DALLAS AREA RAPID TRANSIT

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2012

Dallas, Texas

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DALLAS AREA RAPID TRANSIT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2012

Dallas, Texas

Gary C. Thomas
President/Executive Director

David Leininger
Executive Vice President, Chief Financial Officer

Prepared by:

General Accounting Division of the Finance Department

DALLAS AREA RAPID TRANSIT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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INTRODUCTORY SECTION

IT'S ALL

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Dallas Area Rapid Transit
P.O. Box 660163
Dallas, TX 75266-0163
214/749-3278

March 26, 2013

To the Citizens and Stakeholders of the DART Service Area:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Dallas Area Rapid Transit (DART) for the fiscal years ended September 30, 2012 and 2011. This report is published to provide the DART Board, citizens of DART's service area, and other interested parties information regarding the financial position and operating results of DART.

The management of DART is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. Management is also responsible for establishing and maintaining effective internal control over financial reporting. Because the cost of internal controls should not outweigh their benefits, DART's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Pursuant to Section 452.451 of the Texas Transportation Code, the financial statements and required supplementary information contained herein are required to be independently audited. Crowe Horwath LLP, Independent Auditors, have issued an unqualified opinion on the DART financial statements for the years ended September 30, 2012 and 2011. The Independent Auditors Report is located at the front of the financial section of this report.

DART is also required by federal and state regulations to undergo an audit of federally and state funded programs administered by DART. The standards governing the Single Audit engagement require the independent auditor to report on the audited government's internal controls and compliance with laws, regulations, contracts, and grants applicable to each major federal and state program. The reports related specifically to the Single Audits are issued under separate cover.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis of the basic financial statements in the form of a Management's discussion and analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. DART's MD&A immediately follows the independent auditor's report.

Profile of Reporting Entity

Dallas Area Rapid Transit (DART) is a regional transit agency authorized under Chapter 452 of the Texas Transportation Code and was created by voters on August 13, 1983 and funded primarily with a one-cent local sales tax within the service area. The service area consists of 13 cities: Addison, Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Highland Park, Irving, Plano, Richardson, Rowlett, and University Park.

Revenue from the one-cent sales and use tax, federal funds, investment income, short-and-long-term financing, operating, fare, and other revenues fund the operations and ongoing development of DART's multimodal Transit System Plan.

DART provides its service area cities with approximately 130 bus routes, 85 miles of light rail, 34 miles of commuter rail, 75 freeway miles of high occupancy vehicle (HOV) lanes, 186 vans for paratransit service for persons who are mobility impaired, and 196 vans for vanpool service.

DART and the Fort Worth Transportation Authority (The T) jointly operate 34 miles of commuter rail linking downtown Dallas and down town Fort Worth with stops in the mid-cities. The commuter rail service is operated under the assumed name of Trinity Railway Express or TRE. TRE was created in 1996 by inter-local agreement between DART and The T.

In 2012, DART's extensive network of bus, commuter rail, light rail, paratransit (demand response), and vanpool services moved more than 70.4 million customers across a 700-square-mile service area. DART's light rail system, which services employment, shopping, and entertainment destinations in Dallas, Carrollton, Farmers Branch, Garland, Plano, Irving, and Richardson served 27.7 million customers. Approximately 2.3 million customers rode the TRE in 2012. More than 104 thousand commuters use DART's 75-mile network of HOV lanes each weekday. Additional operating information can be found in the Operating Section of the Statistical Section of this CAFR.

Governance

DART is governed by a 15-member board appointed by service area city councils based on population. Eight members are appointed by the City of Dallas, and seven are appointed by the remaining cities. Board members serve two-year terms with no term limits. Board officers are elected from the board membership and serve a one-year term.

Budget process

On an annual basis, DART develops an annual budget and a Twenty-Year Financial Plan to validate the affordability of DART's long-range Transit System Plan, which includes the Agency's commitments to future system expansion and the issuance and repayment of debt. Departmental targets are set based on projections from the Twenty-Year Financial Plan and other known factors or programs. Based on the direction of senior management, departments prepare detailed annual budgets for each of their cost centers within those targets. These budgets are in turn reviewed during meetings with the department head, the Executive Vice President, the President/Executive Director, and the budget office. Based on their input, the Finance Department develops the Annual Budget and Twenty-Year Financial Plan for the legislatively-required 30-day comment period by DART's service area cities. The Board performs additional reviews as necessary, before it approves the annual budget and Twenty-Year Financial Plan in late September. Approval of the annual budget requires a simple majority vote. Approval of the Twenty-Year Financial Plan requires a super-majority of members of the Board (two-thirds, or 10 votes).

Local economy

The local economy including employment levels impact DART's ridership and revenues significantly. The local economy in 2012 showed steady growth. The average unemployment rate in the DART Service Area during 2011 was 7.8% and decreased in 2012 to 6.7%. Correspondingly, our ridership increased in 2012 by 10.4% compared to 2011. The strength of the local economy also affects DART's major revenue source – sales and use tax revenue. Our sales and use tax revenue was up 7.5% in 2012 compared to 2011. Retail sales in the DART Service Area trended roughly in-line with the nation according to retailers.

Major industries in the Dallas area include financial services, construction, information technology, telecommunications, transportation, energy, and processing. Using information from the Federal Reserve's Beige Book, what follows is a brief summary of the local economic conditions during the fiscal year.

The labor market showed steady employment levels with slight increases in hiring activity. Staffing firms reported moderate to high demand for their services throughout the year and softening slightly by the third quarter. In the financial services industry, demand had softened by the third quarter of the year after having reported steady to slight increases in demand for loans earlier in the year. Residential real estate loan demand rose and the quality of outstanding loans continued to improve slowly as non-performing loans declined.

High-tech manufacturing sales showed slow growth and were mostly flat with the exception of demand for mobile devices and cloud computing. The slow growth was attributed to continued high uncertainty about economic prospects. Overall demand for construction-related materials continued to improve. Housing and commercial real estate markets showed continued improvement. Construction in the housing sector showed a modest increase and apartment demand remained brisk. Office, retail, and industrial leasing activity showed continued improvement. At energy-related firms, overall activity remained at high levels with long lead times and growing backlogs. Drilling activity continued to shift from dry natural gas to oil and natural gas liquids.

DART economic outlook

DART's major source of revenue, sales tax, continues to trend upward. DART's sales tax revenues were $433.3 million, 2.4 percent better than projected. Total revenues reached $780.4 million. The local economy also continues to improve. The Dallas Morning News cited that "North Texas is one of only three U.S. metropolitan areas that have fully recovered from the Great Recession of 2007 to 2009, according to a new report by the Brookings Institution."

Despite strong sales tax growth and continued improvement in the economy, DART still faces substantial challenges including the lingering effects of a decade of flat sales tax receipts and the stock market drop in 2007, not to mention rising healthcare costs, and lower interest rates.

The drop in the stock market during 2007 through 2009 is still impacting DART's funding of a Defined Benefit (DB) Pension Plan. Adjustments lowering future earnings expectations will add almost $50 million in additional required contributions from DART over the next 20 years. Although the DB Plan is a closed plan, there are still benefits that will be accrued and paid out for the next 30 years or longer.

While low interest rates over the last few years are expected to result in tens of millions of dollars in interest expense savings over the next 30 years, the continued low interest rates are having a significant negative impact on the interest income that DART earns on its investment portfolio. DART is expected to earn $50 million less in interest income over the next five years.

Long-term financial planning

In response to these economic challenges, the 20-year financial plan that DART developed for 2013 supports cost saving measures, the changeover to a new mobility management/paratransit service provider, the introduction of new fleets of both smaller buses and full-size compressed natural gas buses as well as action to increase long-term revenue, and the introduction of new fares.

One of the cost saving measures that DART has undertaken is to keep flat the total number of authorized full-time equivalent employees at the agency. The number of employees remains mostly unchanged despite nearly 14 miles of new Orange Line and Blue Line light rail service along with an increased level of police presence throughout the system. Also, changes DART made to overhaul its healthcare programs in 2012 are showing some promising early results in helping to reduce health care costs to the Agency.

Other cost saving measures include a replacement of approximately 112 standard transit buses with small buses and the introduction of a new service delivery program for ADA-eligible Paratransit customers. In FY 2013, DART will begin replacing the standard buses with smaller vehicles that are more maneuverable and better able to operate on smaller roads and within commercial developments. Each vehicle costs 40% of the price of a full-size bus. The new service delivery program for our Paratransit customers will involve a change in contractors as well as service delivery methods. The total projected savings of the seven-year contract is in excess of $90 million, including both capital and operating savings.

As mentioned earlier, DART's bus fleet is undergoing a transition to compressed natural gas (CNG). In early 2011 the agency awarded a contract for up to 452 new 30-foot and 40-foot heavy duty, low floor buses to replace the current fleet of liquefied natural gas (LNG) and clean diesel buses. The first of these new buses are scheduled to be in service in FY 2013. The full fleet conversion should be complete in 2016.

Also, DART is taking steps to increase long-term revenue. These include a planned fare increase in fiscal 2013, parking charges at certain light rail stations, and a pilot project to explore the viability of advertising at DART's bus shelters, and station naming rights/sponsorships. In addition, DART expects to get an additional sales tax revenue each year as a result of an agreement between the Texas State Comptroller and Amazon.com that expanded DART's sales tax base,.

Management projects that the resumption of healthy sales tax growth combined with these cost saving measures and spending revisions will enable DART to continue to achieve operational and strategic objectives. Over the next few years, DART expects to continue to outline a plan of system additions and service offerings that demonstrate DART's continuing commitment to provide a broad variety of mobility options.

During 2013 the agency will implement a new mobile ticketing application that will allow customers to utilize the application from a smart phone to conveniently purchase tickets and download them to their phone. DART is also taking a number of initiatives to improve customer communications, customer service, and service delivery. Among these are the Customer Communications Program which provides standard cell phones the real-time bus arrival time projections currently available on smart phones; the Public Announcement/Variable Message Board (PA/VMB) systems, which are being installed at all light rail and commuter rail platforms, will provide customers with train wait times and arrival announcements; and the "Where's My Bus?"® application which allows customers to easily access train schedules.

DART is also increasing the use of security cameras on rail platforms, bus park and ride locations, and transit vehicles. This, as well as enhanced police and fare enforcement presence on the Light Rail system, will provide a greater sense of security for DART customers.

DART has made sufficient progress on the planning and financing for the SOC-3 line to accelerate the revenue service date by three years. This line had been programmed in the FY12 Financial Plan to open in the fall of 2019 (FY20). It is now programmed for the fall of 2016 (FY17), which will run from the current Blue Line-terminus of Ledbetter Station to the UNT Dallas campus. The line is approximately 2.6 miles and will have two stations.

DART is nearing the completion of its light-rail system expansion. Completion of light-rail projects presently under construction will further expand the system to 90 miles by 2014.

Fiscal Year 2012 – Year-in-Review

In fiscal year 2012 alone, DART marked several major accomplishments. In November 2011, the United States Green Building Council (USGBC) awarded DART with the Leadership in Energy and Environmental Design (LEED) Platinum certification, the organization's highest recognition. DART earned the award by working closely with the Texas Historical Commission, the Federal Transit Administration, and City of Dallas officials to transform the old Monroe Shops streetcar maintenance barn into the Dallas Area Rapid Transit Police headquarters, in an environmentally sensitive way and at the same time consistent with the US Secretary of the Interior's Standards for Preservation. Commonly known as Monroe Shops, the former train maintenance facility was built in 1914 for the Texas Electric Railroad and placed on the National Register of Historic Places in 2006. It was remodeled, rebuilt, and transformed into the police headquarters in March 2011.

In December 2011, DART awarded the design-build contract to construct a 5.2-mile extension of the Orange Line from Belt Line Station to DFW Airport's Terminal A. A joint venture was selected by the DART Board of Directors to complete the $149.8 million dollar project known as Irving-3 (I-3).

DART introduced a non-stop express bus service connecting Hanby Stadium in the City of Mesquite with the Lawnview light rail station. The City of Mesquite approached DART about providing express feeder service that would connect downtown Mesquite to the DART rail system. The DART Board of Directors and the City of Mesquite approved an Interlocal Agreement on September 27 and October 3, 2011, respectively, and service began in March 2012.

In April 2012, DART customers who live outside the DART Service Area and park at either Parker Road or North Carrollton/Frankford stations began paying for parking. Establishing paid-parking helps the agency meet the demand that riders outside DART's service area have placed on the rail system while rewarding other residents for their city's commitment to DART. Customers who live in the DART Service Area are eligible for free parking provided they register and obtain a parking sticker.

DART's long-anticipated Orange Line to Irving opened on July 30, 2012. The opening of the first phase of the Orange Line, a 5.4-mile section from Bachman Station to Irving Convention Center Station, provides easy access to arts, education, entertainment, and businesses while adding three new stations to the DART light rail system: University of Dallas, Las Colinas Urban Center, and Irving Convention Center.

Accomplishments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the first time to Dallas Area Rapid Transit for its comprehensive annual financial report for the fiscal year ended September 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association also awarded the Distinguished Budget Presentation Award to DART for its annual budget document for the fiscal year beginning October 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgements

Many DART employees are responsible for the preparation of this report and maintenance of records upon which it is based. We wish to express our appreciation to all department staff and managers who contributed to the preparation of this report, especially those employees in the Accounting Section of the Finance Department who were instrumental in the successful completion of this report.

We would also like to thank the members of DART Board of Directors for their continuing guidance and support.

Sincerely,

David Leininger

David Leininger
Executive Vice President
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Dallas Area Rapid Transit
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

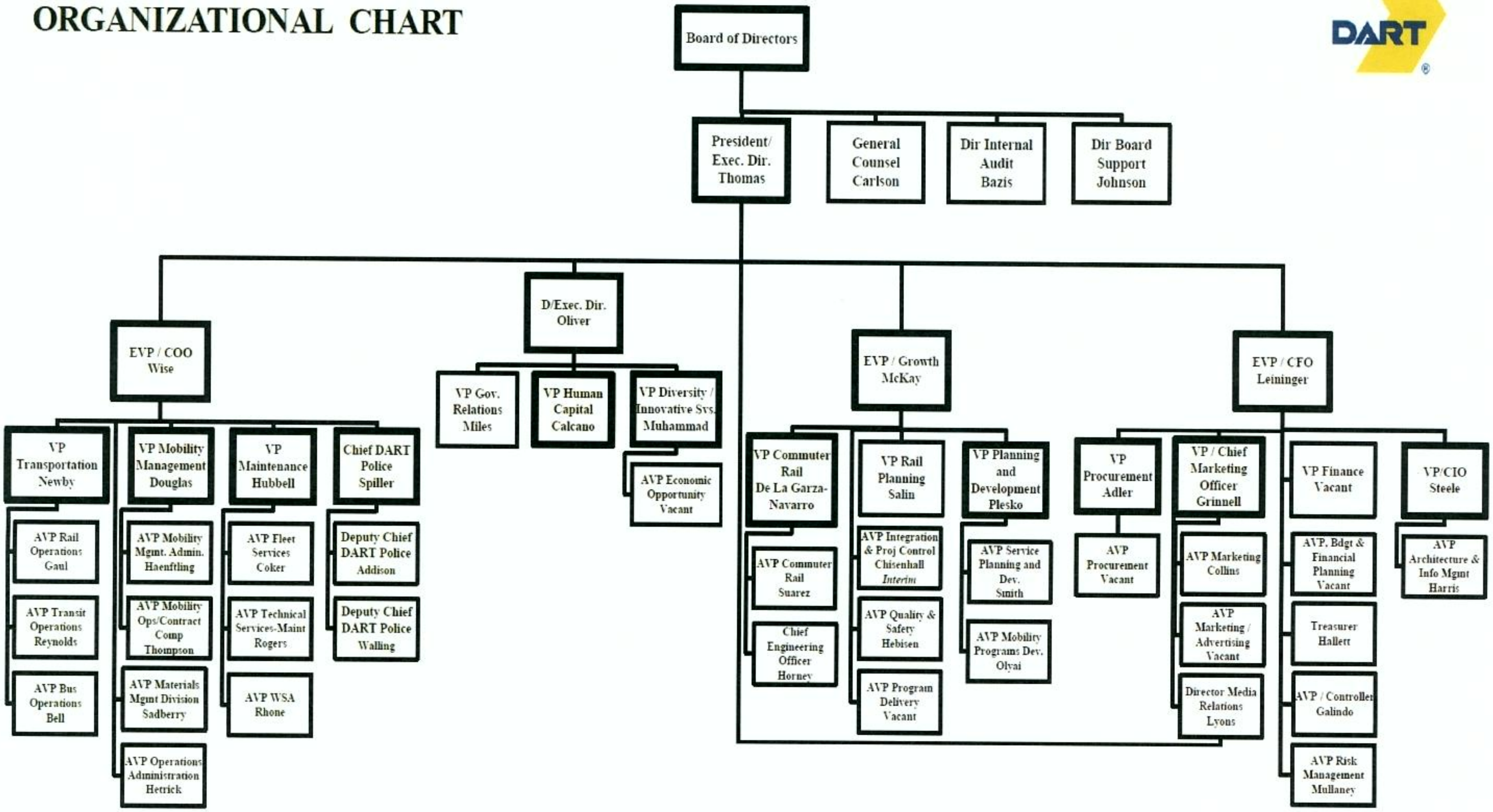
Christopher P Morrill

President

Jeffrey R. Esser

Executive Director

DART MANAGEMENT ORGANIZATIONAL CHART



DART Board Members

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Dallas

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Assistant Secretary

Dallas

Michael T. Cheney

Garland

Randall D. Chrisman

Carrollton and Irving

Jerry Christian

Dallas

John Carter Danish
Chairman

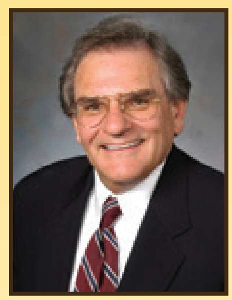
Irving

Pamela Dunlop Gates

Dallas

Mark C. Enoch

Garland, Rowlett and Glenn Heights



Gary A. Slagel

Richardson and University Park; Addison and Highland Park

Robert W. Strauss
Vice Chairman

Dallas

William Tsao

Dallas

William Velasco, II

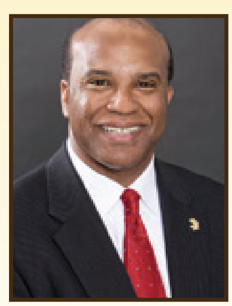
Dallas and Cockrell Hill

Paul N. Wageman

Plano

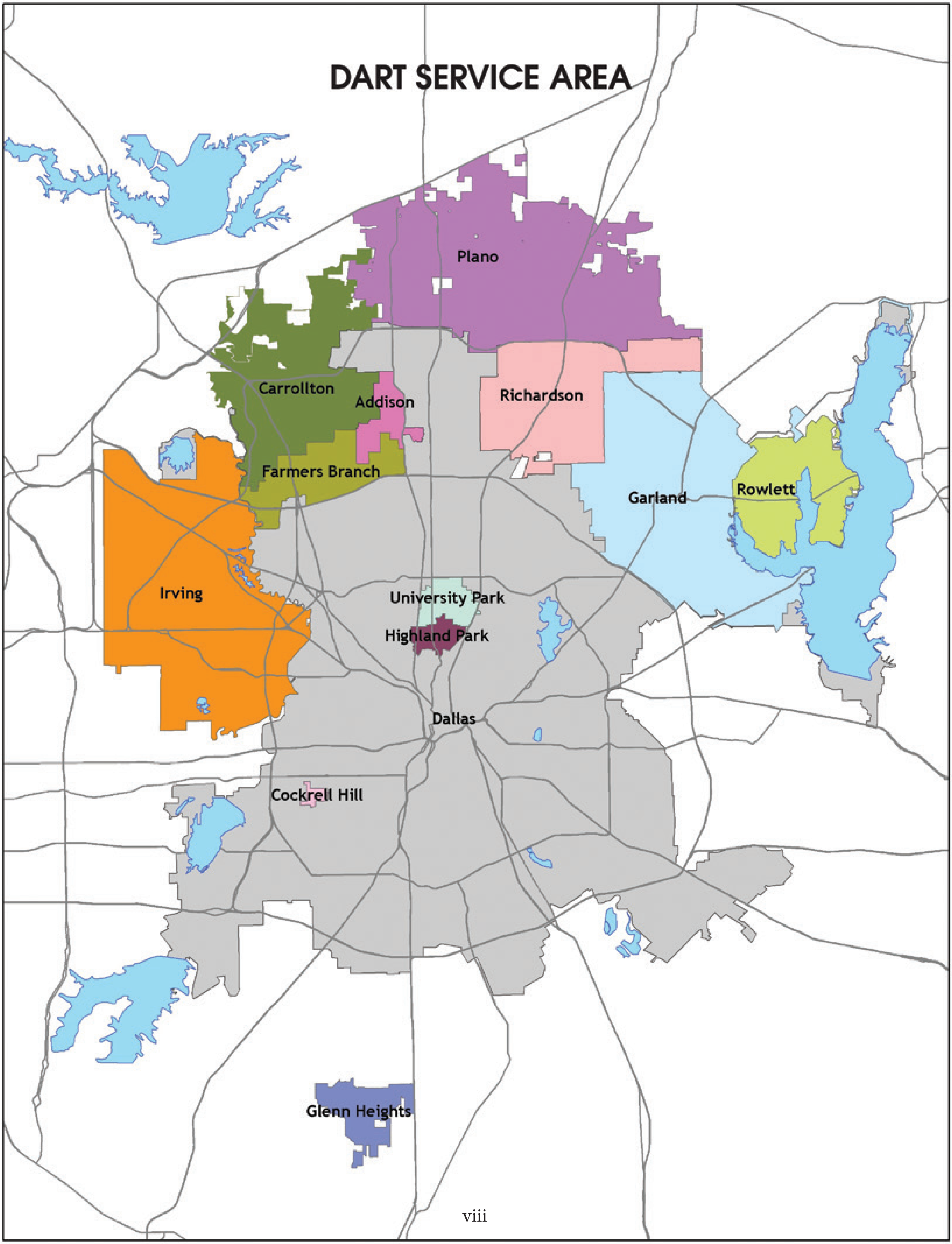
Faye Wilkins
Secretary

Plano and Farmers Branch



Claude R. Williams, Jr.

Dallas


DART SERVICE AREA
Plano
Carrollton
Addison
Richardson
Farmers Branch
Garland
Rowlett
Irving
University Park
Highland Park
Dallas
Cockrell Hill
Glenn Heights

DART Rail System Map

FINANCIAL SECTION

Dallas Area Rapid Transit
Dallas, Texas

Financial Statements
Years Ended September 30, 2012 and 2011 and
Independent Auditors' Report

DALLAS AREA RAPID TRANSIT
DALLAS, TEXAS
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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Report of Independent Auditors

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

We have audited the accompanying financial statements of the business-type activities of Dallas Area Rapid Transit ("DART"), as of and for the year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of DART's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of DART as of September 30, 2011, were audited by other auditors whose report dated January 27, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the DART as of September 30, 2012, the respective changes in financial position, and cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
January 30, 2013

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, 2012 and 2011. 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, 2012 and 2011, total assets of DART exceeded total liabilities by $2,344,124 and $2,373,611 respectively. The amount of unrestricted net assets as of September 30, 2012 was $771,204 compared to $840,297 in 2011.

The net assets of DART decreased by $29,487 during the current fiscal year compared to a decrease of $71,883 last year. The decrease during 2012 is mainly due to increases in interest and depreciation expenses. The decrease during 2011 is predominately due to increases in interest and depreciation expenses and decreases in federal capital contributions and grants. The decrease during 2012 is less than that of 2011 because of increases in sales and use tax revenue, and capital contributions and grants.

DART's total debt decreased by $122,714 (3%) during the current fiscal year compared to an increase of $704,723 (23%) in 2011. The decrease in 2012 is due to principal payments made on revenue bonds, commercial paper notes and capital lease/leaseback liabilities. The increase in 2011 is due to additional borrowing in the form of revenue bonds.

