

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.

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.

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

	<u>FY 2023</u>	<u>FY 2022 (Restated*)</u>	<u>FY 2021 (Restated*)</u>
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	<u>5,738,546</u>	<u>5,894,650</u>	<u>5,261,520</u>
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	<u>4,141,860</u>	<u>4,174,634</u>	<u>3,861,439</u>
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	51,965	46,831	41,065
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	926,796	829,968	808,510
Net operating loss	(874,831)	(783,137)	(767,445)
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	(75,603)	(4,547)	(418)
Total net non-operating revenues	790,351	1,025,924	800,260
Income (loss) before capital contributions and grants	(84,480)	242,787	32,815
Capital contributions	13,178	27,690	78,508
Change in net position	(71,302)	270,477	111,323
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	\$1,652,976	\$1,719,889	\$1,451,833

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	<u>\$1,074,955</u>	<u>\$1,301,098</u>	<u>\$1,068,664</u>

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.

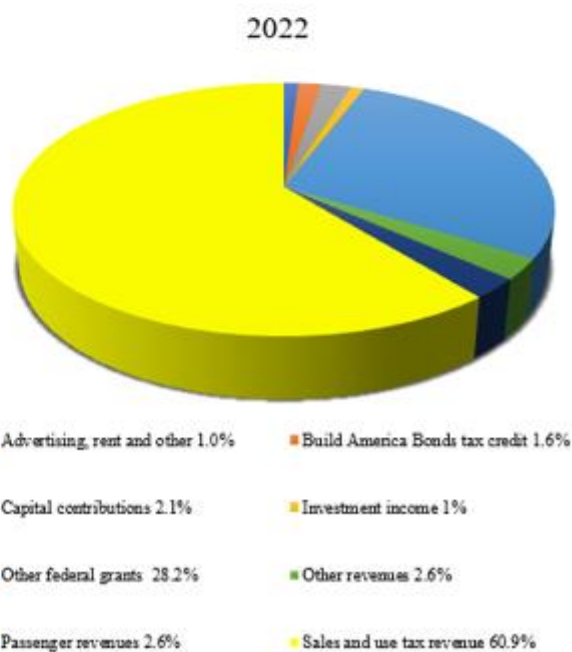
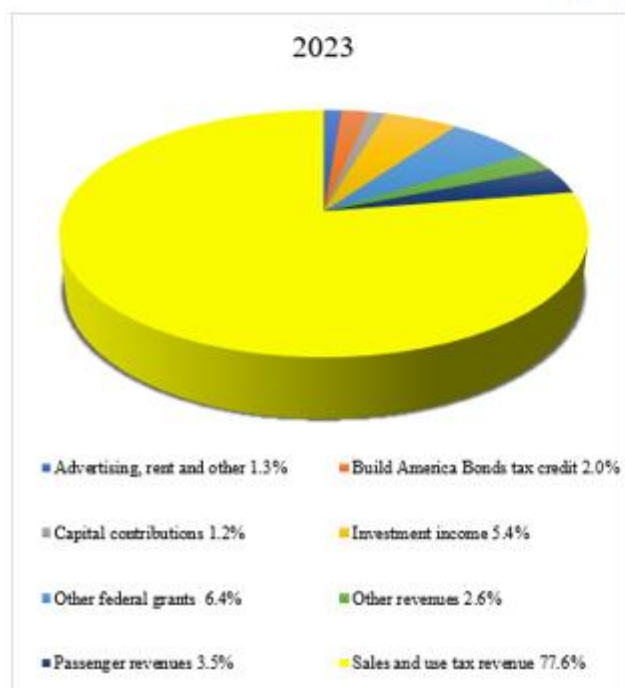
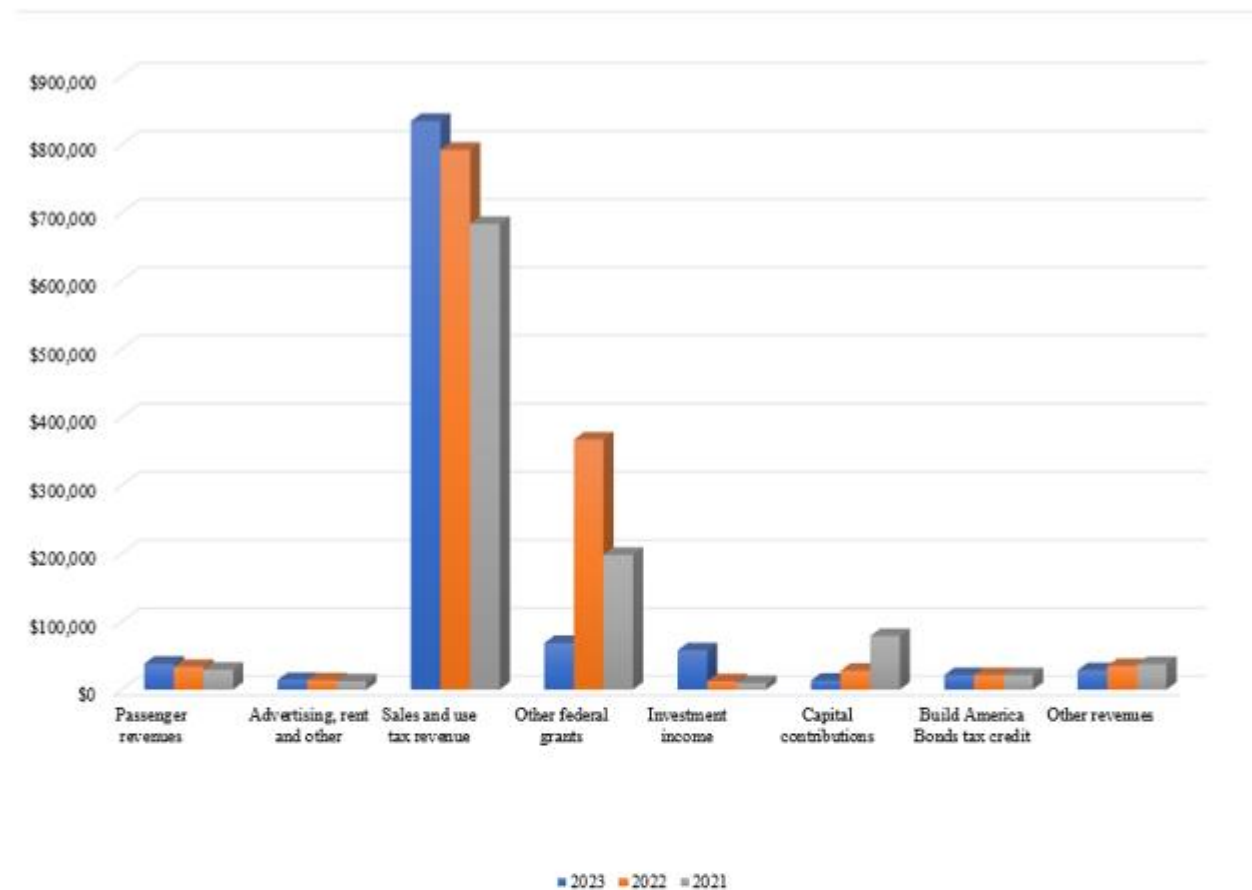
Investment income – Investment income increased by 372 percent (\$45,394) in FY 2023, compared to an increase of 26 percent (\$2,503) in FY 2022. The increases in both FY 2023 and FY 2022 were due to an increase in interest rates and market value of investments.

