

DALLAS AREA RAPID TRANSIT



**Quarterly Disclosure Update
for the nine-month period ended June 30, 2019**

This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2018, and dated March 12, 2019. The Annual Disclosure Statement will be filed as a public record with the Municipal Securities Rulemaking Board's website at www.emma.msrb.org, and is posted on the Internet at our website, 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: Senior Vice President, Finance, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our Annual Disclosure Statement for the period ending September 30, 2018. 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, 2018 and dated March 12, 2019. 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, 2019.

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.

Dated: August 27, 2019

QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2018 and dated March 12, 2019, is updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2018, 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, 2019 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 nine-month period ended June 30, 2019, 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's unaudited financial statements for the nine-month period ended June 30, 2019, and June 30, 2018, show sales tax revenues as \$469.7 million and \$451.6 million, respectively, which indicates an increase of 4.0% due to the continuing expansion in the local economy resulting in better retail sales in the DART Service Area. Our operating results for the nine-month period ended June 30, 2019 reflect a decrease in net position of \$50.6 million, compared to \$71.0 million for the nine-month period ended June 30, 2018. This was primarily due to increased sales tax revenues, interest income and federal grant receipts.

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 Mobility Assistance and Innovation Fund (formerly known as the "Capital Reserve Account"). Should the Financial Reserve exceed \$50 million, excess sales tax receipts are placed in the Mobility Assistance and Innovation Fund (MAIF). An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserves or MAIF, and the funds may be used for any purpose approved by the Board. The June 30, 2019 balances in the Financial Reserve and MAIF were \$50.0 million and \$10.5 million, respectively. By adoption of the FY 2017 Twenty-Year Financial Plan, the Board authorized utilizing the projected end of year balance of \$20.1 million of the MAIF Funds for Cotton Belt commuter rail project development. As of June 30, 2019, DART paid down a total of \$25 million in Commercial Paper Debt. The Operating Fund balance was \$317.0 million as of June 30, 2019. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

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 June 30, 2019, 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."

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 August 27, 2019.

ATTEST:

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

/s/ Michele W. Krause
Secretary, Board of Directors

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

Exhibit A

**Unaudited Statement of Principal Accounts
for the nine-month period ended June 30, 2019**

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

JUNE 30, 2019 AND SEPTEMBER 30, 2018 (Dollars in Thousands)

	6/30/2019 Unaudited	9/30/2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$70,033	\$98,361
Investments	332,784	390,208
Sales and use tax receivable	107,281	97,949
Transit revenue receivable, net	6,445	7,001
Due from federal and other governments	25,366	21,840
Materials and supplies inventory, net	39,840	35,915
Prepaid transit expense and other	8,342	4,107
Restricted investments held by trustee for debt service	64,626	113,533
Restricted investments held for advance funding agreements	69,034	64,860
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	730,125	840,148
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	6,011	6,796
Investments restricted for system expansion and acquisition	2,119	-
Investment in joint venture	9,685	10,497
Capital assets		
Land and rights-of-way	618,596	619,043
Projects in progress	191,599	93,435
Depreciable capital assets, net of depreciation	3,356,513	3,524,818
Restricted investments held to pay capital lease/leaseback liabilities	107,510	107,492
Unamortized bond insurance premium and other	563	687
TOTAL NONCURRENT ASSETS	4,292,596	4,362,768
TOTAL ASSETS	5,022,721	5,202,916
DEFERRED OUTFLOWS OF RESOURCES	83,405	89,210
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,106,126	5,292,126
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	49,438	61,742
Commercial paper notes payable	90,100	125,000
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	1,531	1,531
Retainage payable	8,894	7,002
Unearned revenue and other liabilities	116,058	111,309
Accrued interest payable from restricted assets	14,730	54,507
Current portion of senior lien revenue bonds payable	59,974	58,291
TOTAL CURRENT LIABILITIES	347,923	426,580
NONCURRENT LIABILITIES		
Accrued liabilities	39,402	39,748
Net pension liability	44,898	44,898
Net other post-employment benefits (OPEB) liability	26,630	22,667
Repayment due to State Comptroller	5,485	6,103
Senior lien revenue bonds payable	3,167,601	3,236,871
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	96,512	98,726
Railroad Rehabilitation and Improvement Financing (RRIF) Bonds payable	11,706	-
Capital lease/leaseback liabilities	107,510	107,492
TOTAL NONCURRENT LIABILITIES	3,499,744	3,556,505
TOTAL LIABILITIES	3,847,667	3,983,085
DEFERRED INFLOWS OF RESOURCES	4,663	4,663
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,852,330	3,987,748
NET POSITION		
Net investment in capital assets	800,037	764,341
Restricted for debt service	49,895	59,026
Restricted as security for capital lease/leaseback liabilities	6,011	6,796
Unrestricted	397,853	474,215
TOTAL NET POSITION	\$1,253,796	\$1,304,378

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

FOR THE NINE MONTHS ENDED JUNE 30, 2019 and 2018 (Dollars in Thousands)

