

## DALLAS AREA RAPID TRANSIT

**Quarterly Disclosure Update  
for the nine-month period ended June 30, 2016**

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*This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ended September 30, 2015, and dated March 22, 2016, our Quarterly Disclosure Update for the three-month period ending December 31, 2015, dated March 22, 2016, and our Quarterly Disclosure Update for the six-month period ending March 31, 2016, dated May 24, 2016, which have been filed as a public record with the Municipal Securities Rulemaking Board's website at [www.emma.msrb.org](http://www.emma.msrb.org), and 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 dated March 22, 2016, our Quarterly Disclosure Update for the three-month period ending December 31, 2015, dated March 22, 2016, and our Quarterly Disclosure Update for the six-month period ending March 31, 2016, dated May 24, 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. 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 nine-month period ended June 30, 2016.

**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: August 23, 2016**

## QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement dated March 22, 2016, Quarterly Disclosure Update dated March 22, 2016, and Quarterly Disclosure Update dated May 24, 2016, are 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 nine-month period ended June 30, 2016 compared to June 30, 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 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 nine-month period ended June 30, 2016, 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 nine-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

### Management's Comment Regarding Third Quarter Financial Information

DART operations resulted in a net loss of \$475.6 million during the first nine months of Fiscal Year 2016 as compared to \$467.7 million as of June 30, 2015. The loss for the nine months ending June 30, 2016 is higher than June 30, 2015 due to a 3% decrease in revenues and capital contributions and a 1% increase in expenses.

DART's unaudited financial statements for the nine-month period ended June 30, 2016 and June 30, 2015 show sales tax revenues as \$408.7 million and \$391.8 million, respectively, which indicates an increase of 4.3%. As of June 30, 2016, total assets and deferred outflows of resources were \$5.8 billion compared to \$6.1 billion as of September 30, 2015.

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 funds are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial and Capital Reserves, and the funds may be used for any purpose approved by the Board. The balance in the Financial Reserve Account as of June 30, 2016 was \$50 million, and the balance in the Capital Reserve Account was \$20.1 million. As of June 30, 2016, the Operating Fund balance was \$584 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments. Total outstanding long-term debt as of June 30, 2016, excluding the capital lease/leaseback obligation, was \$3.5 billion. In June, DART paid down an additional \$20 million in Commercial Paper Debt. DART currently has \$170 million outstanding in Commercial Paper. .

## **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."

**Exhibit A**

**Unaudited Statement of Principal Accounts  
for the nine-month period ended June 30, 2016**

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF NET POSITION  
JUNE 30, 2016 AND SEPTEMBER 30, 2015 (Dollars in Thousands)**

	6/30/2016 Unaudited	9/30/2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$44,176	\$66,985
Investments	611,276	714,640
Sales and use tax receivable	94,223	87,687
Transit revenue receivable, net	3,808	4,540
Due from federal and other governments	9,606	21,965
Materials and supplies inventory, net	36,557	35,674
Prepaid transit expense and other	3,039	2,975
Restricted investments held by trustee for debt service	54,639	108,952
Restricted investments held for advance funding agreements	67,688	67,576
Restricted investments held to pay capital lease/leaseback liabilities	6,374	12,210
<b>TOTAL CURRENT ASSETS</b>	<b>931,386</b>	<b>1,123,204</b>
<b>NONCURRENT ASSETS</b>		
Restricted investments held as security for capital lease/leaseback liabilities	8,741	9,334
Investment in joint venture	18,420	19,458
Investment in managed HOV lane agreements	13,600	13,600
Capital assets		
Land and rights-of-way	615,336	616,728
Projects in progress	192,927	101,124
Depreciable capital assets, net of depreciation	3,793,633	3,964,068
Restricted investments held to pay capital lease/leaseback liabilities	101,331	188,888
Unamortized bond insurance premium and other	862	1,069
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,744,850</b>	<b>4,914,269</b>
<b>TOTAL ASSETS</b>	<b>5,676,236</b>	<b>6,037,473</b>
DEFERRED OUTFLOWS OF RESOURCES	97,687	45,682
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,773,923</b>	<b>6,083,155</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	59,602	69,793
Commercial paper notes payable	170,000	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	685	1,336
Retainage payable	23,061	22,241
Unearned revenue and other liabilities	116,157	114,067
Accrued interest payable from restricted assets	14,252	59,195
Current portion of senior lien revenue bonds payable	53,962	48,115
<b>TOTAL CURRENT LIABILITIES</b>	<b>444,917</b>	<b>527,781</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	35,380	34,636
Net pension liability	63,697	62,190
Repayment due to State Comptroller	7,957	8,575
Senior lien revenue bonds payable	3,380,141	3,394,568
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	105,000	105,000
Capital lease/leaseback liabilities	101,331	188,888
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,693,506</b>	<b>3,793,857</b>
<b>TOTAL LIABILITIES</b>	<b>4,138,423</b>	<b>4,321,638</b>
DEFERRED INFLOWS OF RESOURCES	4,049	2,011
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>4,142,472</b>	<b>4,323,649</b>
<b>NET POSITION</b>		
Net investment in capital assets	933,203	938,644
Restricted for debt service	40,387	49,757
Restricted as security for capital lease/leaseback liabilities	8,741	9,334
Unrestricted	649,120	761,771
<b>TOTAL NET POSITION</b>	<b>\$1,631,451</b>	<b>\$1,759,506</b>

