SUPPLEMENTAL OFFICIAL STATEMENT DATED MARCH 14, 2019

Ratings:
S&P :AA+
Moody's: Aa2
KBRA: AA+

NEW ISSUE – BOOK-ENTRY-ONLY **SEE "BOND RATINGS" Herein**

In the opinions of Co-Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes, and the Bonds are not "private activity bonds." See "TAX MATTERS" herein for a discussion of the opinions of Co-Bond Counsel regarding the Bonds.

$301,095,000
DALLAS AREA RAPID TRANSIT
Senior Lien Sales Tax Revenue Refunding Bonds
Series 2019

Dated: Date of Delivery **Due: December 1, as shown on inside cover**

This Supplemental Official Statement (the "Supplemental Official Statement") supplements our Annual Disclosure Statement for the Period Ended September 30, 2018 (the "2018 Annual Disclosure Statement" - attached as Appendix B). Together, the Supplemental Official Statement and the 2018 Annual Disclosure Statement constitute the Official Statement for the Senior Lien Sales Tax Revenue Refunding Bonds, Series 2019 offered hereby and are referred to herein collectively as the "Official Statement." The 2018 Annual Disclosure Statement and this Supplemental Official Statement have been filed as public records with the Municipal Securities Rulemaking Board and are posted on our website at http://www.dart.org.

The Bonds – Dallas Area Rapid Transit ("*DART*" or the "*Issuer*") is issuing $301,095,000 in principal amount of our Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2019 (the "*Bonds*"). Proceeds of the Bonds, together with other funds contributed by DART, will be used to (i) refund the Issuer's Senior Lien Sales Tax Revenue Bonds described in Schedule I (the "*Refunded Bonds*") and (ii) to pay the costs of issuance of the Bonds.

You should carefully consider the Investment Considerations beginning on page S-16 of this Supplemental Official Statement and on page 19 of the 2018 Annual Disclosure Statement.

Security for the Bonds - Lien Ranking – As authorized under the provisions of our Master Debt Resolution, adopted January 23, 2001 (as amended and supplemented from time to time, the "*Master Debt Resolution*"), we have previously issued various series of our Senior Lien Obligations. Following the issuance of the Bonds, $3,102,787,715 of Senior Lien Obligations will be Outstanding. See "GENERAL INFORMATION ABOUT DART -Future Expansions/Financing". The Bonds are being issued under the provisions of the Nineteenth Supplemental Debt Resolution that authorizes the Bonds (the "*Nineteenth Supplemental Debt Resolution*") adopted February 12, 2019 and are subject to certain conditions described in the Master Debt Resolution as Additional Senior Lien Obligations under the Master Debt Resolution on parity with the Outstanding Senior Lien Obligations and any other Additional Senior Lien Obligations that are subsequently issued. See "THE BONDS - Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations." The Bonds are payable from and are secured by a first lien on the (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues, (iii) Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund and (iv) investment earnings credited to the Gross Sales Tax Revenue Fund. See the 2018 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS - Security for the Obligations - Flow of Funds."

Delivery, Legality – The Bonds are offered, when, as and if issued by DART and accepted by the Underwriters, subject, among other things, to the approving opinion of the Attorney General of the State of Texas as to legality and to the approving opinions of Bracewell LLP, Dallas, Texas and West & Associates L.L.P., Dallas, Texas ("*Co-Bond Counsel*"). Certain legal matters will be passed on for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe, LLP, Austin, Texas and Mahomes Bolden PC, Dallas, Texas ("*Co-Underwriters' Counsel*"). Delivery of the Bonds is expected through the facilities of The Depository Trust Company ("*DTC*") on or about April 9, 2019.

BofA MERRILL LYNCH **GOLDMAN SACHS & CO. LLC**

PIPER JAFFRAY & CO. **RAMIREZ & CO., INC.** **RICE FINANCIAL PRODUCTS COMPANY**
RBC CAPITAL MARKETS **SIEBERT CISNEROS SHANK & CO., L.L.C.** **WELLS FARGO SECURITIES**

Interest Rates, Maturities and Redemption - The Bonds will be dated the date of initial delivery to the Underwriters (the "*Closing Date*"), and will bear interest from the later of the Closing Date or the most recent Interest Payment Date for which interest has been paid or provided for, payable on each June 1 and December 1, commencing on June 1, 2019 (each an "*Interest Payment Date*"), at the rates set forth below. The Bonds mature on December 1 of each year (the "*Stated Maturity Dates*") in the principal amounts and bear interest at the per annum rates shown below:

$301,095,000
Dallas Area Rapid Transit
Senior Lien Sales Tax Revenue Refunding Bonds
Series 2019

CUSIP Prefix: 235241[1]

Stated Maturity (12/1)	Principal Amount	Interest Rate	Yield [2]	CUSIP Suffix [1]
2023	$19,215,000	5.00%	1.75%	SW7
2024	19,710,000	5.00%	1.85%	SX5
2025	20,720,000	5.00%	1.94%	SY3
2026	21,780,000	5.00%	2.02%	SZ0
2027	22,900,000	5.00%	2.11%	TA4
2028	24,075,000	5.00%	2.20%	TB2
2029	25,310,000	5.00%	2.29%	TC0
2030[3]	26,605,000	5.00%	2.40%	TD8
2031[3]	27,970,000	5.00%	2.48%	TE6
2032[3]	29,400,000	5.00%	2.55%	TF3
2033[3]	30,915,000	5.00%	2.59%	TG1
2034[3]	32,495,000	5.00%	2.63%	TH9

(1) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Capital Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of DART, the Co-Financial Advisors, or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers set forth herein.
(2) The initial yields are established by and are the sole responsibility of the Underwriters, and may subsequently be changed.
(3) The Bonds maturing on and after December 1, 2030, are subject to redemption, in whole or in part, at our option on any day on and after December 1, 2029, at a redemption price equal to the principal amount of Bonds to be redeemed plus accrued and unpaid interest to the redemption date, without premium (see "THE BONDS – Redemption Provisions – *Optional Redemption*").

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SUPPLEMENTAL OFFICIAL STATEMENT

IMPORTANT NOTICES

In this Supplemental Official Statement, "we," "our," "us," and "DART" refer to Dallas Area Rapid Transit. If we use a capitalized term in this Supplemental Official Statement and do not define the term in this document, its definition is given or summarized in Appendix B to the 2018 Annual Disclosure Statement or in the Nineteenth Supplemental Debt Resolution (defined below).

We are providing information to you about the Bonds in two separate documents: (1) the 2018 Annual Disclosure Statement (attached hereto as Appendix B) which includes certain audited financial information for our fiscal year ended September 30, 2018, and (2) this Supplemental Official Statement, which describes the specific terms of the Bonds. **All references herein to the "Disclosure Statement" mean the 2018 Annual Disclosure Statement and this Supplemental Official Statement.**

Our Disclosure Statement includes a detailed discussion of the Sales Tax and the Gross Sales Tax Revenues and the Pledged Farebox Revenues that we have pledged as security for the Bonds, the previously issued Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "*2007 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "*2009B Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2010A (the *"2010A Bonds"*), the Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the *"2010B Bonds"*), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Series 2012 (the "*2012 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bond, Taxable Series 2012A issued to evidence a Transportation Infrastructure Finance and Innovation Act Loan (the "*2012A TIFIA Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014A (the "*2014A Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014B (the "*2014B Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2015 (the "*2015 Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016A (the "*2016A Bonds*"), Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016B (the "*2016B Bonds*"), and the Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Bonds, Taxable Series 2018 issue to evidence a Railroad Rehabilitation and Improvement Financing Loan ("*RRIF Loan"*) (the "*2018 RRIF Bonds*") (the 2007 Bonds, the 2009B Bonds, the 2010A Bonds, the 2010B Bonds, the 2012 Bonds, the 2012A TIFIA Bonds, the 2014A Bonds, the 2014B Bonds, the 2015 Bonds, the 2016A Bonds, the 2016B Bonds, and the 2018 RRIF Bonds, collectively, the "*Prior Bonds*") and other Obligations that we may issue or enter into in the future; of our rights to issue additional Bond Obligations and related Credit Agreement Obligations; of the financial tests that are imposed as preconditions to their issuance and of other matters relating to our organization; and our public transportation system. We refer you to specific captions within the Disclosure Statement where additional information may be found regarding specific subjects.

DART is presently authorized to issue and sell up to $375,000,000, from time to time, in Senior Subordinate Lien Commercial Paper Notes under our Commercial Paper Series I, II and II programs. See Appendix B – 2018 Annual Disclosure Statement – OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS and OBLIGATIONS ISSUED SINCE SEPTEMBER 30, 2018 AND OBLIGATIONS WE EXPECT TO ISSUE. In making an investment decision regarding the Bonds, you should rely only on the information contained or incorporated by reference in this Supplemental Official Statement and the 2018 Annual Disclosure Statement. We have not authorized anyone to provide you with other information. If information varies between this Supplemental Official Statement and the 2018 Annual Disclosure Statement, you should rely on the information in this Supplemental Official Statement.

After the Bonds are initially issued and delivered on the Closing Date, we do not claim that the information contained in the 2018 Annual Disclosure Statement or this Supplemental Official Statement is accurate as of any date other than their respective dated dates. Crowe LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Crowe LLP also has not performed any procedures relating to this official statement.

You may obtain a copy of the Master Debt Resolution adopted on January 23, 2001, as supplemented from time to time; the Fourth Supplemental Debt Resolution that authorized our Outstanding 2007 Bonds (the "*Fourth Supplemental Debt Resolution*"); the Amended and Restated Sixth Supplemental Debt Resolution that authorized our 2009B Bonds (the "*Sixth Supplemental Debt Resolution*"); the Seventh Supplemental Debt Resolution that authorized our Outstanding 2010A Bonds and 2010B Bonds (the "*Seventh Supplemental Debt Resolution*"); the Eighth Supplemental Debt Resolution that authorized our Outstanding 2012 Bonds (the *"Eighth Supplemental Debt Resolution"*); the Ninth Supplemental Debt Resolution that authorized our Outstanding 2012A TIFIA Bonds (the "*Ninth Supplemental Debt Resolution*"); the Tenth Supplemental Debt Resolution that authorized our CPSL Program, as amended (the "*Tenth Supplemental Debt Resolution*"); the Eleventh Supplemental Debt Resolution that authorized our 2014A Bonds (the "*Eleventh Supplemental Debt Resolution*"); the Twelfth Supplemental Debt Resolution that authorized our 2014B Bonds (the "*Twelfth Supplemental Debt Resolution*"); the Amended and Restated Thirteenth Supplemental Debt Resolution that authorized our 2015 Bonds (the "*Thirteenth Supplemental Debt Resolution*"); the Fourteenth Supplemental Debt Resolution that authorized our 2016A Bonds and 2016B Bonds (the "*Fourteenth Supplemental Debt Resolution*"); the Amended and Restated Fifteenth Supplemental Debt Resolution that authorized our 2018 RRIF Bonds (the "*Fifteenth Supplemental Debt Resolution*"); the Amended and Restated Sixteenth Supplemental Debt Resolution that authorized Senior Lien Bonds for our Second Central Business District Light Rail Alignment Project ("D2 Subway") (the "*Sixteenth Supplemental Debt Resolution*") (which DART does not expect to issue in the next 12 months); the Seventeenth Supplemental Debt Resolution that authorized our Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series IIA and IIB (the "*Seventeenth Supplemental Debt Resolution*"); Eighteenth Supplemental Debt Resolution that authorized our Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series III (the "*Eighteenth Supplemental Debt Resolution*"); and the Nineteenth Supplemental Debt Resolution from the Municipal Securities Rulemaking Board, or on our website, www.dart.org, or by contacting us at the following address or phone number to request a free copy: Executive Vice President/Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148. Descriptions and summaries of such documents contained herein are qualified in their entirety by reference to this Supplemental Official Statement in its entirety and to each such document.

We have not authorized any person to give any information or to make any representation other than as contained in this Supplemental Official Statement, and, if given or made, such other information or representation may not be relied upon. This Supplemental Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds. No person may sell the Bonds in any jurisdiction in which such offer, solicitation, or sale is unlawful. The information and expressions of opinion herein are subject to change without notice. This Supplemental Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used for any other purpose. In no instance may this Supplemental Official Statement be reproduced or used in part.

Certain information set forth in this Supplemental Official Statement and the 2018 Annual Disclosure Statement has been furnished by DART and other sources which are believed to be reliable, but such information is not to be construed as a representation by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Supplemental Official Statement. The Underwriters have reviewed the information in this Supplemental Official Statement and the Disclosure Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF DART AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the securities laws of any state or other jurisdiction.

This Supplemental Official Statement and the 2018 Annual Disclosure Statement are intended to reflect facts and circumstances on the date of such statements or on such other date or at such other time as identified herein or therein. No assurance can be given that such information may not be misleading at a later date; consequently, reliance on this Supplemental Official Statement and the 2018 Annual Disclosure Statement, at times subsequent to the issuance of the Bonds described herein or therein should not be made on the assumption that any such facts or circumstances are unchanged.

FORWARD-LOOKING STATEMENTS

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

GENERAL INFORMATION ABOUT DART

Summary

The following general information about DART is a summary only and is not intended to be comprehensive. This information should be read together with the information in the Annual Disclosure Statement under the heading "INFORMATION ABOUT DART."

DART is a subregional transportation authority of the State of Texas. We were created and confirmed by passage of a referendum on August 13, 1983, pursuant to Article 1118y of Vernon's Annotated Civil Statutes, as amended and recodified as Chapter 452, Texas Transportation Code. Our current boundaries include the territory lying within the corporate limits of the following Participating Municipalities: the Cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett and University Park and the Towns of Addison and Highland Park. We are governed by a 15-member Subregional Board of Directors.

Our administrative office is located in Dallas, Texas, and our boundaries include approximately 700 square miles and a population of approximately 2.4 million persons, according to the most recent estimate available from the North Central Texas Council of Governments.

The Participating Municipalities have certain limited rights to withdraw from DART, subject to the continuing collection of the Sales Tax within the withdrawing municipality until its share of all obligations of DART are collected and paid to DART. See the 2018 Annual Disclosure Statement, "INFORMATION ABOUT DART—DART's Boundaries, Additions, Withdrawal Rights."

Mr. David Leininger, DART's Executive Vice President/Chief Financial Officer, retired in May 2018. Joseph Costello, Senior Vice President of Finance has assumed Mr. Leininger's duties and is serving as DART's Interim Chief Financial Officer.

On September 11, 2018 the Board appointed Mr. Gene Gamez, DART's Senior Assistant General Counsel, to serve as Interim General Counsel.

See the 2018 Annual Disclosure Statement – "INFORMATION ABOUT DART" for a complete listing of the members and officers of the DART Board of Directors.

Sources of Revenue

Our sources of revenue generally include the proceeds of a 1% sales and use tax levied on taxable items sold within the boundaries of our service area (the "*Sales Tax*"); the revenues from the operation of our public transportation system, including collection of farebox revenues of which a portion is pledged to the Bonds (the *"Pledged Farebox Revenues"*); Federal grant monies; deposits of the Federal Interest Subsidy payments; and investment earnings. See the 2018 Annual Disclosure Statement, "DART'S FINANCIAL PRACTICES AND RESOURCES" and "THE BONDS - Security for Bonds" herein from time to time.

Previously Issued Debt

On the date hereof, our currently Outstanding Bond Obligations consist of the: (i) 2007 Bonds that are Outstanding in the principal amount of $118,395,000, (ii) 2009B Bonds that are Outstanding in the principal amount of $829,615,000, (iii) 2010A Bonds that are Outstanding in the principal amount of $55,695,000, (iv) 2010B Bonds that are Outstanding in the principal amount of $729,390,000, (v) 2012 Bonds that are Outstanding in the principal amount of $113,995,000, (vi) 2012A TIFIA Bonds Outstanding in the aggregate principal amount of $98,726,372, (vii) 2014A Bonds that are Outstanding in the principal amount of $354,435,000, (viii) 2014B Bonds that are Outstanding in the principal amount of $46,555,000, (ix) 2015 Bonds that are Outstanding in the principal amount of $94,395,000, (x) 2016A Bonds that are Outstanding in the principal amount of $482,530,000, (xi) 2016B Bonds that are Outstanding in the principal amount of $228,900,000; and (xii) 2018 RRIF Bonds that are Outstanding in the principal amount of $3,869,093 and are expected to be drawn down in a total amount of $908,000,000 during Fiscal Years 2019-2021. See "Future Expansions/Financing" below. Our Series I Commercial Paper Notes may be Outstanding from time to time in the aggregate amount not to exceed $125,000,000, of which $95,000,000 is currently Outstanding. Our Series IIA and IIB Commercial Paper Notes may be Outstanding from time to time in the aggregate principal amount of not to exceed $125,000,000, of which $5,100,000 is currently Outstanding. Our Series III Commercial Paper Notes may be Outstanding from time to time in the aggregate principal amount of not to exceed $125,000,000, of which $0 is currently Outstanding.

Future Expansions/Financing

An overview of DART's future capital plans is found in Appendix B – 2018 Annual Disclosure Statement – INFORMATION ABOUT DART'S TRANSPORTATION SYSTEM - Future Expansions. In addition to those project descriptions, DART's proposed Fiscal Year 2019 Twenty-Year Financial Plan includes an acceleration of the revenue service date (the date when DART expects to begin charging ridership fees) for the planned Cotton Belt commuter rail line from Fiscal Year 2035 to Fiscal Year 2022 given the continued growth in sales tax revenues and low interest rates which facilitated the RRIF Loan.

On December 20, 2018, DART secured the RRIF Loan through the United States Department of Transportation pursuant to authorization under the Fifteenth Supplemental Debt Resolution. The loan bears interest at a fixed rate of 2.98%. The final principal payment is December 1, 2057. This loan will allow DART to issue up to $908,000,000 in principal amount of the 2018 RRIF Bonds to the federal government to finance the Cotton Belt Corridor Regional Rail Project (the "*Cotton Belt*"), a 26-mile passenger rail line from DFW Airport to Plano. See "-Previously Issued Debt" above. It is anticipated that the remaining balance of the Senior Lien Obligations for the Cotton Belt will be issued and drawn down during Fiscal Years 2019 through 2021. The 2018 RRIF Bonds are secured by a senior lien on our Sales Tax Revenues and Pledged Farebox Revenues.

On August 28, 2018, DART approved the Sixteenth Amended and Restated Supplemental Debt Resolution which authorized the issuance of up to $1.09 billion in principal amount of Senior Lien Sales Tax Revenue Bonds to finance the D2 Subway, a major subway and surface alignment in downtown Dallas. DART expects to issue Senior Lien Obligations to finance the D2 Subway over the next two to three years. The Senior Lien Obligations referenced above would be secured by a senior lien on our Sales Tax Revenues and Pledged Farebox Revenues subject to compliance with the financial coverage tests required under the Master Debt Resolution.

Additional information regarding DART's future financial plans, including DART's Business Plan, is available on DART's website at http://www.dart.org. DART's Business Plan provides a comprehensive summary of its plans and commitments and outlines how DART will employ projected resources to achieve its goals and strategic priorities. See also the 2018 Annual Disclosure Statement, "INFORMATION ABOUT DART—Significant Board Policies and Planning Documents."

PLAN OF FINANCE

Purpose

The Bonds are being issued for the purpose of (i) refunding a portion of DART's Outstanding bonds as more particularly described in "SCHEDULE I – Schedule of Refunded Bonds" attached hereto (collectively, the "*Refunded Bonds*") in order to lower the overall annual debt service requirements of DART and (ii) to pay the costs of issuance of the Bonds.

Refunded Bonds and Escrow Fund

The principal of and interest due on the Refunded Bonds are to be paid on the scheduled principal payment dates, interest payment dates and the respective redemption dates of such Refunded Bonds, from funds to be deposited pursuant to a certain escrow agreement (the "*Escrow Agreement*") between DART and Zions Bancorpation, National Association, as escrow agent (the "*Escrow Agent*"). Concurrently with the initial delivery of the Bonds against payment therefor, we will deposit a portion of the proceeds of the Bonds, together with certain other funds of DART, into a special escrow fund (the "*Escrow Fund*") to be held by the Escrow Agent pursuant to the terms and provisions of the Escrow Agreement in the amount necessary to pay interest on the respective interest payment dates and to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Amounts on deposit in the Escrow Fund will be used to purchase direct obligations of the United States of America and other securities authorized by State law and the Master Debt Resolution (the "*Escrowed Securities*"). The amount deposited to the Escrow Fund, together with investment earnings thereon, is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds and is not available to pay debt service on the Bonds or on any other obligations of DART.

Causey Demgen & Moore P.C., a firm of certified public accountants (the "*Verification Agent*"), will verify at the time of delivery of the Bonds to the Underwriters that the Escrowed Securities will mature and pay interest in such amounts which, together with earnings on such Escrowed Securities in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds and, with respect to the Bonds, the computations of yield used to support the opinion of Co-Bond Counsel that interest on the Bonds will be excluded from gross income for federal income tax purposes and will issue a report to this effect (the "*Verification Report*"). The Verification Report will be relied upon by Co-Bond Counsel in rendering their opinions with respect to the tax-exemption of interest on the Bonds and with respect to the defeasance of the Refunded Bonds. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS" herein.

By the deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, DART will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Co-Bond Counsel that as a result of such defeasance and in reliance upon the Verification Report, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held by the Escrow Agent and such Refunded Bonds will not be deemed as being Outstanding obligations of DART and will not be payable from any other revenues of DART nor for the purpose of applying any limitation on the issuance of debt.

THE BONDS

The following description of the Bonds is a summary only and is not intended to be comprehensive. The description should be read together with the description of the terms and provisions of the Master Debt Resolution provided in Appendix B to the 2018 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION."

General Description

The Bonds are Additional Senior Lien Obligations that we are authorized to issue pursuant to the laws of the State of Texas, particularly Chapters 1207 and 1371, Texas Government Code, as amended, and Chapter 452, Texas

Transportation Code, as amended, and Section 3.2 of the Master Debt Resolution, as supplemented by the Nineteenth Supplemental Debt Resolution.

The Bonds will be issued in fully registered form in authorized denominations of $5,000 principal amount and any integral multiple thereof. On the Closing Date we will deliver to the Paying Agent/Registrar one initial Bond (the "*Initial Bond*") representing the aggregate principal amount of the Bonds, payable in installments to the Representative of the Underwriters, approved by the Attorney General of Texas, and registered in the name of the representative of the Underwriters. Upon delivery of the Initial Bond to the Representative of the Underwriters against payment therefor, we will execute and deliver to the Paying Agent/Registrar a definitive Bond certificate for each maturity and interest rate thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*") pursuant to the Book-Entry System described herein and the Initial Bond will be cancelled. No physical delivery of the Bonds will be made to the beneficial owners thereof.

The principal and interest on the Bonds at maturity or upon prior redemption will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY SYSTEM" herein.

Designation of 2009B and 2010B Bonds as Build America Bonds; Receipt of Federal Interest Subsidy and Reduction in Federal Interest Subsidy Payments Due to Sequestration

The 2009B Bonds and the 2010B Bonds were designated as "Build America Bonds" (collectively, the "*Build America Bonds*") pursuant to the provisions of the American Recovery and Reinvestment Act of 2009 (the "*Recovery Act*") and we are eligible under the Recovery Act to receive from the United States Treasury interest subsidy payments ("*Federal Interest Subsidy*") initially equal to approximately 35% of the interest payable on the Build America Bonds. We have covenanted and agreed in the Sixth and Seventh Supplemental Debt Resolutions to deposit the Federal Interest Subsidy payments, promptly upon receipt, to the Senior Lien Debt Service Fund, and further, to take all actions required by law and applicable regulations as necessary to provide for the collection of the Federal Interest Subsidy.

The issuance of the Bonds will, however, result in the simultaneous termination of our eligibility for the Federal Interest Subsidy with respect to the Refunded Bonds. As such, we will not request payment of any portion of the Federal Interest Subsidy for the interest that accrues on the Refunded Bonds on or after the delivery date of the Bonds.

Due to Congressionally-mandated reductions to the federal budget for federal fiscal year 2013, approximately $1.1 trillion across-the-board budget cuts were made to the federal budget for fiscal year 2013 and such cuts currently remain in effect. Prior to sequestration, DART received approximately $30.5 million in Federal Interest Subsidy payments with respect to the Build America Bonds. As a result of the sequestration, DART received Federal Interest Subsidy payments of $28,360,386 for fiscal year 2017, representing a reduction of 6.9% for Fiscal Year 2017. We received for fiscal year 2018 $28,451,773, representing a reduction of 6.6%. The Internal Revenue Service's Office of Tax-Exempt Bonds has announced that for federal fiscal year 2019 the sequestration reduction will be 6.2%. While not desirable, DART believes that the reduction has not had and, if continued at the same reduced rate, will not have, a significant impact on DART's ability to meet its debt service requirements.

Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations

The financial tests for the issuance of Additional Senior Lien Obligations described in this section, in the 2018 Annual Disclosure Statement, "OBLIGATIONS ISSUED SINCE SEPTEMBER 30, 2018 AND OBLIGATIONS WE EXPECT TO ISSUE - Preconditions to Issuance of Bond Obligations—Financial Coverage Tests," and in Appendix B to the 2018 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—PERMITTED DART INDEBTEDNESS—Additional Senior Lien Obligations" have been changed as described below under "Amendment to Master Debt Resolution."

In accordance with the requirements of Section 3.2 of the Master Debt Resolution, on the date of delivery of the Bonds, we will provide the Trustee with a certificate executed by our Chief Financial Officer certifying and demonstrating that: (i)(a) estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service with respect to the Bonds is due, are equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such three consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Bonds (exclusive of amounts payable on Credit Agreement Obligations) or (b) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service on or with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) scheduled to be paid during the current or any future Fiscal Year, including maximum Debt Service during any future Fiscal Year on the Bonds; and (ii) our estimated Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the Bonds, will be sufficient to pay all Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) and all Subordinate Lien Obligations during such three Fiscal Years (exclusive of amounts payable on Credit Agreement Obligations).

Amendment to Master Debt Resolution

In the Sixth Supplemental Debt Resolution, the Board approved a certain amendment (the "*Amendment*") to the Master Debt Resolution described in this section. DART obtained the consents necessary for the Amendment to become effective, and the Amendment became effective on February 11, 2011.

The following is a summary of the Amendment:

- The Debt Service required to be calculated for a particular series of Obligations pursuant to the financial tests set forth in subsections (b)(iii) and (b)(iv) of Section 3.2 of the Master Debt Resolution will be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for, the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations. The effect of this Amendment is to permit DART to take into account Federal Interest Subsidy payments in calculating DART's Debt Service for purposes of meeting its financial coverage tests for the issuance of additional Obligations. For a description of the financial tests set forth in the Master Debt Resolution, see "THE BONDS - Compliance with Financial Tests for the Issuance of Additional Senior Lien Obligations" above and the 2018 Annual Disclosure Statement, "OBLIGATIONS ISSUED SINCE SEPTEMBER 30, 2018 AND OBLIGATIONS WE EXPECT TO ISSUE - Preconditions to Issuance of Bond Obligations—Financial Coverage Tests."

Principal Amounts, Interest Rates

The Bonds will mature on the dates, in the principal amounts and will bear interest at the rates per annum stated on the inside cover page of this Supplemental Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve thirty-day months, paid semiannually on June 1 and December 1 of each year (or on the next succeeding Business Day if such date is not a Business Day), commencing June 1, 2019. Interest will accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the Closing Date or the most recent Interest Payment Date to which interest has been paid or provided.