Sales and use tax revenue was $433,302 in 2012 compared to $403,228 in 2011 and it increased by 7% ($30,074) in 2012 compared to an increase of 7% ($26,933) in 2011.

Capital contributions from federal, state and local governments were $141,669 in 2012 and $122,314 in 2011. 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 $56,161 in 2012 compared to $47,566 in 2011.

For fiscal year 2012, total expenses exceeded total revenues resulting in a loss before capital contributions and grants of $227,317 compared to $241,763 for 2011. The loss in 2012 is lower than that of 2011 primarily because of the increase in operating and sales and use tax revenues.

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 assets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to the financial statements.

The statements of net assets present information on all of DART's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of changes in the financial position of DART. The statements of net assets are shown on page 13 of this report.

The statements of revenues, expenses, and changes in net assets present information on revenues, expenses, capital contributions, and how DART's net assets changed during the two most recent fiscal years. All changes in net assets 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 assets 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 assets are shown on page 14 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 capital and related financing activities; and cash flows from investing 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 future 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 15-16 of this report.

FOR THE YEARS ENDED SEPTEMBER 30, 2012 and 2011 (Dollars in Thousands)

Notes to the financial statements provide additional information that is essential to fully understand the data provided in the statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows. The notes to the financial statements are shown on pages 17-38 of this report.

The activities of DART 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 Mesquite Bus Service, LGC.

FINANCIAL ANALYSIS

Statements of Net Assets – Total assets of DART exceeded total liabilities by $2,344,124 and $2,373,611 as of September 30, 2012 and 2011, respectively. The largest portion of this excess (66% in 2012 and 64% in 2011) was invested in capital assets, net of 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, Liabilities, and Net Assets

	2012	2011	2010
Current assets	$1,001,962	$1,053,663	$962,389
Other non-current assets	419,596	686,533	446,089
Capital assets (net of accumulated depreciation)	4,916,558	4,775,830	4,520,616
Total assets	6,338,116	6,516,026	5,929,094
Current liabilities	394,371	476,118	501,043
Non-current liabilities	3,599,621	3,666,297	2,982,557
Total liabilities	3,993,992	4,142,415	3,483,600
Net assets			
Invested in capital assets, net of related debt	1,551,617	1,515,210	1,741,742
Restricted for:			
Debt service	10,760	7,338	15,765
Security for lease/leaseback liabilities	10,543	10,766	
Unrestricted	771,204	840,297	687,987
Total net assets	$2,344,124	$2,373,611	$2,445,494

Other non-current assets decreased by $266,937 in 2012 compared to an increase by $240,444 in 2011. The decrease in 2012 is mainly due to a decrease in restricted investments held for system expansion and acquisition as a result of spending on capital projects and payments made on capital lease/lease back liabilities. The increase in 2011 is due to proceeds from bonds that were issued during the year and held for payment of construction and acquisition of capital assets.

As of September 30, 2012 $10,543 of DART's net assets are restricted to satisfy the requirements of an amended lease/lease back agreement compared to $10,766 as of September 30, 2011. The unrestricted portion of net assets, $771,204 in 2012 and $840,297 in 2011 represent resources available to meet DART's ongoing obligations. The DART Board committed $35,013 and $26,123 of the unrestricted net assets for self-insurance and financial reserves in 2012 and 2011, respectively. The decrease in unrestricted net assets of $69,093 (8%) in 2012 is due to payments of commercial paper notes payable, and payments for capital project costs. The increase in unrestricted net assets of $152,310 (22%) in 2011 is due to timing of expenditures and related reimbursements.

FOR THE YEARS ENDED SEPTEMBER 30, 2012 and 2011 (Dollars in Thousands)

Statements of Revenues, Expenses, and Changes in Net Assets – During fiscal year 2012, DART's activities resulted in a decrease in net assets of $29,487 compared to a decrease of $71,883 in 2011. The decrease during 2012 is mainly due to increases in interest and depreciation expenses. The decrease in 2011 is due to increases in expenses such as depreciation and interest and financing costs and decreases in capital contributions and other federal grants. The key elements of the changes in net assets for the fiscal years ended September 30 with comparative information for 2010 are shown in the following table.

Summary of Revenues, Expenses, and Changes in Net Assets

	2012	2011	2010
Operating revenues			
Passenger revenues	$ 59,809	$ 57,329	$ 52,081
Advertising, rent and other	20,306	12,049	11,149
Total operating revenues	80,115	69,378	63,230
Operating expenses			
Labor	202,009	198,290	193,213
Benefits	86,734	86,548	80,714
Services	30,153	33,832	32,323
Materials and supplies	49,120	51,096	57,585
Purchased transportation	55,640	53,466	50,452
Depreciation	192,875	179,119	135,324
Utilities	18,499	17,047	13,805
Taxes, leases, and other	5,732	5,737	5,288
Casualty and liability	5,048	3,878	3,841
Total operating expenses	645,810	629,013	572,545
Operating loss	(565,695)	(559,635)	(509,315)
Non-operating revenues (expenses)			
Sales and use tax revenue	433,302	403,228	376,295
Investment income	27,315	28,434	29,539
Build America Bonds tax credit	30,462	30,250	17,736
Other non-operating revenues	11,392	13,562	12,039
Interest expense	(155,033)	(145,514)	(93,752)
Street improvements for member cities	(5,615)	(1,244)	(1,010)
Other non-operating expenses	(3,445)	(10,844)	(7,251)
Total net non-operating revenues	338,378	317,872	333,596
Loss before capital contributions and grants	(227,317)	(241,763)	(175,719)
Capital contributions	141,669	122,314	151,836
Other federal grants	56,161	47,566	50,913
Total capital contributions and grants	197,830	169,880	202,749
Increase (decrease) in net assets	(29,487)	(71,883)	27,030
Net assets, beginning of the year	2,373,611	2,445,494	2,418,464
Net assets, end of the year	$2,344,124	$2,373,611	$2,445,494

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

FOR THE YEARS ENDED SEPTEMBER 30, 2012 and 2011 (Dollars in Thousands)

REVENUES

The following table summarizes revenues for fiscal year 2012 and 2011 with comparative information for 2010:

REVENUES

Revenues	**2012**	**2011**	**2010**
Passenger revenues	$ 59,809	$ 57,329	$ 52,081
Advertising, rent and other	20,306	12,049	11,149
Sales and use tax revenue	433,302	403,228	376,295
Other federal grants	56,161	47,566	50,913
Investment income	27,315	28,434	29,539
Capital contributions	141,669	122,314	151,836
Build America Bonds tax credit	30,462	30,250	17,736
Other revenues	11,392	13,562	12,039
Total	**$780,416**	**$714,732**	**$701,588**

Passenger revenues – include farebox receipts, monthly and annual pass revenues, paratransit revenue, and special event fares. Passenger revenues increased by 4% ($2,480) in 2012 compared to a 10% ($5,248) increase in 2011. The increase in 2012 is due to increases in bus and light rail ridership. The increase in 2011 is due to an increase in light rail 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 increased by 69% ($8,257) in 2012 compared to an increase of 8% ($900) in 2011. The increase during 2012 is due to reimbursement of HOV operating costs for service provided outside of the DART service area. The increase during 2011 is due to rental income from DART's right-of-way and rail diesel cars leased to the Denton County Transportation Authority.

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 7% ($30,074) in 2012 compared to an increase of 7% ($26,933) in 2011. The increases in both 2012 and 2011 are due to a relative improvement in the local economy resulting in better than previous year's retail sales and sales and use tax receipts. Sales and use tax revenue constituted approximately 56% of DART's total revenues in 2012 and 2011.

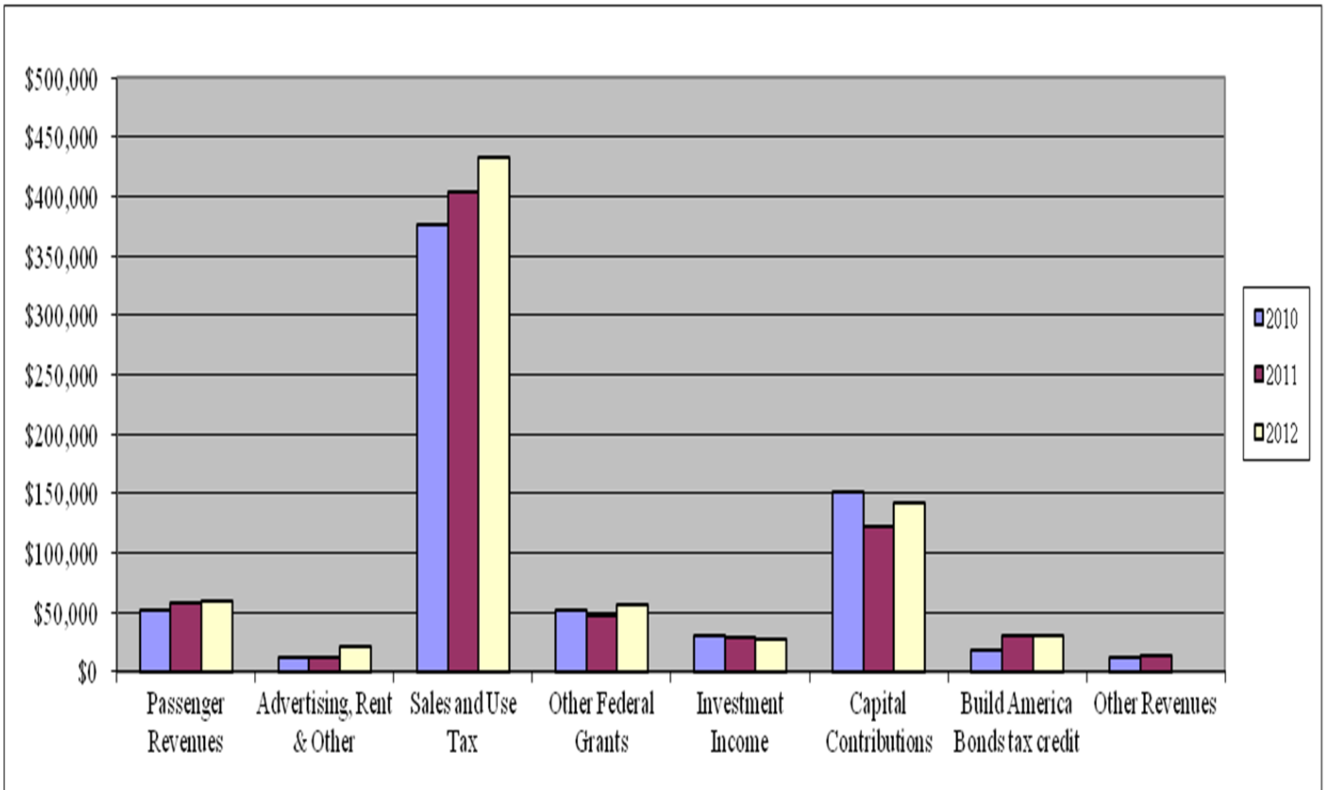
Other federal grants – Other federal grant revenues increased by 18% ($8,595) in 2012 compared to a decrease of 7% ($3,347) in 2011. The following factors contributed to the increase in 2012: more funds made available by Federal Transit Administration (FTA); more work done on the integrated corridor management (ICM) project that resulted in increased reimbursements during 2012 compared to 2011; and some of the preventive maintenance grant money was used for capital projects during 2011 and reported as capital contributions. The decrease in 2011 is due to reduced funding for preventive maintenance grants and some of the preventive maintenance grants money was used for capital projects during 2011 and reported as capital contributions. DART received $1,731 in 2012 and $1,579 in 2011 from the Federal Transit Administration (FTA) for vanpool and ozone programs and $539 in 2012 compared to $847 in 2011 in the form of homeland security grants from the United States Department of Homeland Security.

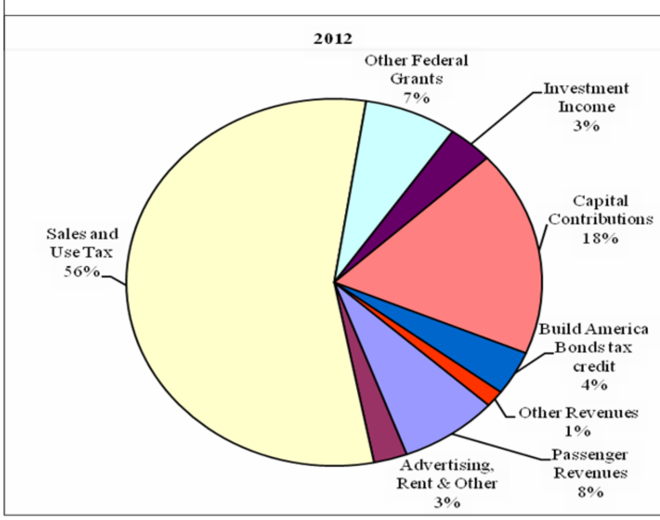
Capital contributions – Capital contributions include federal and local grants and contributions. Capital contributions increased by 16% ($19,355) in 2012 compared to a decrease of 19% ($29,522) in 2011. The increase in 2012 is mainly due to a new grant received from the State of Texas in the form of Texas Mobility Fund (TMF). The decrease in 2011 was due to delay in project funding from the federal government. City of Irving's share of the Belt Line Grade separation project cost is $2.0 million in 2012 compared to $4.2 million during 2011. These amounts are recorded as capital contributions.

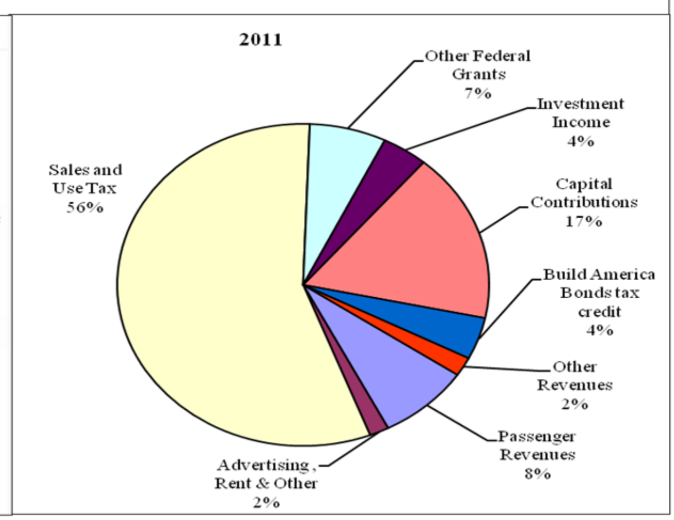
Investment income – Investment income decreased by 4% ($1,119) in 2012 compared to a 4% ($1,105) decrease in 2011. The decrease in 2012 is due to a decrease in investment balances. The decrease in 2011 is due to a decrease in interest rates.

Build America Bonds tax credit – The Build America Bonds (BABs) tax credit increased by 1% ($212) in 2012 compared to a 71% ($12,514) increase in 2011. The increase in 2012 is due to the full year effect of an additional bond issued under the BABs program in October 2010. The increase in 2011 is due to the additional bond issued in October 2010.

<u>Other revenues</u> – Other revenues decreased by 16% ($2,170) in 2012 compared to a 13% ($1,523) increase in 2011. Other revenues include revenues from billings to the Fort Worth Transportation Authority (The T) for their share of the Trinity Railway Express (TRE) commuter rail service, toll credits received from the State of Texas as a local match for FTA capital grants, and alternative fuel tax credits. The decrease in 2012 is due to less alternative fuel tax credit received during 2012 compared to 2011. The increase in other revenues in 2011 is due to the alternative fuel tax credit received for periods covering fiscal years 2011 and 2010. The following charts summarize revenues for fiscal years 2010 through 2012.







FOR THE YEARS ENDED SEPTEMBER 30, 2012 and 2011 (Dollars in Thousands)

EXPENSES

The following table summarizes expenses for fiscal year 2012 and 2011 with comparative information for 2010:

EXPENSES BY OBJECT CLASS

Expenses	2012	2011	2010
Labor	$202,009	$198,290	$193,213
Benefits	86,734	86,548	80,714
Services	30,153	33,832	32,323
Materials and supplies	49,120	51,096	57,585
Purchased transportation	55,640	53,466	50,452
Depreciation and amortization	192,875	179,119	135,324
Utilities	18,499	17,047	13,805
Taxes, leases and other	5,732	5,737	5,288
Casualty and liability	5,048	3,878	3,841
Street improvements for member cities	5,615	1,244	1,010
Interest and financing expenses	155,033	145,514	93,752
Other non-operating expense	3,445	10,844	7,251
Total	**$ 809,903**	**$ 786,615**	**$ 674,558**

Labor – Labor costs increased by 2% ($3,719) in 2012 compared to an increase of 3% ($5,077) in 2011. The increase in 2012 is due to positions filled in operations such as Transportation, Maintenance and DART Police. The increase in operations labor cost is partially offset by a decrease in administrations labor cost as a result of a reduction in force that took place at the end of 2011. The increase in 2011 is due to early retirement incentives payments and severance pay for terminations as a result of a reduction in force.

Benefits – Benefits increased by 0.2% ($186) in 2012 compared to a 7% ($5,834) increase in 2011. The smaller increase in 2012 is due to a decrease in workers compensation claim costs as a result of improved claim experience. This decrease is partially offset by increases in pension plans' costs and retiree benefits expenses. The increase in 2011 is mainly due to increase in health care claim costs. Other smaller increases include contributions to retirement plans, and payroll taxes.

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 decreased by 11% ($3,679) in 2012 compared to an increase of 5% ($1,509) in 2011. The decrease in 2012 is related to the following items: commuter rail vehicles maintenance, right-of-way maintenance, facilities maintenance, and advertising expenses. Commuter rail vehicle maintenance expense is down in 2012 because the overhaul being done on certain commuter rail cars is getting close to completion in 2012 compared to the level of work done during 2011. Right-of-way maintenance expenses decreased during 2012 because less work was performed on the commuter rail right-of-way during 2012 compared to 2011. Facilities maintenance expense decreased during 2012 because of the decrease in the amount spent on tunnel repair and replacement of trash cans at bus stops compared 2011. Advertising decreased during 2012 because 2011 costs included the Green Line opening promotions whereas 2012 did not include similar costs. The increase in 2011 is due to the cost of an overhaul of commuter rail vehicles and refurbishment of HOV lane pylons.

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 decreased by 4% ($1,976) in 2012 compared to a decrease of 11% ($6,489) in 2011. The decrease in 2012 is due to decrease in spending on light rail parts as a result of delays in overhaul programs and decreased allowance for obsolete parts. The decrease in 2011 is due to DART's diesel fuel hedge program that significantly reduced the net cost of fuel used by DART vehicles.

Purchased transportation – Purchased transportation represents the costs of contracted transportation services such as commuter rail, paratransit, DART on-call, and shuttle services. Purchased transportation expenses increased by 4% ($2,174) in 2012 compared to a 6% ($3,014) increase in 2011. The increase in 2012 is due to increases in the hourly rate, fuel costs, and fixed monthly costs for paratransit service. The increase in 2011 is due to increases in service miles and hours of paratransit service, fuel costs, and fixed monthly costs for paratransit and commuter rail services.

Depreciation – Depreciation expenses increased by 8% ($13,756) in 2012 compared to a 32% ($43,795) increase in 2011. The increases in both 2012 and 2011 are due to new assets placed in service during both fiscal years. The increase in 2011 is larger because of the opening of the Green Line light rail service and Northwest Rail Operating Facility in December 2010.

Utilities – Utilities represent the cost of electricity, telecommunications, water and sewer, and natural gas. Utilities increased by 9% ($1,452) in 2012 compared to an increase of 23% ($3,242) in 2011. The increases in both 2012 and 2011 are due to electricity usage increase for the light rail service as a result of the Green Line opening in 2011 and the opening of the first section of the Orange Line in July 2012.

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 0.1% ($5) in 2012 compared to an increase of 8% ($449) in 2011. The decrease in 2012 is due to a lease that was terminated during 2012. The increase in 2011 is due to an increase in equipment rentals, increases in usage and rental rates for document storage facilities and an increase in the wellness screening costs.

Casualty and liability – Casualty and liability expenses increased by 30% ($1,170) in 2012 compared to an increase of 1% ($37) in 2011. The increases in both 2012 and 2011 are due to higher claim losses.

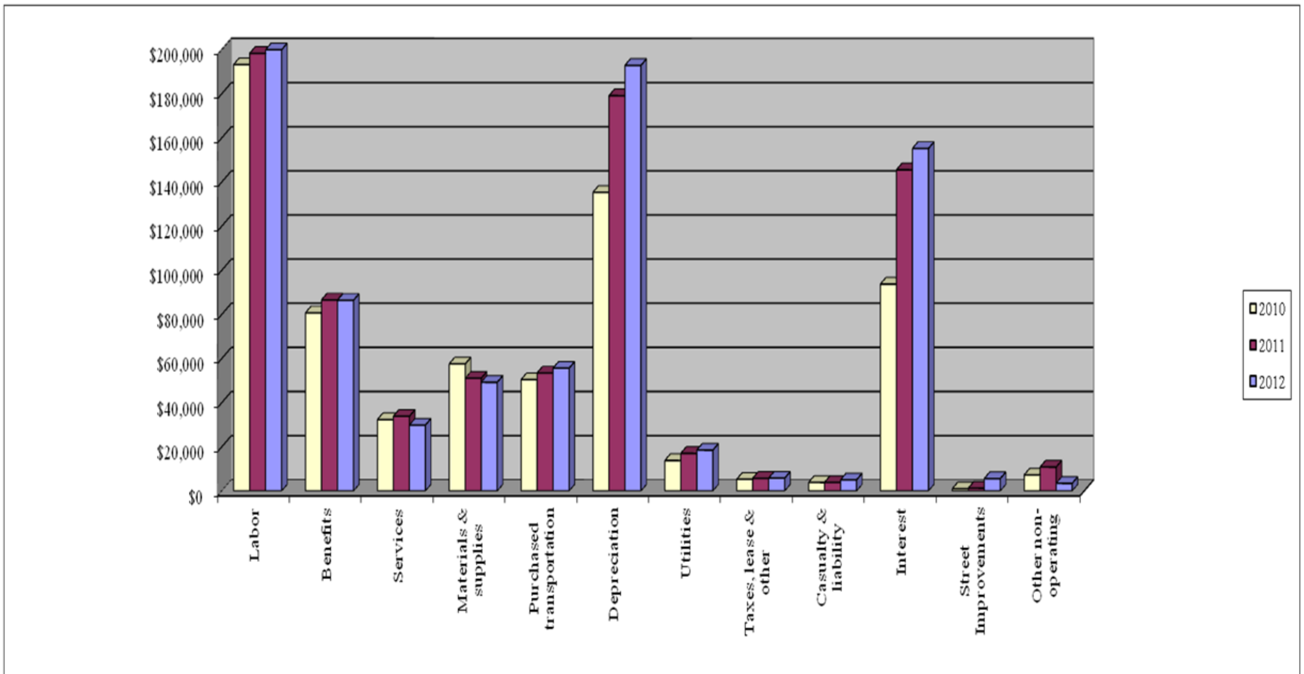
Street improvements – Local assistance is provided to eligible member jurisdictions in the form of technical and financial assistance to reduce traffic congestion and complement bus and public transit operations. The street improvement program costs increased by 351% ($4,371) in 2012 compared to a 23% ($234) increase in 2011. The increases in both 2012 and 2011 are due to increased work on intelligent transportation systems and street improvement projects that are expected to improve the flow of vehicle traffic.

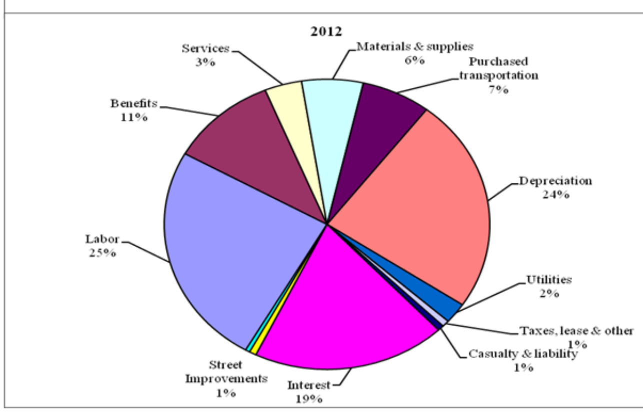
Interest **–** Interest expense increased by 7% ($9,519) in 2012 compared to an increase of 55% ($51,762) in 2011. In both 2012 and 2011, interest expense increased due to additional borrowings in the form of revenue bonds and less interest was capitalized as a result of the completion of the Green Line related projects during the first quarter of the fiscal year 2011 and the opening of the first section of the Orange Line in July 2012. Also, bonds were issued in October 2010 which caused an additional increase in interest in fiscal year 2011.

