

## DALLAS AREA RAPID TRANSIT



### Quarterly Disclosure Update For the three-month period ended December 31, 2015

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*This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2015, and dated March 22, 2016. The Annual Disclosure Statement will be filed as a public record with the Municipal Securities Rulemaking Board's website at [www.emma.msrb.org](http://www.emma.msrb.org), and is posted on the Internet at our website, [www.dart.org](http://www.dart.org). You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Executive Vice President/Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.*

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#### GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our Annual Disclosure Statement for the period ending September 30, 2015, and dated March 22, 2016. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the Annual Disclosure Statement for the period ending September 30, 2015 and dated March 22, 2016. See, Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

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

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the three-month period ended December 31, 2015.

**YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE ANNUAL DISCLOSURE STATEMENT.**

#### FORWARD-LOOKING STATEMENTS

*We make "forward-looking statements" in the Annual Disclosure Statement and in Quarterly Disclosure Updates 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 that are 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.*

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**Dated: March 22, 2016**

## QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2015 and dated March 22, 2016, is updated by the following supplemental information:

### **Unaudited Financial Information**

Audited financial statements for our fiscal year ended September 30, 2015, are attached as Appendix A to the Annual Disclosure Statement. An unaudited statement of our principal accounts for the three-month period ended December 31, 2015 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the three-month period ended December 31, 2015, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this three-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

### **Management's Comment Regarding First Quarter Financial Information**

DART's unaudited financial statements for the three-month period ended December 31, 2015, and December 31, 2014, show sales tax revenues as \$140.7 million and \$133.2 million, respectively, which indicates an increase of 5.6% due to a relative improvement in the local economy resulting in better retail sales in the DART Service Area. Our operating results for the three-month period ended December 31, 2015 reflect an operating loss of \$161.8 million, compared to an operating loss of \$159.5 million for the three-month period ended December 31, 2014. This was primarily due to increased costs in labor, benefits, and services.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed \$50 million, excess sales tax receipts are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial or Capital Reserves, and the funds may be used for any purpose approved by the Board. For Fiscal Year FY 2015, our sales tax receipts exceeded our sales tax budget by \$15.6 million. In December 2014, excess sales tax receipts for FY 2014 were deposited in the Financial Reserve bringing it to the \$50 million cap. According to DART policy, the \$15.6 million was deposited in the Capital Reserve in December 2015. The December 31, 2015 balances in the Financial Reserve and Capital Reserve were \$50.0 million and \$19.7 million, respectively. The Operating Fund balance was \$687.8 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

In November, DART hired Dwight Burns as Treasurer. Mr. Burns has an extensive background in Treasury from both the public and private sectors. On December 15, 2015, DART closed on our \$117,470,000 Senior Lien Sales Tax Revenue Refunding Bonds, Series 2015. The proceeds from this issuance were used to refund portions of our Sales Tax Revenue Bonds issued in 2007.

### **Lease/Leaseback Transactions Update**

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of December 31, 2015, one lease/leaseback transaction remained active and is in full compliance with the respective operative documents, as amended.

## **Litigation**

No significant changes have occurred in the status of pending litigation involving DART since the date of the Annual Disclosure Statement. Accruals and estimated losses on claims that are asserted in pending litigation, if any, are included in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the Annual Disclosure Statement. See, Annual Disclosure Statement, "LITIGATION."

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This Quarterly Disclosure Update, in substantially the form and content presented above and in its Exhibit, was reviewed with the Board of Directors of DART on March 22, 2016.

ATTEST:

