to DART under a Swap Agreement.

**DART** – means Dallas Area Rapid Transit, a sub-regional transportation authority, public body corporate and politic created under the Act.

**Debt Service** - means, for any specified Debt Service Accrual Period or other period with respect to a specified series of Obligations, an amount equal to the sum of:

(i) the sum of (A) all interest that is due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) interest accruing on such Obligations, including as to Interim Obligations, and as to Variable Interest Rate Obligations, if any, the amount estimated by an Authorized Officer that will accrue during such Debt Service Accrual Period or other period, but excluding therefrom any interest that an Authorized Officer certifies to the Paying Agent will be paid from the proceeds of Obligations or from Credit Agreements; and

(ii) the sum of (A) all Principal Installments that are due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) that portion of next maturing Principal Installment on such Obligations which will accrue during such Debt Service Accrual Period or other period, other than a Principal Installment with respect to Interim Obligations and Credit Agreement Obligations that are to be paid either with the proceeds of Bond Obligations or with funds provided by a Credit Provider, and other than amounts scheduled to be paid by a counterparty to a Swap Agreement that is not in default. For the purpose of determining the amount of the next maturing

Principal Installment that will accrue during a Debt Service Accrual Period or other period, DART and the Paying Agent shall assume that the Principal Installment accrues daily in equal amounts from the next preceding Principal Installment due date. If there is no preceding Principal Installment due date with respect to particular Obligations, the Principal Installments with respect to that series shall not begin to accrue until the later of (A) the date which is one year preceding the first Principal Installment due date of that series, or (B) the date of issuance of that series.

Debt Service requirements shall be calculated on the assumption that no Obligations that are Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the Principal Installments or Sinking Fund Installments thereon when due, except as provided in the Master Debt Resolution for Interim Obligations. Such Debt Service requirements shall not include termination fees or other similar charges with respect to Credit Agreement Obligations.

**Debt Service Accrual Period** - means the period commencing on, as applicable, the date of issuance or execution of any Obligation under the Master Debt Resolution, or the most recent date on which the Trustee has transferred Gross Sales Tax Revenues from the Gross Sales Tax Revenue Fund in accordance with Section 5.3(a) the Master Debt Resolution, whichever is later, and ending on, but excluding, the next date on which the Trustee is expected to transfer Gross Sales Tax Revenues to the Gross Sales Tax Revenue Fund, as such period is specified by the Trustee in its request to each Paying Agent as required by Section 5.3(c) of the Master Debt Resolution.

**Event of Default** - means the occurrence of any of the events or circumstances described as such in Section 7.1 of the Master Debt Resolution.

**Federal Interest Subsidy** – means the interest subsidy payment received by DART from the United States Treasury relating to the interest payable on the Series 2009B Bonds and the 2010B Bonds under Section 54AA of the Code.

**First Supplemental Debt Resolution** - means the Supplemental Resolution approved by the Board authorizing the issuance and setting forth the terms of the Senior Subordinate Lien Obligations authorized by Section 3.3(a) of the Master Debt Resolution.

**Fiscal Year** - means the twelve-consecutive month period established from time to time by the Board as DART's fiscal year. Until changed by resolution of the Board, the fiscal year shall be the period commencing October 1 and ending on the following September 30.

**Force Majeure** - means any act of God or the public enemy; strike, lockout, work slowdown or stoppage or other labor dispute; insurrection, riot or other civil disturbance; order of the government of the United States or of any state thereof or order of any other civil or military authority; failure of a public utility; or other condition or event beyond the reasonable control of DART, other than a financial condition, business condition or condition or event constituting frustration of purpose.

**General Operating Fund** - means the fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

**Gross Sales Tax Revenue Fund** - means the special trust fund by that name reestablished and confirmed in Section 5.1 of the Master Debt Resolution.

**Gross Sales Tax Revenues** - means all of the revenues due or owing to, or collected or received by or on behalf of, DART, or by the Trustee pursuant to the Master Debt Resolution, from

or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law. Such term expressly does not include any Special Revenues.

**Holder** - means, with respect to Bond Obligations, the registered owner of a Bond Obligation according to the Obligation Register relating to such Bond Obligation, and, with respect to each Credit Agreement Obligation, the related Credit Provider.

**Initial Senior Lien Obligations** - mean the Senior Lien Obligations that are authorized in Section 3.1(a) of the Master Debt Resolution.

**Interest Payment Date(s)** - means the date or dates on which interest on Obligations is payable (including a prepayment or redemption date), as said date or dates are specified in a Supplemental Resolution or in Credit Agreements, as appropriate.

**Interim Obligations** - mean Obligations, including commercial paper, notes, and similar Obligations (i) for or with respect to which no Principal Installments are required to be made other than on the Stated Maturity Date thereof, which date shall be no later than five (5) years from the date of their delivery to their initial purchasers, and (ii) which are authorized by a Supplemental Resolution in which they are designated as “Interim Obligations” that DART intends to refund, reissue, or refinance in whole or in part prior to or on such Stated Maturity Date.

**Investment Securities** - mean any and all of the investments permitted by Applicable Law for the investment of the public funds of DART, provided that such investments are at the time made included in and authorized by the official investment policy of DART as approved by the Board from time to time and are not prohibited by a Supplemental Resolution.

**Junior Subordinate Lien Debt Service Fund** - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

**Junior Subordinate Lien Obligations** - means (i) bonds, notes, or other forms of indebtedness and obligations of DART that are by their terms made payable from the Junior Subordinate Lien Debt Service Fund and are secured by a lien on and pledge of Pledged Revenues that is junior and subordinate to the liens on and pledges of Pledged Revenues created in the Master Debt Resolution for the benefit of the Senior Lien Obligations and the Senior Subordinate Lien Obligations, and (ii) each Credit Agreement Obligation that is declared in a Supplemental Resolution to be a “Junior Subordinate Lien Obligation.”