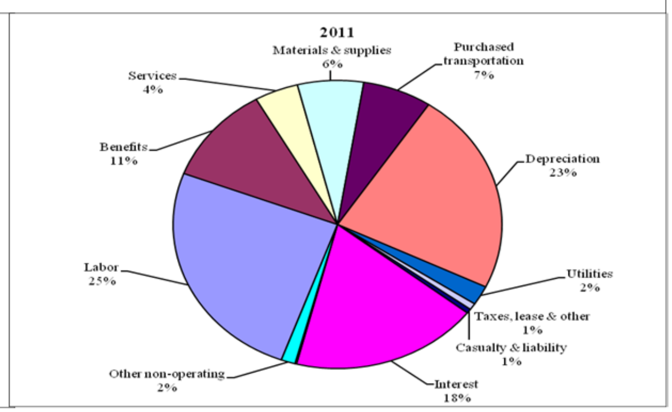
Other non-operating expenses – Other non-operating expenses decreased by 68% ($7,399) in 2012 compared to an increase of 50% ($3,593) in 2011 The decrease in 2012 is due to lower than 2011 costs incurred for general planning and consulting service costs for a regional commuter rail project. Also, there was no loss on disposal of capital assets for 2012 compared to 2011. The increase in 2011 is due to general planning and consulting service costs for a regional commuter rail project and a loss on disposal of capital assets.

The charts on the following page summarize expenses for fiscal years 2010 through 2012.

The following charts summarize expenses for fiscal years 2010 through 2012:





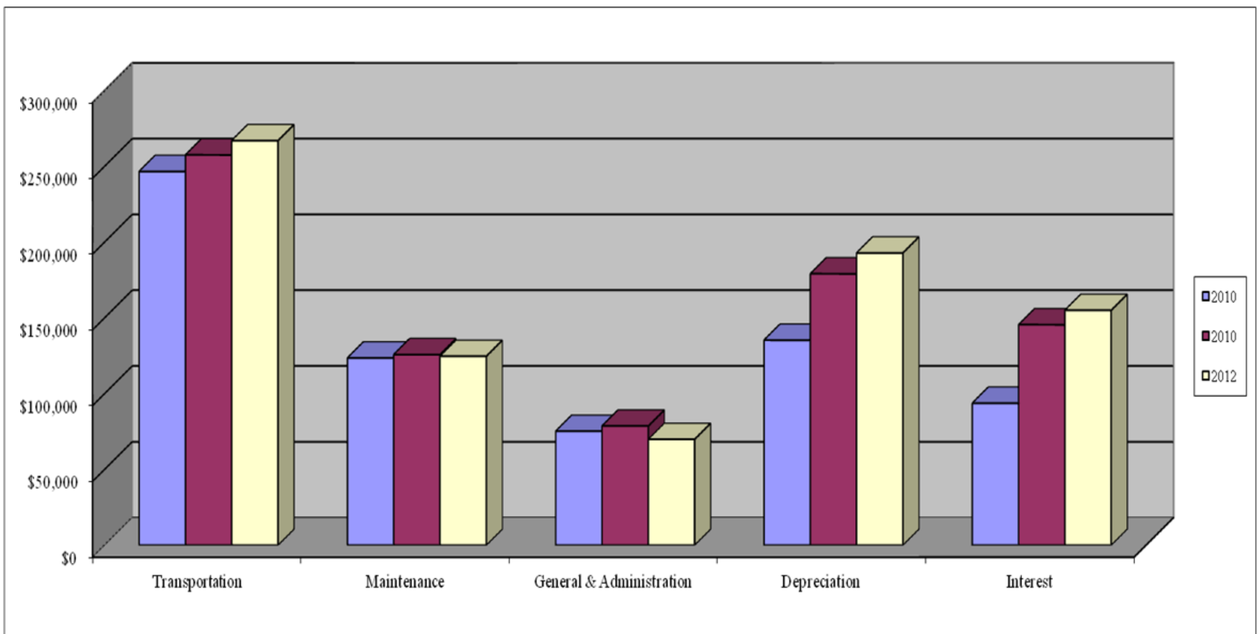


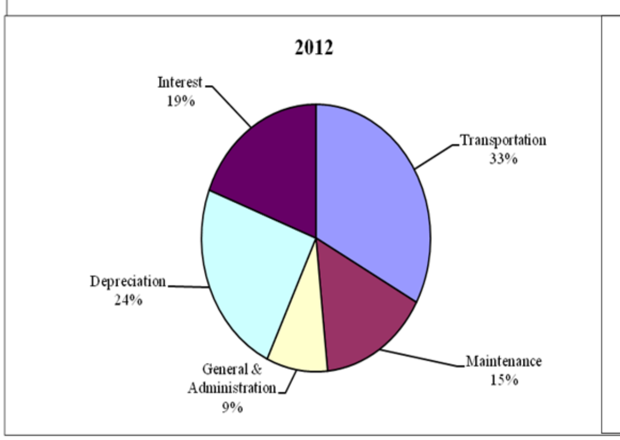
FOR THE YEARS ENDED SEPTEMBER 30, 2012 and 2011 (Dollars in Thousands)

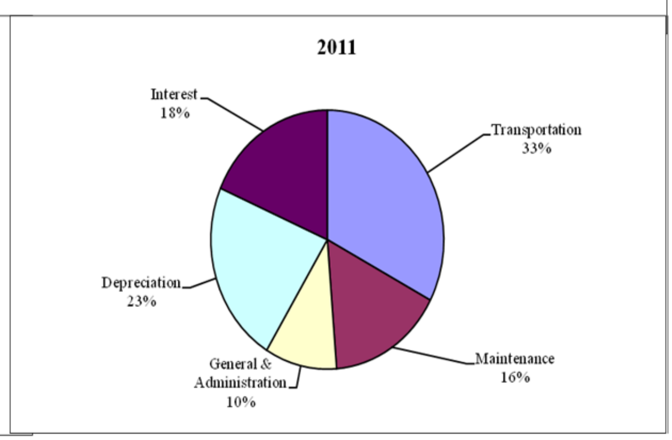
Expenses by function – ***Transportation*** – includes expenses that are directly related to the operation of bus, light rail, commuter rail, vanpool, paratransit, high occupancy vehicle (HOV) lanes, DART on-call and shuttle services. These expenses include such items as wages and benefits for operators, 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

	2012	2011	2010
Transportation	$ 267,001	$ 257,546	$ 246,631
Maintenance	124,708	125,778	123,596
General and administration	70,286	78,658	75,255
Depreciation and amortization	192,875	179,119	135,324
Interest	155,033	145,514	93,752
Total	**$ 809,903**	**$ 786,615**	**$ 674,558**







FOR THE YEARS ENDED SEPTEMBER 30, 2012 and 2011 (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, 2012, is $4,916,558 compared to $4,775,830 in 2011. The net increase in capital assets during the current year is $140,728 (3%) compared to an increase of $255,214 (6%) in 2011.

The following table summarizes capital assets net of depreciation as of September 30 with comparative information for 2010.

Capital Assets (Net of Depreciation)

	2012	2011	2010
Land and rights-of-way	$ 554,714	$ 548,904	$ 397,997
Transitways	2,497,655	2,185,849	1,123,831
Buildings and improvements	436,298	455,135	198,617
Revenue and non-revenue vehicles and equipment	715,931	719,397	487,900
Furniture, fixtures, and leasehold improvements	10,608	6,673	7,001
Projects in progress	701,352	859,872	2,305,270
Total	$4,916,558	$4,775,830	$4,520,616

The increases during 2012 and 2011 are due to the cost of planning, designing and building the Light Rail Transit (LRT) Phase II expansion. The Phase II expansion consists of approximately 46 miles of light rail transit lines. These new lines extend northwest from Downtown Dallas to the cities of Carrollton, Farmers Branch, and Irving and southeast from Downtown Dallas to Buckner Blvd. in South Dallas and northeast from the Downtown Garland Station to the Rowlett Park-and-Ride. The first section of the southeast extension, Bryan Street to Fair Park, opened for service on September 14, 2009. Other northwest and southeast extensions opened for service during 2011 and the first section of Irving line segment opened for service in July 2012. The second section of the Irving line segment and the northeast (Rowlett) extension are scheduled to open during 2013.

Additional information on DART's capital assets is shown in note 6 on pages 25-26.

Outstanding debt – Outstanding debt includes sales tax revenue commercial paper notes, senior lien revenue bonds, and capital lease/leaseback liabilities. As of September 30, 2012, DART had total outstanding debt of $3,649,619 compared to $3,772,333 as of September 30, 2011. Outstanding debt decreased by 3% ($122,714) in 2012 compared to a 23% ($704,723) increase in 2011.

The following table summarizes DART's total outstanding debt.

Outstanding Debt

	2012	2011	2010
Sales tax revenue commercial paper notes	$ 70,000	$ 150,000	$ 150,000
Senior lien revenue bonds payable	3,290,060	3,298,430	2,595,370
Capital lease/leaseback liabilities	289,559	323,903	322,240
Total debt	$3,649,619	$3,772,333	$3,067,610

The sales tax revenue commercial paper notes was $70,000 as of September 30, 2012 compared to $150,000 as of September 30, 2011. The commercial paper notes were issued as a senior subordinate lien to sales and use tax revenues and are payable from the 1% sales and use tax receipts.

Senior lien revenue bonds outstanding are $3,290,060 as of September 30, 2012 and $3,298,430 as of September 30, 2011. 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 $8,370 in 2012 is due to principal payments made on December 1, 2011. The increase of $703,060 in 2011 is due to additional borrowing during fiscal year 2011 net of principal payments. All of DART bonds are issued to finance capital projects. The senior lien revenue bonds are shown net of original issuance premium, discount and refunding gain (loss) of $61,195 and $66,008 as of September 30, 2012 and 2011, respectively, on the statement of net assets.

During 2012, DART maintained a AA+ credit rating from Standard & Poors, and a Aa2 from Moody's for its bonds.

Capital lease/leaseback liabilities are $289,559 and $323,903 as of September 30, 2012 and 2011, respectively. The decrease in capital lease/leaseback liabilities in 2012 is due to lease payments. The increase in 2011 is due to accrued interest on outstanding liabilities.

Additional information on DART's outstanding debt is shown in footnotes 10-14.

ECONOMIC OUTLOOK

Sales and use tax is the largest source of revenue for DART, representing 56% of total revenues in both 2012 and 2011. Sales and use tax revenues are affected by changes in the local economy. During fiscal year 2012, DART's sales and use tax revenues showed a 7.5% increase compared to the previous year. Actual sales and use tax revenues in 2012 are $433.3 million compared to $403.2 million in 2011. The sales and use tax budget for 2013 is $451.7 million compared to $433.3 million actual for 2012. The budget for 2013 represents a 4.2% increase from the 2012 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 ASSETS

September 30, 2012 and 2011 (Dollars in Thousands)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 106,532	$ 116,477
Investments	598,860	677,801
Derivative instrument asset	4,865	5,480
Sales and use tax receivable	73,927	68,114
Transit revenue receivable, net	3,012	2,563
Due from federal and other governments	30,147	20,306
Materials and supplies inventory, net	28,914	27,381
Prepaid transit expense and other	3,090	2,483
Restricted investments held by trustee for debt service	68,624	65,375
Restricted investments held for advance funding agreements	8,811	11,921
Restricted investments held to pay capital lease/leaseback liabilities	75,180	55,762
TOTAL CURRENT ASSETS	1,001,962	1,053,663
NONCURRENT ASSETS		
Investments restricted for system expansion and acquisition	141,685	354,274
Restricted investments held as security for capital lease/leaseback liabilities	10,543	10,766
Investment in joint venture	23,435	24,190
Capital assets		
Land and rights-of-way	554,714	548,904
Depreciable capital assets, net of depreciation	3,660,492	3,367,054
Projects in progress	701,352	859,872
Restricted investments held to pay capital lease/leaseback liabilities	214,379	268,141
Net pension asset	7,775	6,485
Unamortized bond issue costs and other	21,779	22,677
TOTAL NONCURRENT ASSETS	5,336,154	5,462,363
TOTAL ASSETS	6,338,116	6,516,026
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	100,436	93,415
Commercial paper notes payable	70,000	150,000
Current portion of capital lease/leaseback liabilities	75,180	55,762
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	5,370	13,370
Retainage payable	42,953	55,666
Unearned revenue and other liabilities	30,139	35,194
Accrued interest payable from restricted assets	57,864	58,037
Current portion of senior lien revenue bonds payable	6,740	8,370
Deferred inflows of resources	4,865	5,480
TOTAL CURRENT LIABILITIES	394,371	476,118
NONCURRENT LIABILITIES		
Accrued liabilities	29,680	30,217
Repayment due to State Comptroller	11,047	11,871
Senior lien revenue bonds payable	3,344,515	3,356,068
Capital lease/leaseback liabilities	214,379	268,141
TOTAL NONCURRENT LIABILITIES	3,599,621	3,666,297
TOTAL LIABILITIES	3,993,992	4,142,415
NET ASSETS		
Invested in capital assets, net of related debt	1,551,617	1,515,210
Restricted for debt service	10,760	7,338
Restricted as security for capital lease/leaseback liabilities	10,543	10,766
Unrestricted	771,204	840,297
TOTAL NET ASSETS	$2,344,124	$2,373,611

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

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

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

	2012	2011
OPERATING REVENUES		
Passenger revenues	$ 59,809	$ 57,329
Advertising, rent, and other	20,306	12,049
TOTAL OPERATING REVENUES	80,115	69,378
OPERATING EXPENSES		
Labor	202,009	198,290
Benefits	86,734	86,548
Services	30,153	33,832
Materials and supplies	49,120	51,096
Purchased transportation	55,640	53,466
Depreciation and amortization	192,875	179,119
Utilities	18,499	17,047
Taxes, leases, and other	5,732	5,737
Casualty and liability	5,048	3,878
TOTAL OPERATING EXPENSES	645,810	629,013
NET OPERATING LOSS	(565,695)	(559,635)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	433,302	403,228
Investment income	5,896	5,966
Interest income from investments held to pay capital lease/leaseback	21,419	22,468
Interest expense on capital lease/leaseback	(21,419)	(22,468)
Street improvements	(5,615)	(1,244)
Interest and financing expenses	(133,614)	(123,046)
Build America Bonds tax credit	30,462	30,250
Other non-operating revenues	11,392	13,562
Other non-operating expenses	(3,445)	(10,844)
NET NON-OPERATING REVENUES	338,378	317,872
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(227,317)	(241,763)
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	119,443	117,217
State capital contributions	19,865	839
Local capital contributions	2,361	4,258
Total capital contributions	141,669	122,314
Other federal grants	56,161	47,566
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	197,830	169,880
CHANGE IN NET ASSETS	(29,487)	(71,883)
TOTAL NET ASSETS – BEGINNING OF YEAR	2,373,611	2,445,494
TOTAL NET ASSETS – END OF YEAR	$2,344,124	$2,373,611

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, 2012 and 2011 (Dollars in Thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 70,956	$ 75,976
Cash flows from other sources	8,039	6,828
Payments to suppliers of goods and services	(101,429)	(120,006)
Payments to purchased transportation service providers	(65,087)	(58,436)
Payments to employees	(198,009)	(197,539)
Benefit payments on behalf of employees	(87,192)	(85,649)
NET CASH USED BY OPERATING ACTIVITIES	(372,722)	(378,826)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	426,666	398,284
Other federal grants	55,513	48,057
Other non-capital financing receipts	957	4,123
Build America Bonds tax credit	30,462	26,008
Other non-capital financing payments	(175)	(1,905)
Local Assistance Program and street improvements	(12,352)	(649)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	501,071	473,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,783	8,629
Proceeds from sales and maturity of investments	1,229,454	1,299,015
Purchase of investments	(1,149,408)	(1,368,785)
Decrease (increase) in restricted assets	212,676	(270,598)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	297,505	(331,739)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(345,142)	(504,244)
Proceeds from the issuance of commercial paper notes	905,000	824,800
Payment on commercial paper notes	(985,000)	(824,800)
Proceeds from the issuance of revenue bonds		839,531
Payments to advance refund existing revenue bonds		(110,410)
Payment of debt issuance costs	(109)	(4,948)
Principal payment on revenue bonds	(8,370)	(18,790)
Interest and financing expenses	(137,777)	(113,884)
Federal capital contributions	118,870	118,634
State capital contributions	14,999	
Local capital contributions	1,406	4,849
Proceeds from the sale of capital assets	324	967
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(435,799)	211,705
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,945)	(24,942)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	116,477	141,419
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 106,532	$ 116,477

(Continued)

DALLAS AREA RAPID TRANSIT
STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

	2012	2011
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	$(565,695)	$(559,635)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	192,875	179,119
Miscellaneous non-operating income	10,023	8,077
Miscellaneous non-operating expenses	(3,182)	(6,736)
Changes in assets and liabilities		
Increase in transit receivable	(8,855)	(1,139)
Increase (decrease) in materials and supplies inventory	(1,533)	1,002
(Increase) decrease in prepaid expenses and other current assets	(570)	71
Decrease in pension assets	(1,290)	(900)
Increase (decrease) in accounts payable and accrued liabilities	5,588	(4,460)
Increase (decrease) in other current liabilities	(83)	5,776
NET CASH USED BY OPERATING ACTIVITIES	$(372,722)	$(378,826)
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	$21,419	$22,468
Interest expense on capital lease/leaseback	(21,419)	(22,468)
Decrease in capital lease/leaseback obligations	(34,343)	(1,662)
Decrease in investments held to pay capital lease/leaseback	34,343	1,662
Increase (decrease) in fair value of investments	1,140	(1,454)
Amortization of premium, discount and debt issuance costs	(3,633)	(2,686)
Gain (loss) on disposal of assets	295	(2,205)

(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, 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 10), 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 2013.

On August 12, 2000, the voters of the DART service area passed a referendum that allows DART to issue up to $2.9 billion of bonds or notes that are solely payable from and secured by the DART sales and use tax revenue, have maturities beyond five years, and are issued pursuant to the authority granted at the election. On August 9, 2001, DART issued $400 million of the authorized $2.9 billion bonds. On September 10, 2002, $98.7 million of the authorized bonds were issued. On March 8, 2007, an additional $770.3 million of the authorized bonds were issued. From the $770.3 million, $317.7 million was issued to refund part of the 2001 and 2002 bonds. The remaining $452.6 million was issued to pay-off commercial paper notes. In April 2008, the Board approved the fourth issuance of Bonds (Series 2008), for $731.4 million as authorized by the Master Debt Resolution. This issuance included $341 million to refund commercial paper notes. 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 notes 12 and 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 notes 12 and 13). These bonds are Senior Lien Revenue Bonds that are secured by, and payable from, a senior lien on Pledged Revenues.

DART received approximately $433,302 in 2012 from a 1% sales and use tax imposed on certain items within its member jurisdictions compared to $403,228 in 2011. These revenues constituted approximately 56% of DART's total revenues during both fiscal years 2012 and 2011. Approximately 50%, 16%, and 11% of these sales and use tax revenues were collected from sales in the cities of Dallas, Plano, and Irving during fiscal years 2012 compared to 50%, 15%, and 11% for fiscal year 2011.

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, transactions are accounted for using the accrual basis of accounting. Under Alternative 1 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* DART applies all standards issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB), except when they contradict GASB standards, and has elected not to apply FASB standards issued after November 30, 1989.

Reporting Entity – DART has two blended component units, Regional Rail Right-Of-Way Corporation (RRRC) and Dallas Area Rapid Transit Mesquite Bus Service, LGC (Mesquite LGC). RRRC is a legally separate corporation, which was formed to facilitate the acquisition of certain properties and right-of-way for DART. Mesquite LGC is a Corporation created under the LGC Act on behalf of DART to provide the City of Mesquite, Texas, public transportation (solely by bus) outside the DART service area. Because RRRC and Mesquite LGC directly benefit DART, GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, requires that DART use the blending method to incorporate the financial information of RRRC and Mesquite LGC into DART's financial statements. The accompanying financial statements include the accounts and operations of RRRC and Mesquite LGC. All significant intercompany balances have been eliminated. Internally prepared financial statements for either Regional Rail Right-of-Way Corporation or Mesquite 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 – During 2012, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans and clarifies when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers. This Statement became effective for DART during 2012 and had no financial impact on DART during 2012.

The Governmental Accounting Standards Board Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No.* 53 became effective for DART during 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. It also provides guidance as to when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement had no financial impact on DART during 2012.

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 $106,532 and $116,477 as of September 30, 2012 and 2011, respectively.

Investments – The investment balances, other than investments held to pay lease/leaseback obligations (see Note 3), at September 30, 2012 and 2011 are stated at fair value. 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 considers quoted market prices at September 30, 2012 and 2011, 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 6. 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 2012, total interest and financing expense of $171,966 was incurred, and $38,352 of this total was capitalized. In 2011, total interest and financing expense of $172,498 was incurred, and $49,452 of this total was capitalized. Donated assets are capitalized at estimated fair 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 $141,669 in federal, state and local capital contributions during 2012 compared to $122,314 during 2011. Of the total capital contributions amount received during 2012, $81,839 was based on capital expenditures made during the previous years. This amount is included in Federal Capital Contributions on the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal year ended September 30, 2012.

In addition to capital contributions, DART also received $56,161 in 2012 compared to $47,566 in 2011 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 or length 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 assets.

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.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

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

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 assets.

The estimate includes incurred but not reported (IBNR) claims. Changes in the liabilities in 2012 and 2011 for all of DART's self-insured programs are as follows:

Description	2012	2011	2010
Beginning balance	$17,816	$16,907	$15,901
Current year claims and changes in estimates	3,868	6,412	7,732
Payments	(4,670)	(5,503)	(6,723)
Ending balance	$17,014	$17,816	$16,907
Amounts due in one year	$5,633	$5,868	$5,783

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. Costs of issuance and gains/losses on refunding are also amortized using the effective interest method over the life of the bonds.

Net Assets – Equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt consists of 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 – This consists of net assets that are 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 the DART’s policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

2. SERVICE AGREEMENTS

DART has entered into several long-term agreements with contractors to provide paratransit, commuter rail, HOV lane, 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 assets. The following is a summary of the major amounts for services rendered in 2012 and 2011 and the current contract terms, including option periods:

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

		Annual Payments		Contract Terms	
Contractor's Name	Service Type	2012	2011	Began	Expires
Herzog Transit Services, Inc.	Commuter Rail	$18,044	$17,949	10/1/2010	9/30/2015
Veolia Transportation Services, Inc.	Paratransit , DART On-call, and Flex Services	32,013	30,133	1/1/2007	9/30/2012
Others	Various	5,522	5,384	Various	Various
Total		$55,579	$53,466		

During fiscal year 2012, DART awarded a new contract to MV Contract Transportation, Inc for the paratransit and DART On-Call services. The contract term is from October 1, 2012 to September 30, 2014. The Flex service is provided by DART starting from October 1, 2012.

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 assets as follows:

	9/30/2012	9/30/2011
Cash and cash equivalents	$106,532	$116,477
Investments	598,860	677,801
Restricted investments held by trustee for debt service	68,624	65,375
Restricted investments held for advance funding agreements	8,811	11,921
Investments restricted for system expansion and acquisition	141,685	354,274
Restricted investments held as security for capital lease/leaseback liabilities	10,543	10,766
Total cash and investments	$935,055	$1,236,614

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

	9/30/2012	9/30/2011
Cash on hand	$880	$570
Cash equivalents	105,652	115,907
Investments	828,523	1,120,137
Total cash and investments	$935,055	$1,236,614

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, 2012, the carrying amount of DART's deposits was $880 compared to $570 at September 30, 2011. Bank balances at September 30, 2012 and 2011 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.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

The following table identifies the investment types that are authorized by DART's Investment Policy. The table also identifies certain provisions of DART Investment Policy that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer at the time of purchase
U.S. Government Securities	None	None	None
Federal Agency Securities	None	None	25%
Municipal Securities	None	None	10%
Repurchase Agreements 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 tables below, which show the distribution of DART investments by maturity.

