Dallas Area Rapid Transit
Dallas, Texas

Financial Statements and Supplemental Information
Years Ended September 30, 2019 and 2018 and
Independent Auditor's Report

DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

TABLE OF CONTENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Area Rapid Transit ("DART"), as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise DART's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to DART's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DART's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DART, as of September 30, 2019 and 2018, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 6, 2020 on our consideration of DART's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DART's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Dallas, Texas
February 6, 2020

The management of Dallas Area Rapid Transit (DART) offers the users of DART's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended September 30, 2019 and 2018. This discussion and analysis is designed to assist the reader to focus on significant financial activities and identify any significant changes in the financial position of DART. It should be read in conjunction with the financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

As of September 30, 2019 and 2018, total assets and deferred outflows of resources of DART exceeded total liabilities by $1,202,501 and $1,304,378, respectively. The amount of unrestricted net position as of September 30, 2019, was $343,465 compared to $474,215 as of September 30, 2018.

The net position of DART decreased by $101,877 during fiscal year 2019 compared to a decrease of $140,660 last year. The decreases in both 2019 and 2018 are due to expenses being higher than revenues. Fiscal year 2019 decrease in net position is lower than that of 2018 due to an increase in total revenues that exceeded the increase in total expenses.

DART's total debt decreased by $71,715 (2%) during fiscal year 2019 compared to a decrease of $68,785 (2%) in fiscal year 2018. The decline in 2019 was due to principal payments on bonds. The decline in 2018 was due to principal payments on bonds and commercial paper notes. Debt information is summarized on page 12 of this management discussion and analysis.

Sales and use tax revenue was $621,129 in 2019 compared to $596,400 in 2018. Sales and use tax revenue increased by 4% ($24,729) in 2019 compared to a 5% ($28,982) increase in 2018.

Capital contributions from federal, state and local governments were $82,025 in 2019 and $24,251 in 2018. Such contributions were used to finance DART's transit system expansion projects and acquisition of light rail vehicles, buses, and equipment.

Other federal grants were $54,932 in 2019 compared to $69,445 in 2018.

For fiscal year 2019, total expenses exceeded total revenues resulting in a loss before capital contributions of $183,902 compared to a loss of $153,874 for 2018. The loss in 2019 is higher than that of 2018 due to an increase in total operating and non-operating expenses as shown on page 8.

BASIC FINANCIAL STATEMENTS

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

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

The Statements of Revenues, Expenses, and Changes in Net Position present information on revenues, expenses, capital contributions, and how DART's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the changes 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 operation on its financial position. The Statements of Revenues, Expenses, and Changes in Net Position are shown on page 15 of this report.

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

Notes to the Financial Statements provide additional information that is essential to fully understand the data provided in the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Notes to the Financial Statements are shown on pages 18-47 of this report.

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

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

FINANCIAL ANALYSIS

Statements of Net Position – DART's total assets and deferred outflows of resources exceeded total liabilities by $1,202,501 and $1,304,378 as of September 30, 2019 and 2018, respectively. The largest portion of this excess (65% in 2019 and 59% in 2018) was net investment in capital assets (capital assets less related outstanding debt). DART uses these capital assets to provide public transportation services to customers and member jurisdictions; consequently, these assets are not available for future spending. Although DART's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be obtained from other sources such as sales and use tax and farebox revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	2019	2018	2017
Current assets	$734,622	$840,148	$886,981
Other non-current assets	191,971	125,472	136,856
Capital assets (net of accumulated depreciation)	4,189,759	4,237,296	4,391,215
Total assets	5,116,352	5,202,916	5,415,052
Deferred outflows of resources	80,679	89,210	86,293
Total assets and deferred outflows of resources	5,197,031	5,292,126	5,501,345
Current liabilities	496,041	426,580	439,762
Non-current liabilities	3,482,861	3,556,505	3,614,367
Total liabilities	3,978,902	3,983,085	4,054,129
Deferred inflows of resources	15,628	4,663	2,178
Total liabilities and deferred inflows of resources	3,994,530	3,987,748	4,056,307
Net position			
Net investment in capital assets	784,924	764,341	837,067
Restricted for:			
Debt service	68,370	59,026	56,405
Security for lease/leaseback liabilities	5,742	6,796	7,751
Unrestricted	343,465	474,215	543,815
Total net position	$1,202,501	$1,304,378	$1,445,038

Current assets decreased by $105,526 in 2019 compared to a decrease of $46,833 in 2018. The decreases in both 2019 and 2018 were due to use of cash for debt service payments and spending on capital projects.

Other non-current assets increased by $66,499 in 2019 compared to a decrease of $11,384 in 2018. The increase in 2019 is due to restricted investments (proceeds from the sale of commercial paper notes payable) held to pay for capital projects. The decrease in 2018 is due to losses on investments in HOV lanes and investment in joint venture.

As of September 30, 2019, $5,742 of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to $6,796 as of September 30, 2018. The unrestricted portion of net position, $343,465 in 2019 and $474,215 in 2018 represent resources available to meet DART's ongoing obligations. The DART Board committed $87,919 in 2019 and $85,700 in 2018 of the unrestricted net position for Insurance, Financial Reserve, and Mobility Assistance and Innovation funds (see footnote 3 on page 25). The decrease in unrestricted net position of $130,750 (28%) in 2019 and $69,600 (13%) in 2018 were due to net losses and spending on capital projects.

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Statements of Revenues, Expenses, and Changes in Net Position – During fiscal year 2019, DART's activities resulted in a decrease in net position of $101,877 compared to a decrease in net position of $140,660 in 2018. The decrease during both 2019 and 2018 are due to expenses being higher than revenues. The key elements of the changes in net position for the fiscal years ended September 30, 2019 and 2018 with comparative information for 2017 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Position

	2019	2018	2017
Operating revenues			
Passenger revenues	$63,941	$62,845	$65,412
Advertising, rent and other	13,532	13,241	14,175
Total operating revenues	77,473	76,086	79,587
Operating expenses			
Labor	259,186	249,894	239,382
Benefits	118,592	98,581	103,288
Services	53,282	48,331	40,883
Materials and supplies	51,017	47,531	43,203
Purchased transportation	58,537	55,978	52,531
Depreciation	248,064	250,210	239,381
Utilities	16,619	19,673	18,830
Taxes, leases, and other	6,679	4,029	4,778
Casualty and liability	7,156	4,925	3,238
Total operating expenses	819,132	779,152	745,514
Net Operating loss	(741,659)	(703,066)	(665,927)
Non-operating revenues (expenses)			
Sales and use tax revenue	621,129	596,400	567,418
Investment income	23,482	14,810	13,815
Build America Bonds tax credit	25,021	28,443	28,381
Other federal grants	54,932	69,445	68,564
Other non-operating revenues	15,463	19,375	17,552
Interest expense	(157,452)	(162,568)	(163,620)
Gain (loss) on HOV lane investments	-	(11,100)	600
Street improvements	(11,301)	(3,644)	(20)
Other non-operating expenses	(13,517)	(1,969)	(3,151)
Total net non-operating revenues	557,757	549,192	529,539
Loss before capital contributions and grants	(183,902)	(153,874)	(136,388)
Capital contributions	82,025	24,251	10,843
Decrease in net position	(101,877)	(129,623)	(125,545)
Net position, beginning of the year	1,304,378	1,434,001	1,570,583
Net position, end of the year	$1,202,501	$1,304,378	$1,445,038

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

REVENUES

The following table summarizes revenues for fiscal years 2019 and 2018 with comparative information for 2017:

REVENUES AND CAPITAL CONTRIBUTIONS

Revenues	2019	2018	2017
Passenger revenues	$63,941	$62,845	$65,412
Advertising, rent and other	13,532	13,241	14,175
Sales and use tax revenue	621,129	596,400	567,418
Other federal grants	54,932	69,445	68,564
Investment income	23,482	14,810	13,815
Capital contributions	82,025	24,251	10,843
Build America Bonds tax credit	25,021	28,443	28,381
Other revenues	15,463	19,375	18,152
Total	$899,525	$828,810	$786,760

Passenger revenue – Passenger revenue includes farebox receipts, monthly and annual pass revenue, paratransit revenue, and special event fares. Passenger revenues increased by $1,096 (2%) in 2019 compared to a decrease of $2,567 (4%) in 2018. The increase in 2019 is due to fare increase that became effective in during fiscal year 2019. The decrease in 2018 was due to a decreases in ridership.

Advertising, rent, and other – Advertising income includes revenues from advertisements at transit stations, on DART buses and light rail cars. Rental income includes revenue from the rental of land along the rail corridor and other properties. Advertising, rent and other income increased by 2% ($291) in 2019 compared to a decrease of 7% ($934) in 2018. The increase during 2019 is due to an increase in advertising revenue and marketing promotions. In 2018 the decrease in revenue is due to a decrease in usage of DART rail right-of-way.

Sales and use tax revenue **–** Sales and use tax revenue is a dedicated 1% tax imposed on certain items within DART's member jurisdictions or service area. Sales and use tax revenue increased by 4% ($24,729) in 2019 compared to an increase of 5% ($28,982) in 2018. The increases in both 2019 and 2018 are due to a relative improvement in the local economy resulting in better than previous years' retail sales. Sales and use tax revenue constituted approximately 69% of DART's total revenues and capital contributions in 2019 and compared to 72% in 2018.

Other federal grants – Other federal grant revenues decreased by 21% ($14,513) in 2019 compared to an increase of 1% ($881) in 2018. The decrease in 2019 is due to a delay in approval of grant agreements. The increase in 2018 is due to receipt of federal funding related to the preventive maintenance program.

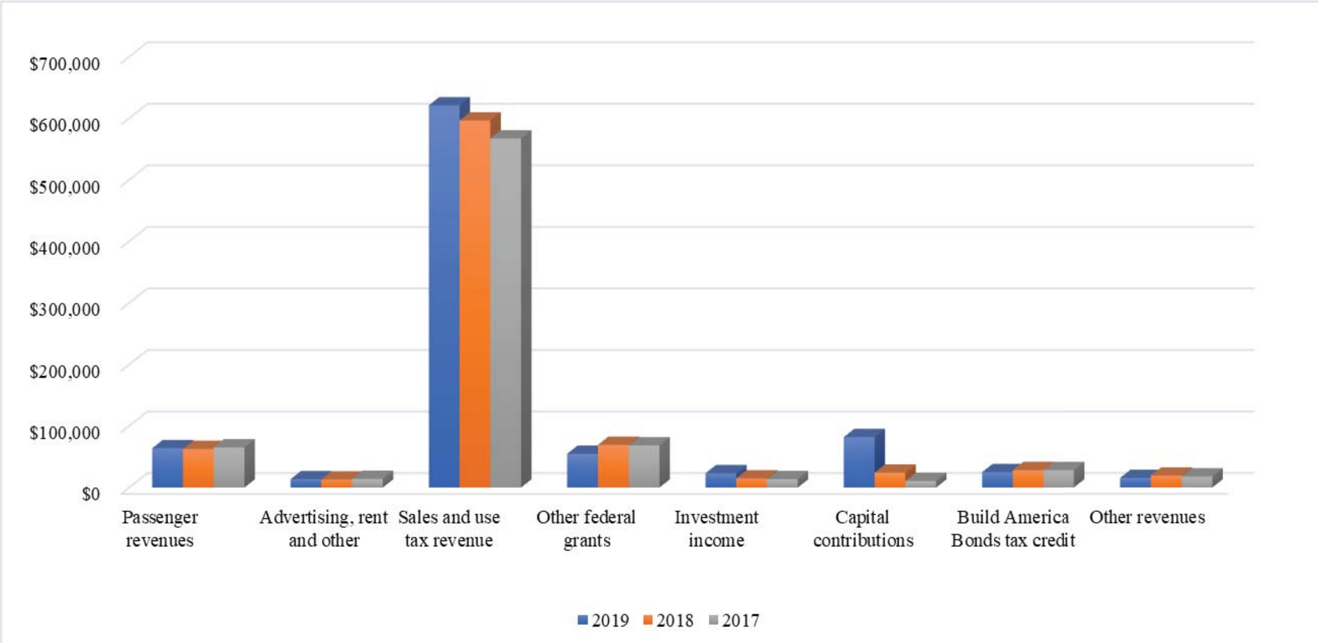
Capital contributions – Capital contributions include federal, state and local grants and contributions. Capital contributions increased by 238% ($57,774) in 2019 compared to an increase of 124% ($13,408) in 2018. The increase in 2019 and 2018 are due to receipt of previously delayed federal funding and federally funded projects that are moving forward.