Security for Bonds

The Bonds are payable from and are secured by a first lien on the (i) Gross Sales Tax Revenues, (ii) Pledged Farebox Revenues, (iii) the Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (iv) investment earnings credited to the Gross Sales Tax Revenue Fund. See the 2018 Annual Disclosure Statement, "OBLIGATIONS ISSUED SINCE SEPTEMBER 30, 2018 AND OBLIGATIONS WE EXPECT TO ISSUE—Security for the Obligations—Flow of Funds." This lien is senior to the lien on Pledged Revenues that is created in the Master Debt Resolution in favor of all Subordinate Lien Obligations. To secure our obligations to pay compensation to, to reimburse the expenses and costs of, and to indemnify the Trustee, the Trustee has a lien on Pledged Revenues prior to the Senior Lien Obligations. During the continuance of an Event of Default, the Trustee will apply all money, investments and the income therefrom that are on deposit in the Senior Lien Debt Service Fund first to the payment of Administrative Expenses owed on or with respect to the Senior Lien Obligations. For additional information regarding the Sales Tax and Gross Sales Tax Revenues, see the 2018 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

THE BONDS AND OUR OUTSTANDING BOND OBLIGATIONS ARE PAYABLE SOLELY FROM THE PLEDGED REVENUES AND THE PLEDGED FUNDS CREATED UNDER THE MASTER DEBT RESOLUTION AND THE NINETEENTH SUPPLEMENTAL DEBT RESOLUTION, AND NEITHER THE STATE, THE CITY OF DALLAS (THE "*CITY*"), A PARTICIPATING MUNICIPALITY, NOR ANY POLITICAL CORPORATION, SUBDIVISION OR AGENCY OF THE STATE WILL BE OBLIGATED TO PAY THE SAME OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, A PARTICIPATING MUNICIPALITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS OR OUR OUTSTANDING BOND OBLIGATIONS. NEITHER THE BONDS, OUR OUTSTANDING BOND OBLIGATIONS, NOR ANY INSTRUMENT RELATED TO SUCH BONDS MAY GIVE A BONDHOLDER A RIGHT TO DEMAND PAYMENT FROM TAX PROCEEDS IN EXCESS OF THOSE COLLECTED FROM THE SALES TAX IMPOSED BY DART PURSUANT TO THE ACT. THE OWNERS OF THE BONDS DO NOT HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS OUT OF ANY FUNDS RAISED OR TO BE RAISED BY AD VALOREM TAXATION.

Pledge of Pledged Farebox Revenues to Obligations Pursuant to the Seventh Supplemental Debt Resolution

The Master Debt Resolution provides that DART may, pursuant to a supplemental resolution, subject additional revenues to the lien and pledge of the Master Debt Resolution. Pursuant to the provisions of the Seventh Supplemental Debt Resolution, DART pledged the Pledged Farebox Revenues as security for all of the Obligations, including the Prior Bonds, the Bonds and any Additional Senior Lien Obligations. Pledged Farebox Revenues are limited, with respect to each Debt Service Accrual Period, to the fares collected by DART for its bus, rail and paratransit services in an amount equal to the Accrued Aggregate Debt Service applicable to the 2010B Bonds after deducting the Federal Interest Subsidy payments accrued during such Debt Service Accrual Period. The Pledged Farebox Revenues are subject to the lien and pledge of the Master Debt Resolution for the benefit of holders of all Outstanding Obligations, and are additional funds constituting Pledged Revenues. DART has covenanted and agreed that on each day on which the Trustee receives Gross Sales Tax Revenues as provided in the Master Debt Resolution, to the extent such Gross Sales Tax Revenues are insufficient to fully fund all of the transfers and deposits required to be made pursuant to Section 5.3(a) of the Master Debt Resolution, to transfer to the Trustee an amount of Pledged Farebox Revenues sufficient to fund such deficiency or, if Pledged Farebox Revenues are not sufficient to fund such deficiency, continue to transfer Pledged Farebox Revenues to the Trustee immediately upon receipt thereof, until any deficiencies are fully funded. The Trustee shall deposit and transfer such Pledged Farebox Revenues to the funds and accounts and in the order of priority set forth in the Master Debt Resolution for deposit and credit of amounts on deposit in the Gross Sales Tax Revenue Fund. See the 2018 Annual Disclosure Statement, "OBLIGATIONS ISSUED SINCE SEPTEMBER 30, 2018 AND OBLIGATIONS WE EXPECT TO ISSUE—Security for the Obligations—Flow of Funds."

Payments of Principal and Interest

- Deposits to and Payments from Senior Lien Debt Service Fund

The Trustee is required (1) to accumulate money in the Senior Lien Debt Service Fund in amounts sufficient to pay the principal of and the interest on the Bonds that are due and payable on each Interest Payment Date and on each Stated Maturity Date by depositing Gross Sales Tax Revenues to the Gross Sales Tax Revenue Fund as such revenues are received from the Comptroller, and then transferring such revenues, together with any other funds required to be transferred to the Trustee by DART, to the Senior Lien Debt Service Fund, in amounts equal to the Accrued Aggregate Debt Service on the Outstanding Bonds during each Debt Service Accrual Period, and (2) to transfer funds to the Paying Agent/Registrar sufficient in amount to pay the principal of and the interest on the Outstanding Bonds on their respective Interest Payment Dates, Mandatory Redemption Dates and Stated Maturity

Dates. See the 2018 Annual Disclosure Statement, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS—Security for the Obligations—Flow of Funds."

If amounts on deposit in the Senior Lien Debt Service Fund are not sufficient on any Interest Payment Date, or Stated Maturity Date to make such payment then due, such an occurrence constitutes an Event of Default under the Master Debt Resolution. In such an event, the Trustee is required to deposit all Gross Sales Tax Revenues, the other Pledged Revenues and other funds required to be transferred to the Trustee by DART to the Senior Lien Debt Service Fund when and as received from the Comptroller or DART, respectively, until the Senior Lien Debt Service Fund has on deposit therein all current and past due amounts required to pay the Senior Lien Obligations. See "THE BONDS—Events of Default and Remedies," Appendix B to the 2018 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—DEFAULTS AND REMEDIES—Remedies for Default" and "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—SPECIAL FUNDS, USES OF MONEYS—Gross Sales Tax Revenue Fund."

- Medium, Method and Place of Payment

Interest on the Bonds will be payable to the Holders whose names appear in the Obligation Register at the close of business on the 15th day of the month next preceding each Interest Payment Date (the "*Record Date*"); provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "*Special Record Date*") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from DART. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "*Special Payment Date*," which will be at least 15 days after the Special Record Date) will be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the Bond Register at the close of business on the last Business Day next preceding the date of mailing of such notice. Interest on the Bonds will be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the Holder entitled to such payment, United States mail, first class postage prepaid, to the address of the Holder as it appears in the Bond Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person will bear all risk and expenses of such other customary banking arrangements.

The principal of each Bond will be paid to the Holder on the due date thereof (whether at the Stated Maturity Date or the date of prior redemption thereof) upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent, initially in Houston, Texas. If a date for the payment of the principal of or interest on the Bonds is not a Business Day, then the date for such payment will be the next succeeding Business Day, and payment on such date will have the same force and effect as if made on the original date payment was due.

Subject to any applicable escheat, unclaimed property, or similar and Applicable Law, unclaimed payments remaining unclaimed by the Holders entitled thereto for three years after the applicable payment or redemption date will be paid to DART and thereafter neither DART, the Paying Agent/Registrar, nor any other person will be liable or responsible to any Holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds. Notwithstanding any other provision of this Supplemental Official Statement, during any period in which the Bonds are held in book-entry-only form by DTC, payment of the principal, together with any premium, and interest on the Bonds, will be paid to DTC in immediately available or next day funds on each interest or principal payment date.

Redemption Provisions

- Optional Redemption

The Bonds maturing on and after December 1, 2030 are subject to redemption, in whole or in part, at our option on any day on and after December 1, 2029, at the redemption price equal to the principal amount of Bonds to be redeemed plus accrued and unpaid interest to the redemption date, without premium.

-Partial Redemption of Bonds

We may select, in our sole discretion, the maturity or maturities and amounts of any Bonds to be redeemed at our option. So long as the Book-Entry system is used for the Bonds, the Paying Agent/Registrar will give notice of any such redemption only to DTC, as registered owner, and the selection and redemption of the Bonds will be completed pursuant to the applicable procedures of DTC. If DART selects part of a maturity for redemption, the selection of Bonds to be redeemed within such maturity will be determined by DTC. A portion of a single Bond of a denomination greater than $5,000 may be redeemed, but only in a principal amount equal to $5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, DTC will treat each $5,000 portion of the Bond as though it were a single Bond for purposes of selection for redemption. If Bonds are redeemed in part, the principal amount of such Bonds held by DTC will be reduced and DTC will redeem Bonds held for the accounts of DTC participants in accordance with its rules and operational arrangements and DTC participants and indirect participants will implement a redemption of such Bonds from the beneficial owners thereof.

The selection of Bonds to be redeemed will be conducted by DTC and will not be governed by the Master Debt Resolution or the Nineteenth Supplemental Debt Resolution and will not be conducted by DART or the Paying Agent/Registrar. Neither DART nor the Paying Agent/Registrar will have any responsibility to DTC participants or other persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption.

- Notice of Redemption

The Paying Agent/Registrar is required to give notice of any redemption to the Holder of each Bond (or part thereof) to be redeemed by first class United States mail not less than 30 days before the date fixed for redemption. The notice of redemption must state the redemption date, the redemption price, the place at which the Bonds are to be surrendered, and, if less than all the Bonds are to be redeemed, an identification of the Bonds or portions of the Bonds to be redeemed. Any notice so given is conclusively presumed to have been duly given, whether or not the Holder actually receives notice. Failure to give notice of redemption to any Holder of Bonds, or any defect therein, will not affect the validity of any proceedings for redemption of any Bonds for which notice was properly given.

The Paying Agent/Registrar and DART, so long as the Book-Entry system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Master Debt Resolution or Supplemental Debt Resolution or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice.

Registration, Transfer, Exchange and Replacement of Bonds

The Bonds may be registered, transferred, exchanged or replaced by the Paying Agent/Registrar who at all times is obligated to maintain a Bond Register. Neither DART nor the Paying Agent/Registrar is required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 calendar days after the transfer or exchange date; provided, however, such limitation is not applicable to an exchange by the Holder of the uncalled principal balance of a Bond.

Events of Default and Remedies

Each of the following occurrences or events constitutes an “Event of Default” under the Master Debt Resolution:

(i) failure to timely pay any Debt Service on Bond Obligations;

(ii) failure to timely pay any Credit Agreement Obligations;

(iii) default in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuation thereof for a period of 30 days after written notice of such default;

(iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or

(v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

Upon the happening and continuance of any of the Events of Default, the Trustee is required to transfer future Gross Sales Tax Revenues and any other Pledged Revenues in the same order as if no Event of Default had occurred with the exception that Administrative Expenses owed with respect to the Senior Lien Obligations will be paid prior to the payment of interest and principal installments from the Senior Lien Debt Service Fund. Subject to certain restrictions on Holder's actions set forth in the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured, DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

During the continuance of an Event of Default, the Trustee will apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, and as applicable; and (ii) to the payment of Debt Service due on the Obligations that are payable from the money on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, or the Junior Subordinate Lien Debt Service Fund, respectively, and as applicable, in the following order:

(i) Unless the principal of all applicable Outstanding Obligations is due, first, to the payment of interest then due in the order of maturity of such interest installments, and, if the amount available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and second, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.

(ii) If the principal of all of the applicable Outstanding Obligations that are payable from a specific debt service fund is due, to the payment of the principal and interest then due and unpaid upon such Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds and Issuer contribution will be applied approximately as follows:

SOURCES	
Par Amount of the Bonds	$301,095,000.00
Original Issue Premium	65,771,236.25
Issuer Contribution	8,057,488.37
Total Sources	$374,923,724.62

USES	
Deposit to Escrow Fund	$372,788,147.23
Underwriters' Discount	1,210,984.91
Cost of Issuance	924,592.48
Total Uses	$374,923,724.62

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ANNUAL BOND DEBT SERVICE REQUIREMENTS [1]

The following table sets forth the amounts required for the payment of principal and interest on the Outstanding Senior Lien Obligations and annual debt service requirements on the Bonds.

FYE 9/30	Existing Senior Lien Net Debt Service [2][3][4]	The Bonds Principal	The Bonds Interest	The Bonds Total	Total Net Debt Service Requirements [2][3][4]
2019	$ 181,381,282	$ -	$ 2,174,575	$ 2,174,575	$ 183,555,857
2020	178,338,937	-	15,054,750	15,054,750	193,393,687
2021	186,217,211	-	15,054,750	15,054,750	201,271,961
2022	195,700,526	-	15,054,750	15,054,750	210,755,276
2023	201,616,230	-	15,054,750	15,054,750	216,670,980
2024	180,296,057	19,215,000	14,574,375	33,789,375	214,085,432
2025	176,780,904	19,710,000	13,601,250	33,311,250	210,092,154
2026	176,818,255	20,720,000	12,590,500	33,310,500	210,128,755
2027	176,011,721	21,780,000	11,528,000	33,308,000	209,319,721
2028	176,054,364	22,900,000	10,411,000	33,311,000	209,365,364
2029	176,106,022	24,075,000	9,236,625	33,311,625	209,417,647
2030	176,136,368	25,310,000	8,002,000	33,312,000	209,448,368
2031	176,144,066	26,605,000	6,704,125	33,309,125	209,453,191
2032	181,104,503	27,970,000	5,339,750	33,309,750	214,414,253
2033	180,875,286	29,400,000	3,905,500	33,305,500	214,180,786
2034	180,392,287	30,915,000	2,397,625	33,312,625	213,704,912
2035	180,240,015	32,495,000	812,375	33,307,375	213,547,390
2036	220,265,397	-	-	-	220,265,397
2037	227,872,112	-	-	-	227,872,112
2038	237,729,984	-	-	-	237,729,984
2039	237,254,863	-	-	-	237,254,863
2040	239,312,874	-	-	-	239,312,874
2041	239,222,397	-	-	-	239,222,397
2042	239,226,105	-	-	-	239,226,105
2043	239,213,127	-	-	-	239,213,127
2044	231,129,394	-	-	-	231,129,394
2045	231,445,770	-	-	-	231,445,770
2046	175,062,042	-	-	-	175,062,042
2047	175,033,486	-	-	-	175,033,486
2048	175,026,221	-	-	-	175,026,221
2049	169,941,857	-	-	-	169,941,857
2050	55,431,099	-	-	-	55,431,099
2051	55,412,037	-	-	-	55,412,037
2052	55,404,814	-	-	-	55,404,814
2053	55,359,784	-	-	-	55,359,784
2054	55,351,374	-	-	-	55,351,374
2055	55,329,936	-	-	-	55,329,936
2056	55,312,240	-	-	-	55,312,240
2057	55,280,743	-	-	-	55,280,743
2058	55,261,712	-	-	-	55,261,712
	$ 6,616,093,399	$ 301,095,000	$ 161,496,700	$ 462,591,700	$ 7,078,685,099

[1] Amounts rounded to the nearest whole dollar. Totals may not sum due to rounding.
[2] Net of expected federal subsidies on the Series 2009B and 2010B Bonds. Does not include Outstanding Senior Subordinate Lien Commercial Paper.
[3] Excludes the Refunded Bonds.
[4] Assumes $908 million Series 2018 Bonds (evidenced by the RRIF Loan) are fully drawn per the anticipated schedule.

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THE PAYING AGENT/REGISTRAR

Zions Bancorpation, National Association, Houston, Texas, is the Paying Agent/Registrar for the Bonds. We retain the right to replace the Paying Agent/Registrar, but we are obligated to maintain and provide for a Paying Agent/Registrar for the Bonds at all times, and any successor must be a commercial bank or trust company or other entity that is duly and legally authorized to perform the duties of Paying Agent/Registrar under the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution. The Paying Agent/Registrar is responsible for paying the principal of and interest on the Bonds from amounts received from the Trustee, for maintaining the Obligation Register with respect to the Bonds and, subject to the conditions described under "BOOK-ENTRY SYSTEM" below, administering the transfer and exchange of Bonds.

BOOK-ENTRY SYSTEM

AS LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES HEREIN TO THE "HOLDERS," THE "BONDHOLDERS," OR THE "OWNERS OF THE BONDS" MEANS CEDE & CO. AND DOES NOT MEAN THE BENEFICIAL OWNER OF THE BONDS. WHEN REFERENCE IS MADE TO ANY ACTION WHICH IS REQUIRED OR PERMITTED TO BE TAKEN BY SUCH BENEFICIAL OWNER, SUCH REFERENCE ONLY RELATES TO ACTION BY SUCH BENEFICIAL OWNER OR THOSE PERMITTED TO ACT (BY STATUTE, REGULATION, OR OTHERWISE) ON BEHALF OF SUCH BENEFICIAL OWNER FOR SUCH PURPOSES.

DART, the Paying Agent/Registrar, the Co-Financial Advisors and the Underwriters cannot and do not give any assurances that DTC will distribute to its Participants or that Direct Participants or Indirect Participants (as each of such capitalized terms are defined below) will distribute to Beneficial Owners of the Bonds (i) payments of the principal of or interest or premium, if any, on the Bonds, (ii) confirmation of ownership interests in the Bonds or (iii) redemption or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Supplemental Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "procedures" of DTC to be followed in dealing with its Participants are on file with DTC.

DART, THE PAYING AGENT/REGISTRAR, THE CO-FINANCIAL ADVISORS AND THE UNDERWRITERS WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE BONDS; (C) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE MASTER DEBT RESOLUTION, THE THIRTEENTH SUPPLEMENTAL DEBT RESOLUTION OR ANY OTHER SUPPLEMENTAL RESOLUTION UNDER AND PURSUANT TO WHICH ANY OUTSTANDING OBLIGATIONS HAVE BEEN ISSUED OR EXECUTED, OR PRIOR RESOLUTIONS AMENDED; (D) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that DART believes to be reliable, but neither DART nor the Board take any responsibility for the accuracy thereof.

General Provisions

The following information concerning DTC and its book-entry system has been furnished for use in this Supplemental Official Statement by DTC. DART, the Paying Agent/Registrar, the Co-Financial Advisors and the Underwriters take no responsibility for the accuracy or completeness of such information.

DTC acts as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and bearing the same interest rate, will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the *"Beneficial Owner"*) is in turn recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the Book-Entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, the Bonds to be redeemed within such maturity will be selected by DTC in accordance with the Operational Arrangements of DTC.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DART as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DART or the Paying Agent/Registrar on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, DART or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DART or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to DART or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Nineteenth Supplemental Debt Resolution.

DART and the Board may decide to discontinue use of the system of Book-Entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Nineteenth Supplemental Debt Resolution.

INVESTMENT CONSIDERATIONS

The following information, which you should carefully consider, identifies certain investment considerations associated with the purchase of Bonds. You should also carefully consider the information set forth in the 2018 Annual Disclosure Statement, "INVESTMENT CONSIDERATIONS".

Issuance of Additional Senior Lien Obligations

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

Ratings of the Bonds Do Not Assure Their Payment

The Bonds are currently rated by nationally recognized rating agencies, as shown on the cover page hereof. A rating reflects the rating agency's assessment of the likelihood that holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price, liquidity or the suitability of the securities for any particular investor.

The Master Debt Resolution Provides for Cross-Defaults

The Master Debt Resolution provides that an "Event of Default" occurs thereunder if, under certain circumstances, we default in the due and punctual performance of any covenant, condition, agreement or provision contained in any Obligation (including any Credit Agreement) or any Outstanding Resolution. See Appendix B to the 2018 Annual Disclosure Statement, "SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION—DEFAULTS AND REMEDIES."

Nonpayment Events of Default

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

Limitation and Enforceability of Remedies

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

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

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

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

CONTINUING DISCLOSURE AND ACCESS TO INFORMATION

We have agreed voluntarily to replace the Disclosure Statement annually, to update it after the first, second and third quarters of our fiscal year with unaudited financial information, and to prepare a Supplemental Official Statement or Supplemental Disclosure Statement and Offering Memorandum in connection with each issue of Bond Obligations. These disclosure documents and each Supplemental Debt Resolution will be filed with the Municipal Securities Rulemaking Board (the "*MSRB*"). All of these documents will also be posted on the Internet at our website, www.dart.org. We reserve the right to stop postings on the Internet of annual and quarterly updates at any time.

In the Master Debt Resolution and the Nineteenth Supplemental Resolution, DART has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. Pursuant to the requirements of Rule 15c2-12 (the "*Rule*") promulgated by the United States Securities and Exchange Commission (the "*SEC*"), DART is obligated to provide certain updated financial information and operating data annually, and timely notice of specified events (listed below) to the MSRB. This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("*EMMA*") system at *www.emma.mrsb.org*. The updated information to be provided by DART includes information contained in the charts set forth under "DART'S FINANCIAL PRACTICES AND RESOURCES" in the 2018 Annual Disclosure Statement. The updated information also includes audited financial statements, if DART commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, DART will provide unaudited financial statements by the required time and audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the 2018 Annual Disclosure Statement or such other accounting principles DART may be required to employ.

DART's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless DART changes its fiscal year. If DART changes its fiscal year, it will notify the MSRB of the change.

DART is required to notify the MSRB, in a timely manner and in not more than ten (10) business days after the occurrence of any one of the following events with respect to the Bonds: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to the rights of Owners, if material; (viii) bond calls, if material and tender offers; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of DART, which shall occur as described below; (xiii) the consummation of a merger, consolidation, or acquisition involving DART or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (xv) incurrence of a Financial Obligation of DART, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of DART, any of which affect security holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms or similar events under the terms of a Financial Obligation of DART, any of which reflect financial difficulties.

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

DART will notify the MSRB, in a timely manner, of any failure by DART to provide financial statements and other financial information or operating data in accordance with its agreement by the required time.

Compliance with Prior Undertakings

Over and during the last five years, a notice of defeasance and redemption was not timely filed with respect to certain of DART's Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 that were refunded in December

2015. Also, certain annual and material filings inadvertently were not linked to certain of the related Outstanding bonds. DART has updated its annual filings through EMMA and remedied any incorrect or missing CUSIP linkages for any series of bonds of which it is aware.

DART applied for and received a rating from KBRA (defined below) on November 2, 2018 and has made a voluntary filing on EMMA with respect to such new rating.

BOND RATINGS

The respective ratings that have been assigned to the Bonds by S&P Global Ratings (*"S&P"*), Moody's Investors Service, Inc. (*"Moody's"*), and Kroll Bond Rating Agency, Inc. (*"KBRA"*) are stated on the cover page of this Supplemental Official Statement. We furnished S&P, Moody's, and KBRA with certain information not included in this Supplemental Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies.

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. The ratings reflect only the respective views of such organizations. We make no representation as to the appropriateness of the ratings. We can provide no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all rating companies, if in the judgment of any or all companies, circumstances so warrant. Any downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price or marketability of the Bonds.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Co-Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the *"Code"*), and, as such, interest on the Bonds is not subject to the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that DART file an information report with the Internal Revenue Service (the *"Service"*). DART has covenanted in the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution that it will comply with these requirements.

Co-Bond Counsel's opinion will assume continuing compliance with the covenants of the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by DART, DART's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of DART, DART's Financial Advisor and the Underwriters, respectively, which Co-Bond Counsel has not independently verified. Co-Bond Counsel will further rely on the report (the *"Report"*) of the Verification Agent regarding the mathematical accuracy of certain computations. If DART fails to comply with the covenants in the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution or if the foregoing representations or the Report are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Co-Bond Counsel's knowledge of facts as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Co-Bond Counsel's legal judgment based upon their review of existing law and in reliance upon the representations and covenants referenced above that they deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat DART as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Legislative Changes

Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

LITIGATION

See "LITIGATION" in our 2018 Annual Disclosure Statement for a discussion of pending litigation or claims affecting DART.

No significant changes have occurred in the status of pending litigation involving DART since the date of the 2018 Annual Disclosure Statement. We continue to accrue and estimate losses on claims that are asserted in pending litigation and have included this accrual in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached as Appendix C hereto.

APPROVALS AND LEGAL OPINIONS

We will not issue any of the Bonds unless and until we have received an opinion of the Attorney General of the State of Texas approving the issuance of the Bonds pursuant to the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution.

All legal matters incident to the legality and enforceability of the Bonds, including their authorization, issuance and sale, are subject to the approval of Bracewell LLP, Dallas, Texas, and West & Associates L.L.P., Dallas, Texas, our Co-Bond Counsel.

The initial delivery of the Bonds to the Underwriters is subject to our receipt of the opinions of Co-Bond Counsel substantially to the effect set forth in the form and substance attached hereto as Appendix A.

Our Co-Bond Counsel have reviewed the information describing the Obligations in the Disclosure Statement, and the information describing the Bonds contained in this Official Statement to verify that such information conforms to the provisions of the Master Debt Resolution, the Fourth Supplemental Debt Resolution, the Sixth Supplemental Debt Resolution, the Seventh Supplemental Debt Resolution, the Eighth Supplemental Debt Resolution, the Ninth Supplemental Debt Resolution, the Tenth Supplemental Debt Resolution, the Eleventh Supplemental Debt Resolution, the Twelfth Supplemental Debt Resolution, the Thirteenth Supplemental Debt Resolution, the Fourteenth Supplemental Debt Resolution, the Fifteenth Supplemental Debt Resolution, the Sixteenth Supplemental Debt Resolution, the Seventeenth Supplemental Debt Resolution, the Eighteenth Supplemental Debt Resolution, and the Nineteenth Supplemental Debt Resolution.

Portions of the fees paid by us to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds under the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution are contingent on the issuance and sale of the Bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The Verification Agent, will deliver to us, on or before the delivery date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of and interest on the Refunded Bonds and (b) the mathematical computations of yield used by Co-Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Co-Financial Advisors on our behalf. The Verification Agent has restricted its procedures to recalculating the computations provided by Co-Financial Advisors on our behalf and has not evaluated or examined the assumptions or information used in the computations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. We assume no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

CO-FINANCIAL ADVISORS

We have retained Estrada Hinojosa & Company, Inc., Dallas, Texas, and PFM Financial Advisors LLC, Chicago, Illinois, as our Co-Financial Advisors to assist us in the issuance of the Bonds.

The Co-Financial Advisors have not independently verified any of the data contained in the Official Statement or conducted a detailed investigation of the affairs of DART to determine the accuracy or completeness of those documents. In the normal course of business, the Co-Financial Advisors may also from time to time, for fees to be paid by DART or by others, sell to DART or arrange for the purchase by DART of investment securities for the investment of debt proceeds or other funds of DART upon our request.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at a purchase price of $365,655,251.34 (representing the principal amount of the Bonds plus a reoffering premium of $65,771,236.25 and less an underwriters' discount of $1,210,984.91). The Underwriters are obligated to purchase all of the Bonds if any Bonds of such series are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and nonfinancial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (*"WFBNA"*), one of the Underwriters of the Bonds, has entered into an agreement (the *"WFA Distribution Agreement"*) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name *"Wells Fargo Advisors"*) (*"WFA"*), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the *"WFSLLC Distribution Agreement"*) with its affiliate Wells Fargo Securities, LLC (*"WFSLLC"*), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Piper Jaffray & Co., one of the underwriters of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. (*"CS&Co"*) for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

This Official Statement has been approved in connection with the offering and sale of the Bonds by the President and the Senior Vice President of Finance and Interim Chief Financial Officer of DART pursuant to the Nineteenth Supplemental Debt Resolution.