		Remaining Maturity (in months) as of September 30, 2012		
Investment Type	Total Amount	12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$239,302	$35,008	$ 118,361	$85,933
Federal National Mortgage Association	167,575	15,074	35,031	117,470
Federal Home Loan Bank	133,132	91,284	30,519	11,329
Federal Home Loan Mortgage Corporation	20,083	6,250	8,828	5,005
Commercial Paper	170,807	170,807		
Money Market Funds	153,671	153,671		
US Treasury Bill	16,348	16,348		
US Treasury Note	33,256	33,256		
Total	$ 934,174	$ 521,698	$ 192,739	$ 219,737

		Remaining Maturity (in months) as of September 30, 2011		
Investment Type	Total Amount	12 months or Less	12 to 24 Months	24 to 60 Months
Federal Farm Credit Banks	$229,957	$54,662	$ 103,801	$71,494
Federal Home Loan Mortgage Corporation	191,903	84,685	70,011	37,207
Federal Home Loan Bank	168,841	65,070	63,568	40,203
Federal National Mortgage Association	102,163	21,286	15,071	65,806
Bankers Acceptance	62,038	62,038		
Commercial Paper	354,613	354,613		
Money Market Funds	126,529	126,529		
Total	$ 1,236,044	$ 768,883	$ 252,451	$ 214,710

For the Years Ended September 30, 2012 and 2011 (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, 2012		
Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAAm
Federal Farm Credit Banks	$239,302	$239,302		
Federal National Mortgage Association	167,575	167,575		
Federal Home Loan Bank	133,132	133,132		
Federal Home Loan Mortgage Corporation	20,083	20,083		
Commercial Paper	170,807		$170,807	
Money Market Funds	153,671			$153,671
US Treasury Bill	16,348	16,348		
US Treasury Note	33,256	33,256		
Total	$934,174	$609,696	$170,807	$153,671

		Rating as of September 30, 2011		
Investment Type	Total Amount	AA+/ Aaa	A1/P1	AAAm
Federal Farm Credit Banks	$229,957	$229,957		
Federal Home Loan Mortgage Corporation	191,903	191,903		
Federal Home Loan Bank	168,841	168,841		
Federal National Mortgage Association	102,163	102,163		
Bankers Acceptance	62,038		$ 62,038	
Commercial Paper	354,613		354,613	
Money Market Funds	126,529			$126,529
Total	$1,236,044	$692,864	$416,651	$126,529

On August 5, 2011, Standard and Poors, 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. Included in DART's investment portfolio as of September 30, 2012 is $609,696 compared to $692,864 as of September 30, 2012 that was downgraded from AAA to AA+ by Standard and Poors.

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. The Investment Policy of DART contains limitations on the amount that can be invested in any one issuer as shown in the table on page 21. 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, 2012		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Farm Credit Banks	$239,302	26%
Federal National Mortgage Association	167,575	18%
Federal Home Loan Bank	133,132	14%
Money Market Fund:		
Fidelity	62,293	7%

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

September 30, 2011		
Investment type/Issuer	Reported Amount	Percentage of Total Portfolio
Federal Farm Credit Banks	$229,957	19%
Federal Home Loan Mortgage Corporation	191,903	16%
Federal Home Loan Bank	168,840	14%
Federal National Mortgage Association	102,163	8%
Bankers Acceptance:		
Bank of America	62,038	5%
Commercial Paper:		
ABN AMRO Bank, N.A.	69,876	6%
Citigroup	69,839	6%
Prudential	64,943	5%
Abbey National	59,859	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, 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 with the exception of money market mutual funds, which by design provide ownership of shares within the fund, are registered in DART's name as of September 30, 2012 and 2011 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 is in foreign currency-denominated investments.

Restricted investments held to pay capital lease/leaseback liabilities – Currently, DART has four outstanding lease/leaseback obligations. When DART entered into these 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 and 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 statement of net assets.

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 $9,950 more than budget for fiscal year 2012 compared to $8,482 for fiscal year 2011. 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 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. 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 $10,543 as of September 30, 2012 compared to $10,766 as of September 30, 2011. These amounts are shown as restricted investments held as security for capital lease/lease back liabilities in the statements of net assets and are excluded from the financial reserve amount of September 30, 2012 and 2011 shown below.

As of September 30 assets assigned by the DART Board for specific purposes, including investments and accrued interest, consisted of the following:

Assigned for	2012	2011
Self-Insurance	$13,747	$13,761
Financial Reserve	21,266	12,362
Total	$35,013	$26,123

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 assets. 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.

The System Expansion and Acquisition Fund (SEA Fund) includes monies on deposit to be used solely for paying the costs of acquisition and construction of capital assets. The Board may, but is not required to, use money on deposit in the SEA Fund to pay for obligations in the event of a default.

Restricted assets shown in the Statements of Net Assets 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 street car 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 Assets as of September 30, 2012 and 2011.

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, 2012, DART has set aside $10,543 compared $10,766 as of September 30, 2011 for this purpose and this amount is shown as investments restricted as security for lease/lease back liabilities in the statements of net assets.

5. INVESTMENT IN JOINT VENTURE

DART and the Fort Worth Transportation Authority ("The T") 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. Cost of operating TRE, net of operating revenues, is shared between DART and the T 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 the T 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 the T is recorded as Investment in Joint Venture in the statement of net assets in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No.39, *Determining Whether Certain Organizations Are Component Units.* 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.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

6. CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2012 and 2011 are shown as follows:

	Beginning Oct. 1, 2011	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2012
Non-Depreciable Assets					
Land and right-of-way	$548,904			$ 5,810	$554,714
Capital projects in progress	859,872	$332,418		(490,938)	701,352
Total non-depreciable assets	1,408,776	332,418		(485,128)	1,256,066
Depreciable Assets					
Transitways	2,779,751			408,554	3,188,305
Buildings and improvements	696,102		(77)	6,154	702,179
Revenue and non-revenue vehicles and equipment	1,218,639		(4,968)	61,890	1,275,561
Furniture, fixtures, and Leasehold improvements	43,242		(2,235)	8,530	49,537
Total depreciable assets	4,737,734		(7,280)	485,128	5,215,582
Less accumulated depreciation					
Transitways	593,902	96,748			690,650
Buildings and improvements	240,967	24,960	(46)		265,881
Revenue and non-revenue vehicles and equipment	499,242	65,352	(4,964)		559,630
Furniture, fixtures, and Leasehold improvements	36,569	4,595	(2,235)		38,929
Total accumulated depreciation	1,370,680	191,655	(7,245)		1,555,090
Depreciable assets, net	3,367,054	(191,655)	(35)	485,128	3,660,492
Total capital assets	$4,775,830	$140,763	$(35)		$4,916,558

	Beginning Oct. 1, 2010	Additions	Disposals	Net Transfers/ Adjustments	Ending Sept. 30, 2011
Non-Depreciable Assets					
Land and right-of-way	$397,997		$(957)	$ 151,864	$548,904
Capital projects in progress	2,305,270	$437,213		(1,882,611)	859,872
Total non-depreciable assets	2,703,267	437,213	(957)	(1,730,747)	1,408,776
Depreciable Assets					
Transitways	1,631,987		(2,965)	1,150,729	2,779,751
Buildings and improvements	419,849		(1,619)	277,872	696,102
Revenue and non-revenue vehicles and equipment	935,898		(15,095)	297,836	1,218,639
Furniture, fixtures, and Leasehold improvements	38,940		(8)	4,310	43,242
Total depreciable assets	3,026,674		(19,687)	1,730,747	4,737,734
Less accumulated depreciation					
Transitways	508,156	87,205	(1,459)		593,902
Buildings and improvements	221,232	21,354	(1,619)		240,967
Revenue and non-revenue vehicles and equipment	447,998	65,632	(14,388)		499,242
Furniture, fixtures, and Leasehold improvements	31,939	4,638	(8)		36,569
Total accumulated depreciation	1,209,325	178,829	(17,474)		1,370,680
Depreciable assets, net	1,817,349	(178,829)	(2,213)	1,730,747	3,367,054
Total capital assets	$4,520,616	$258,384	$(3,170)		$4,775,830

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

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

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

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

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

Description	2012	2011
Accounts payable and accrued liabilities		
Payroll	$11,745	$9,364
Accrued paid time off, vacation and sick leave	20,979	19,235
Self insurance liabilities	17,014	17,816
Other operating liabilities	32,814	30,278
Total operating expense related	82,552	76,693
Non-operating expense and capital related	47,564	46,939
Total accounts payable and accrued liabilities	130,116	123,632
Non-current	29,680	30,217
Current	$100,436	$93,415

The Texas State Comptroller collects the 1% sales and use tax from tax payers 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	2012	2011
Beginning balance	$12,695	$13,519
Payments	(824)	(824)
Ending balance	11,871	12,695
Non-current	11,047	11,871
Current	$824	$824

8. 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	2012	2011
Beginning balance	$19,235	$19,650
Additions	2,764	1,944
Payments	(1,020)	(2,359)
Ending balance	$20,979	$19,235
Amounts due in one year	$936	$965

Payments during 2011 are higher than that of 2012 because of PTO, sick leave and vacation payments in connection with early retirement and reduction in force that took place during 2011. Accrued PTO, vacation, and sick leave amounts shown above are included in the accounts payable and accrued liabilities line item on the statement of net assets.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

9. LOCAL ASSISTANCE PROGRAM

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 assets.

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

Description	2012	2011
Beginning balance	$13,370	$13,370
Payments	(8,000)	
Ending balance	$5,370	$13,370

10. 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 summarizes DART capital lease/leaseback transactions as of the respective transaction date.

Lease Date	Property	Fair Market Value At Closing Date	Prepayment Received On Head Lease	Amount Invested to Satisfy Sublease Obligation	Cash Benefit	Repurchase Option Date	Sublease Termination Date
7/25/97	22 Light rail cars	$57,992	$51,886	$47,096	$4,790	01/01/13	12/15/13
9/28/00	28 Light rail cars	91,000	91,000	84,000	7,000	01/02/23	12/15/23
10/26/00	25 Light rail cars	81,000	81,000	74,700	6,300	01/02/25	12/15/25
7/10/02	Buses – Lot 1	46,505	46,505	44,903	1,602	01/01/12	12/15/12
7/10/02	Buses – Lot 2	36,828	36,828	35,559	1,269	01/01/13	12/15/13
7/10/02	Buses – Lot 3	15,367	15,367	14,838	529	01/01/14	12/15/14

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 and buses under the lease/lease back agreements as of September 30, 2012 and 2011.

Lease Date	Property	Book value as of 9/30/2012	Book value as of 9/30/2011
7/25/97	22 Light rail cars	$19,948	$22,232
9/28/00	28 Light rail cars	37,269	40,327
10/26/00	25 Light rail cars	37,385	40,275
7/10/02	Buses – Lot 1		2,250
7/10/02	Buses – Lot 2	311	3,899
7/10/02	Buses – Lot 3	3,212	1,935

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 assets. Prepayments received from the head lease 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 assets. 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 assets in the fiscal year each transaction occurred. The capital lease/leaseback liabilities are reported as follows on the statements of net assets:

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

	2012	2011
Amounts due within one year	$75,180	$55,762
Amounts due in more than one year	214,379	268,141
Total	$289,559	$323,903

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, 2012, DART has set aside $10,543 compared to $10,766 as of September 30, 2011 for this purpose. These amounts are shown as investments restricted as security for lease/lease back liabilities in the statements of net assets.

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

Description	2012	2011
Beginning balance	$323,903	$322,240
Accrued interest	21,419	22,468
Retirements/terminations/adjustments	(55,763)	(20,805)
Ending Balance	$289,559	$323,903

The following schedule shows future minimum sublease payments as of September 30, 2012 for the outstanding lease capital lease/leaseback transactions.

Year Ending September 30	Minimum Sublease Payments
2013	$86,884
2014	36,209
2015	14,096
2016	12,210
2017	12,210
2018 – 2022	54,693
2023 – 2026	261,351
Total minimum sublease payments due under capital lease/leaseback	477,653
Less: amount representing interest	(188,094)
Present value of minimum sublease payments	$289,559

11. SENIOR SUBORDINATE LIEN SALES TAX REVENUE COMMERCIAL PAPER NOTES PAYABLE

In January 2001, the 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. In 2006, a new Revolving Credit Agreement was executed with four lenders (Westdeutsche Landesbank Girozentrale, Bayerische Landesbank Girozentrale, State Street Bank and Trust Company, and Landesbank Baden-Wurtemberg) to provide a liquidity facility to support the Commercial Paper Program. The Revolving Credit Agreement expired on January 21, 2011. A new agreement was executed with Bank of America with an effective date of January 20, 2011. As part of this new revolving credit agreement, the maximum commercial paper amount that can be issued is limited to a principal amount of $150 million.

The Revolving Credit Agreement contains certain covenants as follows: projected gross sales and use tax revenues must exceed debt service requirements by 150% for each of the three following and consecutive fiscal years, beginning with the first fiscal year in which debt service on the proposed bond obligations will be due and 200% of four consecutive quarters of the last six quarters. DART complied with these covenants for the years ended September 30, 2012 and 2011. Commercial paper is issued in blocks for terms from 1 to 270 days.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

The commercial paper notes are recorded as current liabilities on the statements of net assets. The Revolving Credit Agreement is secured by and payable from a pledge (senior subordinate lien) of DART's sales and use tax revenue. The average interest rate on outstanding commercial paper at September 30, 2012 was 0.24% compared to 0.25% at September 30, 2011.

On November 15, 2012, DART issued $127,775 in Senior Lien Sales Tax Revenue Bonds Series 2012 (see note 20, Subsequent Events). Proceeds of the Series 2012 Bonds were used to refund the Subordinate Lien Sales Tax Revenue Commercial Paper Notes and to pay for the issuance costs of the Series 2012 Bonds. The Revolving Credit Agreement with Bank of America was terminated on November 15, 2012. Changes in the Commercial Paper Notes for the years ended September 30 are shown below:

Description	2012	2011
Beginning balance	$150,000	$150,000
Additions	905,000	824,800
Retirement	(985,000)	(824,800)
Ending Balance	$70,000	$150,000

The maximum principal of outstanding Commercial Paper Notes did not exceed the $150 million limit during either year.

12. SENIOR LIEN REVENUE BONDS

In August 2000, the voters in DART's service area approved the issuance of up to $2.9 billion in sales tax revenue bonds to accelerate the completion of extensions to the existing light rail system and other improvements to the public transportation system. 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 is shown below:

				Interest rates (Yields) range		Maturity date range		Optional Redemption	
Bond Series	Board Approval Date	Original Issue Amount	Date issued	From	To	From	To	Bonds maturing after	Earliest call date
2001	Jul. 2001	$400,000	8/09/01	2.8%	5.2%	12/1/02	12/1/31	12/1/12	12/1/11
2002	Jul. 2002	98,735	9/10/02	3.0%	5.4%	12/1/05	12/1/32	12/1/13	12/1/12
2007*	Jan. 2007	770,270	3/08/07	4.0%	5.3%	12/1/07	12/1/36	12/1/17	12/1/16
2008	Apr. 2008	731,415	6/23/08	4.5%	5.3%	12/1/09	12/1/48	12/1/18**	12/1/17
2009A	May 2009	170,385	6/25/09	2.8%	4.3%	12/1/14	12/1/22	12/1/19	6/1/19
2009B	May 2009	829,615	6/25/09	6.0%	6.3%	12/1/23	12/1/44	12/1/34	5/31/19
2010A	Sep. 2010	95,235	10/7/10	2.0%	5.0%	12/1/13	12/1/23	12/1/21	12/1/20
2010B	Sep. 2010	729,390	10/7/10	4.9%	5.0%	12/1/37	12/1/48	Not applicable	

* The series 2007 bond issuance included $328,235 to partially refund Series 2001 and 2002 bonds.
** The Series 2008 bonds maturing after December 1, 2018 are subject to optional redemption with the exception of those maturing on December 1, 2029 and 2030.

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.

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.

During 2012, DART recorded tax credits of $30,462 compared to $30,250 for 2011 as Build America Bonds tax credit in the Statements of Revenues, Expenses and Changes in Net Assets.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

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, 2012 and 2011 are as follows:

Bond Series	Balance, 9/30/2010	Additions	Advance Refunding	Retirement	Balance, 9/30/2011	Retirement	Balance, 9/30/2012	Amounts due in one year
2001	$82,315		$(73,400)	$(8,915)				
2002	28,410		(25,910)	(1,500)	$ 1,000		$ 1,000	$1,000
2007	756,210			(5,240)	750,970	$(5,075)	745,895	5,740
2008	728,435		(3,465)	(3,135)	721,835	(3,295)	718,540	
2009A	170,385				170,385		170,385	
2009B	829,615				829,615		829,615	
2010A		$ 95,235			95,235		95,235	
2010B		729,390			729,390		729,390	
Total	$2,595,370	$824,625	$(102,775)	$(18,790)	$3,298,430	$(8,370)	$3,290,060	$6,740

The revenue bonds shown above are at face value. They are shown in the statement of net assets net of the original issuance premium, discount and refunding gain (loss) of $61,196 and $66,008 as of September 30, 2012 and 2011, respectively.

Below is a summary of debt service requirements of the Senior Lien Revenue Bonds outstanding as of September 30, 2012:

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2013	$6,740	$173,395	$180,135	$(30,462)	$149,673
2014	23,355	172,728	196,083	(30,462)	165,621
2015	43,740	171,218	214,958	(30,462)	184,496
2016	45,870	169,090	214,960	(30,463)	184,497
2017	48,155	166,805	214,960	(30,462)	184,498
2018 – 2022	279,870	794,959	1,074,829	(152,311)	922,518
2023 – 2027	349,785	714,552	1,064,337	(147,969)	916,368
2028 – 2032	433,685	611,689	1,045,374	(133,081)	912,293
2033 – 2037	548,635	478,256	1,026,891	(114,604)	912,287
2038 – 2042	632,495	318,867	951,362	(81,391)	869,971
2043 – 2047	651,800	134,884	786,684	(31,903)	754,781
2048 – 2049	225,930	13,855	239,785	(2,517)	237,268
TOTAL	$3,290,060	$3,920,298	$7,210,358	$(816,087)	$6,394,271

13. PLEDGED REVENUES

DART has pledged sales and use tax and farebox revenues as security for 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 bonds as of September 30, 2012 is $7.2 billion. The annual debt service requirements for these bonds, before Build America Bonds tax credits, range from $214,998 in fiscal year 2018 to $119,292 in fiscal year 2049. For the current fiscal year, debt service on the bonds (including principal and interest) was $182,138. Bonds have a senior lien on pledged revenues.

Total principal and interest remaining on commercial paper as of September 30, 2012 is $70,011. Interest payments on commercial paper notes during the current fiscal year totaled $354. Commercial Paper notes have a subordinate senior lien on pledged revenues.

14. DEBT REFUNDINGS

In prior years, DART issued $770,270 in Senior Lien Sales Tax Revenue Bonds (Series 2007 bonds) to refund the Series 2001 and 2002 Bonds and the Series 2001 Commercial Paper Notes. As a result, the Series 2001 Commercial Paper Notes, and a portion of the Series 2001 and 2002 bonds are considered defeased and the liability for those notes, bonds, and the corresponding assets in the trust account have been removed from DART's Statements of Net Assets. Also during 2011, DART issued the Series 2010A bonds to refund a portion of Series 2001, 2002 and 2008 bonds. As a result, the Series 2001, 2002 and 2008 bonds in the total amount of $102,775 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 Assets. As of September 30, 2012, $88,130 of refunded DART bonds remains outstanding compared to $431,010 as of September 30, 2011. These refunded bonds are solely payable from and secured by the assets in the irrevocable trust accounts. All of DART's refunded bonds that were outstanding as of September 30, 2012 have been fully paid on December 3, 2012. As a result of this refunding, DART recognized a book loss of $7,883, a reduction in debt service of $3,945 and an economic gain of $8,786.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

15. 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 – 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. DART's covered payroll for the DB Plan as of October 1, 2011 (actuarial valuation date), was approximately $19.3 million compared to $23.7 as of October 1, 2010.

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. 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.

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. A net pension asset of $7,775 and $6,485 is shown in the accompanying statements of net assets of DART at September 30, 2012 and 2011, respectively.

In accordance with GASB Statement No. 27, *Accounting for Pension by State and Local Government Employers,* an actuary determines the contribution amount that DART pays to the plan each year. The amount determined is referred to as the "Annual Required Contribution" (ARC). All significant actuarial assumptions used to compute the ARC are the same as those used to compute the actuarial accrued liability. The net pension asset/obligation is the cumulative difference between annual pension cost (including any interest accumulated on the pension asset/obligation, the ARC, and any adjustments to the ARC), and the employer's actual contribution to the plan.

Actuarial Assumptions - The net pension assets for fiscal years 2012 and 2011 were computed as part of an actuarial valuation performed and dated as of the first day of the fiscal periods, October 1, 2011 and 2010. The following table shows significant actuarial assumptions:

Valuation Date	October 1, 2011	October 1, 2010
Investment Return	7% compounded annually, net of expenses	8% compounded annually, net of expenses
Salary Increases	3.25% per annum	3.5% per annum
Mortality	RP 2000 mortality tables for males and females	RP 2000 mortality tables for males and females
Disability Mortality	RP 2000 mortality tables for males and females	RP 2000 mortality tables for males and females
Early Retirement Age	55	55
Normal Retirement Age	60	60
Cost-of-Living Adjustments	2.5% per annum	2.5% per annum
Actuarial Cost Method	Projected Unit Credit Cost Method	Projected Unit Credit Cost Method
Inflation	2.5% per annum	2.5% per annum
Amortization	30 Years, Level Dollar, Open period	30 Years, Level Dollar, Open period

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

For plan years 2012, 2011, and 2010, the net pension asset was as follows:

	2012	2011	2010
Annual required contribution	$6,686	$5,317	$5,395
Interest on net pension asset	(454)	(447)	(385)
Adjustment to annual required contribution	523	496	427
Annual pension cost	6,755	5,366	5,437
Employer contributions	8,045	6,266	6,212
Increase in net pension asset	1,290	900	775
Net pension asset, beginning of year	6,485	5,585	4,810
Net pension asset, end of year	$7,775	$6,485	$5,585
Percentage of annual pension cost contributed	120%	117%	114%

The actuarial value of plan net assets is determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using a level dollar amount on a closed basis with no amortization period exceeding 30 years.

Funding Progress - The schedule of funding progress for the DART Employees Defined Benefit Retirement Plan is included in the Required Supplementary Information. The data for the two most recent valuations are as follows:

	Actuarial Valuation Date	
	10/1/11	10/1/10
Actuarial value of assets	$141,480	$145,605
Actuarial accrued liability (AAL) projected unit credit	195,504	176,587
Unfunded AAL (UAAL)	54,024	30,982
Funded ratio	72.4%	82.5%
Covered payroll	19,306	23,727
UAAL as a % of covered payroll	279.8%	130.6%

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 $13,280 and $12,710 for the years ended September 30, 2012 and 2011, 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 $4,431 and $4,607 for the years ended September 30, 2012 and 2011, 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.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

16. POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Description - DART administers a single-employer defined benefit 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.

Funding Policy - DART's contribution to the retiree healthcare and life insurance is an annual required contribution (ARC) determined actuarially based on the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortization of any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The ARC for fiscal year 2012 is 3.0% of annual covered payroll compared to 2.8% for 2011. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost. For the years ended September 30, 2012 and 2011, DART's annual required contributions to other post employment benefits (OPEB) trust were $5,024 and $4,591. These contribution amounts are the same as annual OPEB costs for both years. The contribution for 2011 was made after fiscal year-end. The annual required contribution amount of $4,591 was recorded as liability and included in the accounts payable and accrued liabilities on DART's statement of net assets. The OPEB trust was set up during the fiscal year 2008 for the first time and is not included in these financial statements. DART has 310 retirees eligible to receive these benefits in 2012 compared to 298 retirees in 2011.