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	<u>\$1,146,257</u>	<u>\$1,030,621</u>	<u>\$957,341</u>

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.

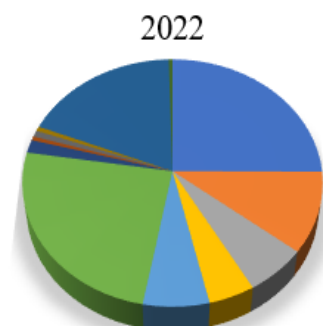
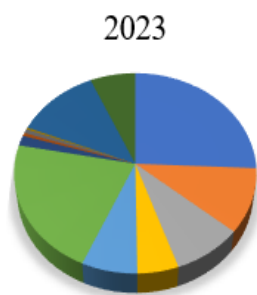
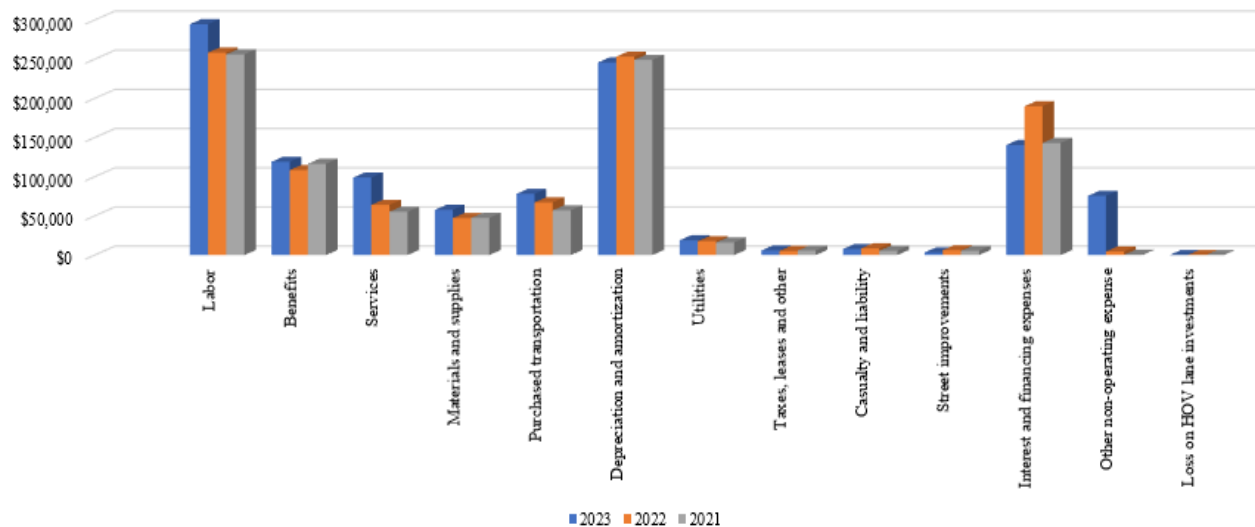
Street improvements – DART provides local assistance to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. Street