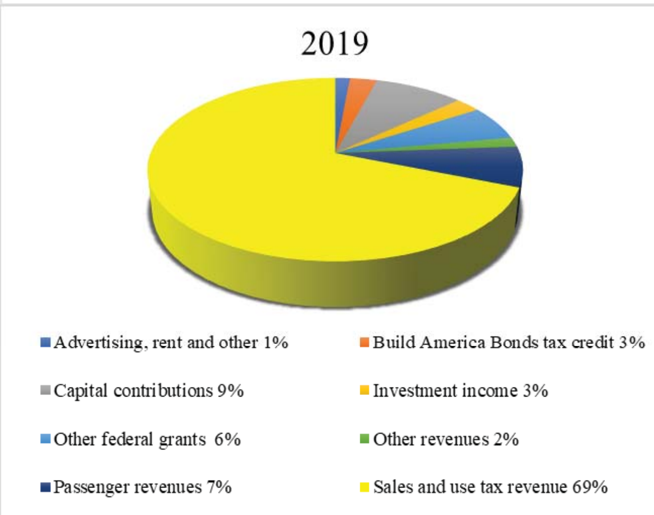
Investment income – Investment income increased by 59% ($8,672) in 2019 compared to an increase of 7% ($995) in 2018. The increase in 2019 is due to an increase in interest rate that resulted in better yield on investments held by DART during the year. The increase in 2018 is due to an increase in the fair value of investments held at year end.

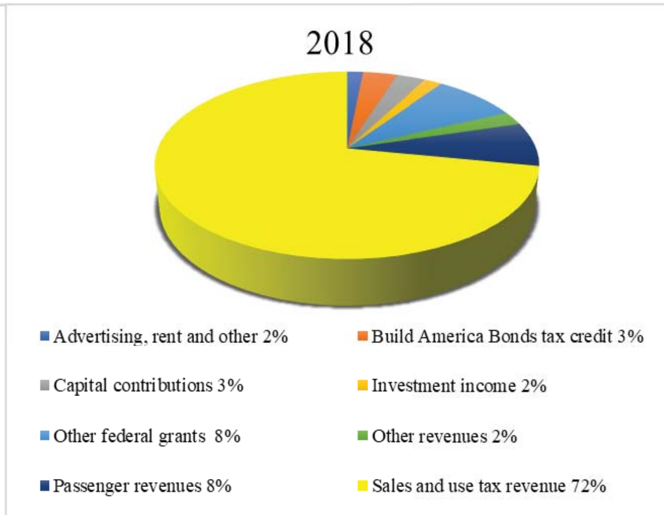
Build America Bonds tax credit – The Build America Bonds (BABs) tax credit decreased by 12% ($3,422) in 2019 compared to an increase of $62 in 2018. The decrease in 2019 is due to partial refunding of the Series 2009B BABs. The increase in 2018 was due to changes in the reimbursement rate on BABs as a result of federal budget cuts.

Other revenues – Other revenues decreased by 20% ($3,912) in 2019 compared to an increase of 7% ($1,223) in 2018. Other revenues include: revenues from billings to the Trinity Metro for their share of the Trinity Railway Express (TRE) commuter rail service; billings to the University of Texas at Dallas (UTD) for their share of the UTD shuttle service; and alternative fuel tax credit. Other revenues decreased during 2019 due to discontinuation of the alternative fuel tax credit offered by the federal government. The increase in 2018 is due to an alternative fuel tax credit received from the federal government for use of compressed natural gas.

The following charts summarize revenues for fiscal years 2017 through 2019:







FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

EXPENSES

The following table summarizes expenses for fiscal year 2019 and 2018 with comparative information for 2017:

EXPENSES BY OBJECT CLASS

Expenses	2019	2018	2017
Labor	259,186	$249,894	$239,382
Benefits	118,592	98,581	103,288
Services	53,282	48,331	40,883
Materials and supplies	51,017	47,531	43,203
Purchased transportation	58,537	55,978	52,531
Depreciation and amortization	248,064	250,210	239,381
Utilities	16,619	19,673	18,830
Taxes, leases and other	6,679	4,029	4,778
Casualty and liability	7,156	4,925	3,238
Street improvements	11,301	3,644	20
Interest and financing expenses	157,452	162,568	163,620
Other non-operating expense	13,517	1,969	3,151
Loss on HOV lane investments	-	11,100	-
Total	$1,001,402	$958,433	$912,305

Labor – Labor costs increased by 4% ($9,292) in 2019 compared to an increase of 4% ($10,512) in 2018. The increases in both 2019 and 2018 were due to annual merit and wage increases, and more positions filled.

Benefits – Benefits increased by 20% ($20,011) in 2019 compared to a decrease of 5% ($4,707) in 2018. The increase in 2019 was due to an increase in the defined benefit pension expense and healthcare claims. The increase in the DART Defined Benefit Pension Plan expense was as a result of a change in the mortality table used for actuarial valuations. Under the new mortality table, the assumption is that employees are living longer. This resulted in increased pension costs. Healthcare costs increased because of increased usage by employees and their dependents. The decrease in 2018 is due to a decrease in employee medical claims.

Services – Services include contracted services such as: security, vehicles, equipment and right-of-way maintenance, advertising, marketing, computing, communication, legal, governmental, and environmental services. Services increased by 10% ($4,951) in 2019 compared to an increase of 18% ($7,448) in 2018. The increase in 2019 was due continued focus safety and security, increased spending on software licenses/maintenance, cloud and managed computing services as well as TRE right-of-way maintenance. The increase in 2018 is due to increased focus on security, an increase in the number of technology projects, and maintenance of light rail vehicles.

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 7% ($3,486) in 2019 compared to an increase of 10% ($4,328) in 2018. The increase in 2019 was attributable to an amount of CNG fuel used and parts needed to maintain aging buses and light rail vehicles. The increase in 2018 was due to an increase in upgrading DART technology software and hardware as well as the need for more parts in order to maintain DART buses and light rail vehicles.

Purchased transportation – Purchased transportation represents the costs of contracted transportation services such as commuter rail, paratransit, DART on-call, and shuttle services. Purchased transportation expenses increased by 5% ($2,559) in 2019 compared to an increase of 7% ($3,447) in 2018. The increases in both 2019 and 2018 were due to an increase Go-Link and paratransit services.

Depreciation – Depreciation expenses decreased by 1% ($2,146) in 2019 compared to an increase of 5% ($10,829) in 2018. The decrease in 2019 was due to some assets that became fully depreciated in 2018. DART took most of its small (ARBOC) buses out of service earlier than anticipated. This action resulted in higher depreciation expense.

Utilities – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities decreased by 16% ($3,054) in 2019 compared to an increase of 4% ($843) in 2018. The decrease in 2019 is due to savings from a new electricity contract. The new electricity contract became effective on October 1, 2018 and it was negotiated at a lower rate. The increase in 2018 is due to more electricity consumption because of expanded light rail and streetcar services.

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 66% ($2,650) in 2019 compared to a decrease of 16% ($749) in 2018. Some of the increases in 2019 are due to training related to the new buses, and implementation of a new accounting rule related to retiree benefits or OPEB plans. The new rule requires State and Local governments to recognize net OPEB liability and expense on their financial statements.

Casualty and liability – Casualty and liability expenses increased by 45% ($2,231) in 2019 and 52% ($1,687) in 2018. The increases in both 2019 and 2018 were due to changes in estimated claim losses. U

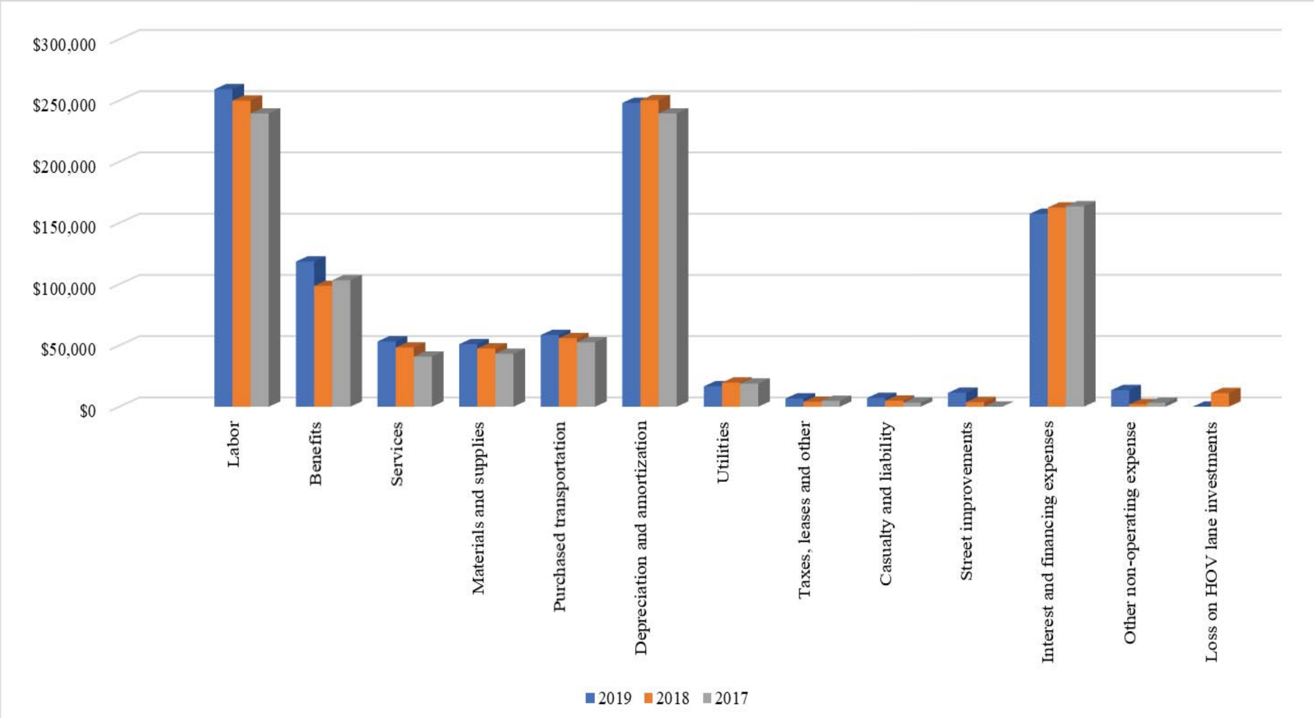
Street improvements – Local assistance is provided to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. Street improvement program costs increased by 210% ($7,657) in 2019 compared to an increase of $3,624 in 2018. The increase in both 2019 and 2018 were due to street improvement project costs and transit related improvements program (TRIP) project costs for DART municipalities that do not have existing or planned and funded rail stations.

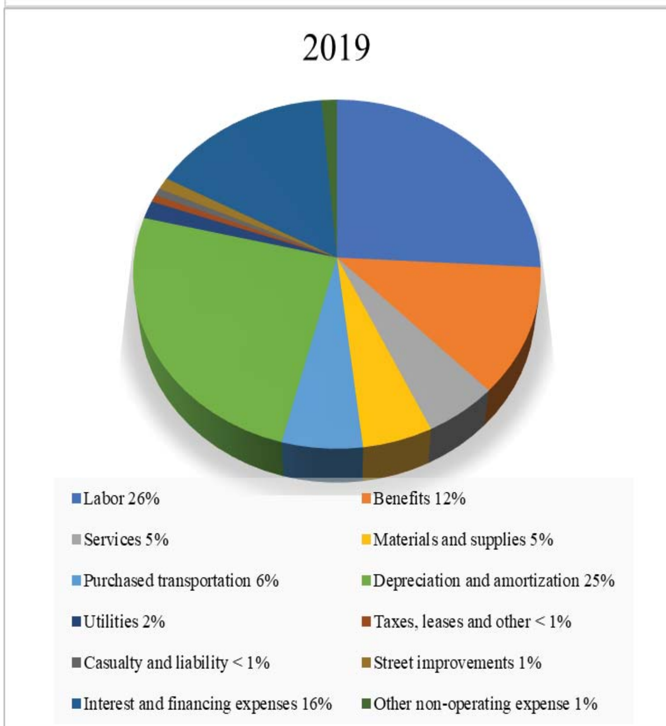
Interest and financing expenses **–** Interest expense decreased by 3% ($5,116) in 2019 compared to a decrease of 1% ($1,052) in 2018. The decreases in both 2019 and 2018 were due to lower outstanding debt because of principal payments. A refunding of some of the existing bonds to lower interest rate bonds during 2019 also resulted in saving in interest expense.