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

**FOR THE NINE MONTHS ENDED JUNE 30, 2016 and 2015 (Dollars in Thousands)**

	2016 <u>Unaudited</u>	2015 <u>Unaudited</u>
<b>OPERATING REVENUES</b>		
Passenger revenues	\$51,926	\$52,799
Advertising, rent, and other	10,715	11,899
<b>TOTAL OPERATING REVENUES</b>	<u>62,641</u>	<u>64,698</u>
<b>OPERATING EXPENSES</b>		
Labor	171,454	167,424
Benefits	72,777	77,359
Services	28,275	25,673
Materials and supplies	31,226	28,332
Purchased transportation	37,582	34,164
Depreciation and amortization	176,974	179,518
Utilities	13,017	12,822
Taxes, leases, and other	3,195	3,347
Casualty and liability	3,747	3,713
<b>TOTAL OPERATING EXPENSES</b>	<u>538,247</u>	<u>532,352</u>
<b>NET OPERATING LOSS</b>	<u>(475,606)</u>	<u>(467,654)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales and use tax revenue	408,671	391,841
Investment income	5,064	6,033
Interest income from investments held to pay capital lease/leaseback	7,316	11,477
Interest expense on capital lease/leaseback	(7,316)	(11,477)
Street improvements	(501)	(450)
Interest and financing expenses	(123,118)	(128,956)
Build America Bonds tax credit	21,293	21,179
Other federal grants	26,670	63,024
Other non-operating revenues	12,741	18,334
Other non-operating expenses	(8,081)	(11,862)
<b>NET NON-OPERATING REVENUES</b>	<u>342,739</u>	<u>359,143</u>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS</b>	<u>(132,867)</u>	<u>(108,511)</u>
<b>CAPITAL CONTRIBUTIONS AND GRANTS</b>		
Federal capital contributions	3,619	15,572
State capital contributions	1,126	332
Local capital contributions	67	1,564
<b>TOTAL CAPITAL CONTRIBUTIONS AND GRANTS</b>	<u>4,812</u>	<u>17,468</u>
<b>CHANGE IN NET POSITION</b>	(128,055)	(91,043)
<b>TOTAL NET POSITION – BEGINNING OF YEAR</b>	<u>1,759,506</u>	<u>1,966,051</u>
<b>TOTAL NET POSITION – END OF THE PERIOD</b>	<u>\$1,631,451</u>	<u>\$1,875,008</u>

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

**FOR THE NINE MONTHS ENDED JUNE 30, 2016 and 2015 (Dollars in Thousands)**

	2016 Unaudited	2015 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$62,073	\$62,115
Cash flows from other sources	12,847	35,576
Payments to suppliers of goods and services	(99,776)	(88,229)
Payments to purchased transportation service providers	(35,619)	(36,822)
Payments to employees	(173,811)	(168,582)
Benefit payments on behalf of employees	(78,063)	(75,615)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(312,349)</b>	<b>(271,557)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales and use tax receipts	401,517	387,228
Other federal grants	26,786	63,049
Other non-capital financing receipts	1	5
Build America Bonds tax credit	28,391	28,238
Local Assistance Program and street improvements	(1,152)	(610)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>455,543</b>	<b>477,935</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	6,493	4,042
Proceeds from sales and maturity of investments	730,721	869,233
Purchase of investments	(627,735)	(843,943)
Decrease (increase) in restricted assets	54,201	74,715
Investment in managed HOV lane agreements		(7,010)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>163,680</b>	<b>97,037</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(84,622)	(103,959)
Proceeds from the issuance of commercial paper notes	710,000	370,000
Payment on commercial paper notes	(740,000)	(350,000)
Proceeds from the issuance of sales tax revenue bonds	692,426	497,876
Payment for advance refunding of sales tax revenue bonds	(695,699)	(496,226)
Payment of debt issuance costs	(2,569)	(2,254)
Principal payment on revenue bonds	(48,115)	(38,215)
Interest and financing expenses	(168,842)	(176,940)
Federal capital contributions	3,835	24,808
State capital contributions	3,836	5
Local capital contributions	67	1,564
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(329,683)</b>	<b>(273,341)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(22,809)</b>	<b>30,074</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR</b>	<b>66,985</b>	<b>27,217</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b>\$44,176</b>	<b>\$57,291</b>

(Continued)

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

**FOR THE NINE MONTHS ENDED JUNE 30, 2016 and 2015 (Dollars in Thousands)**

	2016 <u>Unaudited</u>	2015 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(475,606)	\$(467,654)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	176,974	179,518
Miscellaneous non-operating income	12,719	7,783
Miscellaneous non-operating expenses	(8,060)	(1,336)
Changes in assets and liabilities		
Decrease in transit receivable	3,142	3,753
Increase in materials and supplies inventory	(883)	(5,139)
Decrease in prepaid expenses and other current assets	(106)	(334)
Decrease in net pension liability	1,507	(1,385)
Increase in deferred inflows of resources	2,038	
Increase in deferred outflows of resources	(8,797)	
Increase in accounts payable and accrued liabilities	(15,780)	(9,594)
Increase (Decrease) in unearned revenue and other liabilities	503	22,831
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(312,349)</u>	<u>\$(271,557)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$7,316	\$11,477
Interest expense on capital lease/leaseback	(7,316)	(11,477)
(Decrease) in capital lease/leaseback obligations	(93,393)	(2,619)
Decrease in investments held to pay capital lease/leaseback	93,393	2,619
Increase (Decrease) in fair value of investments	1,380	1,753
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(2,208)	(5,982)
Purchases of capital assets in accounts payable at period-end	15,777	3,235
Toll Credits	21	10,526
Toll Credits	(21)	(10,526)
Proceeds from the issuance of revenue bonds paid into escrow	692,426	497,876
Payment for advance refunding of revenue bonds	(695,699)	(496,226)

(Concluded)