improvement program costs decreased by 46 percent (\$2,823) in FY 2023, compared 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:



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.

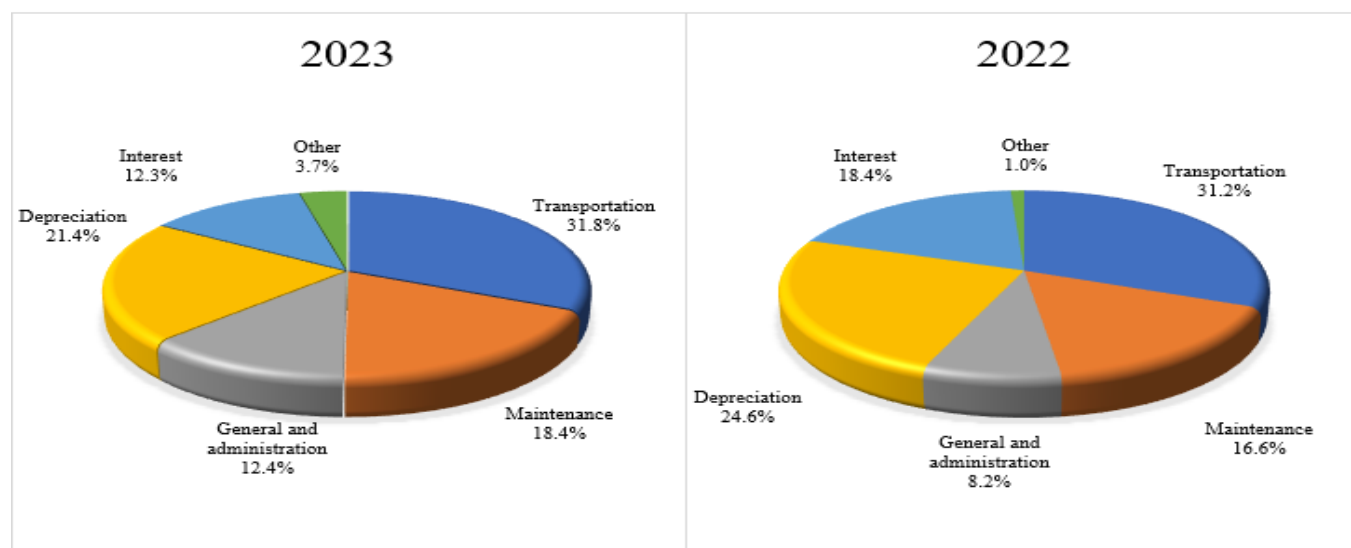
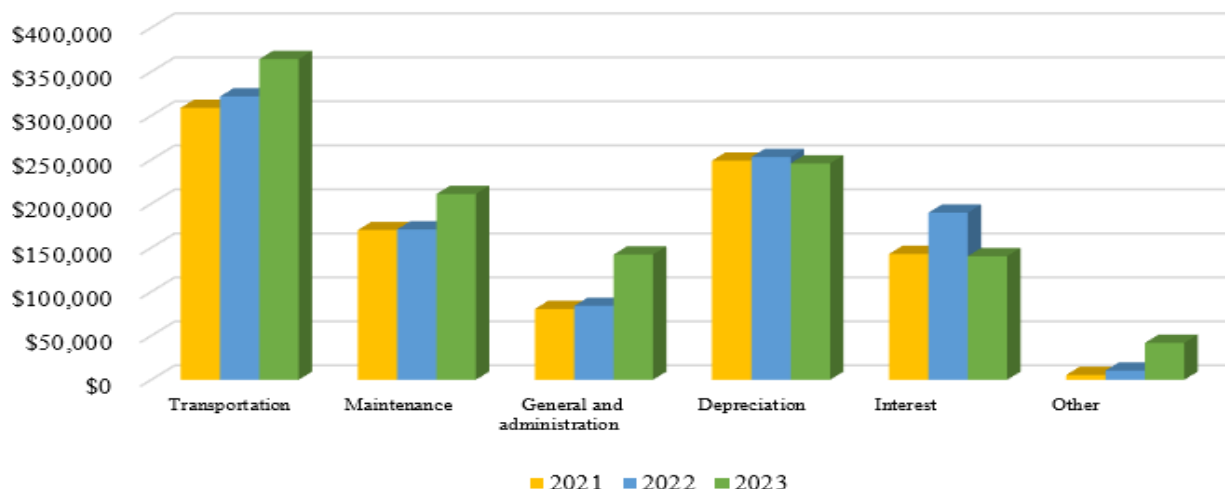
Interest includes interest expense incurred on debt net of capitalized interest.