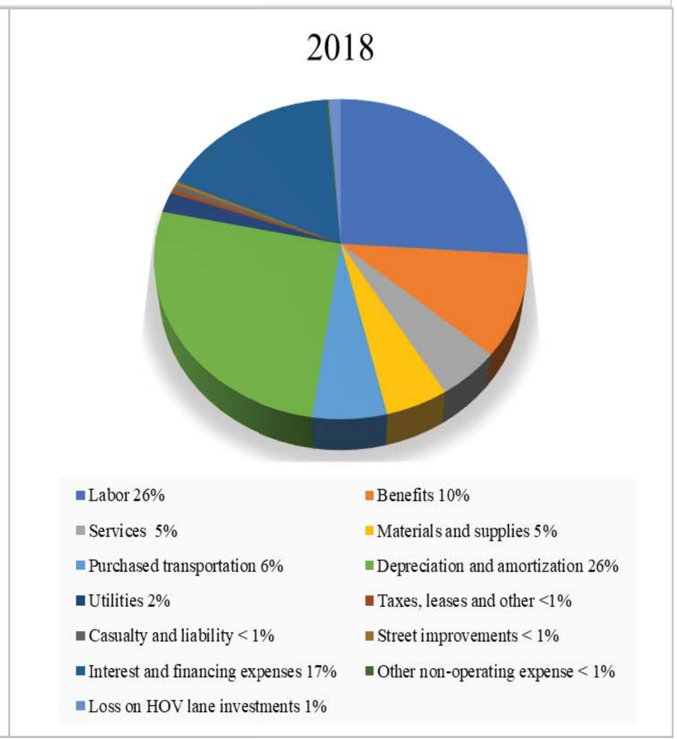
Other non-operating expenses – Other non-operating expenses increased by 586% ($11,548) in 2019 compared to a decrease of 38% ($1,182) in 2018. The increase in 2019 was mainly due to a payment made to the North Central Texas Council of Governments for the transit improvement program. Transit planning costs also contributed to the 2019 increase. The decreases in 2018 was due to the transfer of remaining costs associated with Streetcar assets to the city of Dallas. Also, 2018 amounts decreased due to completion of some of the system planning work in 2017.

Gain (loss) on HOV lane investments – DART and TxDoT entered into agreements related to two managed HOV lane projects. DART provided a portion of the funding for the two projects in anticipation that DART would participate in HOV toll revenue streams. As of September 30, 2017, the value of DART's investment in managed HOV lane projects was $11.1 million. However, based on an updated financial analysis performed during FY 2018, it was determined that reimbursement of excess toll road revenue to DART is not likely. As a result, DART's investment in managed HOV lane projects of $11,100 was written-off during fiscal year 2018.

The following charts summarize expenses for fiscal years 2017 through 2019:





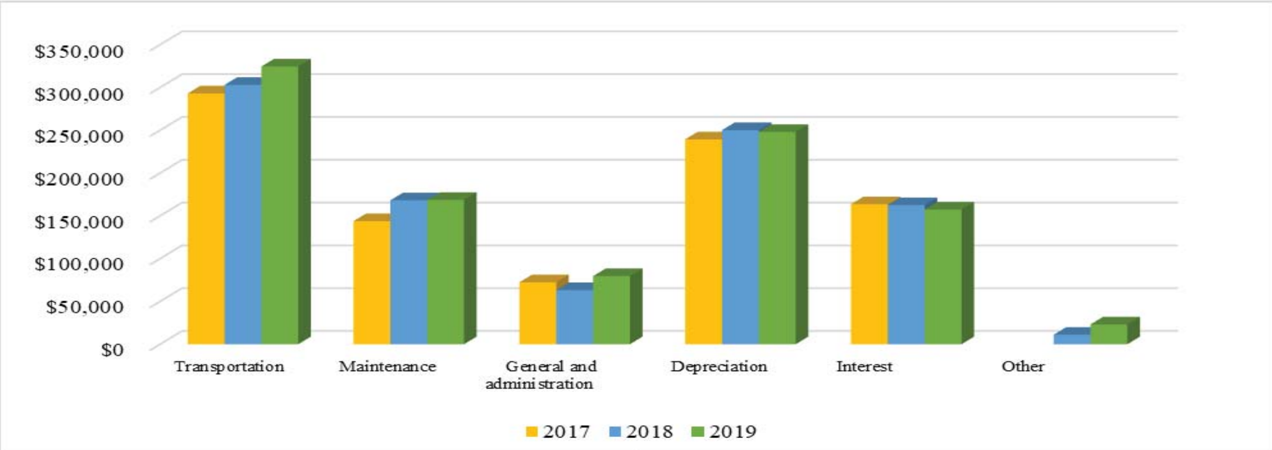


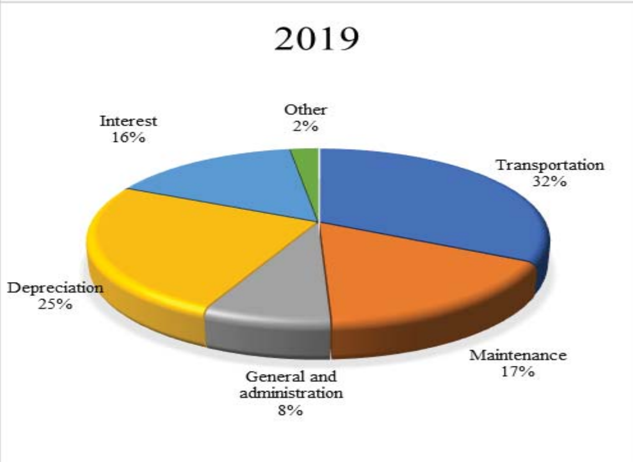
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

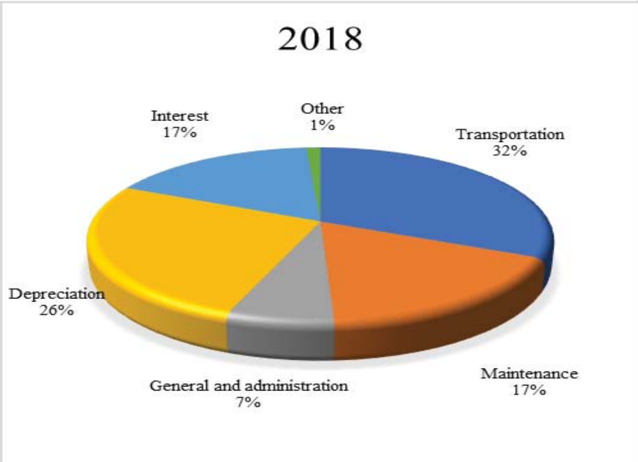
Expenses by function – *Transportation* - includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, and DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, transit center service employees,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

EXPENSES BY FUNCTION

	2019	2018	2017
Transportation	$324,552	$303,082	$293,060
Maintenance	168,579	168,222	143,845
General and administration	79,624	63,251	72,399
Depreciation and amortization	248,064	250,210	239,381
Interest	157,452	162,568	163,620
Other	23,131	11,100	-
Total	$1,001,402	$958,433	$912,305







FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – Investment in capital assets includes: land and rights-of-way; transitways; buildings and improvements; revenue and non-revenue vehicles and equipment; and furniture, fixtures, and leasehold improvements. DART's investment in capital assets as of September 30, 2019, is $4,189,759 compared to $4,237,296 in 2018. The net decrease in capital assets during 2019 is $47,537 (1%) compared to a decrease of $153,919 (4%) in 2018.

The following table summarizes capital assets net of depreciation as of September 30, 2019 and 2018 with comparative information for 2017.

Capital Assets (Net of Depreciation)

	2019	2018	2017
Land and rights-of-way	$618,596	$619,043	$619,026
Projects in progress	227,111	93,435	66,867
Transitways	2,456,894	2,589,537	2,695,295
Buildings and improvements	313,084	334,346	358,555
Revenue and non-revenue vehicles and equipment	551,784	590,001	645,335
Furniture, fixtures, and leasehold improvements	22,290	10,934	6,137
Total	$4,189,759	$4,237,296	$4,391,215

The net decreases in both 2019 and 2018 are due to depreciation. Additional information on DART's capital assets is shown in note 7 on pages 27-28.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, senior lien revenue bonds, TIFIA bonds payable, and capital lease/leaseback liabilities. As of September 30, 2019, DART had total outstanding debt of $3,378,074 compared to $3,449,789 as of September 30, 2018. Outstanding debt decreased by 2% ($71,715) in 2019 compared to a decrease of 2% ($68,785) in 2018.

The following table summarizes DART's total outstanding debt.

	2019	2018	2017
Sales tax revenue commercial paper notes	$159,100	$125,000	$140,000
Senior lien revenue bonds payable	2,992,355	3,110,045	3,163,890
TIFIA bonds payable	98,726	100,878	102,968
RRIF bonds Payable	11,706	-	-
Capital lease/leaseback liabilities	116,187	113,866	111,716
Total debt	$3,378,074	$3,449,789	$3,518,574

The sales tax revenue commercial paper notes outstanding balance was $159,100 as of September 30, 2019, compared to $125,000 as of September 30, 2018. Commercial paper notes are issued as a senior subordinate lien to sales and use tax revenues and are payable from the 1% sales and use tax receipts. The increase during 2019 was due to additional borrowing to pay for capital projects while the decrease during 2018 was due to payments made on commercial paper notes.

Senior lien revenue bonds outstanding are $2,992,355 as of September 30, 2019, and $3,110,045 as of September 30, 2018. These are senior lien bonds secured by and payable from the 1% sales and use tax receipts and farebox revenues (pledged revenues). The decrease of $117,690 in 2019 a due to principal payments and bond refunding during 2019. The decrease of $53,845 in 2018 is due to principal payments during the year. The senior lien revenue bonds shown above are at face value. The amounts shown in the Statements of Net Position include the unamortized balance of original issuance premium of $226,612 and $182,966 as of September 30, 2019 and 2018, respectively.

During 2019, DART maintained a AA+ credit rating from Standard & Poor's, AA+ from Kroll Bond Rating Agency, and Aa2 from Moody's Investors Service on outstanding long-term debt. In addition, Fitch Ratings maintains a AA- on DART's Series 2007 bonds.

TIFIA bonds payable are $98,726 as of September 30, 2019, compared to $100,878 as of September 30, 2018. On December 13, 2012, DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S. Department of Transportation (DOT). Under this loan agreement, DART issued a Senior Lien Obligation bond to borrow up to $105,000 from the DOT. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extends DART's light rail service from Irving to the Dallas Fort Worth International Airport. The TIFIA financing agreement is reimbursement-based and DART requested the money after paying for the cost of the capital project costs. The TIFIA bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations.

RRIF bonds payable are $11,706 as of September 30, 2019. On December 20, 2018 DART entered into the Railroad Rehabilitation and Improvement Financing (RRIF) loan agreement with the U.S Department of Transportation. Under this loan agreement, DART will issue a Senior Lien Obligation bond to borrow up to $908 million from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the 26-mile Silver Line commuter rail line extending from Terminal B of Dallas/Fort Worth International Airport to a terminus on Shiloh Road in the City of Plano, with 9 stations and 8 vehicles. The current estimate of eligible project costs for the project is approximately $1.24 billion. The RRIF financing agreement is reimbursement-based and DART will request (draw down) the money after paying for the capital project costs. Additional information on the RRIF loan is shown in note 15.

Capital lease/leaseback liabilities are $116,187 and $113,866 as of September 30, 2019 and 2018, respectively. The increases in both 2019 and 2018 are due to accrued interest.

Additional information on DART's outstanding debt is shown in notes 11-17.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 69% of total revenues in 2019 and compared to 72% in 2018. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2019, DART's sales and use tax revenues showed a 4.1% increase compared to the previous year. Actual sales and use tax revenues in 2019 are $621,129 compared to $596,400 in 2018. The sales and use tax budget for 2020 is $628,111 compared to $621,129 actual for 2019. The budget for 2020 represents a 1.1% increase from the 2019 actual sales and use tax revenues.