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Series	Original Maturity	Interest Rate	Principal Outstanding	Principal to be Refunded	Call Date / Price
Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds-Direct Payment to Issuer)	12/1/34	6.249%	$362,645,000	$362,645,000	6/1/2019@100%

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APPENDIX A

FORM OF OPINION OF CO-BOND COUNSEL

DALLAS AREA RAPID TRANSIT
SENIOR LIEN SALES TAX REVENUE REFUNDING BONDS
SERIES 2019

We have represented Dallas Area Rapid Transit ("DART") as its Co-Bond Counsel in connection with the authorization and issuance of its Dallas Area Rapid Transit Senior Lien Sales Tax Revenue Refunding Bonds, Series 2019 (the "Series 2019 Bonds") in the principal amount of $301,095,000. The Series 2019 Bonds are being issued pursuant to the Master Debt Resolution adopted January 23, 2001, as such Master Debt Resolution has been amended and supplemented from time to time (as amended and supplemented, the "Master Debt Resolution"), and the Nineteenth Supplemental Debt Resolution (the "Nineteenth Supplemental Debt Resolution"), adopted February 12, 2019. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution.

We have represented DART as its Co-Bond Counsel, for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2019 Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Series 2019 Bonds from gross income for federal income tax purposes.

We have examined the relevant provisions of the Constitution and laws of the State of Texas as we have deemed necessary, including Chapter 452, Texas Transportation Code (the "Act"), pursuant to which DART was created and functions as a subregional transportation authority and public body corporate and politic of the State of Texas, and Chapters 1207 and 1371, Texas Government Code, as amended. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of DART or the disclosure thereof in connection with the offering and sale of the Series 2019 Bonds.

In our capacity as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Series 2019 Bonds on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of DART: (i) the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution; (ii) customary certificates of officers, agents and representatives of DART, and other public officials, and other certified showings relating to the authorization and issuance of the Series 2019 Bonds; and (iii) an escrow agreement (the "Escrow Agreement"), between DART and Zions Bancorporation, National Association, as escrow agent (the "Escrow Agent"); (iv) a report (the "Report") of Causey Demgen & Moore P.C., a firm of certified public accountants (the "Verification Agent") regarding the mathematical accuracy of certain computations and verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the bonds being refunded (the "Refunded Bonds"). We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Series 2019 Bonds;

(B) The Series 2019 Bonds constitute valid and binding special obligations of DART, secured by and payable from a first and senior lien on and pledge of the Pledged Revenues; and

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor in such Escrow Agreement.

The rights of the owners of the Series 2019 Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion. Owners of the Series 2019 Bonds shall never have the right to demand payment of principal or interest out of any funds raised or to be raised by taxation other than the Gross Sales Tax Revenues.

DART has reserved the right to issue additional debt, subject to the restrictions contained in the Master Debt Resolution, that is secured by liens on the Pledged Revenues that are on a parity with or that are junior and subordinate to the lien on Pledged Revenues securing the Series 2019 Bonds.

IT IS OUR FURTHER OPINION THAT, under existing law:

1. Interest on the Series 2019 Bonds is excludable from gross income of the owners for federal income tax purposes; and

2. The Series 2019 Bonds are not "private activity bonds" within the meaning of the Code and interest on the Series 2019 Bonds is not subject to the alternative minimum tax on individuals.

In rendering such opinions, we have relied on representations of DART, the Co-Financial Advisors and the Underwriters, respectively, with respect to matters solely within the knowledge of DART, the Co-Financial Advisors and the Underwriters which we have not independently verified, and we have assumed continuing compliance with the covenants in the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution and the representations in the Federal Tax Certificate pertaining to those sections of the Code that affect the exclusion of interest on the Series 2019 Bonds from the gross income of the owners for federal income tax purposes. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations. If such representations or the Report are determined to be inaccurate or incomplete or DART fails to comply with the foregoing covenants of the Master Debt Resolution and the Nineteenth Supplemental Debt Resolution, interest on the Series 2019 Bonds could become includable in the gross income of the owners from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Series 2019 Bonds.

Owners of the Series 2019 Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2019 Bonds, may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Series 2019 Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series 2019 Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat DART as the taxpayer. We observe that DART has covenanted in the Nineteenth Supplemental Debt Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Series 2019 Bonds as includable in gross income for federal income tax purposes.

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APPENDIX B

2018 ANNUAL DISCLOSURE STATEMENT

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DALLAS AREA RAPID TRANSIT
Annual Disclosure Statement (for the period ended September 30, 2018)

This Annual Disclosure Statement for the period ended September 30, 2018 replaces our Annual Disclosure Statement for the period ended September 30, 2017 and dated March 13, 2018. This Annual Disclosure Statement has been posted on the Internet at our website, ***www.dart.org****, and has been filed with the Municipal Securities Rulemaking Board and is available at www.emma.msrb.org. We intend to update this Annual Disclosure Statement after the first, second, and third quarters of our fiscal year and to replace it annually. We reserve the right to suspend or stop providing Annual Disclosure Statements and quarterly updates at any time. However, we remain obligated to provide the annual financial information and operating data as agreed to under our continuing disclosure undertakings pursuant to Rule 15c2-12, as amended, of the Securities Exchange Act of 1934 (the "Rule").*

This Annual Disclosure Statement relates to the following securities that we have issued and intend to issue from time to time: Senior Lien Obligations, Senior Subordinate Lien Obligations, and other Bond Obligations (defined below), but does not replace the Supplemental Official Statement or supplemental disclosure statement and Offering Memorandum prepared for a particular series of debt securities.

> You should carefully consider the information under the caption "INVESTMENT CONSIDERATIONS" herein.

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

Our Board (defined herein) has adopted a "Master Debt Resolution" that authorizes the issuance and execution of various types of debt instruments (the "Bond Obligations"). Bond Obligations that are issued in the form of bonds, notes, or other securities will be issued in multiple series, and each series will be classified as either "Senior Lien Obligations," "Senior Subordinate Lien Obligations," or "Junior Subordinate Lien Obligations." The Senior Lien Obligations are secured by a first lien on Pledged Revenues; the Senior Subordinate Lien Obligations are secured by a second lien on Pledged Revenues; and the Junior Subordinate Lien Obligations are secured by a third lien on Pledged Revenues. These liens are senior to any other claim against the Pledged Revenues. Pursuant to the Master Debt Resolution, we have issued and have outstanding both Senior Lien Obligations and Senior Subordinate Lien Obligations (together, referred to herein as "Bond Obligations"). See, "OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS."

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

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

This Annual Disclosure Statement may be used to offer and sell a series of Senior Lien Obligations, Senior Subordinate Lien Obligations, or other Bond Obligations only if it is accompanied by the Supplemental Official Statement or supplemental disclosure statement and Offering Memorandum for that series.

Dated Date: March 12, 2019

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IMPORTANT NOTICES

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

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

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

FORWARD-LOOKING STATEMENTS

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

OUTSTANDING OBLIGATIONS AND OUR FINANCING PLANS

As of September 30, 2018, we have thirteen series of Senior Lien Obligations outstanding totaling $3,210,922,845 in principal amount – our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), outstanding in the aggregate principal amount of $118,395,000; our Senior Lien Sales Tax Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), outstanding in the aggregate principal amount of $9,400,000; our Senior Lien Sales Tax Revenue Bonds, Series 2009A (the "Series 2009A Bonds") outstanding in the aggregate principal amount of $18,765,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment to Issuer) (the "Series 2009B Bonds"), outstanding in the aggregate principal amount of $829,615,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds"), outstanding in the aggregate principal amount of $57,230,000; our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2010B (Build America Bonds – Direct Payment to Issuer) (the "Series 2010B Bonds"), outstanding in the aggregate principal amount of $729,390,000; our Senior Lien Sales Tax Revenue Bonds, Series 2012 (the "Series 2012 Bonds"), outstanding in the aggregate principal amount of $116,490,000; our Senior Lien Sales Tax Revenue Bond, Taxable Series 2012A issued to evidence a Transportation Infrastructure Finance and Innovation Act Loan (the "TIFIA Bond"), outstanding in the aggregate principal amount of $100,877,845; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014A (the "Series 2014A Bonds"), outstanding in the aggregate principal amount of $367,370,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2014B (the "Series 2014B Bonds"), outstanding in the aggregate principal amount of $46,555,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds"), outstanding in the aggregate principal amount of $105,405,000; our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016A (the " Series 2016A Bonds"), outstanding in the aggregate principal amount of $482,530,000; and our Senior Lien Sales Tax Revenue Refunding Bonds, Series 2016B (the "Series 2016B Bonds"), outstanding in the aggregate principal amount of $228,900,000.

In addition to the Senior Lien Obligations described above, as of September 30, 2018, $125,000,000 in principal amount of our Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, Series I (Self-Liquidity) were outstanding.

OBLIGATIONS ISSUED SINCE SEPTEMBER 30, 2018 AND OBLIGATIONS WE EXPECT TO ISSUE

We authorized the issuance of our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2018 in the principal amount of $908,000,000 in connection with the closing in December 2018 of a Railroad Rehabilitation Improvement Financing (the "RRIF Financing") for the Cotton Belt Project. Series 2018 Bonds will be delivered in installments pursuant to the RRIF Financing in Fiscal Years 2019 through 2021.

Additionally, our Board authorized the issuance of Senior Lien Sales Tax Revenue Bonds in the maximum principal amount of $1,090,000,000 for the Dallas Central Business District (CBD) Second Light Rail Alignment Project (D2 Subway). The timing for the issuance of such Senior Lien Obligations has not been determined.

For purposes of providing interim financing with respect to the Cotton Belt Project and other projects, the Board has authorized two series of Senior Subordinate Lien Sales Tax Revenue Commercial Paper Notes, being the Series II Commercial Paper Notes in the maximum principal amount outstanding from time to time of $125,000,000 and the Series III Commercial Paper Notes in the maximum principal amount outstanding from time to time of $125,000,000.

Our Board has also approved and we expect to partially refund our Senior Lien Sales Tax Revenue Bonds, Taxable Series 2009B (Build America Bonds) by issuing Senior Lien Sales Tax Revenue Refunding Bonds in an amount not to exceed $365,000,000 in the Spring of 2019.

Preconditions to Issuance of Bond Obligations — Financial Coverage Tests

– Conditions to Issuance of Senior Lien Obligations

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

> (1) An independent professional economist broadly experienced in economic forecasting in the North Texas region, or an independent certified public accountant or accounting firm, reports to us projections of Gross Sales Tax Revenues and the projections show that the estimated Gross Sales Tax Revenues for each of three consecutive Fiscal Years, beginning with the first Fiscal Year in which Debt Service will be due on the proposed Additional Senior Lien Obligations, are equal at least to 200% of the Debt Service that will be due on all Senior Lien Obligations that will be outstanding after the proposed new issue during each of such three Fiscal Years; or
>
> (2) During either our most recent complete Fiscal Year or during any consecutive 12 out of the most recent 18 months, our Gross Sales Tax Revenues were equal to at least 200% of the maximum Debt Service that will be due on all outstanding Senior Lien Obligations (exclusive of the amounts payable on Credit Agreement Obligations) and the proposed Additional Senior Lien Obligations during any of the current or any future Fiscal Year; and
>
> (3) Our Chief Financial Officer (or Interim individual serving as Chief Financial Officer), certifies that we will receive Gross Sales Tax Revenues, during each of three consecutive Fiscal Years beginning with the Fiscal Year in which Debt Service is due on the proposed Additional Senior Lien Obligations, which will be equal to at least 100% (or such higher percentage as shall be required by a Supplemental Resolution) of the Debt Service on both Senior Lien Obligations and all Subordinate Lien Obligations during such three Fiscal Years; and
>
> (4) We satisfy any additional financial tests, or requirements, that may be contained in a Supplemental Resolution or Credit Agreement.

– Conditions to Issuance of Subordinate Lien Obligations

We cannot issue Additional Senior Subordinate Lien Obligations or Senior Subordinate Lien Obligations unless:

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

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

We cannot issue Junior Subordinate Lien Obligations unless:

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

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

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

Method of Issuing Bond Obligations

To issue any series of Bond Obligations, the Master Debt Resolution requires our Board to adopt a Supplemental Resolution establishing the specific terms of the series to be issued. When we issue Bond Obligations, you should purchase them on the basis of this Annual Disclosure Statement only if you have also obtained a “Supplemental Official Statement” or a “Supplemental Annual Disclosure Statement and Offering Memorandum” relating to the series of Bond Obligations you are considering.

Security for the Obligations—Flow of Funds

Our Gross Sales Tax Revenues consist of the money we are entitled to receive under the Act and other state law from the levy and collection of the voter-approved Sales Tax that is levied on taxable items and services that are sold or used within our boundaries. That revenue and the investments thereof, if any, while held by the Trustee in the Gross Sales Tax Revenue Fund are Pledged Revenues that secure all of the Bond Obligations. Additionally, pursuant to the provisions of the Seventh Supplemental Debt Resolution authorizing the issuance of our Series 2010A and Series 2010B Bonds, we pledged the “Pledged Farebox Revenues” as security for all of the Bond Obligations. The amount of the Pledged Farebox Revenues varies each year based on an established formula with the amount constituting Pledged Farebox Revenues ranging from $22.9 million in 2012 to $71.4 million in 2049. In addition, Federal Interest Subsidy Payments that are deposited to the Senior Lien Debt Service Fund are pledged to the payment of Senior Lien Obligations. We reserve the right (1) to pledge the other farebox revenues as security for the payment of Bond Obligations or any other obligations of DART and (2) to exclude any specified portion of farebox revenues from Pledged Farebox Revenues (including Special Revenues) by Supplemental Resolution, provided that Pledged Farebox Revenues in the amount set forth above cannot be reduced as a result.

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

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

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

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

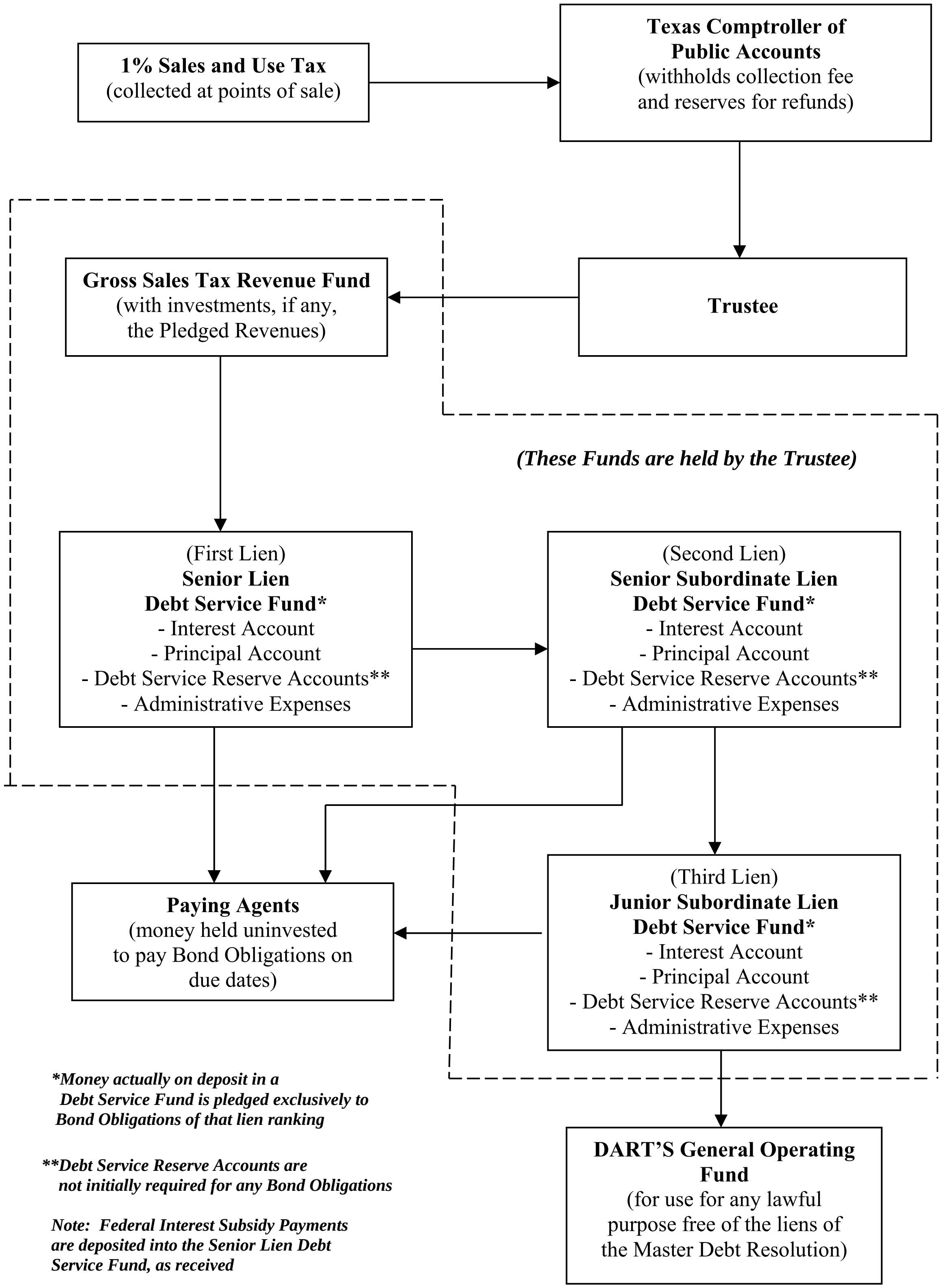
Money actually on deposit in a Debt Service Fund is pledged exclusively and irrevocably to the Bond Obligations of the applicable lien ranking.

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

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

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

Flow of Funds (cont'd)



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

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

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

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

INFORMATION ABOUT DART

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

DART's Boundaries, Additions, Withdrawal Rights

Our current boundaries include the following Participating Municipalities: The Cities of Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Irving, Plano, Richardson, Rowlett, and University Park and the Towns of Addison and Highland Park, Texas. Our boundaries encompass approximately 700 square miles and contains an estimated 2018 population of 2.4 million persons, according to information obtained from the North Central Texas Council of Governments.

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

Under the Act, a Participating Municipality has the right to call an election at which its voters may vote to withdraw as a Participating Municipality every sixth calendar year. This process can be initiated by either official action of the Participating Municipality's governing body or by citizen petition. The next year in which withdrawal elections may be held is 2020.

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

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

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

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

DART's General Powers and Purposes

We exercise public and essential governmental functions under the Act, and the Act grants us certain powers to carry out these functions. The Act authorizes us to acquire, construct, develop, plan, own, operate, and maintain all real and personal property needed by us for public transportation or complementary transportation purposes. Complementary transportation services include the following services:

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

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

The Board of Directors

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

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

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

CURRENT MEMBERS AND OFFICERS OF THE BOARD OF DIRECTORS			
NAME	REPRESENTS	YEAR OF APPOINTMENT TO BOARD	OCCUPATION
Sue S. Bauman, ***Chair***	Dallas	2016	Faculty, Richland College
Paul N. Wageman, ***Vice Chair***	Plano	2012	Attorney
Michele Wong Krause, ***Secretary***	Dallas	2014	Attorney
Jonathan R. Kelly, ***Assistant Secretary***	Garland	2016	Investment Advisor
Amanda Moreno	Dallas	2013	Entrepreneur
Eliseo Ruiz*	Dallas and Cockrell Hill	2018	Attorney
Dominique P. Torres	Dallas	2017	Attorney
Lissa Smith**	Plano and Farmer Branch	2018	Community Relations Advisor
Gary Slagel	Richardson, University Park, Addison, and Highland Park	2011	Technology Executive
Jon-Bertrell Killen	Dallas	2017	Architect
Mark C. Enoch	Garland, Rowlett, and Glenn Heights	1997	Attorney
Patrick Kennedy	Dallas	2016	Urban Planner
Ray Jackson	Dallas	2017	Attorney
Richard H. Stopfer	Irving	2013	Retired Automotive Consultant and Mayor, City of Irving
Doug Hrbacek***	Carrollton and Irving	2019	Business Development

*Appointed to the Board November 2018 replacing Catherine S. Cuellar
**Appointed to the Board June 2018 replacing Faye Moses Wilkins
***Appointed to the Board February 2019 replacing Timothy A. Hayden

Significant Board Policies and Planning Documents

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

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

— Service Plan and Transit System Plan – The Service Plan, required by DART's enabling legislation, specifically describes the service provided including the locations of major transit facilities and fixed guideways. The Transit System Plan, which is not required by law, is the financially constrained long-range planning tool that is updated to incorporate changes in the service area. It provides the vision and direction for DART's future capital projects and operating programs that will be needed to improve regional mobility. The Transit System Plan is closely coordinated with development of the North Central Texas Council of Governments' Metropolitan Transportation Plan (MTP) and is revised periodically. The last revision was completed in Fiscal Year 2007 and focuses on transit needs and opportunities within the context of a 2030 horizon. DART is nearing completion of an update to the 2030 Transit System Plan through the horizon year of 2045. The draft 2045 Transit System Plan is anticipated June 2019; the final plan is expected to be available September 2019.

— Annual Budget – DART's enabling legislation requires the Board to develop, recommend, and approve an annual budget. The Board must make its proposed annual budget available to the governing bodies of the cities in the service area for review and comment at least 30 days prior to its final adoption. The annual budget, which corresponds to the first year of the Twenty-Year Financial Plan, enumerates the amounts authorized for operating expenses, capital and non-operating costs, and debt service.

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

— Business Plan – DART's Business Plan provides a comprehensive summary of its plans and commitments and outlines how DART will employ projected resources to achieve its goals and strategic priorities.

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

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

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

DART's Management

The Board appoints our President/Executive Director, who also serves as our Chief Executive Officer. The Chief Executive Officer's duties include:

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

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

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

DART'S EXECUTIVE MANAGEMENT		
NAME	POSITION	JOINED DART
Gary C. Thomas	President/Executive Director	1998
Vacant(1)	Deputy Executive Director	N/A
Carol Wise	Executive Vice President, Chief Operations Officer	2012
Vacant(2)	Executive Vice President, Business Solutions & Innovation	N/A
Timothy H. McKay	Executive Vice President, Growth & Regional Development	2001
Nicole Fontayne-Bardowell	Executive Vice President, Chief Administrative Officer	2014
Chris Koloc(1)	Interim Director of Internal Audit	2007
Gene Gamez(3)	Interim General Counsel	2002
Joseph G. Costello	Senior Vice President, Finance	2014
Doug Douglas	Vice President, Mobility Management Services	1990
Donna Johnson(1)	Vice President, Chief Safety Officer	2004
Nevin Grinnell	Vice President, Chief Marketing Officer	2011
Michael Holbrook	Vice President, Rail Operations	2008
Nancy Johnson	Director of the Office of Board Support	1999
Morgan Lyons	Vice President, External Relations	1996
Edie Diaz(1)	Vice President, Government Relations	2019
Michael Muhammad	Vice President, Diversity & Inclusion-Employee & Labor Relations	2004
Bonnie Murphy	Vice President, Commuter Rail/Railroad Management	2017
Tammy Barrow(4)	Interim Vice President, Human Capital	2008
Todd Plesko	Vice President, Planning & Development	2009
John Adler	Vice President, Procurement	2006
John Rhone	Vice President, Capital Design & Construction	2002
Stephen Salin	Vice President, Rail Planning	2000
David Schulze	Vice President, Policy & Strategy	1994
James Spiller	Vice President, DART Chief of Police & Emergency Management	2001
Julius Smith(4)	Vice President, Chief Information Officer	2016
Robert W. Strauss	Vice President, Real Property & Transit Oriented Development	2016
Harold Humphrey(1)	Vice President, Bus Operations	2017

(1) As of January 2019
(2) As of May 2018
(3) As of September 2018
(4) As of February 2019

Employees and Employee Relations

DART currently has 3,972 budgeted positions for full-time salaried and hourly employees. Bus operators, mechanics, and call center personnel are represented by The Amalgamated Transit Union, Local 1338. As a Texas governmental agency, we do not collectively bargain or sign labor contracts with these employee representatives. We do, however, meet and confer with these representatives on hourly employee issues, compensation, and benefits.

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

We operate three employee benefit plans. Information about the plans is contained in Note 17 to the Audited Financial Statements attached hereto as Appendix A. In addition to pension benefits, we provide post-retirement health care and life insurance benefits in accordance with DART policy to certain employees. Information about such benefits is contained in Note 18 to the Audited Financial Statements attached hereto as Appendix A. We have implemented GASB Statement No. 75 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions."

Significant Contract Services

We use contracted services extensively, including the following:

- MV Transportation, Inc., for Mobility Management Services (ADA Paratransit operations and On-Call Services);
- Herzog Transit Services, Inc. for our Commuter Rail services;
- Echo T&C for University of Texas at Dallas shuttle services;
- Metropolitan Security Services for armed security guard services;
- Triad Commercial Services for janitorial services (Rail and Bus facilities) and property management;
- HealthScope as the third-party administrator over the Agency's health benefits;
- HDR Engineering, Inc. for General Planning Consultant services; and
- Clean Energy for CNG fuel station maintenance.

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

Insurance

We maintain a comprehensive insurance program, including the following:

- We self-insure for auto liability, general liability, and workers' compensation claims arising out of transit operations. Segregated cash reserves are maintained for these programs.
- We carry all-risk property insurance for full repair or replacement in the event of loss with a $500 million limit for any one loss or any one location subject to a $250,000 deductible.
- We carry $300 million liability coverage for the light rail system and the Trinity Railway Express commuter rail service with a $3 million self-insured retention. This policy covers DART and Trinity Metro (formerly known as the Fort Worth Transportation Authority, "FWTA") and Herzog Transit Services, Inc. the company that operates the TRE trains.
- We purchase $10 million of liability coverage for leased premises to comply with the terms of our lease agreements with third parties. We also purchase insurance to cover non-owned automobile liability, directors and officer's liability, cyber liability, forgery, theft, disappearance and destruction, computer fraud, and employee dishonesty.
- DART will implement our fifth Owner Controlled Insurance Program (OCIP) for our upcoming construction projects including the Red and Blue Line Platform Extensions project, the Cotton Belt Regional Rail Corridor and other construction projects. The OCIP will provide all eligible enrolled contractors with statutory workers' compensation coverage, general and excess liability insurance, pollution liability, railroad protective liability and builders' risk insurance.

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

DART'S FINANCIAL PRACTICES AND RESOURCES

Audits of Financial Information

DART's Fiscal Year is from October 1 through September 30. We maintain our records of accounts in accordance with generally accepted accounting principles. Our financial accounts and records are audited at the close of each Fiscal Year by an independent, outside auditing and accounting firm approved by the Board. The audits are usually presented to us not later than 120 days after the close of each Fiscal Year. The Independent Auditors' Report, with our audited annual financial statements for the Fiscal Years ended September 30, 2018 and 2017, is presented as a part of this Annual Disclosure Statement as Appendix A. Each subsequent annual revision of this Annual Disclosure Statement will include our most recent audited annual financial statements and our analysis of the financial results for the year.