	2019 <u>Unaudited</u>	2018 <u>Unaudited</u>
OPERATING REVENUES		
Passenger revenues	\$46,178	\$47,322
Advertising, rent, and other	10,046	10,273
TOTAL OPERATING REVENUES	<u>56,224</u>	<u>57,595</u>
OPERATING EXPENSES		
Labor	187,049	180,882
Benefits	82,671	68,905
Services	33,980	30,512
Materials and supplies	37,350	34,667
Purchased transportation	43,877	41,227
Depreciation and amortization	184,147	187,409
Utilities	12,065	14,248
Taxes, leases, and other	3,478	3,507
Casualty and liability	4,870	3,608
TOTAL OPERATING EXPENSES	<u>589,487</u>	<u>564,965</u>
NET OPERATING LOSS	<u>(533,263)</u>	<u>(507,370)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	469,692	451,640
Investment income	12,862	3,703
Interest income from investments held to pay capital lease/leaseback	6,393	6,393
Interest expense on capital lease/leaseback	(6,393)	(6,393)
Interest and financing expenses	(113,250)	(115,494)
Build America Bonds tax credit	21,384	21,336
Other federal grants	52,149	50,942
Other non-operating revenues	11,924	16,191
Local assistance and street improvements	(4,999)	(2,696)
Other non-operating expenses	(11,011)	(1,182)
NET NON-OPERATING REVENUES	<u>438,751</u>	<u>424,440</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(94,512)</u>	<u>(82,930)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	42,331	11,268
State capital contributions	1,599	649
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>43,930</u>	<u>11,917</u>
CHANGE IN NET POSITION	(50,582)	(71,013)
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,304,378</u>	<u>1,445,038</u>
TOTAL NET POSITION – END OF THE REPORTING PERIOD	<u>\$1,253,796</u>	<u>\$1,374,025</u>

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

FOR THE NINE MONTHS ENDED JUNE 30, 2019 and 2018 (Dollars in Thousands)

	2019 Unaudited	2018 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$64,516	\$74,911
Payments to suppliers of goods and services	(116,400)	(96,358)
Payments to purchased transportation service providers	(41,595)	(40,353)
Payments to employees	(191,025)	(183,764)
Benefit payments on behalf of employees	(78,009)	(73,553)
NET CASH USED BY OPERATING ACTIVITIES	<u>(362,513)</u>	<u>(319,117)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	459,741	440,799
Other federal grants	52,061	51,594
Build America Bonds tax credit	27,490	28,451
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>539,292</u>	<u>520,844</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,897	6,065
Proceeds from sales and maturity of investments	259,062	226,414
Purchase of investments	(196,004)	(165,207)
Decrease in restricted assets	43,400	56,868
NET CASH USED BY INVESTING ACTIVITIES	<u>113,355</u>	<u>124,140</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(116,734)	(71,667)
Proceeds from the issuance of commercial paper notes	505,100	530,000
Payment of commercial paper notes	(540,000)	(530,000)
Proceeds from Rail Road Infrastructure Financing (RRIF) Loan	11,706	
Principal payment on revenue bonds	(58,291)	(55,936)
Interest and financing expenses	(156,745)	(164,682)
Payment of debt issuance costs	(3,731)	(428)
Federal capital contributions	38,357	10,166
State capital contributions	1,599	937
Net proceeds from the sale of capital assets	277	195
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(318,462)</u>	<u>(281,415)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,328)	44,452
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	<u>98,361</u>	<u>39,938</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$70,033</u>	<u>\$84,390</u>

(Continued)

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

FOR THE NINE MONTHS ENDED JUNE 30, 2019 and 2018 (Dollars in Thousands)

	2019 <u>Unaudited</u>	2018 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(533,263)	\$(507,370)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	184,147	187,409
Miscellaneous non-operating income	11,648	15,996
Miscellaneous non-operating expenses	(11,011)	(3,878)
Changes in assets and liabilities		
Decrease in transit receivable	613	1,845
Increase in due from federal & other governments	(3,979)	(525)
Increase in materials and supplies inventory	(3,924)	(1,610)
Decrease in prepaid expenses and other current assets	(3,781)	(3,108)
Increase (decrease) in net pension liability	-	(5,422)
Increase in net other post-employment benefits (OPEB) liability	3,963	-
Decrease in accounts payable and accrued liabilities	(7,209)	(3,539)
Increase in unearned revenue and other liabilities	283	1,085
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(362,513)</u>	<u>\$(319,117)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$6,393	\$6,393
Interest expense on capital lease/leaseback	(6,393)	(6,393)
Increase in capital lease/leaseback obligations	19	19
Increase in investments held to pay capital lease/leaseback	(19)	(19)
Increase (Decrease) in fair value of investments	4,028	(1,608)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(9,521)	(14,223)
Purchases of capital assets in accounts payable at period-end	8,704	3,641
Proceeds from the issuance of revenue bonds paid into escrow	366,866	
Payment for advance refunding of revenue bonds	(373,713)	

(Concluded)