**Market Value** - means the fair market value of Investment Securities calculated as set forth in the Master Debt Resolution.

**Maximum Interest Rate** - means, with respect to particular Variable Interest Rate Obligations, a numerical or other statement of the rate of interest, which shall be set forth in a Supplemental Resolution or in a Credit Agreement, authorizing such Obligations as appropriate, in each case as being the maximum rate of interest such Obligations may bear at a single time or over the period during which they are Outstanding or unpaid, but in no event exceeding the maximum amount or rate of interest permitted by Applicable Law.

**Minimum Interest Rate** - means, with respect to any particular Variable Interest Rate Obligations, a numerical rate of interest which may (but need not) be set forth in the Supplemental Resolution, or a Credit Agreement, as appropriate, authorizing such Obligations that shall be the minimum rate of interest such Obligations will at any time bear.

**Obligation Register** - means, as to each series of Bond Obligations, the register or registers maintained pursuant to Section 4.5 of the Master Debt Resolution.

**Obligations** - mean the Senior Lien Obligations and the Subordinate Lien Obligations.

**Outstanding** - when used with reference to Bond Obligations, means, as of any date, Bond Obligations theretofore or thereupon being authenticated and delivered under the Master Debt Resolution or a Supplemental Resolution, except:

(i) Bond Obligations which have been fully paid at or prior to their maturity or on or prior to a redemption date;

(ii) Bond Obligations (or portions thereof) for the payment of which moneys equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption, shall be held by a paying agent or a trustee in cash in trust and set aside for payment at maturity or redemption on a redemption date and for which notice of redemption has been given or provision has been made therefor;

(iii) Bond Obligations in lieu of or in substitution for which other Obligations have been authenticated and delivered pursuant to the Master Debt Resolution or a Supplemental Resolution; and

(iv) Bond Obligations for which payment has been provided by defeasance in accordance with Section 10.2 of the Master Debt Resolution.

When used with reference to Credit Agreement Obligations, the term “Outstanding” shall mean all principal amounts due and payable by DART under the applicable Credit Agreement until the later of the due or maturity date thereof, and the payment thereof in full, but only to the extent, and solely to the extent, that moneys (A) have been actually advanced or loaned to or for the account of DART (and have not been repaid) for the purpose of providing funds for the payment of the interest on or principal or Redemption Price of any Obligations on their maturity, due, or redemption date, or (B) have been paid (and have not been repaid) to or for the account of the Holder of an Obligation in order to honor such Holder’s right to tender Obligations for purchase prior to maturity in accordance with the terms and provisions of the applicable Supplemental Resolution or Credit Agreement.

**Outstanding Obligations** - means any Obligations while, when, after, to the extent, and for so long as any of the same are Outstanding.

**Outstanding Resolutions** - means the Master Debt Resolution, the First Supplemental Debt Resolution and all other Supplemental Resolutions when and as adopted by the Board.

**Paying Agent** - means any paying agent and its successor or successors for a series or issue of Obligations appointed pursuant to a Supplemental Resolution as described in Section 4.6 of the Master Debt Resolution.

**Person** - means any individual, corporation, partnership, (including a limited partnership) limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other legal entity.

**Pledged Farebox Revenues** - means with respect to any Debt Service Accrual Period, all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount not less than the amounts set forth in Appendix C of the Annual Disclosure Statement, and to the extent any Obligations continue to be outstanding beyond the last year set forth in Appendix C, the amount

of Pledged Farebox Revenues in each year thereafter shall never be less than the amount set forth in Appendix C for the final year. (See “Appendix C – Pledged Farebox Revenues.”)

**Pledged Revenues** - means collectively (a) the Gross Sales Tax Revenues at the point where they are required to be first collected in accordance with the Act and other Applicable Law, and for so long as they are owed, but unpaid, to, or on behalf of DART, (b) the Gross Sales Tax Revenues upon and after receipt by DART or by the Trustee under the Master Debt Resolution and while they are required to be or are on deposit in the Gross Sales Tax Revenue Fund, (c) Investment Securities or other investments or earnings, if any, credited to the Gross Sales Tax Revenue Fund that are not required by the Code to be rebated to the United States of America, (d) Pledged Farebox Revenues, (e) Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (f) any additional revenues or money of DART which may be, by a Supplemental Resolution, expressly and specifically pledged to the payment of any and or all of the Obligations.

**Principal Installment** - means any amounts, other than interest payments, including any Sinking Fund Installments, which are stated to be due or required to be made on or with respect to an Obligation which, when made, would reduce the amount of such Obligation that remains Outstanding or would retire and pay the same in full.

**Principal Payment Date(s)** – means the date or dates upon which Principal Installments are due as specified in a Supplemental Resolution or in a Credit Agreement, as appropriate, to and including the Stated Maturity Date of such Obligations.

**Project** – means any addition, improvement, expansion or extension to the System to be financed with all or a portion of the proceeds of Obligations, as determined by the Board.

**Rebate Fund** – means any fund established by a Supplemental Resolution in connection with the issuance of any Bond Obligation that is a Tax-Exempt Obligation, to ensure compliance with the provisions of Section 148 of the Code, including, in particular, Section 148(f) of the Code. For purposes of the foregoing and of the Outstanding Resolutions, DART shall be permitted to rely on a firm of certified public accountants, Bond Counsel or other persons who specialize in the exemption from federal income taxation of interest payable on Tax-Exempt Obligations, and DART may include in a Supplemental Resolutions covenants relating to Tax Exemption Obligations, to a Rebate Fund, and to the use and application of money on deposit in the funds created or confirmed in the Master Debt Resolution or in the funds or accounts created in a Supplemental Resolution.

**Redemption Price** – means, with respect to any Bond Obligation, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the terms of such Obligation or its authorizing Supplemental Resolution.

