

## DALLAS AREA RAPID TRANSIT



### Quarterly Disclosure Update For the three-month period ended December 31, 2021

---

*This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2021, and dated March 24, 2022. The Annual Disclosure Statement will be filed as a public record with the Municipal Securities Rulemaking Board’s website at [www.emma.msrb.org](http://www.emma.msrb.org), and is posted online at our website, [www.dart.org](http://www.dart.org). You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.*

---

#### GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our Annual Disclosure Statement for the period ending September 30, 2021, and dated March 24, 2022. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the Annual Disclosure Statement for the period ending September 30, 2021 and dated March 24, 2022. See, Annual Disclosure Statement, Appendix B, “SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION.”

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

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the three-month period ended December 31, 2021.

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

#### FORWARD-LOOKING STATEMENTS

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

---

Dated: March 25, 2022

## QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2021 and dated March 24, 2022, is updated by the following supplemental information:

### **Unaudited Financial Information**

Audited financial statements for our fiscal year ended September 30, 2021, are attached as Appendix A to the Annual Disclosure Statement. An unaudited statement of our principal accounts for the three-month period ended December 31, 2021 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the three-month period ended December 31, 2021, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this three-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

### **Management's Comment Regarding the First Three-Month Period Financial Information**

DART's unaudited financial statements for the three-month period ended December 31, 2021, and December 31, 2020, show sales tax revenues as \$192.4 million and \$160.1 million, respectively, which indicates an increase of 20.2% due to improved conditions within the local economy and in the DART Service Area. Our operating results for the three-month period ended December 31, 2021 reflect a decrease in net position \$0.3 million, compared to \$18.4 million for the three-month period ended December 31, 2020. This was primarily due to increases in sales tax revenues, and decreased labor, and federal capital contributions.

DART maintains various cash reserves including a Financial Reserve Fund that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Mobility Assistance and Innovation Fund (the "MAIF") (formerly known as the "Capital Reserve Fund"). Should the Financial Reserve Fund exceed \$50 million, excess sales tax receipts are placed in the MAIF. An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve Fund or MAIF, and the funds may be used for any purpose approved by the Board. In Fiscal Year 2021, our sales tax receipts were greater than sales tax budget by \$97.7 million. Therefore, a transfer was made to the MAIF before calendar year-end. The December 31, 2021 balances in the Financial Reserve and MAIF were \$50.0 million and \$110.3 million, respectively. The Operating Fund balance was \$265.4 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

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

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of December 31, 2021, one lease/leaseback transaction remained active and is in full compliance with the respective operative documents, as amended.

### **Litigation**

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

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

---

**Exhibit A**

**Unaudited Statement of Principal Accounts  
for the three-month period ended December 31, 2021**

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

**DECEMBER 31, 2021 AND SEPTEMBER 30, 2021 (Dollars in Thousands)**

	12/31/2021 Unaudited	9/30/2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$111,241	\$314,744
Investments	355,862	195,203
Sales and use tax receivable	131,377	121,139
Transit revenue receivable, net	6,604	5,337
Due from federal and other governments	19,439	31,518
Materials and supplies inventory, net	34,971	35,454
Prepaid transit expense and other	12,195	5,605
Restricted investments held by trustee for debt service	48,821	129,607
Restricted investments held for advance funding agreements	24,067	27,481
Restricted investments held to pay capital lease/leaseback liabilities	18	18
<b>TOTAL CURRENT ASSETS</b>	<b>744,595</b>	<b>866,106</b>
<b>NONCURRENT ASSETS</b>		
Restricted investments held as security for capital lease/leaseback liabilities	3,108	3,415
Restricted investments for system expansion and acquisition	453,670	943
Investment in joint venture	7,706	7,946
Capital assets		
Land and rights-of-way	618,572	618,572
Projects in progress	689,600	658,168
Depreciable capital assets, net of depreciation	2,885,362	2,942,729
Restricted investments held to pay capital lease/leaseback liabilities	123,868	121,159
Net other post employment benefit (OPEB)	6,653	6,653
Unamortized bond insurance premium and other	483	493
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,789,022</b>	<b>4,360,078</b>
<b>TOTAL ASSETS</b>	<b>5,533,617</b>	<b>5,226,184</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>104,571</b>	<b>98,137</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,638,188</b>	<b>5,324,321</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	44,015	96,245
Commercial paper notes payable	65,100	119,100
Current portion of capital lease/leaseback liabilities	18	18
Current portion of repayment due to State Comptroller	2,410	2,410
Local Assistance Program payable	6,524	6,524
Retainage payable	26,404	24,755
Unearned revenue and other liabilities	60,926	64,035
Accrued interest payable from restricted assets	12,471	47,684
Current portion of senior lien revenue bonds payable	77,990	71,355
<b>TOTAL CURRENT LIABILITIES</b>	<b>295,858</b>	<b>432,126</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	52,934	38,348
Net pension liability	40,783	38,283
Repayment due to State Comptroller	5,100	5,702
Senior lien revenue bonds payable	3,644,128	3,177,009
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	-	35,845
Capital lease/leaseback liabilities	123,868	121,159
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,866,813</b>	<b>3,416,346</b>
<b>TOTAL LIABILITIES</b>	<b>4,162,671</b>	<b>3,848,472</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>25,671</b>	<b>25,671</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>4,188,342</b>	<b>3,874,143</b>
<b>NET POSITION</b>		
Net investment in capital assets	914,019	838,658
Restricted for debt service	36,350	81,923
Restricted as security for capital lease/leaseback liabilities	3,108	3,415
Unrestricted	496,369	526,182
<b>TOTAL NET POSITION</b>	<b>\$1,449,846</b>	<b>\$1,450,178</b>

