

DALLAS AREA RAPID TRANSIT



**Quarterly Disclosure Update
For the six-month period ended March 31, 2019**

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

GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our Annual Disclosure Statement for the period ending September 30, 2018, and dated March 12, 2019. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the Annual Disclosure Statement for the period ending September 30, 2018 and dated March 12, 2019. See, Annual Disclosure Statement, Appendix B, "SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION."

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

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the six-month period ended March 31, 2019.

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

FORWARD-LOOKING STATEMENTS

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

Dated: May 28, 2019

QUARTERLY DISCLOSURE UPDATE

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

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2018, are attached as Appendix A to the Annual Disclosure Statement. An unaudited statement of our principal accounts for the six-month period ended March 31, 2019 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the six-month period ended March 31, 2019, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this six-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding Second Quarter Financial Information

DART's unaudited financial statements for the six-month period ended March 31, 2019, and March 31, 2018, show sales tax revenues as \$315.9 million and \$297.3 million, respectively, which indicates an increase of 6.3% due to the continuing expansion in the local economy resulting in better retail sales in the DART Service Area. Our operating results for the six-month period ended March 31, 2019 reflect a decrease in capital assets net of depreciation \$50.2 million, compared to \$63.9 million for the six-month period ended March 31, 2018. This is primarily due to a decrease in capital assets net of depreciation.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Capital Reserve Account. Should the Financial Reserve exceed \$50 million, excess sales tax receipts are placed in the Capital Reserve Account. An affirmative vote of two-thirds of the Board is required to draw upon the Financial or Capital Reserves, and the funds may be used for any purpose approved by the Board. In Fiscal Year 2018, our sales tax receipts exceeded our sales tax budget by \$1.7 million. In December 2018, excess sales tax receipts for FY 2018 were transferred to the Capital Reserve because the Financial Reserve was already at the policy-capped balance of \$50 million. According to DART policy, future excess sales tax receipts are being deposited into the Capital Reserve. The March 31, 2019 balances in the Financial Reserve and Capital Reserve were \$50.2 million and \$12.1 million, respectively. The Operating Fund balance was \$342.5 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 March 31, 2019, one lease/leaseback transaction remained active and is in full compliance with the respective operative documents, as amended.

Litigation

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

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

This Quarterly Disclosure Update, in substantially the form and content presented above and in its Exhibit, was reviewed with the Board of Directors of DART on May 28, 2019.

ATTEST:

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

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

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

Exhibit A

**Unaudited Statement of Principal Accounts
for the six-month period ended March 31, 2019**

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

MARCH 31, 2019 AND SEPTEMBER 30, 2018 (Dollars in Thousands)

	3/31/2019 Unaudited	9/30/2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$93,665	\$98,361
Investments	335,971	390,208
Sales and use tax receivable	106,444	97,949
Transit revenue receivable, net	8,026	7,001
Due from federal and other governments	26,269	21,840
Materials and supplies inventory, net	39,289	35,915
Prepaid transit expense and other	11,624	4,107
Restricted investments held by trustee for debt service	84,372	113,533
Restricted investments held for advance funding agreements	68,616	64,860
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	780,650	840,148
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	6,280	6,796
Investments restricted for system expansion and acquisition	2,862	-
Investment in joint venture	9,955	10,497
Capital assets		
Land and rights-of-way	618,596	619,043
Projects in progress	120,099	93,435
Depreciable capital assets, net of depreciation	3,416,495	3,524,818
Restricted investments held to pay capital lease/leaseback liabilities	105,380	107,492
Unamortized bond insurance premium and other	573	687
TOTAL NONCURRENT ASSETS	4,280,240	4,362,768
TOTAL ASSETS	5,060,890	5,202,916
DEFERRED OUTFLOWS OF RESOURCES	83,977	89,210
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,144,867	5,292,126
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	38,640	61,742
Commercial paper notes payable	100,100	125,000
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	824	824
Local Assistance Program payable	1,531	1,531
Retainage payable	7,454	7,002
Unearned revenue and other liabilities	118,480	111,309
Accrued interest payable from restricted assets	53,728	54,507
Current portion of senior lien revenue bonds payable	59,974	58,291
TOTAL CURRENT LIABILITIES	387,105	426,580
NONCURRENT LIABILITIES		
Accrued liabilities	39,792	39,748
Net pension liability	44,898	44,898
Net other post-employment benefits (OPEB) liability	25,311	22,667
Repayment due to State Comptroller	5,691	6,103
Senior lien revenue bonds payable	3,169,613	3,236,871
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	96,512	98,726
Railroad Rehabilitation and Improvement Financing (RRIF) Bonds payable	11,706	-
Capital lease/leaseback liabilities	105,380	107,492
TOTAL NONCURRENT LIABILITIES	3,498,903	3,556,505
TOTAL LIABILITIES	3,886,008	3,983,085
DEFERRED INFLOWS OF RESOURCES	4,663	4,663
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,890,671	3,987,748
NET POSITION		
Net investment in capital assets	786,293	764,341
Restricted for debt service	30,643	59,026
Restricted as security for capital lease/leaseback liabilities	6,280	6,796
Unrestricted	430,980	474,215
TOTAL NET POSITION	\$1,254,196	\$1,304,378