**Registrar** – means any registrar that is appointed pursuant to Section 4.5 of the Master Debt Resolution for Bond Obligations, which may include the Paying Agent for such Bond Obligations and its successor or assigns.

**Required Percentage of Holders of Bond Obligations** – means the Holders of:

(i) 51% of the principal amount of all Outstanding Bond Obligations that are Senior Lien Obligations;

(ii) 51% of the principal amount of all Outstanding Bond Obligations that are Senior Subordinate Lien Obligations; and

(iii) 51% of the principal amount of all Outstanding Bond Obligations that are Junior Subordinate Lien Obligations.

**Resolution** - means the Master Debt Resolution as it may from time to time be amended, modified or supplemented by Supplemental Resolutions or by amendment in accordance with Article IX of the Master Debt Resolution.

**Rule** – means SEC Rule 15c2-12, as amended from time to time.

**Sales Tax** - means the one-percent (1%) local sales and use tax authorized by the Act and other Applicable Law and heretofore approved at an election and then levied on taxable items and transactions, and confirmed and levied in the Master Debt Resolution, by DART within its boundaries, and hereafter required to be levied within any expanded areas included within DART pursuant to the Act, together with any increases in the rate thereof if provided and authorized by amendment to the Act, but subject to the requirements of the Voted Tax and Debt Limits.

**SEC** – means the Securities and Exchange Commission of the United States.

**Senior Lien Debt Service Fund** - means the special trust fund so designated and established in Section 5.1 of the Master Debt Resolution.

**Senior Lien Obligations** - means (i) the Initial Senior Lien Obligations, (ii) any Additional Senior Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution or a Supplemental Resolution to be a “Senior Lien Obligation.”

**Senior Subordinate Lien Debt Service Fund** - means the special fund so designated and established in Section 5.1 of the Master Debt Resolution.

**Senior Subordinate Lien Obligations** - means (i) the Senior Subordinate Lien Obligations authorized and named in Section 3.3(a) of the Master Debt Resolution, (ii) any other bonds, notes, or other forms of indebtedness and obligations of DART that are, by their terms, made payable from the Senior Subordinate Lien Debt Service Fund and that are secured by a lien on and pledge of Pledged Revenues that are junior and subordinate to the lien on and pledge of Pledged Revenues created in the Master Debt Resolution for the benefit of Senior Lien Obligations, but that are senior in right to the lien on and pledge of Pledged Revenues and Pledged Funds created in the Master Debt Resolution for the benefit of Junior Subordinate Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution, or in a Supplemental Resolution to be a “Senior Subordinate Lien Obligation.”

**Sinking Fund Installment** - means, with respect to any Bond Obligations, the portion of the Accrued Aggregate Debt Service required by a Supplemental Resolution to be deposited to the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund or the Junior Subordinate Lien Debt Service Fund in all events on a future date to be held on deposit or applied, in either case, for the mandatory redemption or retirement, in whole or in part, of any of such Bond Obligations having a stated maturity after said future date. Said future date is deemed to be the date when such Sinking Fund Installment is due and payable.

**Special Revenue Bonds** - mean bonds, notes or other obligations issued for lawful purposes that (i) are made payable from Special Revenues pursuant to the right to issue the same reserved in Section 3.6 of the Master Debt Resolution, and (ii) are not payable from or secured by any part or portion of the Pledged Revenues.

**Special Revenues** - mean any and all revenues of DART, other than the Sales Tax, including, but not limited to, all of (i) any taxes or special charges, other than the Sales Tax, that DART is authorized by Applicable Law to impose and collect for its public purposes, (ii) fare-box revenues (other than Pledged Farebox Revenues), rents, tolls, rates and charges imposed by DART for the use of any part or all of the System, as it exists from time to time, and (iii) the proceeds from grants for the purposes of the System made to DART by the State or by the United States of America.

**Standard Assumptions** - means the assumptions that are applicable to Interim Obligations and to Variable Interest Rate Obligations, as set forth and described in subsections (e) and (f), respectively, of Section 1.4 of the Master Debt Resolution.

**State** - means the State of Texas.

**Stated Maturity Date** - means the date on which an Obligation matures and the full amount owed thereon is in all events due and payable, as specified in a Supplemental Resolution or in a Credit Agreement, as appropriate.

**Subordinate Lien Obligations** - mean any and all Senior Subordinate Lien Obligations and any and all Junior Subordinate Lien Obligations.

**Supplemental Resolution** - means any resolution of the Board that supplements the Master Debt Resolution for (i) the purpose of authorizing and providing the terms and provisions of Obligations, or (ii) any of the other purposes permitted by Article IX of the Master Debt Resolution.

**Swap Agreement** - means a Credit Agreement with respect to a series of Bond Obligations pursuant to which DART agrees to pay to a qualified counterparty an amount of money in exchange for the counterparty's promise to pay an amount equal to all or a portion of the actual amount of interest due and payable on such series according to its terms as it becomes due. For the purposes of this definition, a counterparty is not qualified unless it holds a current rating for claims-paying ability by at least two nationally recognized rating agencies at least equal to the rating of each such rating agency assigned to the Initial Senior Lien Obligations without reference to any Credit Agreement.

**System** - means the public transportation system of DART, including complementary transportation services, and all of the properties and assets of DART that are defined in and permitted by the Act, whether owned or operated by DART directly or provided for or on behalf of DART by others pursuant to contracts executed for such purposes as provided in the Act.

**System Expansion and Acquisition Fund** - means the fund so designated and established in Section 5.1 of the Master Debt Resolution.

**Tax-Exempt Obligation** - means any Bond Obligation the interest on which is excludable from the gross income of the Holder for federal income tax purposes under Section 103 of the Code.

**Trustee** - means Zion Bancorporation, National Association, DBA Amegy Bank, as successor Bank One, Texas, N.A., as the trustee under the Master Debt Resolution, and any successor to or replacement of such trustee appointed in accordance with the Master Debt Resolution.