Actuarial Assumptions - Actuarial evaluations were performed for the OPEB Plan as of September 30. The following tables show the summaries of significant actuarial assumptions:

Valuation Date	September 30, 2012
Investment Return	7.00%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend	Year 1 trend is 9% for Aetna and 11.5% for Secure Horizons Medicare Advantage Plan, and the trend for 11 or more years is 5% (with different rates for the years in between)
Mortality – Pre-retirement	RP 2000 Employees Pre-Retirement Mortality
Mortality – Post-retirement	RP 2000 Healthy Mortality
Aging Factor	3% per annum for Pre-65 and 2% for Post-65
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
Spouse coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage
Age of Dependent Spouse	Females are assumed to be 4 years younger than males
Actuarial Cost Method	Projected Unit Credit
Salary Increases	3.25% per annum
Amortization	30 Years Level Dollar Amortization Method, Open period

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

Valuation Date	September 30, 2011
Investment Return	7.00%
Future Participation	For future eligible retirees, 56% are assumed to elect medical coverage, while 100% are assumed to elect life coverage
Health Care Trend	Year 1 trend is 8%, and the trend for 12 or more years is 5% (with different rates for the years in between)
Mortality – Pre-retirement	RP 2000 Employees Pre-Retirement Mortality
Mortality – Post-retirement	RP 2000 Healthy Mortality
Aging Factor	3% per annum for Pre-65 and 2% for Post-65
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
Spouse coverage	For active employees, 40% are assumed to be married at retirement with the spouse electing coverage
Age of Dependent Spouse	Females are assumed to be 4 years younger than males
Actuarial Cost Method	Projected Unit Credit
Salary Increases	3.25% per annum
Amortization	30 Years Level Dollar Amortization Method, Open period

Annual OPEB Cost and Net OPEB Asset - For plan years 2012 and 2011, annual OPEB cost and the net OPEB asset were as follows:

	2012	2011
Annual required contribution	$5,024	$4,951
Annual OPEB cost	5,024	4,951
Total employer contributions*	9,975	
Increase in net OPEB obligation (decrease in net OPEB asset)	4,951	4,951
Net OPEB asset (obligation), beginning of year	(4,951)	
Net OPEB asset (obligation), end of year	(0)	(4,951)
Percentage of annual OPEB cost contributed*	199%	0%

*For 2011, employer contribution was made on October 13, 2011, after fiscal year-end.

Funding Progress - 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	
	9/30/12	9/30/11
Actuarial value of assets	$18,066	$7,170
Actuarial accrued liability (AAL) Unit Credit	$49,384	$43,323
Unfunded AAL (UAAL)	$31,318	$36,153
Funded ratio	36.6%	16.6%
Covered payroll	$169,196	$175,685
UAAL as a % of covered payroll	18.5%	20.6%

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

17. 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.

18. COMMITMENTS AND CONTINGENCIES

The Board has approved a Transit System Plan, which includes the design and construction of a 46-mile light rail transit (LRT) extension from Downtown Dallas to Buckner Blvd. (the Southeast Corridor) and from Downtown Dallas to Farmers Branch, Carrollton, and Irving (the Northwest Corridor) and from downtown Garland to Rowlett (Rowlett extension). 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 Transit System Plan is forecasted at $3.8 billion as of September 30, 2012. The first section of the southeast extension, Bryan Street to Fair Park, opened for service on September 14, 2009. Other northwest and southeast extensions opened for service during 2011 and the first section of Irving line segment opened for service in July 2012. The second section of the Irving line segment and the northeast (Rowlett) extension are scheduled to open during 2013. DART has entered into contract commitments for the LRT build out and other capital developments in the amount of $3.3 billion and spent approximately $3.0 billion of the committed amount as of September 30, 2012 on these projects.

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 are approximately $1,096 and $1,302 in 2012 and 2011, respectively.

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

Fiscal Year	2013	2014	2015	2016	2017
Minimum Lease Payments	$495	$424	$375	$141	$141

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 assets.

19. DERIVATIVE INSTRUMENTS

Diesel Fuel Hedge

As part of its normal business of providing public transportation services, DART operates a large fleet of buses, commuter rail cars, and paratransit and innovative service vans, that are currently operated with diesel fuel. DART has diesel fuel delivery contracts with suppliers; 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 diesel fuel hedge contracts. Summary information of relevant diesel fuel hedge contracts is shown below:

Fiscal Year Covered	Type	Notional Amount (U.S. Gallons)	Effective Date	Termination Date	Fair Value, 9/30/11	Fair Value, 9/30/12	Change in Fair Value
2012	Commodity forward contract	8,413,200	10/1/11	9/30/12	$3,565	$0	$(3,565)
2013	Commodity forward contract	7,218,765	10/1/12	9/30/13	1,915	4,865	2,950
	Total				$5,480	$4,865	$(615)

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

The fair values of $4,865 and $5,480 as of 9/30/2012 and 9/30/2011 are shown in the statements of net assets and statements of changes in net assets.

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 paratransit vans. 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 ultra low sulphur diesel (ULSD) for each month.

Risks

Credit risk – The derivative instrument for fiscal years 2012 and 2013 are held by the same counterparty. On September 30, 2012, DART's position in the derivative instruments is a potential inflow of resources. DART can potentially be exposed to credit risk if the counter party to the transaction becomes insolvent. The following table shows credit ratings for the counterparty.

Fiscal Year Covered	Credit Rating
2012	A+/Aa3
2013	A+/Aa3

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 it buys for use in its operations. No termination event has occurred during fiscal years 2012 and 2011.

Contingencies

The diesel 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 & Poors or Moody's and if the exposure exceeds threshold amounts specified in the derivative instruments (contracts). DART's credit rating as of September 30, 2012 is AA+ as issued by Standards & Poors or Aa2 as issued by Moody's.

Compressed Natural Gas (CNG) Delivery Contract

Starting from October 1, 2012, DART is replacing its existing diesel and liquefied natural gas operated fleet of buses with new buses that are operated with compressed natural gas (CNG). DART will also buy CNG for contractor-owned and-operated paratransit vehicles.

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 assets as of September 30, 2012.

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.

Risks

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 it buys for use in its operations. No termination event has occurred during fiscal years 2012.

For the Years Ended September 30, 2012 and 2011 (Dollars in Thousands)

20. SUBSEQUENT EVENTS

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. The following table summarizes debt service requirements of the Senior Lien Sales Tax Revenue Bonds including the bonds issued on November 15, 2012.

Year Ended September 30	Principal	Interest	Total Debt Service	Build America Bonds tax credit	Net Debt Service
2013	$6,740	$176,640	$183,380	$(30,462)	$152,918
2014	25,480	178,679	204,159	(30,462)	173,697
2015	45,910	177,125	223,035	(30,462)	192,573
2016	48,115	174,920	223,035	(30,463)	192,572
2017	50,490	172,543	223,033	(30,462)	192,571
2018 – 2022	292,980	822,230	1,115,210	(152,311)	962,899
2023 – 2027	366,165	738,552	1,104,717	(147,969)	956,748
2028 – 2032	454,710	631,036	1,085,746	(133,081)	952,665
2033 – 2037	575,150	492,117	1,067,267	(114,604)	952,663
2038 – 2042	666,485	325,256	991,741	(81,391)	910,350
2043 – 2047	659,680	135,082	794,762	(31,903)	762,859
2048 – 2049	225,930	13,855	239,785	(2,517)	237,268
TOTAL	$3,417,835	$4,038,035	$7,455,870	$(816,087)	$6,639,783

The annual debt service requirements for these bonds, before Build America Bonds tax credits, range from $223,075 in fiscal year 2018 to $119,292 in fiscal year 2049.

Also, 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 loan agreement, DART will issue a Senior Lien Obligation bond to borrow $119,972 from the U.S Department of Transportation. The proceeds from the bond will be used to pay for the cost of the third phase of DART's light rail Orange Line extension project, which will extend DART's light rail service from Irving to the Dallas Fort Worth International Airport. The TIFIA 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 $100,000 during fiscal year 2013 and $19,972 during fiscal year 2014. 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 following table summarizes estimated debt service requirements of the TIFIA financing agreement executed on December 13, 2012 based on expected draw down of $100,000 during fiscal year 2013 and $19,972 during fiscal year 2014. The amounts and timing of the debt service shown here for the TIFIA bond are subject to change depending on the amount and timing of the draw down.

Year Ended September 30	Principal	Interest	Total TIFIA Bond Debt Service
2013		$220	$220
2014		2,862	2,862
2015		3,491	3,491
2016		3,495	3,495
2017	$2,321	3,448	5,769
2018 – 2022	12,659	16,189	28,848
2023 – 2027	14,612	14,203	28,815
2028 – 2032	16,865	11,914	28,779
2033 – 2037	19,466	9,265	28,731
2038 – 2042	22,468	6,214	28,682
2043 – 2047	25,933	2,691	28,624
2048	5,648	69	5,717
TOTAL	$119,972	$74,061	$194,033

The annual debt service requirements for the TIFIA bond range from $5,773 in fiscal year 2020 to $220 in fiscal year 2013.

21. NEW ACCOUNTING PRONOUNCEMENTS

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard addresses SCAs in which there is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about the SCAs. This Statement is effective for DART in fiscal year 2013.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*—an amendment of GASB Statements No. 14 and No. 34, to improve financial reporting for a governmental reporting entity. The standard modifies certain requirements for inclusion of component units, amends criteria for blending, and clarifies the reporting of equity interests in legally separate entities. This Statement is effective for DART in fiscal year 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. This standard becomes effective for DART in fiscal year 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB defines deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. This standard becomes effective for DART in fiscal year 2013.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This standard becomes effective for DART in fiscal year 2014.

In March 2012, GASB issued Statement No. 66, a*n amendment of GASB Statements No.10 and No 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*. This standard becomes effective for DART in fiscal year 2014.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25.* This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This standard becomes effective for DART and the DART Employees Defined Benefit Retirement Plan and Trust (the DB Plan) in fiscal year 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans—an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This standard becomes effective for DART in fiscal year 2015.

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

DALLAS AREA RAPID TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
DEFINED BENEFIT PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

September 30, 2012 (Dollars in Thousands)

The schedule of funding progress for the DART defined benefit Pension Plan calculated by the actuaries as follows:

	Actuarial Valuation Date		
	10/1/11	10/1/10	10/1/09
Actuarial Value of Assets	$141,480	$145,605	$141,696
Actuarial Accrued Liability (AAL)	195,504	176,587	173,469
Projected Unit Credit			
Unfunded AAL (UAAL)	54,024	30,982	31,773
Funded Ratio	72.4%	82.5%	81.7%
Covered Payroll	19,306	23,727	23,904
UAAL as a % of Covered Payroll	279.8%	130.6%	132.9%

Annual financial statements for the DART defined benefit Pension Plan 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.

The schedule of funding progress for the DART Other Postemployment Benefits (OPEB) calculated by the actuaries is as follows:

	Fiscal Year Ending		
	9/30/12	9/30/11	9/30/10
Actuarial Value of Assets	$18,066	$7,170	$10,554
Actuarial Accrued Liability (AAL)	$49,384	$43,323	34,598
Unit Credit			
Unfunded AAL (UAAL)	$31,318	$36,153	24,044
Funded Ratio	36.6%	16.6%	30.5%
Covered Payroll	$169,196	$175,685	171,371
UAAL as a % of Covered Payroll	18.5%	20.6%	14.0%

* * * * * * * *

STATISTICAL SECTION

The statistical section provides financial statement users with historical perspective and context for understanding the information presented in the financial statements, notes to financial statements, and required supplementary information. It includes five categories of trend information.

Contents | **Pages**

Financial Trends - The schedules in this section assist users in understanding and assessing how DART's financial performance and position have changed over the last ten fiscal years.

Revenue Capacity – The schedules in this section assist users in understanding and assessing DART's ability to generate revenues. It focuses on its two major sources of revenues: sales and use tax and passenger fare revenues.

Debt Capacity - These schedules present information to help the reader assess DART's current levels of outstanding debt and ability to issue additional debt in the future.

Demographic and Economic Information - The schedules in this section assist users in understanding the socioeconomic environment in which DART operates.

Operating Information - The schedules in this section provide information on the level of services provided by DART and resources used in providing the services. This section helps users understand how the information in the financial statements relates to the level of services provided and resources used in providing the services.

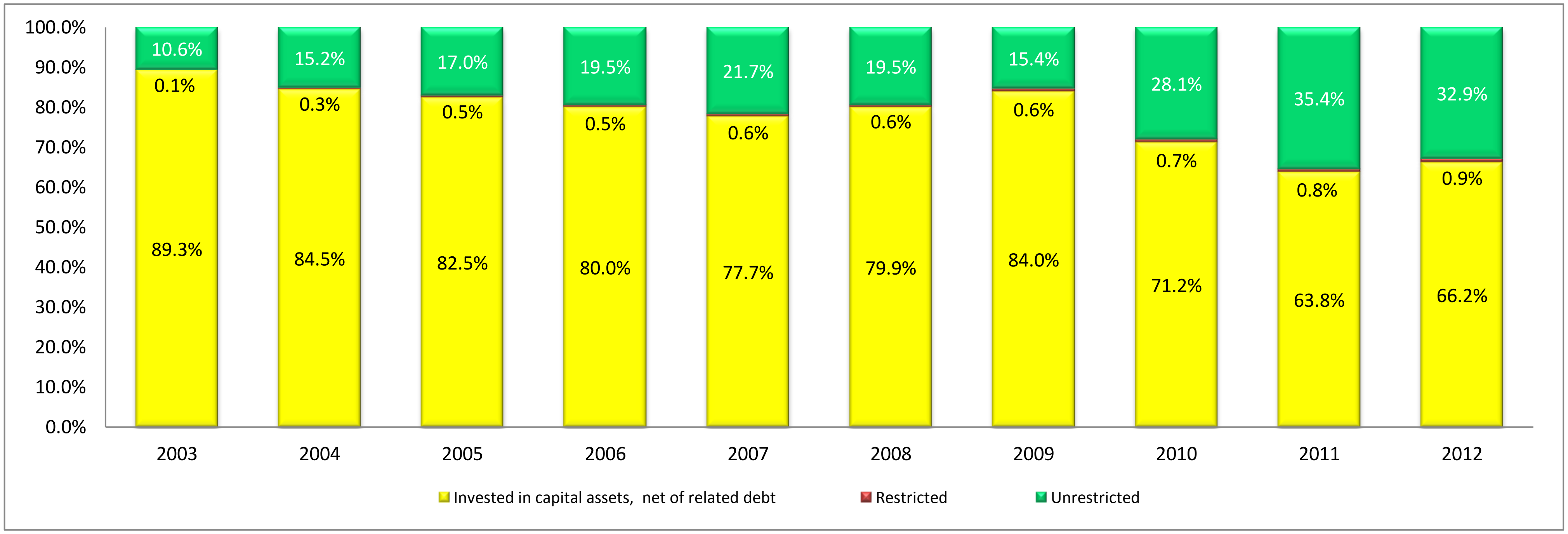
Financial Trends

DALLAS AREA RAPID TRANSIT

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS (Amounts In Thousands)

	Fiscal Year									
Components of net assets	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Invested in capital assets, net of related debt	$1,684,745	$1,647,239	$1,615,195	$1,582,230	$1,627,343	$1,779,450	$2,030,937	$1,741,742	$1,515,210	$1,551,617
Restricted	2,627	6,521	9,621	9,666	11,827	12,612	15,065	15,765	18,104	21,303
Unrestricted	199,517	296,035	333,692	384,826	454,505	433,770	372,462	687,987	840,297	771,204
Total Net Assets	**$1,886,889**	**$1,949,795**	**$1,958,508**	**$1,976,722**	**$2,093,675**	**$2,225,832**	**$2,418,464**	**$2,445,494**	**$2,373,611**	**$2,344,124**



Source: Annual Financial Reports

DALLAS AREA RAPID TRANSIT
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (Amounts In Thousands)

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
OPERATING REVENUES										
Passenger (fare) revenues	$35,134	$35,818	$37,131	$40,799	$41,114	$48,957	$46,712	$52,081	$57,329	$59,809
Advertising, rent and other	7,775	9,069	9,096	9,196	9,430	10,846	10,640	11,149	12,049	20,306
TOTAL OPERATING REVENUES	42,909	44,887	46,227	49,995	50,544	59,803	57,352	63,230	69,378	80,115
OPERATING EXPENSES										
Labor	132,675	147,267	151,572	152,804	160,209	171,804	180,834	193,213	198,290	202,009
Benefits	55,255	55,345	62,325	59,659	54,512	66,422	69,157	80,714	86,548	86,734
Services	24,623	20,658	24,291	27,511	27,919	32,156	31,894	32,323	33,832	30,153
Materials and Supplies	27,235	32,622	41,451	47,140	45,996	57,040	51,279	57,585	51,096	49,120
Purchased Transportation	69,641	35,908	38,071	41,172	42,411	46,749	47,291	50,452	53,466	55,640
Utilities	8,426	8,554	9,799	10,623	10,371	10,765	12,362	13,805	17,047	18,499
Taxes, Leases, and Other	4,912	4,990	5,478	4,806	4,773	5,305	5,685	5,288	5,737	5,732
Casualty and Liability	2,941	3,802	9,554	(1,183)	1,778	3,020	3,320	3,841	3,878	5,048
Operating Expenses(excluding depreciation and amortization)	325,708	309,146	342,541	342,532	347,969	393,261	401,822	437,221	449,894	452,935
Depreciation and amortization expense	105,032	99,185	106,225	104,593	112,965	118,905	121,765	135,324	179,119	192,875
TOTAL OPERATING EXPENSES*	430,740	408,331	448,766	447,125	460,934	512,166	523,587	572,545	629,013	645,810
NET OPERATING LOSS*	(387,831)	(363,444)	(402,539)	(397,130)	(410,390)	(452,363)	(466,235)	(509,315)	(559,635)	(565,695)
NON-OPERATING REVENUES (EXPENSES)										
Sales and use tax	309,079	333,309	342,670	358,248	389,953	413,341	378,421	376,295	403,228	433,302
Investment Income	30,621	29,955	32,855	42,463	47,506	44,947	48,985	29,539	28,434	27,315
Build America Bonds tax credit							4,730	17,736	30,250	30,462
Other non-operating revenues*	6,826	13,166	10,822	8,960	9,784	17,446	11,997	12,039	13,562	11,392
Interest and financing expenses	(49,976)	(49,528)	(52,053)	(52,437)	(52,688)	(58,273)	(78,873)	(93,752)	(145,514)	(155,033)
Local assistance programs for member cities (1)*	(8,093)	(7,816)								
Street improvement for member cities*	(1,027)	(1,974)	(630)	(2,242)	(684)	(683)	(645)	(1,010)	(1,244)	(5,615)
Other non-operating expenses*	(1,095)	(2,740)	(3,958)	(11,143)	(4,439)	(7,636)	(8,431)	(7,251)	(10,844)	(3,445)
NET OPERATING REVENUES, NET	286,335	314,372	329,706	343,849	389,432	409,142	356,184	333,596	317,872	338,378
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(101,496)	(49,072)	(72,833)	(53,281)	(20,958)	(43,221)	(110,051)	(175,719)	(241,763)	(227,317)
Capital Contributions	61,476	56,241	39,442	32,405	96,980	132,888	244,924	151,836	122,314	141,669
Other federal and state grants	2,314	55,737	42,104	39,090	40,931	42,490	57,759	50,913	47,566	56,161
Total capital contribution and grants	63,790	111,978	81,546	71,495	137,911	175,378	302,683	202,749	169,880	197,830
Change in net assets	(37,706)	62,906	8,713	18,214	116,953	132,157	192,632	27,030	(71,883)	(29,487)
NET ASSETS, BEGINNING OF YEAR	1,924,595	1,886,889	1,949,795	1,958,508	1,976,722	2,093,675	2,225,832	2,418,464	2,445,494	2,373,611
NET ASSETS, END OF YEAR	$1,886,889	$1,949,795	$1,958,508	$1,976,722	$2,093,675	$2,225,832	$2,418,464	$2,445,494	$2,373,611	$2,344,124

* Presentation of some line items for fiscal years 2003, 2004, and 2005 are modified for consistency with the recent presentation format.

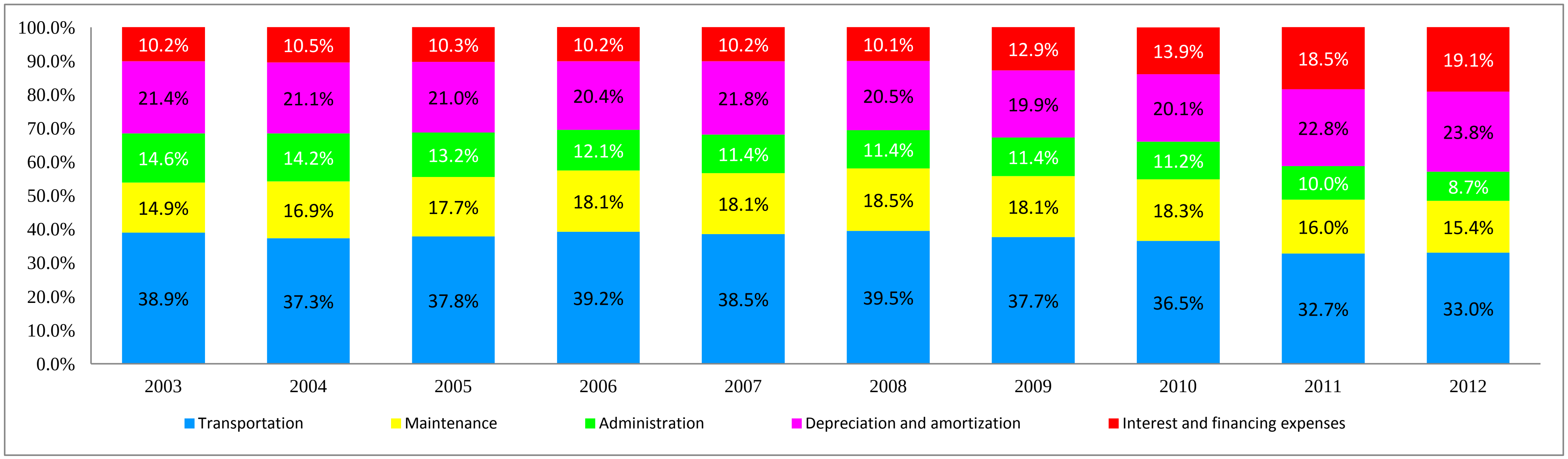
Note 1 - Local assistance program funding for the eligible member cities ended in fiscal year 2004 (See footnote 9 on page 27 of the financial section).