Principal Source of Revenue—The Sales Tax

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

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

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

Net Sales Tax Revenues* (in millions)	
Fiscal Year ended 9/30	Receipts
2009	$377.6
2010	$375.5
2011	$402.4
2012	$432.5
2013	$455.7
2014	$485.7
2015	$518.6
2016	$545.1
2017	$566.6
2018	$595.6

*The Sales Tax receipts shown above are net of the $824,000 repayment to the State Comptroller due to past overpayments to DART. In 2006, there was a $13.2 million overpayment. Also, in 2008 there was a $3.6 million overpayments. Such amounts are being repaid by DART in quarterly payments through March 2027. See "DART's Operations and Performance Results – Sales Tax Revenues and the Net Operating Subsidy."

Secondary Revenues—Farebox Collections

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

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

Operating Revenues & Expenses (in millions)		
Fiscal Year ended 9/30	Operating Revenues	Operating Expenses*
2009	$57.4	$523.6
2010	$63.2	$572.5
2011	$69.4	$629.0
2012	$80.1	$645.8
2013	$83.7	$701.7
2014	$84.5	$704.5
2015	$85.4	$705.3
2016	$81.9	$739.3
2017	$79.6	$745.5
2018	$76.1	$779.2

*Includes depreciation expense

Federal Grant Funds

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

Federal grants are on a reimbursement basis, so receipts will not match annual appropriation. The following table reflects actual federal and state cash receipts of DART for the past 10 fiscal years.

Federal/State Receipts (in millions)		
Fiscal Year	Federal Receipts	State Receipts
2009	$300.8	$0.1
2010	$200.1	$2.7
2011	$165.2	$1.1
2012	$175.8	$19.9
2013	$141.4	$2.7
2014	$128.3	$1.6
2015	$104.9	$10.9
2016	$47.4	$1.2
2017	$78.5	$0.9
2018	$93.6	$0.1

Lease/Leaseback Transactions

As authorized by the Act, we entered into ten separate economically defeased lease transactions which, in general, involved our lease and leaseback of specified, depreciable property to various trustee entities, acting on behalf of private investors. As of the date hereof, one of such transaction is still outstanding and involves the lease and leaseback of light rail cars used as a part of our transit system. Although we retain legal title to the leased property, this transaction was structured so as to result in a sale of the leased property to the private investors for federal income tax purposes. The rent due for the full term of the leases was prepaid to us, and the trustees have no further obligation to pay us any rent under the lease. The trustee subleased the property back to us for a sublease term that is shorter than the term of the lease. At a specified date on or before the end of the sublease term, we have the right to purchase the trustee's interest in the lease.

We paid a portion of the advance rental payments received by us from the trustees to purchase contractual undertakings from certain financial institutions, rated "AA" or better at that time by recognized rating agencies, pursuant to which such financial institutions assumed and agreed to pay to the trustee the sublease rental payments due and owing by us through our purchase option date, together with the purchase option price owed by us if we determine to exercise our purchase option rights. In other leases, we deposited a portion of such advance rental payments with a custodian, whom we instructed to purchase direct obligations of the United States Government and other securities that will mature on the dates and in the amounts required to pay sublease rental payments and the purchase option price.

The excess amounts of the advance rental payments received by us over the costs of the contractual undertakings and the amounts of the custodial deposits, after paying for certain other costs incurred in connection with the transactions, was retained and utilized by us. After closing the transactions, we continue to have the right to uninterrupted use and possession of the leased property so long as we are not otherwise in default under the contractual terms of the lease documents. Notwithstanding such contractual undertakings and custodial deposits, we remain obligated to pay all amounts owed by us under the sublease, including sublease rent and the purchase option price should we exercise it, in the event of the insolvency of or other failure to pay by the financial institution or a failure of the custodial deposits.

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of September 30, 2018, one lease/leaseback transaction was active and is in full compliance with the operative documents, as amended. See Note 11 to the Audited Financial Statements attached hereto as Appendix A.

DART OPERATIONS AND PERFORMANCE RESULTS

The Independent Auditors' Report on DART's financial statements for the fiscal year ended September 30, 2018, is attached as Appendix A. The information contained under this heading presents the comments, observations, and interpretations of financial and other facts and practices by our management and its opinions as to those facts, practices, and circumstances affecting DART. We do not warrant or guarantee that the conclusions we have drawn therefrom are accurate or complete or provide any assurances as to future financial and/or operating results of DART. The financial information discussed in this section is derived from the financial statements attached as Appendix A and other identified sources.

Sales Tax Revenues and the Net Operating Subsidy

Sales Tax revenues contributed 72% of total revenues (which includes capital contributions and grants) in both Fiscal Year 2018 and Fiscal Year 2017. Sales Tax revenues in Fiscal Year 2018 were $596.4 million, a $29.0 million (5.1%) increase over Fiscal Year 2017. Net receipts were $595.6 million versus a Sales Tax Budget of $593.9 million. Our Sales Tax highly correlate with personal income and retail sales in the region. Our principal revenue source is the Sales Tax. Sales Tax revenues received by us from the Comptroller reflect sales transactions that occur approximately two months prior to receipt by us. The Sales Tax revenues discussed in this section are derived from our annual financial statements which reflect accounting adjustments made as a result of overpayments of Sales Taxes to DART. As a result of these accounting adjustments, Sales Tax revenues shown on our financial statements may differ from the Net Sales Tax Revenues (which represent actual receipts in a Fiscal Year) shown in the table on page 13. As a result of overpayments to DART of $13.2 million in Fiscal Year 2006 and $3.6 million in Fiscal Year 2008, DART entered into a repayment plan with the Comptroller which commenced in December 2006, and currently extends to March 2027. Pursuant to the repayment plan, the State Comptroller deducts quarterly repayments from Sales Tax revenues that would otherwise be owed to DART.

The Fiscal Year 2019 Budget projects Net Sales Tax revenues of $628.1 million compared to $593.9 million for Fiscal Year 2018. This represents a 5.8% increase from the 2018 budget and a 5.3% increase over the 2018 Actual Sales Tax Receipts. For the first three months of Fiscal Year 2019, sales tax receipts are 5.2% over the first three months of Fiscal Year 2018 and 0.03% below our Fiscal Year 2019 Sales Tax budget for the first three months.

We maintain various cash reserves including a Financial Reserve Account that is funded with Sales Tax collections, if any, that exceed budget during a given year (the “Financial Reserve Account”). In addition, a Capital Project Reserve Account was established. If the Financial Reserve Account exceeds $50 million, excess funds are placed in the Capital Project Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves and the funds may be used for any purpose approved by the Board. As of September 30, 2018, the balance in the Financial Reserve Account was $50.0 million and the balance in the Capital Project Reserve Account was $11.6 million. For Fiscal Year 2018, our Sales Tax receipts exceeded our Sales Tax budget by $1.7 million. DART has entered into an Equity Security Agreement on one of our lease/leaseback obligations that requires us to set aside certain investments as security. As of September 30, 2018, DART has $6.8 million set aside in the Financial Reserve Account for this purpose. In addition, we are required by our Financial Standards to maintain a working cash balance in the general operating fund equal to at least one month of expenses that are projected to be paid from Sales Tax collections. As of September 30, 2018, the balance in the general operating fund was $404.7 million which equals approximately 6.2 months of expenditures.

Results for Fiscal Year 2018 reflect a loss before capital contribution and grants of $153.8 million compared to $136.4 million for 2017. This loss in 2018 is greater than that of 2017 due to an increase in operating expenses and HOV lane costs.

Net operating subsidy measures the amount of sales tax dollars required to subsidize the operating costs of our public transit system. We calculate “net operating subsidy” in the following manner: operating expenses minus extraordinary items and depreciation minus operating revenues. Our goal is for the Sales Tax revenues to increase by a higher percentage than net operating subsidy. In Fiscal Year 2018, net operating subsidy increased as compared to 2017 due to reduced operating revenues because of reduced ridership.

Sales Tax Revenues for Operating Expenses

Sales Tax revenues for operating expenses measures the percentage of Sales Tax revenues required to subsidize net operating costs. Conversely, this ratio also measures the amount of funding available for debt service and future capital expenditures. The Sales Taxes for operations calculation is as follows: net operating subsidy (defined above) less interest income divided by sales taxes. This ratio moves lower if Sales Taxes grow by a higher percentage than net operating subsidy. The ratio increased from 74.2% in Fiscal Year 2017 to 74.9% in Fiscal Year 2018 due primarily to Sales Tax increasing faster than operating costs.

Subsidy Per Passenger

Subsidy per passenger measures the efficiency of our services. Specifically, it measures the amount of tax subsidy required each time a passenger uses our services. It is calculated as follows: operating expenses minus depreciation minus extraordinary items minus operating revenues divided by passenger boardings. Our goal is to minimize subsidy per passenger each year. For this to happen, ridership must grow at a higher percentage than net subsidy. Total system subsidy per passenger in Fiscal Year 2018 was $6.93, a $0.57 (9.0%) increase from Fiscal Year 2017. Fixed-route subsidy per passenger in Fiscal Year 2018 was $6.51, a $0.53 (8.9%) increase from Fiscal Year 2017. Subsidy per passenger for Fiscal Year 2018 ranged from a high of $45.48 for paratransit service to a low of $0.55 for vanpool service.

INFORMATION ABOUT DART'S TRANSPORTATION SYSTEM

The Current System

Our current mass transit services include:

· Bus Transit service (including DART On-Call and Flex services);

· DART Mobility Management services including ADA Complementary Paratransit services;

· Light rail transit service;

· Commuter rail service;

· Transportation Demand Management (TDM) services including RideShare matching services for carpools and vanpools; and

· Special events service provided through the modes listed above.

During Fiscal Year 2018, we moved 62.7 million passengers. The following table highlights total system ridership by mode for the last ten years.

Fiscal Year	Bus	LRT*	Commuter Rail	HOV	Paratransit	TDM	Total**
2009	43.1	18.9	2.8	51.0	0.8	0.9	117.5
2010	38.0	17.8	2.5	50.1	0.8	0.9	110.1
2011	37.2	22.3	2.4	48.0	0.8	1.0	111.8
2012	38.7	27.7	2.3	34.4	0.8	1.0	104.9
2013	38.0	29.5	2.1	36.3	0.7	0.9	107.5
2014	37.4	29.4	2.3	21.4	0.7	0.9	92.1
2015	36.5	29.9	2.2	22.3	0.8	0.9	92.5
2016	33.7	29.7	2.1	N/A	0.8	0.8	67.1
2017	32.1	30.1	2.1	N/A	0.8	0.7	65.8
2018	30.2	29.0	2.0	N/A	0.8	0.7	62.7

* Automatic Passenger Counter (APC) data used beginning in 2012. These counters have proven to be considerably more accurate than our previously used manual ridership counting methodology. The APCs show that we have been underreporting ridership by approximately 15.5%. Streetcar ridership is included in the LRT totals.

**Reporting of HOV ridership was discontinued effective 10/01/2015. Total system ridership will not match previously reported totals without HOV.

The total system ridership and fixed-route ridership numbers are highlighted in the analysis given above. Fixed-route service includes bus, light rail, and commuter rail operations. Total system ridership includes fixed-route, paratransit, and vanpools. Ridership figures are based on the number of unlinked passenger boardings (each passenger boarding is counted as one trip). Total system ridership in Fiscal Year 2018 was 62.7 million, a decrease of 3.1 million (4.7%) from Fiscal Year 2017.

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

— Bus Transit (48.2% of total system ridership in Fiscal Year 2018)

Our bus system provides local, express, crosstown, on-call, flex, feeder bus routes and site-specific shuttles. Local routes are focused on the Dallas Central Business District (CBD) and serve the largest and densest concentration of employment in the service area. The routes are characterized by stops at one to two block intervals along their stop segments. Service is provided six to seven days a week.

— Light Rail Transit (46.3% of total system ridership in Fiscal Year 2018)

Light Rail Transit is an electrically powered rail system that generally operates at street level. A 20-mile "Starter System," opened in phases from June 1996 through May 1997, connects South and West Oak Cliff, downtown Dallas, and the North Central Expressway corridor as far north as Park Lane in Dallas. In 2002, DART's light rail was extended to North Dallas, Garland, Richardson, and Plano. In 2009, the first phase of the Green Line opened southeast of downtown Dallas with the remainder opening in 2010. In July 2012, the first segment of the Orange Line to Irving opened for service. In December 2012, Irving-2 and the Rowlett extension of the Blue Line opened for service. In August 2014, light rail service opened at the Dallas-Fort Worth International Airport. A Blue Line extension to the University of North Texas – Dallas opened in October 2016, bringing the total light rail system to 93 miles.

— Commuter Rail (3.3% of total system ridership in Fiscal Year 2018)

Our commuter rail system, commonly referred to as the Trinity Railway Express (the "TRE"), provides diesel powered passenger railroad services on the TRE Corridor between Dallas and Fort Worth, in mixed traffic with freight railroad operations. The 34-mile corridor is jointly owned by DART and Trinity Metro. TRE service is provided pursuant to an interlocal agreement between DART and Trinity Metro. This agreement was originally entered into in 1994 and was restated and adopted by the Board and the TRE board of directors in 2003.

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

— Paratransit (1.2% of total system ridership in Fiscal Year 2018)

We are responsible for providing complementary paratransit service in accordance with the Americans with Disabilities Act of 1990 ("ADA"). In Fiscal Year 2013, we changed our delivery model to contractor-provided vehicles and per trip billing replacing per hour billing and a new contractor, MV Transportation, Inc. (MV), for providing Paratransit service. MV provides, operates, and maintains a fleet of 80 Starcraft vehicles in dedicated service. MV also oversees and manages a fleet of approximately 115 Dodge Entervans outfitted by Braun, which are taxi vehicles provided and operated by Irving Holdings.

— Transportation Demand Management (1.0% of total system ridership in Fiscal Year 2018)

We work with area employers to develop strategies for reducing employee trips, such as carpools, vanpools, and flexible work schedules. We provide up to 179 vans for our vanpool program through a third-party contractor. We also assist customers in forming carpools. Prospective carpoolers can call in and provide us with information for our RideShare database. We then work to link-up customers with common trip origins and destinations.

Financial Plan

On September 18, 2018, the Board formally adopted the Fiscal Year 2019 Annual Budget and Twenty-Year Financial Plan by Resolution numbers 180102, and 180103, respectively. Highlights of the Fiscal Year 2019 Budget and Twenty-Year Financial Plan are:

- The Fiscal Year 2019 Annual Budget totals $1,032.9 million; $544.3 million in operating; $291.5 million in capital; and $197.2 million in debt service.

- DART is advancing a Program of Interrelated Projects (the "Program") to address capacity needs under the Federal Transit Administration (FTA) Capital Investment Grant Program. The Program consists of three significant projects: the second light rail alignment in the CBD known as D2 Subway, platform modifications at 28 stations on the Red and Blue lines to accommodate three-car trains, and a central streetcar link in downtown Dallas. The Financial Plan also includes revenue service along the Cotton Belt Corridor in 2022. This service will connect with DART's Green Line in Carrollton, the Red Line in Richardson and Plano, and the Orange Line at DFW Airport. Several regional sources of funds and scope modifications are detailed in the Fiscal Year 2019 Business Plan (including the Fiscal Year 2019 Annual Budget and Twenty-Year Financial Plan) posted on our website at www.dart.org.

Future Expansions

The Board periodically updates our Transit System Plan. The most recent update, the 2030 Transit System Plan, was adopted in October 2006. Several projects in the Transit System Plan have recently been completed or are in the planning and design stage. In addition, the FTA authorized DART to enter into Project Development (PD) for two projects under the FTA Core Capacity program: 1) the Red and Blue Line Platform Extensions project; and 2) the Dallas CBD Second Light Rail Alignment (D2 Subway). The Platform Extension project has completed the Project Development, and engineering was initiated in 2017 to support a completion date in 2021. The D2 Subway project was refined from a mostly at-grade option to a subway running route in September 2017. This decision extended Project Development beyond the two-year timeframe, and as a result DART is continuing PD with local funds. DART is currently developing a Supplemental Draft Environmental Impact Statement (SDEIS) and preliminary engineering (PE) to support a final EIS and Record of Decision in early 2020. DART will request entry into Engineering under the FTA Capital Investment Grant Program at that time. In addition, as part of the adoption of the Fiscal Year 2019 Twenty-Year Financial Plan, the DART Board restated the revenue service date of 2022 for the Cotton Belt regional rail project. The PE/EIS effort was completed in November 2018 with a Final EIS/Record of Decision from both FTA and FAA.

DART is working on an update to the Transit System Plan for the year 2045. The Transit System Plan is being developed in phases:

- During 2014-2015, DART focused on the bus network through a Comprehensive Operations Analysis (COA) effort to identify efficiencies and improvements to benefit our customers and build ridership. The COA findings led to several bus service improvements in 2017 and 2018.
- In 2016-2017, DART began to evaluate longer-term transit service improvements, projects and programs, and identify regional expansion opportunities. Several projects identified in the 2030 Transit System Plan remain deferred and are being reassessed for potential inclusion in the 2045 Transit System Plan.
- During 2018, DART reviewed and updated its Service Standards and continued to be a leader in innovative technology and partnerships that are changing how we approach providing service to our customers. These updated service standards and innovative service delivery options will be used to guide DART's transit service strategy for the future.
- In 2019, DART staff will pull all this information together to form a new Transit System Plan that will outline:
    - DART's committed capital expansion program and future opportunities to enhance and/or expand transit network and sustain it into the future.
    - DART's transit service strategy for the future to ensure we keep up with growth, enhance access and mobility, integrate technology, and remain flexible and adaptable to emerging technologies.
    - Potential streetcar opportunities within the DART Service Area, as well as key regional opportunities beyond our 13-city Service Area.

The new 2045 Transit System Plan will be completed in Calendar Year 2019 and will also be financially constrained.

LITIGATION

In Ordinary Course of Business

Typically, a number of claims, administrative appeals, and/or lawsuits arise from individuals and businesses in the ordinary course of our business that seek compensation for additional construction costs, labor, and employment claims, personal injuries, death, and/or property damage resulting from routine operation and development of our public transportation system. We do not believe that the outcome of these claims, administrative appeals, and/or lawsuits will have a material adverse effect on our financial condition. We have accrued an estimate of losses on such matters and have included this accrual in accounts payable and accrued liabilities in our consolidated balance sheets.

INVESTMENT CONSIDERATIONS

Source of Payment is Limited

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

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

Our Ability to Make Payments on Bond Obligations is Dependent Upon the Amount of Gross Sales Tax Revenues and Pledged Farebox Revenues Actually Generated

Except for Bond Obligations that may be supported by a Credit Agreement, as discussed above, the only sources of security for the Bond Obligations will be the Gross Sales Tax Revenues collected by the Comptroller and remitted to the Trustee and the investments thereof, Federal Interest Subsidy, and the Pledged Farebox Revenues**.** Sales Tax receipts are impacted by changes in the economic activity and conditions of a municipality or geographic area, and the amount of Gross Sales Tax Revenues generated in any future year is not certain.

The Collection of the Sales Tax is Beyond Our Control

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

The Comptroller May Reduce Future Payments of our Gross Sales Tax Revenues or Require Us to Make Repayments to Provide for the Repayment of Overpayments of Gross Sales Tax Revenues that Occurred in Prior Periods

The Comptroller periodically identifies underpayments and overpayments of Gross Sales Tax Revenues and responds to claims by taxpayers. In the event that the Comptroller determines that we received an overpayment, our Gross Sales Tax Revenues for future periods are subject to reduction or we may be required to make a repayment in order to reimburse the overpayment. Under State law, DART has no legal standing or ability to intervene or appeal the Comptroller's determination. We have previously entered into two repayment agreements with the Comptroller regarding overpayments, approximately $16.8 million (identified in 2006 and 2008) that will result in a reduction of our Gross Sales Tax Revenues in equal amounts of $206,000 through March 2027.

We May Receive Payment of Gross Sales Tax Revenues Less Frequently

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

We May Experience Variations in our Gross Sales Tax Revenues

Variations in the amount of receipts can be adversely affected by a number of variables, including (1) changes in State laws and administrative practices governing the remittance and allocation of Sales Tax receipts, (2) changes in the tax base against which the Sales Tax is assessed, (3) changes in the economic activity and conditions of a municipality or geographic area, and (4) the withdrawal from DART of one or more of the Participating Municipalities. See, "DART'S FINANCIAL PRACTICES AND RESOURCES."

Ratings of the Obligations Do Not Assure Their Payment

The Bond Obligations may be rated by one or more nationally recognized rating agencies. Each supplemental disclosure statement and Offering Memorandum and each Supplemental Official Statement will describe any rating(s) that may be applicable to a series of Bond Obligations. A rating reflects the rating agency's assessment of how likely it is that Holders of a class of securities will receive the payments to which they are entitled. A rating may not remain in effect for any given period of time, and a rating agency may lower or withdraw a rating entirely. A rating is not a recommendation to purchase, hold, or sell securities because it does not address the market price of the securities or the suitability of the securities for any particular investor.

CONTINUING DISCLOSURE OF INFORMATION

We have agreed voluntarily to replace this Annual Disclosure Statement on an annual basis and to update it after the first, second and third quarters of our fiscal year. These disclosure documents will be filed with the Municipal Securities Rulemaking Board ("MSRB") identified below and will be posted on the Internet at our website, ***www.dart.org.*** We reserve the right to suspend or stop postings on the Internet and the annual and quarterly updates at any time.

However, we agree to comply fully with the terms of our continuing disclosure agreement in the Master Debt Resolution and outstanding supplemental resolution undertaken pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, (the "Rule") for the benefit of the Holders and beneficial owners of Bond Obligations that are subject to the Rule. Under these agreements, so long as any covered Bond Obligations remain outstanding we will provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB.

Annual Reports Required by the Rule

We will provide certain updated financial information and operating data with respect to us and the System to the MSRB annually. This information includes all quantitative financial information and operating data with respect to us and our transportation system of the general type included in this Annual Disclosure Statement and in each supplemental disclosure statement, if any, that is approved by a Supplemental Resolution with respect to Bond Obligations subject to the Rule.

We will update and provide this information within six months after the end of each fiscal year. We will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Access ("EMMA") system at www.emma.msrb.org.

The updated information will include audited financial statements if they are completed by the required time. If audited financial statements are not available by the required time, we will provide unaudited financial statements by the required time and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as we may be required to employ from time to time pursuant to state law or regulation.

Our fiscal year ends on September 30. Accordingly, we must provide updated information by the last day of March in each year, unless we change our fiscal year. If we change our fiscal year, we will notify the MSRB of the change.

Over and during the last five years, a notice of defeasance and redemption was not timely filed with respect to certain of its Senior Lien Sales Tax Revenue Refunding Bonds, Series 2007 that were refunded in December 2015. Also, certain annual and material filings inadvertently were not linked to certain of the related outstanding bonds. DART has updated its annual filings through EMMA and remedied any incorrect or missing CUSIP linkages for any series of bonds of which it is aware.

Material Event Notices Required by the Rule

We will also provide timely notices of any material events to the MSRB, in not more than ten Business Days after the occurrence, thereof, of any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment related default, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TED) or other material notices or determinations with respect to the tax status of Obligations, or other material events affecting the tax status of Obligations;
- (vii) Modifications to rights of Holders of Bond Obligations, if material;
- (viii) Bond Obligation call, if material and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of Bond Obligations, if material; or
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or similar event of DART, which shall occur as described below;
- (xiii) The consummation of a merger, consolidation, or acquisition involving DART or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional paying agent/registrar or change in the name of the Paying Agent/Registrar, if material.
- (xv) Incurrence of a Financial Obligation of DART, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of DART, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of DART, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for DART in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of DART, or if such jurisdiction has been assumed by leaving the existing governing body, and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court of governmental authority having supervision or jurisdiction over substantially all of the assets or business of DART.

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

Availability of Information From MSRB

The information will be available to Holders of Bond Obligations free of charge through the MSRB's EMMA system at www.emma.msrb.org.

BOND RATINGS

The current underlying ratings for all the outstanding Senior Lien Obligations are "Aa2" by Moody's Investors Service, Inc. and "AA+" by Standard & Poor's Ratings Services, a Standard and Poor's Financial Service LLC business. The Series 2007 Bonds and the Series 2008 Bonds are rated "AA-" by Fitch Ratings.

OBLIGATIONS AS LEGAL INVESTMENTS

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

TRUSTEE AND PAYING AGENTS

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

LEGAL COUNSEL

The law firms of Bracewell LLP, 1445 Ross Avenue, Suite 3800, Dallas, Texas 75202, and West & Associates L.L.P., 320 S. R.L. Thornton Freeway, Suite 300, Dallas, Texas 75203, serve as our Co-Finance Counsel and as our Co-Bond Counsel with respect to the Obligations and other financial matters.

Subsequent to the close of fiscal year 2016, DART retained the services of a third firm, McCall Parkhurst & Horton, LLP, 717 N. Harwood Street, Suite 900, Dallas, Texas 75201, to serve as Co-Finance Counsel and Co-Bond Counsel with respective bond and note obligations relating to the Cotton Belt commuter rail corridor.

This Annual Disclosure Statement, in substantially the form and content presented above, was approved by the Board of Directors of DART on March 12, 2019.

/s/ Sue S. Bauman
Chair, Board of Directors

ATTEST:

/s/ Michele Wong Krause
Secretary, Board of Directors

/s/ Gary C. Thomas
President/Executive Director,
Dallas Area Rapid Transit

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APPENDIX A

Independent Auditors' Report with Audited Financial Statements for the Fiscal Years ended September 30, 2018 and 2017

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Dallas Area Rapid Transit
Dallas, Texas

Financial Statements and Supplemental Information
Years Ended September 30, 2018 and 2017 and
Independent Auditor's Report

DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Area Rapid Transit ("DART"), as of and for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2015 the GASB issued GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” Statement 75 is effective for DART’s fiscal year ending September 30, 2018. This Statement replaces the requirements of Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. Statement 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identified the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about defined benefit OPEB also are addressed. As a result, net position was restated by (in thousands) $11,037 as of October 1, 2017, for the cumulative effect of the applications of this pronouncement. Our opinion is not modified with respect to this matter.

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, Schedule of Employer Contribution – OPEB and the Schedule of Funding Progress 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 January 28, 2019 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
January 28, 2019

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, 2018 and 2017. 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, 2018 and 2017, total assets and deferred outflows of resources of DART exceeded total liabilities by $1,304,378 and $1,445,038, respectively. The amount of unrestricted net position as of September 30, 2018, was $474,215 compared to $543,815 as of September 30, 2017.

The net position of DART decreased by $129,623 during fiscal year 2018 compared to a decrease of $125,545 last year. The decreases in both 2018 and 2017 are due to expenses being higher than revenues.

DART's total debt decreased by $68,785 (2%) during fiscal year 2018 compared to a decrease of $81,971 (2%) in fiscal year 2017. The decrease in both years was due to principal payments on bonds, capital leases, and commercial paper notes. Debt information is summarized on page 12 of this management discussion and analysis.

Sales and use tax revenue was $596,400 in 2018 compared to $567,418 in 2017. It increased by 5% ($28,982) in 2018 compared to a 4% ($21,511) increase in 2017.

Capital contributions from federal, state and local governments were $24,251 in 2018 and $10,843 in 2017. 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 $69,445 in 2018 compared to $68,564 in 2017.

For fiscal year 2018, total expenses exceeded total revenues resulting in a loss before capital contributions of $153,874 compared to $136,388 for 2017. The loss in 2018 is higher than that of 2017 due to a decrease in total operating revenues and increases in 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 only 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 18-43 of this report.