**Variable Interest Rate** - means a variable or adjustable interest rate that varies from time to time based on a formula or reference to specified financial indicators, or by negotiation, auction, or revisions through another method from time to time and to be borne by all or a part of any Obligations, all as specified in a Supplemental Resolution or Credit Agreement, as applicable.

**Variable Interest Rate Obligations** - mean Obligations which bear a Variable Interest Rate.

**Voted Tax and Debt Limits** - means the limitations on (i) the maximum rate of the Sales Tax that DART may levy and collect, and (ii) the maximum amount of indebtedness that DART may incur that has a maturity longer than five (5) years, in either case without further elections in conformity with Section 9 of the Election Order as summarized in the preambles to the Master Debt Resolution.



***Interpretations - Standard Assumptions {Sections 1.4(e) and (f)}***

Wherever a calculation of Debt Service with respect to Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming (A) that the Outstanding principal amount of the series of Interim Obligations are bonds secured by a lien on Pledged Revenues on a parity with the Interim Obligations which will amortize over a period of not to exceed 25 years following the date of initial issuance of such Interim Obligations in such manner as will cause the maximum Debt Service for such series in any 12 month period not exceeding 110% of the minimum Debt Service for such series for any other 12 month period, and (B) such series will bear interest at a fixed interest rate reasonably estimated to be the interest rate such series would bear if issued on the date of such estimate.

Wherever a calculation of Debt Service with respect to Variable Interest Rate Obligations that are not Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming that such Obligations will bear interest at the highest of (i) the actual rate on the date of calculation, or, if such Obligations are not yet Outstanding, the initial rate, if established and binding, (ii) if the Obligations have been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or (iii) (A) if the Obligations are Tax Exempt Obligations, the most recently published "Revenue Bond Index," published by the financial news publication presently known as The Bond Buyer, or by a comparable index if no longer published, plus fifty basis points, or (B) if the Obligations are not Tax Exempt Obligations, the interest rate on direct obligations of the United States with comparable maturities, plus fifty basis points or (C) if the Obligations are Credit Agreement Obligations, such rate as is specified in the Supplemental Resolution creating such Credit Agreement Obligations.

**PURPOSES, PLEDGE AND SECURITY**

*{Article II}*

***Purposes of Resolution, Contract with Holders {Section 2.1}***

The Master Debt Resolution establishes a lien and the security for, and prescribes minimum standards for issuing, Obligations; authorizes the issuance of the Initial Senior Lien Obligations, an initial series of Senior Subordinate Lien Obligations and permits the issuance of Additional Senior Lien Obligations and other Subordinate Lien Obligations; reserves the right to issue Special Revenue Bonds; and prescribes other matters and the general rights of the Holders, DART, Credit Providers, any Bondholder Representative and the Trustee in relation to such Obligations. The provisions of the Master Debt Resolution constitute a contract of DART to and with the Holders and the Trustee.

***Confirmation and Levy of Sales Tax {Section 2.2}***

The levy and collection of the Sales Tax, at the rate voted at the election at which DART was created, is confirmed, and DART covenants that, as long as any Obligations are Outstanding, or any Administrative Expenses unpaid, it will (i) levy and collect the Sales Tax to the extent it may legally do so at the highest rate permitted by Applicable Law, subject to requirements for an election under the Voted Tax and Debt Limits, and to take all action permitted to cause the Sales Tax to be collected and remitted to DART at the earliest permissible date, and (ii) will not order any reduction in the rate of tax below its current rate of 1%.

If DART shall be hereafter authorized by Applicable Law at its option to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption of the Master Debt Resolution, DART, to the extent it legally may do so, hereby covenants and agrees to take such action as may be required by Applicable Law to subject such taxable items or transactions to the Sales Tax. Further, DART shall not restrict or permit the restriction (unless required by Applicable Law) of the application of the Sales Tax to fewer items or transactions than the Sales Tax is applicable to on the date of the Master Debt Resolution. It is provided, however, that DART shall not be required to exercise any "opt-out" or similar rights and thereby to impose the Sales Tax during temporary periods established by law pursuant to which state and local sales and use taxes are generally exempted on selected items in order to provide financial accommodations to the public in preparation for the annual commencement of public-

school years and similar purposes unless the failure to collect the Sales Tax during such period would cause an Event of Default to occur under paragraphs (i) or (ii) of Section 7.1 of the Master Debt Resolution.

DART agrees to take and pursue all action permissible under Applicable Law to cause the Sales Tax to be collected and remitted as set forth in the Master Debt Resolution at the earliest and most frequent times permitted by Applicable Law.

***Pledge and Security for Obligations {Section 2.3}***

The Pledged Revenues are irrevocably pledged:

first, (A) to the payment of the principal and any Redemption Price of, and the interest and any premiums on, all Senior Lien Obligations which are or may be Outstanding from time to time, (B) to the establishment and maintenance of any reserve funds or accounts which are ordered to be created with respect to Senior Lien Obligations by a Supplemental Resolution, and (C) to the payment of all Administrative Expenses with respect to Senior Lien Obligations, in each case without distinction as to priority and rights as among each other;

second, subject at all times to the senior rights of the Holders of Senior Lien Obligations and to the payment of Administrative Expenses with respect to Senior Lien Obligations, (A) to the payment of the principal and any Redemption Price of, and the interest and any premiums on, all Senior Subordinate Lien Obligations which are or may be Outstanding from time to time, (B) to the establishment and maintenance of any reserve funds or accounts which are ordered to be created with respect to Senior Subordinate Lien Obligations by a Supplemental Resolution, and (C) to the payment of all Administrative Expenses with respect to Senior Subordinate Lien Obligations, in each case without distinction as to priority and rights as among each other; and

third, subject at all times to the senior rights of the Holders of Senior Lien Obligations and to the payment of Administrative Expenses with respect to Senior Lien Obligations and the senior rights of the Holders of Senior Subordinate Lien Obligations and to the payment of Administrative Expenses with respect to Senior Subordinate Lien Obligations, (A) to the payment of the principal and any Redemption Price of, and the interest and any premiums on, all Junior Subordinate Lien Obligations which are or may be Outstanding from time to time, (B) to the establishment and maintenance of any reserve funds or accounts which are ordered to be created with respect to Junior Subordinate Lien Obligations by a Supplemental Resolution, and (C) to the payment of all Administrative Expenses with respect to Junior Subordinate Lien Obligations, in each case without distinction as to priority and rights as among each other.