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, 2019 AND 2018 (Dollars in Thousands)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$98,979	$98,361
Investments	258,921	390,208
Sales and use tax receivable	105,250	97,949
Transit revenue receivable, net	7,472	7,001
Due from federal and other governments	25,460	21,840
Materials and supplies inventory, net	37,724	35,915
Prepaid transit expense and other	5,399	4,107
Restricted investments held by trustee for debt service	119,603	113,533
Restricted investments held for advance funding agreements	69,440	64,860
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	734,622	840,148
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	5,742	6,796
Restricted investments for system expansion and acquisition	66,924	-
Investment in joint venture	8,924	10,497
Capital assets		
Land and rights-of-way	618,596	619,043
Projects in progress	227,111	93,435
Depreciable capital assets, net of depreciation	3,344,052	3,524,818
Restricted investments held to pay capital lease/leaseback liabilities	109,813	107,492
Unamortized bond insurance premium and other	568	687
TOTAL NONCURRENT ASSETS	4,381,730	4,362,768
TOTAL ASSETS	5,116,352	5,202,916
DEFERRED OUTFLOWS OF RESOURCES	80,679	89,210
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,197,031	5,292,126
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	89,687	61,742
Commercial paper notes payable	159,100	125,000
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	3,193	1,531
Retainage payable	11,520	7,002
Unearned revenue and other liabilities	114,136	111,309
Accrued interest payable from restricted assets	51,233	54,507
Current portion of bonds payable	59,974	58,291
TOTAL CURRENT LIABILITIES	496,041	426,580
NONCURRENT LIABILITIES		
Accrued liabilities	41,066	39,748
Net pension liability	47,330	44,898
Net other post-employment benefits (OPEB) liability	9,948	22,667
Repayment due to State Comptroller	5,279	6,103
Senior lien revenue bonds payable	3,172,913	3,236,871
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	96,512	98,726
Capital lease/leaseback liabilities	109,813	107,492
TOTAL NONCURRENT LIABILITIES	3,482,861	3,556,505
TOTAL LIABILITIES	3,978,902	3,983,085
DEFERRED INFLOWS OF RESOURCES	15,628	4,663
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,994,530	3,987,748
NET POSITION		
Net investment in capital assets	784,924	764,341
Restricted for debt service	68,370	59,026
Restricted as security for capital lease/leaseback liabilities	5,742	6,796
Unrestricted	343,465	474,215
TOTAL NET POSITION	$1,202,501	$1,304,378

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, 2019 AND 2018 (Dollars in Thousands)

	2019	2018
OPERATING REVENUES		
Passenger revenues	$63,941	$62,845
Advertising, rent, and other	13,532	13,241
TOTAL OPERATING REVENUES	77,473	76,086
OPERATING EXPENSES		
Labor	259,186	249,894
Benefits	118,592	98,581
Services	53,282	48,331
Materials and supplies	51,017	47,531
Purchased transportation	58,537	55,978
Depreciation and amortization	248,064	250,210
Utilities	16,619	19,673
Taxes, leases, and other	6,679	4,029
Casualty and liability	7,156	4,925
TOTAL OPERATING EXPENSES	819,132	779,152
NET OPERATING LOSS	(741,659)	(703,066)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	621,129	596,400
Investment income	14,787	6,286
Interest income from investments held to pay capital lease/leaseback	8,695	8,524
Interest expense on capital lease/leaseback	(8,695)	(8,524)
Gain(loss) on HOV lane investments	-	(11,100)
Street improvements	(11,301)	(3,644)
Interest and financing expenses	(148,757)	(154,044)
Build America Bonds tax credit	25,021	28,443
Other federal grants	54,932	69,445
Other non-operating revenues	15,463	19,375
Other non-operating expenses	(13,517)	(1,969)
NET NON-OPERATING REVENUES	557,757	549,192
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(183,902)	(153,874)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	80,426	24,122
State capital contributions	1,599	129
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	82,025	24,251
CHANGE IN NET POSITION	(101,877)	(129,623)
TOTAL NET POSITION – BEGINNING OF YEAR	1,304,378	1,434,001
TOTAL NET POSITION – END OF YEAR	$1,202,501	$1,304,378

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, 2019 AND 2018 (Dollars in Thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$77,540	$74,817
Cash flows from other sources	9,997	18,023
Payments to suppliers of goods and services	(139,665)	(128,234)
Payments to purchased transportation service providers	(57,685)	(54,425)
Payments to employees	(259,186)	(247,711)
Benefit payments on behalf of employees	(115,541)	(102,641)
NET CASH USED BY OPERATING ACTIVITIES	(484,540)	(440,171)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	613,005	592,970
Other federal grants	53,490	69,902
Build America Bonds tax credit	27,490	28,452
Local Assistance Program and street improvements	(9,638)	(2,798)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	684,347	688,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	8,705	6,624
Proceeds from sales and maturity of investments	392,489	471,064
Purchase of investments	(254,882)	(363,167)
Increase in restricted assets	(76,519)	2,162
NET CASH PROVIDED BY INVESTING ACTIVITIES	69,793	116,683
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(176,590)	(95,602)
Proceeds from the issuance of commercial paper notes	754,100	715,000
Payment on commercial paper notes	(720,000)	(730,000)
Proceeds from the Railroad Rehabilitation and Improvement Financing Bonds	11,706	-
Principal payment on revenue bonds	(58,291)	(55,936)
Interest and financing expenses	(160,818)	(165,585)
Payment of debt issuance costs	(2,954)	-
Federal capital contributions	79,889	24,354
State capital contributions	3,359	950
Proceeds from the sale of capital assets	617	204
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(268,982)	(306,615)
NET DECREASE IN CASH AND CASH EQUIVALENTS	618	58,423
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	98,361	39,938
CASH AND CASH EQUIVALENTS, END OF YEAR	$98,979	$98,361

(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, 2019 AND 2018 (Dollars in Thousands)

	2019	2018
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(741,659)	$(703,066)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	248,064	250,210
Miscellaneous non-operating income	14,847	19,171
Miscellaneous non-operating expenses	(13,517)	(1,969)
Changes in assets and liabilities:		
(Increase) decrease in transit receivable	(455)	1,540
Decrease in due from federal & other governments	(3,814)	(1,824)
Decrease (increase) in materials and supplies inventory	(1,809)	(1,060)
Decrease (increase) in prepaid expenses and other current assets	(1,413)	(222)
Increase (decrease) in net pension liability	2,432	(7,229)
Increase (decrease) in accounts payable and accrued liabilities	10,739	3,139
Increase (decrease) in unearned revenue and other liabilities	2,045	1,139
NET CASH USED BY OPERATING ACTIVITIES	$(484,540)	$(440,171)

NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$8,695	$8,524
Interest expense on capital lease/leaseback	(8,695)	(8,524)
Increase in capital lease/leaseback obligations	2,321	2,150
Increase in investments held to pay capital lease/leaseback	(2,321)	(2,150)
Increase (decrease) in fair value of investments	4,286	(2,361)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(15,968)	(10,721)
Purchases of capital assets in accounts payable at year-end	32,650	14,134
Gain (loss) on HOV lane investments	-	(11,100)
Decrease in deferred outflows of resources – derivative instrument	1,457	856
Change in due from federal governments – capital contributions	537	233
Change in advance payments received from the State – capital contributions	1,760	820
Proceeds from the issuance of sales tax revenue bonds	365,655	-
Payment for advance refunding of sales tax revenue bonds	(365,655)	-

(Concluded)

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Amendments to DART's enabling legislation require approval of the Texas State Legislature, which holds its regular session every two years. Past legislative changes allowed the issuance of lease/leaseback transactions (see Note 11), changed the collection period of sales taxes from quarterly to monthly, and allowed a joint pledge of sales and use tax and farebox revenues as security for long-term debt. Future changes to DART's enabling legislation could have a material impact on DART's financial position. The next session of the State Legislature is scheduled to begin in January 2021.

On August 12, 2000, the voters of the DART Service Area passed a referendum that allows DART to issue up to $2.9 billion of bonds or notes that are solely payable from and secured by the DART sales and use tax revenue, have maturities beyond five years, and are issued pursuant to the authority granted at the election. On August 9, 2001, DART issued $400 million of the authorized $2.9 billion bonds. On September 10, 2002, $98.7 million of the authorized bonds were issued. On March 8, 2007, an additional $770.3 million of the authorized bonds were issued. From the $770.3 million, $317.7 million was issued to refund part of the 2001 and 2002 bonds. The remaining $452.6 million was issued to pay off commercial paper notes. In April 2008, the Board approved the fourth issuance of Bonds (Series 2008), for $731.4 million as authorized by the Master Debt Resolution. This issuance included $341 million to refund commercial paper notes.

A change to DART's enabling legislation was enacted during the 2009 Texas Legislative Session allowing DART to pledge multiple revenue sources as a first lien on Senior Lien Long-Term Bonds. This legislative change allowed DART to issue more than $2.9 billion in long-term debt, provided that DART issues multi-revenue bonds. On July 23, 2012, DART filed a Bond Validation Petition in District Court 160 in Dallas County. DART sought a judicial ruling clarifying whether a $2.9 billion limitation on "solely" pledged Sales Tax Revenue Bonds applies to "combined" Pledged Revenue Bonds. The hearing was conducted on August 13, 2012, and the Court concurred with DART's position. As a result, DART is no longer limited to $2.9 billion in long-term debt so long as the debt is backed by a combined pledge of revenues (sales taxes plus another revenue source).

In May 2009, the Board approved the fifth issuance of Bonds (Series 2009A and Series 2009B), for $1 billion as authorized by the Master Debt Resolution (see Note 13). In September 2010, the Board approved the sixth issuance of Bonds (Series 2010A and Series 2010B), for $824.6 million as authorized by the Master Debt Resolution (see Note 13). On November 15, 2012, DART issued and sold $127,775 in Senior Lien Sales Tax Revenue Bonds (Series 2012 Bonds). Series 2012 Bonds were issued to refund $150,000 Commercial Paper Notes. The Commercial Paper Notes were issued to finance capital expenditures for DART's system expansion and acquisition. On December 13, 2012 DART entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) financing agreement with the U.S. Department of Transportation (see note 14). Under this agreement, DART borrowed $105,000 from the U.S. Department of Transportation. The proceeds from the bond were used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which extended DART's light rail service from Irving to the Dallas Fort Worth International Airport. These bonds are Senior Lien Revenue Bonds that are secured by, and payable from, a senior lien on Pledged Revenues. On December 11, 2014, DART issued and sold $426,035 in Senior Lien Sales Tax Revenue Bonds ($379,480 in Series 2014A Bonds and $46,555 in Series 2014B Bonds). The Series 2014A and 2014B bonds were issued to refund part of the 2007 and 2008 bonds. On December 15, 2015, DART issued and sold $117,470 in Series 2015 Senior Lien Sales Tax Revenue Bonds to refund part of the 2007 bonds. On February 18, 2016, DART issued and sold $482,530 Series 2016A Senior Lien Sales Tax Revenue Bonds to refund part of the 2008 bonds; and on September 21, 2016 DART issued and sold $228,900 Series 2016B Senior Lien Sales Tax Revenue Bonds to refund part of the 2007, 2008, and 2009A bonds. On April 8, 2019, DART issued and sold $301,905 in Series 2019 Lien Sales Tax Revenue Bonds to refund part of the Series 2009b bonds.

On December 20, 2018 DART entered into the Railroad Rehabilitation and Improvement Financing (RRIF) loan agreement with the U.S Department of Transportation. Under this loan agreement, DART will borrow up to $908 million from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the 26-mile Silver Line commuter rail line extending from Terminal B of Dallas/Fort Worth International Airport to a terminus in Shiloh Road in the City of Plano, with 9 stations and 8 vehicles. The current estimate of eligible project costs for the project is approximately $1.1 billion.

DART received approximately $621,129 in 2019 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to $596,400 in 2018. These revenues constitute approximately 69% of DART's total revenues during fiscal year 2019 compared to 72% during 2018. Approximately 49%, 14%, and 12% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving respectively during fiscal year 2019 compared to 50%, 14%, and 11% in the cities of Dallas, Plano, and Irving during 2018.

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

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

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

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

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

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

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

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

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

New Accounting Pronouncements – In November 2016, GASB issued Statement No. 83 *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement became effective for DART during fiscal year 2019 and its implementation did not have an impact on DART financial statements.

In April 2018, GASB issued Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement.* This statement requires additional information related to debt to be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement became effective for DART during fiscal year 2019.

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 $98,979 and $98,361 as of September 30, 2019, and 2018, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), on September 30, 2019, and 2018 are stated at fair value except for money market funds which are valued at amortized cost. Fair value is the amount at which an investment may be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. DART utilizes quoted market prices or other measurements on September 30, 2019, and 2018, as the equivalent of the fair value of investments. When both restricted and unrestricted funds are available, it is DART's policy to spend restricted funds first on eligible expenditures.

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

Capital Assets – Capital assets are assets with an initial individual cost of more than five thousand dollars ($5,000) and an estimated useful life in excess of one year. Such assets are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as indicated in Note 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 costs are capitalized when incurred. Interest expense incurred during the construction phase of a capital asset is capitalized. In 2019, total interest and financing expense of $151,892 was incurred, and $3,135 of this total was capitalized. In 2018, total interest and financing expense of $155,198 was incurred, and $1,154 of this total was capitalized. Donated assets are capitalized at estimated acquisition value on the date of donation.

Federal, State and Local Capital Contributions, and Grants – Grant funds used for the acquisition of property and equipment are recorded as capital contribution revenues when the related grant eligibility requirements are met, and qualified expenditures are incurred. DART received $82,025 in federal, state and local capital contributions during 2019 compared to $24,251 during 2018. None of the total capital contributions received during 2019 were based on capital expenditures made during the previous years. In addition to capital contributions, DART also received $54,932 in 2019 compared to $69,445 in 2018 in the form of other federal grants. Included in these amounts are grants that are substantially related to capital maintenance grants from the federal government.

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

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

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

Self-Insurance Liabilities – DART administers and maintains self-insured reserves for employee medical, operational workers' compensation, auto, and general liability (including bus/rail accidents), directors' and officers' liability, and light rail construction workers' compensation and general liability claims. These programs are administered by DART, or in some instances, a third party. DART accrues the estimated cost of self-insurance liabilities based on actuarial review and the estimate is included in the accounts payable and accrued liabilities line item in the accompanying Statements of Net Position.