/s/ Faye Moses Wilkins  
Chair, Board of Directors

/s/ Gary Slagel  
Secretary, Board of Directors

/s/ Gary C. Thomas  
DART, President/Executive Director

**Exhibit A**

**Unaudited Statement of Principal Accounts  
for the three-month period ended December 31, 2015**

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

**DECEMBER 31, 2015 AND SEPTEMBER 30, 2015 (Dollars in Thousands)**

	12/31/2015 Unaudited	9/30/2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$44,408	\$66,985
Investments	712,256	714,640
Sales and use tax receivable	98,290	87,687
Transit revenue receivable, net	5,957	4,540
Due from federal and other governments	16,532	21,965
Materials and supplies inventory, net	36,729	35,674
Prepaid transit expense and other	4,875	2,975
Restricted investments held by trustee for debt service	28,455	108,952
Restricted investments held for advance funding agreements	67,459	67,576
Restricted investments held to pay capital lease/leaseback liabilities	6,375	12,210
<b>TOTAL CURRENT ASSETS</b>	<b>1,021,336</b>	<b>1,123,204</b>
<b>NONCURRENT ASSETS</b>		
Restricted investments for system expansion and acquisition		
Restricted investments held as security for capital lease/leaseback liabilities	9,184	9,334
Investment in joint venture	19,112	19,458
Investment in managed HOV lane agreements	13,600	13,600
Capital assets		
Land and rights-of-way	616,728	616,728
Projects in progress	118,864	101,124
Depreciable capital assets, net of depreciation	3,908,019	3,964,068
Restricted investments held to pay capital lease/leaseback liabilities	103,665	188,888
Unamortized bond insurance premium and other	905	1,069
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,790,077</b>	<b>4,914,269</b>
<b>TOTAL ASSETS</b>	<b>5,811,413</b>	<b>6,037,473</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>44,576</b>	<b>45,682</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,855,989</b>	<b>6,083,155</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	58,706	69,793
Commercial paper notes payable	200,000	200,000
Current portion of capital lease/leaseback liabilities	6,374	12,210
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	1,241	1,336
Retainage payable	22,853	22,241
Unearned revenue and other liabilities	120,546	114,067
Accrued interest payable from restricted assets	14,549	59,195
Current portion of senior lien revenue bonds payable	50,490	48,115
<b>TOTAL CURRENT LIABILITIES</b>	<b>475,583</b>	<b>527,781</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	36,059	34,636
Net pension liability	62,190	62,190
Repayment due to State Comptroller	8,369	8,575
Senior lien revenue bonds payable	3,341,304	3,394,568
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	105,000	105,000
Capital lease/leaseback liabilities	103,665	188,888
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,656,587</b>	<b>3,793,857</b>
<b>TOTAL LIABILITIES</b>	<b>4,132,170</b>	<b>4,321,638</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,011</b>	<b>2,011</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>4,134,181</b>	<b>4,323,649</b>
<b>NET POSITION</b>		
Net investment in capital assets	920,729	938,644
Restricted for debt service	13,906	49,757
Restricted as security for capital lease/leaseback liabilities	9,184	9,334
Unrestricted	777,989	761,771
<b>TOTAL NET POSITION</b>	<b>\$1,721,808</b>	<b>\$1,759,506</b>

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 and 2014 (Dollars in Thousands)**

	2015 Unaudited	2014 Unaudited
<b>OPERATING REVENUES</b>		
Passenger revenues	\$18,238	\$18,633
Advertising, rent, and other	3,450	3,453
<b>TOTAL OPERATING REVENUES</b>	<b>21,688</b>	<b>22,086</b>
<b>OPERATING EXPENSES</b>		
Labor	58,526	58,154
Benefits	27,984	28,079
Services	8,398	7,598
Materials and supplies	10,280	9,591
Purchased transportation	12,388	11,798
Depreciation and amortization	59,411	59,848
Utilities	4,502	4,415
Taxes, leases, and other	901	923
Casualty and liability	1,122	1,202
<b>TOTAL OPERATING EXPENSES</b>	<b>183,512</b>	<b>181,608</b>
<b>NET OPERATING LOSS</b>	<b>(161,824)</b>	<b>(159,522)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales and use tax revenue	140,671	133,195
Investment income (loss)	(1,021)	1,402
Interest income from investments held to pay capital lease/leaseback	3,276	4,053
Interest expense on capital lease/leaseback	(3,276)	(4,053)
Street improvements		(73)
Interest and financing expenses	(41,903)	(44,995)
Build America Bonds tax credit	7,098	7,060
Other federal grants	14,392	19,169
Other non-operating revenues	3,792	6,090
Other non-operating expenses	(1,254)	(3,949)
<b>NET NON-OPERATING REVENUES</b>	<b>121,775</b>	<b>117,899</b>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS</b>	<b>(40,049)</b>	<b>(41,623)</b>
<b>CAPITAL CONTRIBUTIONS AND GRANTS</b>		
Federal capital contributions	2,189	6,612
State capital contributions	95	327
Local capital contributions	67	174
<b>TOTAL CAPITAL CONTRIBUTIONS AND GRANTS</b>	<b>2,351</b>	<b>7,113</b>
<b>CHANGE IN NET POSITION</b>	<b>(37,698)</b>	<b>(34,510)</b>
<b>TOTAL NET POSITION – BEGINNING OF YEAR</b>	<b>1,759,506</b>	<b>2,039,587</b>
<b>TOTAL NET POSITION – END OF YEAR</b>	<b>\$1,721,808</b>	<b>\$2,005,077</b>