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
Total	<u>\$1,146,257</u>	<u>\$1,030,621</u>	<u>\$957,341</u>



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>
ASSETS		
CURRENT ASSETS		
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
TOTAL CURRENT ASSETS	<u>1,173,262</u>	<u>1,329,662</u>
NONCURRENT ASSETS		
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
TOTAL NONCURRENT ASSETS	<u>4,565,284</u>	<u>4,564,988</u>
TOTAL ASSETS	<u>5,738,546</u>	<u>5,894,650</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>113,119</u>	<u>66,877</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<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)

	9/30/2023	9/30/2022 (Restated)
LIABILITIES		
CURRENT LIABILITIES		
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
TOTAL CURRENT LIABILITIES	430,481	461,558
NONCURRENT LIABILITIES		
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
TOTAL NONCURRENT LIABILITIES	3,711,379	3,713,076
TOTAL LIABILITIES	4,141,860	4,174,634
DEFERRED INFLOWS OF RESOURCES	56,829	67,004
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,198,689	4,241,638
NET POSITION		
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
TOTAL NET POSITION	\$1,652,976	\$1,719,889

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	51,965	46,831
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	926,796	829,968
OPERATING LOSS	(874,831)	(783,137)
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	790,351	1,025,924
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(84,480)	242,787
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	13,178	27,690
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	\$1,652,976	\$1,719,889

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>
CASH FLOWS FROM OPERATING ACTIVITIES		
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>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
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>
CASH FLOWS FROM INVESTING ACTIVITIES		
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>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
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>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(371,956)</u>	<u>192,345</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>507,089</u>	<u>314,744</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$135,133</u></u>	<u><u>\$507,089</u></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>
<u>ASSETS</u>		
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>
TOTAL ASSETS	<u>790,873</u>	<u>849,487</u>
<u>LIABILITIES</u>		
Accounts payable, investment management, accrued benefits, and administrative	535	1,031
Accounts payable, investments in-transit	<u>275</u>	<u>1,377</u>
TOTAL LIABILITIES	<u>810</u>	<u>2,408</u>
NET POSITION RESTRICTED FOR:		
Pensions	728,771	790,060
Other post-retirement benefits	<u>61,292</u>	<u>57,019</u>
TOTAL NET POSITION	<u>\$790,063</u>	<u>\$847,079</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>
ADDITIONS:		
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>
DEDUCTIONS:		
Benefit payments	66,431	110,989
Administrative expenses	606	881
Total deductions	<u>67,037</u>	<u>111,870</u>
NET INCREASE (DECREASE) IN NET POSITION	<u>(57,016)</u>	<u>(35,197)</u>
NET POSITION:		
BEGINNING OF YEAR	<u>847,079</u>	<u>882,276</u>
END OF YEAR	<u><u>\$790,063</u></u>	<u><u>\$847,079</u></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

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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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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	9/30/2023	9/30/2022
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.