DALLAS AREA RAPID TRANSIT

EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (Amounts In Thousands)

	Fiscal Year									
FUNCTION	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Transportation	$191,189	$175,235	$190,856	$201,239	$199,858	$228,431	$230,331	$246,631	$257,546	$267,001
Maintenance	73,166	79,597	89,627	92,478	94,040	107,144	110,691	123,596	125,778	124,708
Administration	71,568	66,844	66,646	62,200	59,194	66,005	69,876	75,255	78,658	70,286
Depreciation and Amortization	105,032	99,185	106,225	104,593	112,965	118,905	121,765	135,324	179,119	192,875
Interest and Financing Expenses	49,976	49,528	52,053	52,437	52,688	58,273	78,873	93,752	145,514	155,033
TOTAL	**$490,931**	**$470,389**	**$505,407**	**$512,947**	**$518,745**	**$578,758**	**$611,536**	**$674,558**	**$786,615**	**$809,903**



Source: Annual Financial Reports

DALLAS AREA RAPID TRANSIT
OPERATING EXPENSES COMPARISON TO INDUSTRY TREND DATA
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dallas Area Rapid Transit [1]										
Labor and benefits	57.7%	65.5%	62.4%	62.0%	61.7%	60.6%	62.2%	62.7%	63.3%	63.7%
Materials and Supplies	8.4%	10.6%	12.1%	13.8%	13.2%	14.5%	12.8%	13.2%	11.4%	10.8%
Services	7.6%	6.7%	7.1%	8.0%	8.0%	8.2%	7.9%	7.4%	7.4%	6.7%
Utilities	2.6%	2.8%	2.9%	3.1%	3.0%	2.7%	3.1%	3.2%	3.8%	4.1%
Casualty and Liability	0.9%	1.2%	2.8%	-0.3%	0.5%	0.8%	0.8%	0.9%	0.9%	1.1%
Purchased Transportation	21.4%	11.6%	11.1%	12.0%	12.2%	11.9%	11.8%	11.4%	11.9%	12.3%
Others	1.4%	1.6%	1.6%	1.4%	1.4%	1.3%	1.4%	1.2%	1.3%	1.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Transit Industry [2]										
Labor and benefits	69.1%	68.7%	66.9%	66.0%	65.8%	63.9%	64.9%	65.2%	N/A	N/A
Materials and Supplies	9.0%	9.1%	10.1%	11.2%	11.6%	12.8%	11.2%	10.7%	N/A	N/A
Services	6.0%	5.8%	5.8%	5.9%	6.1%	6.3%	6.6%	6.6%	N/A	N/A
Utilities	3.0%	3.0%	3.2%	3.2%	3.4%	3.4%	3.5%	3.4%	N/A	N/A
Casualty and Liability	2.6%	2.6%	2.5%	2.5%	2.4%	2.2%	2.3%	2.6%	N/A	N/A
Purchased Transportation	13.4%	13.4%	13.8%	13.4%	13.0%	13.7%	14.0%	13.8%	N/A	N/A
Others	-3.1%	-2.6%	-2.3%	-2.2%	-2.3%	-2.3%	-2.5%	-2.3%	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A

Note - Operating expenses for which ratios are shown here do not include depreciation and amortization expenses.
N/A= Fiscal year 2011 and 2012 industry information is not available.

Source:
(1) Ratios are calculated from amounts shown on page 42.
(2) The American Public Transit Association, APTA 2012 Public Transportation Fact Book, Table 51.

DALLAS AREA RAPID TRANSIT

REVENUES BY SOURCE

LAST TEN FISCAL YEARS (Amounts In Thousands)

	Fiscal Year									
Revenue source	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Passenger (fare) revenues	$35,134	$35,818	$37,131	$40,799	$41,114	$48,957	$46,712	$52,081	$57,329	$59,809
Advertising, rent and other	7,775	9,069	9,096	9,196	9,430	10,846	10,640	11,149	12,049	20,306
Sales and use tax	309,079	333,309	342,670	358,248	389,953	413,341	378,421	376,295	403,228	433,302
Federal operating grants	3,728	55,278	41,925	39,090	40,931	42,490	57,759	50,913	47,566	56,161
State operating grants	147	459	179							
Investment income	3,987	3,932	7,274	18,314	24,368	21,809	27,267	6,842	5,966	5,896
Interest income from investments held to pay capital lease/leaseback	26,634	26,023	25,581	24,149	23,138	23,138	21,718	22,697	22,468	21,419
Build America Bonds tax credit							4,730	17,736	30,250	30,462
Other non-operating revenues	6,826	13,166	10,822	8,960	9,784	17,446	11,997	12,039	13,562	11,392
	$393,310	$477,054	$474,678	$498,756	$538,718	$578,027	$559,244	$549,752	$592,418	$638,747
Capital contributions:										
Federal capital contributions	52,213	49,612	39,442	30,405	96,980	131,090	242,343	147,832	117,217	119,443
State capital contributions	-	5,359	-	-	-	1,798	77	2,712	839	19,865
Local capital contributions	7,702	1,270		2,000			2,504	1,292	4,258	2,361
	$59,915	$56,241	$39,442	$32,405	$96,980	$132,888	$244,924	$151,836	$122,314	$141,669
Total revenues	$453,225	$533,295	$514,120	$531,161	$635,698	$710,915	$804,168	$701,588	$714,732	$780,416

Source: Annual Financial Reports and internal financial records

DALLAS AREA RAPID TRANSIT
REVENUE BY SOURCE COMPARISON TO INDUSTRY TREND DATA
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Dallas Area Rapid Transit										
Fare revenue (1)	9.0%	7.5%	7.9%	8.2%	7.6%	8.4%	8.3%	9.5%	9.7%	9.4%
Other revenues (2)	11.2%	10.9%	11.1%	12.2%	12.4%	12.7%	13.7%	12.8%	14.2%	14.0%
	20.2%	18.4%	19.0%	20.4%	20.0%	21.1%	22.0%	22.3%	23.9%	23.4%
State and local operating assistance(3)	78.8%	70.0%	72.2%	71.8%	72.4%	71.5%	67.7%	68.4%	68.1%	67.8%
Federal operating assistance (4)	1.0%	11.6%	8.8%	7.8%	7.6%	7.4%	10.3%	9.3%	8.0%	8.8%
	79.8%	81.6%	81.0%	79.6%	80.0%	78.9%	78.0%	77.7%	76.1%	76.6%
Total (5)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Transit Industry (6)										
Fare revenue	32.7%	32.9%	32.4%	33.2%	31.4%	31.2%	31.5%	32.1%	N/A	N/A
Other revenues	18.0%	16.7%	15.7%	15.3%	14.1%	12.9%	12.4%	11.9%	N/A	N/A
	50.7%	49.6%	48.1%	48.5%	45.5%	44.1%	43.9%	44.0%	N/A	N/A
State and local operating assistance	43.5%	43.4%	44.6%	43.8%	47.0%	48.8%	47.9%	46.6%	N/A	N/A
Federal operating assistance	5.8%	7.0%	7.3%	7.7%	7.5%	7.1%	8.2%	9.4%	N/A	N/A
	49.3%	50.4%	51.9%	51.5%	54.5%	55.9%	56.1%	56.0%	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A

N/A= Fiscal year 2011 and 2012 industry information is not available

Notes

(1) Fare revenue is reported as passenger revenue for DART.
(2) Other revenues include Advertising, rent and other, Investment Income, Build America Tax credit and other non-operating revenues.
(3) State and local operating assistance includes sales and use tax revenues and state operating grants.
(4) Federal operating assistance includes federal operating grants.
(5) Revenues shown here do not include capital contributions.
(6) The source for industry information is American Public Transit Association, APTA 2012 Public Transportation Fact Book, Table 63.

Revenue Capacity

DALLAS AREA RAPID TRANSIT

SALES AND USE TAX REVENUE AND SERVICE AREA POPULATION

CURRENT FISCAL YEAR AND NINE YEARS AGO

The major local source of revenues for DART is a 1% sales and use tax imposed on certain items within its service area. The table below shows estimated sales and use tax revenue and population by member city for fiscal year 2012 compared to 2003 to show how sales and use tax and population have changed.

	Sales and Use Tax Revenue[1] (Amounts in Thousands)				Population [2]			
City	2012	2003	Percentage Change from 2003 to 2012	Percentage of total in 2012	2012	2003	Percentage Change from 2003 to 2012	Percentage of total in 2012
Dallas	$218,561	$164,352	33.0%	50.4%	1,207,420	1,211,000	-0.3%	52.9%
Plano	67,745	41,531	63.1%	15.6%	261,900	237,950	10.1%	11.4%
Irving	45,940	32,365	41.9%	10.6%	218,850	197,850	10.6%	9.6%
Richardson	23,767	17,046	39.4%	5.5%	100,450	95,650	5.0%	4.4%
Carrollton	23,090	15,998	44.3%	5.3%	121,150	113,750	6.5%	5.3%
Garland	20,174	15,017	34.3%	4.7%	228,060	222,350	2.6%	10.0%
Farmers Branch	12,146	8,966	35.5%	2.8%	28,620	28,000	2.2%	1.2%
Addison	10,702	8,003	33.7%	2.5%	13,680	14,750	-7.3%	0.6%
Rowlett	4,671	2,469	89.2%	1.1%	56,310	49,500	13.8%	2.5%
University Park	3,124	1,746	78.9%	0.7%	23,040	23,300	-1.1%	1.0%
Highland Park	2,774	1,409	96.9%	0.6%	8,520	8,900	-4.3%	0.4%
Glenn Heights	353	132	167.4%	0.1%	11,330	8,050	40.7%	0.5%
Cockrell Hill	255	45	466.7%	0.1%	4,200	4,450	-5.6%	0.2%
Total	$433,302	$309,079	40.2%	100.0%	2,283,530	2,215,500	3.1%	100.0%

Sources:

(1) Sales and use tax revenue estimated allocation to each city is performed by DART based on sales tax information from the State Comptroller.

(2) Population data is from the North Central Texas Council of Governments.

DALLAS AREA RAPID TRANSIT

SALES AND USE TAX REVENUE AND SERVICE AREA POPULATION

LAST TEN FISCAL YEARS

Sales and use tax revenue estimated allocation by member city [1] (Amounts in thousands)

	Fiscal Year									
City	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dallas	$164,352	$177,383	$178,183	$184,100	$199,271	$212,863	$193,527	$189,773	$203,349	$218,561
Plano	41,531	45,332	46,951	52,163	56,484	59,039	53,246	54,921	59,510	67,745
Irving	32,365	34,725	36,903	38,382	41,806	46,876	44,391	41,127	45,392	45,940
Richardson	17,046	18,453	19,629	18,207	21,216	21,335	17,588	23,244	23,159	23,767
Carrollton	15,998	17,254	17,575	17,753	19,658	19,927	19,492	18,527	20,522	23,090
Garland	15,017	15,747	16,191	17,732	19,369	20,466	18,881	18,555	18,850	20,174
Farmers Branch	8,966	9,437	9,712	10,251	12,022	12,010	11,692	10,459	11,568	12,146
Addison	8,003	8,570	8,757	8,475	9,426	9,870	8,936	8,240	9,159	10,702
Rowlett	2,469	2,832	3,351	6,342	5,585	5,461	5,327	5,799	5,454	4,671
University Park	1,746	1,787	3,480	2,717	2,806	2,883	2,726	2,867	3,253	3,124
Highland Park	1,409	1,562	1,747	1,796	2,016	2,235	2,154	2,247	2,426	2,774
Glenn Heights	132	158	126	169	198	220	211	237	333	353
Cockrell Hill	45	68	65	160	96	158	249	298	253	255
Total	$309,079	$333,308	$342,670	$358,247	$389,953	$413,343	$378,420	$376,294	$403,228	$433,302

Estimated service area population [2]

	Fiscal Year									
City	2003	2004	2005	2006	2007	2008	2009	2010 [3]	2011	2012
Dallas	1,211,000	1,214,800	1,232,100	1,260,950	1,280,500	1,300,350	1,306,350	1,197,816	1,205,490	1,207,420
Plano	237,950	243,500	247,000	252,950	255,700	260,900	263,800	256,841	260,500	261,900
Irving	197,850	196,750	197,400	201,950	205,600	210,150	212,250	216,290	218,080	218,850
Richardson	95,650	96,000	95,250	97,300	97,700	97,450	99,700	99,223	99,870	100,450
Carrollton	113,750	115,300	116,500	118,700	120,150	120,550	120,950	119,097	119,360	121,150
Garland	222,350	220,750	221,950	222,400	224,750	228,450	228,350	226,876	227,670	228,060
Farmers Branch	28,000	27,400	27,600	27,850	28,500	28,750	31,100	28,616	28,600	28,620
Rowlett	49,500	50,800	52,250	53,100	53,750	54,150	54,250	56,199	56,230	56,310
Addison	14,750	14,100	14,450	14,900	15,250	15,300	13,400	13,056	13,060	13,680
University Park	23,300	22,950	23,150	23,250	23,150	22,850	23,350	23,068	23,020	23,040
Highland Park	8,900	8,800	8,850	8,750	8,600	8,600	8,650	8,564	8,520	8,520
Glenn Heights	8,050	8,700	9,400	10,500	11,450	11,650	12,100	11,278	11,330	11,330
Cockrell Hill	4,450	4,450	4,400	4,400	4,400	4,450	4,450	4,193	4,200	4,200
Total	2,215,500	2,224,300	2,250,300	2,297,000	2,329,500	2,363,600	2,378,700	2,261,117	2,275,930	2,283,530

Sales and use tax rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%

Sources:

(1) Sales and use tax revenue estimated allocation to each city is performed by DART based on sales tax information from the State Comptroller.

(2) Service area population estimate is from the North Central Texas Council of Governments except for fiscal year 2010.

(3) Service area population for fiscal year 2010 is obtained from the US Census Bureau.

DALLAS AREA RAPID TRANSIT

SALES AND USE TAX REVENUE BY INDUSTRY

CURRENT FISCAL YEAR COMPARED TO FOUR YEARS AGO

	2012		2008		Percentage Change from
INDUSTRY	**Amount**	**Percent**	**Amount**	**Percent**	**2008 to 2012**
Retail Trade	$141,672	33%	$145,461	35%	-3%
Information Technology	44,880	10%	41,382	10%	8%
Accommodation and Food Services	43,311	10%	38,195	9%	13%
Wholesale Trade	41,993	10%	41,740	10%	1%
Manufacturing	32,800	8%	26,713	7%	23%
Professional, Scientific, and Technical Services	27,382	6%	18,708	5%	46%
Construction	21,929	5%	21,244	5%	3%
Administrative and Support and Waste Management and Remediation Services	18,574	4%	17,947	4%	3%
Utilities	11,470	3%	20,622	5%	-44%
Real Estate and Rental and Leasing	10,999	2%	11,490	3%	-4%
Finance and Insurance	11,680	3%	8,976	2%	30%
	406,690	94%	392,478	95%	4%
Other industries	26,612	6%	20,861	5%	28%
Total	**$433,302**	**100%**	**$413,339**	**100%**	**5%**

Note – information for fiscal years prior to 2008 is not available.

Source: Texas State Comptroller

DALLAS AREA RAPID TRANSIT

PASSENGER FARE REVENUE AND RIDERSHIP

CURRENT FISCAL YEAR COMPARED TO NINE YEARS AGO

The second major local source of revenue for DART is passenger revenues (fare revenues) collected from customers who use DART's public transportation services. The following table shows passenger revenues and ridership for fiscal year 2012 compared to 2003.

	Passenger Revenues (Amounts in Thousands)				Ridership [1] (Amounts in Thousands)			
Type of Service	2012	2003	Percentage Change from 2003 to 2012	Percentage of total in 2012	2012	2003	Percentage Change from 2003 to 2012	Percentage of total in 2012
Bus	$32,525	$25,492	27.59%	54.38%	38,368	40,295	-4.78%	54.48%
Light Rail	17,962	7,520	138.86%	30.03%	27,654	16,996	62.71%	39.27%
Commuter Rail	6,044	645	837.05%	10.11%	2,252	2,404	-6.32%	3.20%
Demand Response	2,465	1,065	131.46%	4.12%	1,120	618	81.27%	1.59%
Van Pool	813	412	97.33%	1.36%	1,033	419	146.54%	1.47%
Total	$59,809	$35,134	70.23%	100.00%	70,427	60,732	15.96%	100.00%

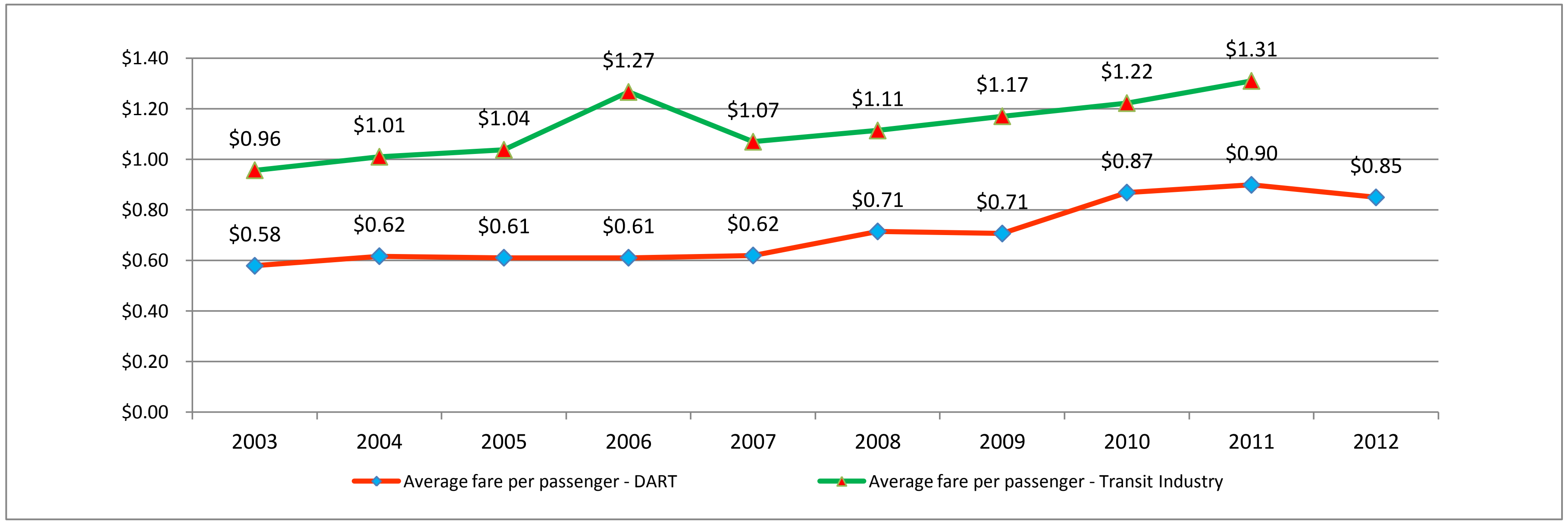
Note:

1. Ridership is reported as unlinked passenger trips. For example, a passenger who transfers from a bus to rail is counted as two unlinked passenger trips. The decrease in bus ridership in 2012 compared to 2003 is due to the replacement of some bus routes with light rail lines as a result the opening of the the Green Line light rail service in September 2009 and December 2010. This also contributed to the increase in light rail ridership during 2012.

Source: National Transit Database and internal financial and ridership records

DALLAS AREA RAPID TRANSIT
PASSENGER FARE REVENUE AND RIDERSHIP
LAST TEN FISCAL YEARS (Amounts in Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Passenger revenues(1)										
Bus	$25,492	$26,130	$25,751	$28,201	$28,141	$31,214	$29,236	$27,826	$28,245	$32,525
Light Rail	7,520	7,232	8,434	9,276	9,453	$13,557	13,041	13,140	17,788	17,962
Commuter Rail	645	719	1,036	1,203	1,284	$1,954	1,926	8,027	8,036	6,044
Demand Response	1,065	1,427	1,615	1,689	1,807	$1,921	1,976	2,493	2,506	2,465
Vanpool	412	310	295	431	430	$311	533	595	754	813
Total	**$35,134**	**$35,818**	**$37,131**	**$40,800**	**$41,114**	**$48,957**	**$46,712**	**$52,081**	**$57,329**	**$59,809**
Ridership (2)										
Bus	40,295	38,481	40,089	44,693	44,690	44,752	42,517	37,693	36,971	38,368
Light Rail	16,996	16,376	17,487	18,581	17,893	19,438	18,965	17,799	22,302	27,654
Commuter Rail	2,404	2,162	2,151	2,410	2,475	2,717	2,739	2,432	2,388	2,252
Demand Response	618	695	733	705	822	910	1,039	1,136	1,140	1,120
Vanpool	419	379	354	440	492	697	881	925	985	1,033
Total	**60,732**	**58,092**	**60,815**	**66,830**	**66,372**	**68,514**	**66,141**	**59,985**	**63,787**	**70,427**
Average fare per passenger (3)	**$0.58**	**$0.62**	**$0.61**	**$0.61**	**$0.62**	**$0.71**	**$0.71**	**$0.87**	**$0.90**	**$0.85**
Average fare per passenger, Transit Industry - all agencies (4)	**$0.96**	**$1.01**	**$1.04**	**$1.27**	**$1.07**	**$1.11**	**$1.17**	**$1.22**	**$1.31**	**N/A**



N/A = Fiscal year 2011 transit industry average fare information is not available.

The decrease in bus ridership starting in 2010 is due to the replacement of some bus routes with light rail lines as a result the opening of the Green Line light rail service in September 2009 and December 2010. This also contributed to the increase in light rail ridership during 2011 and 2012.

Sources:
(1) National Transit Database (NTD) Report and internal financial records
(2) National Transit Database (NTD) Report and internal ridership records
(3) Calculated by dividing total passenger revenues by total ridership
(4) National Transit Database (NTD) Report - National Transit Summary Profile

DALLAS AREA RAPID TRANSIT
FARE STRUCTURE
LAST TEN FISCAL FISCAL YEARS

	2003 Effective 9/14/01	2003 Effective 3/3/03	2004	2004 Effective 12/1/03	2005	2006	2007	2008 Effective 10/1/07	2009	2009 Effective 9/14/09*	2010 Effective 10/1/09*	2011 Effective 10/1/10*	2012
BASE SINGLE RIDE FARE													
Local Service	$1.00	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.50	$1.50	$1.75	$1.75	$1.75	$1.75
Commuter Rail - Zone 1 and Express Bus (1)	$1.00	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.50	$1.50	$2.50	$2.50	$3.50	$3.50
Commuter Rail - Zone 2 and Express Bus (2)	$2.00	$2.25	$2.25	$2.25	$2.25	$2.25	$2.25	$2.50	$2.50	$3.75	$3.75	$5.00	$5.00
Commuter Rail - Zone 3 and Express Bus (3)	$3.00												
Reduced Fare	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.75	$0.75	$0.85	$0.85	$0.85	$0.85
Paratransit - Demand Response Van/Sedan Service	$2.00	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.75	$2.75	$2.75	$3.00	$3.00	$3.00
Paratransit Trips to Fixed Route Stops								$0.75	$0.75	$0.75	$0.75	$0.75	$0.75
Paratransit Eligible Riders on Fixed Route Service	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free	Free
DAY PASS (5)													
Local Service	$2.00	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$3.00	$3.00	$4.00	$4.00	$4.00	$4.00
Commuter Rail - Zone 1 and Express Bus (1)	$2.00	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$3.00	$3.00	$5.00	$5.00	$7.00	$7.00
Commuter Rail - Zone 2 and Express Bus (2)	$4.00	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$5.00	$5.00	$7.50	$7.50	$10.00	$10.00
Commuter Rail - Zone 3 and Express Bus (3)	$6.00												
Reduced Fare	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.50	$1.50	$2.00	$2.00	$2.00	$2.00
WEEKLY PASS (6)													
Local Service								$15.00	$15.00	$20.00	$20.00	$20.00	$20.00
Commuter Rail - Zone 1 and Express Bus (1)								$15.00	$15.00	$25.00	$25.00	$35.00	$35.00
Commuter Rail - Zone 2 and Express Bus (2)								$25.00	$25.00	$37.50	$37.50	$50.00	$50.00
Commuter Rail - Zone 3 and Express Bus (3)								$25.00	$25.00	$37.50	$37.50	$50.00	$50.00
MONTHLY PASS (7)													
Local Service	$30.00	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00	$50.00	$50.00	$65.00	$65.00	$65.00	$65.00
Commuter Rail - Zone 1 and Express Bus (1)	$30.00	$40.00	$40.00	$40.00	$40.00	$40.00	$40.00	$50.00	$50.00	$75.00	$75.00	$100.00	$100.00
Commuter Rail - Zone 2 and Express Bus (2)	$60.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$80.00	$80.00	$105.00	$105.00	$120.00	$120.00
Commuter Rail - Zone 3 and Express Bus (3)	$75.00												
Reduced Fare (4)	$10.00	$15.00	$15.00	$15.00	$15.00	$15.00	$15.00	$25.00	$25.00	$32.00	$32.00	$32.00	$32.00
ANNUAL PASS (8)													
Local Service				$400.00	$400.00	$400.00	$400.00	$500.00	$500.00	$650.00	$650.00	$650.00	$650.00
Commuter Rail - Zone 1 and Express Bus (1)				$400.00	$400.00	$400.00	$400.00	$500.00	$500.00	$750.00	$750.00	$1,000.00	$1,000.00
Commuter Rail - Zone 2 and Express Bus (2)				$700.00	$700.00	$700.00	$700.00	$800.00	$800.00	$1,050.00	$1,050.00	$1,200.00	$1,200.00

During the last ten years, the DART Board approved five amendments to fare structures with the following effective dates: 9/14/2001, 3/3/2003, 12/1/2003, 10/1/2007, 9/14/2009.