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (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, fare collections, 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 $1,304,378 and $1,445,038 as of September 30, 2018 and 2017, respectively. The largest portion of this excess (59% in 2018 and 58% in 2017) 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

	2018	2017	2016
Current assets	$840,148	$886,981	$969,600
Other non-current assets	125,472	136,856	136,246
Capital assets (net of accumulated depreciation)	4,237,296	4,391,215	4,543,656
Total assets	5,202,916	5,415,052	5,649,502
Deferred outflows of resources	89,210	86,293	101,279
Total assets and deferred outflows of resources	5,292,126	5,501,345	5,750,781
Current liabilities	426,580	439,762	476,029
Non-current liabilities	3,556,505	3,614,367	3,699,634
Total liabilities	3,983,085	4,054,129	4,175,663
Deferred inflows of resources	4,663	2,178	4,535
Total liabilities and deferred inflows of resources	3,987,748	4,056,307	4,180,198
Net position			
Net investment in capital assets	764,341	837,067	881,241
Restricted for:			
Debt service	59,026	56,405	59,368
Security for lease/leaseback liabilities	6,796	7,751	8,560
Unrestricted	474,215	543,815	621,414
Total net position	$1,304,378	$1,445,038	$1,570,583

Current assets decreased by $46,833 in 2018 compared to a decrease of $82,619 in 2017. The decreases in both 2018 and 2017 were due to use of cash to pay down commercial paper notes, debt service and spending on capital projects.

Other non-current assets decreased by $11,384 in 2018 compared to an increase of $610 in 2017. The decrease in 2018 is due to losses on investments in HOV lanes and investment in joint venture.

As of September 30, 2018, $6,796 of DART's net position is restricted to satisfy the requirements of an amended lease/leaseback agreement compared to $7,751 as of September 30, 2017. The unrestricted portion of net position, $474,215 in 2018 and $543,815 in 2017 represent resources available to meet DART's ongoing obligations. The DART Board committed $85,700 in 2018 and $86,110 in 2017 of the unrestricted net position for self-insurance, financial, and capital reserves (see footnote 3 on page 25). The decrease in unrestricted net position of $69,600 (13%) in 2018 and $77,599 (12%) in 2017 was due to spending on capital projects and net loss.

Statements of Revenues, Expenses, and Changes in Net Position – During fiscal year 2018, DART's activities resulted in a decrease in net position of $129,623 compared to a decrease in net position of $125,545 in 2017. The decrease during both 2018 and 2017 are due to expenses being higher than revenues. The key elements of the changes in net position for the fiscal years ended September 30, 2018 and 2017 with comparative information for 2016 are shown in the following table.

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

Summary of Revenues, Expenses, and Changes in Net Position

	2018	2017	2016
Operating revenues			
Passenger revenues	$62,845	$65,412	$67,749
Advertising, rent and other	13,241	14,175	14,121
Total operating revenues	76,086	79,587	81,870
Operating expenses			
Labor	249,894	239,382	229,795
Benefits	98,581	103,288	96,528
Services	48,331	40,883	41,998
Materials and supplies	47,531	43,203	43,458
Purchased transportation	55,978	52,531	50,316
Depreciation	250,210	239,381	246,794
Utilities	19,673	18,830	18,008
Taxes, leases, and other	4,029	4,778	4,835
Casualty and liability	4,925	3,238	7,536
Total operating expenses	779,152	745,514	739,268
Net Operating loss	(703,066)	(665,927)	(657,398)
Non-operating revenues (expenses)			
Sales and use tax revenue	596,400	567,418	545,907
Investment income	14,810	13,815	14,888
Build America Bonds tax credit	28,443	28,381	28,391
Other federal grants	69,445	68,564	43,731
Other non-operating revenues	19,375	17,552	16,412
Interest expense	(162,568)	(163,620)	(172,340)
Gain (loss) on HOV lane investments	(11,100)	600	(3,100)
Street improvements	(3,644)	(20)	(501)
Other non-operating expenses	(1,969)	(3,151)	(9,939)
Total net non-operating revenues	549,192	529,539	463,449
Loss before capital contributions and grants	(153,874)	(136,388)	(193,949)
Capital contributions	24,251	10,843	5,026
Decrease in net position	(129,623)	(125,545)	(188,923)
Net position, beginning of the year	1,445,038	1,570,583	1,759,506
Cumulative effect of change in accounting principle	(11,037)	-	-
Net position, end of the year	$1,304,378	$1,445,038	$1,570,583

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

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

REVENUES

The following table summarizes revenues for fiscal years 2018 and 2017 with comparative information for 2016:

REVENUES AND CAPITAL CONTRIBUTIONS

Revenues	2018	2017	2016
Passenger revenues	$62,845	$65,412	$67,749
Advertising, rent and other	13,241	14,175	14,121
Sales and use tax revenue	596,400	567,418	545,907
Other federal grants	69,445	68,564	43,731
Investment income	14,810	13,815	14,888
Capital contributions	24,251	10,843	5,026
Build America Bonds tax credit	28,443	28,381	28,391
Other revenues	19,375	18,152	16,412
Total	$828,810	$786,760	$736,225

Passenger revenue – Passenger revenue includes farebox receipts, monthly and annual pass revenue, paratransit revenue, and special event fares. Passenger revenues decreased by $2,567 (4%) in 2018 compared to a decrease of $2,337 (3%) in 2017. The decreases in both 2018 and 2017 were due to a decreases in ridership.

Advertising, rent, and other – Advertising income includes revenues from advertisements at transit stations, on DART buses, and electronic signs on light rail cars. Rental income includes revenue from the rental of land along the rail corridor and other properties. Advertising, rent and other income decreased by 7% ($934) in 2018 compared to an increase of less than 1% ($54) in 2017. Both the increase and decrease in advertising, rent and other income can be explained by use of the DART rail right of way track by railroad companies in those years. In 2018 the decrease in revenue is due to a decrease in usage of DART rail right-of-way. Similarly, the increase in 2017 was due to an increase in the use of the DART 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 5% ($28,982) in 2018 compared to an increase of 4% ($21,511) in 2017. The increases in both 2018 and 2017 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 72% of DART's total revenues in 2018 and 2017.

Other federal grants – Other federal grant revenues increased by 1% ($881) in 2018 compared to an increase of 57% ($24,833) in 2017. The increase in 2018 is due to receipt of federal funding related to the preventive maintenance program. The increase in 2017 was due to receipt of federal funding delayed from prior years.

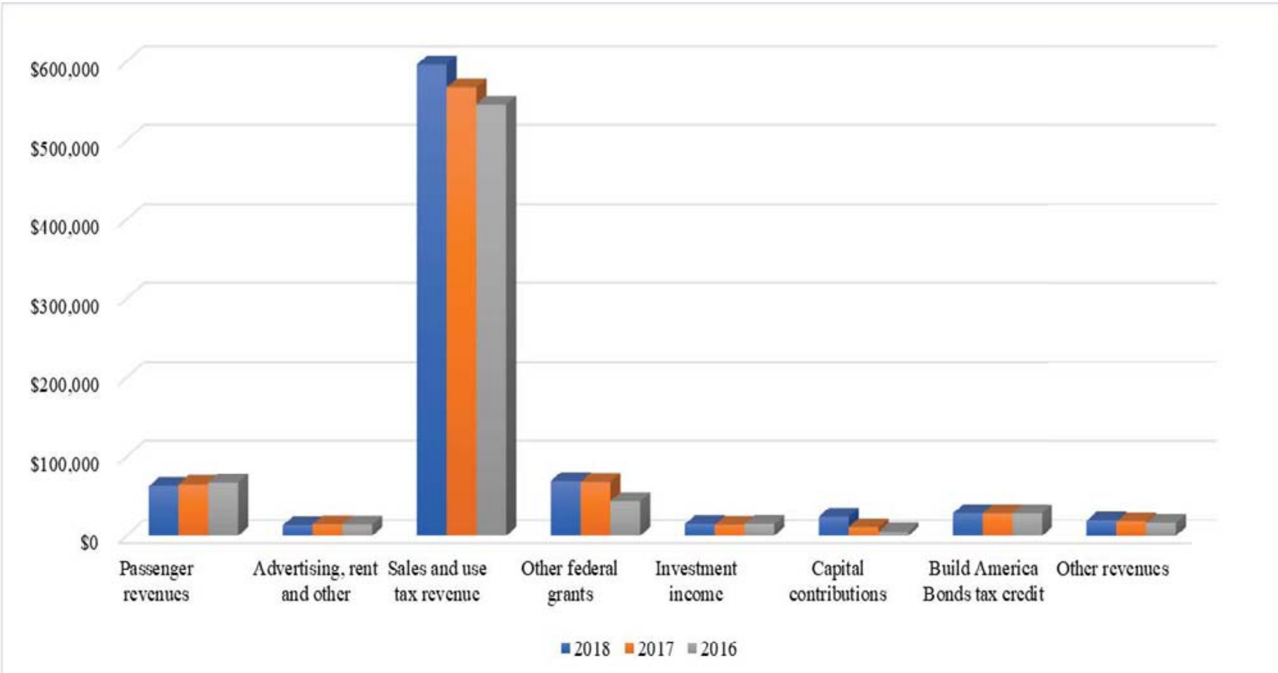
Capital contributions – Capital contributions include federal, state and local grants and contributions. Capital contributions increased by 124% ($13,408) in 2018 compared to an increase of 116% ($5,817) in 2017. The increase in 2018 and 2017 are due to receipt of delayed federal funding and federally funded projects that are moving forward.

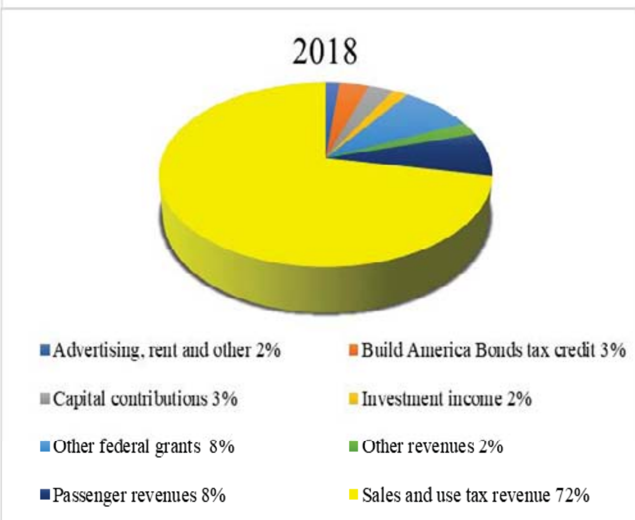
Investment income – Investment income increased by 7% ($995) in 2018 compared to a decrease of 7% ($1,073) in 2017. The increase in 2018 is due to an increase in the fair value of investments held at year end. The decrease in 2017 is due to a decrease in total investments and fair value of investments held at year end.

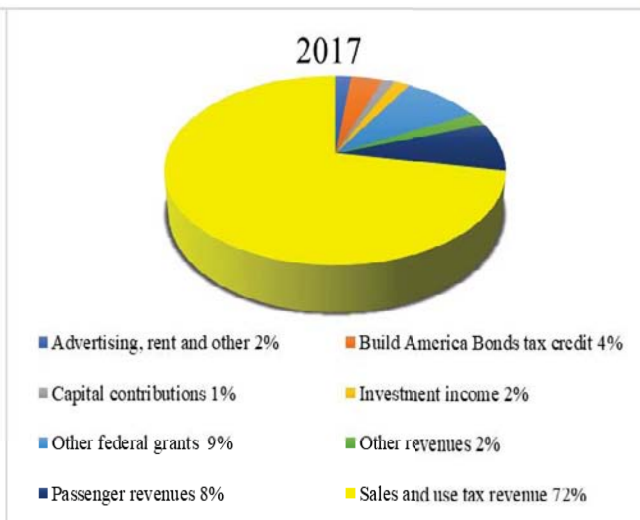
Build America Bonds tax credit – The Build America Bonds (BABs) tax credit increased by $62 in 2018 compared to an decrease of $10 in 2017. The changes in both 2018 and 2017 were due to changes in the reimbursement rates on BABs as a result of federal budget cut.

Other revenues – Other revenues increased by 7% ($1,223) in 2018 compared to an increase of 11% ($1,740) in 2017. 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 recognition of Toll Credits received from the State of Texas. The increase in 2018 is due to a alternative fuel tax credit received from the federal government for use of compressed natural gas. The increase in 2017 is due to a gain on sale of twelve rail diesel cars.

The following charts summarize revenues for fiscal years 2016 through 2018:







FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

EXPENSES

The following table summarizes expenses for fiscal year 2018 and 2017 with comparative information for 2016:

EXPENSES BY OBJECT CLASS

Expenses	2018	2017	2016
Labor	$249,894	$239,382	$229,795
Benefits	98,581	103,288	96,528
Services	48,331	40,883	41,998
Materials and supplies	47,531	43,203	43,458
Purchased transportation	55,978	52,531	50,316
Depreciation and amortization	250,210	239,381	246,794
Utilities	19,673	18,830	18,008
Taxes, leases and other	4,029	4,778	4,835
Casualty and liability	4,925	3,238	7,536
Street improvements	3,644	20	501
Interest and financing expenses	162,568	163,620	172,340
Other non-operating expense	1,969	3,151	9,939
Loss on HOV lane investments	11,100	-	3,100
Total	$958,433	$912,305	$925,148

Labor – Labor costs increased by 4% ($10,512) in 2018 compared to an increase of 4% ($9,587) in 2017. The increase in 2018 is due to annual merit and wage increases, an increase in the number of filled positions, and overtime. The increases in 2017 was due to merit increases and more positions filled.

Benefits – Benefits decreased by 5% ($4,707) in 2018 compared to an increase of 7% ($6,760) in 2017. The decrease in 2018 is due to a decrease in employee medical claims. The increase in 2017 was due to an increase in employee medical claims and an increased contribution requirement to the retiree healthcare and life insurance plan.

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 18% ($7,448) in 2018 compared to a decrease of 3% ($1,115) in 2017. 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. The decrease in 2017 is due to completion of some of the right-of-way maintenance projects resulting in lower expenditures.

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 10% ($4,328) in 2018 compared to a decrease of 1% ($255) in 2017. 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. The decrease in 2017 was due to savings as a result of fuel hedge contract.

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 7% ($3,447) in 2018 compared to an increase of 4% ($2,215) in 2017. The increase in 2018 is due to an increase in DART-on-call, and paratransit services. Commuter rail costs also increased due to increases in trip costs, fuel costs, contract services, and train hours. The increase in 2017 was due to increases in University of Texas at Dallas (UTD) shuttle service costs, and commuter rail fuel cost. Both DART and UTD contribute to the cost of the UTD shuttle service. DART's share of the cost increased when DART took over the service contract for the UTD shuttle service in 2017.

Depreciation – Depreciation expenses increased by 5% ($10,829) in 2018 compared to a decrease of 3% ($7,413) in 2017. The increase in 2018 is due to new assets placed in service. The decrease in 2017 was due to rail diesel cars that were fully depreciated in the previous year.

Utilities – Utilities represent the cost of electricity, telecommunications, water, sewer, and natural gas. Utilities increased by 4% ($843) in 2018 compared to an increase of 5% ($822) in 2017. The increase in 2018 is due to greater electricity consumption because of expanded light rail and street car services. The increase in 2017 was due to greater electricity consumption because of expanded light rail and street car services and an increase in the use of computer data lines.

Taxes, leases, and other **–** Taxes, leases, and other includes fuel and lube taxes, equipment rentals, leases of operating and passenger facilities, training, travel, business meetings, membership dues, subscriptions, employee programs and allowance for uncollectible receivables. Taxes, leases, and other expenses decreased by 16% ($749) in 2018 compared to a decrease of 1% ($57) in 2017.

Casualty and liability – Casualty and liability expenses increased by 52% ($1,687) in 2018 compared to a decrease of 57% ($4,298) in 2017. The increase in 2018 and decrease in 2017 were due to changes in estimates of claim losses.

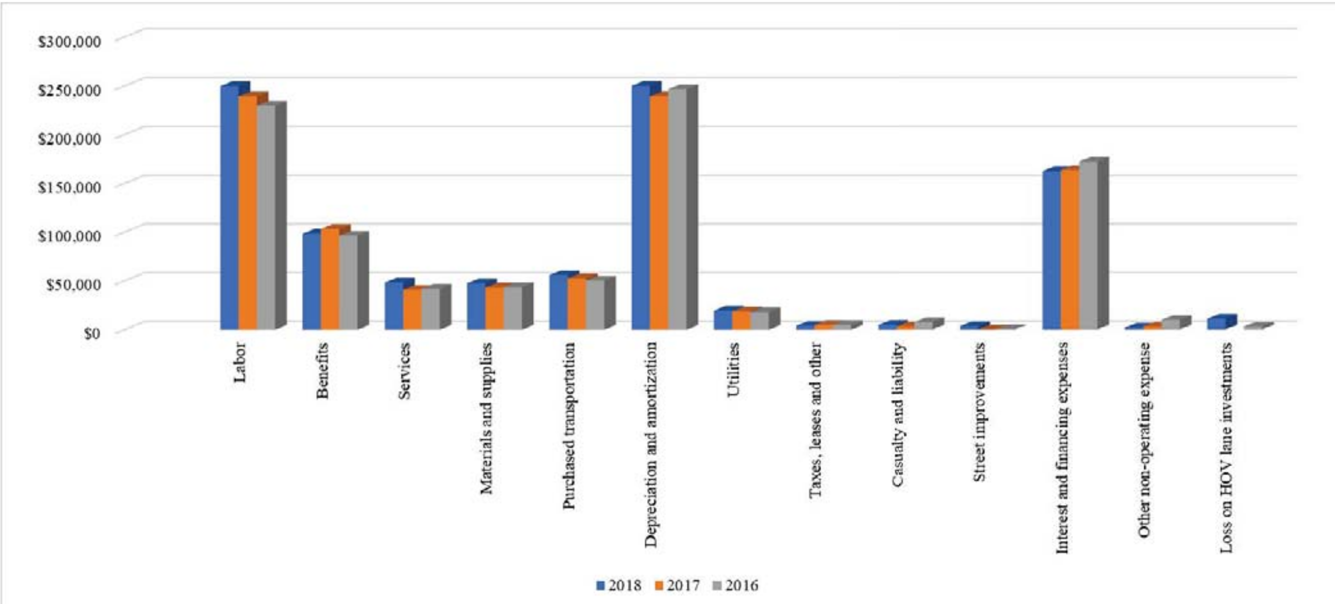
Street improvements – Local assistance is provided to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. Street improvement program costs increased by $3,624 in 2018 compared to a decrease of 96% ($481) in 2017. The increase in 2018 is due to transit related improvements program (TRIP) project costs for DART municipalities that do not have existing or planned and funded rail stations. The decrease in 2017 was due to less work on intelligent transportation systems because of projects getting close to completion.

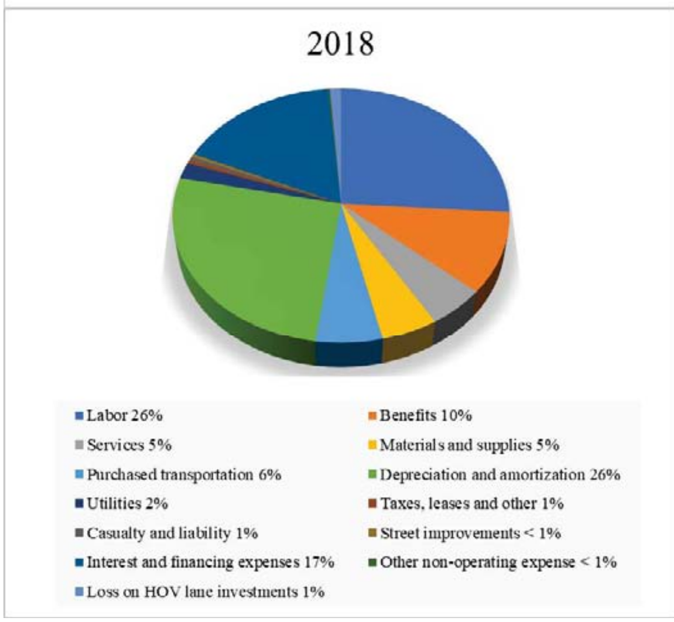
Interest and financing expenses – Interest expense decreased by 1% ($1,052) in 2018 compared to a decrease of 5% ($8,720) in 2017. The decreases in both 2018 and 2017 were due to lower interest expense because of principal payments resulting in less outstanding revenue bonds payable.

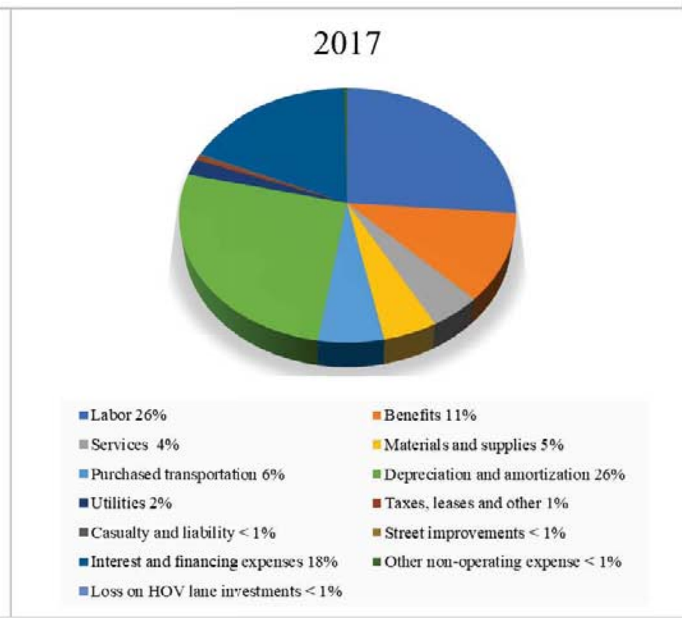
Other non-operating expenses – Other non-operating expenses decreased by 38% ($1,182) in 2018 compared to a decrease of 68% ($6,788) in 2017. The decreases in both 2018 and 2017 were due to the transfer of remaining costs associated with Street Car assets to the city of Dallas. Also, 2018 amounts included lower system planning costs compared to 2017 due to completion of some of the system planning work.

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 2016 through 2018:





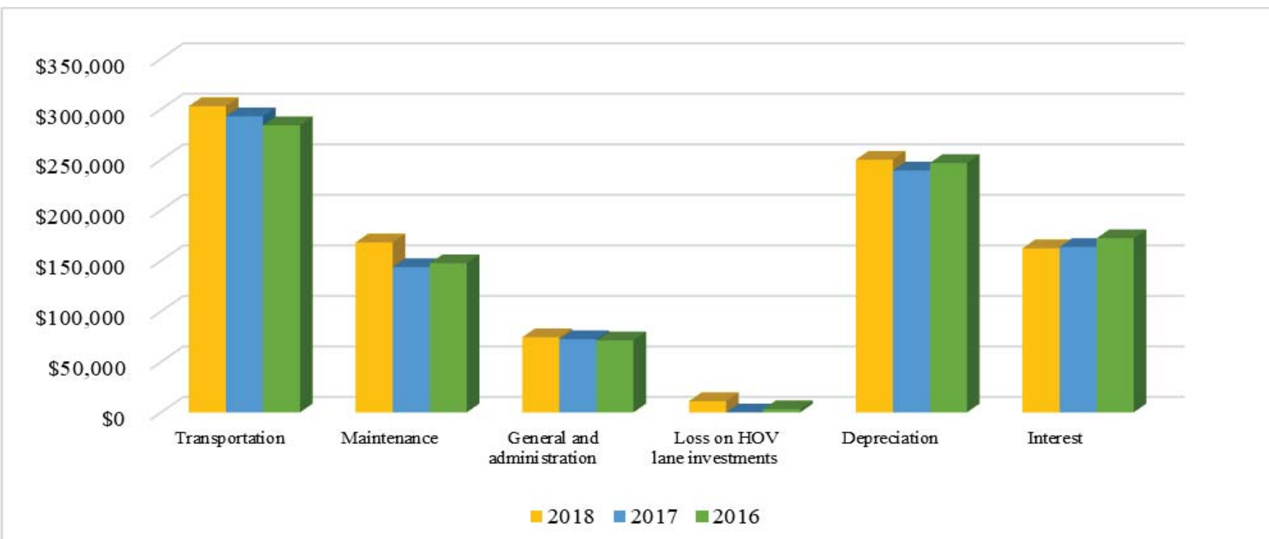


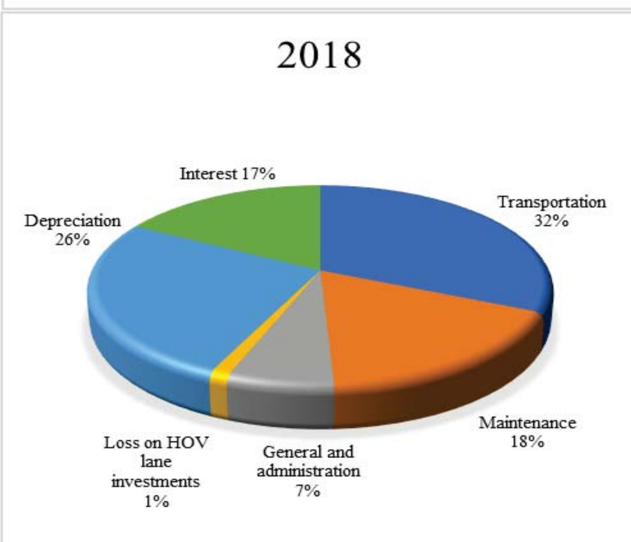
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

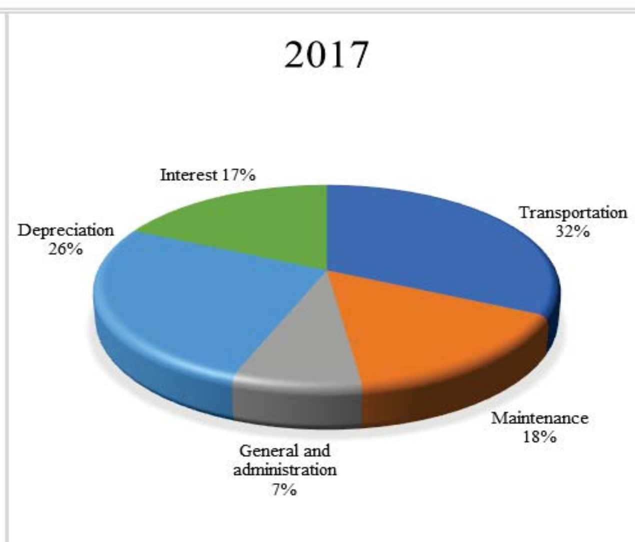
Expenses by function – *Transportation* - includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, and DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, transit center service employees, 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, 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.

EXPENSES BY FUNCTION

	2018	2017	2016
Transportation	$303,082	$293,060	$284,136
Maintenance	168,222	143,845	147,499
General and administration	63,251	72,399	71,279
Loss on HOV lane investments	11,100	-	3,100
Depreciation and amortization	250,210	239,381	246,794
Interest	162,568	163,620	172,340
Total	$958,433	$912,305	$925,148







FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (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, 2018, is $4,237,296 compared to $4,391,215 in 2017. The net decrease in capital assets during 2018 is $153,919 (4%) compared to a decrease of $152,441 (3%) in 2017.