DART irrevocably and specifically pledges (i) the Senior Lien Debt Service Fund and all moneys and investments actually on deposit in the Senior Lien Debt Service Fund to the payment of the Senior Lien Obligations and Administrative Expenses with respect to Senior Lien Obligations, (ii) the Senior Subordinate Lien Debt Service Fund and all moneys and investments actually on deposit in the Senior Subordinate Lien Debt Service Fund to the payment of Senior Subordinate Lien Obligations and to Administrative Expenses with respect to Senior Subordinate Lien Obligations, and (iii) the Junior Subordinate Lien Debt Service Fund and all moneys and investments actually on deposit in the Junior Subordinate Lien Debt Service Fund to the payment of Junior Subordinate Lien Obligations and to Administrative Expenses with respect to Junior Subordinate Lien Obligations.

All Obligations and all Administrative Expenses shall constitute special obligations of DART, and, unless otherwise provided in a Supplemental Resolution, the same are secured solely by, a pledge of and a lien on (i) the Pledged Revenues, in the order and priority set forth above and (ii) by the pledge of and lien on the money on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, for the benefit of the Senior Lien Obligations, the Senior Subordinate Lien Obligations, and the Junior Subordinate Lien Obligations as described above, that is exclusive and that is senior and superior to the rights of all other creditors of DART.

***Collection of Pledged Revenues, Assignment to Trustee {Section 2.4}***

DART assigns to the Trustee all of the Pledged Revenues, in trust, for the benefit and security of Holders and the Credit Providers. DART appoints the Trustee as its agent and attorney-in-fact for the purpose of performing those duties of its treasurer which consist of collecting and receiving the Gross Sales Tax Revenues from the Comptroller and taking such steps as may be necessary to perfect and maintain the liens granted under the Master Debt Resolution. DART is required to cause the Comptroller to pay all Gross Sales Tax Revenues directly to the Trustee for deposit to the Gross Sales Tax Revenue Fund. If the Comptroller refuses or is not legally obligated to make transfers as directed by DART, the DART is required to cause the Gross Sales Tax Revenues to be transferred to the Trustee as received. All Gross Sales Tax Revenues received by the Trustee are required to be deposited to the Gross Sales Tax Revenue Fund and applied in accordance with the Master Debt Resolution. A specific series of Bond Obligations may be additionally payable from or secured by Credit Agreements and any Supplemental Resolution may provide that the security provided thereby not extend to other series of Obligations.

***Security Agreement {Section 2.5}***

The Master Debt Resolution constitutes a security agreement with the Trustee as the secured party. The grants, assignments, liens, pledges and security interests of the Trustee created in the Master Debt Resolution shall become effective upon the delivery of Obligations under the Master Debt Resolution, and shall be continuously effective for so long as any Obligations or Administrative Expenses are Outstanding.

**PERMITTED DART INDEBTEDNESS**

*{Article III}*

***Additional Senior Lien Obligations {Section 3.2}***

DART reserves the right to issue Additional Senior Lien Obligations on a parity with Outstanding Senior Lien Obligations, pursuant to one or more Supplemental Resolutions. Prior to the issuance of Additional Senior Lien Obligations, either (A) Gross Sales Tax Revenues must be estimated to be, for each of the three consecutive Fiscal Years beginning with the First Fiscal Year in which Debt Service with respect to the proposed Additional Senior Lien Obligations is due, equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued and any reduction in Debt Service that may result from the issuance thereof, determined in accordance with the requirements of the Master Debt Resolution; or (B) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues must have been equal to at least 200% of the maximum Debt Service with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) including maximum Debt Service on the proposed Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued, determined in accordance with the requirements of the Master Debt Resolution, provided however, this requirement does not apply to the issuance of Interim Obligations. In addition, estimated Gross Sales Tax Revenues for each of the 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service on the proposed Additional Senior Lien Obligations is due must equal at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) plus (B) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Outstanding Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years, determined in accordance with the requirements of the Master Debt Resolution. The Debt Service required to be calculated for a particular series of Obligations shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations.

The Debt Service required to be calculated for a particular series of Obligations under subsections (iii) and (iv) of Section 3.2(b) of the Master Debt Resolution shall be calculated net of amounts payable to DART from or by

the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations (the “Federal Interest Subsidiary” payments).

***Senior Subordinate Lien Obligations {Section 3.3}***

Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue additional Senior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law secured by and payable from a senior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Additional Senior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Senior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Senior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

***Junior Subordinate Lien Obligations {Section 3.4}***

Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue Junior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law, payable from and secured by a junior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Junior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Junior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Junior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

***Credit Agreement Obligations {Section 3.5}***

DART is authorized to enter into Credit Agreements, pursuant to Supplemental Resolutions, that create Credit Agreement Obligations that are secured and payable on a parity with other Outstanding Obligations. Credit Agreements may include rights and remedies which are in addition to the rights and remedies contained in the Master Debt Resolution and which may be enforced apart from the Master Debt Resolution.

***Special Revenue Bonds {Section 3.6}***

DART reserves the right to issue Special Revenue Obligations and to enter into related credit agreements without complying with the requirements of the Master Debt Resolution regarding the issuance of Obligations.