*The September 14, 2009 amendment has three effective dates: 9/14/09, 10/01/09 & 10/01/10 with additional fare changes becoming effective on 10/1/09 and 10/1/10 as shown in the schedule above.

Notes

(1) Commuter Rail-Zone 1 level of service is for customers that use commuter rail (TRE) service between Union Station in Downtown Dallas and CentrePort/DFW Station. Express bus service is a bus service with fewer stops and providing trips during morning and afternoon rush hours.

(2) Commuter Rail-Zone 2 level of service is for customers that use the commuter rail (TRE) service to travel to destinations on the commuter rail(TRE) west of the CentrePort/DFW Station.

(3) Commuter Rail-Zone 3 level of service is for customers that use the commuter rail (TRE) service to travel to destinations on the commuter rail(TRE) west of the CentrePort/DFW Station. This became part of Zone 2 effective March 3, 2003.

(4) Reduced fares are applicable on bus and rail service to the following: seniors, non-paratransit disabled, high school students with valid identification, children age 5 through junior high school (children under age 5 ride free) and shuttle bus routes. Reduced passes are not available in the form of weekly passes and annual passes.

(5) Day passes are valid for unlimited use on the date of purchase only through 3a.m. the following day.

(6) Weekly passes are valid for seven consecutive days. Weekly pass fares were introduced on October 1, 2007.

(7) Monthly passes available for calendar months or 31 consecutive days.

(8) Annual passes are valid for a calendar year and expire at mid-night on December 31. Annual pass fares shown here are for individual customers. Pricing for annual passes bought by employers for their employees varies depending on the number of employees and the location of the employer within DART service area. The annual pass fare option for individuals was introduced on December 1, 2003.

Source: DART Board Resolutions 010050, 020192, 030146, 070064, and 090067

Debt Capacity

DALLAS AREA RAPID TRANSIT
OUTSTANDING DEBT RATIO
LAST TEN FISCAL YEARS

OUTSTANDING DEBT RATIO

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total outstanding debt (in thousands)										
Senior Lien Revenue Bonds	$497,880	$495,935	$489,120	$478,650	$909,865	$1,627,600	$2,613,305	$2,595,370	$3,298,430	$3,290,060
Senior Subordinate Lien Sales Tax Revenue Notes	135,670	219,245	297,245	415,645	180,000	20,000	150,000	150,000	150,000	70,000
Capital Lease Obligations	503,651	482,810	475,322	406,044	433,737	447,125	336,159	322,240	323,903	289,559
	$1,137,201	**$1,197,990**	**$1,261,687**	**$1,300,339**	**$1,523,602**	**$2,094,725**	**$3,099,464**	**$3,067,610**	**$3,772,333**	**$3,649,619**
Total personal income (in thousands) [1]	**$55,986,582**	**$56,678,291**	**$60,202,901**	**$61,099,987**	**$64,577,303**	**$64,697,797**	**$68,217,198**	**$66,205,506**	**$66,007,116**	**$66,384,193**
Outstanding debt ratio	**0.02**	**0.02**	**0.02**	**0.02**	**0.02**	**0.03**	**0.05**	**0.05**	**0.06**	**0.05**

OUTSTANDING DEBT PER CAPITA

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total outstanding debt (in thousands)										
Senior Lien Revenue Bonds	$497,880	$495,935	$489,120	$478,650	$909,865	$1,627,600	$2,613,305	$2,595,370	$3,298,430	$3,290,060
Senior Subordinate Lien Sales Tax Revenue Notes	135,670	219,245	297,245	415,645	180,000	20,000	150,000	150,000	150,000	70,000
Capital Lease Obligations	503,651	482,810	475,322	406,044	433,737	447,125	336,159	322,240	323,903	289,559
	$1,137,201	$1,197,990	$1,261,687	$1,300,339	$1,523,602	$2,094,725	$3,099,464	$3,067,610	$3,772,333	$3,649,619
Service area population [2]	2,215,500	2,224,300	2,250,300	2,297,000	2,329,500	2,363,600	2,378,700	2,261,117	2,275,930	2,283,530
Outstanding debt per capita	$0.51	$0.54	$0.56	$0.57	$0.65	$0.89	$1.30	$1.36	$1.66	$1.60

Sources:

(1) Total personal income information for DART Service Area is obtained from the US Census Bearu and published reports of service area municipalities.
(2) Service area population is obtained from the North Central Texas Council of Governments .
Outstanding debt information is obtained from annual financial reports and internal financial records.

DALLAS AREA RAPID TRANSIT
DEBT LIMIT
LAST TEN FISCAL YEARS (Amounts In Thousands)

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Senior Lien Revenue Bonds(1)										
Voted Debt Limit	$2,900,000	$2,900,000	$2,900,000	$2,900,000	$2,900,000	$2,900,000	See note 1	See note 1	See note 1	See note 1
Debt Issuance Subject to Limit	499,399	499,399	499,399	499,399	980,251	1,731,623				
Limit Available	2,400,601	2,400,601	2,400,601	2,400,601	1,919,749	1,168,377				
Percent of Limit Issued	17%	17%	17%	17%	34%	60%				
Senior Subordinate Lien Sales Tax revenue notes										
Debt Limit (2)	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	150,000	150,000
Debt Issuance Subject to Limit	135,670	219,245	297,245	415,645	180,000	20,000	150,000	150,000	150,000	70,000
Limit Available	464,330	380,755	302,755	184,355	420,000	580,000	450,000	450,000	-	80,000
Percent of Limit Issued	23%	37%	50%	69%	30%	3%	25%	25%	100%	47%
Total										
Debt Limit	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	See note 1	See note 1	See note 1	See note 1
Debt Issuance Subject to Limit	635,069	718,644	796,644	915,044	1,160,251	1,751,623				
Limit Available	$2,864,931	$2,781,356	$2,703,356	$2,584,956	$2,339,749	$1,748,377				
Percent of Limit Issued	18%	21%	23%	26%	33%	50%				

N/A= Not Applicable

Notes:

1 In August 2000, the citizens of DART's members cities and towns voted to authorize DART to issue up to $2.9 billion in bonds secured solely by sales and use tax revenues. Bonds issued through and including the Series 2008 bonds were solely secured with a sales tax revenue pledge and therefore subject to the $2.9 billion voter authorized limit on sales tax only pledged bonds. Prior to the issuance of the Series 2009 bonds the security pledge for all bonds, retroactive to and including Series 2001, was expanded to include sales tax revenues and other pledged revenues. Therefore, new bonds issued with the expanded security pledge bonds are no longer subject to the $2.9 billion limitation. However, DART can only issue additional bonds if its projected gross pledged revenues exceed projected debt service requirements by 200%. Each issuance of DART's revenue bond is subject to approval of the Attorney General of the State of Texas.

2 The Senior Subordinate Lien Sales Tax Revenue notes is limited to the amount of the commercial paper line of credit agreement entered into between DART and the financial institutions.

Source: Internal financial records

DALLAS AREA RAPID TRANSIT
DEBT COVERAGE RATIO
LAST TEN FISCAL YEARS (Amounts In Thousands)

DEBT COVERAGE RATIO BASED ON PLEDGED REVENUES*

	Fiscal Year									
Pledged Revenues	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Sales and Use Tax	$309,079	$333,309	$342,670	$358,248	$389,953	$413,341	$378,421	$376,295	$403,228	$433,302
Passenger (Fare) Revenue							46,712	52,081	57,329	59,809
	$309,079	**$333,309**	**$342,670**	**$358,248**	**$389,953**	**$413,341**	**$425,133**	**$428,376**	**$460,557**	**$493,111**
Debt Service requirements**										
Principal - Bond	$855	$1,945	$6,815	$10,470	$10,820	$13,680	$14,295	$17,935	$18,790	$8,370
Interest Payments	24,295	26,380	29,374	35,016	37,321	51,637	79,681	136,435	161,892	174,122
	25,150	28,325	36,189	45,486	48,141	65,317	93,976	154,370	180,682	182,492
Less: Build America Bond Credit								(16,554)	(26,008)	(30,462)
Net debt service	**$25,150**	**$28,325**	**$36,189**	**$45,486**	**$48,141**	**$65,317**	**$93,976**	**$137,816**	**$154,674**	**$152,030**
Coverage Ratio	**12.29**	**11.77**	**9.47**	**7.88**	**8.10**	**6.33**	**4.52**	**3.11**	**2.98**	**3.24**

*Sales and Use Tax and fare revenues are pledged as securities for debt service. Passenger fare revenues were pledged for debt service starting fiscal year 2009. Gross revenues are not shown net of expense since the debt has a senior lien (priority claim) against the pledge revenues.

** Debt service requirements increased significantly starting in fiscal year 2010 because of additional issuances of revenue bonds in fiscal years 2009 and 2010.

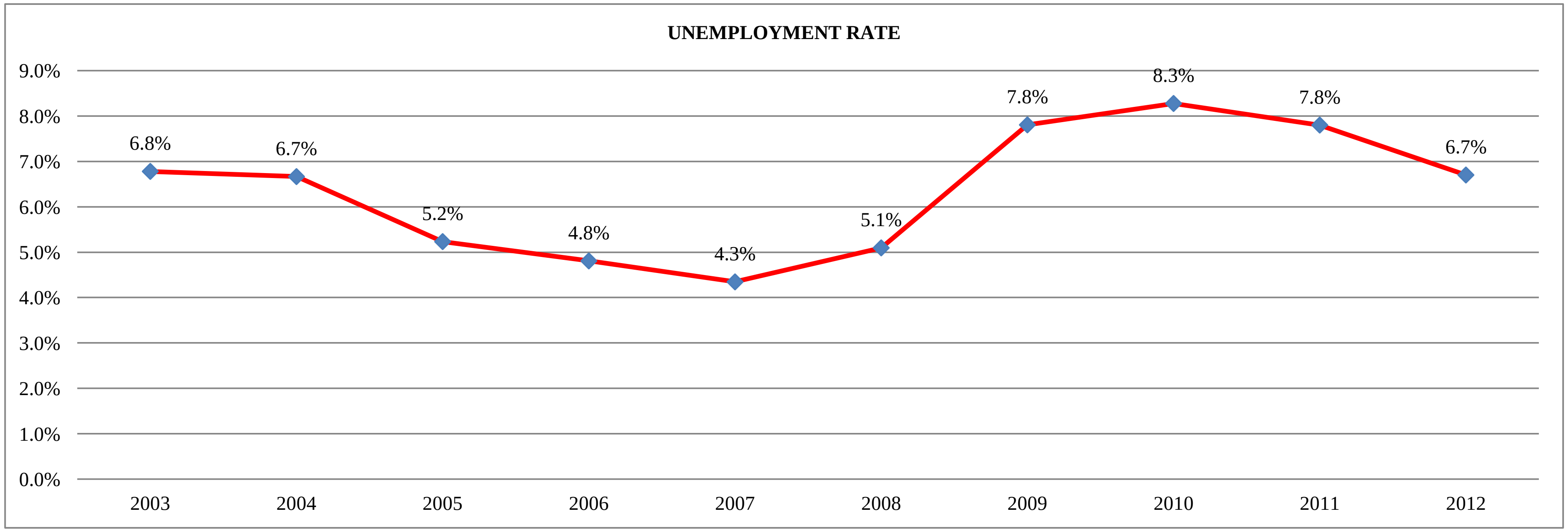
Debt service requirements include actual principal and interest payments, net of the Build America Bond credit.

Source: Annual financial statements and internal accounting records

Demographic and Economic Information

DALLAS AREA RAPID TRANSIT
ECONOMIC AND DEMOGRAPHIC INFORMAITON
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population (1)	2,215,500	2,224,300	2,250,300	2,297,000	2,329,500	2,363,600	2,378,700	2,261,117	2,275,930	2,283,530
Per Capita Income (2)	$25,270	$25,481	$26,753	$26,600	$27,722	$27,373	$28,678	$29,280	$29,002	$29,071
Total Personal Income (in thousands) (2)	$55,986,582	$56,678,291	$60,202,901	$61,099,987	$64,577,303	$64,697,797	$68,217,198	$66,205,506	$66,007,116	$66,384,193
Unemployment Rate (3)	6.8%	6.7%	5.2%	4.8%	4.3%	5.1%	7.8%	8.3%	7.8%	6.7%



Sources:

1 North Central Texas Council of Governments and the National Transit Database Report

2 Total personal income and per capita income for DART Service Area are obtained from the US Census Bureau and published reports of service area municipalities.

3 Texas Workforce Commission (unemployment rate information presented here is for the five counties where DART's member cities and towns are located)

DALLAS AREA RAPID TRANSIT

PRINCIPAL EMPLOYERS IN DART SERVICE AREA

CURRENT FISCAL YEAR AND NINE YEARS AGO

2012

Rank	Name of Employer	Number of employees
1	Bank of America	20,000
2	Dallas Independent School District	18,314
3	Baylor Health Care System	17,097
4	AT&T	15,800
5	JPMorgan Chase	13,500
6	UT Southwestern Medical Center at Dallas	13,122
7	City of Dallas	12,836
8	HCA North Texas Division	12,000
9	U.S. Postal Service	10,439
10	Kroger Food Stores	10,097

2003

Rank	Name of Employer	Number of employees
1	Dallas Independent School District (a)	19,244
2	Baylor Health Care System	14,730
3	SBC Southwestern Bell	14,000
4	Verizon Communications	14,000
5	City of Dallas (b)	13,496
6	Brinker International	12,000
7	Texas Instruments	10,191
8	Electronic Data Systems (EDS)	8,000
9	Bank of America	8,000
10	J.C. Penney Co. Inc.	7,906

Sources for 2012: Dallas Business Journal, Book of Lists 2013, Volume 36, Number 16

Sources for 2003:

(a) Dallas County Schools 2012 CAFR

(b) City of Dallas CAFR for 2011

Dallas Business Journal's Elist for all others

Operating Information

DALLAS AREA RAPID TRANSIT

NUMBER OF EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	Fiscal Year									
FUNCTION	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Transport Operations										
Bus Operations	1,448	1,483	1,532	1,510	1,516	1,534	1,539	1,537	1,451	1,487
Commuter Rail Operations	14	14	16	15	14	15	16	14	13	14
HOV Lane Operations	39	42	43	42	58	71	69	67	63	63
Light Rail Operations	162	173	171	160	176	192	225	272	266	313
Paratransit Operations	76	67	69	72	68	67	71	67	64	63
Van Pool Operations	2	2	2	2	2	2	2	2	2	2
	1,741	1,781	1,833	1,801	1,834	1,881	1,922	1,959	1,859	1,942
Maintenance										
Vehicle Maintenance	536	571	577	580	599	609	626	695	657	630
Non-vehicle Maintenance	183	186	169	187	187	197	214	282	303	342
	719	757	746	767	786	806	840	977	960	972
Public Safety and Fare Enforcement	174	158	168	171	171	189	221	309	309	319
Operations Total	2,634	2,696	2,747	2,739	2,791	2,876	2,983	3,245	3,128	3,233
Administration	431	403	423	415	419	433	447	435	398	359
Total	3,065	3,099	3,170	3,154	3,210	3,309	3,430	3,680	3,526	3,592

Note – Number of employees presented here is actual head count of full-time, temporary and part-time employees at the end of each fiscal year.

Source: DART's personnel data

DALLAS AREA RAPID TRANSIT
LEVEL OF SERVICE - ANNUAL
LAST TEN FISCAL YEARS

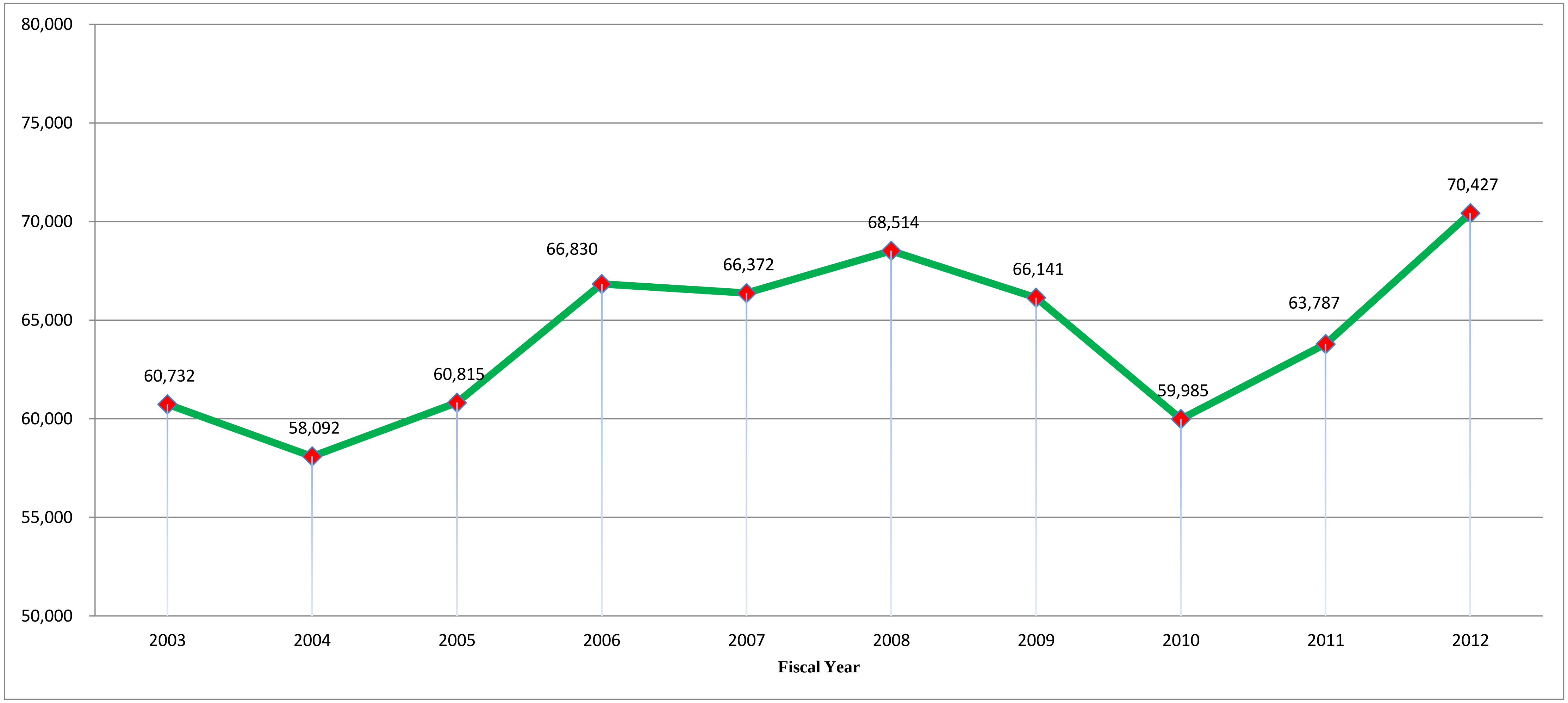
	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PASSENGERS (RIDERSHIP)										
Bus	40,294,500	38,480,900	40,089,100	44,693,400	44,689,900	44,752,343	42,517,272	37,693,438	36,971,366	38,367,699
Light Rail	16,996,356	16,375,995	17,487,057	18,581,066	17,892,532	19,437,603	18,965,249	17,799,186	22,302,390	27,653,857
Commuter Rail*	2,404,117	2,161,691	2,151,130	2,410,027	2,475,495	2,717,162	2,738,856	2,432,174	2,388,407	2,252,096
Demand Response	618,171	695,189	733,470	704,614	822,262	910,157	1,038,686	1,135,997	1,140,165	1,120,219
Vanpool	418,816	378,624	354,351	440,432	492,202	697,050	880,678	924,600	985,046	1,033,018
	60,731,960	58,092,399	60,815,108	66,829,539	66,372,391	68,514,315	66,140,741	59,985,395	63,787,374	70,426,889
REVENUE MILES										
Bus	31,076,366	28,666,565	30,406,714	27,675,007	27,666,962	27,781,344	27,547,241	27,323,659	25,727,585	27,144,168
Light Rail	5,633,715	5,153,160	5,174,725	5,096,186	5,224,548	5,250,953	5,007,225	4,941,155	6,897,909	7,530,873
Commuter Rail*	1,453,023	1,180,431	1,076,333	1,087,437	1,137,231	1,565,010	1,292,607	1,239,709	1,142,577	1,082,986
Demand Response	7,226,573	7,017,990	7,140,043	7,428,206	7,406,058	8,109,876	7,818,699	8,458,570	8,638,492	8,836,052
Vanpool	1,672,238	1,447,741	1,411,699	1,687,567	1,952,128	2,750,115	3,294,533	3,505,934	3,816,639	3,919,728
	47,061,915	43,465,887	45,209,514	42,974,403	43,386,927	45,457,298	44,960,305	45,469,027	46,223,202	48,513,807
REVENUE HOURS										
Bus	2,160,757	2,018,189	2,130,533	1,984,900	1,990,866	2,028,437	2,021,031	2,009,486	1,953,954	2,010,118
Light Rail	273,001	241,191	242,332	237,706	243,357	244,033	235,160	248,127	348,543	391,857
Commuter Rail*	62,580	53,397	48,322	48,361	47,813	54,743	56,156	49,836	47,440	48,235
Demand Response	429,151	427,963	404,331	472,865	450,966	441,543	455,030	513,131	521,623	532,717
Vanpool	48,195	41,364	40,334	41,160	47,613	67,076	80,354	87,648	95,416	98,044
	2,973,684	2,782,104	2,865,852	2,784,992	2,780,615	2,835,832	2,847,731	2,908,228	2,966,976	3,080,971
PASSENGERS PER REVENUE MILE										
Bus	1.30	1.34	1.32	1.61	1.62	1.61	1.54	1.38	1.44	1.41
Light Rail	3.02	3.18	3.38	3.65	3.42	3.70	3.79	3.60	3.23	3.67
Commuter Rail*	1.65	1.83	2.00	2.22	2.18	1.74	2.12	1.96	2.09	2.08
Demand Response	0.09	0.10	0.10	0.09	0.11	0.11	0.13	0.13	0.13	0.13
Vanpool	0.25	0.26	0.25	0.26	0.25	0.25	0.27	0.26	0.26	0.26
	1.29	1.34	1.35	1.56	1.53	1.51	1.47	1.32	1.38	1.45
PASSENGERS PER REVENUE HOUR										
Bus	18.65	19.07	18.82	22.52	22.45	22.06	21.04	18.76	18.92	19.09
Light Rail	62.26	67.90	72.16	78.17	73.52	79.65	80.65	71.73	63.99	70.57
Commuter Rail*	38.42	40.48	44.52	49.83	51.77	49.63	48.77	48.80	50.35	46.69
Demand Response	1.44	1.62	1.81	1.49	1.82	2.06	2.28	2.21	2.19	2.10
Vanpool	8.69	9.15	8.79	10.70	10.34	10.39	10.96	10.55	10.32	10.54
	20.42	20.88	21.22	24.00	23.87	24.16	23.23	20.63	21.50	22.86
Operating expense**	$325,708	$309,146	$342,541	$342,532	$347,969	$393,261	$401,822	$437,221	$449,894	$452,935
Operating expense per mile	$6.92	$7.11	$7.58	$7.97	$8.02	$8.65	$8.94	$9.62	$9.73	$9.34
Operating expense per hour	$109.53	$111.12	$119.53	$122.99	$125.14	$138.68	$141.10	$150.34	$151.63	$147.01
Operating expense per passenger	$5.36	$5.32	$5.63	$5.13	$5.24	$5.74	$6.08	$7.29	$7.05	$6.43
Fare revenue per passenger	$0.58	$0.62	$0.61	$0.61	$0.62	$0.71	$0.71	$0.87	$0.90	$0.85

* Commuter Rail service information shown here includes information reported to the National Transit Database by both DART and The Fort Worth Transportation Authority (The T).
**Operating expense does not include depreciation and amortization, interest expense and non-operating expenses.