The following table summarizes capital assets net of depreciation as of September 30, 2018 and 2017 with comparative information for 2016.

Capital Assets (Net of Depreciation)

	2018	2017	2016
Land and rights-of-way	$619,043	$619,026	$615,709
Projects in progress	93,435	66,867	190,992
Transitways	2,589,537	2,695,295	2,671,832
Buildings and improvements	334,346	358,555	382,561
Revenue and non-revenue vehicles and equipment	590,001	645,335	676,793
Furniture, fixtures, and leasehold improvements	10,934	6,137	5,769
Total	$4,237,296	$4,391,215	$4,543,656

The net decreases in both 2018 and 2017 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, 2018, DART had total outstanding debt of $3,449,789 compared to $3,518,574 as of September 30, 2017. Outstanding debt decreased by 2% ($68,785) in 2018 compared to a decrease of 2% ($81,971) in 2017.

The following table summarizes DART's total outstanding debt.

	2018	2017	2016
Sales tax revenue commercial paper notes	$125,000	$140,000	$170,000
Senior lien revenue bonds payable	3,110,045	3,163,890	3,215,820
TIFIA bonds payable	100,878	102,968	105,000
Capital lease/leaseback liabilities	113,866	111,716	109,725
Total debt	$3,449,789	$3,518,574	$3,600,545

The sales tax revenue commercial paper notes outstanding balance was $125,000 as of September 30, 2018, compared to $140,000 as of September 30, 2017. 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 decreases during both 2018 and 2017 were due to payments made on commercial paper notes.

Senior lien revenue bonds outstanding are $3,110,045 as of September 30, 2018, and $3,163,890 as of September 30, 2017. 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 $53,845 in 2018 and $51,930 in 2017 is due to principal payments during both years. 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 $182,966 and $201,935 as of September 30, 2018 and 2017, respectively.

During 2018, 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.

TIFIA bonds payable are $100,878 as of September 30, 2018, compared to $102,968 as of September 30, 2017. 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.

Capital lease/leaseback liabilities are $113,866 and $111,716 as of September 30, 2018 and 2017, respectively. The increases in both 2018 and 2017 are due to accrued interest.

Additional information on DART's outstanding debt is shown in notes 11-16.

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 Cotton Belt 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. 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 21 – subsequent event.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 72% of total revenues in both 2018 and 2017. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2018, DART's sales and use tax revenues showed a 5.1% increase compared to the previous year. Actual sales and use tax revenues in 2018 are $596,400 compared to $567,418 in 2017. The sales and use tax budget for 2019 is $628,111 compared to $596,400 actual for 2018. The budget for 2019 represents a 5.3% increase from the 2018 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, 2018 AND 2017 (Dollars in Thousands)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$98,361	$39,938
Investments	390,208	498,204
Sales and use tax receivable	97,949	95,344
Transit revenue receivable, net	7,001	8,528
Due from federal and other governments	21,840	19,959
Materials and supplies inventory, net	35,915	34,856
Prepaid transit expense and other	4,107	4,176
Restricted investments held by trustee for debt service	113,533	111,734
Restricted investments held for advance funding agreements	64,860	67,868
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	840,148	886,981
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	6,796	7,751
Investment in joint venture	10,497	12,030
Investment in managed HOV lane agreements	-	11,100
Capital assets		
Land and rights-of-way	619,043	619,026
Projects in progress	93,435	66,867
Depreciable capital assets, net of depreciation	3,524,818	3,705,322
Restricted investments held to pay capital lease/leaseback liabilities	107,492	105,342
Unamortized bond insurance premium and other	687	633
TOTAL NONCURRENT ASSETS	4,362,768	4,528,071
TOTAL ASSETS	5,202,916	5,415,052
DEFERRED OUTFLOWS OF RESOURCES	89,210	86,293
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,292,126	5,501,345
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	61,742	60,806
Commercial paper notes payable	125,000	140,000
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	1,531	685
Retainage payable	7,002	6,968
Unearned revenue and other liabilities	111,309	112,840
Accrued interest payable from restricted assets	54,507	55,329
Current portion of bonds payable	58,291	55,936
TOTAL CURRENT LIABILITIES	426,580	439,762
NONCURRENT LIABILITIES		
Accrued liabilities	39,748	37,113
Net pension liability	44,898	52,127
Net other post-employment benefits (OPEB) liability	22,667	-
Repayment due to State Comptroller	6,103	6,927
Senior lien revenue bonds payable	3,236,871	3,311,980
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	98,726	100,878
Capital lease/leaseback liabilities	107,492	105,342
TOTAL NONCURRENT LIABILITIES	3,556,505	3,614,367
TOTAL LIABILITIES	3,983,085	4,054,129
DEFERRED INFLOWS OF RESOURCES	4,663	2,178
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,987,748	4,056,307
NET POSITION		
Net investment in capital assets	764,341	837,067
Restricted for debt service	59,026	56,405
Restricted as security for capital lease/leaseback liabilities	6,796	7,751
Unrestricted	474,215	543,815
TOTAL NET POSITION	$1,304,378	$1,445,038

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, 2018 AND 2017 (Dollars in Thousands)

	2018	2017
OPERATING REVENUES		
Passenger revenues	$62,845	$65,412
Advertising, rent, and other	13,241	14,175
TOTAL OPERATING REVENUES	76,086	79,587
OPERATING EXPENSES		
Labor	249,894	239,382
Benefits	98,581	103,288
Services	48,331	40,883
Materials and supplies	47,531	43,203
Purchased transportation	55,978	52,531
Depreciation and amortization	250,210	239,381
Utilities	19,673	18,830
Taxes, leases, and other	4,029	4,778
Casualty and liability	4,925	3,238
TOTAL OPERATING EXPENSES	779,152	745,514
NET OPERATING LOSS	(703,066)	(665,927)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	596,400	567,418
Investment income	6,286	5,450
Interest income from investments held to pay capital lease/leaseback	8,524	8,365
Interest expense on capital lease/leaseback	(8,524)	(8,365)
Gain(loss) on HOV lane investments	(11,100)	600
Street improvements	(3,644)	(20)
Interest and financing expenses	(154,044)	(155,255)
Build America Bonds tax credit	28,443	28,381
Other federal grants	69,445	68,564
Other non-operating revenues	19,375	17,552
Other non-operating expenses	(1,969)	(3,151)
NET NON-OPERATING REVENUES	549,192	529,539
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(153,874)	(136,388)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	24,122	9,957
State capital contributions	129	885
Local capital contributions	-	1
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	24,251	10,843
CHANGE IN NET POSITION	(129,623)	(125,545)
TOTAL NET POSITION – BEGINNING OF YEAR	1,445,038	1,570,583
Cumulative effect of change in accounting principle (see note 1, page 19 - 20)	(11,037)	-
TOTAL NET POSITION – END OF YEAR	$1,304,378	$1,445,038

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, 2018 AND 2017 (Dollars in Thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$74,817	$75,623
Cash flows from other sources	18,023	16,323
Payments to suppliers of goods and services	(128,234)	(115,245)
Payments to purchased transportation service providers	(54,425)	(51,172)
Payments to employees	(247,711)	(238,290)
Benefit payments on behalf of employees	(102,641)	(110,379)
NET CASH USED BY OPERATING ACTIVITIES	(440,171)	(423,140)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	592,970	565,559
Other federal grants	69,902	69,782
Build America Bonds tax credit	28,452	28,360
Local Assistance Program and street improvements	(2,798)	(20)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	688,526	663,681
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,624	5,555
Proceeds from sales and maturity of investments	471,064	437,652
Purchase of investments	(363,167)	(373,146)
Increase in restricted assets	2,162	(245)
Investment in managed HOV lane agreements	-	(600)
NET CASH PROVIDED BY INVESTING ACTIVITIES	116,683	69,216
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(95,602)	(86,985)
Proceeds from the issuance of commercial paper notes	715,000	800,000
Payment on commercial paper notes	(730,000)	(830,000)
Principal payment on revenue bonds	(55,936)	(53,962)
Interest and financing expenses	(165,585)	(164,072)
Federal capital contributions	24,354	7,394
State capital contributions	950	1,437
Local capital contributions	-	1
Proceeds from the sale of capital assets	204	2,717
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(306,615)	(323,470)
NET DECREASE IN CASH AND CASH EQUIVALENTS	58,423	(13,713)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	39,938	53,651
CASH AND CASH EQUIVALENTS, END OF YEAR	$98,361	$39,938

(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, 2018 AND 2017 (Dollars in Thousands)

	2018	2017
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(703,066)	$(665,927)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	250,210	239,381
Miscellaneous non-operating income	19,171	15,435
Miscellaneous non-operating expenses	(1,969)	(3,151)
Changes in assets and liabilities:		
Increase in transit receivable	1,540	(2,771)
Decrease in due from federal & other governments	(1,824)	593
Decrease (increase) in materials and supplies inventory	(1,060)	(1,027)
Decrease (increase) in prepaid expenses and other current assets	(222)	452
Increase (decrease) in net pension liability	(7,229)	(11,570)
Increase (decrease) in accounts payable and accrued liabilities	3,139	2,385
Increase (decrease) in unearned revenue and other liabilities	1,139	3,060
NET CASH USED BY OPERATING ACTIVITIES	$(440,171)	$(423,140)

NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$8,524	$8,365
Interest expense on capital lease/leaseback	(8,524)	(8,365)
Increase in capital lease/leaseback obligations	2,150	1,991
Increase in investments held to pay capital lease/leaseback	(2,150)	(1,991)
Decrease in fair value of investments	(2,361)	(1,337)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(10,721)	(11,269)
Purchases of capital assets in accounts payable at year-end	14,134	13,703
Gain (loss) on HOV lane investments	(11,100)	600
Decrease in deferred outflows of resources – derivative instrument	856	284
Change in due from federal governments – capital contributions	233	2,563
Change in advance payments received from the State – capital contributions	820	552

(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 2019.

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 payoff 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 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 Cotton Belt 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. (see note 23 – Subsequent event)

DART received approximately $596,400 in 2018 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to $567,418 in 2017. These revenues constitute approximately 72% of DART's total revenues during fiscal years 2018 and 2017 Approximately 50%, 14%, and 11% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving respectively during both fiscal years 2018 and 2017.

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

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

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

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

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

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

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

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

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

New Accounting Pronouncements – In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. This Statement is effective for DART's fiscal year ended September 30, 2018. A specific change to DART's financial statements relates to the recognition of DART's net OPEB liability and related deferred outflows of resources with a net value of $11,037 that was not previously reported on the financial statements. Due to the requirements of GASB 75, these amounts are now required to be included on DART's financial statements and thus were added to the financial statements as an adjustment to net position as of October 1, 2017. DART did not retroactively implement the statement as of October 1, 2016 because it was not deemed practical. Please see note 18 for more information on DART's net OPEB liability.

In March 2016, GASB issued Statement No. 81 *Irrevocable Split-Interest Agreements.* This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Statement 81 became effective for DART during fiscal year 2018. Implementation of this statement did not have an impact on DART financial statements.

In March 2017, GASB issued Statement No. 85 *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This statement became effective for DART during fiscal year 2018.

In May 2017, GASB issued Statement No. 86 *Certain Debt Extinguishment Issues.* This Statement establishes accounting and financial reporting requirements for when a government places cash and other monetary assets from existing resources (as opposed to debt proceeds) in an irrevocable trust to extinguish the debt. This statement became effective for DART during fiscal year 2018.

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 $98,361 and $39,938 as of September 30, 2018, and 2017, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), on September 30, 2018, and 2017 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, 2018, and 2017, 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 2018, total interest and financing expense of $155,198 was incurred, and $1,154 of this total was capitalized. In 2017, total interest and financing expense of $156,317 was incurred, and $1,062 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 $24,251 in federal, state and local capital contributions during 2018 compared to $10,843 during 2017. None of the total capital contributions received during 2018 were based on capital expenditures made during the previous years. In addition to capital contributions, DART also received $69,445 in 2018 compared to $68,564 in 2017 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.

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

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, Build America Bond tax credit, and investment income are classified as non-operating revenues.

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

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

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

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

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2018, 2017, 2016 for DART's self-insured programs are as follows:

Description	2018	2017	2016
Beginning balance	$17,970	$17,445	$16,017
Current year claims and changes in estimates	4,949	5,707	6,719
Payments	(4,120)	(5,182)	(5,291)
Ending balance	$18,799	$17,970	$17,445
Amounts due in one year	$4,864	$5,158	$4,909

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."

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

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 agreements is shown on the next page.

Summary of major services rendered in 2018 and 2017 and the current contract terms, including option periods is shown as follows:

		Annual Payments		Contract Terms	
Contractor's Name	Service Type	2018	2017	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail Service	$22,114	$20,611	10/1/2015	9/30/2025
MV Contract Transportation, Inc.	Paratransit, and On-call services	27,877	26,032	10/1/2012	9/30/2019
Others	Various	5,987	5,888	Various	Various
Total		$55,978	$52,531		

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:

	9/30/2018	9/30/2017
Cash and cash equivalents	$98,361	$39,938
Investments	390,208	498,204
Restricted investments held by trustee for debt service	113,533	111,734
Restricted investments held for advance funding agreements	64,860	67,868
Restricted investments held as security for capital lease/leaseback liabilities	6,796	7,751
Total cash and investments	$673,758	$725,495

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

	9/30/2018	9/30/2017
Cash on hand	$1,525	$1,599
Cash equivalents	96,836	38,339
Investments	575,397	685,557
Total cash and investments	$673,758	$725,495

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, 2018, the carrying amount of DART's deposits was $1,525 compared to $1,599 at September 30, 2017. Bank balances at September 30, 2018 and 2017 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.

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

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

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

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

		Remaining Maturity (in months) as of September 30, 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

		Remaining Maturity (in months) as of September 30, 2017		
Investment Type	Total Amount	12 Months or Less	12 to 24 Months	24 to 60 Months
Federal Home Loan Bank	$168,952	$38,035	$17,974	$112,943
Federal Farm Credit Banks	112,410	48,291	29,816	34,303
Federal Home Loan Mortgage Corporation	107,456	61,635	31,809	14,012
Federal National Mortgage Association	111,543	25,926	43,488	42,129
Commercial Paper	40,242	40,242	-	-
Money Market Funds	183,293	183,293	-	-
Total	$723,896	$397,422	$123,087	$203,387

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

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

Rating as of September 30, 2018

Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAAm
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	-
Money Market Funds	265,170	-	-	265,170
Total	$672,233	$354,599	$52,464	$265,170

Rating as of September 30, 2017

Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAAm
Federal Home Loan Bank	$168,952	$168,952	$ -	$ -
Federal Farm Credit Banks	112,410	112,410	-	-
Federal Home Loan Mortgage Corporation	107,456	107,456	-	-
Federal National Mortgage Association	111,543	111,543	-	-
Commercial Paper	40,242	-	40,242	-
Money Market Funds	183,293	-	-	183,293
Total	$723,896	$500,361	$40,242	$183,293

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 $354,999 as of September 30, 2018 compared to $500,361 as of September 30, 2017 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, 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%

September 30, 2017

Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Home Loan Bank	$168,952	23%
Federal Farm Credit Banks	112,410	16%
Federal National Mortgage Association	111,543	15%
Federal Home Loan Mortgage Corporation	107,456	15%
Logic	97,043	13%
TexPool	80,247	11%

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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, 2018 and 2017 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.

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
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	$ -

Fair Value Measurements as of September 30, 2017

Investment Type	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	$168,952	$ -	$168,952	$ -
Federal Farm Credit Banks	112,410	-	112,410	-
Federal Home Loan Mortgage Corporation	107,456	-	107,456	-
Federal National Mortgage Association	111,543	-	111,543	-
Commercial Paper	40,242	-	40,242	-
Total	$540,603	$ -	$540,603	$ -

Restricted investments held to pay capital lease/leaseback liabilities – As of September 30, 2018, 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 the 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 $1,703 more than budget for fiscal year 2018 compared to $3,016 for fiscal year 2017. In addition, the Board of Directors authorized the establishment of a Capital Project Reserve Account. Should the Financial Reserve exceed $50 million, excess funds are placed in the Capital Project Reserve Account.

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An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Project Reserves, and 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 $6,796 as of September 30, 2018, compared to $7,751 as of September 30, 2017. 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, 2018 and 2017 shown as follows:

Assigned for	2018	2017
Self-Insurance	$12,064	$12,236
Financial Reserve*	42,758	42,425
Capital Reserve – Cotton Belt Project**	20,100	20,100
Capital Reserve	10,778	3,599
Total	$ 85,700	$ 78,360

*The financial reserve amounts shown here are net of $6,796 as of September 30, 2018, and $7,751 as of September 30, 2017. 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 Capital Reserve to the Cotton Belt project fund to pay for the Cotton Belt commuter rail capital project costs.

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 bond 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, 2018 and 2017.

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, 2018, DART has set aside $6,796 compared to $7,751 as of September 30, 2017, 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 has separately contributed the capital for thirteen rail diesel cars (RDCs) purchased for the initial TRE commuter rail service. 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. As of September 30, 2017, the value of DART investment in managed HOV lane projects was $11.1 million. As a result, a gain in value of $0.6 million is recorded in the Statements of Changes in Net Position as of September 30, 2017. These investments are shown in the Statements of Net Position at fair value as of September 30, 2017. As of September 30, 2017, the Statements of Net Position reflects these Investments in Managed HOV Lane Agreements totaling $11,100. The fair value of these Investments in Managed HOV Lane Agreements is measured using Level 3 inputs within the fair value hierarchy established by GAAP. The Investments in Managed HOV Lane Agreements in Level 3 is valued using future projected cash flows. 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.

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7. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2018 and 2017 are shown as follows:

	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

	Beginning Oct. 1, 2016	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2017
Non-Depreciable Assets					
Land and right-of-way	$615,709	$ -	$(464)	$3,781	$619,026
Capital projects in progress	190,992	86,300	-	(210,425)	66,867
Total non-depreciable assets	806,701	86,300	(464)	(206,644)	685,893
Depreciable Assets					
Transitways	3,861,876	-	-	157,991	4,019,867
Buildings and improvements	749,160	-	-	700	749,860
Revenue and non-revenue vehicles and equipment	1,282,270	-	(24,616)	44,226	1,301,880
Furniture, fixtures, and Leasehold improvements	65,909	-	-	3,727	69,636
Total depreciable assets	5,959,215	-	(24,616)	206,644	6,141,243
Less accumulated depreciation					
Transitways	1,190,044	134,528	-	-	1,324,572
Buildings and improvements	366,599	24,706	-	-	391,305
Revenue and non-revenue vehicles and equipment	605,467	75,688	(24,610)	-	656,545
Furniture, fixtures, and Leasehold improvements	60,150	3,349	-	-	63,499
Total accumulated depreciation	2,222,260	238,271	(24,610)	-	2,435,921
Depreciable assets, net	3,736,955	(238,371)	(6)	206,644	3,705,322
Total capital assets	$4,543,656	$(151,971)	$(470)	$ -	$4,391,215

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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	2018	2017
Accounts payable and accrued liabilities		
Payroll	$9,404	$9,753
Accrued paid time off, vacation and sick leave	27,234	25,889
Self-insurance liabilities	18,799	17,970
Other operating liabilities	31,908	30,594
Total operating expense related	87,345	84,206
Non-operating expense and capital related	14,145	13,713
Total accounts payable and accrued liabilities	101,490	97,919
Non-current	39,748	37,113
Current	$61,742	$60,806

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	2018	2017
Beginning balance	$7,751	$8,575
Payments	(824)	(824)
Ending balance	6,927	7,751
Non-current	6,103	6,927
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	2018	2017
Beginning balance	$25,889	$24,938
Additions	2,831	2,575
Payments	(1,486)	(1,624)
Ending balance	$27,234	$25,889
Amounts due in one year	$1,421	$1,345

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.

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

Description	2018	2017
Beginning balance	$685	$685
Payments	(102)	-
Ending balance	$583	$685

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 of 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. The following table show accrued but unpaid funds for the TRIP program as of September 30, 2018:

Municipality	Amount Allocated	Amount Paid	Balance at 9/30/2018
Cockrell Hill	$170	$ -	$170
Highland Park	1,534	1,272	262
Glenn Heights	219	204	15
University Park	1,721	1,220	501
Total	$3,644	$2,696	$948

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, 2018.

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, 2018 and 2017.

Lease Date	Property	Book value as of 9/30/2018	Book value as of 9/30/2017
9/28/2000	28 Light rail cars	$18,958	$22,008

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 at all times 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.

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

	2018	2017
Amounts due within one year	$6,374	$6,374
Amounts due in more than one year	107,492	105,342
Total	$113,866	$111,716

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, 2018, DART has set aside $6,796 compared to $7,751 as of September 30, 2017 for this purpose. These amounts are shown as restricted investment held as security for lease/lease back liabilities in the Statements of Net Position.

On November 23, 2015, DART entered into a lease termination agreement and terminated the October 26, 2000 lease/lease back transaction. As a result of this lease termination agreement, DART has only one outstanding lease/lease back obligation as of September 30, 2018. The following amounts and those shown in the Statements of Net Position as September 30, 2018 reflect the effect of the termination agreement.

Changes in the capital lease/lease back obligations for the years ended September 30 are shown below:

Description	2018	2017
Beginning balance	$111,716	$109,725
Accrued interest	8,524	8,365
Retirements	(6,374)	(6,374)
Ending Balance	$113,866	$111,716

The following schedule shows future minimum sublease payments as of September 30, 2018 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2019	$6,374
2020	6,374
2021	6,374
2022	18
2023	126,629
2024	8,663
Total minimum sublease payments due under capital lease/leaseback	154,432
Less: amount representing interest	(40,566)
Present value of minimum sublease payments	$113,866

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.

Commercial Paper Self-liquidity Program – after the Revolving Credit Agreement was terminated, the DART Board approved a new Commercial Paper Self-liquidity Program that allows 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. During fiscal year 2018 and 2017, DART has complied with these requirements of the self-liquidity program. As of September 30, 2018, DART has $125 million in outstanding commercial paper notes issued under the self-liquidity program.

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Commercial paper notes 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 1.61% at September 30, 2018, and 0.90% at September 30, 2017.

Changes in the Commercial Paper Notes for the years ended September 30 are shown below:

Description	2018	2017
Beginning balance	$140,000	$170,000
Additions	715,000	800,000
Retirement	(730,000)	(830,000)
Ending Balance	$125,000	$140,000

The maximum principal of outstanding Commercial Paper Notes did not exceed the $200 million limit during either year.

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	Interest rates (Yields) range To	Maturity date range From	Maturity date range To	Optional Redemption Bonds maturing after	Optional Redemption Earliest call date
2007 (a)	Jan. 2007	$770,270	03/08/07	4.00%	5.30%	12/1/07	12/1/36	12/1/17	12/1/16
2008 (b)	Apr. 2008	731,415	06/23/08	4.50%	5.30%	12/1/09	12/1/48	12/1/18	12/1/17
2009A	May 2009	170,385	06/25/09	2.80%	4.30%	12/1/14	12/1/22	12/1/19	6/1/19
2009B	May 2009	829,615	06/25/09	6.00%	6.30%	12/1/23	12/1/44	12/1/34	5/31/19
2010A	Sep. 2010	95,235	10/07/10	2.00%	5.00%	12/1/13	12/1/23	12/1/21	12/1/20
2010B	Sep. 2010	729,390	10/07/10	4.90%	5.00%	12/1/37	12/1/48	Not applicable	
2012	April 2012	127,775	11/15/12	1.00%	5.00%	12/1/13	12/1/42	12/1/22	12/1/22
2014A (c)	Oct. 2014	379,480	12/11/14	2.00%	5.00%	12/1/17	12/1/36	12/1/25	12/1/24
2014B (c)	Nov. 2014	46,555	12/11/14	5.00%	5.30%	12/1/33	12/1/43	12/1/36 & 12/1/43	12/1/33 & 12/1/39
2015 (d)	Nov. 2015	117,470	12/15/15	2.06%	2.30%	12/1/16	12/1/27	Not applicable	
2016A (e)	Nov. 2015	482,530	02/18/16	5.00%	5.00%	12/1/26	12/1/48	12/1/25	12/1/25
2016B (f)	Mar. 2016	228,900	09/21/16	3.00%	5.00%	12/1/19	12/1/38	12/1/27	12/1/26

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.

In June 2009, DART issued and sold $170,385 in tax exempt Senior Lien Sales Tax Revenue Bonds (Series 2009A Bonds), and $829,615 in taxable Senior Lien Sales Tax Revenue Bonds (Series 2009B Bonds) to finance capital expenditures for DART's system expansion and acquisition. The Series 2009B bonds are taxable bonds issued under the Build America Bond program of the American Recovery and Reinvestment Act of 2009 (ARRA). In 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 Bonds. However, during fiscal years 2018 and 2017, this tax credit was reduced by 6.6% and 6.9% due to budget cuts or "sequestration" by the federal government.

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 2010B Bonds. However, during fiscal years 2018 and 2017 this tax credit was reduced by 6.6% and 6.9% respectively, due to budget cuts or "sequestration" by the federal government. During 2018, DART recorded tax credits of $28,443 compared to $28,381 for 2017 as Build America Bonds tax credit (for Series 2009B and 2010B bonds combined) in the Statements of Revenues, Expenses and Changes in Net Position.

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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, 2018 and 2017 are as shown below:

Bond Series	Balance, 9/30/2016	Retirement	Balance, 9/30/2017	Retirement	Balance, 9/30/2018	Amounts due in one year
2007	$138,645	$(20,250)	$118,395	$ -	$118,395	$ -
2008	26,845	(8,505)	18,340	(8,940)	9,400	9,400
2009A	53,655	(17,025)	36,630	(17,865)	18,765	18,765
2009B	829,615	-	829,615	-	829,615	-
2010A	61,500	(2,375)	59,125	(1,895)	57,230	1,535
2010B	729,390	-	729,390	-	729,390	-
2012	121,235	(2,335)	118,900	(2,410)	116,490	2,495
2014A	379,480	-	379,480	(12,110)	367,370	12,935
2014B	46,555	-	46,555	-	46,555	-
2015	117,470	(1,440)	116,030	(10,625)	105,405	11,010
2016A	482,530	-	482,530	-	482,530	-
2016B	228,900	-	228,900	-	228,900	-
Total	$3,215,820	$(51,930)	$3,163,890	$(53,845)	$3,110,045	$56,140

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 $182,935 and $201,935 as of September 30, 2018 and 2017, respectively. Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2018:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2019	$56,140	$158,966	$215,106	$(28,574)	$186,532
2020	57,760	156,429	214,189	(28,574)	185,615
2021	60,410	153,781	214,191	(28,574)	185,617
2022	63,105	151,085	214,190	(28,574)	185,616
2023	65,945	148,240	214,185	(28,574)	185,611
2024 – 2028	371,545	688,762	1,060,307	(145,433)	914,874
2029 – 2033	459,545	581,205	1,040,750	(129,667)	911,083
2034 – 2038	571,600	442,917	1,014,517	(110,077)	904,440
2039 – 2043	682,635	280,239	962,874	(71,772)	891,102
2044 – 2048	609,030	99,463	708,493	(23,420)	685,073
2049	112,330	2,816	115,146	(634)	114,512
TOTAL	$3,110,045	$2,863,903	$5,973,948	$(623,873)	$5,350,075

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. According to the TIFIA financing agreement, the U.S. Department of Transportation (DOT) reimburses DART for eligible capital project costs. 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 on the next page summarizes estimated debt service requirements of the TIFIA financing agreement executed on December 13, 2012.