***Other Encumbrances Prohibited {Section 3.8}***

Except for the Pledge of the Pledged Revenues as security for the Obligations and Administrative Expenses in the order of priority established in Article II of the Master Debt Resolution, the Pledged Revenues may not be pledged or encumbered to or for the payment of any other obligation or liability of DART.

**TERMS, PROVISIONS AND AUTHENTICATION OF BOND OBLIGATIONS**

*{Article IV}*

Bond Obligations may be issued in any form and manner permitted by Applicable Law, subject to the provisions of the Master Debt Resolution and any applicable Supplemental Resolution. Bond Obligations are to be issued pursuant to a Supplemental Resolution setting forth all of the terms, provisions and conditions pertaining to such Bond Obligations.

## **SPECIAL FUNDS, USES OF MONEYS**

*{Article V}*

### ***Creation of Funds and Accounts {Section 5.1}***

The Master Debt Resolution establishes the System Expansion and Acquisition Fund, the Senior Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; the Senior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; and the Junior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account. The Master Debt Resolution reestablishes and reconfirms the Gross Sales Tax Revenue Fund and the General Operating Fund.

The Gross Sales Tax Revenue Fund is a special trust fund held by the Trustee for the benefit of the Holders of the Obligations and the payees of Administrative Expenses. The Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Lien Debt Service Fund are special trust funds held by the Trustee for the benefit of the Holders of the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively, and the payees of Administrative Expenses.

The System Expansion and Acquisition Fund, the General Operating Fund and all other funds or accounts of DART not expressly required by the Master Debt Resolution or by a Supplemental Resolution to be held by the Trustee, may be held in any bank or lawful depository and said funds and accounts and all moneys on deposit therein, including the Available Remaining Revenues, shall be free of any lien, pledge or trust created by the Master Debt Resolution.

### ***System Expansion and Acquisition Fund {Section 5.2}***

Money on deposit in the System Expansion and Acquisition Fund is to be used to pay Costs of Acquisition and Construction and will be funded as directed in Supplemental Resolutions. In the event of a default in the payment of Obligations the Board may, but is not required to, use moneys on deposit in the System Expansion and Acquisition Fund to cure such default. Amounts remaining after payment of Costs of Acquisition and Construction for which a series of Obligations was issued may, at the discretion of DART, be used to redeem such Obligations in advance of maturity or used to pay other Costs of Acquisition and Construction.

### ***Gross Sales Tax Revenue Fund {Section 5.3}***

The Trustee is required to deposit to the Gross Sales Tax Revenue Fund all Gross Sales Tax Revenues (and no other moneys) as received and, on the day received, to transfer all amounts deposited to the Gross Sales Tax Revenue Fund, first, to the Senior Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Lien Obligations; second, to the Senior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Subordinate Lien Obligations; and, third, to the Junior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Junior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Junior Subordinate Lien Obligations. The amounts required to be deposited to each of the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, is equal to the Accrued Aggregate Debt Service for the current Debt Service Accrual Period less any amounts required to be credited against the amounts transferred pursuant to Section 5.3(d) of the Master Debt Resolution, and are required to be allocated first to the respective Interest Account and then to the respective Principal Installment Account. If the amounts on deposit in the Gross Sales Tax Revenue Fund are not

sufficient to make the full amount of a transfer or payment required to be made, the Trustee is required to transfer the amount to the fund or account where the deficiency occurs with the highest priority and is prohibited from making transfers to any fund or account with a lower priority. Any balance remaining in the Gross Sales Tax Revenue Fund after making the foregoing transfers and payments is to be deposited to the General Operating Fund.

The Trustee is required to notify each Paying Agent of the anticipated date of commencement of each Debt Service Accrual Period not less than 2 Business Days prior to the date the Trustee expects such Debt Service Accrual Period to begin. Each Paying Agent is required to certify to the Trustee the amount of Accrued Aggregate Debt Service for Obligations for the Debt Service Accrual Period specified by the Trustee which has not been paid from other sources.

***Senior Lien Debt Service Fund, Senior Subordinate Lien Debt Service Fund and Junior Subordinate Lien Debt Service Fund {Sections 5.4, 5.5 and 5.6}***

The Trustee is required to pay from the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, to the respective Paying Agents and Credit Providers for Outstanding Senior Lien Obligations, Outstanding Senior Subordinate Lien Obligations and Outstanding Junior Subordinate Lien Obligations, respectively, the amounts required to pay Debt Service on such Obligations when due, whether at the stated maturity or prior redemption; provided, however, that if less than the total amount required to pay such Obligations is on deposit in the Senior Subordinate Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund or the Junior Subordinate Lien Debt Service Fund, respectively, Trustee is required to allocate to each Paying Agent and each Credit Provider, in order of priority, pro rata in proportion to the respective unpaid amounts.

If an Event of Default has occurred and is continuing, moneys in such funds are required to be applied as provided in Section 7.4 of the Master Debt Resolution.

***General Provisions Applicable to Payments on Obligations {Section 5.7}***

If a payment date is not a Business Day, then such payment date will be deemed to be the next succeeding Business Day of the Trustee or Paying Agent, as the case may be, and no interest will accrue between the stated day and the applicable succeeding Business Day.

***Uses of General Operating Fund and of Available Remaining Revenues {Section 5.8}***

Gross Sales Tax Revenues deposited in the General Operating Fund may be transferred to other funds and accounts of DART, free and clear of the lien of the Master Debt Resolution, and may be used for any purpose permitted or required by Applicable Law. In addition to contractual and other obligations incurred in the ordinary course of its business, DART may incur obligations payable from or secured by the Available Remaining Revenues.