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

FOR THE SIX MONTHS ENDED MARCH 31, 2019 and 2018 (Dollars in Thousands)

	2019 Unaudited	2018 Unaudited
OPERATING REVENUES		
Passenger revenues	\$31,755	\$31,687
Advertising, rent, and other	6,556	6,530
TOTAL OPERATING REVENUES	<u>38,311</u>	<u>38,217</u>
OPERATING EXPENSES		
Labor	127,754	123,539
Benefits	57,398	51,314
Services	22,574	19,461
Materials and supplies	23,747	23,928
Purchased transportation	28,890	27,225
Depreciation and amortization	123,004	121,366
Utilities	8,177	9,553
Taxes, leases, and other	2,277	2,328
Casualty and liability	3,062	2,359
TOTAL OPERATING EXPENSES	<u>396,883</u>	<u>381,073</u>
NET OPERATING LOSS	<u>(358,572)</u>	<u>(342,856)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	315,943	297,277
Investment income	8,557	1,493
Interest income from investments held to pay capital lease/leaseback	4,262	4,262
Interest expense on capital lease/leaseback	(4,262)	(4,262)
Interest and financing expenses	(77,000)	(77,593)
Build America Bonds tax credit	14,278	14,211
Other federal grants	35,348	29,480
Other non-operating revenues	7,463	12,402
Local assistance and street improvements	(957)	(2,415)
Other non-operating expenses	(484)	(759)
NET NON-OPERATING REVENUES	<u>303,148</u>	<u>274,096</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(55,424)</u>	<u>(68,760)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	3,643	4,751
State capital contributions	1,599	129
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>5,242</u>	<u>4,880</u>
CHANGE IN NET POSITION	(50,182)	(63,880)
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,304,378</u>	<u>1,445,038</u>
TOTAL NET POSITION – END OF THE REPORTING PERIOD	<u>\$1,254,196</u>	<u>\$1,381,158</u>

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

FOR THE SIX MONTHS ENDED MARCH 31, 2019 and 2018 (Dollars in Thousands)

	2019 Unaudited	2018 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$43,779	\$47,928
Payments to suppliers of goods and services	(74,502)	(64,632)
Payments to purchased transportation service providers	(28,702)	(26,830)
Payments to employees	(131,468)	(126,421)
Benefit payments on behalf of employees	(52,612)	(54,474)
NET CASH USED BY OPERATING ACTIVITIES	<u>(243,505)</u>	<u>(224,429)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	307,036	293,797
Other federal grants	35,633	27,549
Build America Bonds tax credit	14,278	14,226
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>356,947</u>	<u>335,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,542	4,414
Proceeds from sales and maturity of investments	138,650	136,813
Purchase of investments	(80,295)	(115,896)
Decrease in restricted assets	23,059	30,665
NET CASH USED BY INVESTING ACTIVITIES	<u>85,956</u>	<u>55,996</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(52,840)	(47,900)
Proceeds from the issuance of commercial paper notes	365,100	335,000
Payment of commercial paper notes	(390,000)	(335,000)
Proceeds from Rail Road Infrastructure Financing (RRIF) Loan	11,706	
Principal payment on revenue bonds	(58,291)	(55,936)
Interest and financing expenses	(81,615)	(82,890)
Payment of debt issuance costs	(1,596)	(850)
Federal capital contributions	1,784	3,478
State capital contributions	1,599	418
Net proceeds from the sale of capital assets	59	52
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(204,094)</u>	<u>(183,628)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,696)	(16,489)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	<u>98,361</u>	<u>39,938</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$93,665</u>	<u>\$23,449</u>

(Continued)

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

FOR THE SIX MONTHS ENDED MARCH 31, 2019 and 2018 (Dollars in Thousands)

	2019 <u>Unaudited</u>	2018 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(358,572)	\$(342,856)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	123,004	121,366
Miscellaneous non-operating income	7,403	12,351
Miscellaneous non-operating expenses	(483)	(3,174)
Changes in assets and liabilities		
Decrease in transit receivable	(969)	4,972
Increase in due from federal & other governments	(1,701)	(7,612)
Increase in materials and supplies inventory	(3,374)	(973)
Decrease in prepaid expenses and other current assets	(7,506)	(6,060)
Increase (decrease) in net pension liability	-	(3,614)
Increase in net other post-employment benefits (OPEB) liability	2,644	-
Decrease in accounts payable and accrued liabilities	(8,855)	(1,267)
Increase in unearned revenue and other liabilities	4,904	2,438
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(243,505)</u>	<u>\$(224,429)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$4,262	\$4,262
Interest expense on capital lease/leaseback	(4,262)	(4,262)
Increase in capital lease/leaseback obligations	2,112	2,112
Increase in investments held to pay capital lease/leaseback	(2,112)	(2,112)
Increase (Decrease) in fair value of investments	(1,337)	(3,145)
 Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	 (5,420)	 (9,481)
Purchases of capital assets in accounts payable at period-end	1,096	7,816

(Concluded)