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Summary of estimated debt service requirements of TIFIA bonds as of September 30, 2018 is as follows:

Year Ended September 30	Principal	Interest	Total TIFIA Bond Debt Service
2019	$2,151	$2,904	$5,055
2020	2,214	2,845	5,059
2021	2,279	2,772	5,051
2022	2,345	2,703	5,048
2023	2,413	2,633	5,046
2024 – 2028	13,160	12,055	25,215
2029 – 2033	15,190	9,986	25,176
2034 – 2038	17,533	7,606	25,139
2039 – 2043	20,236	4,857	25,093
2044 – 2048	23,357	1,707	25,064
TOTAL	$100,878	$50,068	$150,946

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. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for revenue bonds, TIFIA 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, which is currently through fiscal year 2049. Total principal and interest remaining on the revenue bonds as of September 30, 2018 is $5.97 billion before Build America Bonds tax credits of $624 million and $5.35 billion net of Build America Bonds tax credits (see the second table on page 32). The annual debt service requirements for these bonds, net of Build America Bonds tax credits, range from $186,532 in fiscal year 2019 to $114,512 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest net of Build America Bonds tax credits) is $184,957. Bonds have a senior lien on pledged revenues.

Total principal and interest remaining on the revenue bonds (TIFIA bonds) as of September 30, 2018 is $150,946 million. The annual debt service requirements for the TIFIA bonds range from $5,015 in fiscal year 2048 to $5,059 in fiscal year 2020. For fiscal year 2018, debt service on the TIFIA bonds (including principal and interest) was $5,052. TIFIA bonds have a senior lien on pledged revenues.

Total principal and interest remaining on commercial paper as of September 30, 2018 is $125,127 compared to $140,108 as of September 30, 2017. Interest payments on commercial paper notes during the current fiscal year totaled $1,660. Commercial Paper notes have a subordinate senior lien on pledged revenues.

16. DEBT REFUNDINGS

In December 2014, DART issued the Series 2014A and 2014B bonds to refund a portion of Series 2007 and 2008 bonds. As a result, the Series 2007 and 2008 bonds in the total amount of $453,125 are 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.

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.

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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.

As of September 30, 2018 and 2017, the unamortized portion of the book loss of $67,069 and $75,317, respectively, have been included in the Statements of Net Position under the deferred outflows of resources section.

As of September 30, 2018 and 2017, $727,305 of these refunded DART bonds remains outstanding.

17. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS

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

Defined Benefit Plan

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

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:

	2018	2017
Employer contributions	$10,000	$9,217
Employee contributions	2	2
	$10,002	$9,219

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, 2018 and 2017 (Dollars in Thousands)

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of October 1, 2017 and 2016:

	10/1/2017	10/1/2016
Inactive employees or beneficiaries currently receiving benefits	768	747
Inactive employee entitled to but not yet receiving benefits	150	155
Active employees	245	288
	1,163	1,190

Actuarial Assumptions – The total pension liability in the September 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to the periods included in the measurement:

Valuation Dates	September 30, 2017 and 2016
Inflation	2.5% per annum
Salary Increases	3.00% per annum
Investment Return	6.75 at September 30, 2017 and 2016 compounded annually, net of expenses
Measurement Date	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, 2018, assuming no demographic gains or losses. For the September 30, 2016 valuation, census data was collected as of October 1, 2015. Liabilities measured as of the census date were projected to September 30, 2017, assuming no demographic gains or losses.
Mortality	RP-2000 combined mortality table for males and females increased by 8.59% and projected generationally from 2000 by Scale AA.
Disability Mortality	RP-2000 disabled mortality tables for males and females.
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 arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2017 and 2016 are summarized in the following table (note that the rates shown below include the inflation components):

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

September 30, 2016 Valuation	Target Allocation	Estimate of expected long-term rate of return
U.S. Market Equities	39%	4.25%
U.S. Market Fixed Income	40%	0.75%
International Equities	10%	5.00%
Real Estate	10%	4.75%
Cash	1%	-0.25%

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, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

For purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.64% (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%.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 9/30/2016	$218,166	$154,469	$63,697
Service cost	1,281	-	1,281
Interest	14,969	-	14,969
Differences between expected and actual experience	(2,815)	-	(2,815)
Changes in assumptions	63	-	63
Benefit payments	(11,203)	(11,203)	-
Contributions-employer	-	9,217	(9,217)
Contributions-employee	-	2	(2)
Net investment income, net of expenses	-	16,067	(16,067)
Administrative expenses	-	(218)	218
Net Changes	2,295	13,865	(11,570)
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

*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, 2018 and 2017, 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, 9/30/2018	$67,609	$44,898	$25,289
DART's net pension liability, 9/30/2017	74,908	52,127	32,451

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, 2018, DART recognized pension expense of $4,048 compared to $2,316 for fiscal year 2017.

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

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The $10,000 reported as deferred outflows of resources related to pensions resulting from DART 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 will be recognized in the pension expense as follows:

Year ended September 30:	
2019	$961
2020	136
2021	(1,936)
2022	(870)
2023	-
Thereafter	-

At September 30, 2017, 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	$ -	$ 1,408
Changes of assumptions	32	-
Net difference between projected and actual earnings on pension plan investments	944	-
Employer contribution made after measurement date	10,000	-
Total	$10,976	$1,408

The $10,000 reported as deferred outflows of resources related to pensions resulting from DART contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. 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:	
2018	$(875)
2019	503
2020	1,006
2021	(1,066)
2022	-
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 $17,083 and $16,550 for the years ended September 30, 2018 and 2017, 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 $5,842 and $5,229 for the years ended September 30, 2018 and 2017, respectively.

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

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18. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

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

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

	Number of Covered Participants
Inactive currently receiving benefits	336
Inactive entitled to but not yet receiving benefits	-
Active employees	3,586
Total	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 2.8 percent of covered employee payroll for the year ended September 30, 2018. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost. DART contributed $3,862 to the plan during 2018.

Net OPEB Liability – DART's net OPEB liability was measured as of September 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was 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.

An actuarial valuations was performed for the OPEB Plan as of September 30, 2017. The following table shows a summary of significant actuarial assumptions:

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 will be performed during fiscal year 2019.

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

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:

September 30, 2017 Valuation	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.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension 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

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, 9/30/2018	$35,644	$22,667	$12,415

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

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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2018, DART recognized OPEB expense of $5,821. 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	-
Employer contribution made after measurement date	3,862	-
Total	$10,813	$ -

The $3,862 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, 2019. 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	Deferred Inflows of Resources
2019	$810	$ -
2020	810	-
2021	810	-
2021	810	-
2023	811	-
Thereafter	$2,900	-

<u>Annual OPEB Cost and Net OPEB Asset</u> – For plan years 2017 and 2016, annual OPEB cost and the net OPEB asset were as follows:

	2017	2016
Annual required contribution	$5,821	$4,625
Annual OPEB cost	5,821	4,625
Total employer contributions	5,821	4,625
Increase in net OPEB obligation (decrease in net OPEB asset)	-	-
Net OPEB asset (obligation), beginning of year	-	-
Net OPEB asset (obligation), end of year	$ -	$ -
Percentage of annual OPEB cost contributed	100%	100%

<u>Funding Progress</u> – The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) is included in the Required Supplementary Information. The data for the two most recent valuations are as follows:

	Fiscal Year Ended	
	9/30/17	9/30/16
Actuarial value of assets	$48,024	$33,894
Actuarial accrued liability (AAL)*	58,230	$57,520
Unfunded AAL (UAAL)	10,206	$23,626
Funded ratio	82.5%	58.9%
Covered payroll	205,345	$196,688
UAAL as a % of covered payroll	5.0%	12.0%

**AAL of $58,230 at 9/30/2017 is based on 9/30/2016 actuarial valuation.*

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

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

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 table, which show the distribution of the Plan's investments by maturity.

		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.

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, 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, 2018 and 2017 (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 $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	2017 Fair Value (USD)
International Equity (Stocks)	Australian Dollar	$419
	Brazil Real	82
	British Pound	1,317
	Canadian Dollar	330
	Chinese Yuan Renminbi	313
	Danish Krone	191
	European Monetary Unit (Euro)	2,110
	Hong Kong Dollar	144
	Indian Rupee	149
	Indonesian Rupiah	30
	Israeli New Shekel	55
	New Taiwan Dollar	161
	Norwegian Krone	54
	Japanese Yen	2,209
	Mexican Peso	508
	Norwegian Kroner	224
	Russian Ruble	21
	Singapore Dollar	58
	South African Rand	73
	South Korean Won	192
	Swedish Krona	144
	Switzerland Franc	467
	Taiwan New Dollar	956
	Thai Baht	30
Total		$10,237

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, 2017.

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	$ -

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

19. CLAIMS AND LITIGATION

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

20. COMMITMENTS AND CONTINGENCIES

The Board has approved a Transit System Plan, which included the design and construction the Cotton Belt Corridor and Dallas Central Business District (D2) Alignment. The Cotton Belt Corridor 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 20-year financial plan and is subject to change based on changing economic conditions. The FY 2019 Twenty-Year Financial Plan includes $6.5 billion for capital and non-operating projects. DART has entered into contract commitments for these and other capital developments in the amount of $1.67 billion and has spent approximately $1.60 billion of the committed amount as of September 30, 2018.

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 $868 and $801 in 2018 and 2017, respectively.

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

Fiscal Year	2019	2020	2021	2022	2023
Minimum Lease Payments	$536	$488	$427	$146	$146

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

21. DERIVATIVE INSTRUMENTS

Fuel Hedge

DART has fuel delivery contracts with suppliers for commuter rail vehicles and some DART buses and a gasoline contract for service vehicles. 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 that run from May 1, 2015 to September 30, 2020. The fair values of the derivative instrument associated with this hedge contract were $1,626 as of September 30, 2018 and $769 as of September 30, 2017.

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 fuel 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 2018, DART's position in the derivative instrument was a receivable of $769. DART could have been exposed to credit risk if the counterparty to the transaction becomes insolvent but that did not happen. Standard and Poor's credit rating for the counterparty was A+ during 2018.

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 2018 and the last contract for diesel fuel hedge will expire on 9/30/2020 and for gasoline will expire 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 2017, 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) Delivery Contract

During fiscal year 2010, DART entered into a fixed price and indexed price CNG delivery contract for the CNG needed to operate these 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 than the volumes 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, 2018 and 2017.

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 2018 and 2017.

22. 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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.

FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

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

23. SUBSEQUENT EVENTS

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 Cotton Belt 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 nine stations and eight vehicles. The current estimate of eligible project costs for the project is about $1.1 billion. The RRIF financing agreement is reimbursement-based and DART will request (draw down) the money after paying for the capital project costs. The expected draw down is as follows:

Year Ended September 30	Principal
2019	$24,762
2020	193,327
2021	317,954
2022	272,376
2023	99,581
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.

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 shown here for the RRIF Loan 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
2019	$ -	$224	$224
2020	-	2,887	2,887
2021	-	10,769	10,769
2022	-	20,253	20,253
2023	-	26,175	26,175
2024 – 2028	-	135,329	135,329
2029 – 2033	10,000	134,957	144,957
2034 – 2038	62,264	130,970	193,234
2039 – 2043	165,398	112,498	277,896
2044 – 2048	191,555	85,972	277,527
2049 – 2053	221,849	55,189	277,038
2054 - 2057	256,934	19,602	276,536
TOTAL	$908,000	$734,825	$1,642,825

The annual debt service requirements for the RRIF bond range from $224 in fiscal year 2019 to $55,625 in fiscal year 2040.

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

SEPTEMBER 30, 2018 and 2017 (Dollars in Thousands)

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

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

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2018 (Dollars in Thousands)

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

	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	9/30/09
Contractually required contribution	$7,755	$9,217	$9,221	$8,706	$9,122	$9,074	$8,045	$6,266	$6,212	$5,036
Contribution in relation to the contractually required contribution	10,000	10,000	9,221	8,706	9,122	9,074	8,045	6,266	6,212	5,036
Contribution deficiency (excess)	$(2,245)	$(783)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$15,642	$18,914	$19,129	$19,438	$19,467	$19,306	$23,727	$23,904	$24,721	$24,832
Contribution as a percentage of covered payroll	63.93%	52.87%	45.51%	44.79%	46.93%	46.61%	41.67%	26.41%	25.99%	20.37%

Notes to Schedule

Valuation date: Most recent valuation date is October 1, 2017.

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, 2017 was made during the fiscal year ended September 30, 2018, and as of October 1, 2016 was made during the fiscal year ended September 30, 2017.

Methods and assumptions 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	Projected Unit Credit and changed to Entry Age Normal for measurement date 9/30/2017.
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	7.00% per year compounded annually, net of all expenses and lowered to 6.75% for September 30,2017 and September 30, 2016 measurement dates.
Retirement age	10% at age 55 reaching 100% at age 70.
Salary Increases	3.25% and lowered to 3% for September 30, 2016 measurement date.
Mortality	Healthy Lives: RP-2000 Combined Healthy Table (sex distinct) with rates increased by 8.59% and with fully generational mortality improvement projections 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.

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE LAST TEN FISCAL YEARS

SEPTEMBER 30, 2018 (Dollars in Thousands)

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

	2018
Total Pension Liability	
Service cost	$2,762
Interest	4,218
Changes of benefit terms	-
Difference between expected and actual experience	4,514
Changes in assumptions	2,437
Benefit payments	(1,470)
Net change in total pension liability	12,461
Total OPEB liability – beginning	58,230
Total OPEB liability – ending (a)	70,691
Plan Fiduciary Net Position	
Contributions – employer	4,239
Net investment income, net of expenses	3,883
Benefit payments	(1,470)
Administrative expenses	-
Net change in plan fiduciary net position	6,652
Plan fiduciary net position – beginning	41,372
Plan fiduciary net position - ending (b)	48,024
DART's net pension liability (a) – (b)	$22,667
Plan fiduciary net position as a percentage of total pension liability	67.9%
Covered payroll	$205,345
DART's net pension liability as a percentage of covered payroll	11.0%

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.

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

	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	9/30/09
Actuarially determined contribution	$3,862	$5,821	$4,625	$4,313	$5,141	$4,996	$5,024	$4,591	$3,654	$3,745
Contribution in relation to the actuarially determined contribution	3,862	5,821	4,625	4,313	5,141	4,996	9,615	$ -	3,651	3,745
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	($4,591)	$4,591	$ -	$ -
Covered payroll	$208,600	$205,345	$196,688	$185,181	$174,557	$174,557	$169,196	$175,685	$171,371	$150,406
Contribution as a percentage of covered payroll	1.85%	2.83%	2.35%	2.33%	2.95%	2.86%	5.68%	0%	2.13%	2.49%

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

Notes to Schedule

Valuation date: Most recent valuation date is October 1, 2017.

Actuarially determined 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, 2017 was made during the fiscal year ended September 30, 2018, and as of October 1, 2016 was made during the fiscal year ended September 30, 2017.

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

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 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
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

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

SEPTEMBER 30, 2018 (Dollars in Thousands)

The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) calculated by the actuaries is as follows: The data for the most recent valuation is based on payroll information as of September 30, 2016.

	Actuarial Valuation Date		
	9/30/2017	9/30/2016	9/30/2015
Actuarial Value of Assets	$48,024	$33,894	$36,235
Actuarial Accrued Liability (AAL)*	58,230	$57,520	$52,034
Unfunded AAL (UAAL)	10,206	$23,626	$15,799
Funded Ratio	82.5%	58.9%	69.6%
Covered Payroll	205,345	$196,688	$185,181
UAAL as a % of Covered Payroll	5.0%	12.0%	8.5%

**AAL of $58,230 at 9/30/2017 is based on 9/30/2016 actuarial valuation.*

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APPENDIX B
SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION

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

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SUMMARY OF CERTAIN TERMS OF THE MASTER DEBT RESOLUTION

DEFINITIONS
{*Article I*}

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

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

Accrued Aggregate Interest - means, for any Debt Service Accrual Period, that portion of the Accrued Aggregate Debt Service that is attributable to interest on Obligations for the Debt Service Accrual Period.

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

Additional Senior Lien Obligations - means bonds, notes, commercial paper, or other evidences of indebtedness issued by DART on a parity as to the Pledged Revenues with the Initial Senior Lien Obligations pursuant to Section 3.2 of the Master Debt Resolution.

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

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

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

Available Remaining Revenues - means the amount of the Gross Sales Tax Revenues, plus the Special Revenues that are available to DART for spending for lawful purposes and the uses of which are not restricted by Applicable Law, grant condition, or contract (i) after complying with the requirements of Article V of the Master Debt Resolution, and (ii) after applying all of the revenues received from the operation of the System to the purpose of operating and maintaining the System, as required by Section 452.357 of the Act.

Board - means the governing subregional board of directors of DART as authorized and required by, and selected in the manner provided in, Section 452.571 of the Act.

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

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

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

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

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

Costs of Acquisition and Construction - means all costs and expenses of planning, designing, acquiring, constructing, installing, extending, equipping, improving, repairing, replacing and financing any part or all of the System, placing the System in operation, and obtaining governmental approvals, certificates, permits and licenses with respect thereto, including acquisition of land and interests in land, working capital and reserves during construction periods, capitalized interest, and financing costs.

Credit Agreement - means any agreement between DART and a Credit Provider permitted by Applicable Law that is entered into for the purpose of providing credit enhancement or liquidity support for all or a part of a series of Bond Obligations.

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

Credit Provider - means each party named in the Master Debt Resolution or a Supplemental Resolution that provides credit or liquidity support for a series of Bond Obligations, or other financial undertakings in a Credit Agreement.

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

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

(ii) the sum of (A) all Principal Installments that are due and payable (but unpaid) on the commencement of such Debt Service Accrual Period or other period, plus (B) that portion of next maturing Principal Installment on such Obligations which will accrue during such Debt Service Accrual Period or other period, other than a Principal Installment with respect to Interim Obligations and Credit Agreement Obligations that are to be paid either with the proceeds of Bond Obligations or with funds provided by a Credit Provider, and other than amounts scheduled to be paid by a counter party to a Swap

Agreement that is not in default, all as determined as provided in the Master Debt Resolution.

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

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

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

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

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

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

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

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

Gross Sales Tax Revenues - means all of the revenues due or owing to, or collected or received by or on behalf of, DART, or by the Trustee pursuant to the Master Debt Resolution, from or by reason of the levy of the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law. Such term expressly does not include any Special Revenues.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pledged Farebox Revenues - means with respect to any Debt Service Accrual Period, all fares collected by or on behalf of DART for its bus, rail and paratransit services in an amount equal to the Pledged Farebox Revenues Ratio multiplied by the Accrued Aggregate Debt Service applicable to the Series 2010B Bonds during such Debt Service Accrual Period after deducting the Federal Interest Subsidy accrued during such Debt Service Accrual Period.

Pledged Farebox Revenues Ratio – means the ratio derived by dividing the aggregate principal amount of the Series 2010B Bonds, less the amount of the Series 2010B Bonds set forth in the Pricing Certificate (for such Bonds) to be deducted from the amount of Bond Obligations DART may issue within the Voted Tax and Debt Limits, by the aggregate principal amount of the Series 2010B Bonds.

Pledged Revenues - means collectively (a) the Gross Sales Tax Revenues at the point where they are required to be first collected in accordance with the Act and other Applicable Law, and for so long as they are owed, but unpaid, to, or on behalf of DART, (b) the Gross Sales Tax

Revenues upon and after receipt by DART or by the Trustee under the Master Debt Resolution and while they are required to be or are on deposit in the Gross Sales Tax Revenue Fund, (c) Investment Securities or other investments or earnings, if any, credited to the Gross Sales Tax Revenue Fund that are not required by the Code to be rebated to the United States of America, (d) Pledged Farebox Revenues, (e) Federal Interest Subsidy payments that are deposited to the Senior Lien Debt Service Fund, and (f) any additional revenues or money of DART which may be, by a Supplemental Resolution, expressly and specifically pledged to the payment of any and or all of the Obligations. (Pursuant to the Seventh Supplemental Debt Resolution, DART irrevocably pledged the Pledged Farebox Revenues as additional security for the Obligations, and such Pledged Farebox Revenues were made expressly and specifically subject to the pledge and lien of the Master Debt Resolution as Pledged Revenues.)

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

Rebate Fund - means any fund established by a Supplemental Resolution in connection with the issuance of any Bond Obligation that is a Tax-Exempt Obligation, to ensure compliance with the provisions of Section 148 of the Code.

Required Percentage of Holders of Bond Obligations - means the Holders of: (i) 51% of the principal amount of Outstanding Bond Obligations that are Senior Lien Obligations; (ii) 51% of the principal amount of Outstanding Bond Obligations that are Senior Subordinate Lien Obligations; and (iii) 51% of the principal amount of Outstanding Bond Obligations that are Junior Subordinate Lien Obligations.

Resolution - means Master Debt Resolution as it may from time to time be amended, modified or supplemented by Supplemental Resolutions or by amendment in accordance with Article IX of the Master Debt Resolution.

Sales Tax - means the one-percent (1%) local sales and use tax authorized by the Act and other Applicable Law and heretofore approved at an election and then levied on taxable items and transactions, and confirmed and levied in the Master Debt Resolution, by DART within its boundaries, and hereafter required to be levied within any expanded areas included within DART pursuant to the Act, together with any increases in the rate thereof if provided and authorized by amendment to the Act, but subject to the requirements of the Voted Tax and Debt Limits.

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

Senior Lien Obligations - means (i) the Initial Senior Lien Obligations, (ii) any Additional Senior Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution or a Supplemental Resolution to be a "Senior Lien Obligation."

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

Senior Subordinate Lien Obligations - means (i) the Senior Subordinate Lien Obligations authorized and named in Section 3.3(a) of the Master Debt Resolution, (ii) any other bonds, notes, or other forms of indebtedness and obligations of DART that are, by their terms, made payable from the Senior Subordinate Lien Debt Service Fund and that are secured by a lien on and pledge of Pledged Revenues that are junior and subordinate to the lien on and pledge of Pledged Revenues created in the Master Debt Resolution for the benefit of Senior Lien Obligations, but that are senior in right to the lien on and pledge of Pledged Revenues and Pledged

Funds created in the Master Debt Resolution for the benefit of Junior Subordinate Lien Obligations, and (iii) each Credit Agreement Obligation that is declared in the Master Debt Resolution, or in a Supplemental Resolution to be a "Senior Subordinate Lien Obligation."

Sinking Fund Installment - means, with respect to any Bond Obligations, the portion of the Accrued Aggregate Debt Service required by a Supplemental Resolution to be deposited to the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, or the Senior Subordinate Lien Debt Service Fund in all events on a future date to be held on deposit or applied, in either case, for the mandatory redemption or retirement, in whole or in part, of any of such Bond Obligations having a stated maturity after said future date. Said future date is deemed to be the date when such Sinking Fund Installment is due and payable.

Special Revenue Bonds - mean bonds, notes or other obligations issued for lawful purposes that (i) are made payable from Special Revenues pursuant to the right to issue the same reserved in Section 3.6 of the Master Debt Resolution, and (ii) are not payable from or secured by any part or portion of the Pledged Revenues.

Special Revenues - mean any and all revenues of DART, other than the Sales Tax, including, but not limited to, all of (i) any taxes or special charges, other than the Sales Tax, that DART is authorized by Applicable Law to impose and collect for its public purposes, (ii) fare-box revenues, rents, tolls, rates and charges imposed by DART for the use of any part or all of the System, as it exists from time to time, and (iii) the proceeds from grants for the purposes of the System made to DART by the State or by the United States of America.

Standard Assumptions - means the assumptions that are applicable to Interim Obligations and to Variable Interest Rate Obligations, as set forth and described in subsections (e) and (f), respectively, of Section 1.4 of the Master Debt Resolution.

State - means the State of Texas.

Stated Maturity Date - means the date on which an Obligation matures and the full amount owed thereon is in all events due and payable, as specified in a Supplemental Resolution or in a Credit Agreement, as appropriate.

Subordinate Lien Obligations - mean any and all Senior Subordinate Lien Obligations and any and all Junior Subordinate Lien Obligations.

Supplemental Resolution - means any resolution of the Board adopted concurrently with or subsequent to the adoption of this Resolution that supplements this Resolution for (i) the purpose of authorizing and providing the terms and provisions of Obligations, or (ii) any of the other purposes permitted by Article IX of the Master Debt Resolution.

Swap Agreement - means a Credit Agreement with respect to a series of Bond Obligations pursuant to which DART agrees to pay to a qualified counterparty an amount of money in exchange for the counterparty's promise to pay an amount equal to all or a portion of the actual amount of interest due and payable on such series according to its terms as it becomes due. For the purposes of this definition, a counterparty is not qualified unless it holds a current rating for claims-paying ability by at least two nationally recognized rating agencies at least equal to the rating of each such rating agency assigned to the Initial Senior Lien Obligations without reference to any Credit Agreement.

System - means the public transportation system of DART, including complementary transportation services, and all of the properties and assets of DART that are defined in and permitted by the Act, whether owned or operated by DART directly or provided for or on behalf of DART by others pursuant to contracts executed for such purposes as provided in the Act.

System Expansion and Acquisition Fund - means the fund so designated and established in Section 5.1 of the Master Debt Resolution.

Tax-Exempt Obligation - means any Bond Obligation the interest on which is excludable from the gross income of the Holder for federal income tax purposes under Section 103 of the Code.

Trustee - means Bank One, NA, formerly known as Bank One, Texas, N.A., as the trustee under the Master Debt Resolution, and any successor to or replacement of such trustee appointed in accordance with the Master Debt Resolution.

Variable Interest Rate - means a variable or adjustable interest rate that varies from time to time based on a formula or reference to specified financial indicators, or by negotiation, auction, or revisions through another method from time to time and to be borne by all or a part of any Obligations, all as specified in a Supplemental Resolution or Credit Agreement, as applicable.

Variable Interest Rate Obligations - mean Obligations which bear a Variable Interest Rate.

Voted Tax and Debt Limits - means the limitations on (i) the maximum rate of the Sales Tax that DART may levy and collect, and (ii) the maximum amount of indebtedness that DART may incur that has a maturity longer than five (5) years, in either case without further elections in conformity with the Election Order as summarized in the preambles to the Master Debt Resolution.

Interpretations - Standard Assumptions *{Sections 1.4(e) and (f)}*

Wherever a calculation of Debt Service with respect to Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming (A) that the Outstanding principal amount of the series of Interim Obligations are bonds secured by a lien on Pledged Revenues on a parity with the Interim Obligations which will amortize over a period of not to exceed 25 years following the date of initial issuance of such Interim Obligations in such manner as will cause the maximum Debt Service for such series in any 12 month period not exceeding 110% of the minimum Debt Service for such series for any other 12 month period, and (B) such series will bear interest at a fixed interest rate reasonably estimated to be the interest rate such series would bear if issued on the date of such estimate.