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2019, 2018, 2017 for DART's self-insured programs are as follows:

Description	2019	2018	2017
Beginning balance	$18,799	$17,970	$17,445
Current year claims and changes in estimates	6,717	4,949	5,707
Payments	(4,978)	(4,120)	(5,182)
Ending balance	$20,538	$18,799	$17,970
Amounts due in one year	$5,177	$4,864	$5,158

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

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

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

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

2. SERVICE AGREEMENTS

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

Summary of major services rendered in 2019 and 2018 and the current contract terms, including option periods is shown as follows:

		Annual Payments		Contract Terms	
Contractor's Name	Service Type	2019	2018	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail Service	$20,940	$22,114	10/1/2015	9/30/2025
MV Transportation, Inc.	Paratransit, and On-call services	31,807	27,877	10/1/2012	9/30/2022
Others	Various	5,790	5,987	Various	Various
Total		$58,537	$55,978		

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

	9/30/2019	9/30/2018
Cash and cash equivalents	$98,979	$98,361
Investments	258,921	390,208
Restricted investments held by trustee for debt service	119,603	113,533
Restricted investments held for advance funding agreements	69,440	64,860
Restricted investments held for system expansion and acquisition	66,924	-
Restricted investments held as security for capital lease/leaseback liabilities	5,742	6,796
Total cash and investments	$619,609	$673,758

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

	9/30/2019	9/30/2018
Cash	$2,368	$1,525
Cash equivalents	96,611	96,836
Investments	520,630	575,397
Total cash and investments	$619,609	$673,758

Deposits

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

On September 30, 2019, the carrying amount of DART's deposits was $2,368 compared to $1,525 at September 30, 2018. Bank balances at September 30, 2019 and 2018 were entirely covered either by Federal Depository Insurance or by collateral held by DART's agent in DART's name.

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

Investments

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

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

		Remaining Maturity (in months) as of September 30, 2019		
Investment Type	Total Amount	12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Agricultural Mortgage Corporation	$20,092	$10,064	$ -	$ 10,028
Federal Farm Credit Banks	34,496	31,494	3,002	-
Federal Home Loan Bank	97,554	47,249	40,047	10,258
Federal Home Loan Mortgage Corporation	43,630	9,990	4,115	29,525
Federal National Mortgage Association	42,332	42,332	-	-
Money Market Funds	379,137	379,137	-	-
Total	$617,241	$520,266	$47,164	$49,811

		Remaining Maturity (in months) as of September 30, 2018		
Investment Type	Total Amount	12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Agricultural Mortgage Corporation	$2,298	$2,298	$ -	$ -
Federal Home Loan Bank	139,478	17,931	50,107	71,440
Federal Farm Credit Banks	67,729	33,733	31,071	2,925
Federal Home Loan Mortgage Corporation	51,492	31,852	9,847	9,793
Federal National Mortgage Association	93,602	35,153	49,749	8,700
Commercial Paper	52,464	52,464	-	-
Money Market Funds	265,170	265,170	-	-
Total	$672,233	$438,601	$140,774	$92,858

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

Rating as of September 30, 2019				
Investment Type	Total Amount	AA+/ Aaa	AAAm	Not Rated
Federal Agricultural Mortgage Corporation	$20,092	$ -	$ -	$20,092
Federal Farm Credit Banks	34,496	34,496	-	-
Federal Home Loan Bank	97,554	97,554	-	-
Federal Home Loan Mortgage Corporation	43,630	43,630	-	-
Federal National Mortgage Association	42,332	42,332	-	-
Money Market Funds	379,137	-	379,137	-
Total	$617,241	$218,012	$379,137	$20,092

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Rating as of September 30, 2018				
Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAAm
Federal Agricultural Mortgage Corporation	$2,298	$ 2,298	$ -	$ -
Federal Farm Credit Banks	67,729	67,729	-	-
Federal Home Loan Bank	139,478	139,478	-	-
Federal Home Loan Mortgage Corporation	51,492	51,492	-	-
Federal National Mortgage Association	93,602	93,602	-	-
Commercial Paper	52,464	-	52,464	-
Money Market Funds	265,170	-	-	265,170
Total	$672,233	$354,599	$52,464	$265,170

On August 5, 2011, Standard and Poor's, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term United States sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists. DART's investment portfolio includes $218,012 as of September 30, 2018 compared to $354,999 as of September 30, 2018 with credit ratings of AA+ by Standard and Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of DART's investment in a single issuer. DART's Investment Policy contains limitations on the amount that can be invested in any one issuer as shown in the table on page 23. Investments in any one issuer that represent 5% or more of total investment portfolio of DART as of September 30 are as shown below:

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

September 30, 2018		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Logic	$161,013	24%
Federal Home Loan Bank	139,478	21%
TexPool	102,051	15%
Federal National Mortgage Association	93,602	14%
Federal Farm Credit Banks	67,729	10%
Federal Home Loan Mortgage Corporation	51,492	8%

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, DART will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of DART's investments except for money market mutual funds, which by design provide ownership of shares within the fund, are registered in DART's name as of September 30, 2019 and 2018 and are not exposed to custodial credit risk.

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

Fair Value Measurements as of September 30, 2019

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

Fair Value Measurements as of September 30, 2018

Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Agricultural Mortgage Corporation	$2,298	$ -	$2,298	$ -
Federal Home Loan Bank	139,478	-	139,478	-
Federal Farm Credit Banks	67,729	-	67,729	-
Federal Home Loan Mortgage Corporation	51,492	-	51,492	-
Federal National Mortgage Association	93,602	-	93,602	-
Commercial Paper	52,464	-	52,464	-
Total	$407,063	$ -	$407,063	$ -

Restricted investments held to pay capital lease/leaseback liabilities – As of September 30, 2019, DART had one outstanding lease/leaseback obligation. When DART entered into the capital lease/leaseback transactions it received advance rental payments. A portion of the advance rental payment received by DART was used to purchase contractual undertakings from certain financial institutions. These institutions assumed and agreed to pay the sublease rental payments due through the purchase option date, together with the purchase option price owed if DART were to exercise the purchase option rights. For other leases, DART deposited a portion of the advance rental payment with a trustee, who was to purchase direct obligations of the US government and other securities that would mature on the dates in the amounts required to pay sublease rental payments and the respective purchase option price. These investments are held by the trustee in the name of DART and are invested in U.S. Treasury strips, U.S. government sponsored enterprise obligations, and guaranteed investment contracts. They include a combination of investments with short-term and long-term maturities which minimizes the exposure to interest rate risk. Because these investments are insured by a third party and are held in U.S. Treasuries and government investment contracts, they are not recorded at fair value but are recorded at amortized cost in the Statements of Net Position.

Assigned assets – The DART Board has assigned certain cash and investment balances to be maintained for self-insurance and financial reserve. These amounts are shown as unrestricted investments in the accompanying financial statements. The assets for self-insurance include amounts assigned by the Board to fund future claims and workers' compensation liabilities. The Board established a financial reserve to accumulate sales and use taxes in years when sales and use tax revenues exceed the budgeted amount. Sales and use tax revenues, net of annual repayments to the State Comptroller, were $7,806 lower than budget for fiscal year 2019 compared to $1,703 more than budget for fiscal year 2018. In addition, the Board of Directors authorized the establishment of Mobility Assistance and Innovation Fund. Should the Financial Reserve exceed $50 million, excess funds are placed in the Mobility Assistance and Innovation Fund.

An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve and Mobility Assistance and Innovation Fund. The funds may be used for any purpose approved by the Board. During 2011, the DART Board approved a request to set aside a portion of the financial reserve investments for potential collateral as required by an amendment to one of the lease/leaseback agreements. The amount set aside for this purpose is $5,742 as of September 30, 2019, compared to $6,796 as of September 30, 2018. 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, 2019 and 2018 shown as follows:

Assigned for	2019	2018
Self-Insurance	$12,281	$12,064
Financial Reserve*	44,517	42,758
Silver Line Project Fund**	20,100	20,100
Mobility Assistance and Innovation Fund***	11,021	10,778
Total	$ 87,919	$ 85,700

*The financial reserve amounts shown here are net of $5,742 as of September 30, 2019, and $6,796 as of September 30, 2018. These amounts are set aside as collateral security for a certain lease/leaseback obligation.

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

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

4. RESTRICTED ASSETS

As security for the Senior Lien Obligations (Bonds) and Senior Subordinate Lien Obligations (Commercial Paper Notes), DART is required to maintain a certain amount of money in trust accounts created for this purpose. The money maintained in the trust accounts is reported as *Investments held by trustee for debt service* in the Statements of Net Position. The trustee uses all the monies and investments in the account for payment of principal, interest for bonds and commercial paper notes, and administrative expenses. Restricted assets shown in the Statements of Net Position also include debt proceeds which will be used to fund capital expenditures.

DART entered into three advance funding agreements with the Texas Department of Transportation and received money for construction of three parking lots. DART also entered into an inter-local agreement with the City of Dallas to plan and design a modern streetcar system for the City of Dallas and received money for this purpose. The remaining balances of these monies are shown as *restricted investments held for advance funding agreements* in the Statements of Net Position as of September 30, 2019 and 2018.

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, 2019, DART has set aside $5,742 compared to $6,796 as of September 30, 2018, for this purpose. These amounts are shown as *investments restricted as security for lease/leaseback liabilities* in the Statements of Net Position.

5. INVESTMENT IN JOINT VENTURE

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

6. INVESTMENT IN MANAGED HOV LANE AGREEMENTS

In October 2010, DART entered into agreements with TxDOT to invest in managed HOV lane projects that fall under the Regional Transportation Council’s (RTC) policy for Excess Toll Revenue Sharing. RTC’s policy allows local governments and transportation authorities to invest in Comprehensive Development Agreement (CDA) projects. Any excess revenue will be returned to the funding partners in proportion to their shares and be used to fund future transportation projects. At September 30, 2017, the fair value of DART investment in managed HOV lane projects (using future projected cash flows as Level 3 inputs within the fair value hierarch established by GAAP), was $11.1 million. An updated financial analysis performed during FY 2018 determined that reimbursement of excess toll road revenue to DART was not likely. As a result, DART’s investment in managed HOV lane projects of $11,100 was written-off during fiscal year 2018.

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

7. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2019 and 2018 are shown as follows:

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

	Beginning Oct. 1, 2017	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2018
Non-Depreciable Assets					
Land and right-of-way	$619,026	$ -	$ -	$ 17	$619,043
Capital projects in progress	66,867	95,189	-	(68,621)	93,435
Total non-depreciable assets	685,893	95,189	-	(68,604)	712,478
Depreciable Assets					
Transitways	4,019,867	-	-	30,286	4,050,153
Buildings and improvements	749,860	-	-	436	750,296
Revenue and non-revenue vehicles and equipment	1,301,880	-	(28,148)	28,742	1,302,474
Furniture, fixtures, and Leasehold improvements	69,636	-	(1,645)	9,140	77,131
Total depreciable assets	6,141,243	-	(29,793)	68,604	6,180,054
Less accumulated depreciation					
Transitways	1,324,572	136,044	-	-	1,460,616
Buildings and improvements	391,305	24,645	-	-	415,950
Revenue and non-revenue vehicles and equipment	656,545	84,069	(28,141)	-	712,473
Furniture, fixtures, and Leasehold improvements	63,499	4,343	(1,645)	-	66,197
Total accumulated depreciation	2,435,921	249,101	(29,786)	-	2,655,236
Depreciable assets, net	3,705,322	(249,101)	(7)	68,604	3,524,818
Total capital assets	$4,391,215	$(153,912)	$(7)	$ -	$4,237,296

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

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

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

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

Description	2019	2018
Accounts payable and accrued liabilities		
Payroll	$11,050	$9,404
Accrued paid time off, vacation and sick leave	27,304	27,234
Self-insurance liabilities	20,538	18,799
Other operating liabilities	39,192	31,908
Total operating expense related	98,084	87,345
Non-operating expense and capital related	32,669	14,145
Total accounts payable and accrued liabilities	130,753	101,490
Non-current	41,066	39,748
Current	$89,687	$61,742

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

Description	2019	2018
Beginning balance	$6,927	$7,751
Payments	(824)	(824)
Ending balance	6,103	6,927
Non-current	5,279	6,103
Current	$824	$824

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

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

Description	2019	2018
Beginning balance	$27,234	$25,889
Additions	1,757	2,831
Payments	(1,687)	(1,486)
Ending balance	$27,304	$27,234
Amounts due in one year	$1,599	$1,421

10. LOCAL ASSISTANCE PROGRAMS

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Changes in Local Assistance Program Payable for the years ended September 30 are as follows:

Description	2019	2018
Beginning balance	583	$685
Payments	-	(102)
Ending balance	$583	$583

ii. Transit Related Improvement Program – In January 2017, DART created a Transit Related Improvement Program (TRIP). This program will provide alternative mobility benefits to eligible non-rail cities by funding transit related improvement projects. Eligible municipalities are Cockrell Hill, Glenn Heights, Highland Park, and University Park. The maximum amount of annual DART funding for any municipal project is 21% of the annual projected DART sales tax revenue from such city. To be eligible for reimbursement, a project must be authorized under and consistent with the provisions of Chapter 452 of the Texas Transportation Code. Particular consideration and weight will be given to projects that enhance transportation modes provided by DART, public transit safety, ridership or efficiency anywhere in the DART service area, and innovative and additional approaches to public transportation. The TRIP program will end on September 30, 2025. Under the TRIP program, DART paid $5,484 to eligible non-rail cities during fiscal year 2019 compared to $2,696 during 2018.