***Investment of Trust Funds and Accounts {Section 5.9}***

Amounts in funds and accounts held by the Trustee may, to the extent permitted by Applicable Law, be invested in Investment Securities upon written instructions of DART. Investment Securities must mature in such amounts and at such times as is necessary to provide for timely payment from such fund or account. Investment Securities may be exchanged among funds and accounts, if required to meet payment obligations, and the Trustee may cause the liquidation prior to their maturities of Investment Securities; the Trustee is not to be liable for any resulting loss or penalty. Generally, Investment Securities and the earnings or losses thereon are part of the fund or account from which they were purchased except that transfers of earnings may be made in order to avoid investment in any manner that would cause any of the Obligations intended to be tax-exempt to be or become "arbitrage bonds" within the meaning of the Code. Investments are required to be valued at least annually at the lower of original cost or the then market value thereof.

***Effect of Deposits with Paying Agents*** {Section 5.10}

Upon the deposit with the applicable Paying Agent of moneys sufficient to pay the amounts due on Obligations, DART is released from further obligation with respect to the payment of such amounts or interest thereon and such Obligations will no longer be Outstanding. Moneys deposited with Paying Agents are held uninvested in trust for the benefit of the Holders or payees of such Obligations. Unclaimed moneys are required to be distributed in accordance with any applicable escheat laws.

***Arbitrage*** {Section 5.11}

DART covenants that it will take no action or fail to take any action which would cause any Tax-Exempt Obligations to be “arbitrage bonds” within the meaning of the Code.

***Deposits of Special Revenues*** {Section 5.12}

Special Revenues may be deposited to such funds and accounts of DART as may be required by Applicable Law, grant condition or contract, or as directed in the documents relating to the issuance of Special Revenue Bonds or to Subordinate Lien Obligations if Special Revenues are pledged to the payment thereof.

**GENERAL COVENANTS AND REPRESENTATIONS**

{Article VI}

***Representations as to Pledged Revenues*** {Section 6.1}

DART represents and warrants that it is authorized to issue the Obligations, to adopt the Master Debt Resolution and to pledge the Pledged Revenues as provided in the Master Debt Resolution, and that the Pledged Revenues are and will remain free and clear of any pledge, lien, charge or encumbrance except as expressly permitted by Article II of the Master Debt Resolution. The Obligations and provisions of the Master Debt Resolution are valid and legally enforceable obligations of DART in accordance with their terms, subject only to any applicable bankruptcy or insolvency laws or to any Applicable Law affecting creditors’ rights generally. DART and the Trustee will defend, preserve and protect the pledge of the Pledged Revenues and all of the rights of the Holders against all claims and will take appropriate steps for the collection of delinquencies in the collection of the Sales Tax.

***Accounts, Periodic Reports and Certificates*** {Section 6.2}

DART covenants to keep proper books of record and account relating to the System and the funds and accounts established by the Master Debt Resolution which will be subject to inspection by Holders of not less than 5% in principal amount of Bond Obligations, each Bondholder Representative and each Credit Provider. DART will provide annually, within 180 days after the close of each fiscal year, to any requesting Holder of at least 25% of a single series of Outstanding Obligations, a copy of an annual report containing certain financial information for the fiscal year just ended and the preceding fiscal year.

DART will notify the Trustee and each Credit Provider immediately if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event that, with the giving of notice or passage of time or both, could become an Event of Default, or of the failure of DART to observe any of its undertakings under the Master Debt Resolution or under any Supplemental Resolution or Credit Agreement.

***Withdrawals of Units of Election*** {Section 6.4}

If any “unit of election,” as defined in the Act, having once become a part of DART, withdraws from DART, the Board will take all lawful steps necessary to assure that all amounts due and owing on all Obligations allocated to such unit of election will continue to be collected from within the withdrawing unit of election until such amounts are paid in full. Gross Sales Tax Revenues collected from within a withdrawn unit of election is required to be set aside by the Trustee in a special trust account and to be expended in such a manner as will permit the continued, timely payment when due of all amounts payable on Outstanding Obligations.

## **DEFAULTS AND REMEDIES**

*{Article VII}*

### ***Events of Default {Section 7.1}***

Each of the following occurrences or events constitutes an “Event of Default” under the Master Debt Resolution:

- (i) failure to timely pay any Debt Service on Bond Obligations;
- (ii) failure to timely pay any Credit Agreement Obligations;
- (iii) default by DART in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuance thereof for a period of 30 days after written notice of such default;
- (iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or
- (v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

### ***Remedies for Default {Section 7.2}***

Upon the happening and continuance of any of the Events of Default the Trustee is required to transfer future Gross Sales Tax Revenues in the order and priority set forth in Section 5.3(a) of the Master Debt Resolution as described above under “*SPECIAL FUNDS, USES OF MONEY—Gross Sales Tax Revenue Fund.*” Subject to certain restrictions on Holder’s actions set forth in Section 7.3 of the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

### ***Application of Revenues and Other Moneys After Default {Section 7.4}***

During the continuance of an Event of Default, the Trustee shall apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, as applicable; and (ii) to the payment of Debt Service due on the Obligations, based on the foregoing priority and in the following order:

- Unless the principal of all applicable Outstanding Obligations is due, first, to the payment to the payment of interest then due in the order of maturity of such interest installments, and, if the amount



available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and second, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.

If the principal of all of the applicable Outstanding Obligations is due, to the payment of the principal and interest then due and unpaid upon such Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

***Notice of Event of Default*** {Section 7.6}

The Trustee shall promptly give each Holder, by first class mail, notice of each Event of Default of which it has knowledge, unless such Event of Default has been remedied or cured before the giving of such notice, except in the case of an Event of Default specified in paragraph (i) or (ii) of “Events of Default” above, the Trustee may withhold such notice if it determines that the withholding of such notice is in the best interests of the Holders.

**THE TRUSTEE**  
{Article VIII}

Zion Bancorporation, National Association, DBA Amegy Bank Houston, Texas, is appointed as the Trustee under the Master Debt Resolution. The duties, rights and responsibilities of the Trustee, appointment of successor and co-trustees, and matters pertaining to the administration of the trust created in the Master Debt Resolution, are set forth in Article VIII.