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

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2021 and 2020 (Dollars in Thousands)**

	2021 <u>Unaudited</u>	2020 <u>Unaudited</u>
OPERATING REVENUES		
Passenger revenues	\$8,492	\$7,960
Advertising, rent, and other	3,669	3,169
TOTAL OPERATING REVENUES	<u>12,161</u>	<u>11,129</u>
OPERATING EXPENSES		
Labor	63,328	80,612
Benefits	30,559	32,922
Services	12,867	12,600
Materials and supplies	12,277	10,982
Purchased transportation	15,023	12,860
Depreciation and amortization	60,172	62,343
Utilities	4,115	3,467
Taxes, leases, and other	1,348	669
Casualty and liability	2,207	1,692
TOTAL OPERATING EXPENSES	<u>201,896</u>	<u>218,147</u>
NET OPERATING LOSS	<u>(189,735)</u>	<u>(207,018)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	192,425	160,073
Investment income (loss)	(211)	547
Interest income from investments held to pay capital lease/leaseback	2,709	2,398
Interest expense on capital lease/leaseback	(2,709)	(2,398)
Interest and financing expenses	(39,813)	(36,366)
Build America Bonds tax credit	5,325	5,351
Other federal grants	16,761	18,752
Other non-operating revenues	6,344	4,060
Other non-operating expenses	(257)	(2,878)
NET NON-OPERATING REVENUES	<u>180,574</u>	<u>149,539</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(9,161)</u>	<u>(57,479)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	3,250	35,306
State capital contributions	5,546	3,489
Local capital contributions	33	310
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>8,829</u>	<u>39,105</u>
CHANGE IN NET POSITION	(332)	(18,374)
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,450,178</u>	<u>1,340,980</u>
TOTAL NET POSITION – END OF THE REPORTING PERIOD	<u>\$1,449,846</u>	<u>\$1,322,606</u>

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

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2021 and 2020 (Dollars in Thousands)**

	2021 Unaudited	2020 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$20,945	\$14,099
Payments to suppliers of goods and services	(45,505)	(26,560)
Payments to purchased transportation service providers	(13,807)	(11,391)
Payments to employees	(66,032)	(80,954)
Benefit payments on behalf of employees	(28,263)	(33,369)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(132,662)</u>	<u>(138,175)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales and use tax receipts	181,584	152,729
Other federal grants	15,260	18,440
Build America Bonds tax credit	16,757	10,662
Local Assistance Program and street improvements	(13)	(3,426)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>213,588</u>	<u>178,405</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	140	437
Proceeds from sales and maturity of investments	338,927	188,435
Purchase of investments	(868,198)	(96,604)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(529,131)</u>	<u>92,268</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(60,041)	(73,356)
Proceeds from the issuance of commercial paper notes	111,400	59,000
Payment on commercial paper notes	(165,400)	(74,000)
Proceeds from the issuance of revenue bonds	500,000	-
Debt issuance costs	(564)	(2,054)
Principal payment on revenue bonds	(71,355)	(62,689)
Interest and financing expenses	(71,712)	(74,771)
Federal capital contributions	2,371	19,268
State and local capital contributions	3	64
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>244,702</u>	<u>(208,538)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(203,503)</u>	<u>(76,040)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR</b>	<u>314,744</u>	<u>384,038</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$111,241</u>	<u>\$307,998</u>

(Continued)

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

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2021 and 2020 (Dollars in Thousands)**

	2021 <u>Unaudited</u>	2020 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(189,736)	\$(207,018)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	60,172	62,343
Miscellaneous non-operating income	6,344	4,060
Miscellaneous non-operating expenses	(244)	(10)
Changes in assets and liabilities		
Decrease (increase) in transit receivable	(1,261)	(825)
Increase (decrease) in due from federal & other governments	3,039	(779)
Decrease (increase) in materials and supplies inventory	483	(84)
Increase in prepaid expenses and other current assets	(6,542)	(4,092)
Increase in net pension liability	2,500	2,405
Increase in net other post-employment benefits (OPEB) liability	-	1,322
Increase (decrease) in accounts payable and accrued liabilities	(9,868)	5,015
Increase (decrease) in unearned revenue and other liabilities	2,451	(512)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(132,662)</u>	<u>\$(138,175)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$2,709	\$2,398
Interest expense on capital lease/leaseback	(2,709)	(2,398)
Increase in capital lease/leaseback obligations	2,709	2,398
Increase in investments held to pay capital lease/leaseback	(2,709)	(2,398)
Increase (Decrease) in fair value of investments	(413)	161
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(7,377)	(3,583)
Purchases of capital assets in accounts payable at period-end	2,478	1,098
Change in advance payments received from the State – capital contributions	4,053	3,470
Proceeds from the issuance of sales tax revenue bonds	637,322	284,454
Payment for advance refunding of sales tax revenue bonds	(637,322)	(284,454)

(Concluded)