11. FINANCE OBLIGATIONS UNDER CAPITAL LEASE/LEASEBACK

DART has entered into lease transactions in which certain capital assets are leased to investors (headlease) and simultaneously leased back (sublease). Under these transactions, 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 headleases and subleases have been recorded as capital lease/leaseback for accounting purposes. The following table shows DART capital lease/leaseback transactions that is outstanding as of September 30, 2019

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

The subleases provide DART with an opportunity, at its sole discretion, to repurchase equipment on specified dates. As these dates approach, DART will complete a financial analysis on each specific lease to determine if it is financially beneficial to repurchase the equipment. At this point in time, DART anticipates that it will exercise the repurchase option on all of its remaining leases at the specified dates and has reflected this option in the amortization.

The following table shows the book value of the light rail cars under the lease/lease back agreements as of September 30, 2019 and 2018.

Lease Date	Property	Book value as of 9/30/2019	Book value as of 9/30/2018
9/28/2000	28 Light rail cars	$15,908	$18,958

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 subleases 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:

	2019	2018
Amounts due within one year	$6,374	$6,374
Amounts due in more than one year	109,813	107,492
Total	$116,187	$113,866

Each of the lease/leaseback transactions has specific performance requirements for DART when the financial rating of the Payment Undertaker insurer falls below a specified level. During fiscal year 2010, credit ratings of two of three financial institutions insuring DART's lease/leaseback transactions were downgraded below certain levels specified in the lease/leaseback agreements. As a result, DART has entered into an amended agreement to reset the acceptable credit rating to be maintained at or above BBB for one of these two transactions. For the other lease/leaseback obligation, DART also entered into an additional Equity Security Agreement that requires it to set aside certain investments as security. As of September 30, 2019, DART has set aside $5,742 compared to $6,796 as of September 30, 2018 for this purpose. These amounts are shown as restricted investment held as security for lease/lease back liabilities in the Statements of Net Position.

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

As of September 30, 2019, DART has only one outstanding lease/lease back obligation. Changes in the capital lease/lease back obligations for the years ended September 30 are shown below:

Description	2019	2018
Beginning balance	$113,866	$111,716
Accrued interest	8,695	8,524
Retirements	(6,374)	(6,374)
Ending Balance	$116,187	$113,866

The following schedule shows future minimum sublease payments as of September 30, 2019 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2020	$6,374
2021	6,374
2022	18
2023	126,629
2024	8,663
Total minimum sublease payments due under capital lease/leaseback	148,058
Less: amount representing interest	(31,871)
Present value of minimum sublease payments	$116,187

12. 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.

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

As of September 30, 2019, DART had $80 million in outstanding commercial paper notes payable and $45 million unused line of credit under the self-liquidity backed commercial paper program compared to $125 million outstanding as of September 30, 2018.

Bank backed Commercial Paper Program – in November 2018, the DART Board authorized the establishment of bank-backed commercial paper program in the amount of $125 million for the purpose of interim financing of capital projects. DART entered into a revolving credit agreement with JPMorgan Chase Bank N.A that allows it to issue up to $125 million in bank backed commercial paper notes. Under this program, the Bank provides a liquidity facility which constitutes 270 days of interest at 10% on the maximum available principal of $125 million calculated on the basis of actual number of days and a 365-day year. As of September 30, 2019, DART has an unused line of credit of $46 million and $79 million in outstanding commercial paper notes issued under this bank-backed program.

Commercial Paper Extendible Program – the DART Board approved a Commercial Paper Extendible Program that allows DART to issue up to $125 million in commercial paper notes not to exceed 270 days outstanding and backed by the faith and credit of DART. As of September 30, 2019, DART has an unused line of credit of $125 million and zero outstanding commercial paper notes issued under the extendible program.

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Commercial paper notes are from direct placements and are issued in blocks for terms from 1 to 270 days and recorded as current liabilities on the Statements of Net Position. The average interest rate on outstanding commercial paper was 1.38% at September 30, 2019, and 1.61% at September 30, 2018. Changes in the Commercial Paper Notes for the years ended September 30, 2019 and 2019 are shown below.

Description	2019	2018
Beginning balance	$125,000	$140,000
Additions	754,100	715,000
Retirement	(720,000)	(730,000)
Ending Balance	$159,100	$125,000

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 lien to pledged revenue. Senior Lien Revenue bonds, TIFIA bonds, and RRIF bonds have senior lien to pledged revenues. No assets have been pledged as collateral to secure commercial paper notes except for money accumulated in the Subordinate Lien Debt Service Fund which was $246 as of September 30, 2019. The Master Debt Resolution, which can found in its entirety at www.dart.org or by contacting our Chief Financial Officer at our corporate address, establishes the provisions, terms, and conditions of, and the security for, DART's bonds, notes, and credit agreements. The Master Debt Resolution contains a provision that in an event of default, the trustee shall transfer all future gross sales tax revenues and apply to them to debt service payments based on the times, order and priority set forth in The Master Debt Resolution. In the event of default, The Master Debt Resolution also contains a provision that no right of acceleration shall be granted unless that right is extended to holders and payees of all outstanding bond and credit agreement obligations.

13. SENIOR LIEN REVENUE BONDS

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

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

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

In accordance with ARRA, DART receives a tax credit from the United States Treasury in amounts equal to 35% of the interest payable amount on the Series 2009B and 2010B Bonds. However, during fiscal years 2019 and 2018, this tax credit was reduced by 6.2% and 6.6% due to budget cuts or "sequestration" by the federal government. During 2019, DART recorded tax credits of $25,021 compared to $28,443 for 2018 as Build America Bonds tax credit (for Series 2009B and 2010B bonds combined) in the Statements of Revenues, Expenses and Changes in Net Position.

Additional bonds may not be issued unless gross sales and use tax revenues exceed maximum debt service by at least 200% for 12 of the last 18 months. Changes in revenue bonds (shown at par) for the years ended September 30, 2019 and 2018 are as shown on the next page.

Changes in revenue bonds (shown at par) for the years ended September 30, 2019 and 2018

Bond Series	Balance, 9/30/2017	Retirement	Balance, 9/30/2018	Additions	Retirement	Balance, 9/30/2019	Amounts due in one year
2007	$118,395	$ -	$118,395	$ -	$ -	$118,395	$ -
2008	18,340	(8,940)	9,400	-	(9,400)	-	-
2009A	36,630	(17,865)	18,765	-	(18,765)	-	-
2009B	829,615	-	829,615	-	(362,645)	466,970	-
2010A	59,125	(1,895)	57,230	-	(1,535)	55,695	15,720
2010B	729,390	-	729,390	-	-	729,390	-
2012	118,900	(2,410)	116,490	-	(2,495)	113,995	2,620
2014A	379,480	(12,110)	367,370	-	(12,935)	354,435	15,220
2014B	46,555	-	46,555	-	-	46,555	-
2015	116,030	(10,625)	105,405	-	(11,010)	94,395	5,440
2016A	482,530	-	482,530	-	-	482,530	-
2016B	228,900	-	228,900	-	-	228,900	18,760
2019	-	-	-	301,095	-	301,095	-
Total	$3,163,890	$(53,845)	$3,110,045	$301,095	$(418,785)	$2,992,355	$57,760

The revenue bonds shown above are at face value. The amounts shown in the Statements of Net Position include the unamortized balance of original issuance premium of $226,611 and $182,935 as of September 30, 2019 and 2018, respectively. Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2019:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2020	$57,760	$148,822	$206,582	$(21,201)	$185,381
2021	60,410	146,174	206,584	(21,201)	185,383
2022	63,105	143,478	206,583	(21,201)	185,382
2023	65,945	140,633	206,578	(21,201)	185,377
2024	46,265	138,070	184,335	(22,531)	161,804
2025 – 2029	353,690	647,273	1,000,963	(112,654)	888,309
2030 – 2034	448,780	550,244	999,024	(112,654)	886,370
2035 – 2039	616,990	414,787	1,031,777	(104,123)	927,654
2040 – 2044	703,465	243,440	946,905	(61,784)	885,121
2045 – 2049	575,945	68,940	644,885	(15,844)	629,041
TOTAL	$2,992,355	$2,641,861	$5,634,216	$(514,394)	$5,119,822

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

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

The table below summarizes debt service requirements of the TIFIA bonds as of September 30, 2019:

Year Ended September 30	Principal	Interest	Total TIFIA Bond Debt Service
2020	$2,214	$2,845	$5,059
2021	2,279	2,772	5,051
2022	2,345	2,702	5,047
2023	2,413	2,633	5,046
2024	2,483	2,565	5,048
2025 – 2029	13,543	11,660	25,203
2030 – 2034	15,632	9,539	25,171
2035 – 2039	18,042	7,088	25,130
2040 – 2044	20,825	4,259	25,084
2045 – 2048	18,950	1,101	20,051
TOTAL	$98,726	$47,164	$145,890

The annual debt service requirements for the TIFIA bond range from $5,009 in fiscal year 2046 to $5,059 in fiscal year 2020.

15. RAILROAD REHABILITATION AND IMPROVEMENT FINANCING (RRIF) BONDS

On December 20, 2018 DART entered into the Railroad Rehabilitation and Improvement Financing (RRIF) loan agreement with the U.S Department of Transportation. Under this loan agreement, DART will issue a Senior Lien Obligation bond to borrow up to $908 million from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the 26-mile Silver Line commuter rail line extending from Terminal B of Dallas/Fort Worth International Airport to a terminus in Shiloh Road in the City of Plano, with 9 stations and 8 vehicles. The current estimate of eligible project costs for the RRIF loan is approximately $1.24 billion. The RRIF financing agreement is reimbursement-based and DART will request reimbursement (draw down) after paying for the capital project costs. The expected draw down are as follows:

Year Ended September 30	Principal
2019	$11,706
2020	196,933
2021	292,346
2022	250,847
2023	156,168
Total	$908,000

The RRIF bond is a Senior Lien Obligation and is secured by and payable from Pledged Revenues on parity with other Senior Lien Obligations. The interest rate on the RRIF bond is 2.98% and is fixed for the term of the loan.

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

The following table summarizes estimated debt service requirements of the RRIF financing agreement executed on December 20, 2018 based on expected draw down of $908,000 shown above. The amounts and timing of the debt service for the RRIF Bond are subject to change depending on the amount and timing of the draw down.

Year Ended September 30	Principal	Interest	Total RRIF Bond Debt Service
2020	$ -	$1,572	$1,572
2021	-	10,222	10,222
2022	-	18,504	18,504
2023	-	24,881	24,881
2024	-	27,102	27,102
2025 – 2029	-	135,249	135,249
2030 – 2034	15,000	134,622	149,622
2035 – 2039	88,430	128,725	217,155
2040 – 2044	170,327	107,522	277,849
2045 – 2049	197,263	80,134	277,397
2050 – 2054	228,460	48,499	276,959
2055 - 2058	208,520	12,664	221,184
TOTAL	$908,000	$729,696	$1,637,696

The annual debt service requirements for the RRIF bond range from $1,572 in fiscal year 2020 to $55,625 in fiscal year 2040.

16. 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, 2019 is $5.63 billion before BABs tax credits of $514 million and $5.12 billion net of BABs tax credits (see the second table on page 32). The annual debt service requirements for these bonds, net of BABs tax credits, range from $215,140 in fiscal year 2036 to $114,512 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest net of BABs tax credits) is $186,515 Bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest remaining on TIFIA bonds as of September 30, 2019 is $145,890 million. The annual debt service requirements for the TIFIA bonds range from $5,009 in fiscal year 2046 to $5,059 in fiscal year 2020. For fiscal year 2019, debt service on the TIFIA bonds (including principal and interest) was $5,055. TIFIA bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest outstanding on the RRIF bonds as of September 30, 2019 is $11,823 million. The estimated annual debt service requirements for the RRFI bonds range from $1,572 in fiscal year 2020 to $55,625 in fiscal year 2040. For fiscal year 2019, debt service on the RRIF bonds was $85 (interest only). RRIF bonds have a senior lien on pledged revenues on parity with other senior lien bonds.