Source: National Transit Database
Bus ridership for fiscal year 2003 to 2007 are based on internal ridership records

DALLAS AREA RAPID TRANSIT
RIDERSHIP
LAST TEN FISCAL YEARS

RIDERSHIP (In Thousands)

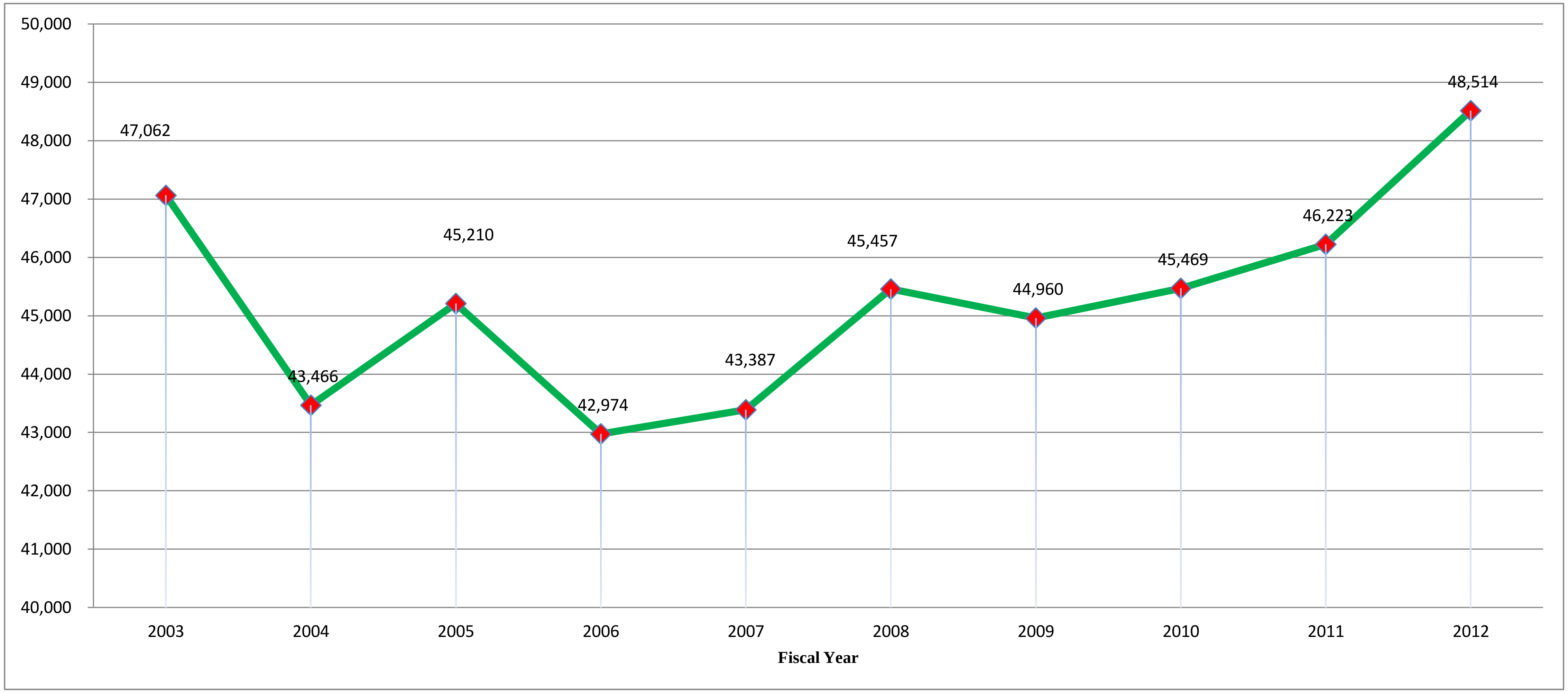


DALLAS AREA RAPID TRANSIT

REVENUE MILES

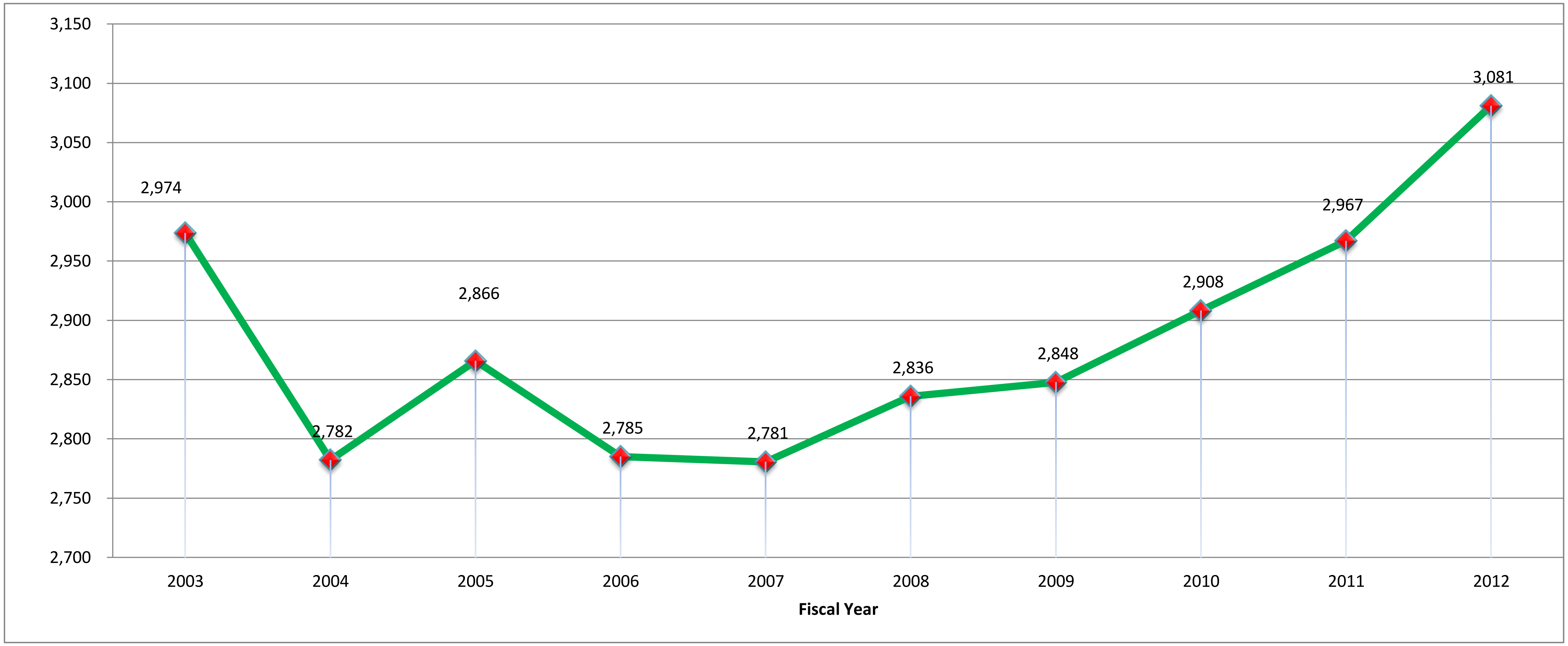
LAST TEN FISCAL YEARS

REVENUE MILES (In Thousands)



DALLAS AREA RAPID TRANSIT
REVENUE HOURS
LAST TEN FISCAL YEARS

REVENUE HOURS (In Thousands)

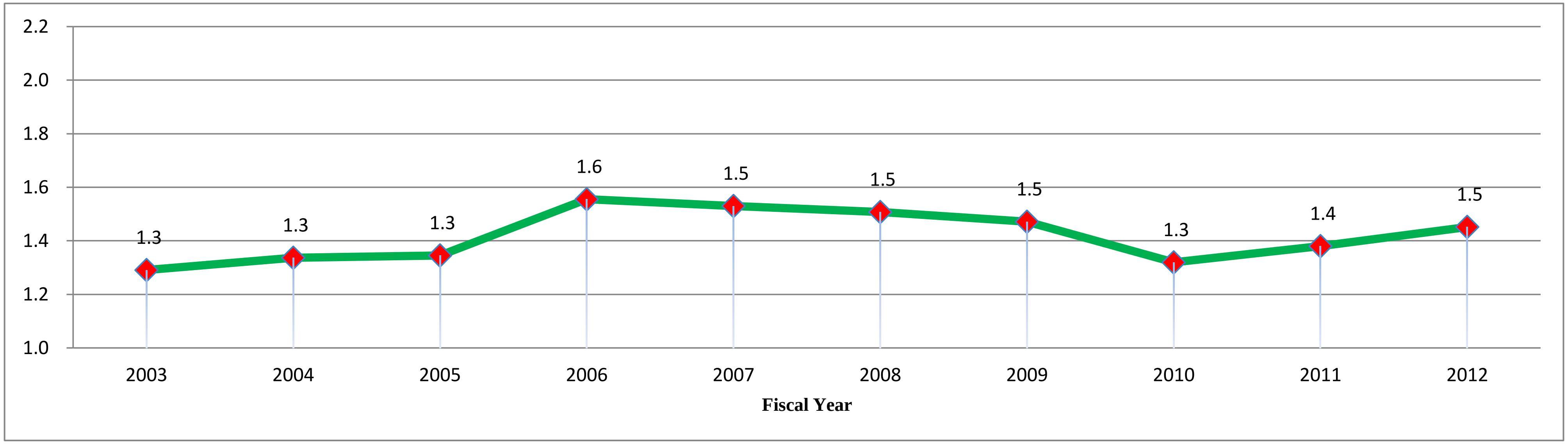


DALLAS AREA RAPID TRANSIT

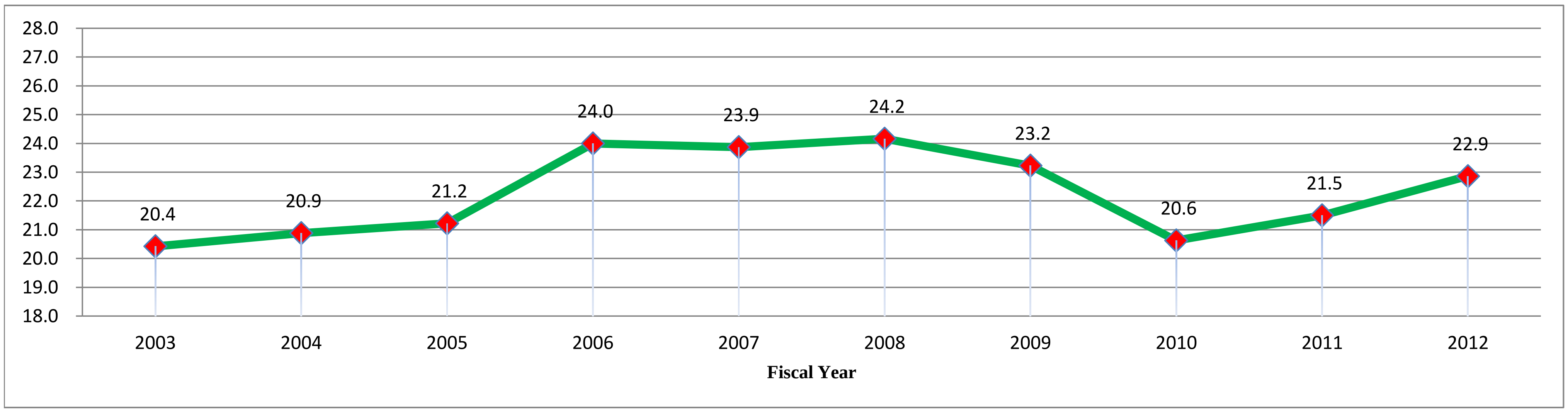
PASSENGERS PER REVENUE MILE AND REVENUE HOUR

LAST TEN FISCAL YEARS

PASSENGERS PER REVENUE MILE



PASSENGERS PER REVENUE HOUR



DALLAS AREA RAPID TRANSIT
LEVEL OF SERVICE - AVERAGE WEEKDAY
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AVERAGE WEEKDAY PASSENGERS (RIDERSHIP)										
Bus	141,487	133,963	131,177	152,123	151,869	153,693	146,023	128,532	126,426	131,186
Light Rail	56,757	55,227	59,259	62,007	60,596	65,757	64,381	59,785	71,748	90,182
Commuter Rail (1)	5,149	4,780	4,748	5,218	5,357	5,371	5,839	8,689	8,482	8,080
Demand Response	2,176	2,437	2,559	2,695	2,899	3,150	3,662	4,004	4,001	3,941
Vanpool	1,642	1,479	1,390	1,741	1,969	2,755	3,481	3,640	3,893	4,067
	207,211	197,886	199,133	223,784	222,690	230,726	223,386	204,650	214,550	237,456
AVERAGE WEEKDAY REVENUE MILES										
Bus	102,588	93,456	99,413	90,962	90,600	90,302	89,839	89,626	84,194	87,949
Light Rail	18,766	16,914	17,064	16,966	17,483	17,476	16,627	16,123	21,897	23,551
Commuter Rail (1)	2,789	2,409	1,932	1,972	1,972	2,379	1,768	4,421	3,815	3,866
Demand Response	25,718	24,220	24,463	25,564	25,396	27,456	26,319	28,660	29,242	30,168
Vanpool	6,558	5,655	5,536	6,670	7,809	10,870	13,022	13,803	15,086	15,432
	156,419	142,654	148,408	142,134	143,260	148,483	147,575	152,633	154,234	160,966
AVERAGE WEEKDAY REVENUE HOURS										
Bus	7,053	6,521	6,904	6,422	6,462	6,547	6,545	6,552	6,353	6,468
Light Rail	907	787	795	788	811	809	778	804	1,105	1,196
Commuter Rail (1)	135	123	88	90	91	100	87	180	166	169
Demand Response	1,551	1,469	1,392	1,642	1,560	1,500	1,542	1,752	1,779	1,831
Vanpool	189	162	158	163	190	265	318	345	377	386
	9,835	9,062	9,337	9,105	9,114	9,221	9,270	9,633	9,780	10,050
AVERAGE WEEKDAY PASSENGERS PER REVENUE MILE										
Bus	1.38	1.43	1.32	1.67	1.68	1.70	1.63	1.43	1.50	1.49
Light Rail	3.02	3.27	3.47	3.65	3.47	3.76	3.87	3.71	3.28	3.83
Commuter Rail (1)	1.85	1.98	2.46	2.65	2.72	2.26	3.30	1.97	2.22	2.09
Demand Response	0.08	0.10	0.10	0.11	0.11	0.11	0.14	0.14	0.14	0.13
Vanpool	0.25	0.26	0.25	0.26	0.25	0.25	0.27	0.26	0.26	0.26
	1.32	1.39	1.34	1.57	1.55	1.55	1.51	1.34	1.39	1.48
AVERAGE WEEKDAY PASSENGERS PER REVENUE HOUR										
Bus	20.06	20.54	19.00	23.69	23.50	23.48	22.31	19.62	19.90	20.28
Light Rail	62.58	70.17	74.54	78.69	74.72	81.28	82.75	74.36	64.93	75.40
Commuter Rail (1)	38.14	38.86	53.95	57.98	58.87	53.71	67.11	48.27	51.10	47.81
Demand Response	1.40	1.66	1.84	1.64	1.86	2.10	2.37	2.29	2.25	2.15
Vanpool	8.69	9.13	8.80	10.68	10.36	10.40	10.95	10.55	10.33	10.54
	21.07	21.84	21.33	24.58	24.43	25.02	24.10	21.24	21.94	23.63

Notes
(1) Average weekday information for commuter rail for fiscal years 2003 to 2009 does not include service provided outside DART service area.

Source: National Transit Database and internal records

DALLAS AREA RAPID TRANSIT
NUMBER OF VEHICLES AND OPERATING FACILITIES
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of vehicles available for service (1)										
Bus	809	786	742	742	740	728	663	663	658	629
Light Rail	91	95	95	107	115	115	115	122	163	163
Commuter Rail	33	36	36	36	36	36	36	44	47	35
Demand Response	164	194	192	186	199	209	209	209	209	210
Vanpool	71	66	68	88	103	145	175	178	200	215
Total	1,168	1,177	1,133	1,159	1,193	1,233	1,198	1,216	1,277	1,252
Number of vehicles operated during weekday (1)										
Bus	663	651	605	565	559	564	564	556	507	509
Light Rail	83	82	82	83	85	85	84	76	77	100
Commuter Rail	21	21	21	21	21	19	19	18	18	23
Demand Response	155	171	173	173	169	184	190	190	186	186
Vanpool	71	66	64	80	92	129	162	173	190	196
Total	993	991	945	922	926	981	1,019	1,013	978	1,014
Operating Facilities (2)										
Bus										
Number of operating garages	4	4	4	4	3	3	3	3	3	3
Number of transit centers	13	14	15	15	15	15	15	15	15	15
Number of bus stops	11,961	11,961	11,961	11,961	11,961	12,322	12,500	12,500	12,500	12,500
Light Rail										
Miles of tracks	44	44	45	45	45	45	48	48	72	77
Number of stations	34	34	35	35	35	35	39	39	55	58
Number of operating garages	1	1	1	1	1	1	1	1	2	2
Commuter Rail										
Miles of tracks	34	34	34	34	34	34	34	34	34	34
Number of stations	10	10	10	10	10	10	10	10	10	10
Number of operating garages	1	1	1	1	1	1	1	1	1	1
Demand Response										
Number of operating garages	1	1	1	1	1	1	1	1	1	1

Sources:

1) National Transit Database

2) Quarterly Performance Reports for the 4th quarter of each fiscal year.

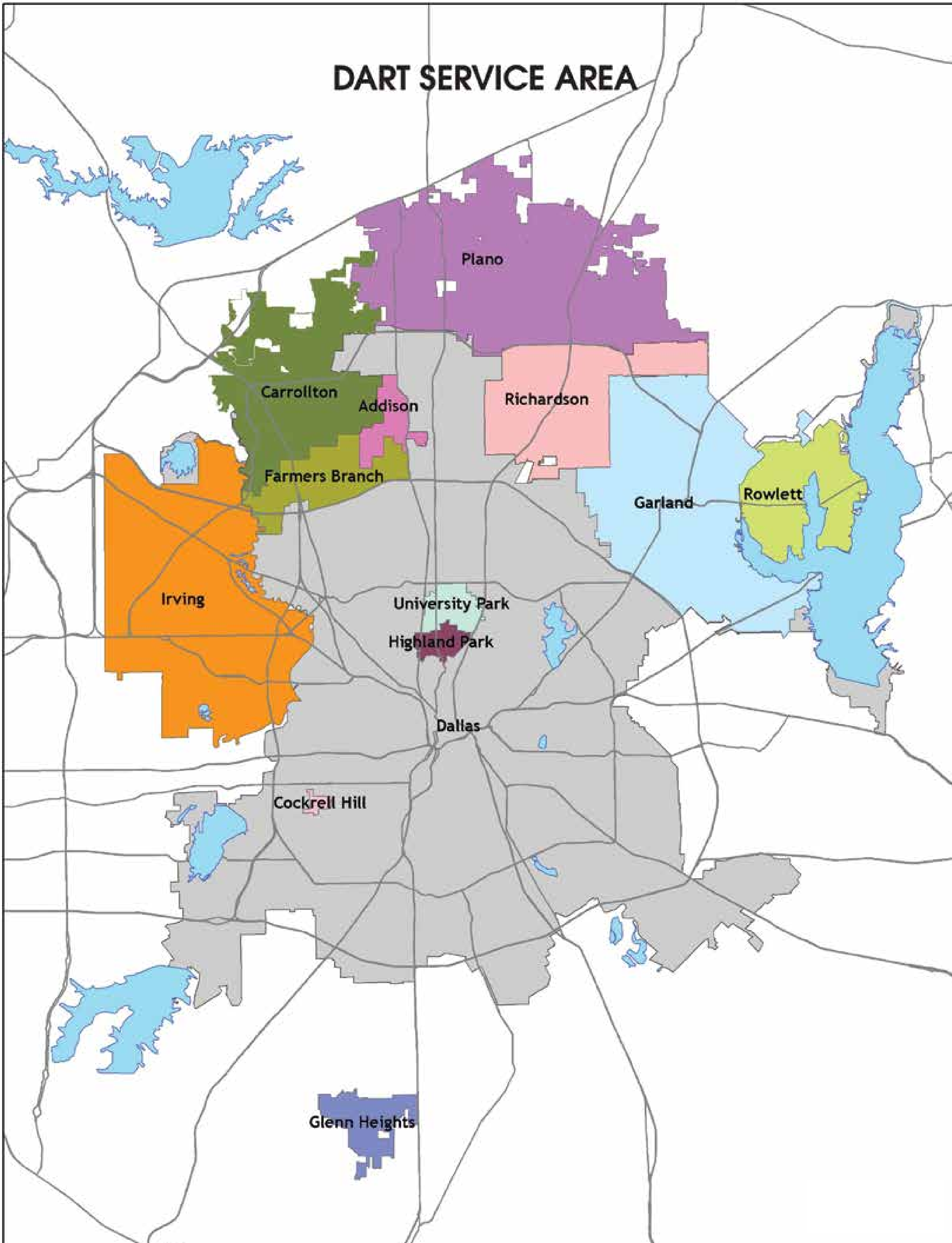
DALLAS AREA RAPID TRANSIT

COST OF CAPITAL ASSETS

LAST TEN FISCAL YEARS (Amounts In Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Non-Depreciable Capital Assets										
Land and right-of-way	$384,185	$384,102	$387,010	$387,009	$388,000	$387,934	$398,914	$397,997	$548,904	$554,714
Capital projects in progress	247,941	301,044	328,470	469,652	745,171	1,210,357	1,755,739	2,305,270	859,872	701,352
Total Non-Depreciable Capital Assets	632,126	685,146	715,480	856,661	1,133,171	1,598,291	2,154,653	2,703,267	1,408,776	1,256,066
Depreciable Capital Assets										
Transit-ways	1,224,473	1,275,293	1,348,788	1,371,496	1,369,288	1,408,118	1,607,364	1,631,987	2,779,751	3,188,305
Buildings and Improvements	354,632	359,501	364,689	366,067	369,411	404,477	416,472	419,849	696,102	702,179
Revenue and Non-Revenue Vehicles and Equipment	608,997	622,727	620,069	613,603	703,230	719,346	804,314	935,898	1,218,639	1,275,561
Furniture, Fixtures, and Leasehold Improvements	34,374	35,210	35,315	31,423	33,083	35,370	38,189	38,940	43,242	49,537
Total Depreciable Capital Assets	2,222,476	2,292,731	2,368,861	2,382,589	2,475,012	2,567,311	2,866,339	3,026,674	4,737,734	5,215,582
Less Accumulated Depreciation										
Transit-ways	176,593	219,965	265,436	311,617	357,424	403,562	452,524	508,156	593,902	690,650
Buildings and Improvements	113,111	128,226	143,736	159,854	175,430	191,518	207,275	221,232	240,967	265,881
Revenue and Non-Revenue Vehicles and Equipment	223,495	233,330	252,701	282,125	321,540	357,358	395,183	447,998	499,242	559,630
Furniture, Fixtures, and Leasehold Improvements	23,933	28,599	32,398	29,740	31,244	29,214	31,868	31,939	36,569	38,929
Total Accumulated Depreciation	537,132	610,120	694,271	783,336	885,638	981,652	1,086,850	1,209,325	1,370,680	1,555,090
Net Depreciable Capital Assets	1,685,344	1,682,611	1,674,590	1,599,253	1,589,374	1,585,659	1,779,489	1,817,349	3,367,054	3,660,492
Net Capital Assets	$ 2,317,470	$ 2,367,757	$ 2,390,070	$ 2,455,914	$ 2,722,545	$ 3,183,950	$ 3,934,142	$ 4,520,616	$ 4,775,830	$ 4,916,558

Source: Annual financial statements



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