**AMENDMENTS TO RESOLUTION**  
{Article IX}

***Supplemental Resolution Without Holders’ Consent*** {Section 9.2}

Subject to any limitations contained in a Supplemental Resolution or a Credit Agreement, DART may adopt Supplemental Resolutions without the consent of Holders of Obligations for the following purposes: (i) to cure any formal defect, omission or ambiguity in the Master Debt Resolution; (ii) to grant to the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security; (iii) to add covenants and agreements of DART; (iv) to add limitations and restrictions to be observed by DART; (v) to confirm any pledge or lien of the Pledged Revenues or to subject to the lien or pledge of the Master Debt Resolution additional revenues, properties or collateral; (vi) to authorize the issuance and prescribe the terms of the Initial Senior Lien Obligations, Additional Senior Lien Obligations, Subordinate Lien Obligations, and Special Revenue Bonds, and to create such additional funds and accounts as may be necessary in connection with the issuance of such Obligations; (vii) to make modifications in the Master Debt Resolution or in a Supplemental Resolution that are necessary to comply with the requirements of federal tax or securities law or other Applicable Law and that do not materially adversely affect the rights and security of the Holders to be paid in full when due; or (viii) to make any other change to the Master Debt Resolution or any Supplemental Resolution that does not materially adversely affect the right of the Holders to be paid the full amounts due and payable on the Obligations when due.

***Powers of Amendment*** {Section 9.3}

The Master Debt Resolution or any Supplemental Resolution and the rights and obligations of DART and of the Holders may be amended pursuant to a Supplemental Resolution with the written consent (i) of the Holders of a Required Percentage of Bond Obligations, or (ii) if less than all of the series of Obligations then Outstanding are affected by such amendment, of the Holders of a Required Percentage of the Bond Obligations so affected; provided, however, no amendment shall permit a change in the terms of payment of principal or redemption price of or interest

of any Outstanding Bond Obligation without the consent of the Holder of such Obligation; and provided further that no such amendment may be made without the consent of such Credit Providers having the right of such consent.

***Consent of Holders, Credit Providers or Bondholder Representatives {Section 9.4}***

A Supplemental Resolution making amendments permitted by the Master Debt Resolution may take effect upon receipt of the required consents of the applicable Holders in accordance with the terms and provisions of the Master Debt Resolution. Any consent will be binding upon the Holder giving such consent and upon any subsequent Holder thereof unless such consent is revoked. DART will give notice of the effective date of any such Supplemental Resolution to the affected Holders. Unless such right is limited by a Supplemental Resolution, DART reserves the right to amend the Master Debt Resolution without the consent of or notice to the Holders of Bond Obligations if such amendment is approved by each Credit Provider and Bondholder Representative which is granted the right to give such consent by a Supplemental Resolution.

**DISCHARGE OF RESOLUTION**

*{Article X}*

***Discharge by Payment {Section 10.1}***

The pledge and lien of the Outstanding Resolutions will be released when all Bond Obligations, Credit Agreement Obligations, and Administrative Expenses have been paid or provided for.

***Discharge by Defeasance {Section 10.2}***

DART may discharge its obligations to pay Debt Service on all or any portion of the Obligations and related Administrative Expenses, and thereby obtain a release of the pledge and lien of the Master Debt Resolution and any applicable Supplemental Resolution as to such Obligations, by depositing irrevocably with a trustee or escrow agent moneys which, together with earnings thereon from investment in “Government Securities,” as verified by a nationally recognized firm of independent certified public accountants or accounting firm, will be sufficient to pay such amounts on such Obligations to maturity or prior redemption, in all cases in accordance with the terms and provisions set forth in the Master Debt Resolution.

**MISCELLANEOUS PROVISIONS**

*{Article XI}*

***Secondary Market Disclosure, Annual Reports {Section 11.1}***

DART will provide such financial information and operating data necessary to comply with SEC Rule 15c2-12 relating to secondary market reporting requirements.

***Meeting of Holders of Bond Obligations {Section 11.4}***

Meetings of Holders of Bond Obligations may be called in the manner provided in the Master Debt Resolution to give any notice to DART or to the Trustee, to waive or consent to the waiving of any Event of Default, to remove or appoint a successor Trustee, to consent to the execution of a Supplemental Resolution or to take any other action authorized to be taken by or on behalf of the Holders of Bond Obligations.

***Appointment of Bondholder Representative {Section 11.8}***

Each Supplemental Resolution may designate a Bondholder Representative or establish for the means by which Holders of a series of Bond Obligations may appoint a Bondholder Representative.

**APPENDIX C**  
**Pledged Farebox Revenue**

**PLEDGED FAREBOX REVENUE**

2011	\$14,941,000
2012	\$22,986,000
2013	\$22,986,000
2014	\$22,986,000
2015	\$22,986,000
2016	\$22,986,000
2017	\$22,986,000
2018	\$22,986,000
2019	\$22,986,000
2020	\$22,986,000
2021	\$22,986,000
2022	\$22,986,000
2023	\$22,986,000
2024	\$22,986,000
2025	\$22,986,000
2026	\$22,986,000
2027	\$22,986,000
2028	\$22,986,000
2029	\$22,986,000
2030	\$22,986,000
2031	\$22,986,000
2032	\$22,986,000
2033	\$22,966,000
2034	\$22,986,000
2035	\$22,986,000
2036	\$22,986,000
2037	\$22,986,000
2038	\$71,439,000
2039	\$71,433,000
2040	\$71,429,000
2041	\$71,420,000
2042	\$71,409,000
2043	\$71,404,000
2044	\$71,394,000
2045	\$71,383,000
2046	\$71,375,000
2047	\$71,368,000
2048	\$71,359,000
2049	\$71,350,000
2050	\$71,350,000
2051	\$71,350,000
2052	\$71,350,000
2053	\$71,350,000
2054	\$71,350,000
2055	\$71,350,000
2056	\$71,350,000
2057	\$71,350,000
2058	\$71,350,000