Total principal and interest remaining on commercial paper as of September 30, 2019 is $159,189 compared to $125,127 as of September 30, 2018. Interest payments on commercial paper notes during the current fiscal year totaled $1,776. Commercial Paper notes have a subordinate senior lien on pledged revenues.

17. DEBT REFUNDINGS

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

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

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

As of September 30, 2019, none of these refunded DART bonds remains outstanding compared to $727,305 outstanding as of September 30, 2018. The unamortized portion of the book loss of $60,911 and $67,069, respectively, have been included in the Statements of Net Position under the deferred outflows of resources section as of September 30, 2019 and 2018.

18. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

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

Defined Benefit Plan

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

Contributions. Contributions to the DB Plan, as stipulated by the "Sale, Purchase, and Transfer Contract Between the City of Dallas and Dallas Area Rapid Transit," are based upon Dallas Area Rapid Transit's agreement to contribute an amount at least equal to the minimum funding standard under Section 412 of the Internal Revenue Code of 1986, as if the Plan were subject to Section 412. An actuary determines the contribution amount that DART pays to the plan each year. Participants who were in the Plan on September 30, 1995 are required to contribute 3% of their base monthly salaries to the Plan. Other participants are not required to contribute to the DB Plan. DART's contribution amount is actuarially determined on an annual basis. Actual contributions made to the DB Plan during the years ended September 30, 2018 and 2017 are as follows:

	2019	2018
Employer contributions	$10,000	$10,000
Employee contributions	2	2
	$10,002	$10,002

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of October 1, 2018 and 2017:

	10/1/2018	10/1/2017
Inactive employees or beneficiaries currently receiving benefits	796	768
Inactive employee entitled to but not yet receiving benefits	141	150
Active employees	212	245
	1,149	1,163

Actuarial Assumptions – The total pension liability in the September 30, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to the periods included in the measurement:

Valuation Dates	September 30, 2018 and 2017
Inflation	2.5% per annum
Salary Increases	3.00% per annum
Investment Return	6.75 compounded annually, net of expenses
Measurement Date	For the September 30, 2018 valuation, census data was collected as of October 1, 2017. Liabilities measured as of the census date were projected to September 30, 2018, assuming no demographic gains or losses. For the September 30, 2017 valuation, census data was collected as of October 1, 2016. Liabilities measured as of the census date were projected to September 30, 2017, assuming no demographic gains or losses.
Mortality Rate Active Lives	PubG-2010 (Below-median, amount-weighted) employee rates with mortality improvement projections to the valuation date using Scale MP-2018.
Mortality Rate Retiree and Vested Terminated Lives	PubG-2010 (Below-median, amount-weighted) healthy retiree rates with mortality improvement projections to the valuation date using Scale MP-2018.
Mortality Rate Contingent Survivor Lives	PubG-2010 (Below-median, amount-weighted) contingent survivor rates with mortality improvement projections to the valuation date using Scale MP-2018.
Disability Mortality	PubG-2010 (amount-weighted) disabled retiree rates with mortality improvement projections to the valuation date using Scale MP-2018.
Early Retirement Age	55 and 10 years of credited service
Normal Retirement Age	60
Actuarial Cost Method	Entry Age Normal (level percent of pay)

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2018 and 2017 are summarized in the following table (note that the rates shown below include the inflation components):

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

September 30, 2017 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	39%	4.30%
U.S. Market Fixed Income	40%	0.70%
International Equities	10%	5.60%
Real Estate	10%	6.70%
Cash	1%	-0.50%

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

Discount rate. The discount rate used to measure the total pension liability was 6.75% at September 30, 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

For purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 4.18% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Bond Buyer); and the resulting single discount rate is 6.75%. The following table summarizes changes in Net Pension Liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 9/30/2017	$220,461	$168,334	$52,127
Service cost	1,107	-	1,107
Interest	14,501	-	14,501
Differences between expected and actual experience	2,655	-	2,655
Benefit payments	(13,471)	(13,471)	-
Contributions-employer	-	10,000	(10,000)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	15,590	(15,590)
Administrative expenses	-	(100)	100
Net Changes	4,792	12,021	(7,229)
Balance at 9/30/2018	$225,253	$180,355	$44,898
Service cost	988	-	988
Interest	14,795	-	14,795
Differences between expected and actual experience	1,920	-	2,655
Changes in assumptions	5,326		5,326
Benefit payments	(14,107)	(14,107)	-
Contributions-employer	-	10,000	(10,000)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	10,679	(10,679)
Administrative expenses	-	(84)	84
Net Changes	8,922	6,490	2,432
Balance at 9/30/2019	$234,175	$186,845	$47,330

Changes of assumptions:

For measurement date of 09/30/2018, the assumed rates of mortality have been amended to adopt the Pub-2010 Public Retirement Plan mortality Tables for General Employees (Below-Median, Amount-Weighted) which were released with an exposure draft based on a comprehensive review of recent mortality experience of public retirement plans in the United State as performed by The Society of Actuaries' Retirement Plans Experience Committee.

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of DART, calculated using the discount rate of 6.75% at September 30, 2019 and 2018, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
DART's net pension liability, 9/30/2019	$70,952	$47,330	$27,056
DART's net pension liability, 9/30/2018	$67,609	$44,898	$25,289

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

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

For the year ended September 30, 2019, DART recognized pension expense of $12,310 compared to $4,048 for fiscal year 2018.

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

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

Year ended September 30:	
2020	$407
2021	(1,665)
2022	(599)
2023	271
Thereafter	-

At September 30, 2018, DART reported deferred inflows/outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$1,328	$ -
Net difference between projected and actual earnings on pension plan investments	-	3,037
Employer contribution made after measurement date	10,000	-
Total	$11,328	$3,037

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

Year ended September 30:	
2019	$961
2020	136
2021	(1,936)
2022	(870)
Thereafter	-

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

DART Retirement Plan

DART has adopted a defined contribution retirement plan for all employees not covered by the pension plans described above. DART contributes an amount equal to 7.7% of each participant's annual compensation to the plan. Participants hired before January 1, 2006 are vested in 25% of DART's contributions after two years of service, graduating to 100% vesting after five years. Participants hired after December 31, 2005 become 100% vested in DART's contributions to the Plan only after completing five years of service. Total expense to DART to fully fund this plan was approximately $18,582 and $17,083 for the years ended September 30, 2019 and 2018, respectively.

DART Capital Accumulation Plan – 401(k)

DART has adopted a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k), which allows employees to contribute up to 50% of their annual compensation to the plan subject to the annual contribution limits of the Internal Revenue Service. DART matches 50% of the employee's contribution up to a maximum of 3% of the employee's annual compensation. Participants hired before January 1, 2006 are vested in 25% of DART's contributions after two years of service, graduating to 100% vesting after five years. Participants hired after December 31, 2005 become 100% vested in DART's contributions to the Plan only after completing five years of service. Total expense to DART to fully fund this plan was approximately $6,063 and $5,842 for the years ended September 30, 2019 and 2018, respectively.

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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.

19. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

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

Covered Participants – As of the September 30, 2018 and 2017 actuarial valuation, the following active and inactive participants were covered by the benefit terms under the plan:

	Number of Covered Participants	
	9/30/2018	9/30/2017
Active employees	3,670	3,586
Retirees, beneficiaries, and disabled members	336	336
Total	4,006	3,922

Contributions – DART contributions are made based on amounts required to be funded as determined by annual actuarial valuations and are designed to fund the OPEB Trust on a level cost basis, cover normal cost each year and cover amortization of any unfunded actuarial liabilities. DART's contribution rate was 3.5 percent of covered employee payroll for the year ended September 30, 2019. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost. DART contributed $7,489 to the plan during 2019. This amount includes $3,627 for 2019 which was contributed on September 4, 2019 and $3,862 for 2018 which was contributed on October 1, 2018.

Net OPEB Liability – DART's net OPEB liability was measured as of September 30, 2018 and 2017 and the total OPEB liability used to calculate the net OPEB liability was also determined by an actuarial valuation as of that date.

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

Actuarial valuations were performed for the OPEB Plan as of September 30, 2018 and 2017. The following tables show a summary of significant actuarial assumptions:

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Valuation Date	September 30, 2017
Discount Rate	7.00%
Inflation	3% included in health care cost trend
Salary Increases	3.25% per annum
Investment Rate of Return	7.00%
Health Care Cost Trend Rate	Starts with 6.75% in year 2018 and goes down to 5% in year 2025 and after for Pre-65. For Medicare it starts with 33.10% in year 2018 and goes down to 5% in year 2025 and after.
Mortality Rate	RP-2014 Mortality Fully Generational using Projection Scale MP-2015
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage.
Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service
Dependent coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage. Female spouses are assumed to be four (4) years younger than their husbands. Percent of future retirees with coverage who elect coverage on spouse is 100%. Any potential costs for children have not been considered for valuation purposes.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Measurement Date	September 30, 2017

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table for September 30, 2018 and 2017 valuations:

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

Discount rate. The discount rate used to measure the total OPEB liability was 7.0 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 the net OPEB liability to changes in discount rate. The following presents the net OPEB liability of DART as well as what DART's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
DART's Net OPEB liability, 9/30/2019	$20,008	$9,948	$1,894
DART's Net OPEB liability, 9/30/2018	$35,644	$22,667	$12,415

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates for September 30, 2018 Valuation. The following presents the net OPEB liability of DART, as well as what the DART's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.50% decreasing to 4.00%)	Health Care Cost Trend Rates (6.50% decreasing to 5%)	1% Increase (7.50% decreasing to 6%)
DART's Net OPEB liability, 9/30/2019	$1,404	$9,948	$20,749

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates for September 30, 2017 Valuation. The following presents the net OPEB liability of DART, as well as what the DART's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.75 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.75 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease	Health Care Cost	1% Increase
Pre-65	(5.75% decreasing to 4%)	Trend Rates (6.75% decreasing to 5%)	(7.75% decreasing to 6%)
Medicare	(32.1% decreasing to 4%)	(33.1% decreasing to 5%)	(34.1% decreasing to 6%)
DART's Net OPEB liability, 9/30/2018	$11,593	$22,667	$36,861

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at 9/30/2017	$58,230	$41,372	$16,858
Service cost	2,762	-	2,762
Interest	4,218	-	4,218
Differences between expected and actual experience	4,514	-	4,514
Changes of assumptions or other inputs	2,437	-	2,437
Contributions-employer	-	4,239	(4,239)
Net investment income, net of expenses	-	3,883	(3,883)
Benefit payments	(1,470)	(1,470)	-
Administrative expenses	-	-	-
Net Changes	12,461	6,652	5,809
Balance at 9/30/2018	70,691	48,024	22,667
Adjustment to reflect actual assets		1,888	(1,888)
Adjusted Balance at 9/30/2018	70,691	49,912	20,779
Service cost	3,200	-	3,200
Interest	5,129	-	5,129
Differences between expected and actual experience	(4,931)	-	(4,931)
Changes of assumptions or other inputs	(10,289)	-	(10,289)
Contributions-employer	-	-	-
Contributions-participant	-	460	(460)
Net investment income, net of expenses	-	3,650	(3,650)
Benefit payments	(2,920)	(2,920)	-
Administrative expenses	-	(170)	170
Net Changes	(9,811)	1,020	(10,831)
Balance at 9/30/2019	$60,880	$50,932	$9,948

Changes of Assumptions and Other Changes – DART's contribution to covered spouse Medicare Supplement premiums was updated from 80% to 50% to align with the substantive plan provisions. All other assumptions are those performed as of September 30, 2018. Note that the overall impact shown above includes changes of assumptions to update the mortality improvement and the percentage of retirees who are married and elect coverage for their spouse.

OPEB Expense - For the year ended September 30, 2019, DART recognized OPEB expense of $4,167 compared to $5,821 for the ended September 30, 2018.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,988	$4,384
Changes of assumptions	2,153	9,146
Net difference between Projected and Actual Earnings on OPEB Plan	-	198
Employer contribution made after measurement date	3,627	-
Total	$9,768	$13,728

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

The $3,627 reported as deferred outflows of resources related to OPEB resulting from DART contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending on September 30, 2020.
Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

Year ended September 30:	Deferred Outflows of Resources
2020	$(931)
2021	(931)
2022	(931)
2023	(930)
2024	(880)
Thereafter	(2,983)

At September 30, 2018, DART reported deferred inflows/outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,514	$ -
Changes of assumptions	2,437	-
Total	$6,951	$ -

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

Year ended September 30:	Deferred Outflows of Resources
2019	$810
2020	810
2021	810
2021	810
2023	811
Thereafter	$2,900

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 investment.