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 and 2014 (Dollars in Thousands)**

	2015 Unaudited	2014 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$27,859	\$31,232
Cash flows from other sources		29,321
Payments to suppliers of goods and services	(30,215)	(31,100)
Payments to purchased transportation service providers	(11,315)	(15,033)
Payments to employees	(60,388)	(58,154)
Benefit payments on behalf of employees	(27,993)	(28,079)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(102,052)</u>	<u>(71,813)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales and use tax receipts	129,862	126,570
Other federal grants	13,351	19,207
Other non-capital financing receipts	1	26
Build America Bonds tax credit	14,195	14,119
Local Assistance Program and street improvements	(95)	(72)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>157,314</u>	<u>159,850</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	1,353	3,297
Proceeds from sales and maturity of investments	239,012	242,060
Purchase of investments	(238,663)	(241,501)
Decrease (increase) in restricted assets	80,614	98,249
Investment in managed HOV lane agreements		(2,003)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>82,316</u>	<u>(100,102)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(27,256)	(68,383)
Proceeds from the issuance of commercial paper notes	225,000	100,000
Payment on commercial paper notes	(225,000)	(80,000)
Proceeds from the issuance of sales tax revenue bonds	117,470	497,876
Payment for advance refunding of sales tax revenue bonds	(117,319)	(496,226)
Payment of debt issuance costs	(359)	(2,270)
Principal payment on revenue bonds	(48,115)	(38,215)
Interest and financing expenses	(88,060)	(90,276)
Federal capital contributions	3,417	15,600
State capital contributions		174
Local capital contributions	67	
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(160,155)</u>	<u>(161,720)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(22,577)	26,419
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR</b>	<u>66,985</u>	<u>27,217</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$44,408</u>	<u>\$53,636</u>

(Continued)

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2015 and 2014 (Dollars in Thousands)**

	2015 <u>Unaudited</u>	2014 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(161,824)	\$(159,522)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	59,410	59,848
Miscellaneous non-operating income	3,771	2,261
Miscellaneous non-operating expenses	(1,233)	(145)
Changes in assets and liabilities		
(Increase) Decrease in transit receivable	(3,168)	2,894
(Increase) Decrease in due from federal & other governments		
Increase in materials and supplies inventory	(1,056)	(2,421)
Decrease in prepaid expenses and other current assets	(1,891)	(1,531)
Increase in pension assets	-	)
		-
Increase in accounts payable and accrued liabilities	(2,035)	(5,848)
Increase (Decrease) in unearned revenue and other liabilities	5,974	32,651
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(102,055)</u>	<u>\$(71,813)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$3,276	\$4,052
Interest expense on capital lease/leaseback	(3,276)	(4,052)
Increase (Decrease) in capital lease/leaseback obligations	(91,059)	(2,166)
(Increase) Decrease in investments held to pay capital lease/leaseback	(91,059)	2,166
Increase (Decrease) in fair value of investments	(2,526)	(11)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(1,237)	(1,828)
Purchases of capital assets in accounts payable at period-end	1,815	7,324
Toll Credits	20	3,803
Toll Credits	(20)	(3,803)
Proceeds from the issuance of revenue bonds paid into escrow	117,470	497,876
Payment for advance refunding of revenue bonds	(117,319)	(496,226)

(Concluded)