Wherever a calculation of Debt Service with respect to Variable Interest Rate Obligations that are not Interim Obligations is required by application of the Standard Assumptions, the Debt Service shall be computed by assuming that such Obligations will bear interest at the highest of (i) the actual rate on the date of calculation, or, if such Obligations are not yet Outstanding, the initial rate, if established and binding, (ii) if the Obligations have been Outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or (iii) (A) if the Obligations are Tax Exempt Obligations, the most recently published "Revenue Bond Index," published by the financial news publication presently known as The Bond Buyer, or by a comparable index if no longer published, plus fifty basis points, or (B) if the Obligations are not Tax Exempt Obligations, the interest rate on direct obligations of the United States with comparable maturities, plus fifty basis points or (C) if the Obligations are Credit Agreement Obligations, such rate as is specified in the Supplemental Resolution creating such Credit Agreement Obligations.

PURPOSES, PLEDGE AND SECURITY
{*Article II*}

Purposes of Resolution, Contract with Holders *{Section 2.1}*

The Master Debt Resolution establishes a lien and the security for, and prescribes minimum standards for issuing, Obligations; authorizes the issuance of the Initial Senior Lien Obligations, an initial series of Senior Subordinate Lien Obligations and permits the issuance of Additional Senior Lien Obligations and other Subordinate Lien Obligations; reserves the right to issue Special Revenue Bonds; and prescribes other matters and the general rights of the Holders, DART, Credit Providers, any Bondholder Representative and the Trustee in relation to such Obligations. The provisions of the Master Debt Resolution constitute a contract of DART to and with the Holders and the Trustee.

Confirmation and Levy of Sales Tax *{Section 2.2}*

The levy and collection of the Sales Tax, at the rate voted at the election at which DART was created, is confirmed, and DART covenants that, as long as any Obligations are Outstanding, or any Administrative Expenses unpaid, it will levy and collect the Sales Tax to the extent it may legally do so at the highest rate permitted by Applicable Law, subject to requirements for an election under the Voted Tax and Debt Limits, and to take all action permitted to cause the Sales Tax to be collected and remitted to DART at the earliest permissible date.

Pledge and Security for Obligations *{Section 2.3}*

The Pledged Revenues are irrevocably pledged: (i) first, with respect to Outstanding Senior Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; (ii) second, subject to the rights of the Holders of Senior Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Senior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts, and to the payment of Administrative Expenses; and (iii) third, subject to the rights of the Holders of Senior Lien Obligations and the Holders of Senior Subordinate Lien Obligations and the payment of related Administrative Expenses, with respect to Outstanding Junior Subordinate Lien Obligations, to the payment of Debt Service, to the maintenance of any reserve funds or accounts and to the payment of Administrative Expenses. Notwithstanding the pledge of Pledged Revenues to the payment of Bond Obligations, Federal Interest Subsidy payments are not security for nor may such amounts be used to pay principal of or interest on the TIFIA Bond.

All moneys and investments on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund are irrevocably pledged to the payment of Debt Service on and Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively.

The Obligations and Administrative Expenses are special obligations of DART, and, unless otherwise provided in a Supplemental Resolution, are secured solely by a pledge of and a lien on the Pledged Revenues and the money on deposit, respectively, in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, that is exclusive, senior and superior to the rights of all other creditors of DART. Neither the Obligations nor the Administrative Expenses shall constitute a debt or obligation of the State, or of any city, town or county having appointment or other powers with respect to DART or the Board. The Holders of Obligations and payees of Administrative Expenses shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation or, unless otherwise provided in a Supplemental Resolution, from any other funds or revenues of DART.

Collection of Pledged Revenues, Assignment to Trustee *{Section 2.4}*

DART assigns to the Trustee all of the Pledged Revenues, in trust, for the benefit and security of Holders and the Credit Providers. DART appoints the Trustee as its agent and attorney-in-fact for the purpose of performing those duties of its treasurer which consist of collecting and receiving the Gross Sales Tax Revenues from the Comptroller and taking such steps as may be necessary to perfect and maintain the liens granted under the Master Debt Resolution. DART is required to cause the Comptroller to pay all Gross Sales Tax Revenues directly to the Trustee for deposit to the Gross Sales Tax Revenue Fund. If the Comptroller refuses or is not legally obligated to make transfers as directed by DART, the DART is required to cause the Gross Sales Tax Revenues to be transferred to the Trustee as received. All Gross Sales Tax Revenues received by the Trustee are required to be deposited to the Gross Sales Tax Revenue Fund and applied in accordance with the Master Debt Resolution. A specific series of Bond Obligations may be additionally payable from or secured by Credit Agreements and any Supplemental Resolution may provide that the security provided thereby not extend to other series of Obligations.

Security Agreement *{Section 2.5}*

The Master Debt Resolution constitutes a security agreement with the Trustee as the secured party. The grants, assignments, liens, pledges and security interests of the Trustee created in the Master Debt Resolution shall become effective upon the delivery of Obligations under the Master Debt Resolution, and shall be continuously effective for so long as any Obligations or Administrative Expenses are Outstanding.

PERMITTED DART INDEBTEDNESS
{*Article III*}

Initial Senior Lien Obligations *{Section 3.1}*

The Master Debt Resolution authorizes DART to issue up to $500 Million of Initial Senior Lien Obligations, which amount may be increased, pursuant to the terms of one or more Supplemental Resolutions. DART may issue Additional Senior Lien Obligations upon compliance with the requirements set forth in the Master Debt Resolution. No obligations having a first lien on the Pledged Revenues, other than Senior Lien Obligations, may be issued by DART.

Additional Senior Lien Obligations *{Section 3.2}*

Subject to the Voted Tax and Debt Limits, DART reserves the right to issue Additional Senior Lien Obligations on a parity with Outstanding Senior Lien Obligations, pursuant to one or more Supplemental Resolutions. Prior to the issuance of Additional Senior Lien Obligations, either (A) Gross Sales Tax Revenues must be estimated to be, for each of the three consecutive Fiscal Years beginning with the First Fiscal Year in which Debt Service with respect to the proposed Additional Senior Lien Obligations is due, equal to at least 200% of the Debt Service that will be due on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years after taking into consideration any additional Debt Service to be paid during such period with respect to the Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued and any reduction in Debt Service that may result from the issuance thereof, determined in accordance with the requirements of the Master Debt Resolution; or (B) for either the most recent complete Fiscal Year, or for any consecutive 12 of the most recent 18 months, the Gross Sales Tax Revenues must have been equal to at least 200% of the maximum Debt Service with respect to all Outstanding Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) including maximum Debt Service on the proposed Additional Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) then proposed to be issued, determined in accordance with the requirements of the Master Debt Resolution, provided however, this requirement does not apply to the issuance of Interim Obligations. In addition, estimated Gross Sales Tax Revenues for each of the 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service on the proposed Additional Senior Lien Obligations is due must equal at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations) plus (B) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Outstanding Subordinate Lien

Obligations (exclusive of amounts payable on Credit Agreement Obligations) during each of such 3 consecutive Fiscal Years, determined in accordance with the requirements of the Master Debt Resolution. The Debt Service required to be calculated for a particular series of Obligations shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations, if such amounts are, at the time of calculation, required to be deposited to the debt service fund for such Obligations.

The Debt Service required to be calculated for a particular series of Obligations under subsections (iii) and (iv) of Section 3.2(b) of the Master Debt Resolution shall be calculated net of amounts payable to DART from or by the State or the United States for, on account of, or in reimbursement for the payment of principal and interest on such Obligations (the "Federal Interest Subsidiary" payments).

Senior Subordinate Lien Obligations *{Section 3.3}*

The Master Debt Resolution authorizes DART to issue up to $650 Million of commercial paper notes as Senior Subordinate Lien Obligations pursuant to the terms of one or more Supplemental Resolutions for the purposes of refunding all outstanding indebtedness of DART, paying Costs of Acquisition and Construction, and other purposes permitted by Applicable Law.

Additional Senior Subordinate Lien Obligations. Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue additional Senior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law secured by and payable from a senior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Additional Senior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of the three consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Senior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Senior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Junior Subordinate Lien Obligations *{Section 3.4}*

Subject to the limitations and requirements set forth in the Master Debt Resolution, DART reserves the right to issue Junior Subordinate Lien Obligations pursuant to one or more Supplemental Resolutions for any purpose permitted by Applicable Law, payable from and secured by a junior subordinate pledge of the Pledged Revenues and, at the option of DART, a pledge of Special Revenues. Junior Subordinate Lien Obligations may only be issued if estimated Gross Sales Tax Revenues for each of 3 consecutive Fiscal Years beginning with the first Fiscal Year in which Debt Service is due on the proposed Junior Subordinate Lien Obligations, plus the amount of the Special Revenues, if any, that are projected to be available and pledged to the Junior Subordinate Lien Obligations, are equal to at least (A) 100% (or such higher percentage required by a Supplemental Resolution) of the Debt Service on Junior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), plus (B) 100% of the Debt Service on all Outstanding Senior Lien Obligations and Senior Subordinate Lien Obligations (exclusive of amounts payable on Credit Agreement Obligations), in each case during each of such three consecutive Fiscal Years, computed as required under the Master Debt Resolution.

Credit Agreement Obligations *{Section 3.5}*

DART is authorized to enter into Credit Agreements, pursuant to Supplemental Resolutions, that create Credit Agreement Obligations that are secured and payable on a parity with other Outstanding Obligations. Credit Agreements may include rights and remedies which are in addition to the rights and remedies contained in the Master Debt Resolution and which may be enforced apart from the Master Debt Resolution.

Special Revenue Bonds *{Section 3.6}*

DART reserves the right to issue Special Revenue Obligations and to enter into related credit agreements without complying with the requirements of the Master Debt Resolution regarding the issuance of Obligations.

Other Encumbrances Prohibited *{Section 3.8}*

Except for the Pledge of the Pledged Revenues as security for the Obligations and Administrative Expenses in the order of priority established in Article II of the Master Debt Resolution, the Pledged Revenues may not be pledged or encumbered to or for the payment of any other obligation or liability of DART.

TERMS, PROVISIONS AND AUTHENTICATION OF BOND OBLIGATIONS
{*Article IV*}

Bond Obligations may be issued in any form and manner permitted by Applicable Law, subject to the provisions of the Master Debt Resolution and any applicable Supplemental Resolution. Bond Obligations are to be issued pursuant to a Supplemental Resolution setting forth all of the terms, provisions and conditions pertaining to such Bond Obligations.

SPECIAL FUNDS, USES OF MONEYS
{*Article V*}

Creation of Funds and Accounts *{Section 5.1}*

The Master Debt Resolution establishes the System Expansion and Acquisition Fund, the Senior Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; the Senior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account; and the Junior Subordinate Lien Debt Service Fund, consisting of an Interest Account and a Principal Installment Account. The Master Debt Resolution reestablishes and reconfirms the Gross Sales Tax Revenue Fund and the General Operating Fund.

The Gross Sales Tax Revenue Fund is a special trust fund held by the Trustee for the benefit of the Holders of the Obligations and the payees of Administrative Expenses. The Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Lien Debt Service Fund are special trust funds held by the Trustee for the benefit of the Holders of the Senior Lien Obligations, the Senior Subordinate Lien Obligations and the Junior Subordinate Lien Obligations, respectively, and the payees of Administrative Expenses.

The System Expansion and Acquisition Fund, the General Operating Fund and all other funds or accounts of DART not expressly required by the Master Debt Resolution or by a Supplemental Resolution to be held by the Trustee, may be held in any bank or lawful depository and said funds and accounts and all moneys on deposit therein, including the Available Remaining Revenues, shall be free of any lien, pledge or trust created by the Master Debt Resolution.

System Expansion and Acquisition Fund *{Section 5.2}*

Money on deposit in the System Expansion and Acquisition Fund is to be used to pay Costs of Acquisition and Construction and will be funded as directed in Supplemental Resolutions. In the event of a default in the payment of Obligations the Board may, but is not required to, use moneys on deposit in the System Expansion and Acquisition Fund to cure such default. Amounts remaining after payment of Costs of Acquisition and Construction for which a series of Obligations was issued may, at the discretion of DART, be used to redeem such Obligations in advance of maturity or used to pay other Costs of Acquisition and Construction.

Gross Sales Tax Revenue Fund *{Section 5.3}*

The Trustee is required to deposit to the Gross Sales Tax Revenue Fund all Gross Sales Tax Revenues (and no other moneys) as received and, on the day received, to transfer all amounts deposited to the Gross Sales Tax Revenue Fund, first, to the Senior Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Lien Obligations; second, to the Senior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Senior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Senior Subordinate Lien Obligations; and, third, to the Junior Subordinate Lien Debt Service Fund (for the Debt Service Accrual Period that begins on the date of such deposit) and any reserve fund pertaining to Junior Subordinate Lien Obligations, the amounts required to be deposited therein, and to pay Administrative Expenses pertaining to Junior Subordinate Lien Obligations. The amounts required to be deposited to each of the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, is equal to the Accrued Aggregate Debt Service for the current Debt Service Accrual Period less any amounts required to be credited against the amounts transferred pursuant to Section 5.3(d) of the Master Debt Resolution, and are required to be allocated first to the respective Interest Account and then to the respective Principal Installment Account. If the amounts on deposit in the Gross Sales Tax Revenue Fund are not sufficient to make the full amount of a transfer or payment required to be made, the Trustee is required to transfer the amount to the fund or account where the deficiency occurs with the highest priority and is prohibited from making transfers to any fund or account with a lower priority. Any balance remaining in the Gross Sales Tax Revenue Fund after making the foregoing transfers and payments is to be deposited to the General Operating Fund.

The Trustee is required to notify each Paying Agent of the anticipated date of commencement of each Debt Service Accrual Period not less than 2 Business Days prior to the date the Trustee expects such Debt Service Accrual Period to begin. Each Paying Agent is required to certify to the Trustee the amount of Accrued Aggregate Debt Service for Obligations for the Debt Service Accrual Period specified by the Trustee which has not been paid from other sources.

Senior Lien Debt Service Fund, Senior Subordinate Lien Debt Service Fund and Junior Subordinate Lien Debt Service Fund *{Sections 5.4, 5.5 and 5.6}*

The Trustee is required to pay from the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund and the Junior Subordinate Lien Debt Service Fund, respectively, to the respective Paying Agents and Credit Providers for Outstanding Senior Lien Obligations, Outstanding Senior Subordinate Lien Obligations and Outstanding Junior Subordinate Lien Obligations, respectively, the amounts required to pay Debt Service on such Obligations when due, whether at the stated maturity or prior redemption; provided, however, that if less than the total amount required to pay such Obligations is on deposit in the Senior Subordinate Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund or the Junior Subordinate Lien Debt Service Fund, respectively, Trustee is required to allocate to each Paying Agent and each Credit Provider, in order of priority, pro rata in proportion to the respective unpaid amounts.

If an Event of Default has occurred and is continuing, moneys in such funds are required to be applied as provided in Section 7.4 of the Master Debt Resolution.

General Provisions Applicable to Payments on Obligations *{Section 5.7}*

If a payment date is not a Business Day, then such payment date will be deemed to be the next succeeding Business Day of the Trustee or Paying Agent, as the case may be, and no interest will accrue between the stated day and the applicable succeeding Business Day.

Uses of General Operating Fund and of Available Remaining Revenues {*Section 5.8*}

Gross Sales Tax Revenues deposited in the General Operating Fund may be transferred to other funds and accounts of DART, free and clear of the lien of the Master Debt Resolution, and may be used for any purpose permitted or required by Applicable Law. In addition to contractual and other obligations incurred in the ordinary course of its business, DART may incur obligations payable from or secured by the Available Remaining Revenues.

Investment of Trust Funds and Accounts {*Section 5.9*}

Amounts in funds and accounts held by the Trustee may, to the extent permitted by Applicable Law, be invested in Investment Securities upon written instructions of DART. Investment Securities must mature in such amounts and at such times as is necessary to provide for timely payment from such fund or account. Investment Securities may be exchanged among funds and accounts, if required to meet payment obligations, and the Trustee may cause the liquidation prior to their maturities of Investment Securities; the Trustee is not to be liable for any resulting loss or penalty. Generally, Investment Securities and the earnings or losses thereon are part of the fund or account from which they were purchased except that transfers of earnings may be made in order to avoid investment in any manner that would cause any of the Obligations intended to be tax-exempt to be or become "arbitrage bonds" within the meaning of the Code. Investments are required to be valued at least annually at the lower of original cost or the then market value thereof.

Effect of Deposits With Paying Agents {*Section 5.10*}

Upon the deposit with the applicable Paying Agent of moneys sufficient to pay the amounts due on Obligations, DART is released from further obligation with respect to the payment of such amounts or interest thereon and such Obligations will no longer be Outstanding. Moneys deposited with Paying Agents are held uninvested in trust for the benefit of the Holders or payees of such Obligations. Unclaimed moneys are required to be distributed in accordance with any applicable escheat laws.

Arbitrage {*Section 5.11*}

DART covenants that it will take no action or fail to take any action which would cause any Tax-Exempt Obligations to be "arbitrage bonds" within the meaning of the Code.

Deposits of Special Revenues {*Section 5.12*}

Special Revenues may be deposited to such funds and accounts of DART as may be required by Applicable Law, grant condition or contract, or as directed in the documents relating to the issuance of Special Revenue Bonds or to Subordinate Lien Obligations if Special Revenues are pledged to the payment thereof.

GENERAL COVENANTS AND REPRESENTATIONS
{*Article VI*}

Representations as to Pledged Revenues {*Section 6.1*}

DART represents and warrants that it is authorized to issue the Obligations, to adopt the Master Debt Resolution and to pledge the Pledged Revenues as provided in the Master Debt Resolution, and that the Pledged Revenues are and will remain free and clear of any pledge, lien, charge or encumbrance except as expressly permitted by Article II of the Master Debt Resolution. The Obligations and provisions of the Master Debt Resolution are valid and legally enforceable obligations of DART in accordance with their terms, subject only to any applicable bankruptcy or insolvency laws or to any Applicable Law affecting creditors' rights generally. DART and the Trustee will defend, preserve and protect the pledge of the Pledged Revenues and all of the rights of the Holders against all claims and will take appropriate steps for the collection of delinquencies in the collection of the Sales Tax.

Accounts, Periodic Reports and Certificates *{Section 6.2}*

DART covenants to keep proper books of record and account relating to the System and the funds and accounts established by the Master Debt Resolution which will be subject to inspection by Holders of not less than 5% in principal amount of Bond Obligations, each Bondholder Representative and each Credit Provider. DART will provide annually, within 180 days after the close of each fiscal year, to any requesting Holder of at least 25% of a single series of Outstanding Obligations, a copy of an annual report containing certain financial information for the fiscal year just ended and the preceding fiscal year.

DART will notify the Trustee and each Credit Provider immediately if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event that, with the giving of notice or passage of time or both, could become an Event of Default, or of the failure of DART to observe any of its undertakings under the Master Debt Resolution or under any Supplemental Resolution or Credit Agreement.

Withdrawals of Units of Election *{Section 6.4}*

If any "unit of election," as defined in the Act, having once become a part of DART, withdraws from DART, the Board will take all lawful steps necessary to assure that all amounts due and owing on all Obligations allocated to such unit of election will continue to be collected from within the withdrawing unit of election until such amounts are paid in full. Gross Sales Tax Revenues collected from within a withdrawn unit of election is required to be set aside by the Trustee in a special trust account and to be expended in such a manner as will permit the continued, timely payment when due of all amounts payable on Outstanding Obligations.

DEFAULTS AND REMEDIES
{*Article VII*}

Events of Default *{Section 7.1}*

Each of the following occurrences or events constitutes an "Event of Default" under the Master Debt Resolution:

(i) failure to timely pay any Debt Service on Bond Obligations;

(ii) failure to timely pay any Credit Agreement Obligations;

(iii) default by DART in the performance of any of the covenants, conditions, agreements and provisions contained in the Obligations or in any of the Outstanding Resolutions, the failure of which materially and adversely affects the rights of the Holders, and the continuation thereof for a period of 30 days after written notice of such default;

(iv) issuing of an order by the Bankruptcy Court or a United States District Court or other court having jurisdiction, granting DART, in an involuntary proceeding, any relief under any applicable law relating to bankruptcy or providing for the appointment of a receiver or other similar official for DART or any substantial part of its property, affairs or assets, and the continuance of any such order unstayed and in effect for a period of 90 consecutive days; or

(v) DART institutes or consents to the institution of insolvency or bankruptcy proceedings against it under any federal or state insolvency laws, or files or consents to the filing of any petition, application or complaint seeking the appointment of a receiver or other similar official for DART or of any substantial part of its property, affairs or assets.

Remedies for Default *{Section 7.2}*

Upon the happening and continuance of any of the Events of Default the Trustee is required to transfer future Gross Sales Tax Revenues in the order and priority set forth in Section 5.3(a) of the Master Debt Resolution as described above under *"SPECIAL FUNDS, USES OF MONEY—Gross Sales Tax Revenue Fund."* Subject to certain restrictions on Holder's actions set forth in Section 7.3 of the Master Debt Resolution, a Credit Provider, a Bondholder Representative and/or a trustee representing not less than 25% in principal amount of Outstanding Bond Obligations, may proceed against DART to protect and enforce the rights of the Holders. No Holder has the right to seek appointment of a receiver or administrator of the affairs and assets of DART. There is no right to accelerate the maturity of any Obligation under the Master Debt Resolution.

Thirty days after a default is cured DART will be restored to its former position under the Master Debt Resolution and any proceedings are required to be abandoned or dismissed.

Application of Revenues and Other Moneys After Default *{Section 7.4}*

During the continuance of an Event of Default, the Trustee shall apply all amounts on deposit in the Senior Lien Debt Service Fund, the Senior Subordinate Lien Debt Service Fund, and the Junior Subordinate Lien Debt Service Fund at the time of the default or deposited to such funds after the default, respectively, as follows: (i) to the payment of Administrative Expenses with respect to the Senior Lien Obligations, the Senior Subordinate Lien Obligations, or the Junior Subordinate Lien Obligations, respectively, as applicable; and (ii) to the payment of Debt Service due on the Obligations, based on the foregoing priority and in the following order:

- Unless the principal of all applicable Outstanding Obligations is due, first, to the payment to the payment of interest then due in the order of maturity of such interest installments, and, if the amount available is not sufficient to pay all interest amounts then due, then to the payment of interest ratably, according to the amounts due on such installment, without any discrimination or preference; and second, to the payment of principal or redemption price then due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available is not sufficient to pay all of the applicable Obligations due on any date, then to the payment of principal or redemption price ratably, according to the amounts of principal due, without any discrimination or preference.

- If the principal of all of the applicable Outstanding Obligations is due, to the payment of the principal and interest then due and unpaid upon such Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

Notice of Event of Default *{Section 7.6}*

The Trustee shall promptly give each Holder, by first class mail, notice of each Event of Default of which it has knowledge, unless such Event of Default has been remedied or cured before the giving of such notice, except in the case of an Event of Default specified in paragraph (i) or (ii) of "Events of Default" above, the Trustee may withhold such notice if it determines that the withholding of such notice is in the best interests of the Holders.

THE TRUSTEE

{*Article VIII*}

Amegy Bank N.A. is appointed as the Trustee under the Master Debt Resolution. The duties, rights and responsibilities of the Trustee, appointment of successor and co-trustees, and matters pertaining to the administration of the trust created in the Master Debt Resolution, are set forth in Article VIII.

AMENDMENTS TO RESOLUTION

{*Article IX*}

Supplemental Resolution Without Holders' Consent *{Section 9.2}*

Subject to any limitations contained in a Supplemental Resolution or a Credit Agreement, DART may adopt Supplemental Resolutions without the consent of Holders of Obligations for the following purposes: (i) to cure any formal defect, omission or ambiguity in the Master Debt Resolution; (ii) to grant to the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security; (iii) to add covenants and agreements of DART; (iv) to add limitations and restrictions to be observed by DART; (v) to confirm any pledge or lien of the Pledged Revenues or to subject to the lien or pledge of the Master Debt Resolution additional revenues, properties or collateral; (vi) to authorize the issuance and prescribe the terms of the Initial Senior Lien Obligations, Additional Senior Lien Obligations, Subordinate Lien Obligations, and Special Revenue Bonds, and to create such additional funds and accounts as may be necessary in connection with the issuance of such Obligations; (vii) to make modifications in the Master Debt Resolution or in a Supplemental Resolution that are necessary to comply with the requirements of federal tax or securities law or other Applicable Law and that do not materially adversely affect the rights and security of the Holders to be paid in full when due; or (viii) to make any other change to the Master Debt Resolution or any Supplemental Resolution that does not materially adversely affect the right of the Holders to be paid the full amounts due and payable on the Obligations when due.

Powers of Amendment *{Section 9.3}*

The Master Debt Resolution or any Supplemental Resolution and the rights and obligations of DART and of the Holders may be amended pursuant to a Supplemental Resolution with the written consent (i) of the Holders of a Required Percentage of Bond Obligations, or (ii) if less than all of the series of Obligations then Outstanding are affected by such amendment, of the Holders of a Required Percentage of the Bond Obligations so affected; provided, however, no amendment shall permit a change in the terms of payment of principal or redemption price of or interest of any Outstanding Bond Obligation without the consent of the Holder of such Obligation; and provided further that no such amendment may be made without the consent of such Credit Providers having the right of such consent.

Consent of Holders, Credit Providers or Bondholder Representatives *{Section 9.4}*

A Supplemental Resolution making amendments permitted by the Master Debt Resolution may take effect upon receipt of the required consents of the applicable Holders in accordance with the terms and provisions of the Master Debt Resolution. Any consent will be binding upon the Holder giving such consent and upon any subsequent Holder thereof unless such consent is revoked. DART will give notice of the effective date of any such Supplemental Resolution to the affected Holders. Unless such right is limited by a Supplemental Resolution, DART reserves the right to amend the Master Debt Resolution without the consent of or notice to the Holders of Bond Obligations if such amendment is approved by each Credit Provider and Bondholder Representative which is granted the right to give such consent by a Supplemental Resolution.

DISCHARGE OF RESOLUTION
{*Article X*}

Discharge by Payment *{Section 10.1}*

The pledge and lien of the Outstanding Resolutions will be released when all Bond Obligations, Credit Agreement Obligations, and Administrative Expenses have been paid or provided for.

Discharge by Defeasance *{Section 10.2}*

DART may discharge its obligations to pay Debt Service on all or any portion of the Obligations and related Administrative Expenses, and thereby obtain a release of the pledge and lien of the Master Debt Resolution and any applicable Supplemental Resolution as to such Obligations, by depositing irrevocably with a trustee or escrow agent moneys which, together with earnings thereon from investment in "Government Securities," as verified by a nationally recognized firm of independent certified public accountants or accounting firm, will be sufficient to pay such amounts on such Obligations to maturity or prior redemption, in all cases in accordance with the terms and provisions set forth in the Master Debt Resolution.

MISCELLANEOUS PROVISIONS
{*Article XI*}

Secondary Market Disclosure, Annual Reports *{Section 11.1}*

DART will provide such financial information and operating data necessary to comply with SEC Rule 15c2-12 relating to secondary market reporting requirements.

Meeting of Holders of Bond Obligations *{Section 11.4}*

Meetings of Holders of Bond Obligations may be called in the manner provided in the Master Debt Resolution to give any notice to DART or to the Trustee, to waive or consent to the waiving of any Event of Default, to remove or appoint a successor Trustee, to consent to the execution of a Supplemental Resolution or to take any other action authorized to be taken by or on behalf of the Holders of Bond Obligations.

Appointment of Bondholder Representative *{Section 11.8}*

Each Supplemental Resolution may designate a Bondholder Representative or establish for the means by which Holders of a series of Bond Obligations may appoint a Bondholder Representative.

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