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

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

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

		Remaining Maturity (in years) as of September 30, 2017			
Investment Type	Total Amount	Less 1 Year	1 to 5 Years	5 to 10 Years	Greater than 10 Years
Government Obligations	$3,983	$3,983	$ -	$ -	$ -
Mutual Funds - Equity	28,006	28,006	-	-	-
Mutual Funds – Fixed Income	16,035	752	4,078	7,782	3,423
Total	$48,024	$32,741	$4,078	$7,782	$3,423

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

September 30, 2018

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

September 30, 2017

Investment Type	Total Amount	AAAm	AAA/ Aaa	AA/ Aa	A	BBB/ Baa	< BBB/ Baa	Cash or Not Rated
Government Obligations	$3,983	$3,983	$ -	$ -	$ -	$ -	$ -	$ -
Mutual Funds - Equity	28,006	-	-	-	-	-	-	28,006
Mutual Funds – Fixed Income	16,035	-	5,187	1,034	3,715	3,466	2,199	434
Total	$48,024	$3,983	$5,187	$1,034	$3,715	$3,466	$2,199	$28,440

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

September 30, 2018

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

September 30, 2017

Issuer	Reported Amount	Percentage of Total Portfolio
Vanguard	$28,186	61%
Baird Asset Management	5,283	11%
First American Funds	3,983	8%
J O Hambro Capital Management Group	2,821	6%
DoubleLine Capital	2,406	5%

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Foreign Currency Risk – Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The OPEB Plan's foreign currency net position (foreign currency denominated investments) were $9,233 (18%) as of September 30, 2018 compared to $10,237 (21.31%) as of September 30, 2017. The Plan's exposure to foreign currency risk is shown below. The amounts are shown in U.S. Dollars.

Investment Type	Currency	2018 Fair Value (USD)	2017 Fair Value (USD)
International Equity	Australian Dollar	$387	$419
	Brazil Real	201	82
	British Pound	971	1,317
	Canadian Dollar	320	330
	Chilean Peso	7	-
	Chinese Yuan Renminbi	665	313
	Colombian Peso	3	-
	Danish Krone	241	191
	Egyptian Pound	3	-
	European Monetary Unit	1,925	2,110
	Hong Kong Dollar	148	144
	Hungarian Forint	23	-
	Indian Rupee	146	149
	Indonesian Rupiah	26	30
	Israeli New Shekel	145	55
	Japanese Yen	2,251	2,209
	Kuwait Dinar	7	-
	Malaysian Ringgit	20	-
	Mexican Peso	59	508
	New Zealand Dollar	10	-
	Norwegian Kroner	44	54
	Philippine peso	10	-
	Poland zloty	7	-
	Qatari Rial	7	-
	Russian Ruble	122	21
	Saudi Riyal	17	-
	Singapore Dollar	83	58
	South African Rand	71	73
	South Korean Won	335	192
	Swedish Krona	140	144
	Switzerland Franc	526	467
	Taiwan New Dollar	248	1,117
	Thai Baht	51	30
	Turkish Lira	7	-
	United Arab Emirates dirham	7	-
Total		$9,233	$10,013

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

DART has the following fair value measurements as of September 30, 2018 and 2017.

Fair Value Measurements as of September 30, 2018

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

FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

Fair Value Measurements as of September 30, 2017

Investment Type	Total Amount	Level 1	Level 2	Level 3
Government Obligations	$3,983	$ -	$3,983	$ -
Mutual Funds - Equity	28,006	-	28,006	-
Mutual Funds – Fixed Income	16,035	-	16,035	-
Total	$48,024	$ -	$48,024	$ -

20. CLAIMS AND LITIGATION

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

21. COMMITMENTS AND CONTINGENCIES

The Board has approved a Transit System Plan, which included the design and construction the Silver Line for commuter rail service and Dallas Central Business District (D2) Alignment for light rail service. The Silver Line is a 26-mile long, regional rail corridor that extends from DFW International Airport through the northern portion of the DART service area to the existing DART Red Line, passing through the cities of Grapevine, Coppell, Carrollton, Addison, Dallas, Richardson, and Plano, with nine proposed stations along the way. The second CBD alignment (D2) will double the downtown LRT capacity and connects Victory Station and the Green Line. The timing and completion of the Transit System Plan is based on economic assumptions made in DART’s Twenty-Year Financial Plan and is subject to change based on changing economic conditions. The FY 2020 Twenty-Year Financial Plan includes $6.97 billion for capital and non-operating projects. DART has entered into contract commitments for these and other capital developments in the amount of $1.1 billion and has spent approximately $226 million of the committed amount as of September 30, 2019.

DART participates in several federal and state grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, no significant contingent liabilities exist relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DART has entered into certain operating lease agreements. Operating lease expenses were approximately $846 and $868 in 2019 and 2018, respectively.

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

Fiscal Year	2020	2021	2022	2023	2024
Minimum Lease Payments	$917	$489	$487	$440	$346

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

22. DERIVATIVE INSTRUMENTS

DART has fuel delivery contracts with suppliers for commuter rail vehicles (diesel fuel) and DART buses (CNG) and service vehicles (gasoline). However, the price DART pays for the fuel fluctuates depending on market prices. This exposes DART to significant risk related to fluctuations in the amounts it pays for fuel. It also creates uncertainty in budgeting for fuel costs. In order to minimize the impact of fluctuating fuel market prices on its cash flow, DART has entered into fuel hedge contracts.

Diesel and Gasoline Fuel Hedge

The fair values of the derivative instrument associated with diesel and gasoline hedge contract were $314 as of September 30, 2019 and $1,626 as of September 30, 2018.

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

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

Termination risk – DART or its counterparties 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 diesel fuel purchased for its operations. No termination event has occurred during fiscal year 2019 and the last contract for diesel fuel hedge will expire on 9/30/2020 and for gasoline expired on 9/30/2019.

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

Compressed Natural Gas (CNG)

During fiscal year 2010, DART entered into a fixed price and indexed price CNG delivery contract for the CNG needed to operate DART buses and paratransit vehicles. The contract specifies monthly volumes of CNG to be used by DART from October 1, 2012 to September 30, 2020 with 85% of the monthly volumes at a fixed price and 15% at an indexed price. When DART uses lower volume than specified in the contract, the excess CNG has to be sold back to market at market price. The market price could be lower or higher than the fixed price and indexed price specified in the contract. The difference between the contract and market price can result in an exposure for DART. The amount of this exposure for DART is not expected to be material and no liability is included in the Statements of Net Position as of September 30, 2019 and 2018.

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

Early Termination – Subject to payment of early termination damages, either party to the delivery contract may terminate the CNG delivery contract by giving at least thirty (30) days written notice to the other party. The effect of termination risk on DART is that it will pay market prices for CNG purchased for its operations. No termination event occurred during fiscal years 2019 and 2018.

Natural Gas Hedge

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

Credit risk – As of the end of fiscal year 2019, DART's position in the derivative instrument (natural gas hedge) was a liability of $1,457. DART could have been exposed to credit risk if the counterparty to the transaction becomes insolvent but that did not happen. Standard and Poor's credit rating for the counterparty was A3 during 2019.

Termination risk – DART or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The effect of termination risk on DART is that it will pay market prices for natural gas purchased for its operations. No termination event has occurred during fiscal year 2019 and the last contract for natural gas hedge will expire on 9/30/2023.

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

23. NEW ACCOUNTING PRONOUNCEMENTS

In January 2017, GASB issued Statement No. 84 *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87 *Leases.* This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of Construction Period.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No.14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations.* This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; sets standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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

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

SEPTEMBER 30, 2019 and 2018 (Dollars in Thousands)

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

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

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

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

Changes of assumptions:
For measurement date 09/30/2018, the assumed rates of mortality have been amended to adopt the Pub-2010 Public Retirement Plan Mortality Tables for General Employees (Below-Median, Amount-Weighted) which were released with an exposure draft based on a comprehensive review of recent mortality experience of public retirement plans in the United State as performed by The Society of Actuaries' Retirement Plans Experience Committee.

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

SEPTEMBER 30, 2019 (Dollars in Thousands)

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

	9/30/19	9/30/18	9/30/17	9/30/16	9/30/15	9/30/14	9/30/13	9/30/12	9/30/11	9/13/10
Contractually required contribution	$7,235	$7,755	$9,217	$9,221	$8,706	$9,122	$9,074	$8,045	$6,266	$6,212
Contribution in relation to the contractually required contribution	10,000	10,000	10,000	9,221	8,706	9,122	9,074	8,045	6,266	6,212
Contribution deficiency (excess)	$(2,765)	$(2,245)	$(783)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$14,333	$15,642	$18,914	$19,129	$19,438	$19,467	$19,306	$23,727	$23,904	$24,721
Contribution as a percentage of covered payroll	69.77%	63.93%	52.87%	45.51%	44.79%	46.93%	46.61%	41.67%	26.41%	25.99%

Notes to Schedule

Valuation date: Most recent valuation date is October 1, 2018.

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, 2018 was made during the fiscal year ended September 30, 2019, and as of October 1, 2017 was made during the fiscal year ended September 30, 2018.

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

Funding Method	The minimum required contribution is based upon DART's agreement to contribute an amount at least equal to the minimum funding standard under Section 412 of the Internal Revenue Code of 1986, as if the Plan were subject to Section 412, per the stipulation of the "Sale, Purchase and Transfer contract between the City of Dallas and Dallas Area Rapid Transit
Actuarial Cost Method	Entry Age Normal starting from 9/30/2017 measurement date. Before that it was Projected Unit Credit.
Asset valuation method	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation	2.5%.
Investment Return	6.75% per year compounded annually, net of all expenses starting from September 30, 2016 measurement dates. Before that it was 7.00%.
Retirement age	7.5% at age 55 reaching 100% at age 70.
Salary Increases	3% starting from September 30, 2016 measurement date. Before that it was 3.25%.
Mortality	*Healthy Lives:* RP-2000 Combined Health Table (sex distinct) with rates increased by 8.59% and with mortality improvement projections to the valuation date (previously fully generational) using Scale AA. *Disabled Lives:* RP-2000 Disabled Mortality Table (sex distinct). The assumed rates of mortality are reasonable as they sufficiently accommodate expected future mortality improvements. The rates were approved in conjunction with an actuarial experience study performed in 2016.
Marital Status	85% of male participants and 65% of female participants are assumed to be married. Additionally, male spouses are assumed to be three years older than female spouses.
Termination Rate	1.50% per year prior to age 54, and 1.00% per year on and after attainment of age 54.

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

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

Changes of Assumptions and Other Changes – DART's contribution to covered spouse Medicare Supplement premiums was updated from 80% to 50% to align with the substantive plan provisions. All other assumptions are those performed as of September 30, 2018. Note that the overall impact shown above includes changes of assumptions to update the mortality improvement and the percentage of retirees who are married and elect coverage for their spouse.

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

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

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2019 (Dollars in Thousands)

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

	9/30/19	9/30/18*	9/30/17	9/30/16	9/30/15	9/30/14	9/30/13	9/30/12	9/30/11*	9/13/10
Actuarially determined contribution	$3,627	$3,862	$5,821	$4,625	$4,313	$5,141	$4,996	$5,024	$4,591	$3,654
Contribution in relation to the actuarially determined contribution	7,489	$ -	5,821	4,625	4,313	5,141	4,996	9,615	$ -	3,654
Contribution deficiency (excess)	($3,862)	$3,862	$ -	$ -	$ -	$ -	$ -	($4,591)	$4,591	$ -
Covered payroll	$221,734	$214,754	$205,345	$196,688	$185,181	$174,557	$174,557	$169,196	$175,685	$171,371
Contribution as a percentage of covered payroll	3.38%	0.00%	2.83%	2.35%	2.33%	2.95%	2.86%	5.68%	0%	2.13%

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

Notes to Schedule

Valuation date: Most recent valuation date is September 30, 2018.

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

For fiscal year 2019, Covered Payroll is projected from the valuation date to the end of the fiscal year, using applicable salary increase assumptions.

Methods and assumptions used to determine contribution rates include the following:

Eligibility for Coverage	For Defined Benefit Pension Plan participants: age 55 and 10 years of service and for Defined Contribution Pension Plan participants: age 60 and 10 years of service
Discount Rate	7.00%
Inflation	3.00% included in health care cost trend
Salary Increases	3.25% per annum
Investment Rate of Return	7.00%
Health Care Cost Trend Rate	Starts with 6.75% in year 2019 and grading down the ultimate of 5% in year 2025.
Mortality Rate	RP-2014 Mortality Fully Generational using Projection Scale MP-2017
Health Care participation	50% participation assumed, with 100% electing spouse coverage.
Life Insurance participation	100% participation assumed
Marital Status	25% assumed married, with male spouses 4 years older than female spouses.
Impact of Cadillac tax	3%
Actuarial Cost Method	Entry Age Actuarial Cost Method

* * * * * * * *