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

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

	9/30/2023	9/30/2022
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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer at the Time of Purchase
U.S. government securities	None	None	None
Federal agency securities	None	None	25%
Municipal securities	None	None	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.

Investment Type	Total Amount	Remaining Maturity (in Months) as of 9/30/2023		
		12 Months or Less	12 to 24 Months	24 to 60 Months
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>

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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	-	-
Total	<u>\$219,285</u>	<u>\$72,533</u>	<u>\$106,124</u>	<u>\$40,628</u>

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
Money Market Funds:					
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	-	-
Total	<u>\$945,401</u>	<u>\$265,399</u>	<u>\$674,793</u>	<u>\$ -</u>	<u>\$5,209</u>

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
Money Market Funds:					
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	-
Total	<u>\$1,223,911</u>	<u>\$181,619</u>	<u>\$999,602</u>	<u>\$37,666</u>	<u>\$5,024</u>

*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.

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****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>

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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	<u>\$214,921</u>	<u>\$204,617</u>

*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.

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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
Fixed Income Investments:						
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
Total	\$ 198,025	\$ 23,263	\$ 1,575	\$5,530	\$25,812	\$141,845

Investment Type	Total Amount	Credit Rating as of 9/30/2022				
		AA+/AAA	AA	A	< BAA	Not Rated
Fixed Income Investments:						
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
Total	\$ 177,075	\$ 28,226	\$ 2,546	\$ 6,034	\$23,414	\$116,855

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 2021. 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 2021, 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:

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		Maturity (in Months) as of 9/30/2023				
Investment Type	Total Amount	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Not Applicable
Fixed Income Investments:						
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
Total	<u>\$198,025</u>	<u>\$3,610</u>	<u>\$1,837</u>	<u>\$10,745</u>	<u>\$61,803</u>	<u>\$120,030</u>

		Maturity (in Months) as of 9/30/2022				
Investment Type	Total Amount	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Not Applicable
Fixed Income Investments:						
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
Total	<u>\$177,075</u>	<u>\$1,218</u>	<u>\$7,448</u>	<u>\$10,076</u>	<u>\$49,074</u>	<u>\$109,259</u>

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	-	-
Total	<u>142,712</u>	<u>\$68,898</u>	<u>\$73,814</u>	<u>\$-</u>

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

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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	AAA/ m	AAA/ Aaa	AA/ Aa	A	BBB/ Baa	< BBB/ Baa	Cash or Not Rated
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
	<u>\$61,614</u>	<u>\$535</u>	<u>\$7,853</u>	<u>\$5,865</u>	<u>\$2,874</u>	<u>\$4,942</u>	<u>\$1,023</u>	<u>\$38,522</u>

Credit Ratings as of 9/30/2022

Investment Type	Total Amount	AAA/ m	AAA/ Aaa	AA/ Aa	A	BBB/ Baa	< BBB/ Baa	Cash or Not Rated
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
	<u>\$57,872</u>	<u>\$3,587</u>	<u>\$8,717</u>	<u>\$769</u>	<u>\$2,026</u>	<u>\$4,314</u>	<u>\$1,530</u>	<u>\$36,929</u>

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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 Amount	Level 1	Level 2	Level 3
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 Amount	Level 1	Level 2	Level 3
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.

		Credit Rating as of 12/31/2022				
Investment Type	Total Amount	Aa+/ Aaa	Aa	A	Baa	Not Rated
Short-Term Investments and Bonds	\$56,948	\$36,436	\$3,576	\$12,157	\$3,053	\$1,726
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>

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Investment Type	Total Amount	Credit Rating as of 12/31/2021				
		Aa+/ Aaa	Aa	A	Baa	Not Rated
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
Total Investments	\$291,421	\$37,056	\$3,574	\$12,027	\$3,779	\$234,985

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
Total	\$248,206	\$4,783	\$29,248	\$16,944	\$3,452	\$958	\$1,563	\$191,258

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
Total	\$291,421	\$4,947	\$34,122	\$13,794	\$1,662	\$3,551	\$-	\$233,345

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.

		Credit Rating as of 12/31/2022				
Investment Type	Total Amount	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>

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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
Total Investments	\$303,223	\$89,198	\$5,870	\$20,435	\$9,896	\$177,824

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
Total	\$261,582	\$7,171	\$81,030	\$31,352	\$6,736	\$3,033	\$2,869	\$129,391

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
Total	\$303,223	\$6,801	\$83,709	\$25,982	\$3,142	\$7,963	\$-	\$175,626

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.

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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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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	<u>\$186,435</u>	<u>\$118,729</u>

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	<u>\$-</u>	<u>\$-</u>

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	<u>\$2,678</u>	<u>\$2,887</u>

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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	<u>\$-</u>	<u>\$-</u>

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	<u>\$927</u>	<u>\$415</u>	<u>\$1,342</u>

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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	-
TOTAL		<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	2,876	4,395	(884)	6,387
Less accumulated amortization				
Buildings	559	700	(166)	1,093
Equipment	41	56	-	97
Total accumulated amortization	600	756	(166)	1,190
Total right-of-use assets, net	\$2,276	\$3,639	\$(718)	\$5,197

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				\$5,168	\$2,147	\$7,315		

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	(5,833)	(2,568)
Ending balance	\$25,047	\$25,792

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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	-	-
TOTAL			<u>\$9,912</u>	<u>\$164</u>	<u>\$10,076</u>		

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
Total	<u>\$8,524</u>	<u>\$131,082</u>

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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	<u>\$8,524</u>	<u>\$131,082</u>

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

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

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	<u>\$-</u>	<u>\$100</u>

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 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	-
Total	\$3,055,360	\$1,025,320	\$(587,305)	\$3,493,375	\$(77,990)	\$3,415,385	\$76,030

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
TOTAL	\$3,415,385	\$2,338,335	\$5,753,720	\$(420,598)	\$5,333,122

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.

Description	FY 2023	FY 2022
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:

Year Ended September 30	Principal	Interest	Total
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.
Mortality Rate:	
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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)*	(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	\$238,670	\$217,587	\$21,083
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	2,987	(34,921)	37,908
Balance at 9/30/2023	\$241,657	\$182,666	\$58,991

*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	\$39,541
	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	\$323

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	\$46,225	\$-

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:

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

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.

Valuation Date	September 30, 2022
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	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, 2022

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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:

	Target Allocation	Estimate of Expected Long- Term Rates of Return
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.

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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)

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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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	23,601	20,441
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><u>\$61,292</u></u>	<u><u>\$57,019</u></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><u>\$61,292</u></u>	<u><u>\$57,019</u></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

	9/30/2022 (Original)	9/30/2022 (Adjustment)	9/30/2022 (Restated)
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	\$1,718,914	\$975	\$1,719,889

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

	FY 2022 (Original)	FY 2022 (Adjustment)	FY 2022 (Restated)
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	\$267,973	\$2,504	\$270,477

**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
<u>Total Pension Liability</u>							
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
<u>Plan Fiduciary Net Position</u>							
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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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)

	FY 2023	FY 2022	FY 2021	FY 2020
Total OPEB Liability				
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
Plan Fiduciary Net Position				
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)	\$(15,223)	\$(19,217)	\$(6,653)	\$5,048
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
<u>ASSETS</u>					
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
TOTAL ASSETS	206,085	61,614	260,825	262,349	790,873
<u>LIABILITIES</u>					
Accounts payable, investment management, accrued benefits, and administrative fees	213	322	-	-	535
Accounts payable, investments in-transit	275	-	-	-	275
TOTAL LIABILITIES	488	322	-	-	810
NET POSITION RESTRICTED FOR:					
Pensions	205,597	-	260,825	262,349	728,771
Other post-employment benefits	-	61,292	-	-	61,292
TOTAL NET POSITION	\$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 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
<u>ASSETS</u>					
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
TOTAL ASSETS	184,221	57,872	303,492	303,902	849,487
<u>LIABILITIES</u>					
Accounts payable, investment management, accrued benefits, and administrative fees	178	853	-	-	1,031
Accounts payable, investments in-transit	1,377	-	-	-	1,377
TOTAL LIABILITIES	1,555	853	-	-	2,408
NET POSITION RESTRICTED FOR:					
Pensions	182,666	-	303,492	303,902	790,060
Other post-employment benefits	-	57,019	-	-	57,019
TOTAL NET POSITION	\$182,666	\$57,019	\$303,492	\$303,902	\$847,079

**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
ADDITIONS:					
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)
Contributions:					
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
DEDUCTIONS:					
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)
NET POSITION:					
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
ADDITIONS:					
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
 Contributions:					
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
 DEDUCTIONS:					
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)
 NET POSITION:					
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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